



CITY OF RICHMOND

Department of Planning & Development Review *Staff Report*

Ord. No. 2021-025: To direct the sale of the City-owned real estate located at 500 North 10th Street and known as the Public Safety Building to Capital City Partners LLC, for \$3,520,456.00 for the purpose of facilitating the redevelopment thereof.

Ord. No. 2021-026: To declare a public necessity for and to authorize the Chief Administrative Officer to accept a dedication of right-of-way improvements consisting of 22,277± square feet and property consisting of 6,607± square feet for the purpose of facilitating the redevelopment of the property known as 500 North 10th Street.

To: City Planning Commission
From: Land Use Administration
Date: February 16, 2021

PETITIONER

Leonard L. Sledge, Director of Economic Development

LOCATION

500 North 10th Street

PURPOSE

To direct the conveyance of the surplus City-owned real estate known as 500 North 10th Street for \$3,520,456.00 to Capital City Partners, LLC.

To declare a public necessity for and to authorize the Chief Administrative Officer to accept the dedication of right-of-way improvements consisting of 22,277± square feet and property consisting of 6,067± square feet for the purpose of facilitating the redevelopment of the property known as 500 North 10th Street.

SUMMARY & RECOMMENDATION

Public Safety Building

Built in 1954, the Public Safety Building houses offices and operations for the Department of Justice Services, the Adult Drug Court, and the Department of Public Works. The building has as "Critical" facility condition rating, accounts for approximately \$389,000 in annual operating expenses, and has \$20.9 million in immediate deferred maintenance needs. The property does not generate any General Fund Real Estate Tax revenue for the City.

Timeline

On May 1, 2020, the City received an unsolicited offer from CCP for the Public Safety Building Property. On June 22, 2020, City Council declared the Property to be surplus real estate and authorized the CAO to seek proposals for the Property via its adoption of Resolution No. 2020-R034. During the June 22, 2020 City Council Meeting, DCAO Sharon Ebert and Director of Economic Development Leonard Sledge recommended that the City negotiate with Capital City Partners, LLC on its unsolicited offer to purchase and redevelop the Property. This recommendation was reiterated in a June 24th memorandum to City Council, individual meetings

with City Councilmembers, and discussions in Closed Session City Council Meetings. This recommendation was made in lieu of issuing a request for proposals (RFP) to redevelop the site for the following reasons:

- The Navy Hill Development Advisory Commission’s final report stated, “Regardless of the outcome of the Navy Hill project as a whole...make Parcel D [Public Safety Building Site] available for sale to a private party for use by VCU hospital for a taxable project substantially as contemplated in the Navy Hill Project...”;
- 80% of the 693 responses from a Richmond 300 virtual meeting and online survey state that the Capital City Partners, LLC’s, “...proposal is an appropriate set of uses for the particular block”;
- Capital City Partners, LLC has secured Virginia Commonwealth University Health System as a master tenant in the redeveloped project that will also include new facilities for The Doorways, Ronald McDonald House Charities, and a childcare center; and
- The Project will generate new real estate tax revenue.

Summary of Terms and Community Benefits

- **Purchase Price**
 - \$3,520,456.00
- **Infrastructure/Cost Avoidance**
 - CCP, at its sole expense shall demolish the Public Safety Building and make infrastructure improvements that include connecting E. Clay Street from N. 9th St. to N. 10th St. in compliance with the Department of Public Works’ Complete Streets policies and process.
- **Mixed-use Development**
 - A minimum \$325 million private capital investment (both hard and soft costs)
 - A minimum of 150,000 sq.ft. of Class-A office space for use by the Virginia Commonwealth University Health System
 - A minimum of 90,000 sq.ft. of Class-A speculative office space that may increase to 150,000 sq.ft.
 - A minimum of 125,000 sq.ft. (145 guest rooms) for the The Doorways to include office space and guest rooms for patients, their families and caregivers, who are receiving treatment at VCU Health Systems
 - A minimum of 65,000 sq.ft. (60 guest rooms) for Ronald McDonald House Charities to guest rooms for families whose children are receiving medical care
 - A minimum of 35,000 sq.ft. for a child care facility
 - A minimum of 20,000 sq.ft. for ground level street facing retail
 - A minimum of 1,200 structured parking spaces
- **Projected Tax Revenues**
 - \$55.9 million in real estate tax revenues over 25 years

- Note - Taxable parcel –land and all improvements will be taxable; CCP or any owner or user will not apply for any type of tax abatement, tax exemption or other kind of relief from the payment of real estate taxes
 - If for any reason CCP or any owner or user are not subject to real estate taxes they shall pay the City annually an amount equal to the real estate taxes that would be required if subject to taxation
 - The taxable nature of the land and improvements will be conditioned in the deed
 - Following Closing and on an annual basis (unless the property has reverted back to the City), CCP or its successor shall pay the real estate taxes levied on the Property. If the real estate taxes levied on the Property falls short of the amount of revenues projected for such year as shown Exhibit G of the Agreement, CCP or its successor in interest is required to pay additional funds to equal the revenue projected in Exhibit G
- **Community Benefits**
 - CCP will create a \$500,000 fund “Fund” with minimum \$250,000 initial investment on the date of the Closing and additional \$50,000 investments in each of the following five years. The Fund will be managed by an existing Richmond-based organization that will be determined by CCP. The Fund will be disbursed to:
 - Offset the cost of micro or small businesses in need of financial assistance to lease office or retail space in the Project;
 - Fund organizations based in the City of Richmond whose missions are to support the start-up and growth of micro or small business enterprises; and
 - Fund scholarships for graduates of Richmond Public Schools who reside in public housing to attend a trade/technical school, community college, or college/university to pursue a post-secondary credential.
 - CCP shall to the greatest extent possible require contractors and subcontractors to set a goal to achieve the following hiring targets such that city residents comprise the following:
 - 100% of construction laborers not previously employed by the contractors or subcontractors;
 - 60% of contractors’ or subcontractors’ existing construction laborers;
 - 50% of skilled construction trades workers not previously employed by contractors or subcontractors but hired to work on the Project; and
 - 15% of the contractors’ or subcontractors’ existing skilled construction trades workers not previously employed by contractors or subcontractors but hired to work on the Project.
 - CCP will require its general contractor to use a minimum of 42,000 man-hours from union laborer personnel and to use a minimum of 225,000 man-hours from union craft personnel.
 - CCP will require all contractors and sub-contractors working on the Project, regardless of the existence of labor agreements, to pay at a minimum the prevailing wage rates for the City of Richmond as determined by the U.S. Secretary

of Labor under the provisions of the Davis-Bacon Act, 40 U.S.C.S. § 276a, as amended.

- CCP, for itself and its successors and assigns, will agree to make good faith efforts towards a goal of 40% minority business enterprise and emerging small business participation in the construction and operation of the Project.
- CCP will design and construct the Project to LEED Silver standards.
- CCP will relocate the angled bus bays and bus shelters or construct (or fund the construction) of angled bus bays and bus shelters of a same quantity and similar quality at a location to be determined jointly by the City and GRTC
- CCP will ensure that the childcare facility in the Project has a minimum of 20% of the available childcare slots available to Richmond citizens who are not employed by VCU Health System, Virginia Premier, or VCU and at the same costs paid by the employees of the aforementioned organizations
- CCP will ensure that VCUHS and Virginia Commonwealth University agree to make available up to 200 parking spaces in the Project for use by employees of the City of Richmond, Richmond Public Schools, and the judges, clerks, and personnel of the Circuit Court of the City of Richmond working in the John Marshall Courts Building
- CCP will ensure that the contractors, VCU Health Systems, Ronald McDonald House Charities, and The Doorways coordinate recruitment efforts with the city's Office of Community Wealth Building. CCP will also ensure that its Workforce Coordinator convene job fairs and information sessions in the city.

Staff recommends approval of the ordinance.

FINDINGS OF FACT

Site Description

The Property consists of 131,115.6 sq. ft., or 3.01 acres. The Property is improved with a 3-story government building that was constructed circa 1954 as well as surface parking areas. The property is bound by North 9th Street to the west, East Leigh Street to the north, North 10th Street to the east, and the City of Richmond Social Services Building and Marshall Plaza to the south.

Proposed Use of the Property

Mixed-use development with a minimum of 150,000 sq. ft. of Class-A office space for use by the Virginia Commonwealth University Health System; minimum of 90,000 sq. ft. of Class-A speculative office space that may increase to 150,000 sq. ft.; a minimum of 125,000 sq. ft. (145 guestrooms) for The Doorways to include office space and guest rooms for patients, their families and caregivers, who are receiving treatment at VCU Health Systems; a minimum of 65,000 sq. ft. (60 guest rooms) for Ronald McDonald House Charities to guest rooms for families whose children are receiving medical care; a minimum of 35,000 sq. ft. for a child care facility; a minimum

of 20,000 sq. ft. for ground level street facing retail; and a minimum of 1,200 structured parking spaces.

22,277± sq. ft. of the Property will be dedicated as public right-of-way to extend East Clay Street to North 10th Street and an additional 6,067± sq. ft. will be dedicated as part of the City-owned property where the Social Services Building and Marshall Plaza are located.

Master Plan

Richmond 300 recommends a land use category of Downtown Mixed Use for this property. Primary uses include retail/office/personal service, multi-family residential, cultural, institutional, government, and open space.

The property also falls within the “Downtown – Downtown Core Priority Growth Node”, the vision for this node is: “As the highest density of office employment in the region, the Downtown Core continues to serve as the backbone of the local, state, and federal government in Richmond as well as a financial, insurance, biotech, and healthcare center. Over the next 20 years, the Downtown Core continues to transition from a primarily office district to an 18-hour district (18 hours of the day are lively and 6 are sleepy) with a mix of uses, including entertainment, residential, and retail uses. New infill development matches the intensity of existing buildings and includes active ground floor uses that enliven the sidewalks. Signature public spaces and greenways connect the Downtown Core’s sub-districts to one another and generate activity at the pedestrian level by increasing pedestrian, bike, and transit connections among the various sub-districts, plazas, parks, and the James River. City-owned property, such as the Coliseum, are redeveloped to foster a mixed-income, mixed-use development that enlivens Downtown by drawing people to Downtown in the evenings and on the weekend.”

Objective 9.4 of Richmond 30 states: Strengthen the street network by preventing superblocks and encouraging gridded street networks and two-way streets.

Zoning

This property is currently zoned B-4 Central Business District.

Surrounding Area

Properties to the east, west and south are also located within the B-4 Central Business District; properties to the north are located in the RO-3 Residential-Office District.

Community Feedback

Staff has received letters of support regarding this proposal.

Staff Contact:

Leonard L. Sledge, Director of Economic Development, 804-646-7576
Matthew Ebinger, Principal Planner, Land Use Administration, 804-646-6308