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Richmond City Council
The Voice of the People Richmond, Virginia

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Finance & Economic Development Standing Committee Staff Report & Supplemental Information

December 17, 2015

Committee's Mission Statement

**To provide legislative stewardship of Richmond's financial
and economic resources by:**

- 1) establishing sound fiscal policy and legislation;
- 2) maximizing the return on citizen investment; and
- 3) expanding economic opportunities.



Richmond City Council
The Voice of the People Richmond, Virginia

**Finance & Economic Development Standing Committee
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Richmond City Council

The Voice of the People

Richmond, Virginia

STAFF REPORT

December 17, 2015

The last Committee meeting was held on November 19, 2015

Presentations, Reports and Discussion Items at the November 19th Meeting

Follow-Up Items Requested by Committee Members

- To have an existing economic development package be put through the new fiscal and economic impact report template that has been designed per Ordinance 2015-144-154. (Follow-up from September)
- Identification of the sources for additional funding of the Kanawha Plaza project, and the legality thereof. (City Attorney deferred to City Auditor)

Expected Presentations, Reports or Discussion Items at the December 17th Meeting

The following items are on the agenda for review at the December Committee meeting.

Discussion Item(s):

- PACE Energy Efficiency Loan Program Abigail Johnson

Report(s):

- Staff Report & Supplemental Information

Board Recommendations/Actions

- Boards and Commissions..... Alexander Rawls, Boards and Commissions Administrator

Next Committee Meeting

- The next Committee meeting is scheduled for 3:00 P.M. January 21, 2016.

SUMMARY OF PAPERS

1. **Ord. No. 2014-217 (Patron: Vice President Robertson) - To amend ch. 18 of the City Code by adding therein a new art. XII, consisting of new sections 18-626, 18-627, 18-636, 18-646 and 18-647, concerning tourism zones, for the purpose of establishing a Downtown Tourism Zone pursuant to Va. Code §58.1-3851. – Continued from November 19.**

Summary of Ordinance/Resolution, Background:

Ordinance 2014-127:

- Establishes the Downtown Tourism Zone
- Sets the boundaries for the aforementioned Zone
- Establishes incentives for the Downtown Tourism Zone
- The incentives offered in the proposed tourism zone, would be the same as those provided for the Arts and Cultural District.
- The boundaries of the Tourism District shall be: beginning at the intersection of West Main Street and North Belvidere Street, then north along North Belvidere Street to its intersection with West Leigh Street, then proceeding east along West Leigh Street to East Leigh Street and its intersection with North Ninth Street, then proceeding south along North Ninth Street to its intersection with East Main Street, then proceeding west along East Main Street to West Main Street and its intersection with North Belvidere Street, the point of beginning.
- The patron has requested a tourism zone to compliment the City's existing Arts and Cultural District and Enterprise Zones. A tourism zone designation will allow these areas to receive incentives that would contribute to the continued growth of downtown and the City, overall.

Staff Analysis and Questions:

1. The Committee may be interested in determining if current appropriations will support the proposed incentives, as used in the Arts and Cultural District.
2. The Committee may be interested in determining if the boundaries of the Tourism Zone adequately capture areas that may benefit from the designation.

Fiscal Impact:

- The fiscal impact cannot be determined at this point. The proposed Tourism District will result in variable costs to the City for support of promotion, marketing and branding, and assistance for development and redevelopment. Additionally, there will be foregone revenue associated with the proposed waivers and rebates. The exact costs to the City will depend on the level of activity in the Tourism Zone. These costs are expected to be wholly or partly offset by the increased tax revenue resulting from new and rehabilitated commercial and residential property; and from additional spending in local restaurants, eateries, and other businesses locating in the Zone.
- It is expected that the project will generate long-term revenues to the City from new businesses locating in the City and tourism zone.

2. **Ord. No. 2015-232 (Patron: Mrs. Robertson) To amend and reordain City Code § 2-302, concerning the functions of the Department of Economic and Community Development, and to amend ch. 2 of the City Code by adding therein a new art. VIII, concerning the City's development process, consisting of div. 1 (§§ 2-1401—2-1402), concerning general matters, div. 2 (§§ 2-1411—2-1415), concerning the planning process, div. 3 (§§ 2-1421—2-1426), concerning redevelopment and development projects, and div. 4 (§§ 2-1431—2-1435), concerning economic development projects, for the purpose of establishing a framework for planning, development, review, and approval of projects that involve contributions by the City. – Continued from November 19.**

Summary of Ordinance/Resolution, Background:

Ordinance No. 2015-232 does six major things to reform and restructure the City's economic development program:

1. It links the City's economic development program to the Master Planning process (§2-302) by requiring:
 - An Economic Development Master Plan, and
 - Integration of the Economic Development Master Plan and the City's Master Plan
2. The Department of Economic and Community Development and the Department of Planning and Development Review will jointly develop criteria for designation of Strategic Growth Areas (Division 2).
 - These criteria will be subject to Council review and adoption by Resolution.
 - Strategic growth areas would be designated by City Council once a Small Area Plan has been developed.
 - Strategic growth areas must be updated every five years.
3. The Department of Economic and Community Development is required to actively market those areas of the City, designated as *Strategic Growth Areas* in the *Master Plan*.
4. The Department of Economic and Community Development and the Department of Planning and Development Review will jointly develop criteria for evaluation of Redevelopment and Development Projects (Division 3), and Economic Development Projects (Division 4).
 - These criteria will be subject to Council review and adoption by resolution.
 - Evaluation criteria must be updated every twelve months.
5. It divides the City's economic development program into two distinct areas: Redevelopment and Development Projects (Division 3), and Economic Development Projects (Division 4).
 - Preliminary Review, with a report to the Mayor and City Council to determine the general feasibility and desirability of the proposal.
 - Generally 10 business days for Redevelopment and Development Projects.
 - Project specific time line for Economic Development Projects.
 - Comprehensive Review, with a report to the Mayor and City Council to determine the detailed feasibility and desirability of the proposal.
 - Generally 20 business days for Redevelopment and Development Projects.

- Project specific time line for Economic Development Projects.
 - Review for consistency with *Small Area Plans* will take place only if a *Strategic Growth Area* has been approved by City Council.
 - Development of a *Small Area Plan* will take place only if a previously adopted plan is more than five years old.
6. It requires a final report that includes all of the following elements:
- a. A copy of the proposal that was considered.
 - b. The findings of the both the preliminary review and the comprehensive review.
 - c. The fiscal and economic impact statements required pursuant to sections 2-306 through 2-308 of the Richmond City Code.
 - d. The proposed draft agreement, that will include
 - i. A description of the proposed project.
 - ii. Provisions for the recovery of City expenditures in the event of the failure of the business or businesses to perform as the agreement requires.
 - iii. (For redevelopment and development projects only.) Provisions for the automatic termination of the agreement if substantial progress on the redevelopment and development project has not been made within a prescribed period of time not to exceed 180 calendar days unless the City Council has approved an extension of this period of time by ordinance.
 - e. Drafts of all ordinances necessary for the implementation of the recommendations set out in the report.

Staff Analysis and Questions:

Planning and Marketing

The City's current Master Planning process does not include development of detailed plans (Small Area Plans) for specific areas within the City (Strategic Growth Areas). Development of such detailed plans for specific areas targeted for development or redevelopment will help guide the efforts of the City and private developers and reduce the opportunities for proposed uses that are contrary to the long-term interests of the City and its residents. Active marketing of these areas will increase the likelihood that potential developers will be aware of the opportunities that are available; and, thereby, increase the likelihood of action.

The Department of Economic and Community Development and the Department of Planning and Development Review jointly develop criteria for designation of Strategic Growth Areas. These criteria will be subject to Council review and adoption by resolution. Strategic growth areas would be designated by City Council once a Small Area Plan has been developed.

Examples of potential *Strategic Growth Areas* include, but should not be limited to:

- | | |
|---------------------------------|---------------------------------|
| a. Port Development | d. Main Street Station |
| b. Boulevard Redevelopment | e. City Stadium Redevelopment |
| c. Shockoe Bottom Redevelopment | f. Southside business districts |

Division into two distinct areas

Division of the City's economic development incentive program into separate categories for Redevelopment and Development Projects, and Economic Development Projects recognizes the different nature of these areas. It is consistent with practice in other jurisdictions, such as Virginia Beach. Virginia Beach has separate policies for providing Economic Development Investment Programs to businesses and for the development or redevelopment of properties in Strategic Growth Areas. The actual criteria and incentives are to be set out in separate Resolutions.

The primary differences between the two areas are:

	Economic Development	Redevelopment and Development Projects
Time for Preliminary Review	Prospect Specific	10 Business Days*
Time for Comprehensive Review	Prospect Specific	20 Business Days*
Authorization	N/A	180 Days to demonstrate substantial progress

* Can be extended for cause.

Strengthen City Council's awareness and input

The proposed policy ordinance also formalizes the number of instances where notice to, or briefing of, City Council is required:

1. Notice of Preliminary Review findings
2. Report and Recommendations on Comprehensive Review

This formal involvement of Council is intended to increase the common understanding of projects and proposed incentives. Involvement at these stages will assure that proposals are developed with broad support, and scarce resources are not expended developing proposals that are unlikely to move forward.

Strengthen the public's awareness and input

The proposed policy ordinance also formalizes the requirements for public involvement:
For Redevelopment and Development Projects

1. During the Master Planning process, for the development of Small Area Plans
2. During the Comprehensive Review process
3. Report and Recommendations on Comprehensive Review

For Economic Development Projects a general statement is included that encourages public briefings and public hearings whenever possible in the context of the confidentiality requirements of each individual project.

This formal involvement of the public is intended to increase the common understanding of projects and proposed incentives. Involvement at these stages will assure that proposals are developed with broad support, and scarce resources are not expended developing proposals that are unlikely to move forward.

- The Committee may wish to determine if additional staff will be required by the Department of Economic and Community Development and the Department of Planning and Development Review.
- The Committee may wish to hear from representatives of the economic development, and the residential and commercial real estate development communities on the potential impacts of the proposed ordinance.
- The Committee may wish to determine if the timelines set out for review of proposals allow sufficient time for review without imposing unreasonable delay of proposals.

Fiscal Impact:

The fiscal impact of the proposed ordinance will depend on the number of economic development proposals received, the level of complexity, and the time-frame available for review. Marketing of Strategic Growth Areas by the Department of Economic and Community Development will require additional Resources. The nature of these resources will depend on the number of Strategic Growth Areas and the marketing plan.

3. **Ord. No. 2015-233 (Patron: Mrs. Robertson)** To amend and reordain City Code §§ 98-263, concerning the eligibility of residential real property in redevelopment and conservation areas and rehabilitation districts for partial tax exemption, 98-264, concerning the application requirements for such partial tax exemption, and 98-265, concerning the amount of such exemption and the basis for taxes during construction, for the purposes of adjusting applicable threshold requirements to qualify for such exemption, adding maximum rent limits for certain dwelling units, authorizing an additional exemption period for certain structures and requiring that property owners file annual renewal applications with the City Assessor. – **Continued from November 19.**

Summary of Ordinance/Resolution, Background:

This paper requests an amendment to the partial tax exemption program for redevelopment or conservation areas or rehabilitation districts. The amendments are as follows:

1. Eliminating the multifamily less/more than 8 units and just having a single category for multifamily;
2. Making the affordable housing restrictions applicable to both mixed-use and multifamily;
3. Increasing the minimum threshold requirement and amending it to be a minimum of 30 percent instead of a minimum of 15 percent and keeping the maximum threshold the same at maximum of 50 percent;
4. Reducing the percentage of housing restricted to individuals or families earning up to a percentage of the area median income for the Richmond-Petersburg Metropolitan Statistical area from 80 percent to 60 percent;
5. Including maximum rent limit for the units restricted to individuals or families earning up to 60 percent of the area medium income;
6. Requiring that the units for the restricted individuals and families be dispersed throughout the building;
7. Amending the exemption amount to ten (10) full years of 100% exemption verses the current 5 years with a 4 year roll off;
8. Providing the City Assessor the authority to create and administer an annual verification process;
9. Eliminating a requirement of the application process to allow the use of low income housing tax credits to qualify for the partial tax exemption.

Staff Analysis and Questions:

The paper is adding a maximum rent limit on the dwelling units that are restricted for individuals and families making up to 60 percent of the area median income. The maximum rent cannot exceed 30 percent of their income. With a median area income of \$74,200, a two person household can only be charged a maximum monthly rent of approximately \$891.

City Code currently as written does not allow partial tax exemption to be granted if the owner has qualified for an IRS – 42 low income housing tax credits. The requested amendment would allow those individuals who have qualified for low income housing tax credits to also receive partial tax exemption.

- 1.) The Committee may be interested on how many years, on average, an individual or entity who has participated in the program has received the exemption. Do participants take advantage of the full 10 years or do most opt out earlier?

Fiscal Impact:

The requested amendments do not directly impact a budgeted source of revenue for the City in the current fiscal year. The exact or estimated amounts cannot be quantified at the current time as each development would be on a case by case basis upon receiving qualifying applications.

4. Ord. No. 2015-252 (Patron: Mayor Jones) To authorize the Chief Administrative Officer to accept funds in the amount of \$381,749.00 from the State Compensation Board and to appropriate the increase to the Fiscal Year 2015-2016 General Fund Budget by increasing estimated revenues and the amount appropriated to the City Treasurer by \$2,622.00, the Department of Finance by \$15,344.00, the Judiciary by \$57,713.00, and the City Sheriff by \$306,070.00 for the purpose of funding a two percent salary increase for the City's constitutional officers and their employees.

Summary of Ordinance/Resolution, Background

Ordinance No. 2015-252 does three things that affect the FY 2016 General Fund Budget:

- Authorizes the Chief Administrative Officer to accept \$381,749 from the State Compensation Board.
- Increases estimated General Fund revenues by \$381,749.
- Appropriates a total of \$381,749 to support a 2.0% salary increase for Richmond's Constitutional Officers and their employees, as authorized by the Commonwealth's Appropriations Act.

Constitutional Office	GF Amount
City Treasurer	\$ 2,622
Finance	\$ 15,344
Circuit Court Clerk (Judiciary)	\$ 57,713
City Sheriff	\$ 306,070
Total	\$ 381,749

Staff Analysis and Questions:

- Council may wish to determine if the funds provided by the State Compensation Board are sufficient to cover the cost of the 2.0% salary increase. If not, how will the additional costs to funded?

Fiscal Impact:

General fund revenues and expenditures are increased by \$381,749.

- 5. Ord. No. 2015-253 (Patron: Mayor Jones) To amend City Code § 8-7, concerning the naming of City facilities, for the purpose of excluding from the provisions of City Code §§ 8-7—8-10 any City-owned building leased by the City to a tenant when the lease grants the tenant the right to transfer naming rights to that building.**
- 6. Ord. No. 2015-254 (Patron: Mayor Jones) To authorize the Chief Administrative Officer, on behalf of the City of Richmond, to execute a First Amendment to Lease and Franchise Agreement between the City of Richmond, Virginia, and Richmond**

Performing Arts Center, L.L.P., for the purpose of providing for the transfer of naming rights to the downtown performing arts complex that includes the Carpenter Theatre by Richmond Performing Arts Center, L.L.P.

Summary of Ordinance/Resolution, Background

Two ordinances, 2015-253 and 2015-254, provide for renaming of the Richmond Centerstage performing arts facility as the Dominion Arts Center:

- Ordinance No. 2015-253: Amends City Code § 8-7 to exclude from the provisions of City Code §§ 8-7 through 8-10 any City-owned building leased by the City to a tenant when the lease grants the tenant the right to transfer naming rights to that building.
- Ordinance No. 2015-254: Authorizes the Chief Administrative Officer to execute a First Amendment to the Lease and Franchise Agreement between the City and Richmond Performing Arts Center, L.L.P. this amendment transfers naming rights to the downtown performing arts complex to the Richmond Performing Arts Center, L.L.P.

Staff Analysis and Questions:

- Sections 8-7 through 8-10 of the Richmond City Code currently provide that the City Council must approve the name of any City-owned building. This applies to the Carpenter Center, which is owned by the City and leased to the Richmond Performing Arts Center, L.L.P., doing business as Richmond Centerstage. These sections are:
 - Sec. 8-7. - Naming of City facilities—Purpose; definition of "City facility"; applicability.
 - Sec. 8-8. - Same—Policy.
 - Sec. 8-9. - Same—Criteria.
 - Sec. 8-10. - Same—Procedures.
- Ordinance No. 2015-253 will allow a tenant to exercise naming rights to a city owned building when the lease grants the tenant the right to transfer naming rights to that facility.
- Ordinance No. 2015-254 authorizes the Chief Administrative Officer to transfers naming rights to the downtown performing arts complex to the Richmond Performing Arts Center, L.L.P.
- Richmond Performing Arts Center, L.L.P. and Richmond CenterStage have entered into a 15-year agreement to name the downtown performing arts complex "Dominion Arts Center" in recognition of a \$5.5 million grant from Richmond-based Dominion Resources through its Dominion Foundation. The grant will be used to support the ongoing operation, maintenance and physical improvement to the facility.
- The downtown performing arts complex includes the 1,800-seat Carpenter Theatre; the multi-use space Rhythm Hall; the Libby S. Gottwald Playhouse; and the Genworth BrightLights Education Center.

Fiscal Impact:

There is no fiscal impact.

7. **Ord. No. 2015-255 (Patron: Mayor Jones)** To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a Performance Agreement between the City of Richmond, the Economic Development Authority of the City of Richmond and Fulton Hill Properties, LLC, for the purpose of providing an economic development grant to facilitate the development of at least ten affordable housing units and ten workforce housing units in the area generally bounded by Carlisle Avenue, Goddin Street, and Union Street.
8. **Ord. No. 2015-264 (Patron: Mayor Jones)** To authorize the Chief Administrative Officer, on behalf of the City of Richmond, to execute a Utilities Agreement between the City of Richmond and Fulton Hill Properties, LLC, for the purpose of facilitating the relocation of an existing City sewer utility easement.

Summary of Ordinance/Resolution, Background

Ordinance No. 2015-255 authorizes the Chief Administrative Officer (CAO) to execute a Performance Agreement between the City, Economic Development Authority (EDA) and Fulton Hill Properties, LLC (FHP). The Performance Agreement is for the purpose of providing an economic development grant in the total amount of \$750,000 (3 annual installments of \$250,000) to facilitate the development of 266 housing units of which at least ten (10) of the units will be for affordable housing units and at least ten (10) will be for workforce housing units. The affordable and workforce units are to be maintained, without interruption, for ten (10) years.

Ordinance No. 2015-264 is to authorize the CAO to execute a Utilities Agreement between the City and FHP. The purpose of this agreement is to facilitate the relocation of an existing City sewer utilities easement which is needed for the purpose of providing sewer facilities for the proposed development stated in the above Ordinance No. 2015-255. This project is a component of Special Order 13, Lower Gillies Creek Conveyance, of the City's 2005 Phase III Combined Sewer Overflow Special Order by Consent issued by the Virginia State Water Control Board. The Department of Public Utilities' CSO Long Term Control plan requires the separation of the Combined Sewer System to allow separate sanitary and storm sewer pipes to be installed in Fulton Hills and needs the easement in Carlisle Ave for the development project.

Staff Analysis and Questions:

The economic development grant is for a total of \$750,000 over the next three (3) fiscal years beginning no earlier than FY17. The City has not yet adopted a FY17 budget and therefore currently these funds are not budgeted.

- The Committee may be interested in knowing which department these funds are intended to be budgeted and which department will be administering these funds to the EDA and then subsequently to the developer.

The area and parcels could potentially have the ability to receive partial tax exemption under the Rehabilitation Partial Tax Exemption Program.

- The Committee may wish to know if in fact the property would be eligible for partial tax exemption and, if so, does the developer intend to apply after receiving the economic development grant.

The developer is to receive the first installment of \$250,000 once they provided evidence to the City showing that the Developer satisfied Milestone One. Milestone One indicates it will be satisfied when, prior to Phase I Completion Deadline, the Developer secures the Financing Sources necessary to construct Phase I. The definition of "Financing Sources" means those

sources of funds for the Expanded Development other than the Grant and consisting of not less than \$18,750,000 or a commitment letter for Phase I in an amount of not less than \$6 million.

- The Committee may be interested in additional clarification. Based on the requirements Milestone One must be achieved in order for the first installment of \$250,000 is provided; however, under the definition of "Financing Sources" it appears that so long as a commitment letter for Phase I in the amount of \$6 million is provided then the Developer can receive the first installment.

In the actual Performance Agreement, Sections 6.1.1.3 and 6.1.1.4 both reference "Workforce Housing Units." The assumption is that one of these sections is suppose to reference "Affordable Housing Units."

- The Committee may wish to verify the assumption. If the assumption is correct and one of the sections should be changed to "Affordable Housing Units" does that require an amendment to the paper?

The Developer is providing for not less than ten (10) Affordable Housing Units and not less than ten (10) Workforce Housing Units within the total 266 housing unit development project. The Affordable Housing Units will be for households earning up to 60% of area median income and the Workforce housing Units will be for households earning up to 80% of area median income as determined by the federal Department of Housing and Urban Development.

- The Committee may be interested in knowing if the Developer plans to charge affordable rents for the Affordable and Workforce Housing Units.
- The Committee may be interested in knowing if the developer plans to disperse the Affordable and Workforce Housing Units throughout the other remaining housing units or will they be concentrated in a single location. The City's efforts currently are geared toward mixed income communities and not concentrated public housing.
- Will the affordable and workforce units mirror market rate units?

The Performance Agreement is expected to create not less than 20 New Jobs by the completion of the Grant Period. Under the definition of "New Job" it indicates that each new job must pay a minimum of \$11.00 per hour. On June 22, 2015 Council adopted Ord. No. 2015-135-143, which amended the pay plan to provide a living wage of \$11.66 for employees in permanent full-time and part-time positions. The City bases its rate on the poverty level for a family of four as published by the Federal Department of Health and human Services.

- The Committee may be interested in knowing the factors that resulted in determining that these new jobs would be paid \$11.00 per hour.

For the Utilities Agreement, the Department of Public Utilities received a grant from the DEQ for 50% of the proposed project cost.

- The Committee may wish to know where the remaining 50% of the project cost is budgeted.

Fiscal Impact:

The new development will provide for an increase in real estate tax revenue to the City. The Development will cost the City \$750,000 over three (3) years in annual payments of \$250,000 beginning no earlier than FY2017.

For the Utilities Agreement, failure to secure the new easement would result in a more costly separation project for the Wastewater Utility and loss of the corresponding matching grant funds from the DEQ. Failure to terminate the existing easement will jeopardize the economic

development in Fulton Hill. The Department of Public Utilities has received a grant from the DEQ for 50% of the currently proposed project cost.

- The Committee may be interested in how much the total DPU project costs and are the funds currently budgeted., i.e. CIP or Stormwater funds?

Analysts: Brown and Echelberger

