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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

April 21, 2016

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

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Richmond City Council

The Voice of the People

Richmond, Virginia

STAFF REPORT

April 21, 2016

The last Committee meeting was held on March 24, 2016

Presentations, Reports and Discussion Items at the March 24th 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)

Presentation(s):

- City Stadium Update.....Lee Downey, Deputy Chief Administrative Officer - Economic and Community Development

Expected Presentations, Reports or Discussion Items at the April 21st Meeting

The following items are on the agenda for review at the February Committee meeting.
Presentation(s):

- There are no Presentations.

Discussion Item(s):

- There are no discussion items.

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. May 19, 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 March.**

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. 2016-091 (Patron: Mrs. Robertson) To amend and reordain City Code § 2-301, concerning certain definitions applicable to City Code §§ 2-301—2-304, for the purpose of modifying the definition of “economic development project” to include public investment.-
Continued from March.

Summary of Ordinance/Resolution, Background:

The ordinance is amending the current City Code that requires fiscal and economic impact statements be submitted to City Council for certain economic development projects, to now include public investment as well.

City Council adopted an ordinance which authorized the Chief Administrative Officer to execute a project development agreement. The project met only two of the three criteria for requiring fiscal and economic impact statements be submitted to Council. The one criteria that was not met was that the project funding did not include any private investment. The total funding for the project was all federal, state and local government funding. Since there was no private investment the submission of the impact statement to Council was not required.

The original purpose for establishing the requirement for fiscal and economic impact statements for economic development projects was as such:

Purpose:

To assist both the governing body (City Council) and the public with understanding the potential financial and economic impacts prior to the adoption or amendment of any proposal for approval for City-funded development projects; such as, an expenditure (whether or not debt financed), moral or other financial guarantee by the City or the sale, purchase or lease of property. The impact statements are to provide Council with the information necessary to consider the intended outcomes against the financial impact of proposed City-funded development projects.

An amendment to the current City Code is necessary in order to ensure that the criteria for requiring the impact statements for economic development projects is in line and fully supports the intended purpose of the originally adopted legislation.

Staff Analysis and Questions:

The amendment, if adopted by Council, would require the fiscal and economic impact statements be submitted to Council whether the investment in a project is public or private.

As an example: The federal and state funding the City has received for the Main St. Station would require the fiscal and economic impact statements because there are project agreements that are required to be approved by Council, the federal and state funding is a public investment and the City contributed, so long as the City's contribution is either \$5,000,000 or more or 10% of the estimated project cost.

Fiscal Impact:

There is no fiscal impact.

3. **Ord. No. 2016-110 (Patron: Mayor Jones)** To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a Governor's Agriculture & Forestry Industries Development Fund Performance Agreement between the City of Richmond, Virginia, the Economic Development Authority of the City of Richmond, Virginia, and Blue Bee Cider, LLC, for the purpose of enabling the Authority to provide an economic development grant to Blue Bee Cider, LLC, as an incentive to construct and improve a Virginia agricultural products processing facility in the city of Richmond.
4. **Ord. No. 2016-111 (Patron: Mayor Jones)** To authorize the Chief Administrative Officer to accept funds in the amount of \$50,000 from the Governor's Agriculture and Forestry Industries Development Fund and to appropriate the increase to the Fiscal Year 2015-2016 General Fund Budget by increasing estimated revenues and the amount appropriated to a new line item in the Non-Departmental agency called the "Blue Bee Cider - AFID Grant" line item for the purpose of providing funds to the Economic Development Authority for a grant to Blue Bee Cider, LLC, pursuant to a performance agreement approved by the City Council.

Summary of Ordinance/Resolution, Background:

Two ordinances are proposed to provide incentives for Blue Bee Cider, LLC to expand their operations in the city of Richmond:

- Ordinance No. 2016-110: Authorizes a performance agreement between the City of Richmond, the Richmond Economic Development Authority, and Blue Bee Cider, LLC. This agreement will provide for an economic development grant of \$50,000 to Blue Bee Cider for construction of a Virginia agricultural products processing facility in the city of Richmond.
- Ordinance No. 2016-111: Authorizes the City to accept \$50,000 from the Governor's Agriculture & Forestry Industries Development Fund, and appropriates these funds to a new item under Non-Departmental titled Blue Bee Cider - AFID Grant.

Staff Analysis and Questions:

- The \$50,000 state grant requires a local match of \$50,000. The City's match will be provided from local Enterprise Zone and Tax Abatement programs.
- Four new full-time jobs will be created at the new Facility.
- The new Blue Bee Cider facility will be located in Scott's Addition at West Clay Street and Summit Avenue.
 - Construction costs are estimated at \$1,143,000; \$293,000 for machinery and equipment and \$850,000 site improvements and construction.
 - The new facility will hold a cider production lab, outdoor tasting and event space, and a small orchard, according to plans on file with the city.
- Council may want to determine if the tax incentive proposed for the City's match requires Council approval.
- Council may want more information on the terms of the performance agreement.

Fiscal Impact:

The state grant requires a \$50,000 local match that is proposed to be provided in the form of tax incentives.

5. Ord. No. 2016-112 (Patron: Mayor Jones) To amend Ord. No. 2015-73-84, adopted May 15, 2015, which adopted the Fiscal Year 2015-2016 General Fund Budget and made appropriations pursuant thereto, by transferring \$45,000 within the Non-Departmental agency from the Health Diagnostic Laboratory, Inc., line item and appropriating this \$45,000 to a new line item in the Non-Departmental agency called the Capital Region Airport Commission line item for the purpose of providing funds to supplement the grant supporting air service development at Richmond International Airport.

Summary of Ordinance/Resolution, Background:

Ord. No. 2016-112 proposes two amendments to the Fiscal Year 2015-2016 General Fund Budget:

1. Reduce the amount appropriated in the Non-Departmental agency for the Health Diagnostic Laboratory, Inc. by -\$45,000, and
2. Appropriating \$45,000 to a new line item in the Non-Departmental agency for the Capital Region Airport Commission.

Staff Analysis and Questions:

- The Capital Region Airport Commission obtained a Transportation Air Service Development Grant in the amount of \$750,000 to help bring additional airlines and/or non-stop routes to the Richmond International Airport. This grant requires a regional match of \$150,000:

Local Match	Locality
\$45,000	Richmond
\$45,000	Henrico
\$45,000	Chesterfield
\$15,000	Hanover
\$150,000	Total

- The total funding of \$900,000 will be used to support an additional daily, non-stop flight by United Airlines from Richmond International Airport to Denver, Colorado.

Description	\$ Amount
Sources	
Grant	\$750,000
Regional Match	\$150,000
Total Sources	\$900,000
Uses	
Revenue Guarantee	\$800,000
Marketing Assistance	\$100,000
Total Uses	\$900,000

- The original appropriation for Health Diagnostics Laboratory in FY 2016 was \$270,000. These funds are no longer needed due to the HDL bankruptcy. A previous budget amendment used \$200,000 for Venture Richmond's Clean and Safe Program.

Non-Departmental Item	Health Diagnostics Laboratory	Venture Richmond	Capital Region Airport Commission
FY 2016 Adopted Budget	\$270,000	\$990,248	\$0
Transfer to Venture Richmond (Ord. No. 2015-214)	(\$200,000)	\$200,000	\$0
Capital Region Airport Commission (Ord. No. 2016-112)	(\$45,000)	\$0	\$45,000
Revised FY 2016 Budget	\$25,000	\$1,190,248	\$45,000

- Council may want to know if any of the advertising will be produced locally.
- Council may want more information on the terms of the revenue guarantee to United Airlines.

Fiscal Impact:

There is no net change in revenue or expenditures.

6. Ord. No. 2016-113 (Patron: Mayor Jones) To amend City Code § 23-97, concerning fees for the use of a City transfer station, and to amend Appendix A of the City Code by adding therein new fees for City Code § 23-97, for the purpose of imposing fees for the use of a City transfer station.

Summary of Ordinance/Resolution, Background:

Ordinance No. 2016-113 amends City Code § 23-97 and Appendix A of the City Code to establish fees for the use of a City transfer station for drop off of household refuse:

Fee	Category
\$0.00	Fee for residents for household refuse up to 2,000 pounds, per load
\$6.00	Fee for residents for household refuse over 2,000 pounds, per load
\$6.00	Fee for non-residents for household refuse up to 2,000 pounds, per load

Staff Analysis and Questions:

- Fees for the use of City transfer stations for drop off of household refuse are not currently set by the City Code.
- The proposed amendments do not change the existing Code provision that allows residents to drop off household refuse up to 2,000 pounds without charge.
- Fees charged by surrounding localities include:

Locality	Fee	Description
Chesterfield County	\$8.00	resident or non-resident residents
Henrico County	\$3.00	residents only
Hanover County	\$0.00	residents only
Goochland County	\$0.00	residents only

- Council may desire a better understanding of the rationale for establishing \$6.00 as the fee for drop off of refuse.
 - If the \$8.00 fee currently implemented by Chesterfield were to be adopted for Richmond the revenue generated would be \$257,333 annually,

- o Why does Richmond allow dumping of residential refuse by non-resident?
- o Why the fee is proposed the same for residents and non-residents?

Fiscal Impact:

The proposed fee will generate an additional \$193,000.00 annually based on FY 2015 activity levels.

7. Ord. No. 2016-115 (Patron: Mayor Jones) To amend Ord. No. 2015-82-72, adopted May 4, 2015, which authorized the Chief Administrative Officer to submit a Consolidated Plan and Annual Action Plan to the U. S. Department of Housing and Urban Development (HUD) as an application for the receipt of Community Development Block Grant (CDBG) funds, HOME Investment Partnership (HOME) funds, Emergency Solutions Grant (ESG) funds and Housing Opportunities for Persons with AIDS (HOPWA) funds; accepted funds from the U. S. Department of Housing and Urban Development in the total amount of \$6,622,947; and appropriated \$6,622,947 for various projects, for the purposes of re-appropriating unexpended funds and appropriating additional funds in the total amount of \$458,605 and of reallocating funds for various projects.

Summary of Ordinance/Resolution, Background:

Ordinance No. 2016-115 amends the 2015-2016 Consolidated Annual Action Plan Budget for the Federal Entitlement Funds to appropriate \$458,605.

Staff Analysis and Questions:

- The Community Development Block Grant (CDBG) funding is proposed to be increased by a total of \$458,605. CDBG funds are Special Funds.

Description	FY 2016 \$
CDBG Adopted FY 2016 Budget	\$4,171,274
CDBG Prior Year Surplus	\$354,312
CDBG 2015 Program Income	<u>\$104,293</u>
Total Increase	\$458,605
Revised CDBG Adopted FY 2016 Budget	\$4,629,879

- Net changes of \$458,605 are proposed in the amounts budgeted for CDBG projects. Increases total \$753,605 and decreases total 295,000.

Proposed Changes	FY 2016 Budgeted	Proposed Change	Proposed FY 2016 Budget
Carver-Newtown West NIB	\$35,000	\$43,605	\$78,605
NIB Area Housing Code Enforcement	\$0	\$145,000	\$145,000
North Jackson Ward	\$0	\$15,000	\$15,000
Neighborhood Stabilization Program	\$0	\$200,000	\$200,000
Swansboro NIB	\$0	\$350,000	\$350,000
Eastview Revitalization	\$100,000	(\$95,000)	\$5,000
New Clay House II	\$400,000	(\$200,000)	\$200,000
Total Proposed Changes	\$535,000	\$458,605	\$993,605

Fiscal Impact:

The Special Fund budget for the CDBG program will increase by \$458,605.

8. **Ord. No. 2016-116 (Patron: Mayor Jones)** To authorize the Chief Administrative Officer to submit a Consolidated Plan and Annual Action Plan to the U. S. Department of Housing and Urban Development (HUD) as an application for the receipt of Community Development Block Grant (CDBG) funds, HOME Investment Partnership (HOME) funds, Emergency Solutions Grant (ESG) funds and Housing Opportunities for Persons with AIDS (HOPWA) funds; to accept funds from the U. S. Department of Housing and Urban Development in the total amount of \$6,362,297; and to appropriate \$6,562,297, consisting of the accepted funds, \$98,535 in CDBG prior year surplus funds, and \$101,465 in CDBG program income, for various projects.

Summary of Ordinance/Resolution, Background:

Ordinance No. 2016-116 does two things:

1. It authorizes the Chief Administrative Officer to submit a Consolidated Plan for fiscal years 2016-2020 and an Annual Action Plan for fiscal year 2016-2017 to the United States Department of Housing and Urban Development.
2. It appropriates Special Funds of \$6,562,297 for the purposes of these federal grants.

Staff Analysis and Questions:

- A total grant of \$6,562,297 is requested and appropriated for FY 2017.

Program	FY 2017
Community Development Block Grant	\$4,082,806
HOME Investment Partnership	\$1,090,518
Emergency Solutions Grant	\$375,498
HOPWA	<u>\$813,475</u>
Subtotal: FY 2017 Grant	\$6,362,297
Prior Year Surplus	\$98,535
FY 2016 CDBG Program Income	\$101,465
Total	\$6,562,297

- The 2016-2017 budgets for these programs and the 2016-2020 Consolidated Plan must be submitted to the federal Department of Housing and Urban Development by May 16, 2016.
- City Council may amend the federal funds budget by taking the following steps:
 - Provide notice for advertisement as well as posting on the City's website.
 - Hold a public hearing on the proposed amendments after the public notice period.
 - The Consolidated Plan and its Annual Action Plan must be submitted to HUD on May 13th.
 - Council must allow time between its vote and May 13th for DECD staff to update the Consolidated Plan and the Annual Action Plan.

Fiscal Impact:

The proposed ordinance will allow the City to receive \$6,562,297 from the Department of Housing and Urban Development for FY 2017.

9. Res. No. 2016-R031 (Patron: Mayor Jones) To set the rate of personal property tax relief for qualifying vehicles for the 2016 tax year pursuant to City Code §§ 26-495-26-497.

Summary of Ordinance/Resolution, Background:

Resolution No. 2016-R031 sets the rate of personal property tax relief for qualifying vehicles for the 2016 tax year at:

- 100% for vehicles valued up to \$1,000,
- 56% for vehicles valued from \$1,001 to \$20,000, and
- 56% of the first \$20,000 for vehicles valued at more than \$20,000,

Staff Analysis and Questions:

- Section 26-496(b) of the Code of the City of Richmond (2015), as amended, requires the City Council set the rate of personal property tax relief annually.
- The personal property tax relief rate is establish at a level that is projected to exhaust the personal property tax relief funds provided to the City by the Commonwealth of Virginia.
- A comparison of the personal property tax relief rates for qualifying vehicles in the Richmond area includes:

Vehicle Value	Richmond 2015	Richmond Proposed 2016	Henrico 2016	Chesterfield 2016
Up to \$1,000	100%	100%	100%	100%
\$1,0001 to \$20,000	58%	56%	53%	56%
Over \$20,000	58% of the first \$20,000	56% of the first \$20,000	53% of the first \$20,000	56% of the first \$20,000

- Establishment of the reimbursement rate at this time is needed to allow for the issuance of 2016 personal property tax bills by the City.
- Each locality receives a portion of the \$950 million appropriated for personal property tax relief based on the reimbursements that locality received from the Commonwealth in the 2004 tax year.
- The City of Richmond annually receives \$16.7 million from the Commonwealth under the personal property tax relief program.
- Personal Property bills will be mailed out in early May

Fiscal Impact:

There is no revenue or expenditure impact, however the percentage reimbursement received by each taxpayer will be lower.