

Navy Hill Development Advisory Services

Richmond, Virginia

February 3, 2020



**JOHNSON
CONSULTING**

An aerial, top-down view of a modern architectural complex. The central focus is a large, circular structure with a blue, grid-like roof and a white, scalloped interior. Surrounding it are several rectangular buildings with green roofs and blue-tinted facades. The complex is set in an urban environment with other buildings and trees visible in the background. The overall color palette is muted, with greys, blues, and greens.

Introduction

Introduction



Charles Johnson
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Project Executive



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Project Manager



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Wes Bradish
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Financing Structure Advisor



Time Tested Experience



Regional Expertise



Market-Driven Reports



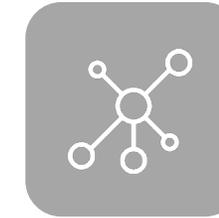
Projects/Assignments Completed



Clear Communication



Financial Acumen



Industry Reach



In Projects Built



One Central Station



One Big Sky District



Enterprise Center



Richmond Convention Center

Introduction

Process



Purpose

Independent Advisory Services to the City of Richmond for the proposed Navy Hill Development



Main Focus

Review and opine on the reasonableness of assumptions presented to Council, the ordinances introduced to implement the Project, and various reports and studies completed to date



Stakeholder Engagement

Development Team	Attorney Office
Arena Management	Richmond Housing Authority
City Assessor	Better Housing Coalition
City Public Works Economic Development	
Chief of Staff to Council	
Council Members	
Davenport & Company	
Orrick and City	

An aerial architectural rendering of a modern urban development. The central focus is a large, circular building with a prominent, curved facade and a roof featuring a grid of solar panels. Surrounding this central structure are several other buildings, some with green roofs and others with solar panel arrays. The scene is set in a city environment with streets, trees, and other buildings visible in the background. The overall aesthetic is clean, modern, and sustainable.

Project Overview

Project Overview

Navy Hill Development Agreement

Matter	Considerations
Events of Default	Written in City's favor - City retains control if Development does not perform
Hotel	500-room, 4-5 star Specified parcel by Covenant City can claw back parcel if does not perform Zero subsidy Retention of all sunk costs and planning/design work
Affordable Housing	Requirement is burdened to sites by Covenant Developer commitment - 280 units on site @ 60-80% AMI and \$10 million fundraised for 200 units off site @ 40-60% AMI 100% of units must accept Housing Choice Vouchers
MBE	\$300 million in spending on minority and emerging business (excluding arena, which has its own requirements) Good faith effort on balance of spend
Financial Close	Subject to: Prove up of equity and debt Failure to issue bonds 13 other requirements
Parcel Transfer	Subject to: 100% compliance Accepted sub masterplan Prove up of debt and equity Specific prove up of documentation for special land uses

Project Overview

Navy Hill Development Agreement

Matter	Considerations
Developer Deposit	\$15.8 million in escrow to City Drawn upon by City as parcels are taken down 100% claw back of unsold / taken down of parcels Sold and improved parcels stay with developer
Indemnification & Insurance	Appropriate
Project Reporting	Specifies by name required project developers until certain occupancy criteria are met Specifies owners representative services for both City and lenders
Schedule of Submittals	2 stages for City approval to assure compliance Compliance with affordable housing specifically called out
Transit Center	Agreement requires developer to work with GRTC
Hotel Use	Specifically required as part of agreement
DSS Office Space	City cannot transfer site until DSS solution found Exhibit J specifies intended date
Road Projects	Developer is responsible for improvements Sign off by City

Project Overview

Navy Hill Development Agreement

Matter	Considerations
Precedent Conditions	Appropriate
Performance Security	Appropriate
Development Management Fee	Appropriate
Project Schedule	Includes liquidated damages
Landlord Project Monitor	In soft costs
OM&C Plan	Appropriate
Performance	Appropriate
Renewal Work Account	Intent is to assure City participates in the project City Share - \$500,000 from Garage Net Operating Profit Operator Share - \$500,000 from Operating Profit Recognizes increase in parking from arena and project development Lockbox funds for replacement and is a relevant source
Shortfall	Funded by developer if a function of their breach; regardless, if shortfall developer fronts funds
Traffic Management	Developer is responsible for traffic management at the arena
Handback Requirements	Appropriate
Events of Default	Appropriate
Step-in Rights	Appropriate
Direct Agreements	Appropriate
Availability of Funds	City has no legal or moral obligation binding future City Councils that result in default

Navy Hill Development SWOT Summary

Strengths

- ❖ Proposed mixed-use development addresses latent demand in downtown
- ❖ HQ Hotel and district brings vibrancy for convention center visitors
- ❖ Thoroughly vetted development by various outside specialty consultants
- ❖ Tax Revenue Potential

Weakness

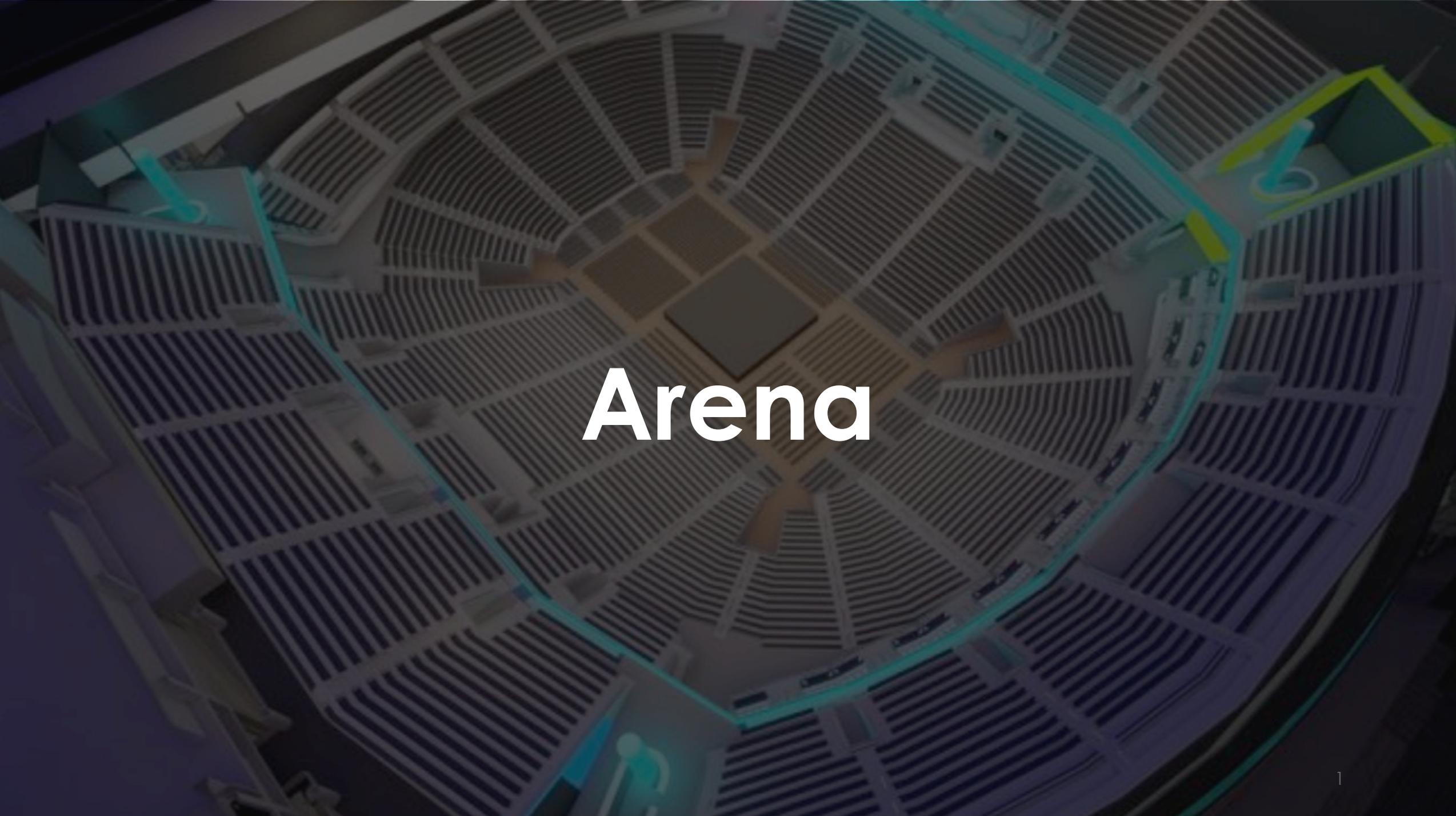
- ❖ No specific plan to date to address GRTC or DSS from both a strategy or funding standpoint
- ❖ No appraisal of land was completed prior to RFP solicitation or to date
- ❖ NHDC Foundation lacks organizational plan
- ❖ City presently lacks capacity of appropriate oversight of larger scale projects
- ❖ 80 block TIF
- ❖ Percentage of affordable housing units within the development

Opportunities

- ❖ NHDC Foundation can be better leverage as a greater good and resource to City
- ❖ NHDC Foundation create an affordable housing investment fund, a revolving loan fund, for non and for-profit developers to use as gap financing
- ❖ Leverage NH development as a catalyst to spur additional growth on private property adjacent to main project site
- ❖ Regional cooperation – Convention Center model
- ❖ Set standard for CBA for future developments
- ❖ GRTC move to Pulse alignment

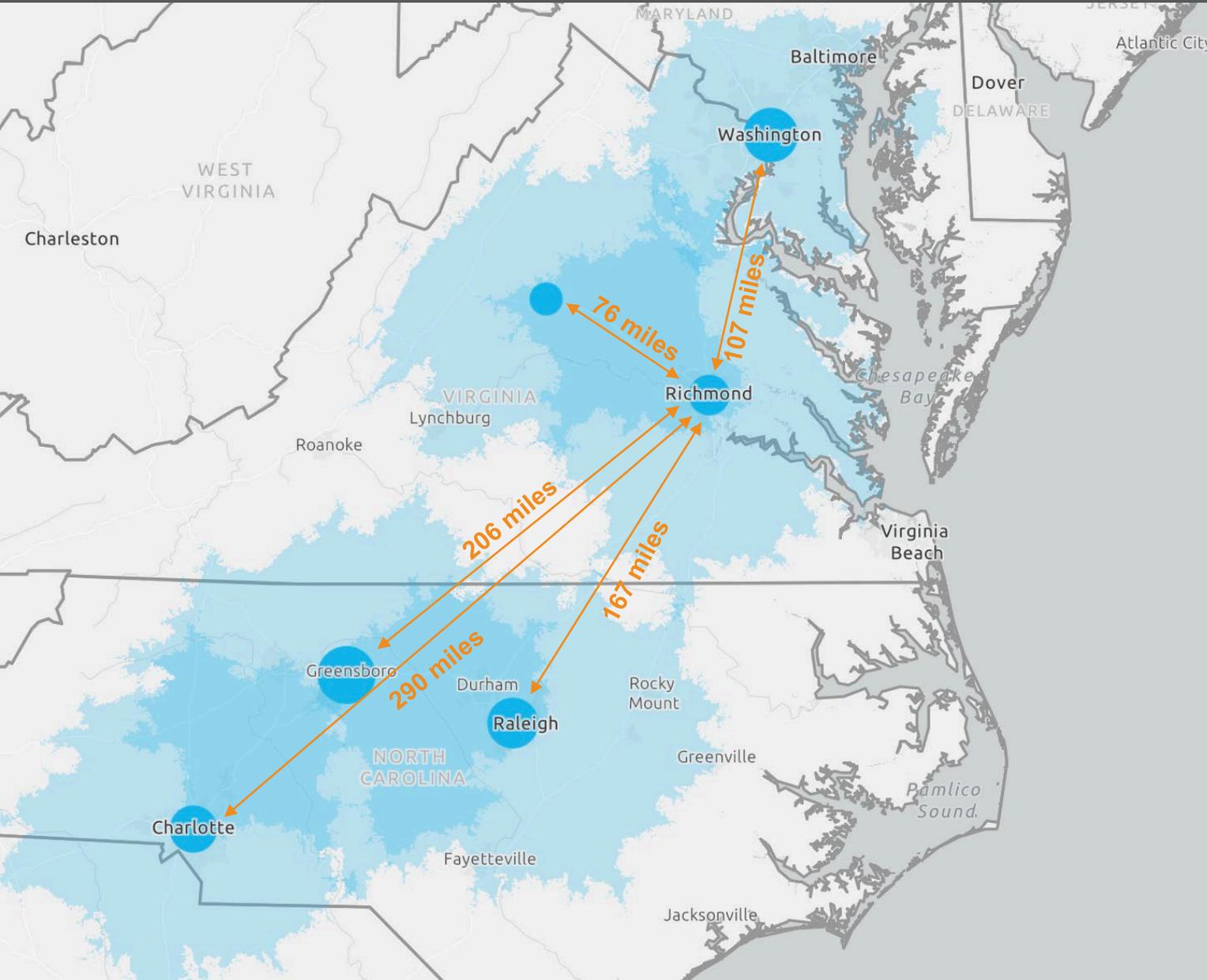
Threats

- ❖ Removal of HB1345 State TIF reallocation
- ❖ Without HB1345, greater density will be needed in the development area, thus may lengthen time for market absorption
- ❖ Surrounding communities such as Hampton Roads and Norfolk are in the early stages of planning redevelopment opportunities for their aging venues
- ❖ Time: will cause further delay in the City's ability to create economic development engines, which are needed as costs grow regardless

An aerial, top-down view of a large arena. The arena is filled with a dense grid of seats, arranged in concentric, curved rows. The central area is a large, square court with a distinct grid pattern. The entire arena is illuminated with a soft, teal-colored light. The word "Arena" is written in a large, white, sans-serif font in the center of the image.

Arena

Arena

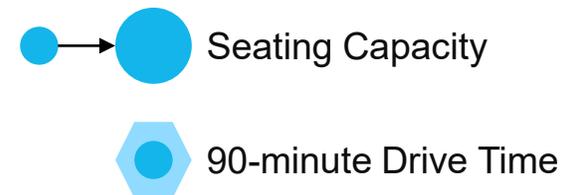


Regional Arenas

Arena	Location	Capacity
Greensboro Coliseum	Greensboro, NC	22,000
Capitol One Arena	Washington D.C.	21,000
PNC Arena	Raleigh, NC	20,000
Spectrum Center	Charlotte, NC	19,000
Richmond Arena	Richmond, VA	17,150
John Paul Jones Arena*	Charlottesville, VA	15,000

Includes arenas with capacity of 15,000 or higher

**University-affiliation limits availability*



Arena

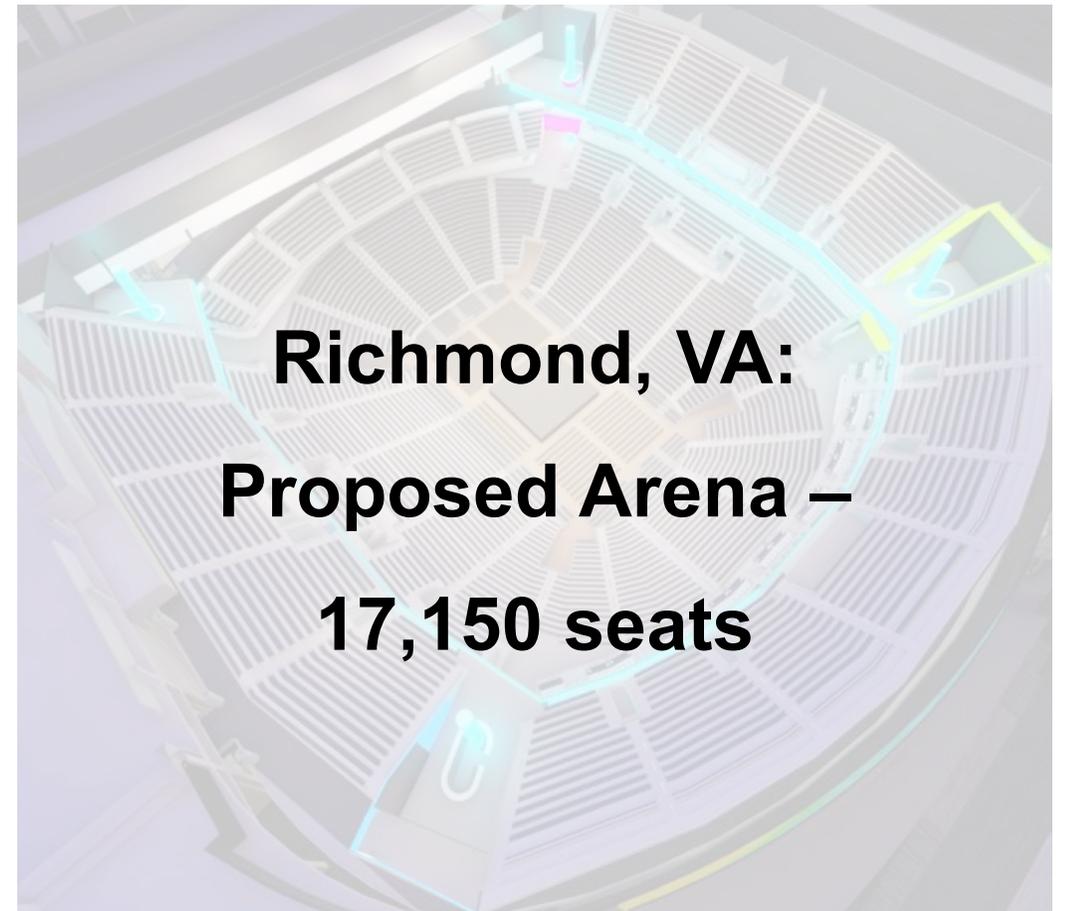
Comparable Market Analysis

5 Larger Metropolitan Areas:

- **Milwaukee, WI: Fiserv Forum – 17,500 seats**
- Jacksonville, FL: VyStar Veterans Memorial – 15,000 seats
- **Oklahoma City, OK: Chesapeake Energy Arena – 18,200 seats**
- **Raleigh, NC: PNC Arena – 19,772 seats**
- **Memphis, TN: FedEx Forum – 18,119 seats**
- **Average: 17,718 seats**

5 Smaller Metropolitan Areas:

- Louisville, KY: KFC Yum! – 22,090 seats
- **New Orleans, LA: Smoothie King Center – 17,791 seats**
- **Salt Lake City, UT: Vivint Smart Home Arena – 18,300 seats**
- Hartford, CT: XL Center – 16,294 seats
- Birmingham, AL: Arena Birmingham – 15,800 seats
- **Average: 18,055 seats**



Spectra Performance Comparison

Arena Comparison				
	Richmond Arena Projections	Wells Fargo Arena (2018-2019)	XL Center (2018-2019)	Average
Location	Richmond, VA	Des Moines, IA	Hartford, CT	-
Population (MSA)	1,320,715	680,233	1,227,817	954,025
Annual Population % Growth (2019-2024)	1%	1.75%	0.14%	0.95%
Median Household Income	\$67,972	\$70,246	\$71,858	\$71,052
Total Businesses	43,224	23,095	53,497	38,296
Entertainment Spending	\$390,575,853	\$198,586,911	\$410,324,941	\$304,455,926
All Events (YTD)				
Number of Events	181	140	127	133
Number of Attendees (turnstile)	683,000	742,842	499,255	621,048
Box Office Sales	\$17,735,250	\$23,459,419	\$16,823,345	\$20,141,382
Suite Inventory	28	36	46	41

Source: Spectra, Johnson Consulting

Arena

Reasonableness of Assumptions - Arena

Land Use	Metric	Baseline Assumption*	Reasonable	Unreasonable	Considerations
Building	Number of Seats	17,150	✓		
	Suites	29	✓		
	Club Seats	34	✓		
	Construction Cost/per seat	\$13,700	✓		
Demand	Number of Events by Type				
	G-League	24		✓	No announcement or documentation shown to date assures this is likely
	Minor League Hockey	36	✓		
	Concert - A	5	✓		Slightly Aggressive, of the top 100 touring shows, a total of 9 fit between 15,000- 20,000 attendance level, thus 55% of available acts would need to be captured in order to meet the projected concerts (5). A more conservative assumption would be (3 concerts) or 33% of available acts
	Concert - B	12	✓		
	Concert - C	6	✓		
	Family Shows	10	✓		
	Ice Shows	8	✓		
	Motorsports	3	✓		
	Rodeos	2	✓		
	Boxing	1	✓		
	Religious	6	✓		
	Other Sports	10	✓		
	HS Basketball	2	✓		
	Graduations	10	✓		
	Miscellaneous	40	✓		
	Entertainment	6	✓		
	Total Number of Events	181		✓	Falls outside of comparable range; however this may be skewed by the volume Miscellaneous event totals and how they are recorded (this total assumes 40 "Miscellaneous" events)
	Total Attendance	683,000	✓		
Financials	Sponsorships(Naming Rights, Founding Partners,	\$2,210,000	✓		
	District- Wide Sponsorship:	\$1,500,000	✓		
	Parking	\$2,000,000	✓		
	F & B Per Cap	\$8	✓		
	Novelty Per Cap	\$3	✓		
	Average Ticket Cost	\$27	✓		
	Total Box Office Ticket Sale	\$17,735,250	✓		

* Per CSL & Spectra
Source: Prior Studies, Johnson Consulting

Reasonableness of Assumptions

- **Arena Program & Cost:** The proposed size and premium seating mix is consistent with venues supported in comparable markets; Typical arena cost range between \$10,000 to \$15,000 per seat
- **Demand:** The total volume in relation to attendance is fair, however the project total number of events at 181 events doesn't seem to fall in line with comparable venues. We believe this number to be mainly skewed by the large number of 'Miscellaneous' events. Comparable range to be 127-140 events.
- **Financials:** The projected revenues streams and per caps seem to be reasonable and in line with comparable venues. Its is important to note, parking assumes district-wide parking revenues.

An aerial architectural rendering of a city grid, showing a dense arrangement of buildings and streets. The buildings are rendered in a light gray, wireframe style, highlighting their forms and heights. A central street runs vertically through the middle of the image. The text "Mixed-Use Real Estate" is overlaid in the center in a large, white, sans-serif font.

Mixed-Use Real Estate

Mixed-Use Real Estate

Land Use	Metric	Baseline	Reasonable	Unreasonable
		Assumption*		
Residential	# Units	2,659	✓	
	Occupied Units	2,499	✓	
	Occupancy (%)	94.0%	✓	
	SF per unit	892	✓	
	Gross SF	237,344	✓	
	Occupied Space	2,230,003	✓	
	Rental Rate per SF p.m.	\$1.90	✓	
	Gross Rent p.a.	\$50,844,077	✓	
	Expense %	26.0%	✓	
	NOI	\$37,624,617	✓	
	Average Rent per Unit	\$1,695	✓	
	Value per SF	\$198	✓	
	Value per Unit	\$176,874	✓	
Market Value	\$470,307,709	✓		
Office	SF (Gross)	790,000	✓	
	Occupancy	92.0%	✓	
	Occupied Space (SF)	726,800	✓	
	Rental Rate (NNN)	\$30.00	✓	
	Gross Rent	\$21,804,000	✓	
	Expense %	15.0%	✓	
	NOI	\$18,533,400	✓	
	Value per SF	\$319	✓	
	Market Value	\$251,812,500	✓	
Hotel	Room Count	527	✓	
	Available Room Nights	192,335	✓	
	Occupancy Rate	69.0%	✓	
	Occupied Room Nights	133,479	✓	
	ADR	\$194	✓	
	RevPAR	\$134	✓	
	Revenues		✓	
	Rooms	\$25,840	✓	
	Hotel F&B	\$11,926	✓	
	Other Departments	\$1,988	✓	
	Total Revenue	\$39,754	✓	
Retail	SF (Gross)	274,354	✓	
	Occupancy	90.0%	✓	
	Occupied Space (SF)	246,919	✓	
	Rental Rate	\$22.00	✓	
	Gross Rent	\$5,432,209	✓	
	Expense %	22.0%	✓	
	NOI	\$4,237,123	✓	
	Retail Sales per SF	\$220	✓	
	Total Retail Sales (000s)	\$54,322,092	✓	
	% Net New to Richmond	50.0%	✓	
	Value per SF	\$171.60	✓	
	Market Value	\$47,079,146	✓	

Reasonableness of Assumptions

Projections prepared by Hunden Strategic Partners (October 2018) are market-driven and reasonable:

- **Residential:** Projected population growth is higher than historic averages but consistent with trends observed in similar districts nationally
- **Office:** New office space at Navy Hill will include some spec office space to meet unmet demand throughout the market
- **Hotel:** Addition of a limited-service property is an important addition to the market, along with the proposed full-service hotel, and arena and convention center will generate significant demand
- **Retail:** Visitors to the arena and a permanent population base will be critical to the success of the proposed retail space

Mixed-Use Real Estate

No Arena Scenario – Real Estate Tax Assessments

Scenario: removal of the arena and replacement with ± 2 additional blocks of mixed-use development, with absorption paces reduced due to absence of arena's catalyzed demand:

- **Residential:** Absorption pace will slow to more than twice as long in the absence of arena
- **Office:** Lack of arena is expected to have less impact on office absorption than other land uses
- **Hotel:** A headquarters hotel for the convention center is already needed regardless of whether the arena is included in the Navy Hill development
- **Retail:** Without arena's catalyzed demand and smaller population base, retail absorption pace is expected to be heavily impacted

Resulting loss in tax revenues if the arena is removed: **\$156 million**

Incremental tax revenues from the ± 2 additional blocks of mixed-use development: **\$83 million**

Forfeited amount of tax revenues over 30 years: **\$73 million**

Mixed-Use Real Estate

Considerations

- Sports, entertainment and cultural venues can be strong catalysts for successful neighboring developments
- Nationally, the most successful districts are those that are located close to the downtown core of their respective cities
- The proposed mix of land uses at Navy Hill leverages both the arena and the locational attributes of the site
- The baseline assumptions and projections prepared for the project are considered to be market-driven and reasonable.
- Residential population base is critical vibrancy of a mixed-use community
- In the absence of the arena as the catalyst for the mixed-use development district, a much slower absorption of the residential units is anticipated
- Retail space will be much less desirable without arena or additional residential population
- Hotels and office space are less impacted by the presence or absence of arena

Mixed-Use Real Estate

Affordable Housing

- Definition of affordable housing: rent not to exceed 30% of total household income. VHDA allows for utility allowance in their affordable housing calculation. This is an accurate indicator for housing affordability.
- *30% affordability standard does not include those falling under the homeless and sheltered category
- Median incomes as indicated in the report are consistent with those used by both State and City agencies
- Demand for affordable housing is higher for families at 50% of median income than it is for 60% & 80% of median income
- Higher demand for affordable housing at 50% of median income and below is a result of steady decline of housing units that had previously served the 50% and below market
- City of Richmond Department of Housing & Community Development estimates current affordable housing shortage at 3,000 units

Mixed-Use Real Estate

Affordable Housing

The developer will enter into an affordable housing covenant with the City of Richmond that will regulate rent amounts for the affordable units according to limits set by the Virginia Housing Development Authority:

	80% of Area Median Income <i>162 units proposed</i>			60% of Area Median Income <i>114 units proposed</i>		
	Developer Proposed Rent	Affordable Rents*	Maximum Affordable Rents* (includes utility allowance)	Developer Proposed Rent	Affordable Rents*	Maximum Affordable Rents* (includes utility allowance)
Studio	\$1,335	\$1,335	\$1,210	\$1,001	\$1,001	\$ 907
1 BR	\$1,431	\$1,431	\$1,297	\$1,073	\$1,073	\$ 972
2 BR	\$1,555	\$1,645	\$1,556	\$1,166	\$1,256	\$1,167

Legend:

100% Median Income	80% Median Income	60% Median Income
City of Richmond \$86,400	City of Richmond \$69,120	City of Richmond \$51,840

* Rent based on 30% of total household income

Mixed-Use Real Estate

Affordable Housing

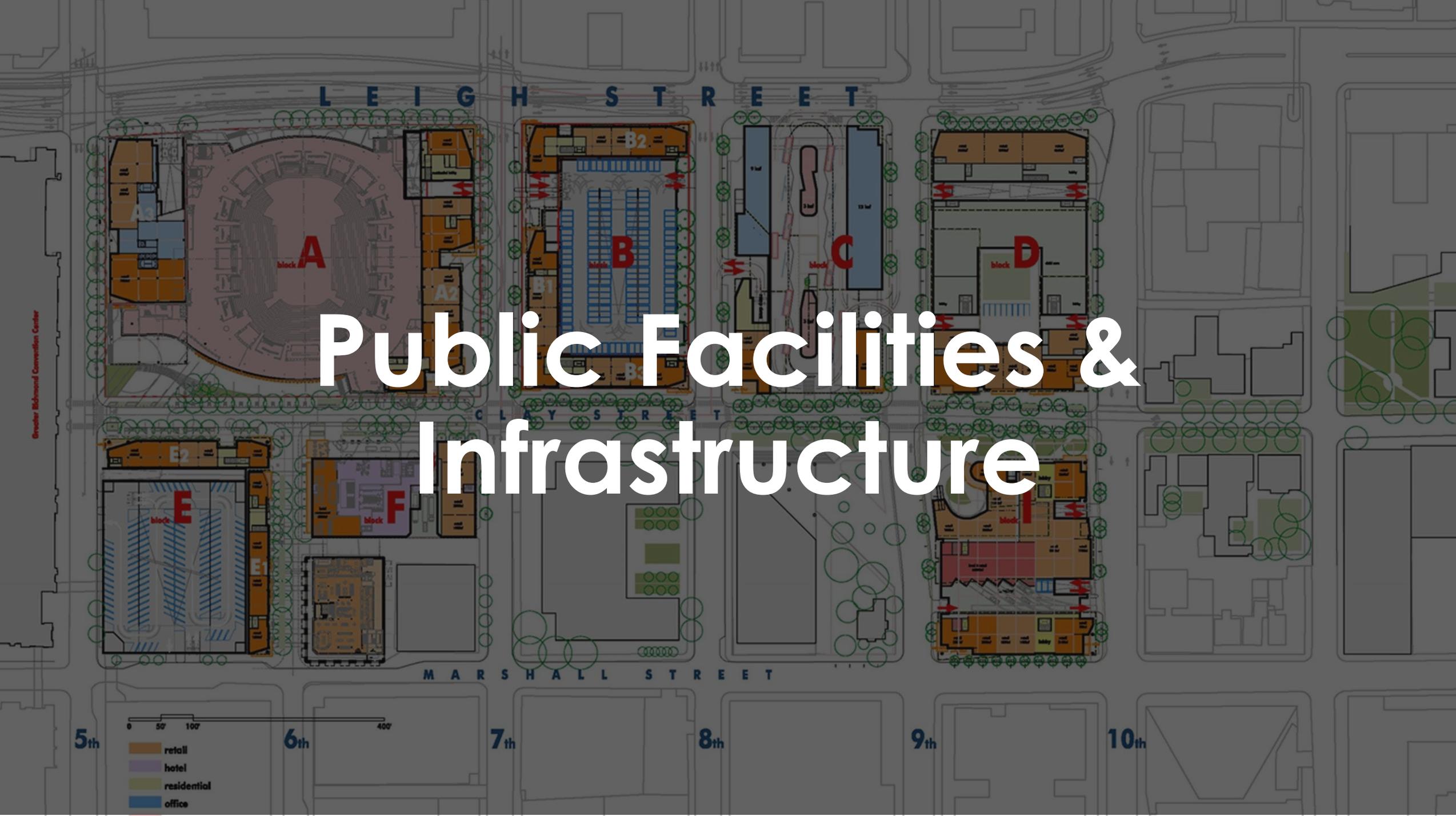
- The master developer will enter into a partnership agreement with The Better Housing Coalition (BHC)
- BHC will be responsible for the development of an additional 75 units of affordable housing in the 40% – 50% of median income range in Block I of the Navy Hill Development – Developer will contribute \$10 million in philanthropic funding
- BHC has confirmed that the approach to developing affordable housing for the Navy Hill Project will follow the same model of utilizing LIHTC and other affordable housing financial resources
- BHC has estimated their development cost at \$200,000 per unit and has committed to constructing an additional 200 affordable units contingent upon acceptable site(s) to be identified

✓ **The 280 units being built by developer + the 75 units being built by BHC exceed the 15% requirement for affordable units:**

$$280 + 75 = 355$$

$$355 / 2,127 = 17\%$$

Public Facilities & Infrastructure



Greater Richmond Convention Center

L E I G H S T R E E T

C L A Y S T R E E T

M A R S H A L L S T R E E T

5th

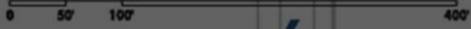
6th

7th

8th

9th

10th

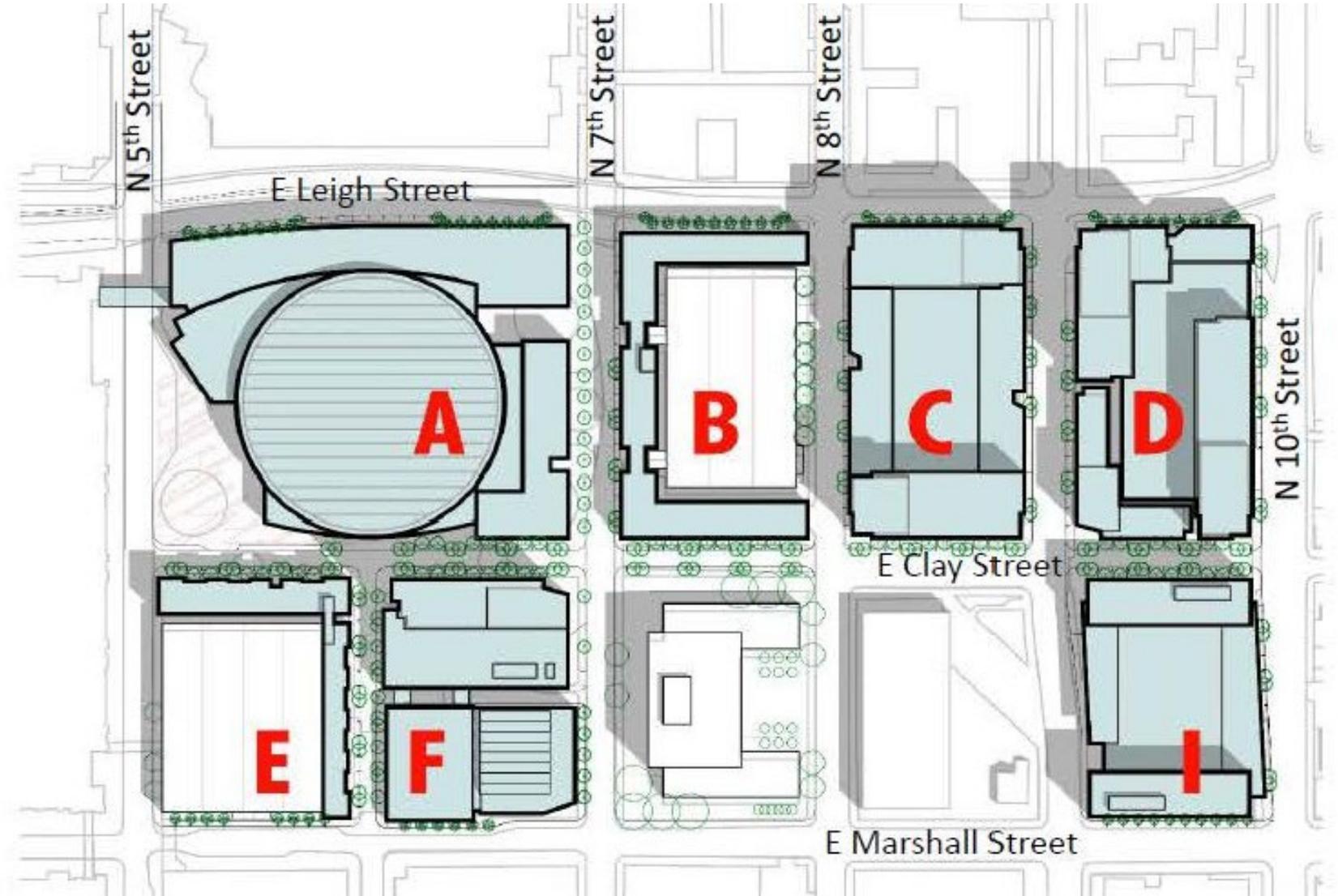


- retail
- hotel
- residential
- office

Public Facilities & Infrastructure

Considerations

- All utilities within the Navy Hill Development area will be impacted in some way
- The re-alignment of 7th St and the extension of Clay St will have the biggest impact
- Utilities within the remaining streets will remain untouched unless to make a service/lateral connection



Public Facilities & Infrastructure

Water System Considerations

Existing pressures of 40-55 psi were measured at street level. The proposed development of multi-story buildings may necessitate the use of domestic service and/or fire pumps to provide adequate pressure to tenants.

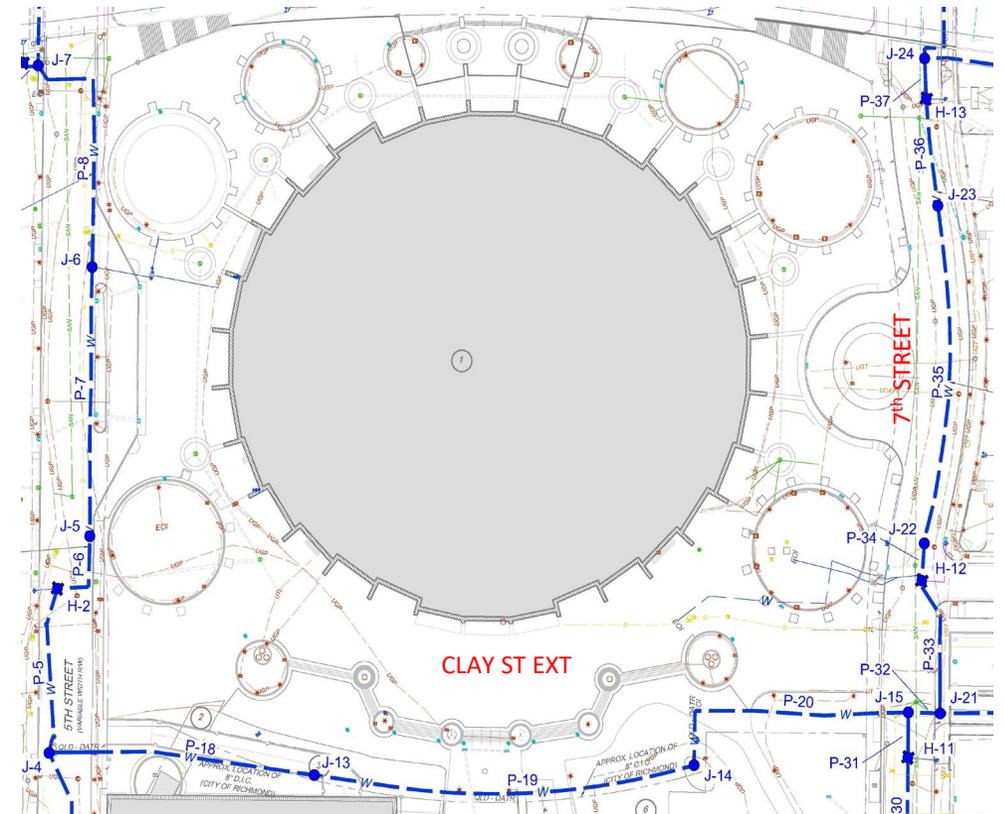
Clay Street

- The water main located in a tunnel adjacent to the existing arena will need to be abandoned and a new 8" main, with hydrants at grade, constructed within the right-of-way of the Clay St extension.

7th Street

- The existing 12" main along 7th St, between E. Leigh St and Clay St, may require relocation once right-of-way has been re-aligned to straight section. The main may be too close to the right-of-way if it remained.

The entire development area shall be examined for adequate fire hydrant coverage as part of the project.



Public Facilities & Infrastructure

Combined Sewer System Considerations

Wastewater

- Approximately 900,000 GPD of additional average wastewater flow is expected to enter the system with the development
- No new wastewater flows can be added to the Combined Sewer per City Code
- The proposed peak flow will need to be computed and added to the projected stormwater flows to evaluate and provide for adequate capacity
- The majority of existing sewer mains lie within street rights-of-way and will remain in place
- The Developer shall verify that no proposed building footprint conflicts with existing sewer

Stormwater

- VHB analyzed Phase 1 (Blocks A, B, E, and F). Developer must conform to the City of Richmond ordinance regarding post-development peak flow rate.
- VHB recommends that each Phase and/or Block of development be mitigated with the use/design of a central detention facility. Phase 1 of the development area could be served with an 11,000 cubic foot concrete vault as its detention.
- This same mitigation approach would need to be done for the additional peak wastewater flows for each Phase and/or Block of development.

Public Facilities & Infrastructure

Gas Considerations

- Most of the gas infrastructure shall remain in place within existing rights-of-way
- With the removal of the Clay Street tunnel, gas lines attached to the 5th St and 7th St bridges over it will need to be relocated
- 4” gas line within the Clay St tunnel that will require abandonment or removal
- Currently no existing gas mains within 9th St between Marshall St and E. Leigh St, in Marshall St between 9th St and 10th St, and in 10th St between Marshall St and Clay St.
- The needs of future development in this area will require analysis by the Developer
- All gas mains/gas main adjustments for the project area will be designed and installed by the City of Richmond

Streetlight Considerations

- Majority of streetlight and traffic signal electric lines will be able to remain in place
- Improvements will be required for the 7th Street realignment and the Clay Street extension
- Developer is responsible for the installation of new LED streetlights
- All streetlight improvements will require City approval
- The City of Richmond will be responsible for making the connection to their power grid

Public Facilities & Infrastructure

Private Power & Communications Considerations

- Dominion Energy will continue to serve the buildings as part of the Navy Hill development
- Almost all of their infrastructure can remain in place
- Underground duct banks on the 5th St and 7th St bridges over the Clay St tunnel will need to be reconstructed
- The same is true for the Verizon duct banks within the project area
- Communication lines on the 7th St bridge over the Clay St tunnel will need to be relocated

Additional Considerations

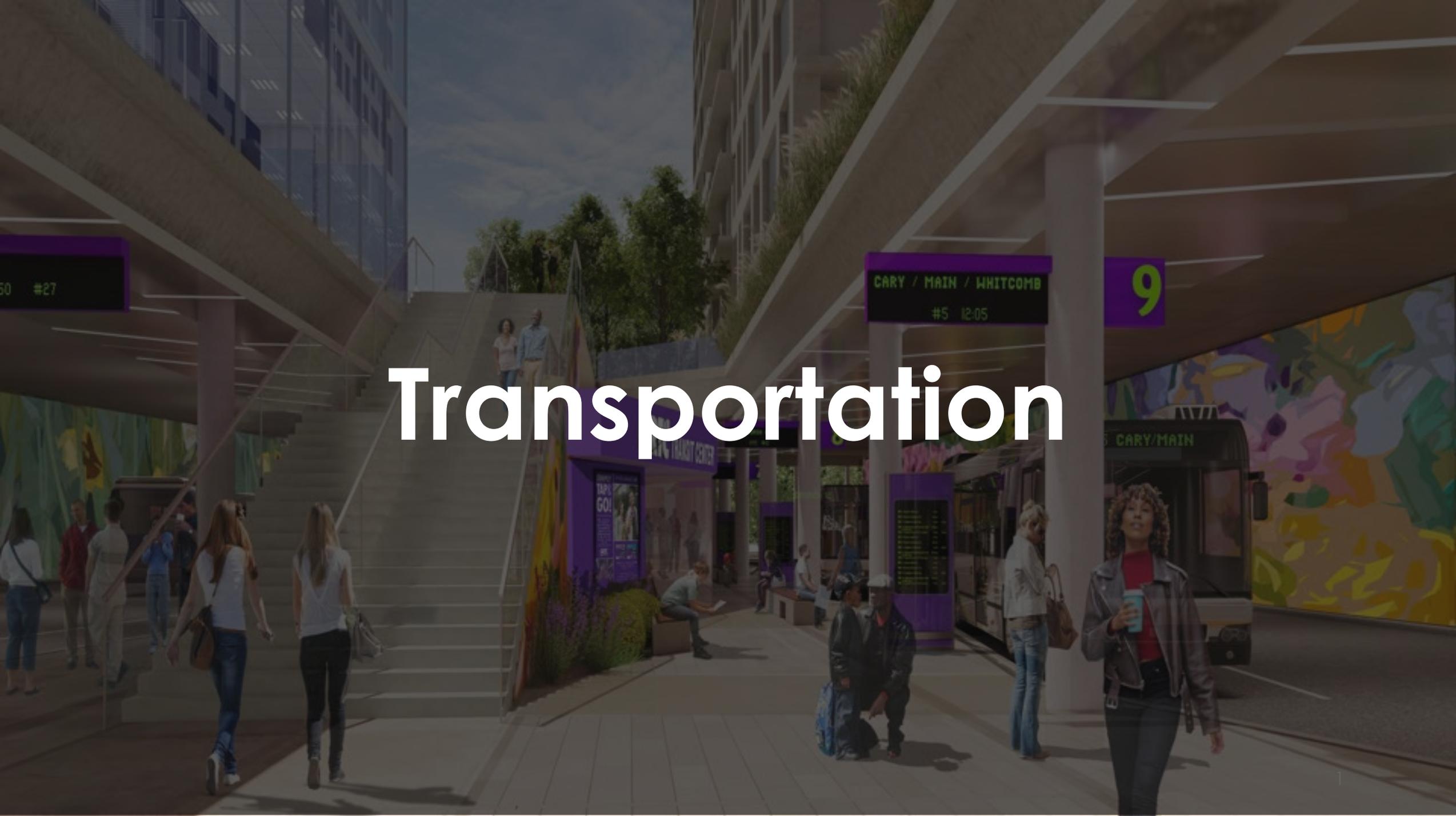
E. Leigh St

- Overall master plan the Developer had based proposed utility usage and projected flows on has changed since the previously mentioned reports were completed
- Developer should re-calculate building sizes and projected wastewater flows for the development along the south side of E. Leigh Street

Proposed Gas Usage

- Developer should consider using natural gas throughout the Navy Hill improvements as it is a City owned and operated utility. All revenue would go directly to the City of Richmond.

Transportation



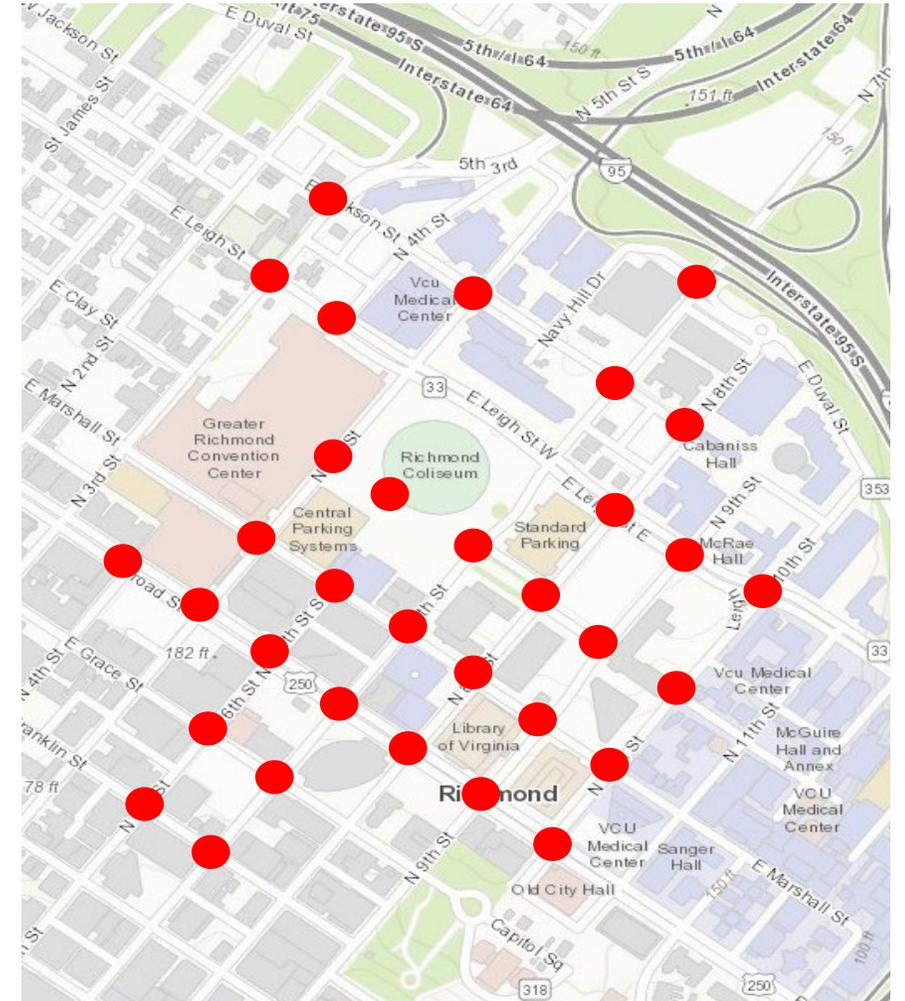
Transportation

Existing Intersection Capacity Analysis

- 33 intersections identified by Developer and Concurred by Richmond Public Works
- Developer shall study AM and PM Peak Periods as well as special events
- Developer shall create trip generation layout from ITE Trip Generation Manual, 10th Edition
- Developer shall create trip distribution model based on existing AM/PM Peak Traffic
- Developer shall include existing and proposed LOS for intersections in study area

Existing Interstate Highway Access

- No connections to the Interstate System will be studied by the Developer
- VDOT currently has a study currently underway to evaluate future improvements
- Public Meeting in Early January defined the Broad Street at I-64 and 5th/7th Street at I-95 as “Further Study Required” – Next Meeting on January 30th
- Broad Street improvements include northbound Collector-Distributor Road
- 5th and 7th Street improvements include additional access



Transportation

Capacity of Existing Streets & Sidewalks

- Developer shall include existing and proposed LOS for multimodal uses including pedestrians, bicycles, and transit
- City requires use of Better Streets Principles and Vision Zero Requirements for development within the City
- City requires use of Complete Streets Handbook for development within the City

Capacity of Existing Parking Infrastructure

- Newtown Advisors study already has this information
- Developer study shall include reference to the Newtown Advisors study
- Richmond 300 study also completed by DESMAN/VHB – included in Citywide Parking Study

Best Practices Analysis

- Currently, City Engineer (M.S. Khara) is responsible for best practices
- Public Works has already developed a best practices manual – PM will be responsible for ensuring best practices
- Developer plan includes analysis on modal emphasis by area and by corridor for the study area including an access management plan
- Developer plan includes congestion and safety mitigation analysis within the study area for all system users
- Developer's scope includes definition of funding for each recommended improvement
- Developer to locate bicycle parking and designated passenger loading zones for rideshare, taxis, and vehicle pickups and drop-offs

Transportation

Considerations

- Developer analysis of the study area intersections for safety improvements, including pulling existing crash data and determining if any improvements are needed in the area, specifically for any pedestrian-involved crashes that have happened within the past 5 years. This will be important for the success of the development as a whole.
- Mitigation of AM and PM Peak LOS that are grade E and worse – the Developer shall recommend and include mitigation in their development plan for any deficient intersections or movements within study area
- We are in agreement with the Developer's plan to locate operationally and/or structurally deficient traffic controls within the project area
- Overall scope of Traffic Impact Analysis Requirements put together by the Developer and the City Public Works Staff is very reasonable and in line with best practices for the scope of the development

An aerial, top-down view of a modern urban development. The scene is dominated by several large, multi-story buildings. Many of these buildings feature green roofs, with some sections covered in solar panels. The architecture is contemporary, with clean lines and large glass facades. The buildings are interspersed with trees and smaller, more traditional-looking structures. The overall impression is one of a sustainable and technologically advanced city environment.

Impact on City Services

Impact on City Services

Department	One Time	Recurring	Considerations
Public Works	\$400,000	\$0	Capitalize if function of arena
Police Department	\$0	\$700,000	Was spent historically when Coliseum was operating
Fire and Emergency Services	\$5,550,000	\$1,186,000	May accelerate project, but was in CIP already
Richmond Public Schools	\$0	\$0	Reduced TIF size, dedicated meals tax, combined with market lift, should result in a nominal impact
Community Wealth Building	\$200,000	\$0	NHDC Foundation opportunity
Justice Services	\$1,000,000	\$95,000	Capitalize if function of arena
Social Services			NHDC Foundation opportunity
Finance	\$0	\$120,000	Normal course of business; usually funded by administrative fee on tax collections
Economic Development	\$0	\$47,000	Normal Course of Business
Planning and Development (4 years)		\$510,000	City needs capacity generally to manage large scale projects
Other:			
Owner's Representative - Landlord			Funded in Bond Issue
Owner's Representative - Lender			Funded by Lender as closing cost
Improvement Opportunity			Give District right to impose CAM Charge of up to two points on retail sales - very specific purpose dedicated to any shortfalls in funding structure

Impact on City Services

Department of Social Services

Proposed Navy Hill Development

- Between Marshall & Cary Street:
 - 400 residential units
 - New GRTC Bus Transfer Center
 - Education-related facility
- Between Cary & Leigh Street:
 - Medical research lab, office, conferencing
 - Ground level retail (540,000 square feet)
- Between Cary & Leigh Street:
 - Doorways Hospitality House (150 rooms)

Considerations

- All of this needs to be approved per the plan, designed, and financed
- The DSS site has its advantages for the GRTC facility due to the size of the property, lower level elevation for capacity, and close proximity to the proposed residential development and Broad Street – Pulse

VA BIO+ TECH PARK

LEIGH STREET

GRCC

VCU HEALTH SYSTEM



CLAY STREET

NEW INCREMENTAL REVENUE PARCELS

TIF Analysis

STATE STREET

BROAD STREET



GRACE STREET

STATE CAPITOL SQUARE



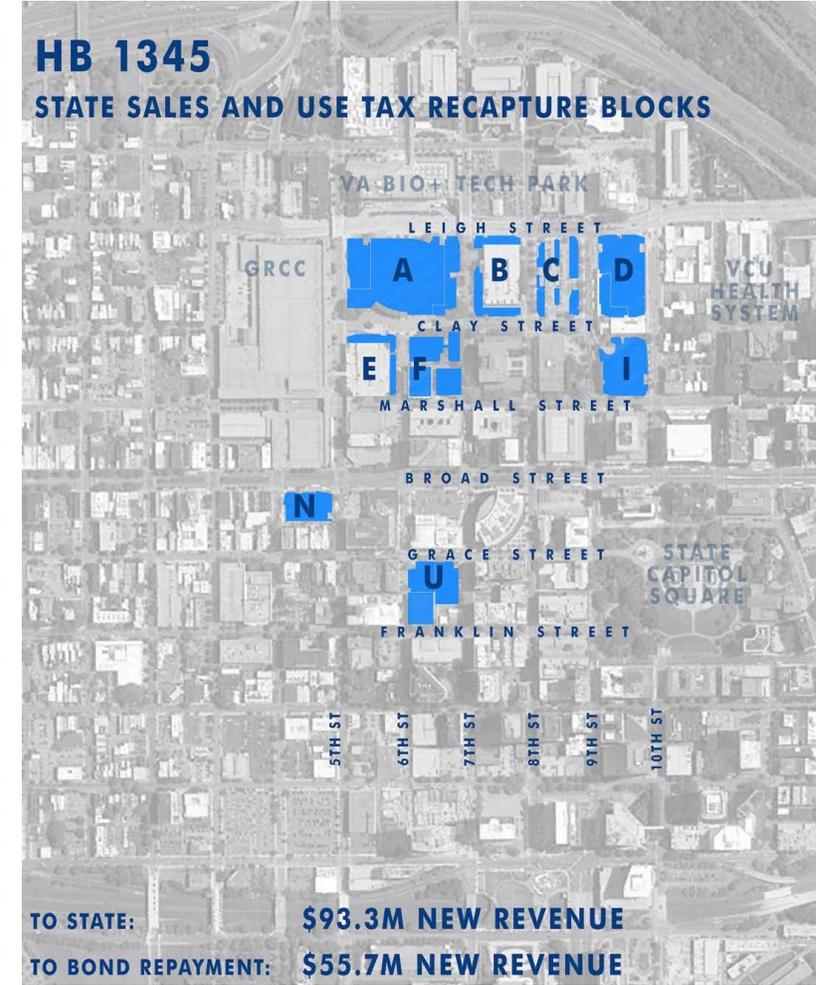
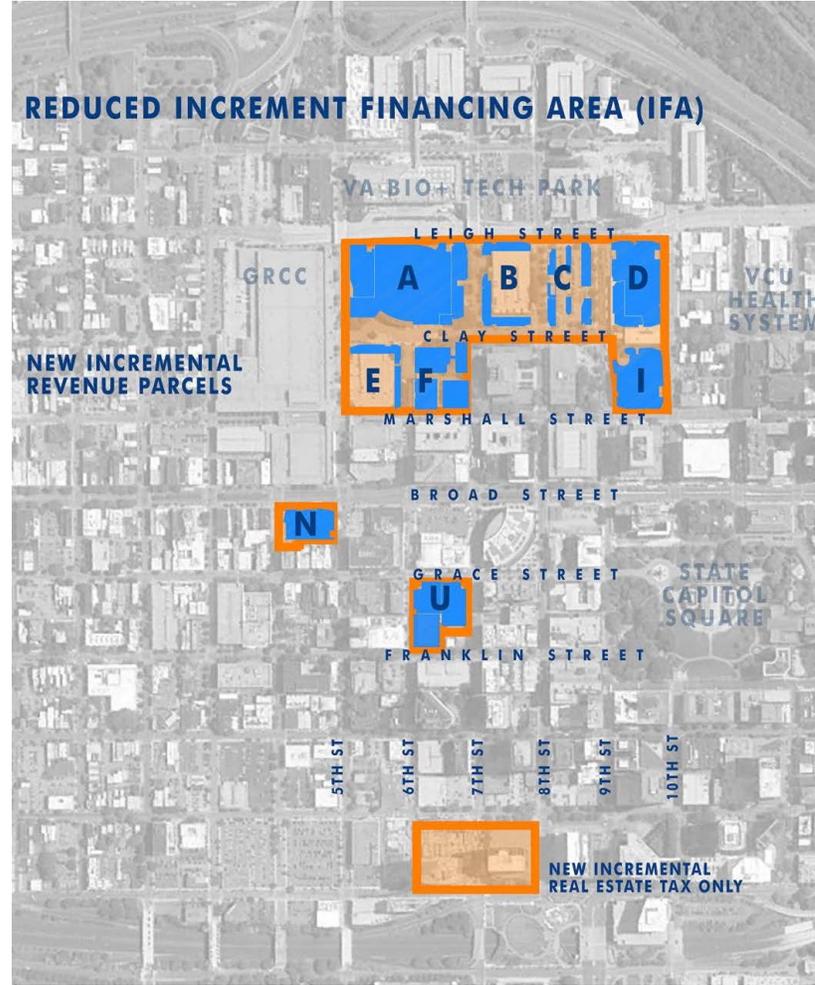
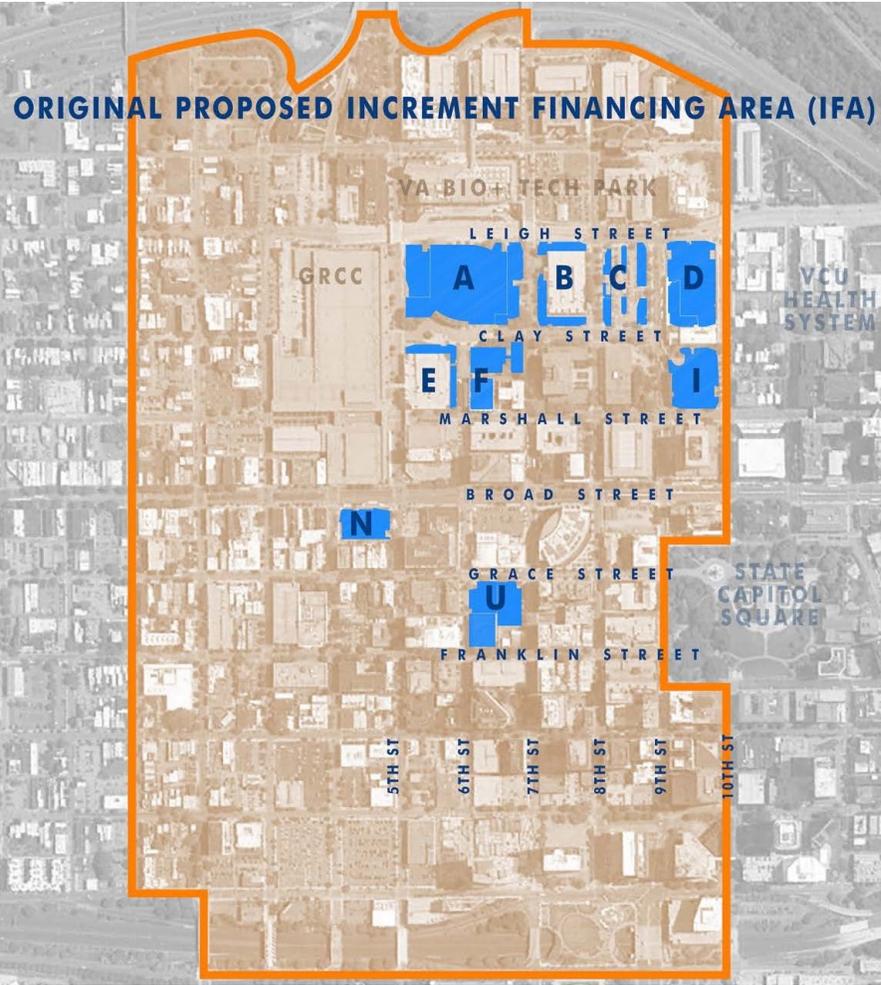
FRANKLIN STREET

TIF Analysis

80 Blocks vs. 11 Blocks

- If House Bill 1345 is approved the number of City blocks in the Increment Financing Area (“IFA”) will be reduced from 80 blocks to 11 blocks
- An additional \$55 million in additional revenues would be available to repay the non-recourse revenue bonds for the arena
- Perceived risk of the Project is reduced as \$172 million of incremental real estate tax revenue will now flow into the City’s general fund
- Arena project maintains sufficient revenues and debt service coverage to be successful

TIF Analysis



TIF Analysis

TIF Assumptions	Considerations
<p>Real Property Taxes:</p> <ul style="list-style-type: none">• Projections used the lower of the three approaches (Income Capitalization, Comparable and Estimated Cost) to value except for Office Property	<p>The use of the lower valuation methodologies is the conservative approach and the one we would recommend.</p>
<p>Sales Taxes:</p> <ul style="list-style-type: none">• 60/40 split between restaurant and retail, excluding Block I (100% Retail)• City contribution – 1%• State Contribution – 2.025%	<ul style="list-style-type: none">• 60/40 split consistent with proposed development plan• City contribution consistent with plan• State contribution consistent with legislation enacted when TIF district size changed from 80 blocks to 11 blocks
<p>F&B Taxes</p> <ul style="list-style-type: none">• 6% of the available 7.5% total	<ul style="list-style-type: none">• Consistent with the portion available for debt service after the 1.5% dedicated to new and renovated school facilities
<p>Hotel Taxes</p> <ul style="list-style-type: none">• Projections based upon ADR of \$221.50 at 70% occupancy	<ul style="list-style-type: none">• ADR and occupancy assumptions consistent with the market rates and occupancy levels provided in the CBRE report
<p>Business, Professional and Occupational License (BPOL) Taxes</p>	<ul style="list-style-type: none">• Consistent with the application of BPOL tax application throughout the City

TIF Analysis

		REAL PROPERTY TAX REVENUES			SALES TAX REVENUE		OTHER REVENUES				ABLE FOR STATE
Bond Year	Year #	Projected TIF District	Projected Dominion Tower	Projected Remaining Expanded TIF District	Projected Operating Sales Tax Revenues	Projected Meals Tax Revenues	Projected Lodging Tax Revenue	Projected BPOL Fee Revenue	Earmarked Arena Revenues	Other Revenues Available to Repay DS	Total Revenues
2019	-	-	-	-	-	-	-	-	-	-	0
2020	-	-	-	-	-	-	-	-	-	-	0
2021	1	-	1,952	-	-	-	-	-	-	-	1,952
2022	2	30	2,137	712	-	-	-	2	3,710	-	6,591
2023	3	45	3,610	1,078	275	545	-	37	4,435	1,549	11,574
2024	4	3,931	5,856	1,452	967	1,880	2,538	195	5,189	2,560	24,568
2025	5	7,163	6,026	1,834	1,411	3,084	2,704	233	5,329	2,571	30,355
2026	6	8,978	6,199	2,223	1,838	3,576	2,766	304	5,359	2,583	33,826
2027	7	9,173	6,375	2,620	1,987	3,710	2,814	327	5,390	2,594	34,990
2028	8	9,371	6,555	3,024	2,086	3,901	2,870	334	5,422	2,606	36,169
2029	9	9,573	6,739	3,437	2,127	3,979	2,927	341	5,454	2,618	37,195
2030	10	9,779	6,926	3,858	2,170	4,059	2,994	348	5,602	2,631	38,367
2031	11	9,989	7,117	4,288	2,213	4,140	3,045	354	5,636	2,643	39,425
2032	12	10,204	7,312	4,726	2,258	4,223	3,106	361	5,670	2,656	40,516
2033	13	10,422	7,511	5,173	2,303	4,307	3,169	369	5,704	2,669	41,627
2034	14	10,645	7,714	5,629	2,349	4,393	3,241	376	5,740	2,683	42,770
2035	15	10,873	7,921	6,094	2,396	4,481	3,297	384	5,897	2,696	44,039
2036	16	11,105	8,132	6,568	2,444	4,571	3,362	391	5,934	2,710	45,217
2037	17	11,342	8,347	7,052	2,492	4,662	3,430	399	5,972	2,724	46,420
2038	18	11,583	8,567	7,545	2,542	4,756	3,508	407	6,010	2,739	47,657
2039	19	11,830	8,790	8,048	2,593	4,851	3,568	415	6,049	2,754	48,898
2040	20	12,081	9,019	8,562	2,645	4,948	3,640	423	6,217	2,769	50,304
2041	21	12,337	9,252	9,085	2,698	5,047	3,712	432	6,257	2,784	51,604
2042	22	12,599	9,489	9,619	2,752	5,148	3,797	441	6,299	2,800	52,944
2043	23	12,865	9,732	10,164	2,807	5,250	3,862	449	6,341	2,816	54,286
2044	24	13,137	9,979	10,720	2,863	5,356	3,940	458	6,384	2,832	55,669
2045	25	13,414	10,231	11,286	2,920	5,463	4,018	468	6,562	2,849	57,211
2046	26	13,697	10,488	11,865	2,979	5,572	4,110	477	6,607	2,866	58,661
2047	27	13,986	10,751	12,454	3,038	5,683	4,181	486	6,653	2,883	60,115
2048	28	14,280	11,018	13,056	3,099	5,797	4,264	496	6,700	2,901	61,611
TOTAL		274,432	213,745	172,172	60,252	113,382	84,863	9,707	156,522	69,486	1,154,561

An aerial, top-down view of a modern urban building complex. The central focus is a large, circular building with a prominent, curved facade and a roof covered in solar panels. Surrounding it are several other multi-story buildings, some with green roofs and others with solar panel arrays. The scene is set in a city environment with streets, trees, and other buildings visible in the background. The overall lighting is bright, suggesting a clear day.

Financing Review

Financing Review

Item	Terms	Considerations
Bonds	Tax-Exempt and taxable, fixed rate tax and project revenue bonds	Most efficient vehicle to finance large projects
Security for the Bonds	The Bonds are primarily secured by and payable from eligible portions of various tax revenues from the development and Arena project revenues, including: Real Estate Taxes, Local Sales Tax, Meals Taxes, Lodging Taxes, Admissions Taxes, BPOL Fee Revenues, Parking Increment Revenues, and other Arena project-based revenues	Security package is appropriate for this type of project and accepted by the market
Recourse to City	Non-recourse debt to the City	Non-recourse debt is appropriate and accepted by the market
Debt Service Reserve Fund	Fully funded from Bond proceeds and sized as the “least of the three” tax-test requirements (125% average annual debt service, maximum annual debt service or 10% of proceeds), remains funded through the final maturity	Fully funded Debt Service Reserve Fund is standard practice and expected by the market

Financing Review

Item	Terms	Considerations
Stabilization Fund	Funded from excess pledged revenues and sized in amount equal to maximum annual debt service, funded through final maturity	Appropriate and expected by the market as part of the cash flow waterfall
Additional Bonds	If requested, can be permitted for eligible costs and subject to applicable debt service coverage test, savings tests for refunding bonds.	Appropriate, although savings tests for refunding bonds are less applicable since advance refundings are not possible
Stated Final Maturity	Approximately 30 years from issuance	Industry standard
Amortization	Slightly ascending debt service based upon projected pledged revenues. The Bonds are subject to mandatory annual “turbo” redemptions from 50% of net available pledged revenues (after paying stated debt service).	Appropriate and “turbo” redemptions appeal to bond investors
Optional Redemption	Standard 10-year par call	Industry standard, although shorter call provisions may be available without premium

Financing Review

Item	Terms	Considerations
Form of Offering	Underwritten limited public offering	Industry Standard
Ratings	Non-Rated	Acceptable to market
Conditions Precedent	Designation of the TIF District Guaranteed Maximum Price contract for the Arena Committed debt and equity financing for the first development sequence Third-party reports (engineer's report, market studies, tax increment financing projections report) Market-acceptable debt structure and projected debt service coverage ratios	Industry Standard, acceptable and required by market

Financing Review

Proposed Structure	Considerations
Non-Recourse Bonds	TIF Bonds are generally structured with no recourse to the municipality. Investors look exclusively to the projected tax revenues which are being pledged as security for the debt.
Revenue shortfall Liability	We agree that if the event that the projected revenues are insufficient to pay the debt, the City will not be obligated to make up the shortfall or be required to provide any financial compensation to investors.

Financing Review

REVENUES AVAILABLE FOR STATED DEBT SERVICE					STATED DEBT SERVICE					
Total Revenues	Plus: DSRF Earnings	Less: Admin Expenses	Total Available Revenues		Gross Tax-Exempt Stated Debt Service	Gross Taxable Stated Debt Service	Gross Aggregate Debt Service	Capitalized Debt Service	Net Stated Debt Service	Coverage from All Available Revenues
0	0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	0	
1,952	0	0	1,952		14,428	1,741	16,169	-16,169	0	
6,591	0	0	6,591		15,740	1,899	17,639	-17,639	0	
11,574	0	-48	11,526		15,740	1,899	17,639	-9,971	7,668	1.51x
24,568	487	-49	25,006		15,740	1,899	17,639	-1,189	16,450	1.49x
30,355	487	-50	30,792		18,100	1,899	19,999	0	19,999	1.52x
33,826	487	-51	34,262		20,130	1,899	22,029	0	22,029	1.54x
34,990	487	-52	35,425		19,857	2,184	22,041	0	22,041	1.59x
36,169	487	-53	36,603		20,109	2,203	22,312	0	22,312	1.62x
37,195	487	-54	37,628		20,370	2,240	22,610	0	22,610	1.65x
38,367	487	-55	38,799		20,640	2,262	22,902	0	22,902	1.68x
39,425	487	-56	39,856		20,905	2,295	23,200	0	23,200	1.70x
40,516	487	-57	40,946		21,176	2,324	23,500	0	23,500	1.72x
41,627	487	-58	42,056		21,452	2,358	23,810	0	23,810	1.75x
42,770	487	-59	43,198		21,736	2,381	24,117	0	24,117	1.77x
44,039	487	-61	44,465		22,009	2,420	24,429	0	24,429	1.80x
45,217	487	-62	45,642		22,301	2,447	24,748	0	24,748	1.83x
46,420	487	-63	46,844		22,589	2,478	25,067	0	25,067	1.85x
47,657	487	-64	48,080		22,884	2,512	25,396	0	25,396	1.88x
48,898	487	-66	49,319		23,185	2,543	25,728	0	25,728	1.90x
50,304	487	-67	50,724		23,482	2,577	26,059	0	26,059	1.93x
51,604	487	-68	52,023		23,788	2,611	26,399	0	26,399	1.95x
52,944	487	-70	53,361		24,095	2,646	26,741	0	26,741	1.98x
54,286	487	-71	54,702		24,410	2,676	27,086	0	27,086	2.00x
55,669	487	-72	56,084		24,727	2,716	27,443	0	27,443	2.03x
57,211	487	-74	57,624		25,050	2,749	27,799	0	27,799	2.06x
58,661	487	-75	59,073		25,373	2,784	28,157	0	28,157	2.08x
60,115	487	-77	60,525		25,707	2,821	28,528	0	28,528	2.11x
61,611	487	-78	62,020		26,037	2,858	28,895	0	28,895	2.13x
1,154,561	12,175	-1,610	1,165,126		601,760	66,321	668,081	-44,968	623,113	

An aerial, top-down view of a modern urban development. The scene is dominated by several large, multi-story buildings. Many of these buildings feature green roofs, with some sections covered in solar panels. A prominent building in the center has a large, circular, white, scalloped-patterned roof. To its right, another building has a large, rectangular solar panel array on its roof. The surrounding area includes smaller buildings, trees, and what appears to be a parking lot or plaza. The overall aesthetic is clean, modern, and environmentally conscious.

Recap

Navy Hill Development SWOT Summary

Strengths

- ❖ Proposed mixed-use development addresses latent demand in downtown
- ❖ HQ Hotel and district brings vibrancy for convention center visitors
- ❖ Thoroughly vetted development by various outside specialty consultants
- ❖ Tax Revenue Potential

Weakness

- ❖ No specific plan to date to address GRTC or DSS from both a strategy or funding standpoint
- ❖ No appraisal of land was completed prior to RFP solicitation or to date
- ❖ NHDC Foundation lacks organizational plan
- ❖ City presently lacks capacity of appropriate oversight of larger scale projects
- ❖ 80 block TIF
- ❖ Percentage of affordable housing units within the development

Opportunities

- ❖ NHDC Foundation can be better leverage as a greater good and resource to City
- ❖ NHDC Foundation create an affordable housing investment fund, a revolving loan fund, for non and for-profit developers to use as gap financing
- ❖ Leverage NH development as a catalyst to spur additional growth on private property adjacent to main project site
- ❖ Regional cooperation – Convention Center model
- ❖ Set standard for CBA for future developments
- ❖ GRTC move to Pulse alignment

Threats

- ❖ Removal of HB1345 State TIF reallocation
- ❖ Without HB1345, greater density will be needed in the development area, thus may lengthen time for market absorption
- ❖ Surrounding communities such as Hampton Roads and Norfolk are in the early stages of planning redevelopment opportunities for their aging venues
- ❖ Time: will cause further delay in the City's ability to create economic development engines, which are needed as costs grow regardless