DAVENPORT & COMPANY

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Presentation Based on the

Fiscal and Economic Impact Statement & Related Analysis

North of Broad/Downtown Neighborhood Redevelopment Project

City of Richmond, Virginia

RICHMOND
VIRGINIA

July 30, 2019 - With Additional Slides as of 8/7/2019

Introduction

- The enclosed information provides the Fiscal and Economic Impact Statements that are required by City Code to be submitted to City Council upon the introduction of Ordinances for the North of Broad Project/Downtown Neighborhood Redevelopment Project.

- Section A: Contains the Fiscal Impact Statement required by City Code Section 2-303 and related financial analysis.

- Section B Contains the Economic Impact Statement required by City Code Section 2-304 and related financial analysis.

A: Fiscal Impact Statement per City Code Section 2-303

Section 2-303(a)

a) The sources of information, assumptions and methodologies used to reach the conclusions set forth in the fiscal impact statement.

- The primary sources of the information within this statement include:
  - Financial projections and analyses for the North of Broad Project (the “Project”) provided by the Respondent in the initial proposal and as modified during the course of negotiations;
  - Independent third party review by Hunden Strategic Partners and their Analysis dated October 31, 2018; and
  - Analysis performed by City staff; and
  - Analysis performed by Davenport & Company LLC, Financial Advisors to the City of Richmond enclosed herein.

Section 2-303(a)

a) The sources of information, assumptions and methodologies used to reach the conclusions set forth in the fiscal impact statement.

- Based on the Financial projections and analyses for the North of Broad Project (the "Project") provided by the Respondent in the initial proposal and as modified during the course of negotiations and the Hunden Analysis, the proposed project is anticipated to generate the following revenues to the City:

  - *Conservative estimate of change to Total Revenue Estimates based on Revised Development Plan as of July 2019.*

	As Presented Nov-18	Current as of Jul-19 (1)
	Project @ 100% Amount ($ Millions)	Project @ 100% Amount ($ Millions)
Increment/Project Revenues	$1,233.0	$1,086.0
Hunden Uplift Revenues	459.4	404.6 (2)
Subtotal Increment/Project Revenue	$1,692.4	$1,490.6
1.5% Meals Tax to RPS	34.4	28.2
Sale Proceeds from Land	0.0	15.8
Total Revenues	$1,726.8	$1,534.6

  – *Increment/Project Revenues consist of the following 1) incremental real estate taxes in the Increment Financing Area; 2) incremental revenue produced in the Development Area from meal taxes (excluding 1.5% set aside to school investment), retail sales and use taxes, limited lodging taxes, license taxes, and admission taxes; 3) limited Net Parking Revenues from parking meters in the Increment Financing Area and certain off-street parking facilities; and 4) Sponsorship Revenues.*

(1) Changes are a result of revised Project components, exclusion of Block P, and lowered Dominion Tower valuation of $245 Million per new tower from Developer.

(2) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.

– Except as noted all revenue estimates are from Municap/Developer.

How is the Project Funded?

Additional Slide as of 8/7/2019

- Two Sources will fund the Project, which are as follows:

1. Private Investment (approximately $900,000,000 programmed to be funded contemporaneously with the New Arena; at completion approximately $1,300,000,000).

   AND

2. Publicly issued Non-Recourse Revenue Bonds (Approximately $350,000,000).
   – Non-recourse means that if the incremental revenues to pay debt service on the Revenue Bonds are insufficient, the bond holders cannot require the City to make up any shortfalls.

- The Private Investment funds a New Upscale Convention Center Hotel, Blues Armory Renovation, Residential, Commercial and Office Space.

- The Publicly-issued Non-Recourse Revenue Bonds fund a New Arena.

How are the Non-Recourse Revenue Bonds Repaid?

Additional Slide as of 8/7/2019

- Net New Revenues from the following:
  - The Private Investment (a New Upscale Convention Center Hotel, Blues Armory Renovation, Residential, Commercial and Office Space) will produce significant Net New Tax Revenues.
    - These Net New Tax Revenues include, but are not limited to: Real Estate Tax, Meals Tax, Sales Tax and Lodging Tax.
  - Investment from the Publicly-issued Non-Recourse Revenue Bonds will create the following:
    - A New Arena which generates Admissions Tax, Sales Tax and Meals Tax, etc.
  - Growth in real estate tax revenue and net new parking revenue within the newly created Increment Financing Area.

- The Private Investment along with the New Arena funded by the Non-Recourse Revenue Bonds will be located in a newly created Increment Financing Area in the core Downtown Area.

The Financing Structure

Additional Slide as of 8/7/2019

- The proposed Financing Structure for the public improvements (the New Arena) is Publicly-issued Non-Recourse Revenue Bonds issued through the City of Richmond EDA.
  - Non-recourse means that if the incremental revenues to pay debt service on the Non-Recourse Revenue Bonds are insufficient, the bond holders cannot require the City to make up any shortfalls.
- The Non-Recourse Revenue Bonds will be sold to investors, and the proceeds from the sale will build the Arena and fund reserves and costs associated with the bonds.

The Financing Structure (cont.)

Additional Slide as of 8/7/2019

- The term Tax Increment Financing or "TIF" has been used generically to describe the Financing Structure for this proposed Project.
- These types of Financing Structures have different names across the country.
- They have been called "TAD" (Tax Allocation District), "TIRZ" (Tax Increment Reinvestment Zone), among other names.
- At their heart, they are "TIF" Style tools used to promote economic development.

Use of "TIF" Style Financing Approach

Additional Slide as of 8/7/2019

- "TIF" Style Financing Approaches create additional economic, jobs and fiscal benefits to the locality by often times concentrating a significant Private investment into a non-performing and/or under-utilized area of a locality.
  - From 2000 through mid-2015, 2,547 individual Increment Area Bond issues were sold to investors, totaling approximately $39.2 Billion.
  - Since the 1990's, "TIF" Style Financing Approaches have been authorized and used in nearly all 50 states and the District of Columbia.
  - A form of a "TIF" Style Financing Approach was successfully used in neighboring Henrico County for the highly successful Short Pump Town Center.
  - A form of a "TIF" Style Financing Approach is being used by Chesterfield County for the Stonebridge development, formerly the site of the old Cloverleaf Mall.
- Many of these financing structures use large geographic areas – Indianapolis, for example, has an increment district of the entire downtown core, called the Mile Square.
  - It contains over 2,100 parcels with incremental newly generated assessed value of nearly $2.8 Billion producing more than $70 Million of annual incremental revenue.

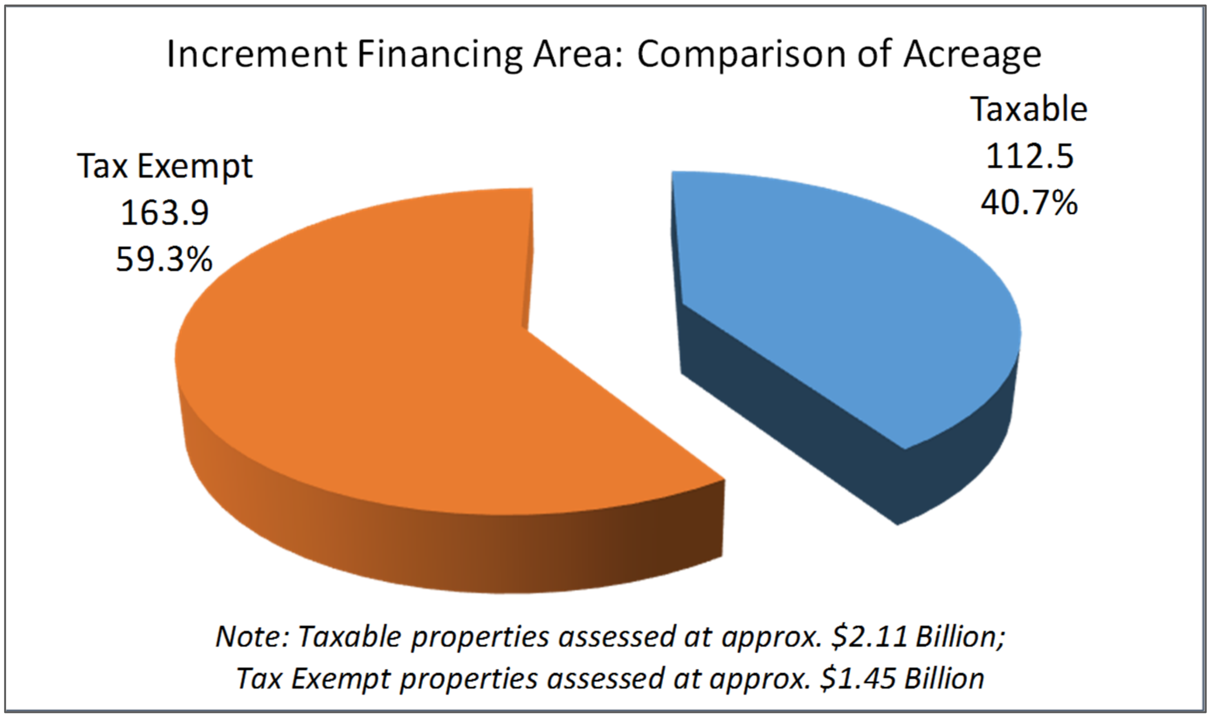
Use of "TIF" Style Financing Approach (cont.)

Additional Slide as of 8/7/2019

- "TIF" Style Financing Approaches have been and continue to be used in Virginia.
- The term "TIF" has a specific meaning under Virginia law.
- A TIF under Virginia Law can only pledge incremental real estate tax revenue.
- The City's proposed Project, like Henrico's, Chesterfield's and others, pledges more than incremental real estate tax revenues.

Section 2-303(b)(cont.)

- The Taxable Real Estate Valuation in the Increment Area approximates 41% of the total acreage in the Increment Area.

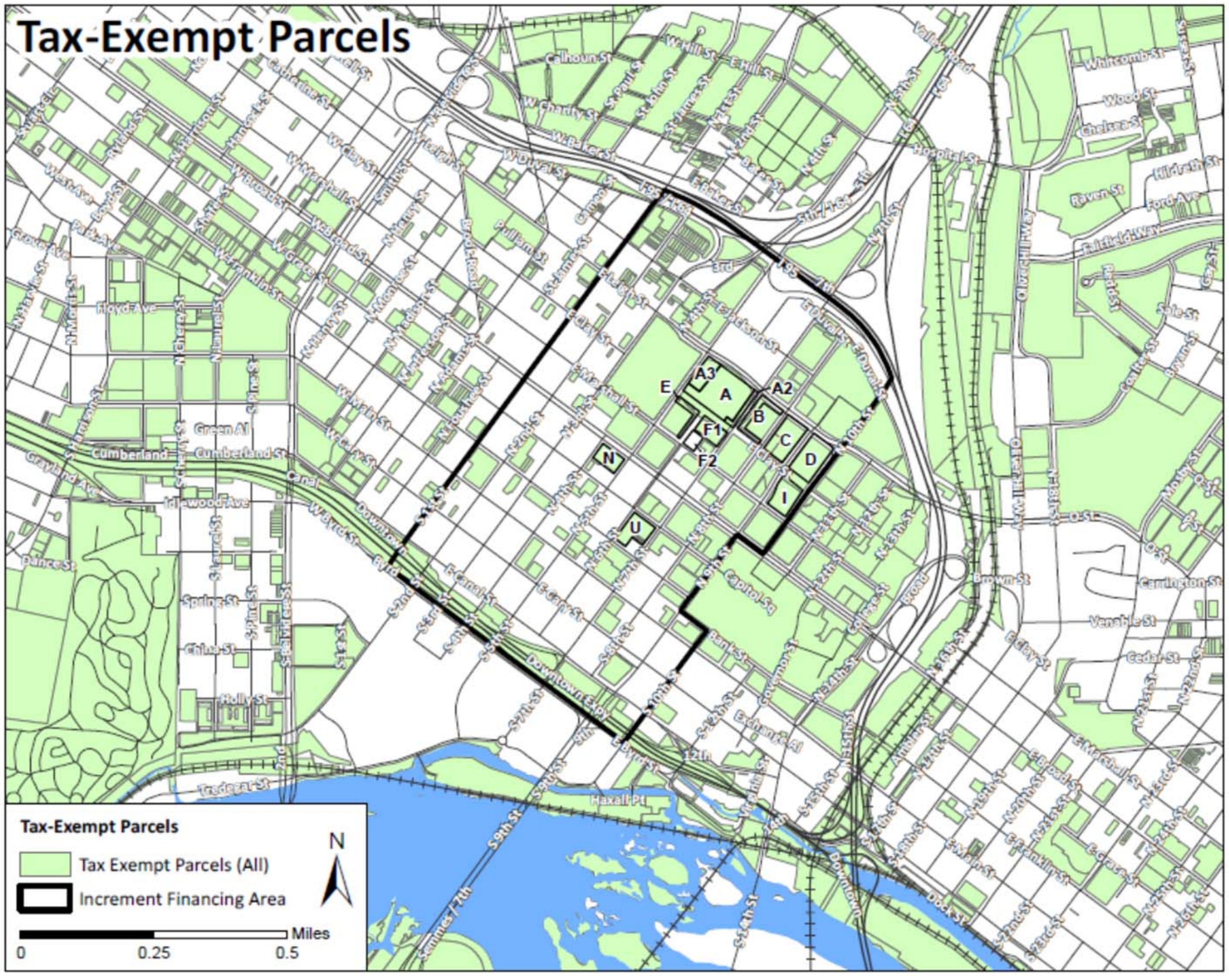


Source: City of Richmond

Tax-Exempt Parcels – Increment Financing Area/Downtown

Additional Slide as of 8/7/2019

- Approximately $1,450,000,000 of Tax-Exempt Real Estate is in the Increment Financing Area.
- Approximately $1,500,000,000 of additional Tax-Exempt Real Estate is in the area immediately to the East of the Increment Financing Area.

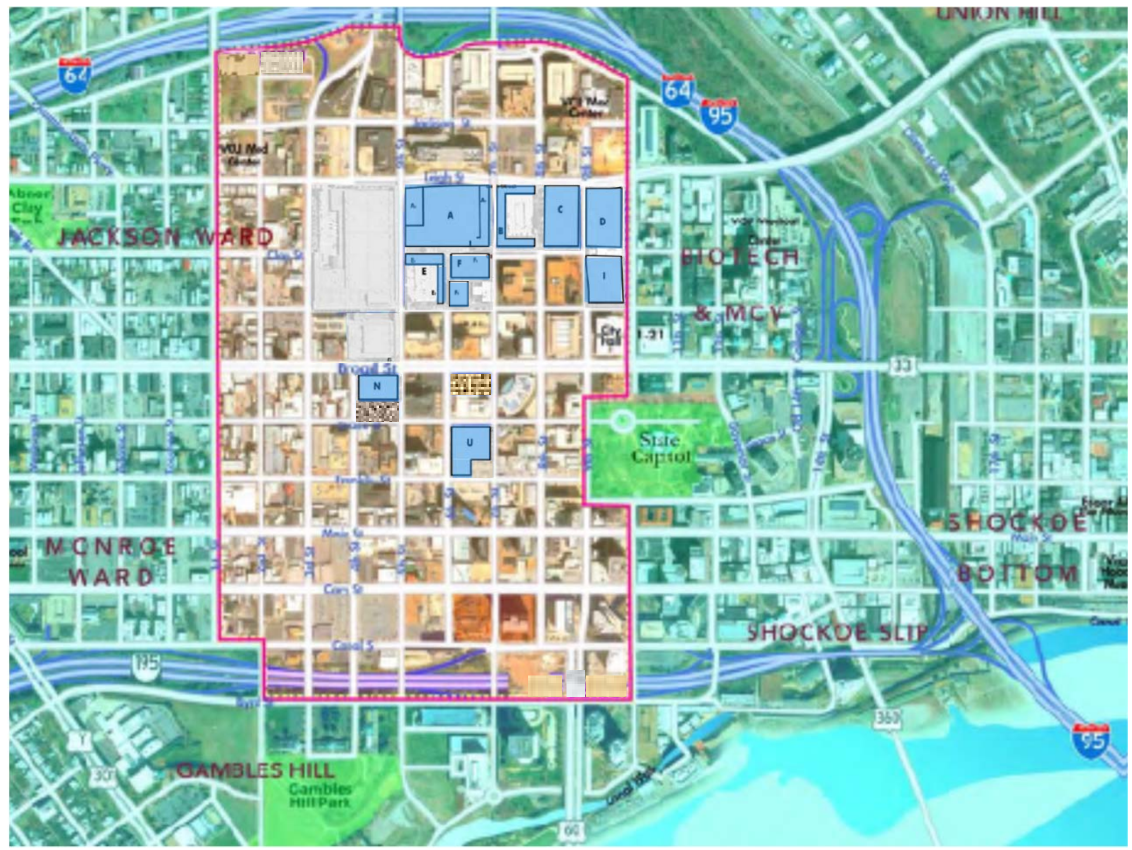


Source: City of Richmond

Increment Financing Area with Development Area

Additional Slide as of 8/7/2019

- Increment Financing Area outlined below in red.
- Private Investment (the "Development Area") further highlighted in Blue within the Increment Financing Area.
- City Incremental Revenue in the Increment Financing Area consists of the following
  - Incremental real estate taxes; and
  - Limited Net Parking Revenues from parking meters and certain off-street parking facilities.



Development Area

Additional Slide as of 8/7/2019

- City Incremental Revenues in the Development Area (shown highlighted in Blue) consist of the following:
  - Incremental revenue from meal taxes (excluding 1.5% set aside to school investment), retail sales and use taxes, limited lodging taxes, license taxes, and admission taxes; and
  - Sponsorship Revenues.

Development Area Highlighted in Blue Below

Source: Developer

Section 2-303(a)

a) The sources of information, assumptions and methodologies used to reach the conclusions set forth in the fiscal impact statement.

- The table below shows Surplus to the City (Total Revenues after repayment of Revenue Bond Debt Service):
  - *Conservative estimate of change to Surplus based on Revised Development Plan as of July 2019.*

	As Presented Nov-18	Current as of Jul-19 (1)
	Project @ 100% Amount ($ Millions)	Project @ 100% Amount ($ Millions)
Increment/Project Revenues	$1,233.0	$1,086.0
Hunden Uplift Revenues	459.4	404.6 (2)
Subtotal Increment/Project Revenue	$1,692.4	$1,490.6
1.5% Meals Tax to RPS	34.4	28.2
Sale Proceeds from Land	0.0	15.8
Total Revenues	$1,726.8	$1,534.6
Less: Debt Service	(521.6) (3)	(476.0) (4)
Surplus to the City	$1,205.2	$1,058.6

(1) Changes are a result of revised Project components, exclusion of Block P, and lowered Dominion Tower valuation of $245 Million per new tower from Developer.
(2) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.
(3) Assumes acceleration of the Revenue Bonds (repaid in approximately 18 years).
(4) Assumes acceleration of the Revenue Bonds (repaid in approximately 21 years).

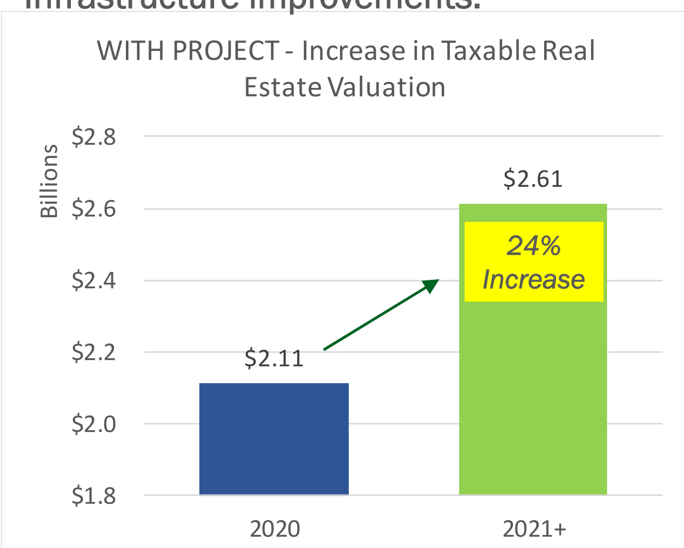
– Except as noted all revenue estimates are from Municap/Developer.

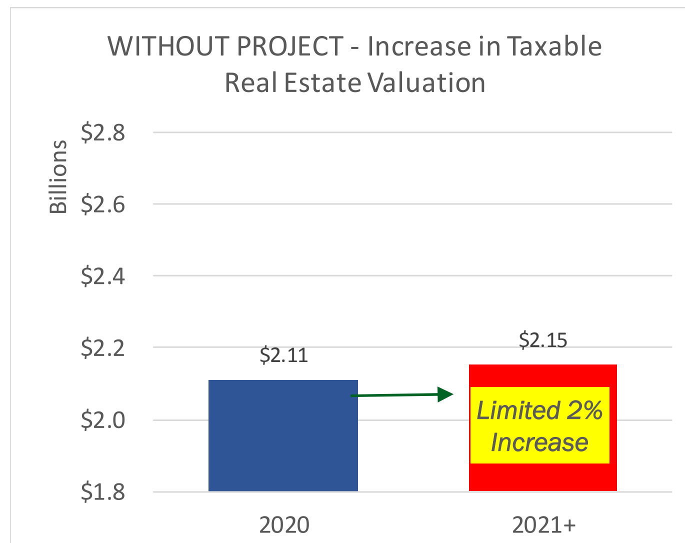
Section 2-303(b)

b) A debt capacity schedule, if debt is a funding mechanism. In addition, the debt capacity schedule shall show the City's current debt capacity and how the City's current debt capacity is expected to change if the Council approves the proposed ordinance to which the fiscal impact statement relates for adoption or amendment.

- The Private Investment in the Project approximates $1,300,000,000 and will be raised by the Developer of the Project. The City will have no obligation, affiliation or commitment with respect to the funding and repayment of the Private Investment.
  - The Developer has programmed an approximately $900,000,000 Private Investment to be funded contemporaneously with the New Arena construction that will be used to build affordable and market-rate residential units, a new convention center hotel, and retail & office space.
  - These investments, as outlined on the next page will only add to the City's taxable real estate assessed valuation, which in turn, will add to the City's overall Debt Capacity.

- The Taxable Real Estate Valuation in the Increment Area approximates $2,100,000,000[1].
  - *WITH THE PROJECT:*
    - The initial $900,000,000 Private Investment[2] in the Increment Area conservatively increases the Taxable Real Estate by approximately 24% to upwards of $2,600,000,000.
    - Immediate benefits of Private Investment include:
      - New neighborhood with affordable housing;
      - New Convention Center Hotel;
      - New retail and commercial space;
      - New Office space;
      - New Arena, renovated Blues Armory and Infrastructure improvements.
  - *WITHOUT THE PROJECT:*
    - The growth of the $2,100,000,000 taxable Real Estate Valuation in the Increment Area may be expected to approximate 2% or lower due to blighted areas that may need direct City investment in the future.
    - No immediate benefits of Private Investment.
    - If Private Investment is done on a piecemeal basis, direct City incentives for individual components may be required.





(1) Current Valuation provided by the City of Richmond.
(2) Conservative estimate of taxable valuation added as a result of the investment approximates $500,000,000.

Section 2-303(b)(cont.)
Davenport Analysis of Impact on Cumulative Debt Capacity

- Approval of the Project is expected to increase the City's debt capacity through the addition of tens of millions of recurring annual revenues that will be incorporated into the City's recurring Operating Budget.
  - Davenport's analysis of the impact of the Project on the City's Cumulative Debt Capacity over 30 Years incorporates the following Scenarios:
    1. No Project (Base Case).
    2. Total Project approximating $1,300,000,000 of Private Investment is completed and the Project performs as projected.
  - Note: Depending on the fund accounting of the recurring revenues that will come to the City as a result of the Project, the City's Debt Policy Guidelines may need to be adjusted to appropriately incorporate the surplus revenues into the City's policy calculations.

Section 2-303(b)(cont.)
Davenport Analysis of Impact on Cumulative Debt Capacity

- The table on this page shows the total 30 year revenue estimates for the Project and Increment Area as well as total estimated debt service related Non-Recourse Revenue Bond Debt Service for Scenarios 1 and 2.

- Except as noted all revenue estimates are from Municap/Developer.

$Millions	Scenario 1 No Project (Base Case)	Scenario 2 Project Completed and performs as projected
Real Estate Tax Revenue		
Taxable Project Components	$0.0	$281.2
Expanded Increment District	308.4	308.4
Subtotal Real Estate Tax Revenue	$308.4	$589.6
Sales Tax Revenue	0.0	59.3
Meals Tax Revenue (6.0%)	0.0	112.7
Lodging Tax Revenue	0.0	84.8
BPOL Tax Revenue	0.0	12.2
Admissions Tax	0.0	35.4
Arena Revenue(1)	0.0	122.1
Other Revenue(2)	0.0	69.9
Estimated Hunden Uplift(3)	0.0	404.6
Subtotal Increment/Project Revenues	$308.4	$1,490.6
Additional 1.5% Meals Tax for Schools	0.0	28.2
Sale Proceeds from Land	0.0	15.8
Total Revenue	$308.4	$1,534.6
Less :Total Revenue Bond Debt Service	0.0	(476.0)
Surplus (Net Revenue to the City after Debt Service)	$308.4	$1,058.5

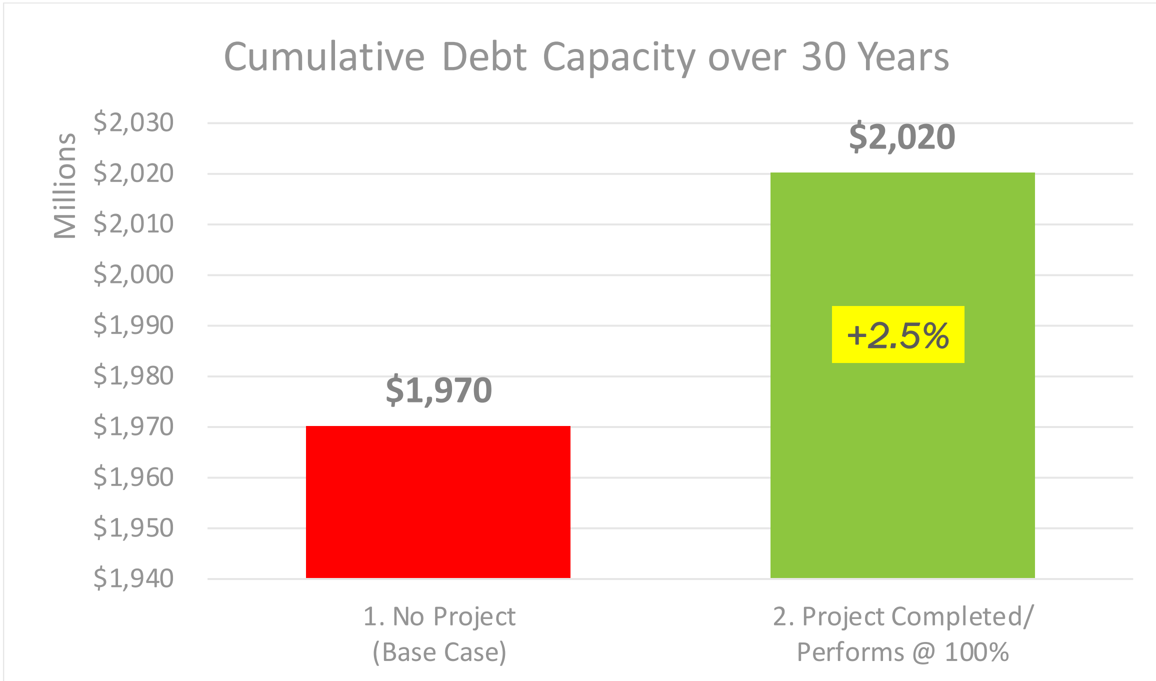
(1) Source: Municap/Developer: Comprised of Arena generated tax revenues and sponsorships.

(2) Source: Municap/Developer: Armory generated tax revenues and parking revenue.

(3) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.

Section 2-303(b)(cont.)
Davenport Analysis of Impact on Cumulative Debt Capacity

- The graph shows the impact of the Project on the City's Cumulative Debt Capacity over 30 Years under the following Scenarios:



Based on City's 10% Debt Service vs. Budget Policy and 2% Growth assumption.

- Cumulative Debt Capacity over 30 Years represents the amount of debt that can be borrowed by the City over the projected time frame of 30 years and still be in compliance with all City Debt Management Policies.

Section 2-303(b)(cont.)
Davenport Analysis of Impact on Cumulative Debt Capacity

- Key Observations:
  - The City has approximately $1,970,000,000 of Cumulative Debt Capacity over the 30 year time frame with no Project Base Case (Scenario 1).
  - If the Project's total $1,300,000,000 Private Investment is completed as proposed and performs as projected, then the City's Cumulative Debt Capacity is estimated to increase by $50,000,000 (or 2.5%) over 30 years (Scenario 2).

Section 2-303(c)

c) *A comparison of funding and financing options available, including, but not limited to, expenditures from City funds, the issuance of general obligation bonds, and the issuance of revenue bonds.*

- The Public Portion (i.e. Arena) of the Project will be funded from approximately $350 Million of Non-Recourse Revenue Bonds that will be supported and repaid by incremental revenues generated from the designated Increment Financing Area (the "Increment Area"), which will be subject to appropriation.
  - Non-Recourse Revenue Bonds will not involve a general nor moral obligation of the City for the repayment of principal and interest from other than incremental revenues. As a result, in the event that incremental revenues of the Increment Area are insufficient, the City will have no obligation to repay the debt service. The risk of repayment will be borne by the investors (i.e. purchasers of the Non-Recourse Revenue Bonds).
  - The issuance and repayment of the Non-Recourse Revenue Bonds will not affect the City's debt capacity.
  - The Public Portion of the Project will be undertaken contemporaneously with the programmed $900,000,000 of Private Investment by the Developer.

- The issuance of bonds with the general obligation or moral obligation of the City is not recommended and will not be undertaken, as either of those approaches would have a significantly negative impact on the City's debt capacity for schools and other facilities and operational budget.

Section 2-303(d)

d) A detailed cost analysis, including, but not limited to, costs to the City and private funding, and a listing of the amount, value and source, as applicable, of each public and private investment, including, but not limited to, any property values of any real estate transferred, incentives provided, or infrastructure improvements made to facilitate the economic development project.

- The Public Portion of the Project will be funded from Non-Recourse Revenue Bonds that will be secured by and repaid from incremental revenues of the Increment Area.
  - In the event that incremental revenues of the Increment Area are insufficient, the City will have no obligation to repay the Non-Recourse Revenue Bond debt service from any other sources.
- The City is not undertaking any other public infrastructure improvements or providing any other equity or cash incentives associated with the Project.

Section 2-303(e)

e) *A Projected revenue and expenditure estimates attributable to the City, as a result of the proposed ordinance for adoption or amendment, if it is approved, covering at least the next ten fiscal years, including, but not limited to, debt repayment, new tax revenue, ownership, management, and maintenance costs, and additional service delivery costs for police and fire protection services and refuse collection services.*

- The table on this page shows the projected revenue estimates generated as a result of the Project, related Non-Recourse Revenue Bond debt service related to the Public Portion of the Project and other revenue/expenditure estimates over 30 years.

- Except as noted all revenue estimates are from Municap/Developer.

$Millions	Scenario 1 No Project (Base Case)	Scenario 2 Project Completed and performs as projected
Real Estate Tax Revenue		
Taxable Project Components	$0.0	$281.2
Expanded Increment District	308.4	308.4
Subtotal Real Estate Tax Revenue	$308.4	$589.6
Sales Tax Revenue	0.0	59.3
Meals Tax Revenue (6.0%)	0.0	112.7
Lodging Tax Revenue	0.0	84.8
BPOL Tax Revenue	0.0	12.2
Admissions Tax	0.0	35.4
Arena Revenue(1)	0.0	122.1
Other Revenue(2)	0.0	69.9
Estimated Hunden Uplift(3)	0.0	404.6
Subtotal Increment/Project Revenues	$308.4	$1,490.6
Additional 1.5% Meals Tax for Schools	0.0	28.2
Sale Proceeds from Land	0.0	15.8
Total Revenue	$308.4	$1,534.6
Less :Total Revenue Bond Debt Service	0.0	(476.0)
Surplus (Net Revenue to the City after Debt Service)	$308.4	$1,058.5
Less: Incremental Costs(4)		
Public Works		($0.4)
Police		(21.0)
Fire/Emergency		(41.1)
Richmond Public Schools		**
Community Wealth Building		(0.2)
Justice Services		(3.9)
Finance		(3.6)
Economic Development		(1.4)
Planning and Development		(2.0)
Net Revenue to the City After Debt Service/Incremental Costs		$984.9

(1) Source: Municap/Developer: Comprised of Arena generated tax revenues and sponsorships.
(2) Source: Municap/Developer: Armory generated tax revenues and parking revenue.
(3) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.
(4) Source: City of Richmond.
** Dependent on number of students attributable to the Project.

Section 2-303(e)(cont)

- The New Arena and Blues Armory will be managed by third party operators and the City is not going to be responsible for any construction cost overruns or subsidies for operations.

- Public Works: $400,000 One-time Costs / $0 Recurring Annual Costs
  - The Department of Public Works (DPW) attributes $300,000 in additional demolition inspection services related to the project, which would be spread out over multiple years.
  - DPW would also incur one-time costs of approximately $100,000 related to moving facilities equipment and supplies from the Public Safety building, and potentially additional recurring costs for storage if rented space is needed.
  - DPW anticipates that refuse collection services wouldn't be significantly impacted, as the new businesses and apartment buildings wouldn't be receiving that service from the City.
  - DPW expects the project to generate significant additional net revenues for the Parking Enterprise fund.
  - Given that special event revenues (typically in the evenings and on weekends) have declined dramatically with the closing of the Coliseum, the project will have a positive long term impact.

Section 2-303(e)(cont)

- Police Department: $0 One-time Costs / $700,000 Recurring Annual Costs
  – Richmond Police Department (RPD) indicates that approximately 10 additional Police Officers will need to be added incrementally over the course of the project's development (over several years).
  – The RPD estimate for 10 total positions is based on projected call and service volume related to residential and commercial development, along with the new arena.
  – The total RPD service cost impact, once the project is completed, is approximately $700,000 in recurring annual expenses.

- Fire and Emergency Services: $5,550,000 One-time Costs / $1,186,000 Recurring Annual Costs
  – While the Navy Hill project wouldn't be the sole driver of a need for a fire station in the downtown area, it would increase and accelerate that need.
  – The Fire and Emergency Services Department estimates the one-time cost for a new fire station at $5,000,000, plus $550,000 for apparatus.
  – In order to staff a new fire station, the annual recurring costs for 18 additional FTEs are estimated at $1,186,000.

Section 2-303(e)(cont)

- Richmond Public Schools: $0 One-time Costs / Per Student Recurring Annual Costs Depending on Number of Students attributable to Project
  - Based on the FY2020 budget, RPS has indicated that the approximate local cost per enrolled student for operations is $7,088.
  - As an example, if the project results in 300 additional students being enrolled, the annual cost would be $2,126,400 at completion of the Project.
  - The additional students would be enrolled incrementally as housing units are completed over the course of multiple years.

- Community Wealth Building: $200,000 One-time Costs / $0 Recurring Annual Costs
  - It would be beneficial to City residents living in poverty to be trained in hospitality and construction trades careers so that they are prepared to obtain the new jobs that will be available due to the Project.
  - To facilitate an economic development training project the City would need to provide $50,000 per year for four years.

Section 2-303(e)(cont)

- Justice Services: $1,000,000 One-time Costs / $95,000 Recurring Annual Costs
  - Justice Services Day Reporting staff would need to vacate the Public Safety building prior to demolition and construction occurring on that parcel.
  - In order to cover moving expenses and retrofit/renovate another facility for their operations, Justice Services estimates the first year costs at approximately $1 million, with recurring rent and utilities expenses of $95,000 per year in subsequent years.

- Social Services: To be Determined
  - The Department of Social Services (DSS) would need to vacate the Marshall Plaza facility during the latter years of the Project construction.
  - Prior to and separate from the project, DSS has been working on a long-term solution to consolidate customer services.
  - Given that the long term debt for the Marshall Plaza facility will be paid off in October 2020, a solution will be needed to mitigate potential State revenue loss to the City.

Section 2-303(e)(cont)

- Finance: $0 One-time Costs / $120,000 Recurring Annual Costs
  - The Finance Department would need an estimated 1.5 FTEs to assist in tracking/verifying the Increment Area Financing revenues and manage the debt service reporting requirements for the Non-Recourse Revenue Bonds issued by the Economic Development Authority.
  - These new positions would cost approximately $120,000 per year
- Economic Development: $0 One-time Costs / $47,000 Recurring Annual Costs
  - The Department of Economic Development would need an additional .5 FTE to monitor compliance to the development agreement, serve as the liaison to the Economic Development Authority for all matters related to the issuance of the Non-Recourse Revenue Bonds, and provide business attraction marketing support for the project.
  - This new position would cost approximately $47,000 per year.
- Planning and Development: $510,000 Recurring Annual Costs for 4 years.
  - The Department of Planning and Development would need an additional 6 FTEs to handle the number of large scale projects all underway at the same time.
  - Each new position would cost approximately $85,000.

Section 2-303(f)

f) Subsequent actions that may affect future revenue and expenditures if the proposed ordinance authorizes spending, including, but not limited to, the City's full fiscal obligation, ownership, management and maintenance.

- As this project is anticipated to have a significant impact over the next thirty years, incremental changes will need to be incorporated into the annual budgets adopted by City Council, as revenues grow, new housing units are established, etc.

- The Arena and Blues Armory are expected to be owned by the Economic Development Authority and managed by (private) third parties.
  - Arena: the tenant is responsible for maintenance and upkeep of the facility. Such maintenance will be paid from funds provided by the tenant and incremental revenues generated by the Project.
  - Blues Armory: the tenant will be responsible for maintenance of the facility from its own funds.

Section 2-303(g)

g) A description of any variables that may affect revenue and cost estimates.

- Variables that may affect revenue and cost estimates include:
  - Interest rates in effect when the public revenue bonds are sold;
  - The timing of the completion of construction of public and private improvements; and
  - Major changes in the national and/or local economy, which impact the ultimate cost of the various capital improvements and anticipated revenues.

- As a safeguard against uncertainty of the cost of capital improvements, there will be Guaranteed Maximum Price contracts for construction of the Public Portion of the Projects (New Arena and Infrastructure).

Section 2-303(h)

h) An estimate of the staff time and staff costs needed to implement the proposed ordinance.

- Staff time from the City Attorney's Office, Economic Development, Finance, and Planning and Development Review, among others, will be needed to assist with the issuance of public revenue bonds, tracking and disbursement of Increment Area Financing revenues, permitting, etc. Minor increases are anticipated for future years above baseline service levels.

Section 2-303(i)

i) An explanation of how the addition of new staff, if any, and responsibilities would increase costs and affect other duties.

- See response to Section 2-303(e) for estimated staffing impact and cost.

Section 2-303(j) Davenport Sensitivity Analysis of Impact on Cumulative Debt Capacity

j) Ranges of revenue or expenditures that are uncertain or difficult to project.

- Davenport's Sensitivity Analysis of the impact of the Project on the City's Cumulative Debt Capacity over 30 Years incorporates the following Scenarios:

– As previously presented under 2-303(b):

1. No Project (Base Case).
2. Total Project approximating $1,300,000,000 of Private Investment is completed and the Project performs as projected.

– Sensitivity Scenarios shown under this section:

3. Project performs at two-thirds of projections.
4. Project performs at break even or approximately 46% of projections.

Section 2-303(j)(cont.) Davenport Sensitivity Analysis of Impact on Cumulative Debt Capacity

j) Ranges of revenue or expenditures that are uncertain or difficult to project.

- The table on this page shows sensitivity scenarios on the total 30 year revenue estimates for the Project and Increment Area as well as total estimated debt service related Non-Recourse Revenue Bond Debt Service.

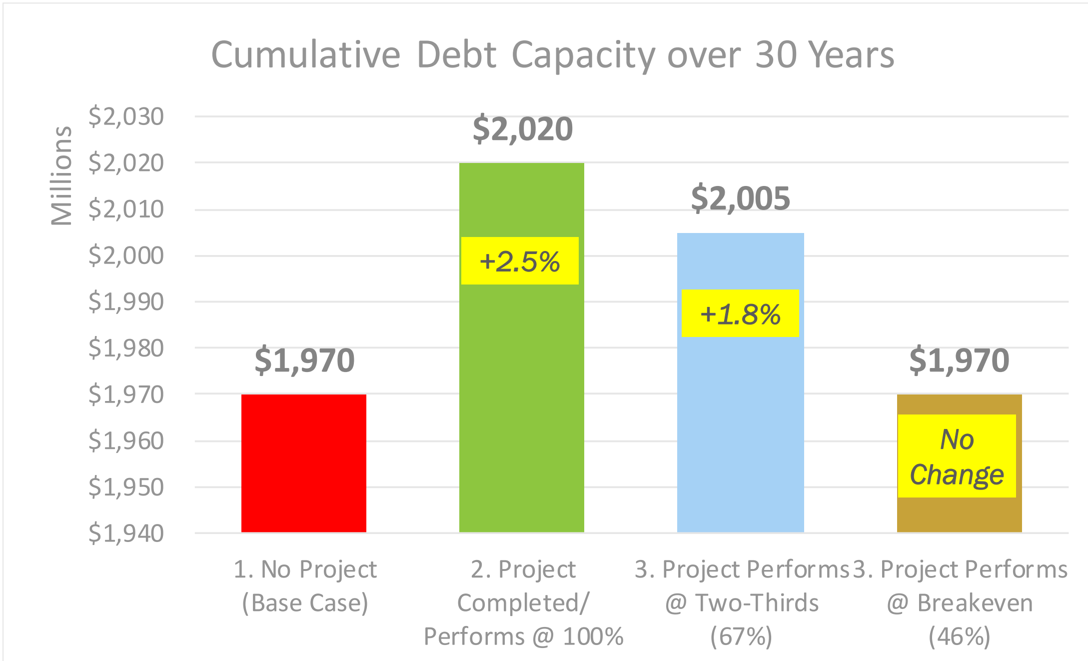
$Millions	Scenario 1 No Project (Base Case)	Scenario 2 Project Completed and performs as projected	Scenario 3 Project performs at two-thirds (i.e. 67%) of projections	Scenario 4 Project performs at Breakeven (i.e. 46%) of projections
Real Estate Tax Revenue				
Taxable Project Components	$0.0	$281.2	$188.4	$127.9
Expanded Increment District	308.4	308.4	308.4	308.4
Subtotal Real Estate Tax Revenue	$308.4	$589.6	$496.8	$436.4
Sales Tax Revenue	0.0	59.3	39.8	27.0
Meals Tax Revenue (6.0%)	0.0	112.7	75.5	51.3
Lodging Tax Revenue	0.0	84.8	56.8	38.6
BPOL Tax Revenue	0.0	12.2	8.1	5.5
Admissions Tax	0.0	35.4	35.4	35.4
Arena Revenue(1)	0.0	122.1	70.1	36.3
Other Revenue(2)	0.0	69.9	46.8	31.8
Estimated Hunden Uplift(3)	0.0	404.6	271.1	184.1
Subtotal Increment/Project Revenues	$308.4	$1,490.6	$1,100.5	$846.3
Additional 1.5% Meals Tax for Schools	0.0	28.2	18.9	12.8
Sale Proceeds from Land	0.0	15.8	15.8	15.8
Total Revenue	$308.4	$1,534.6	$1,135.2	$874.9
Less :Total Revenue Bond Debt Service	0.0	(476.0)	(530.6)	(566.1)
Surplus (Net Revenue to the City after Debt Service)	$308.4	$1,058.5	$604.5	$308.8

(1) Source: Municap/Developer: Comprised of Arena generated tax revenues and sponsorships.
(2) Source: Municap/Developer: Armory generated tax revenues and parking revenue.
(3) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.

- Except as noted all revenue estimates are from Municap/Developer.

Section 2-303(j)(cont.) Davenport Sensitivity Analysis of Impact on Cumulative Debt Capacity

- The graph shows the impact of the Project on the City's Cumulative Debt Capacity over 30 Years under the following Scenarios:



Based on City's 10% Debt Service vs. Budget Policy and 2% Growth assumption.

- Cumulative Debt Capacity over 30 Years represents the amount of debt that can be borrowed by the City over the projected time frame of 30 years and still be in compliance with all City Debt Management Policies.

Section 2-303(j)(cont.) Davenport Sensitivity Analysis of Impact on Cumulative Debt Capacity

- Key Observations:
  - The City has approximately $1,970,000,000 of Cumulative Debt Capacity over the 30 year time frame with no Project Base Case (Scenario 1).
  - If the Project's total $1,300,000,000 Private Investment is completed as proposed and performs as projected, then the City's Cumulative Debt Capacity is estimated to increase by $50,000,000 (or 2.5%) over 30 years (Scenario 2).
  - Assuming the Project's Private Investment is limited to the initial $900,000,000 investment and the Project performs at 67% of projections, then the City's Cumulative Debt Capacity is estimated to increase by $35,000,000 (or 1.8%) over 30 years (Scenario 3).
  - The Project would have to perform at 46% of projections (Scenario 4) to be break even with Scenario 1.
    - If the Project is break even, then the revenues to the City and the City's Cumulative Debt Capacity is projected to remain the same as doing no Project under Scenario 1.

Section 2-303(j)(cont.) Davenport Sensitivity Analysis of Projected Revenue and Expenditure estimates attributable to the City

- **The table on this page shows the projected revenue estimates generated as a result of the Project, related Non-Recourse Revenue Bond debt service related to the Public Portion of the Project and other revenue/expenditure estimates over 30 years.**
- Except as noted all revenue estimates are from Municap/Developer.

$Millions	Scenario 1 No Project (Base Case)	Scenario 2 Project Completed and performs as projected	Scenario 3 Project performs at two-thirds (i.e. 67%) of projections	Scenario 4 Project performs at Breakeven (i.e. 46%) of projections
Real Estate Tax Revenue				
Taxable Project Components	$0.0	$281.2	$188.4	$127.9
Expanded Increment District	308.4	308.4	308.4	308.4
Subtotal Real Estate Tax Revenue	$308.4	$589.6	$496.8	$436.4
Sales Tax Revenue	0.0	59.3	39.8	27.0
Meals Tax Revenue (6.0%)	0.0	112.7	75.5	51.3
Lodging Tax Revenue	0.0	84.8	56.8	38.6
BPOL Tax Revenue	0.0	12.2	8.1	5.5
Admissions Tax	0.0	35.4	35.4	35.4
Arena Revenue(1)	0.0	122.1	70.1	36.3
Other Revenue(2)	0.0	69.9	46.8	31.8
Estimated Hunden Uplift(3)	0.0	404.6	271.1	184.1
Subtotal Increment/Project Revenues	$308.4	$1,490.6	$1,100.5	$846.3
Additional 1.5% Meals Tax for Schools	0.0	28.2	18.9	12.8
Sale Proceeds from Land	0.0	15.8	15.8	15.8
Total Revenue	$308.4	$1,534.6	$1,135.2	$874.9
Less :Total Revenue Bond Debt Service	0.0	(476.0)	(530.6)	(566.1)
Surplus (Net Revenue to the City after Debt Service)	$308.4	$1,058.5	$604.5	$308.8
Less: Incremental Costs(4)				
Public Works		($0.4)	($0.4)	($0.4)
Police		(21.0)	(21.0)	(21.0)
Fire/Emergency		(41.1)	(41.1)	(41.1)
Richmond Public Schools		**	**	**
Community Wealth Building		(0.2)	(0.2)	(0.2)
Justice Services		(3.9)	(3.9)	(3.9)
Finance		(3.6)	(3.6)	(3.6)
Economic Development		(1.4)	(1.4)	(1.4)
Planning and Development		(2.0)	(2.0)	(2.0)
Net Revenue to the City After Debt Service/Incremental Costs		$984.9	$530.9	$235.2

(1) Source: Municap/Developer: Comprised of Arena generated tax revenues and sponsorships.
(2) Source: Municap/Developer: Armory generated tax revenues and parking revenue.
(3) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.
(4) Source: City of Richmond.
** Dependent on number of students attributable to the Project.

Section 2-303(k)

k) *If it is determined that the proposed ordinance, or any proposed amendments thereto, is not likely to have a fiscal impact, the basis for such a determination.*

- Davenport's analysis demonstrates that the Project is anticipated to have a positive fiscal and economic impact to the City.

B: Economic Impact Statement per City Code Section 2-304

Section 2-304(a)

a) The sources of information, assumptions and methodologies used to reach the conclusions set forth in the economic impact statement.

- The primary sources of the information within this statement include:
  - Financial projections and analyses for the North of Broad Project (the "Project") provided by the Respondent in the initial proposal and as modified during the course of negotiations;
  - Independent third party review by Hunden Strategic Partners and their Analysis dated October 31, 2018;
  - Analysis performed by City staff; and
  - Analysis performed by Davenport & Company LLC, Financial Advisors to the City of Richmond enclosed herein.

Section 2-304(b)

b) An outline that lists all ordinances, resolutions or actions that are required to be completed related to and for the economic development project, with an associated timeline for each.

- The ordinances and resolutions that are to be considered companion papers as related to the Project include:
  - An ordinance authorizing the execution of the development agreement and its attachments.
  - An ordinance creating a City special revenue fund for the incremental revenues.
  - An ordinance to convey currently City-owned real estate to the EDA.
  - An ordinance to convey currently City-owned real estate to NHDC.
  - An ordinance closing or "reconfiguring" portions of rights-of-way for the development.
  - An ordinance authorizing the necessary encroachments for the development.
  - An ordinance for a zoning text amendment to change the zoning regulations for an arena-specific district.
  - An ordinance for a zoning map amendment to change the zoning classification of the parcels in the development.
- Other ordinances and resolutions necessary for various aspects of the development, but ready with the above eight ordinances:
  - A resolution to approve the EDA's bond issuance.
  - An ordinance to acquire property from RRHA.
  - An ordinance to convey property acquired from RRHA to the EDA.
  - An ordinance to convey property acquired from RRHA to NHDC.

Section 2-304(c)

c) A description of any variables that could affect economic impact estimates.

- Variables that may affect revenue and cost estimates include:
  - Interest rates in effect when the public revenue bonds are sold;
  - The timing of the completion of construction of public and private improvements; and
  - Major changes in the national and/or local economy, which impact the ultimate cost of the various capital improvements and anticipated revenues.

- As a safeguard against uncertainty of the cost of capital improvements, there will be Guaranteed Maximum Price contracts for construction of the Public Portion of the Projects (New Arena and Infrastructure).

Section 2-304(d)

d) The partnerships, corporations, businesses, boards, commissions, nonprofit organizations and other entities that the Mayor anticipates will be stakeholders in the economic development project to be authorized by the proposed ordinance and the level and nature of their involvement with the economic development project to be authorized by the proposed ordinance.

- The NH District Corporation
  - NH District Corporation is a Virginia non-stock corporation structured to take advantage of tax-exempt and other public financing options available for the public portion of the NOB Project. NH District Corporation was created to serve as a vehicle for 1) raising investment equity necessary for various new development components in the NOB Project and necessary for the realization of sufficient new revenues to secure and be the source of repayment of the Project Revenue Bonds issued to fund the arena, 2) providing operational oversight of the New Arena and renovated Blues Armory, and 3) providing oversight of the private-sector development process.

- NH Foundation
  - NH Foundation is a non-profit entity whose board is composed of local community leaders and is responsible for electing board members of NH District Corporation and oversight of such board. NH Foundation will play a significant and ongoing stewardship role over the development of the NOB Project and the public assets that will continue to be owned by the City.

Section 2-304(d)(cont.)

- Capital City Development, LLC
  - Capital City Development is a Virginia limited liability company formed to source private capital and execute the Project with respect to the private development of residential, retail, research, office and hospitality spaces pursuant to the Master Development Agreement.

- Other stakeholders of the Project are expected to include:
  - The Economic Development Authority, as the issuer of the Project Revenue Bonds for the public portions of the Project;
  - Nonprofit organizations focused on affordable housing;
  - Construction companies that will work on the development, including a significant portion of minority owned businesses;
  - The Greater Richmond Convention Center Authority; and
  - New and existing businesses in the area.

Section 2-304(e)

e) Any anticipated positive or negative impact, if any, on employment.

- The project is expected to have a major positive impact on employment, as noted in item 2-304(g).

Section 2-304(f)

f) A range of economic impact factors that are uncertain or difficult to project.

- Please see response to Section 2-303(j) for Davenport's analysis of revenues and expenditures as a result of the Project and related sensitivity scenarios assuming various revenue levels.

Section 2-304(g)

g) *The number of permanent or temporary jobs that are anticipated to be created as a result of the economic development project to be authorized by the proposed ordinance.*

- The Project is anticipated to create approximately 21,000 jobs, including more than 9,000 permanent jobs and workforce training opportunities.

Section 2-304(h)

h) An analysis and timeline showing the projected revenues that are expected to be generated as a result of the City's expenditure of public funds, if the proposed ordinance is approved by the Council. The analysis and timeline shall include the benchmarks used to determine the revenue projections. An annual progress report concerning the actual revenues collected as a result of the City's expenditure of public funds and how such revenues exceeded, met or failed to meet the revenue projections and benchmarks shall be provided to the Council no later than December 31 of each year for ten years and as may be requested by the Council for any subsequent year beyond the initial ten years.

- The construction of the Public Portion of the Project funded from $350 Million of Non-Recourse Revenue Bonds will approximate 24 to 36 months.
- The Projected revenues generated by the Increment Area and expenditures attributable to the Non-Recourse Revenue Bond Debt issued to finance the Public Portion of the Project over the course of 30 years are shown to the right.
- It is anticipated that the Surplus to the City for General Purpose will begin after the completion of the Project and approximately 6 years after the issuance of the Non-Recourse Revenue Bonds.

$Millions	Project Completed and performs as projected
Real Estate Tax Revenue	
Taxable Project Components	$281.2
Expanded Increment District	308.4
Subtotal Real Estate Tax Revenue	$589.6
Sales Tax Revenue	59.3
Meals Tax Revenue (6.0%)	112.7
Lodging Tax Revenue	84.8
BPOL Tax Revenue	12.2
Admissions Tax	35.4
Arena Revenue(1)	122.1
Other Revenue(2)	69.9
Estimated Hunden Uplift(3)	404.6
Subtotal Increment/Project Revenues	$1,490.6
Additional 1.5% Meals Tax for Schools	28.2
Sale Proceeds from Land	15.8
Total Revenue	$1,534.6
Less :Total Revenue Bond Debt Service	(476.0)
Surplus (Net Revenue to the City after Debt Service)	$1,058.5

(1) Source: Municap/Developer: Comprised of Arena generated tax revenues and sponsorships.
(2) Source: Municap/Developer: Armory generated tax revenues and parking revenue.
(3) Pro-rata estimate based on 88.1% ($1,086/$1,233) of Hunden Uplift calculated by Hunden in its Analysis dated October 31, 2018.

Section 2-304(i)

i) An explanation of how the expenditure of any public funds by the City, as may be indicated in the proposed ordinance, complies with any guidelines, policies or best practices that help to achieve or maintain the goal of being a AAA bond rated locality.

- The costs and benefits of the project are expected to remain in compliance with Council's adopted debt policy guidelines, ultimately growing the annual general fund budget by tens of millions per year and expanding the City's debt capacity. Through the allocation of surplus revenues for key priorities, the project is consistent with the goal of being an AAA bond rated locality.

Section 2-304(j)

j) *If it is determined that the proposed ordinance, or any proposed amendments thereto, is not likely to have an economic impact, the basis for such a determination.*

- Davenport's analysis demonstrates that the Project is anticipated to have a positive fiscal and economic impact to the City.

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