RESPONSES TO QUESTIONS AND REQUESTS FROM THE NAVY HILL ADVISORY COMMISSION
October 19, 2019

TO: The Navy Hill Development Advisory Commission

FROM: City of Richmond Staff

RE: Responses to Commission's Questions/Requests for Information

DATE: October 19, 2019

Please see the enclosed responses to a variety of questions and requests for information from Navy Hill Advisory Commission. Certain responses were provided respectively by legal counsel for the City, the City's financial advisor (Davenport), and the development team (NHDC) – all as indicated within the response document.

CITY RESPONSES

1. A number of the questions/requests and the corresponding responses are set forth in the attached analysis prepared by the City's financial advisor, Davenport & Company, entitled "Information Prepared for the Navy Hill Commission Appointed by the City of Richmond" and dated October 19, 2019.

2. The following responses were prepared by the City's legal counsel (City Attorney's Office and Orrick).

QUESTIONS AND RESPONSES – LEGAL

2(A). There is a State statute regarding tax increment financing and there is a statement in the documents that this is not that, what is the rationale around this?

RESPONSE

This is not tax increment financing under Va. Code §§ 58.1-3245--58.1-3245.5 because the City does not intend to establish a district by ordinance or issue bonds. Rather, as noted in the last two recitals of the Cooperation Agreement, this is a construction by the EDA of an authority facility for which the EDA pursuant to Va. Code § 15.2-4905(12) accepts appropriations of money made by the City pursuant to Va. Code § 15.2-953(B). City Charter § 2.02(i) empowers the City Council to provide for the control and management of the fiscal affairs of the City and to prescribe the City's systems of accounting, authorizing the City Council to adopt the Navy Hill Fund ordinance. This arrangement allows for the City Incremental Revenues to be captured and accounted for, so that the City may, subject to annual appropriations, make the required payments to the EDA for repayment of the bonds.

2(B). Is there exposure there because this is not a state TIF? This would be the largest in VA in terms of TIF financing.

RESPONSE

Because these activities are expressly authorized by the City Charter and the Code of Virginia, Dillon's Rule does not limit the City's ability to undertake them.

2(C). Is the EDA subject to public procurement requirements? Doesn't this fall within the exemptions?

RESPONSE

The Arena is a facility "for use by an organization (other than an organization organized and operated exclusively for religious purposes) which is described in § 501(c) (3) of the Internal

Revenue Code of 1986, as amended, and which is exempt from federal income taxation pursuant to § 501 (a) of such Internal Revenue Code" within the meaning of item (viii) of the definition of "authority facility" in Va. Code § 15.2-4902. Va. Code § 2.2-4344(B) exempts the EDA from competitive procurement requirements "with respect to any item of cost of 'authority facilities' or 'facilities' as defined in [Va. Code] § 15.2-4902."

2(D). Doesn't the EDA bring with it the requirement to go through procurement?

RESPONSE

We understand this question to ask whether the EDA's payment of the EDA Bond Proceeds to the Developer carries with it an obligation on the Developer's part to comply with public procurement laws in spending that money on the arena project. Nothing in the Development Agreement or the Arena Lease subjects the Developer to competitive procurement requirements. The EDA Bond Proceeds can only be used for authorized expenditures relating to the construction of the Arena. The EDA Bond Resolution and the Indenture will provide a definition of the Project Costs and it is only those expenditures that can be paid/requisitioned to the Developer.

2(E). Who in the City is taking the actions required in the Development Agreement (4.8, 4.15, 10.3) – is the approval of the ordinances the only time City Council will need to vote? How does it work and how do you govern the documents?

RESPONSE

Ultimately, the Chief Administrative Officer takes actions required of the City in the Development Agreement. Ord. No. 2019-211, § 2 provides, "the Chief Administrative Officer, for and on behalf of the City of Richmond, be and is hereby authorized to execute such contracts, deeds, and other documents and give such approvals contemplated by the Navy Hill Development Agreement as may be necessary to effectuate the purposes of the Navy Hill Development Agreement and to consummate fully the transactions contemplated by the Navy Hill Development Agreement, provided that all such contracts, deeds, and other documents first must be approved as to form by the City Attorney."

2(F). Why can't you close the TIF when the debt is repaid?

RESPONSE

Section 3 of Ord. No. 2019-211 provides that the obligation to segregate and pay the City Incremental Revenues to the EDA expires "upon the later of the (i) expiration or earlier termination of a certain Deed of Ground Lease (Arena) between the Authority and The NH District Corporation or (ii) expiration or earlier termination of the Cooperation Agreement." Once the bonds are paid, there are continuing obligations that still occur under the Arena Lease and Cooperation Agreement until their expiration or termination. However, the size of those obligations is drastically reduced, and the money not needed to satisfy those obligations is provided to the City's general fund.

2(G). Is it necessary for the City to own the arena?

RESPONSE

The City will not own the Arena. The EDA will own the Arena. The bond financing is contingent upon the EDA's ownership of the Arena.

2(H). The EDA- transparency part of the project is a concern, does the EDA need to be in the role they are in or can it be done in another way?

RESPONSE

The EDA's participation in the development is necessary for the Armory to be leased for more than 40 years because Va. Const. art. VII, § 9 prohibits the City from leasing out City-owned property for a term of longer than 40 years. The EDA is a public body subject to the same open meeting and open record requirements under the Virginia Freedom of Information Act to which the City is subject.

2(I). Can the City nullify the Bond commitment (6.1) if the terms of the bond are not consistent with the agreement?

RESPONSE

The second sentence of § 6.1(a) of the Development Agreement ("Usage and repayment of the EDA Bond Proceeds shall be subject to the terms and conditions of the EDA's bond resolution and ordinance for the Bonds, this [Development] Agreement, the Cooperation Agreement and the terms and conditions of the Financing Documents.") requires the "terms of the bond[s]" to be consistent with the Development Agreement and the Cooperation Agreement. Further, the City does not have to sign the Cooperation Agreement until the date of the bond issuance; therefore, the City, through the Chief Administrative Officer, will have a right to confirm that the terms of the Bonds upon issuance are in accordance with the Cooperation Agreement and other financing documents. In a way, this gives the City a passive approval right over the final terms of the Bonds. In addition, the City Council must approve by resolution the EDA's issuance of the bonds before the EDA may issue the bonds. The City Council need not adopt the resolution if the terms of the bonds are inconsistent with the other transactional documents.

2(J). Can the City by ordinance authorize "deemed approvals" with regard to public safety?

RESPONSE

The "deemed approval" provisions in the Development Agreement and the two leases concern only the City's role as a market participant and not its role as a market regulator. Section 6.1 of both the Arena Lease and the Armory Lease require the Developer to comply with all applicable laws. In addition, section 4.10 of the Development Agreement clarifies that no action by the City under the transactional documents constitutes a regulatory approval by the City.

END QUESTIONS AND RESPONSES – LEGAL

3. How was the number of housing units, affordable units vs. market rate, amount of retail, size of the arena developed – did the City consult?

RESPONSE

The number of affordable housing units was negotiated as part of the purchase and sales agreement for the pieces of City-owned land as part of a larger community benefits package. The square footage of retail and the size of the arena were market driven.

4. What is the CAO's role in the project? There are a number of places where the CAO is authorized to sign various documents and there is one specific area in the Cooperation Agreement where the CAO determines the parameters.

RESPONSE

In response to a similar question from City Council, legal counsel stated:

> "Pursuant to Section 2.5 of each of the Arena and Armory Ground Leases, each Ground Lease affords the City the "*power to exercise all of the rights of Landlord under *the* Lease*." This provision grants the City the legal right to grant any approvals or waivers required under the respective Leases and to perform all administrative functions of the Landlord, including, but not limited to, the approval of all design and construction contracts and related contractor documents, approval of the operating and maintenance plan, granting of any notice waivers or the exercise of any remedies upon a default under a Lease."

The Cooperation Agreement, specifically, states:

> "It is the intent of the City and the Authority that the Ground Lease will be administered at no cost to or liability upon the Authority beyond the amount of the Pledged Revenues. To that end, the Chief Administrative Officer or an authorized designee of Chief Administrative Officer (each an "Authorized CAO Designee") shall be responsible for administering and performing all functions of the Authority (excluding the issuance of the Bonds) and shall have the power to exercise all of the rights of the Authority. Specifically, in connection with the Arena Lease executed by the Authority, *any approval, notice, direction, findings, consent, request, waiver, or other action by the Authority required under the Arena Lease, shall be exercised by the CAO or any Authorized CAO Designee*." (Emphasis Added.)

Please also see response 2(E) above.

5. Declaration of Surplus property – is this a normal process? Any fiscal implication of this?

RESPONSE:

Yes, as set forth in City Code Section 8-65, anytime the City sells its real property, City Council must first declare the property surplus.

The City will receive $15.8 Million for the sale of property. The Master Plan exhibit requires a minimum capital investment on the private development parcels (which are currently tax exempt and will become taxable upon conveyance) of over $1.3 billion, collectively. Additionally, certain outstanding debt on the Coliseum will be defeased, the City will avoid the cost of continued upkeep of the Coliseum, the City will avoid the cost of demolishing decaying public buildings (e.g., Coliseum and Public Safety Building), and the City will receive new and enhanced r/w infrastructure constructed at private expense. Please also see the attached information prepared by the City's financial advisor for a breakdown of the project's fiscal implications as a whole.

6. How does a public entity transfer land to a private entity?

RESPONSE

Pursuant to the Constitution of Virginia and the Code of Virginia, localities are authorized to sell and convey real property to outside entities – both private and public. Such dispositions cannot occur until the governing body has first held a public hearing (Va. Code 15.2-1800) and, in the case of cities and towns, a three-fourths majority of the governing body has approved the sale.

> Virginia Code - 15.2-1800. Purchase, sale, use, etc., of real property.
>
> B. Subject to any applicable requirements of Article VII, Section 9 of the Constitution, any locality may sell, at public or private sale . . . or otherwise dispose of its real property . . . provided that no such real property, whether improved or unimproved, shall be disposed of until the governing body has held a public hearing concerning such disposal.
>
> Constitution of Virginia - Article VII. Local Government
>
> Section 9. Sale of property and granting of franchises by cities and towns
>
> No rights of a city or town in and to its waterfront, wharf property, public landings, wharves, docks, streets, avenues, parks, bridges, or other public places, or its gas, water, or electric works shall be sold except by an ordinance or resolution passed by a recorded affirmative vote of three-fourths of all members elected to the governing body.
>
> . . . .

> Virginia Code - § 15.2-2100. Restrictions on selling certain municipal public property and granting franchises.
>
> A. No rights of a city or town in and to its waterfront, wharf property, public landings, wharves, docks, streets, avenues, parks, bridges, or other public places, or its gas, water, or electric works shall be sold except by an ordinance passed by a recorded affirmative vote of three-fourths of all the members elected to the council, notwithstanding any contrary provision of law, general or special, and under such other restrictions as may be imposed by law. Notwithstanding any contrary provision of law, general or special, in case of a veto by the mayor of such an ordinance, it shall require a recorded affirmative vote of three-fourths of all the members elected to the council to override the veto.
>
> . . . .

7. What is the framework we are setting up to realize an economic development scenario?

RESPONSE

Studies in economic development clearly show that when a focused effort on revitalizing a specific area is achieved, then the surrounding neighborhoods benefit from this investment. Local evidence of such investments may be seen in Carytown, Manchester, Church Hill, Church Hill North, Union Hill and Scotts Addition. Thus there is a strong probability that the areas west of the Arena, specifically West Broad Street will see investments as more events are scheduled for the Convention Center and more people moving back into the core of the downtown will desire local retail. This additional investment along Broad Street could be spurred on by new streetscape improvements.

8. Is tourism the dominant economic driver? Why is only 1% to arts, culture and tourism?

RESPONSE

Tourism will be greatly benefited by the project. Notably, Richmond Region Tourism has indicated that the biggest need for GRCCA is a convention center hotel as the City lost over 49,000 hotel room nights last year because conventions that wanted to come to Richmond had to pass the city over due to insufficient lodging availability. The project's convention center hotel will greatly increase RRT's ability to secure conventions bringing in thousands of non-Richmonders paying for not only lodging but meals, parking, retail, and more.

The recommendation to dedicate 1% of surplus revenues to arts/culture/tourism is similar to the City's percent for the art program, which dedicates 1% of certain CIP project cots to public art. The larger percentages to schools and infrastructure are due to prioritizing those most important city needs.

9. What is the history for the 2% rate? Please provide annual numbers as to what the growth rate has been over the last 10 years and how it is calculated.

RESPONSE

Please see the below table showing the city-wide assessed taxable value of real property for each year from 1999 until 2019. The sources for the assessed values are various City Comprehensive Annual Financial Reports (CAFRs) as reported by the Assessor. The table shows that the city-wide assessed value of taxable real property has grown significantly over the past 20 years - from $9,240,351,781 in 1999 to $24,723,042,000 in 2019. The total growth rate over that period far exceeds a 2% per year average.

-	**Residential**	**Commercial**	**Total Assessed Value (incl. tax exempt)**	**Less Tax Exempt**	**Taxable Assessed Value**
1999	5,173,535,791	6,073,281,040	**11,246,816,831**	2,006,465,050	**9,240,351,781**
2000	5,408,964,656	6,349,654,161	**11,758,618,817**	2,240,265,650	**9,518,353,167**
2001	5,745,560,736	6,744,788,690	**12,490,349,426**	2,210,297,652	**10,280,051,774**
2002	6,473,254,985	7,599,038,460	**14,072,293,445**	2,892,351,707	**11,179,941,738**
2003	7,396,450,777	8,358,905,035	**15,755,355,812**	3,103,519,875	**12,651,835,937**
2004	7,930,422,754	8,649,174,035	**16,579,596,789**	3,344,887,395	**13,234,709,394**
2005	9,448,941,200	9,291,733,951	**18,740,675,151**	3,661,451,800	**15,079,223,351**
2006	10,739,603,660	9,246,483,112	**19,986,086,772**	3,914,062,202	**16,072,024,570**
2007	12,273,304,550	11,495,448,724	**23,768,753,274**	4,726,230,820	**19,042,522,454**
2008	13,189,929,800	12,416,702,435	**25,606,632,235**	5,000,713,600	**20,605,918,635**
2009	14,501,085,200	12,117,784,643	**26,618,869,843**	5,519,840,800	**21,099,029,043**
2010	12,657,788,000	14,263,768,672	**26,921,556,672**	5,827,518,000	**21,094,038,672**
2011	12,019,466,000	13,786,267,222	**25,805,733,222**	5,918,281,000	**19,887,452,222**
2012	11,908,691,000	13,751,070,000	**25,659,761,000**	5,943,230,000	**19,716,531,000**

2013	11,527,422,000	13,981,508,000	**25,508,930,000**	6,024,864,000	**19,484,066,000**
2014	13,873,758,000	11,897,960,000	**25,771,718,000**	6,183,459,000	**19,588,259,000**
2015	14,322,697,000	11,976,725,000	**26,299,422,000**	6,268,127,000	**20,031,295,000**
2016	14,986,306,000	12,803,864,000	**27,790,170,000**	6,908,330,000	**20,881,840,000**
2017	15,650,193,000	13,250,426,000	**28,900,619,000**	7,304,849,000	**21,595,770,000**
2018	16,632,993,000	13,536,643,000	**30,169,636,000**	7,458,753,000	**22,710,883,000**
2019	18,219,437,000	14,252,708,000	**32,472,145,000**	7,749,103,000	**24,723,042,000**

10. Does the City own the arena as it is built on a ground lease?

RESPONSE

The arena site will be conveyed from the City to the EDA and the EDA will enter into a ground lease, as Landlord, with NHDC, as Tenant. As set forth in the ground lease, the arena Improvements will be Public Assets owned by the EDA.

> **Arena Lease**
>
> 7.11 Title to Improvements. Landlord shall own all Improvements financed in whole or in part by the Bonds and all Additional Construction, restoration work, Routine Maintenance Renewal Work and all improvements, appurtenant fixtures, machinery and equipment installed upon the Premises ("Public Assets"). Public Assets exclude any Personal Property of the Tenant. Upon installation or construction of any portion of any Public Asset by Tenant or any Tenant Party on or within the Premises, legal title of such portion of such Public Asset will automatically transfer and vest in Landlord, and Tenant will deliver any documentation reasonably requested by Landlord necessary to effectuate such legal title transfer.
>
> During the Term, for federal income tax purposes, Tenant shall be the "tax owner" of the Improvements except for Public Assets, including all Additional Construction and all appurtenant fixtures, machinery and equipment installed therein (except for Personal Property) and shall be entitled to depreciation deductions and any tax credits with respect to the Improvements, including all Additional Construction and all appurtenant fixtures, machinery and equipment installed therein (except for Personal Property).
>
> At the expiration or earlier termination of this Lease, title to the Arena Project and all Improvements not already transferred to Landlord, including appurtenant fixtures (but excluding Personal Property), will vest in Landlord without further action of either

Landlord or Tenant and without compensation or payment to Tenant. Tenant and its Subtenants shall have the right (unless otherwise purchased at fair market value by the Landlord) at any time, or from time to time, including, without limitation, at the expiration or upon the earlier termination of the Term of this Lease, to remove Personal Property from the Premises; provided, however, that if the removal of Personal Property causes damage to the Premises, Tenant shall promptly cause the repair of such damage at no cost to Landlord.

11. What is the impact of the new development on residents who currently live in the communities?

RESPONSE

There are currently no residents living in the blocks that are part of the Navy Hill project.

A recent analysis performed by the Planning staff indicates the following number of people living within 1/4 and ½ mile of the Navy Hill project:

Quarter-Mile Buffer
- Total Population: 545 (ACS 2013-2017 5-Year Est.)

Half-Mile Buffer
- Total Population: 9,052

Households that live in Jackson Ward and Monroe Ward will be impacted the most from the development of Navy Hill. A portion of the RRHA Gilpin Court public housing development site is also within one half mile of the Navy Hill development site and may also be impacted by the new investments.

Positive impacts will be the availability of more retail stores and a food market at the Blues Armory. In addition there will be up to 9,300 new jobs in retail, entertainment and hospitality created by the investment. Negative impacts include additional traffic to neighborhood streets and the probability that over time real property tax assessments may rise due to the increase in desirability to live closer to a vibrant downtown. This may create greater gentrification of the overall area. The Administration is working on a number of affordable housing strategies to allow gentrification without displacement that will be part of an Affordable Housing Strategy.

12. What is the impact of redevelopment on the homeless?

RESPONSE

Both the Department of DSS and HCD are completing a Strategic Plan to End Homelessness. The Plan will focus on partnering with the non-profit and faith-based communities to implement a holistic strategy to end homelessness in the City. The goal of the plan is to provide the homeless with shelter and services at a variety of locations throughout the City.

13. How does the project change the current travel pattern?

RESPONSE

The current proposal under consideration reestablishes the street grid network by re-opening Clay Street between 5th Street and 10th Street. Leigh Street will be reconfigured to emphasis people who walk as the modal emphasis. All proposed design work will follow our Better Streets Manual to serve all users (people who walk, roll, bike, ride transit, and drive) and implement Vision Zero speed management and design principles to improve safe access to a core downtown area. Other existing travel patterns are anticipated to remain the same at this time. Please see the attached Planning Commission staff report for additional information.

14. Job creation – where do the jobs actually come from? Davenport's analysis is only a bullet on this and doesn't say how it actually works.

RESPONSE

Please see the attached study performed by VCU CURA for analysis related to the projected creation of over 21,000 total jobs – 9,000+ of them permanent.

The Hunden Strategic Partners fiscal impact analysis performed for the City also includes analysis of employment impacts (direct/induced/indirect) and utilizes a FTE metric. The Hunden analysis can be found here: http://www.richmondgov.com/PressSecretaryMayor/robocopy/documents/HundenStrategicNoB.pdf

15. How does an already burdened City staff keep up with the enormous demands of this project?

RESPONSE

Each Department Director was tasked with identifying what their needs would be to support the Navy Hill project both during development, construction and ongoing operations. These requests are identified in the Ordinance and Resolution Request and Fiscal and Economic Impact Statement. Because the Navy Hill project is not a CIP project, the impacts on the City's staffs are greatly reduced.

The Fiscal and Impact Statement includes six additional staff for the Department of Planning and Development Review at approximate cost of $500,000/annually for five years to address the City's ability to perform its regulatory role in reviewing, permitting and inspecting the various structures in the development without any detrimental impact to reviews outside of this project. Another approach available to the City is hire a third party firm to review, and inspect the structures.

Additionally, Section 7.3 of the Arena Lease provides for the Landlord's (EDA/City) use of a portion of bond proceeds to hire a dedicated "Project Monitor" tasked with reviewing plans and overseeing the Tenant's construction on behalf of the EDA/City – the Project Monitor will significantly reduce the demand of city staff time needed for contractual reviews and administration.

16. How can we prevent private property owners in the IFA from feeling targeted to generate additional taxes?

RESPONSE

Private property owners in the IFA will be treated the same as all other tax payers in the City of Richmond. There will be no increased tax rate or any special taxes levied. Private property owners in the IFA will continue to pay taxes as they always would.

17. How does an intense retail corridor on E Clay Street work? (Note: referring to the street-oriented commercial designation). Please provide the decisions and analysis that led to that kind of determination or zoning.

RESPONSE

The street-oriented commercial designation is used in the newer or newly-amended zoning districts (TOD-1, B-7, B-4, B-5, B-6, RF-1 and RF-2). In these districts, dwelling units, when located on streets designated as street-oriented commercial or priority frontage, must have one-third or 1,000 square feet (whichever is greater) of the floor area of the ground floor dedicated to other principal uses permitted in the district. Please note that while the development does propose a good deal of retail square footage, street-oriented commercial does not specify retail. PDR is interested in activating the street by requiring uses on the ground floor of buildings, without creating undue hardship by specifying that it must be retail.

The street-oriented commercial designation serves another purpose in the amended CM district. While the district as amended permits far greater square footage of signage as well as off-premises and animated signs, PDR staff believed that it was important to have one pedestrian-oriented street on which the signage was of a more traditional size. The amended signage language differentiates between signage throughout the district and signage on streets designated as street-oriented commercial. On the latter, the signage size and type is the equivalent of Carytown or Brookland Park Boulevard.

Lastly, the reopening of Clay provides a unique opportunity to provide a central location to “knit together” all of the significant numbers of employees, guests, visitors, and residents in an area that is woefully under-served by convenience, and destination retail. Clay has the real potential to become the “main street” of the Navy Hill area and areas surrounding it.

Please see the attached Planning Commission staff report for additional information.

18. Please provide a land value assessment for the parcels that will be sold.

RESPONSE

Please see response # 1 in the attached responses to questions posed by City Council at its Sept. 23 work session.

19. Can you make any guarantees regarding the acceptance of vouchers? Can Gilpin Court residents move in?

RESPONSE

Development Agreement Section 9.2 requires acceptance of Housing Choice Vouchers as follows – “The Developer and any owner of any Private Development Parcel on which Affordable Housing Units are provided shall accept Housing Choice Vouchers from the Richmond Redevelopment and Housing Authority as part of any rental payment from a resident; however, neither the Developer nor any owner of any Private Development Parcel on which Affordable Housing Units are provided shall be required to give preference to a resident using a Housing Choice Voucher over a resident not using a Housing Choice Voucher.”

20. What percentage of jobs are FTE?

RESPONSE

Please see the attached study performed by VCU CURA for analysis related to the projected creation of over 21,000 total jobs – 9,000+ of them permanent.

The Hunden Strategic Partners fiscal impact analysis performed for the City also includes analysis of employment impacts (direct/induced/indirect) and utilizes a FTE metric. The Hunden analysis can be found here: http://www.richmondgov.com/PressSecretaryMayor/robocopy/documents/HundenStrategicNoB.pdf (See Table 1(Executive Summary Page 7) and Table 9-5 (Chapter 9 Page 6). Hunden estimates approximately 6,600 FTEs by year 5, approximately 7,000 FTEs by year 10. In total, Hunden estimates those jobs will result in over $11.1 Billion in net new earnings over the first 30 years.

21. Why are you including the Leigh Street Regrade in today's presentation? Is it in the deal or not?

REPSONSE

At this time, a regrade of Leigh Street in not included in the project. However, other adjustments to reconfigure Leigh Street are included in the project as set forth in Exhibit H to the Development Agreement ("Right-of-Way Reconfiguration Conditions"). (Please find Exhibit H via the following link: http://www.richmondgov.com/Mayor/documents/Tab%20H%20-%20Dev.%20Ag.%20Exh.%20H%20-%20Right-of-Way%20Reconfiguration%20Conditions.pdf)

Those improvements to Leigh Street not only adjust the development blocks as needed (for example, to allow for the wrapping of the parking garage with active uses) but are also tailored to improve walkability along with the other infrastructure improvements that will reopen E. Clay Street from N. 5th to N. 10th St., reopen N. 6th St. from E. Marshall to E. Clay St. as a public pedestrian plaza, and to straighten N. 5th St. and N. 7th St. Notably, the project includes a ten-foot wide sidewalk along the south side of Leigh Street at grade with the arena and development blocks (see the pedestrian access easement along Leigh St. on the drawing attached to the Right-of-Way Reconfigurations exhibit).

Proceeding with the project as presented does not preclude a future regrading/raising of Leigh St. Moving forward, the City will work collaboratively with Navy Hill to pursue potential funding from the state or other entities as best benefits the City's needs.

22. Please identify each entertainment, tourism, or event space in the city that receives any type of financial support or tax abatement support from the city (eg, convention center, performing arts center, blues armory, etc) and provide a five year history of the city funds provided to each such facility.

RESPONSE

These numbers will be forthcoming.

23. Please provide an estimate of the number of multifamily units newly constructed in downtown Richmond in each of the last five years.

RESPONSE

These numbers will be forthcoming.

RESPONSES PROVIDED BY NHDC

1(A). What is the ability of the arena to support itself – can you show a breakdown of what the formula is for revenues and please provide information in writing as to where we are in regard to sponsorship revenues.

NHDC RESPONSE

The breakdown of how a Richmond Arena would operate profitably is shown in the CSL analysis within NHDC's RFP response (dated February 9, 2018).

Modern arenas that are designed to properly support touring shows, sports tournament play, and potential sports teams as tenants, routinely make an operating profit. While it is not unusual for older arenas that have limitations as a result of outdated bowl configurations and inadequate operational features (like the current Coliseum) to operate at a deficit, those that follow proven principles of arena programming and design, as well as engage professional operators, all regularly make a profit.

In the decades since the Coliseum was built, there has been a renaissance in the design and operations of U.S. arenas. The techniques of how to maximize operating revenues are well-known by the NHDC team of arena developers, architects, contractors and operators. These include:

1. Ease of staging events, including load-in, load-out, show rigging, performer support, etc.
2. Integrated marketing partnerships (sponsorships)
3. Premium seating programs
4. Arena size and its ability to dominate a regional market
5. Flexibility of staging diverse events, etc.

Given the robust health in the Richmond regional market for shows and other events, an efficient well-programmed new arena design, and an experienced private operator, the new Richmond Arena is projected to operate with sufficient annual profit that it has attracted at-risk operator interest from the most experienced facility operators in the US. Furthermore, the confidence in profitable return on investment is supported by the Arena Lease which puts the risk of any operating deficits on the Operator.

This distinction is important. To date, the Coliseum was operated by paying the operator a fixed fee, with nothing at risk if it failed to make a profit. Given its age, bowl configuration, and deferred maintenance, the Coliseum has not made a profit in its most recent years of operation.

Third-party analysts, CSL International, provided an initial assessment of an assumed business model for new Richmond arena that took into account the assumption of Operator risk. Their analysis is included in NHDC's RFP response dated February 9, 2018 and is available online. Their conclusions have been subsequently borne out through discussions with private operators who have competed for the opportunity to enter into a long-term, at-risk agreement to operate the new arena.

Once NHDC has consummated an agreement with its preferred private, at-risk arena operator, a breakdown of those proposed sources and uses of funds will be provided to the City.

1(B). Information in writing as to where we are in regard to sponsorship revenues, especially the naming rights for the arena since this is expected to be the main single source of sponsorship revenues. Have the naming rights been sold, and if so to what company? What are the current negotiated terms concerning total amount, duration, and payment stream? Are there draft contractual arrangements with other major sponsors, and if so what is the total amount involved with these? What is the current draft contractual language in the financing documents concerning application of sponsorship revenues towards bond repayment? This is important because the developer agreement defers to the financing documents for details on sponsorship.

NHDC RESPONSE

Before addressing each of the specific questions below regarding the status of sponsorship (marketing partnership) sales in the proposed new Richmond Arena, it is instructional to understand how the development team has approached this subject, including the initial steps of a feasibility analysis identifying the region’s corporate base, levels of interest in participation, establishing values for various marketing partnership levels, and finally, developer confidence in consummating these partnerships at the appropriate point in time when contractual commitments will need to be in place to provide assurances to the bond underwriting.

The approach included market research, focus group discussions with various corporate leadership teams within the Mid-Atlantic region, the vetting of integrated marketing partnership programming and concept ideas to be incorporated within the arena design itself, and, most importantly, the sales protocol itself – who is asking whom to participate in the program.

The goal of securing the highest possible level of regional and national sponsorship participation in the new arena must be as rigorously programmed as the design of the arena itself, so arena architects as well were engaged in the analysis.

When looking at the potential for long-term marketing partnerships in a state-of-the-art arena, Richmond enjoys several advantages over other cities of comparable size. These include:

- Richmond is the Capital City of a large and consequential State that is currently not well served by an arena of this scope. There are approximate 80 arenas in the U.S. over 15,000 seats, and none of those exist in the Commonwealth of Virginia
- Richmond is home to seven Fortune 500 companies, with 14 additional F500 companies located within the Commonwealth.

- An arena positioned as this one will be – in the urban core, next to the GRCC, the Bio+Tech Park, and the VCU Health Systems campus – will be able to offer a very high-profile B to B benefit to marketing partners.
- The arena will be associated with an exciting and diverse mixed-use development that itself will have a regional and even national profile.

The experience of the development team itself is a major contributor to creating added value to an arena marketing partnership program in Richmond:

- **The arena developer –** members of Capital City Partners are innovators in public/private arena development and have helped to create integrated sponsorship programs in dozens of successful arenas throughout the US.
- **The arena architects** - HOK, have earned international respect in the design of arenas that feature creative revenue producing elements like sponsorship showcases, and premium seating and suite programs that support sponsorship fulfillment.
- **The arena operators** –selected from an elite shortlist of national and international facility managers experienced in the business of maximizing arena revenues. In this case, the operator's investment return is linked to the successful execution of a robust marketing partnership program, so there is additional motivation to secure high value partnerships
- **The Navy Hill Foundation Board** – who have been, and will continue to be, a primary force in promoting the advantages of business partnerships between Richmond's regional businesses and the new arena, and in helping to secure commitments from Richmond's largest and most consequential employers. These board members have participated in other similar and successful programs to promote a better Richmond and are in a position to make the case for a high-value arena marketing program to these companies.

The protocol to date has been that the development and design team has created a hierarchy of marketing partnership categories and have used these to test the market in one-on-one presentations with candidate companies. These categories included:

- Arena Naming Rights (1)
- Founding Partner (6+)
- Sustaining Partners (10+)

The value of the first two categories is believed to be approximately $2.8M min, with $2.21M of that total dedicated to arena bond underwriting. At the appropriate time in the procurement process with the City, and as the arena operator is fully in place, these marketing partnerships will become contractually obligated – a requirement for bond underwriting.

Candidate businesses with which the developer has already engaged have been identified from a well-known list of the area's largest employers. These companies are all active in regional business associations, philanthropic boards, and other traditional organizations. Each of these candidate companies have a desire to see a successful Navy Hill and a new Arena developed as it helps to solidify Richmond as a place where their current and future workers want to live. Navy Hill and the Arena gives their recruiters additional features and benefits to tout when promoting Richmond as a city with diverse benefits.

Some of these marketing partner candidates have already invested on the arena project, even prior to Council authorization, which is a testament to the importance these companies place the project. Until there is Richmond City Council authorization for the project, these marketing partnerships will remain confidential.

With that background as context, the answers to the specific Commission questions below are as follows:

- Sponsorship Q1. Information in writing as to where we are in regard to sponsorship revenues, especially the naming rights for the arena since this is expected to be the main single source of sponsorship revenues.
    - **Sponsorship A1.** The groundwork necessary to secure the arena's naming rights as well as most of the Founding Partner sponsorship categories has been accomplished by the Navy Hill development team with enough certainty to allow initial design of the arena to be underwritten. These marketing partnerships will be shared with the arena operator when that agreement has been consummated, and it will be the arena operator who will finalize, in writing, these agreements. The agreements ($2.21M identified in the revenues required) will become part of the bond underwriting.
- Sponsorship Q2. Have the naming rights been sold, and if so to what company?
    - **Sponsorship A2.** Yes. The arena naming rights and other marketing partnerships will remain confidential until Council approval.
- Sponsorship Q3. What are the current negotiated terms concerning total amount, duration, and payment stream?
    - **Sponsorship A3.** The terms of the partnerships vary. Most are annualized, while some are a lump sum to facilitate the development of a specific feature of the arena. Durations will vary from a one-time contribution to 20-year terms for the naming rights. Founding partners will be between five- and ten-year durations

- Sponsorship Q4. Are there draft contractual arrangements with other major sponsors, and if so, what is the total amount involved with these?
    - **Sponsorship A4.** Yes, those Marketing Partners who have already committed to up-front payments, required to advance the arena design, all have agreements in place. To date those contributions have totaled over $4 Million and are part of terms that will be shared following Council approvals.

- Sponsorship Q5. What is the current draft contractual language in the financing documents concerning application of sponsorship revenues towards bond repayment? This is important because the developer agreement defers to the financing documents for details on sponsorship.
    - **Sponsorship A5**. The bond offering will be drafted 60-90 days in advance of any bond sale. Specific contractual language concerning necessary sponsorship funds directed to bond repayment will be drafted during this period as a "condition precedent" to the bond sale.

2. Are there any private dollars in the Coliseum proposal?

NHDC RESPONSE:

Yes. There is a significant at-risk private investment in the New Arena. This comes in several forms, including:

1. **Marketing Partnerships**, both pre and post City Council approval. In order to advance design and cost analysis of the new arena (necessary to establish a proposed bond amount), the arena design has advanced to a "design development" stage, which is an industry term that describes the level of architectural design completeness. To get to this stage in the process, millions of dollars were required to pay a wide range of specialty consultants with unique experience in this building type, including the arena architect HOK, structural and MEP engineers, sustainability consultants, geotechnical consultants, cost estimators and others. The source for these funds has been in the early round of a marketing partnership program created by the developer that will continue when the arena opens under the direction of the arena's private operator. Marketing Partnerships are a traditional source of private funding in arenas used for both construction and ongoing operations. In this case it has been utilized to advance the project without any public funding. Annually, the marketing partnership program is projected to generate $3-4 million of private investment available for arena operations, and a portion to pay the debt service on the bond.

2. **Private Arena Operator Investment.** As is the case with the GRCC, the Altria Theater and other public assembly venues in the area, the arena will be operated by an experienced private operating company. Uniquely to the new arena however, the operator

will be required to provide substantial capital investment in the arena construction and operations. These include:

   a. Underwriting the cost of arena Furniture, Fixtures and Equipment
   b. All pre-opening expenses
   c. Funding of a contractually obligated annual repair and replacement fund
   d. Assumption of any operating losses without recourse to either NHDC or the City

3. **Suite, Club Seats, and other premium inventory advance sales**. Unlike the current Coliseum, a substantial source of revenue available to fund the arena operations will come from contracts with Richmond regional companies for suite and club seating licenses. The term of these contracts is between 3 and 10 years and serves as a diverse, private corporate investment in the arena. Whereas the maximum of amount of suite revenue possible from the current Coliseum's nine suites is about $200,000 / annually if all of that inventory had been sold (it wasn't), the amount of such revenue expected in the new arena, which includes 28 suites and 34 Club boxes, along with annualized club seating sales is projected to be approximately $3 million annually.

3. What is the bond amount, term, interest rate and the maturity of the bond? Where is the security for the bond provided?

NHDC RESPONSE

Based off of the total revenues available in MuniCap Projection No. 26, the following bond terms are as follows:

1. Bond Amount: $311,495,000.00
2. Term: Approximately 28 years
3. Assumed Rate: 5.50% Tax-Exempt, 7.25% Taxable
   a. Note: These rates are subject to change subject to market conditions at the time of bond issuance, expected 4/1/2020.
4. Maturity: Weighted Average Maturity is 20.12 years.
5. The security for the bonds are the pledged revenues, which include incremental real estate, meals, sales, lodging, admissions and BPOL taxes. Other pledged revenues that serve as security for the bonds are portions of the Arena sponsorships and incremental parking revenues within the Navy Hill development area.

4. What are the number of residential units and affordable housing units in each of the parcels?

NHDC RESPONSE

The following table shows the overall number of planned residential units and a breakdown of the affordable units and the market rate units within each Block:

Block	Market Rate Units	Affordable Units	Total
A2	188	42	230
B	169	44	213
C	190	23	213
E	65	21	86
I	438	51	489
N	453	57	510
U	341	42	383
Total	**1,844**	**280**	**2,124**

5. What is the sequencing and timing of the total development?

NHDC RESPONSE

The current timing and sequencing of the total development, as shown in the table below, is predicated on the Council's approval of the Development Agreement before the end of year 2019.

Block	Construction Start	Construction Completion
A1	7/18/2020	3/1/2023
A2	7/30/2021	3/1/2023
A3	7/1/2021	3/1/2023
B	4/17/2022	10/19/2023
C	6/7/2021	4/5/2023
D	12/10/2021	12/4/2023
E	8/29/2021	1/3/2023
F	12/11/2020	1/3/2023
I	6/12/2023	1/11/2025
N	8/12/2023	5/10/2025
U	6/12/2022	3/10/2024

6. What is the current bond debt payment schedule for the bond both on the standard 30 year amortization period and the planned 21 year accelerated payment?

NHDC RESPONSE

The bond debt payment schedule is provided in MuniCap Projection No. 26 dated October 10, 2019 in Schedules XXII and XXIII.

7. Tax rates versus future tax rates – is 2% a safe assumption for future growth? Retail in an uncertain market – where do these assumptions come from?

NHDC RESPONSE

Annual growth rates of 2% are reasonable and conservative over the long term. This assumption takes economic slowdowns as well as expansions into consideration. In other markets within the Commonwealth of Virginia (such as Northern Virginia), projected annual growth of 3% or higher is an accepted assumption.

Consideration for this growth rate referenced historical data from the Bureau of Labor Statistics as well as Richmond's role as a regional employment hub.

It is well documented that the real estate market in Richmond has been growing rapidly in the last decade. In a market feasibility studied completed by H R & A, it was found that multi-family rents in Richmond have grown at an annual rate of 2.5% over the last five years. When a new residential area or neighborhood is established, the demand for service-based retail and restaurants is created. With the amount of planned residential development within the Navy Hill area, it is essential that enough retail is delivered to support the community's needs. This north of Broad quadrant of the downtown is currently bereft of restaurants and service retail yet has a daytime workforce of well over 15,000 people.

This area is also designated by the FDA as a "food desert" for the lack of any grocery store presence. The Navy Hill master planning work and the associated significant feasibility research and analysis solved for the proper balance of needed retail support for this redeveloped area within the downtown.

8. Please provide a flow chart based on the conditions precedent or the structure of the project as well as a visualization of a series of the transactions that will need to occur.

NHDC RESPONSE

See attached Flow Chart exhibit.

9. What is the anticipated security package? There is no lien on the arena, so how are the bonds secured?

NHDC RESPONSE

The bonds are secured by the pledged revenues. The revenue pledge is detailed within the Cooperation Agreement and the Grant Agreement. The pledged revenues obligated are only the incremental revenues.

10. Show us why we think the sources of revenue for operation and maintenance – non-routine – are sufficient for those expenses.

NHDC RESPONSE

The initial analysis of this is found in the CSL study within the NHDC RFP response, Feb 9, 2018, and available online.

A summary explanation:

1. The Coliseum operated for many years without a repair and replacement fund in place. And like other underperforming aging assets, the City made a choice not to invest limited resources in order to keep things. With its own history of neglected Coliseum repairs and replacements, the City has required that the new arena operating agreement ensure a well-funded and transparent cap-ex program.

2. The entity that has primary concern over a well-maintained arena is the at-risk operator who will have a long-term agreement to run the building. Unlike the Coliseum, whose operator was simply paid a fee whether or not the Coliseum made a profit, the new operator is on the hook to make the arena as attractive to promoters, teams, and patrons as possible. Beyond that obvious self-interest, it is also contractually obligated to do so.

3. In the early years of a new arena, there are both contractor warrantees and equipment warrantees, so the risk of "non-routine" maintenance expenses are low. Nevertheless, NHDC and the City both have required a cap ex reserve fund to be in place over the years. Those requirements can be found in Exhibit B1 to the Development Agreement – Form of Arena Lease, page 59, section 8.4

4. Given the at-risk nature of the operating agreement, the experience of the operator in other similar venues, the initial capital investment the operator is making in the building itself, and the contractual obligations that include recourse to remove the operator in the event the operator does not perform, we believe the arena is well-protected to enjoy a long operating life well beyond bond repayment.

11. Is the equity commitment provided as security for the bonds?

NHDC RESPONSE

Not directly but the bond offering for the arena will emphasize the nature, magnitude and timing of the surrounding new development that is needed to support the bond repayment. The prospective bond buyers will be evaluating the "conditions precedent" that the City has established within the Development Agreement to assure the bond buyers that the new private development will occur as planned and will generate the projected revenues to support bond repayment. These are sophisticated institutional investors who are experienced in making these types of risk assessments.

12. How will the City, EDA, NHDC control or facilitate pricing in office space, parking, in terms of accessibility?

NHDC RESPONSE

Breaking this down, the City would have involvement in negotiating parking leases or parking agreements for any Navy Hill use of City-owned parking spaces. This therefore implies that the City is involved in the accessibility related to the use of City-owned parking.

The office buildings will be privately owned, and like any other privately-owned office building in Richmond, the City does not have any involvement in the pricing or operation of privately-owned office space.

The EDA is not involved.

NHDC provides oversight to the private development components of the project to ensure compliance with the agreements between the City and NHDC that govern the overall redevelopment.

13. How will it impact surrounding communities?

NHDC RESPONSE

On the west side of the development, the GRCC is actively promoting the importance of the Navy Hill - with its proposed convention hotel development - for tourism. Both the arena and the hotel are important complements for a healthy convention and tourism business.

The VA Bio+Tech Park to the North, the centerpiece component of the local entrepreneurial ecosystem, benefits greatly from the Navy Hill project. Supporting and advancing the interests of the various industries there, president and CEO of the park, Carrie Roth, is eager to see the blighted and deteriorating Coliseum area replaced with a well-planned, mixed-use community with services that do not exist in the area.

To the east, Court End and VCU health systems campus are fully supportive of the Navy Hill project.

The Valentine's director, Bill Martin, has been an outspoken advocate of Navy Hill development since its conception as it will serve to open up Court End to other communities by reconnecting Clay Street. Similarly, the VCU Health System's campus is a strong advocate for the project as it provides necessary new resources for its staff and patients through new market-rate and affordable housing for staff, walkable and connected streets, new service retail, and new office uses to support expanding programs.

NHDC has also initiated discussions with property owners in Jackson Ward to determine ways in which businesses there can be lifted up from the development, as has happened in other cities. The focus has been primarily on improving the Marshall Street connection to tie the two areas together in a better way, and initial discussions on how 2nd Street can benefit from new entertainment tourism.

14. How was the number of housing units, affordable units vs. market rate, amount of retail, size of the arena developed – did the City consult?

NHDC RESPONSE

The overall program for Navy Hill was developed through market-based analyses and best practices in urban design. HR&A conducted a 3rd party in-depth market feasibility study of Downtown Richmond and City-wide Richmond that included economic and demographic trends as well as demand drivers for residential, office, retail, and hospitality uses. The Navy Hill program utilized data from the HR&A study and other local/regional data sources to generate a masterplan and development program for Navy Hill. The Navy Hill project team also referenced real-world examples of successful mixed-use projects in similarly sized US cities where new sports-and entertainment arenas were critical and catalytic components in revitalizing formerly under-utilized districts.

Extensive feasibility analyses were conducted to validate market and financial assumptions and additional third party studies were commissioned including a hotel feasibility study performed by HVS and a residential/retail analysis performed by Noell. Additionally, studies and data analyses were conducted by the real estate firms of CBRE, Colliers and Cushman Wakefield.

Housing: The number of affordable units was determined through extended negotiations with the City. Input and analyses were obtained from local affordable housing consultant (TK Somanath) and national apartment owner and operator (Bell Partners). Considerations were given to affordability income levels, project financial feasibility, and incorporation of affordable housing units into the proposed residential mixed income buildings – both rental and for sale.

Retail Size. The project promotes ground level retail wherever possible and is largely driven by activating those areas at the base of the other Navy Hill buildings. Ground level transparency is one of the project's foundational goals. The Navy Hill team is currently working with retail brokers to determine the appropriate mix of service retail, restaurants and other ground level commercial uses that will populate the area.

Arena Size. The size of the arena was determined though market analysis, primarily based around touring concerts. It was important that it be larger than John Paul Jones in Charlottesville to attract those shows that have, over the years, been lost to that arena.

In conversations with the NCAA, the Richmond Arena will be an ideal candidate venue for rounds 1 and 2, of the men's basketball tournament, and for all rounds of the women's basketball tournament. It would not, however, be a candidate for further rounds of the men's tournament no matter the seat count. Those rounds are routinely played in large metropolitan markets with NBA arenas, not because of seat-count but because of the larger media market.

Finally, we sought out the advice of arena operators and touring concert promoters who are especially eager to begin bringing larger shows to Richmond again.

In all cases, and at all stages of the negotiations, the City was briefed on the analyses and feasibility.

15. Why can't there be a project without an arena? What if that land was put to another purpose?

NHDC RESPONSE

There is, at best, limited interest, if any, from equity investors to bring project funding to this area of downtown Richmond for projects like the hotel, commercial office spaces, retail and other uses without the careful strategic planning involved in the master plan for Navy Hill and the feasibility of a new arena to serve as the "anchor" of the mixed use redevelopment in order to attract visitors and investment from outside the City.

Arena-anchored mixed-use development is a well-established economic development approach proven in places like Kansas City, Sacramento, Allentown and many other cities throughout the country. The developer and the City are in alignment on this concept – without the arena, there is no impetus for ancillary development in this part of downtown.

16. Is the cost or benefit of solar energy included in the analysis?

NHDC RESPONSE

Not in the form of a traditional cost/benefit financial analysis, no. But solar will be prominently featured within Navy Hill as an important element of our overall sustainability plan for the redevelopment.

The Navy Hill project will be a highly visible platform for many things - the realization of Transit Oriented Development, which is a goal of the Pulse Corridor Plan, affordable housing, reintegrating walkable streets, urban connectivity, transit, etc.

Given the collection of contiguous buildings around the new arena, there is also the opportunity to showcase rooftop programs such as urban agriculture and rooftop photo voltaic arrays. Even if it is not initially as cost effective for the investors' ROI as conventional power, Navy Hill is committed to utilizing solar power.

The rooftop plan currently available online shows how the Navy Hill plan will be an exemplar of sustainable mixed-use developments in urban settings.

17. Please provide the proposed lease schedule and estimated lease costs for the GRTC transfer facility.

NHDC RESPONSE

This is in the works. There is a meeting scheduled with new GRTC CEO on October 30 to work through what lease terms might look like for a long-term tenancy for a GRTC Transit Center within Navy Hill.

We have met with previous GRTC team members over the last several months, and most recently with new CEO Julie Timm. These discussions have centered on the physical planning aspects of how a transit center might work within Navy Hill Block C.

The issues tied to the lease terms for GRTC center around their potential use of Federal funds to pay for the transit center improvements. The Federal monies can be used for capital infrastructure improvements (upon FTA approval) but not for on-going operational expenses. The use of the Federal funds also require that GRTC have long term control of the improvements and the on-going funding (whether rent and/or maintenance costs) cannot be subject to annual appropriation risk. The question will be how to structure a long-term lease or occupancy rights around these funding issues. Both GRTC and the Navy Hill team are working on how best to address the terms.

GRTC is excited about the opportunity for this transit center within Navy Hill but we will collectively need to find the way to finance this portion of the project with GRTC as a potential tenant.

18. Please provide the NH District demand estimates for the following;

—annual coliseum attendance projections

—annual hotel room night projections

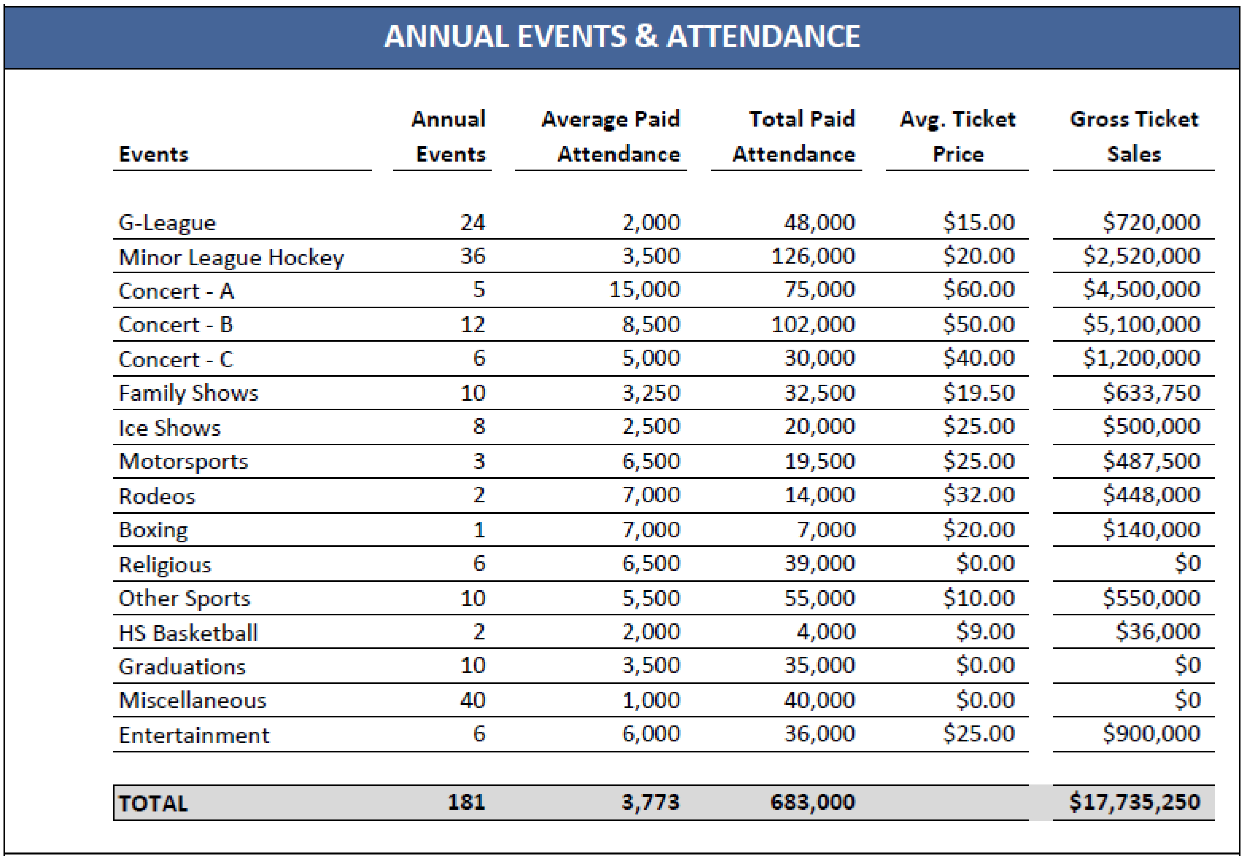
—annual restaurant gross receipt projections

NHDC RESPONSE

Annual Arena attendance currently assumes two minor league sports tenants. They are a G-League basketball team and a Minor League Hockey team, utilizing the Arena 24 days/year and 36 days/year, respectively. The average paid attendance for each G-League basketball game is approximately 2,000 attendees. The average paid attendance for a Minor League Hockey game is approximately 3,500 attendees. Under these assumptions, the total annual attendance for these two categories is 174,000 attendees.

The remaining event days for the Arena include ice shows, concerts, high school/college graduations, rodeos, boxing, motorsports, etc. The average paid attendance and number of events/year for each of these categories vary. We have included a table to break down the many types of events planned with their annual figures.

In summary, there are 181 events per year with total paid attendance of 683,000 attendees.



ANNUAL EVENTS & ATTENDANCE

Events	Annual Events	Average Paid Attendance	Total Paid Attendance	Avg. Ticket Price	Gross Ticket Sales
G-League	24	2,000	48,000	$15.00	$720,000
Minor League Hockey	36	3,500	126,000	$20.00	$2,520,000
Concert - A	5	15,000	75,000	$60.00	$4,500,000
Concert - B	12	8,500	102,000	$50.00	$5,100,000
Concert - C	6	5,000	30,000	$40.00	$1,200,000
Family Shows	10	3,250	32,500	$19.50	$633,750
Ice Shows	8	2,500	20,000	$25.00	$500,000
Motorsports	3	6,500	19,500	$25.00	$487,500
Rodeos	2	7,000	14,000	$32.00	$448,000
Boxing	1	7,000	7,000	$20.00	$140,000
Religious	6	6,500	39,000	$0.00	$0
Other Sports	10	5,500	55,000	$10.00	$550,000
HS Basketball	2	2,000	4,000	$9.00	$36,000
Graduations	10	3,500	35,000	$0.00	$0
Miscellaneous	40	1,000	40,000	$0.00	$0
Entertainment	6	6,000	36,000	$25.00	$900,000
TOTAL	**181**	**3,773**	**683,000**		**$17,735,250**

Annual hotel room night projections vary each year. In the first year, we assume an occupancy rate of 67%. Since there are 541 rooms and 365 days in the first year, we calculate the annual room nights in the first year to be 132,302 room nights. To check this, you multiply:

Number of rooms x Number of days in a given year x Occupancy rate

Check: 541 rooms x 365 days x 67% = 132,301 annual room nights

We anticipate that one year after the hotel opens the hotel operations will stabilize and a higher occupancy percentage of 70% will reflect that. Depending on the year, and if any particular year is a "leap year" (366 days), the total annual room nights will be either 138,226 or 138,604 upon stabilization of hotel operations. To check the math of this, the same equation used previously also applies:

Check: 541 rooms x 365 days x 70% = 138,226 annual room nights

541rooms x 366 days x 70% = 138,604 annual room nights

Annual restaurant sales vary according to when our anticipated restaurants open which is largely dependent on the construction schedule of each respective block. We assume a mix of 60% restaurant uses and 40% retail uses for each block, with the exception of Block F and Block I. At this time, Block F assumes no retail space while Block I assumes no restaurant space.

The methodology used to determine the annual restaurant sales in any given block takes several factors into account:

1. Number of Gross Square Feet for any given restaurant on any given block.
2. A vacancy factor to account for unleased restaurant space.
    a. We assume 7%.
    b. Applying this vacancy factor the Gross Square Footage arrives at what is called "Occupied Square Feet".
        i. Example: If there are 10,000 Gross Square Feet available for a restaurant, after 7% vacancy is applied we now have 9,300 Occupied Square Feet.
3. The timing of absorption for restaurant space on any given block.
4. The average restaurant sales per square foot based on a set of comparable restaurants.
    a. Note: Our projections assume that the restaurants within the Navy Hill area will be fast casual.
        i. Examples include: Potbelly Sandwich Shop, Buffalo Wild Wings, Panera Bread, Texas Roadhouse, Red Robin, and Chipotle Mexican Grill
            1. These restaurants are used in the competitive set for MuniCap Projection No. 26
        ii. The weighted average sales per square foot for these restaurants is $389 per square foot. This amount is in current dollars and grows with inflation each year at 2%.

The first year of restaurant operations for each block assume only 75% of the maximum potential sales for square feet is realized. The purpose for this assumption is to be conservative. The residential components that are to be built above each restaurant will still be leasing up, so there will likely not be as much foot traffic in the Navy Hill area until stabilization occurs.

It was necessary to explain the factors that are given consideration for our restaurant sales projections due to the large jumps in total restaurant sales in the early years of the project. For example, in Schedule XV-A of MuniCap Projection No. 26 the first year of total restaurant sales is $9,085,881 because only the hotel on Block F has commenced operations. The following year, total restaurant sales jumps to $31,335,728 due to the addition of Blocks A2, A3, C, E, as well as full capture of maximum sales per square feet on Block F (100% capture instead of 75%).

The following table summarizes annual restaurant sales for the total project in the first eight years:

Bond Year	**Gross Restaurant Sales (Annual)**
2023	$9,085,881
2024	$31,335,728
2025	$51,399,180
2026	$59,605,614
2027	$61,826,984
2028	$65,019,945
2029	$66,320,344
2030	$67,646,751

DAVENPORT & COMPANY

Information Prepared for the Navy Hill Commission Appointed by the City of Richmond

Navy Hill Project

City of Richmond, Virginia

October 19, 2019

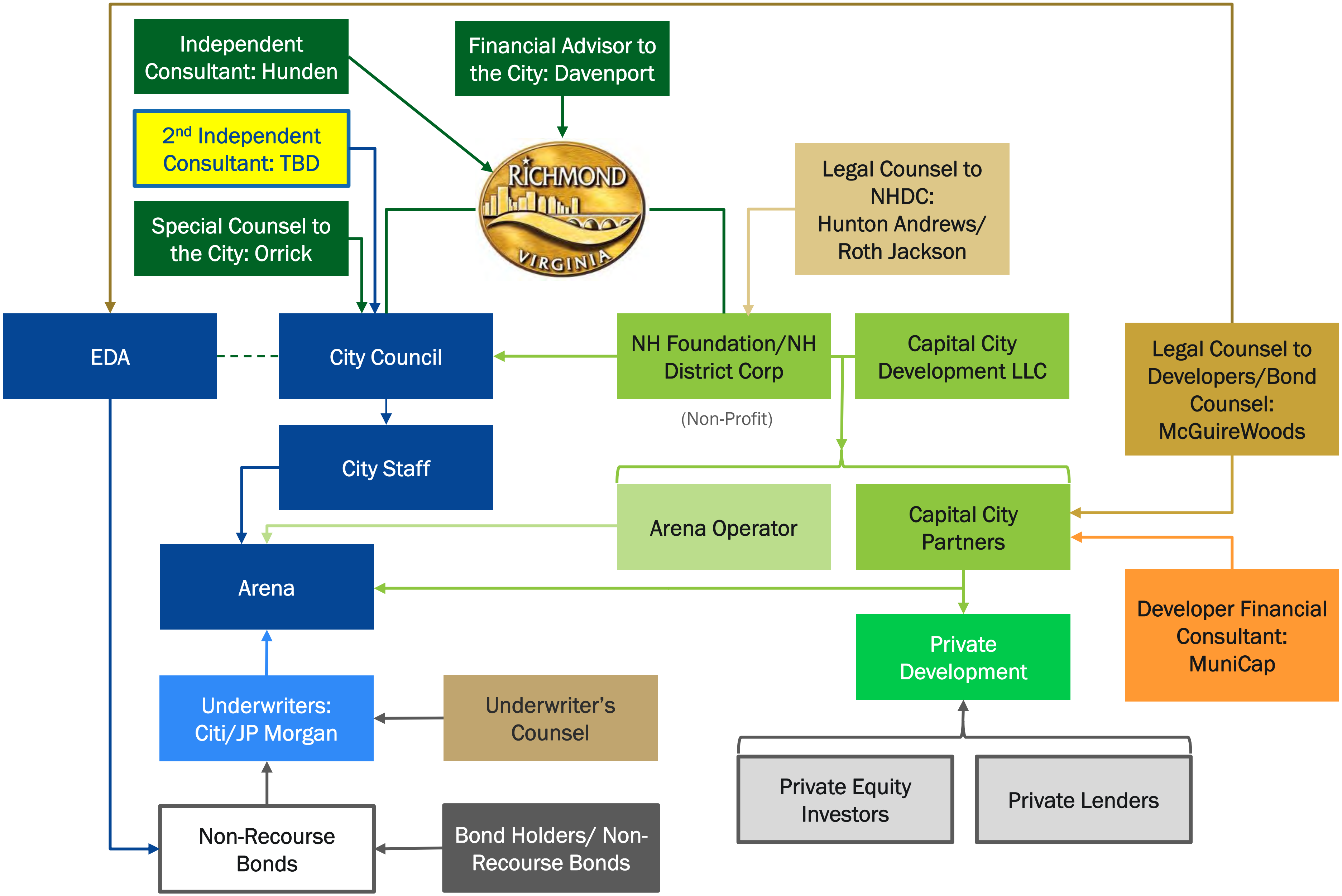
Contents / Agenda

All financial information presented herein is based on MuniCap Scenario 26-A.

Contents / Agenda (cont)

1. General Commission Questions

Parties Involved with the Navy Hill Project



Independent Consultant: Hunden

2nd Independent Consultant: TBD

Special Counsel to the City: Orrick

Financial Advisor to the City: Davenport

Legal Counsel to NHDC: Hunton Andrews/ Roth Jackson

EDA

City Council

City Staff

NH Foundation/NH District Corp

(Non-Profit)

Capital City Development LLC

Legal Counsel to Developers/Bond Counsel: McGuireWoods

Arena Operator

Capital City Partners

Arena

Developer Financial Consultant: MuniCap

Private Development

Underwriters: Citi/JP Morgan

Underwriter's Counsel

Private Equity Investors

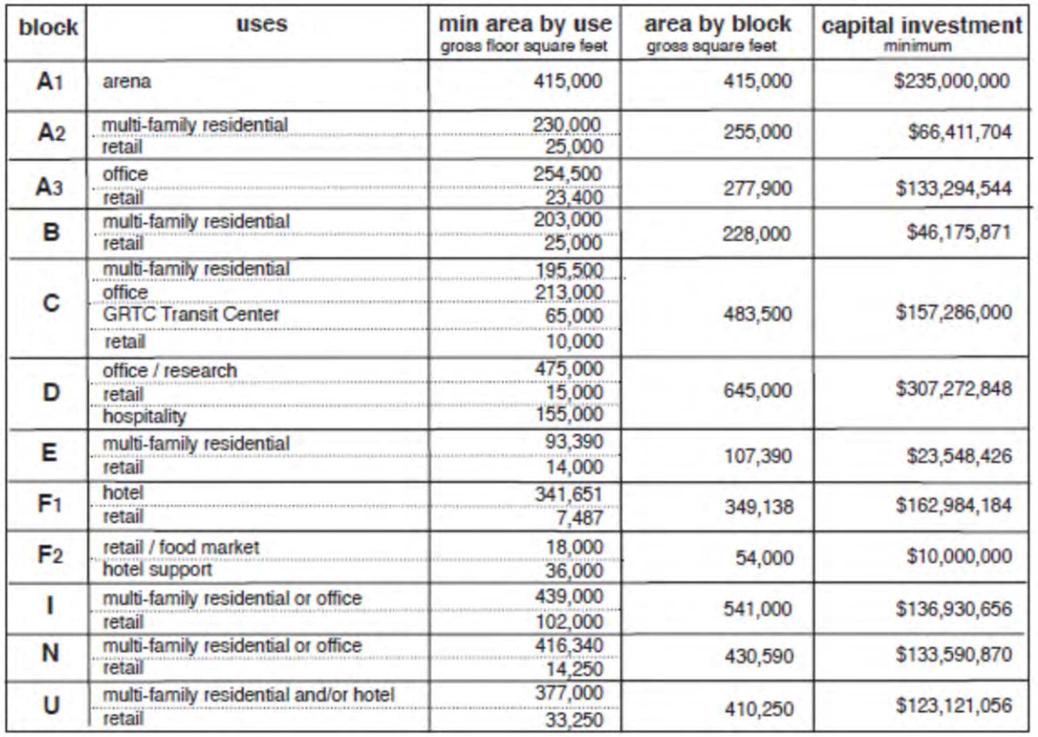
Private Lenders

Non-Recourse Bonds

Bond Holders/ Non-Recourse Bonds

The Navy Hill Project

- *What is the Navy Hill Project?*
  - Approximate $1.3 Billion private investment in the core of the City's Downtown area North of Broad Street on land that is currently not taxable and produces no tax revenues at this time or has obsolete real estate that is a liability for the City.
  - The Master Plan Summary of the Navy Hill Project is shown below:



block	uses	min area by use gross floor square feet	area by block gross square feet	capital investment minimum
A_1	arena	415,000	415,000	$235,000,000
A_2	multi-family residential retail	230,000 25,000	255,000	$66,411,704
A_3	office retail	254,500 23,400	277,900	$133,294,544
B	multi-family residential retail	203,000 25,000	228,000	$46,175,871
C	multi-family residential office GRTC Transit Center retail	195,500 213,000 65,000 10,000	483,500	$157,286,000
D	office / research retail hospitality	475,000 15,000 155,000	645,000	$307,272,848
E	multi-family residential retail	93,390 14,000	107,390	$23,548,426
F_1	hotel retail	341,651 7,487	349,138	$162,984,184
F_2	retail / food market hotel support	18,000 36,000	54,000	$10,000,000
I	multi-family residential or office retail	439,000 102,000	541,000	$136,930,656
N	multi-family residential or office retail	416,340 14,250	430,590	$133,590,870
U	multi-family residential and/or hotel retail	377,000 33,250	410,250	$123,121,056

Source: Developer

The Navy Hill Project

- *What is the time frame for investment and when is the Project expected to be completed?*

	Fiscal Year Investment by Project Block (Shown in Fiscal Year that Construction Starts)	2021	2022	2023	2024	2025	2026	Total Investment
A1	Arena	**$ 245,000,000**	$ -	*Completion*	$ -	$ -	$ -	**$ 245,000,000**
A2	Residential/Retail	-	**66,411,704**	*Completion*	-	-	-	**66,411,704**
A3	Officel/Retail	-	**133,294,544**	*Completion*	-	-	-	**133,294,544**
B	Residential/Retail	-	**46,175,871**	-	*Completion*	-	-	**46,175,871**
C	Residential/Office/Retail/GRTC	**157,286,000**	-	*Completion*	-	-	-	**157,286,000**
D	Build-to-Suit Office/Retail/Hospitality	-	**307,272,848**	-	*Completion*	-	-	**307,272,848**
E	Residential/Retail	-	**23,546,426**	*Completion*	-	-	-	**23,546,426**
F1	Hotel/Retail	**162,984,184**	-	*Completion*	-	-	-	**162,984,184**
F2	Blues Armory	**10,000,000**	-	*Completion*	-	-	-	**10,000,000**
I	Residential (or) Office/Retail	-	-	**136,930,656**	-	-	*Completion*	**136,930,656**
N	Residential (or) Office/Retail	-	-	-	**133,590,870**	*Completion*	-	**133,590,870**
U	Residential (and/or) Hotel/Retail	-	**123,121,056**	-	*Completion*	-	-	**123,121,056**
	Total	**$ 575,270,184**	**$ 699,822,449**	**$ 136,930,656**	**$ 133,590,870**	**$ -**	**$ -**	**$1,545,614,159**

Source: Developer

The Social Impact from the Project

- *What is the social impact on the City?*
  - Creation of a new neighborhood in the heart of Downtown that provides for 280 units of Affordable Housing in the Component blocks to be developed.
  - The Developers have raised $10,000,000 of funding that will be used to provide another 200 units in partnership with the Better Housing Coalition.
  - Permanent location and solution for the GRTC Transit Center, which will be located on the first level in Block C within the Project.
  - Developer commitments to target City residents for employment, recruit City residents and Convene job fairs.
  - Approximately $300,000,000 ESB/MBE goal (or 30% of the total improvement cost) – largest of any City Project in modern history.
    - Represents the equivalent of 10 years' worth of ESB/MBE contracting.

The Overall Economic Impact from the Project

- *What is the overall economic impact on the City from the Project?*
  - Please see the various cash flow impacts herein.
  - In addition, the Analysis performed by Hunden Strategic Partners dated October 31, 2018 and the Addendum Dated October 8, 2019 analyzes and describes the overall economic impact of the proposed Project.

Cash Flow Impact to the City

- *What is the impact to the City if the Project performs at 100%, 80%, 46%?*
  - Based on the analysis originally presented to City Council on October 7, 2019; revised to include Incremental City Costs(1).
  - Scenarios showing the project performing at 100%, 80% and 46% are shown below.

Scenario	Description	Grand Total Project Performs as Projected	Grand Total Project Performs at 80%	Grand Total Project Performs at 46%
A: "Do Nothing"	Without the Project; Growth Rate of Real Estate reduced to 1.5% per Hunden	$341,078,000	$341,078,000	$341,078,000
		PV=$241,542,000	PV=$241,542,000	PV=$241,542,000
B: "With the Project" (Including Hunden)	General City Growth Rate of 2%+MuniCap (Developer) Project + Hunden Uplift Growth	$1,013,368,000	$801,950,000	$431,367,000
		PV=$678,117,000	PV=$529,308,000	PV=$273,517,000

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics.

(1) Based on updated assumptions versus July 30, 2019 Fiscal & Economic Impact Statement. New assumptions include, TIF Increment values, annual cash flow impact of the Hunden "Uplift" and Incremental Costs to the City estimated on an annual basis.

The Opportunity Costs of Doing Nothing

- *What are the Opportunity Costs of Doing Nothing?*
  - The City loses $15.8 Million of land sales that would be available to the General Fund for any purposes including schools.
  - The City loses $10 Million of privately raised money that is dedicated toward the immediate creation of affordable housing in the downtown area.
  - The City loses lodging, meals and sales tax revenues due to approximately 10,000 room nights foregone each year.
    - According to Jack Berry, Executive Director of GRCCA, this loss is multiple of millions of dollars each year.
    - The Convention Center would remain challenged in its ability to meaningfully enhance annual results.
  - Richmond would be the largest City on the east coast without a modern arena.

The Opportunity Costs of Doing Nothing (cont)

- *What are the Opportunity Costs of Doing Nothing? (cont)*
  - The City loses the social impact and benefits from the creation of:
    - Affordable housing;
    - Permanent GRTC Transit Center for its riders;
    - Creation of thousands of jobs; and
    - An unprecedented level of ESB/MBE contracts. (The Navy Hill Project ESB/MBE contracting would be equivalent to the last 10 years of ESB/MBE contracting combined).
  - Without the Project, the cost to the City for GRTC Transit Center would undoubtedly be greater and increase the City's liabilities.
  - The Blues Armory would remain shuttered and continue to deteriorate.

The Opportunity Costs of Doing Nothing (cont)

- *What are the Opportunity Costs of Doing Nothing? (cont)*
  - Re-opening the nearly 50-year old Coliseum:
    - Would require significant capital investment that is not in the current CIP;
    - Use debt capacity and resources that are being or could be allocated to Schools;
    - Immediately impact the City's General Fund budget to support debt service and operations;
    - Does not guarantee that the Coliseum, if opened, would be a marketable sports or entertainment venue; and

And one more important additional consideration: Given the extraordinary level of resources, cost and scrutiny dedicated by multiple parties on this proposed Project, in Hunden's expert opinion if this Project were ultimately rejected by the City, it would send a meaningful and highly negative message to any and all potential future developers interested in doing significant economic development projects in the heart of the City's downtown. Rather, the City risks the prospect of piecemeal, one-off development in this area that will not achieve the desired goals and objectives of the initial request for proposals.

Basis for 2% Growth Assumption

- *What is the basis for the 2% growth assumption for Real Estate Taxes? Why does it make sense? Are Recessions included (i.e. the Great Recession)?*
  - 2% is the general growth rate used by the City/City Assessor from a planning perspective and is also assumed by MuniCap in its projections.
  - The 30 year cash flow analysis does not factor in a specific recession. Recessions are not predictable in terms of timing nor severity. As a result, the 2% growth rate in the MuniCap projections takes into account the fact that over time there will be years with much higher growth and years with lower growth (due to recessions).
  - Likewise, the additional growth assumed by Hunden is also an average annual growth rate that also takes into account the fact that over time there will be years with much higher growth and years with lower growth (due to recessions).

What is the Cost of the Coliseum Today?

- *What is the Cost of the Coliseum Today?*
  - Annual costs to “mothball” the Coliseum approximate $440,000 per year.
  - Annual Debt Service Payments approximate $550,000 per year until the last payment occurs in FY 2024.
  - The Department of Public Works estimates that demolition costs of the Coliseum would approximate $12,000,000.

City Incremental Costs

- *What is the basis for the City Incremental Costs?*
  - Please see the schedule for the Incremental Costs estimated by year.

	Public Works	Community Wealth Building	Planning	Fire Station Debt Service	Fire Equipment Debt Service	Fire Personnel	Justice Services	Finance	Economic Development	Police	
One-Time	$ 300,000	$ 200,000	$ -	$ 5,000,000	$ 550,000	$ -	$ 1,000,000	$ -	$ -	$ -	A
Recurring	-	-	510,000	-	-	1,186,000	95,000	120,000	47,000	720,000	
FTEs	-	-	6.0	-	-	18.0	-	1.5	0.5	10.0	
Per FTE	-	-	85,000	-	-	65,889	-	80,000	94,000	72,000	
											Total Costs
Total	$ 400,000	$ 200,000	$ 2,040,000	$ 7,196,210	$ 617,949	$ 24,906,000	$ 3,280,000	$ 3,360,000	$ 1,316,000	$ 16,128,000	$ 59,444,159
2021	$ 60,000	$ 50,000	$ 510,000	$ -	$ -	$ -	$ -	$ 120,000	$ 47,000	$ -	$ 787,000
2022	60,000	50,000	510,000	-	-	-	-	120,000	47,000	-	787,000
2023	160,000	50,000	510,000	-	-	-	-	120,000	47,000	-	887,000
2024	60,000	50,000	510,000	-	-	-	1,000,000	120,000	47,000	288,000	2,075,000
2025	60,000	-	-	-	-	-	95,000	120,000	47,000	288,000	610,000
2026	-	-	-	359,810	-	-	95,000	120,000	47,000	288,000	909,810
2027	-	-	-	359,810	-	-	95,000	120,000	47,000	576,000	1,197,810
2028	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	576,000	2,472,089
2029	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	576,000	2,472,089
2030	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	576,000	2,472,089
2031	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	720,000	2,616,089
2032	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	720,000	2,616,089
2033	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	720,000	2,616,089
2034	-	-	-	359,810	88,278	1,186,000	95,000	120,000	47,000	720,000	2,616,089
2035	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2036	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2037	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2038	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2039	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2040	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2041	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2042	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2043	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2044	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2045	-	-	-	359,810	-	1,186,000	95,000	120,000	47,000	720,000	2,527,810
2046	-	-	-	-	-	1,186,000	95,000	120,000	47,000	720,000	2,168,000
2047	-	-	-	-	-	1,186,000	95,000	120,000	47,000	720,000	2,168,000
2048	-	-	-	-	-	1,186,000	95,000	120,000	47,000	720,000	2,168,000

Source: Amounts and timing of Incremental Costs provided by the City of Richmond.

City Incremental Costs (cont)

- *What is the basis for the City Incremental Costs? (cont)*
  - Please see the schedule for the Incremental Costs estimated by year.

One-Time Recurring FTEs Per FTE	A Total Costs	B Operating Costs Subject to Inflation	Inflation Factor	C = (B*Inflation) Inflated Operating Costs	D (A-B) Debt Service Rent/Costs Not Subject to Inflation	E= (C+D) Total Estimated Incremental Cost
Total	$ 59,444,159	$ 49,350,000		$ 64,433,680	$ 10,094,159	$ 74,527,839
2021	$ 787,000	$ 787,000	100.0%	$ 787,000	$ -	$ 787,000
2022	787,000	787,000	102.0%	802,740	-	802,740
2023	887,000	887,000	104.0%	922,480	-	922,480
2024	2,075,000	2,075,000	106.0%	2,199,500	-	2,199,500
2025	610,000	515,000	108.0%	556,200	95,000	651,200
2026	909,810	455,000	110.0%	500,500	454,810	955,310
2027	1,197,810	743,000	112.0%	832,160	454,810	1,286,970
2028	2,472,089	1,929,000	114.0%	2,199,060	543,089	2,742,149
2029	2,472,089	1,929,000	116.0%	2,237,640	543,089	2,780,729
2030	2,472,089	1,929,000	118.0%	2,276,220	543,089	2,819,309
2031	2,616,089	2,073,000	120.0%	2,487,600	543,089	3,030,689
2032	2,616,089	2,073,000	122.0%	2,529,060	543,089	3,072,149
2033	2,616,089	2,073,000	124.0%	2,570,520	543,089	3,113,609
2034	2,616,089	2,073,000	126.0%	2,611,980	543,089	3,155,069
2035	2,527,810	2,073,000	128.0%	2,653,440	454,810	3,108,250
2036	2,527,810	2,073,000	130.0%	2,694,900	454,810	3,149,710
2037	2,527,810	2,073,000	132.0%	2,736,360	454,810	3,191,170
2038	2,527,810	2,073,000	134.0%	2,777,820	454,810	3,232,630
2039	2,527,810	2,073,000	136.0%	2,819,280	454,810	3,274,090
2040	2,527,810	2,073,000	138.0%	2,860,740	454,810	3,315,550
2041	2,527,810	2,073,000	140.0%	2,902,200	454,810	3,357,010
2042	2,527,810	2,073,000	142.0%	2,943,660	454,810	3,398,470
2043	2,527,810	2,073,000	144.0%	2,985,120	454,810	3,439,930
2044	2,527,810	2,073,000	146.0%	3,026,580	454,810	3,481,390
2045	2,527,810	2,073,000	148.0%	3,068,040	454,810	3,522,850
2046	2,168,000	2,073,000	150.0%	3,109,500	95,000	3,204,500
2047	2,168,000	2,073,000	152.0%	3,150,960	95,000	3,245,960
2048	2,168,000	2,073,000	154.0%	3,192,420	95,000	3,287,420

Source: Amounts and timing of Incremental Costs provided by the City of Richmond.

Where did the 46% Breakeven Rate Come From?

- *Where did the 46% Breakeven rate come from?*
  - See the table below from the Fiscal & Economic Impact Statement dated July 30, 2019. If the Project performs at 46% (Scenario 4), the City would receive the same level of revenues over the approximate 30 year time frame as in the "Do Nothing/Base Case" (Scenario 1).

$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.

As presented in July 30, 2019: Breakeven rate – Project performing at 46% results in the same level of revenues as in the "Do Nothing" Scenario

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

The Non-Recourse Bond Repayment Schedule

- *What is the Non-Recourse Bond Repayment Schedule over the 30 year time frame?*
  - See MuniCap Scenario 26-A. The sum of the Debt Service schedules less the Capitalized Interest schedules below shows debt service over the 30 year time frame assuming no acceleration.
    - Schedules II-A & B for Debt Service on the Non-Recourse Bonds.
    - Schedules III-A, B & C for Capitalized Interest on the Non-Recourse Bonds.

The Non-Recourse Bond Repayment Schedule

- *What is the Non-Recourse Bond Repayment Schedule over the accelerated time frame?*
  - Based on Scenario B: “With the Project” (Including Hunden), projected debt service is estimated to be repaid by FY 2037 (approximately 17 years) and is as follows:

Fiscal Year	Stated Principal	Estimated Interest	Less: Capitalized Interest	Total Debt Service	Accelerated Redemption	Paid from DSRF Stabilization Reserves
2021	$0	$16,124,992	($16,124,992)	$0	$0	$0
2022	0	17,590,900	(17,590,900)	0	0	0
2023	0	17,590,900	(9,742,030)	7,848,870	0	0
2024	0	17,105,590	(900,804)	16,204,787	0	0
2025	2,705,000	17,105,590	0	19,810,590	3,054,463	0
2026	4,505,000	16,784,063	0	21,289,063	8,366,286	0
2027	4,755,000	16,063,111	0	20,818,111	9,681,925	0
2028	5,300,000	15,249,013	0	20,549,013	10,799,323	0
2029	5,895,000	14,341,043	0	20,236,043	11,821,958	0
2030	6,510,000	13,341,460	0	19,851,460	12,934,202	0
2031	7,175,000	12,244,272	0	19,419,272	14,038,537	0
2032	7,885,000	11,046,912	0	18,931,912	15,197,716	0
2033	8,625,000	9,743,717	0	18,368,717	16,412,886	0
2034	9,425,000	8,329,958	0	17,754,958	17,682,104	0
2035	10,260,000	6,799,015	0	17,059,015	19,083,190	0
2036	11,160,000	5,141,505	0	16,301,505	20,485,166	0
2037	12,110,000	3,353,628	0	15,463,628	156,360	55,470,886
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	0	0	0	0
2041	0	0	0	0	0	0
2042	0	0	0	0	0	0
2043	0	0	0	0	0	0
2044	0	0	0	0	0	0
2045	0	0	0	0	0	0
2046	0	0	0	0	0	0
2047	0	0	0	0	0	0
2048	0	0	0	0	0	0
Totals	$96,310,000	$217,955,670	($44,358,726)	$269,906,945	$159,714,114	$55,470,886

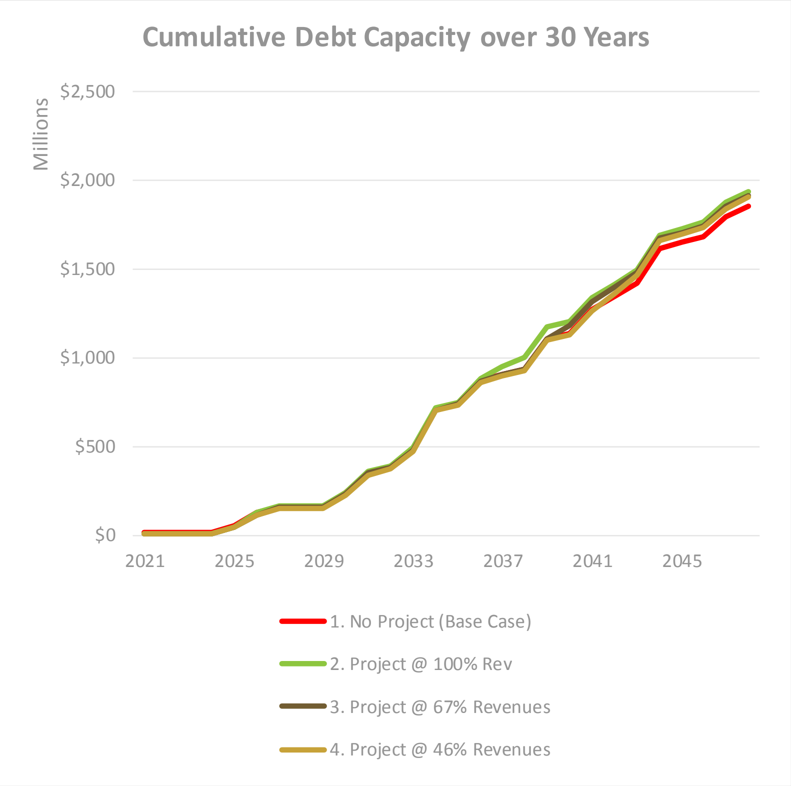
Impact on Debt Capacity

- *What is Debt Capacity?*
  - Debt Capacity is the amount of planned debt that could be issued by the City without violating the City's Debt Management Policies.

- *What are the City's Debt Management Policies?*
  - The City's Debt Management Policies consist of the following:
    1. Total Tax Supported governmental debt (G.O./M.O. Debt) shall not exceed 3.75% of Total Taxable Assessed Valuation.
    2. Total Tax Supported governmental debt service shall not exceed 10% of the Total Budget (General Fund and RPS net of the City's local support).
    3. The 10-year payout of Tax Supported governmental debt shall not be less than 60%.
  - It is important to note that of the above three policies, number 2 (Total Tax Supported governmental debt service shall not exceed 10% of the Total Budget) is the most restrictive.

Impact on Debt Capacity (cont)

- *What is the impact on the City's Debt Capacity?*
  - Based on an analysis of the City's Debt Policies the impact on the City's Debt Capacity over the next 30 years is as follows:



Note:

(1) Based on projected cash flow impact of Scenario 26-A.

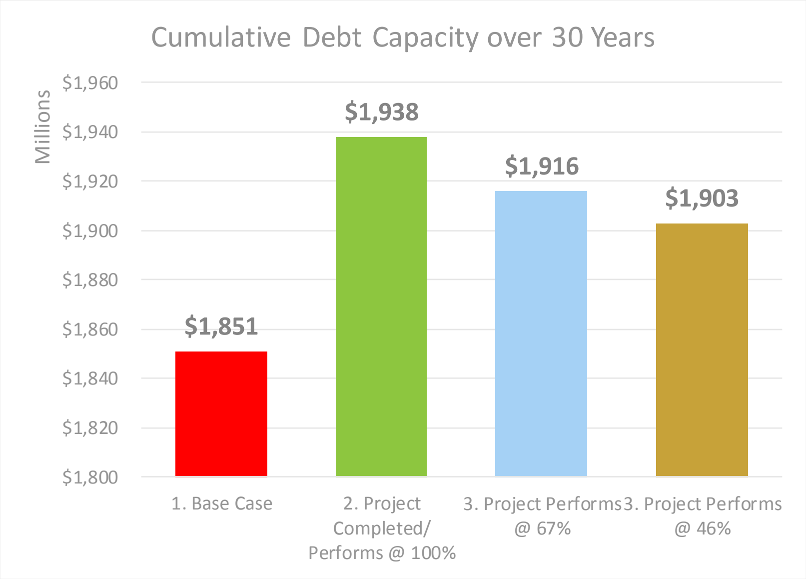
(2) Incorporates bond financing through FY 2024 related to the City's anticipated City-wide CIP Spending totaling $310 Million, School Investment Program Phase 1 totaling $150 Million.

(3) Incorporates bond financing FY 2025-2029 related to the City's School Investment Program Phase 2 totaling $200 Million.

(4) Long-term planning growth rates of 2% for revenues and taxable assessed valuation.

Impact on Debt Capacity (cont)

- The total cumulative amount of debt capacity over 30 years is shown below.



- The City's amount of debt capacity in each year is shown in the table below:

Fiscal Year	1. No Project (Base Case)	2. Project @ 100% Rev	3. Project @ 67% Revenues	4. Project @ 46% Revenues
2021	15,030,000	7,710,000	7,785,000	7,835,000
2022				
2023				
2024				
2025	37,495,000	38,715,000	34,400,000	34,295,000
2026	73,415,000	79,300,000	71,965,000	71,890,000
2027	35,195,000	38,690,000	41,705,000	33,130,000
2028	0	0	0	0
2029	0	0	0	0
2030	76,700,000	77,415,000	76,975,000	75,810,000
2031	115,585,000	116,155,000	115,765,000	116,980,000
2032	30,870,000	31,500,000	31,095,000	33,560,000
2033	100,705,000	101,390,000	100,980,000	100,720,000
2034	225,655,000	226,395,000	225,970,000	225,695,000
2035	31,535,000	32,435,000	31,965,000	31,670,000
2036	130,645,000	131,525,000	131,065,000	130,770,000
2037	35,385,000	68,310,000	35,865,000	35,570,000
2038	29,385,000	50,260,000	29,930,000	29,620,000
2039	170,605,000	172,580,000	171,225,000	170,900,000
2040	31,830,000	34,050,000	70,795,000	32,210,000
2041	129,270,000	131,405,000	141,835,000	129,685,000
2042	75,035,000	77,245,000	76,885,000	99,330,000
2043	78,935,000	81,245,000	80,865,000	106,260,000
2044	191,745,000	194,140,000	193,760,000	192,405,000
2045	34,525,000	37,210,000	36,755,000	36,465,000
2046	35,200,000	37,810,000	37,405,000	37,150,000
2047	105,885,000	108,600,000	108,190,000	107,930,000
2048	60,780,000	63,610,000	63,190,000	62,920,000
Total	**1,851,410,000**	**1,937,695,000**	**1,916,370,000**	**1,902,800,000**

Total that can be borrowed over the 1st four years.

Amount that can be borrowed in a given year.

Note:

(1) Based on projected cash flow impact of Scenario 26-A.

(2) Incorporates bond financing through FY 2024 related to the City's anticipated City-wide CIP Spending totaling $310 Million, School Investment Program Phase 1 totaling $150 Million.

(3) Incorporates bond financing FY 2025-2029 related to the City's School Investment Program Phase 2 totaling $200 Million.

(4) Long-term planning growth rates of 2% for revenues and taxable assessed valuation.

2. Increment Financing Area/ Incremental Revenues

How Increment Financing Works

- *How does an Increment Financing work?*
  - Increment Financing is based on the following concepts:
    - Identification/creation of a designated area with defined geographic boundaries.
    - A defined time frame (i.e. 30 years).
    - Growth in revenues (from real estate, other local taxes and/or other revenues) that may be measured/captured and applied toward capital investment (or repayment of debt) in the Increment Financing Area.
  - Increment Financing does not impose any new taxes on property owners or users in the area.
  - Increment Financing DOES NOT take away existing revenue needed today to fund essential governmental services in the current budget.
  - No individual or corporate entity receives any tax breaks or incentives.

The Increment Financing Area

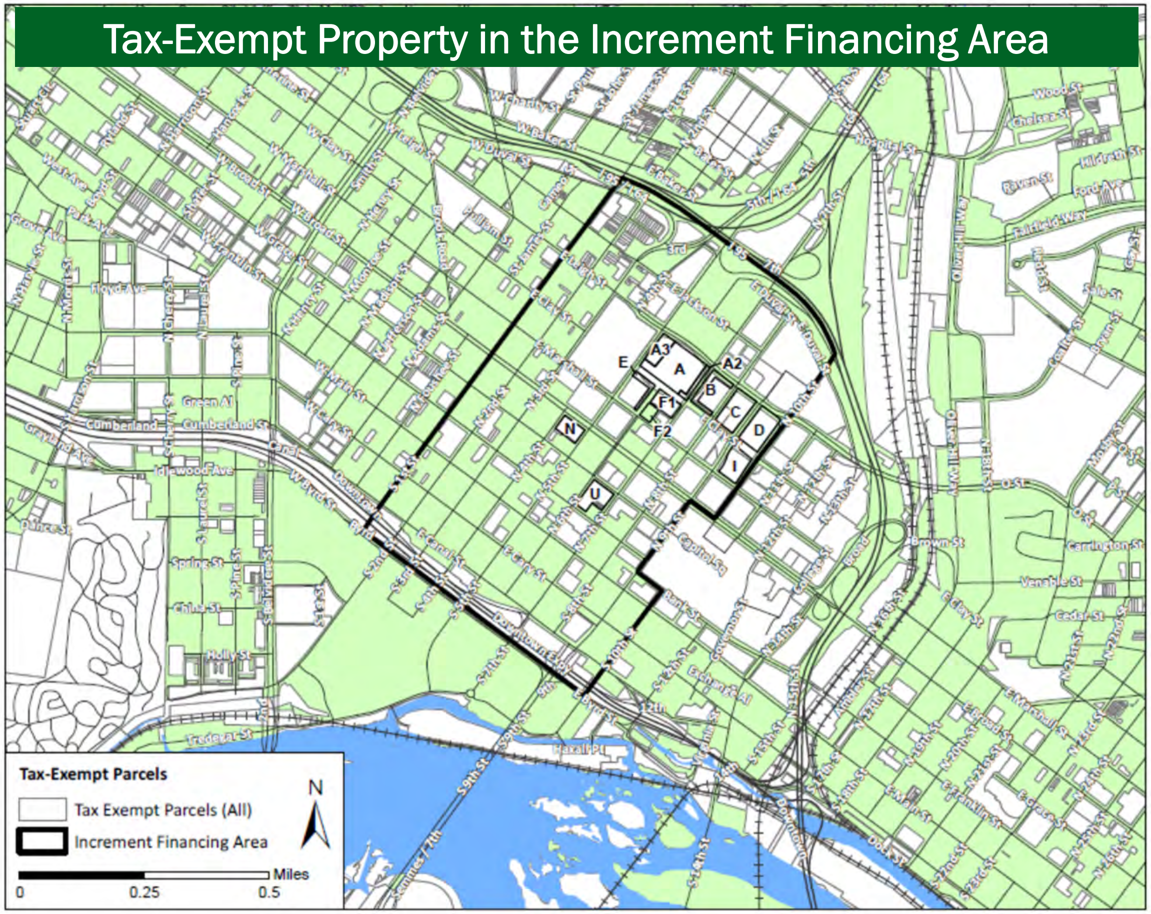
- *What makes up the Increment Financing Area?*
  - Approximately 80 blocks highlighted in red below.
  - Project Component Blocks to be redeveloped are highlighted in blue below:

Increment Financing Area

- *Are the Project Component Blocks providing any revenue to the City today?*
  - No, the blocks today consist of Non-Taxable City-owned assets that produce no revenues.
  - In addition, certain of the Non-Taxable City-owned assets are liabilities that will require the City to spend money in the future, such as:
    - Obsolete Coliseum; and
    - Public Safety Building.

The Increment Financing Area (cont)

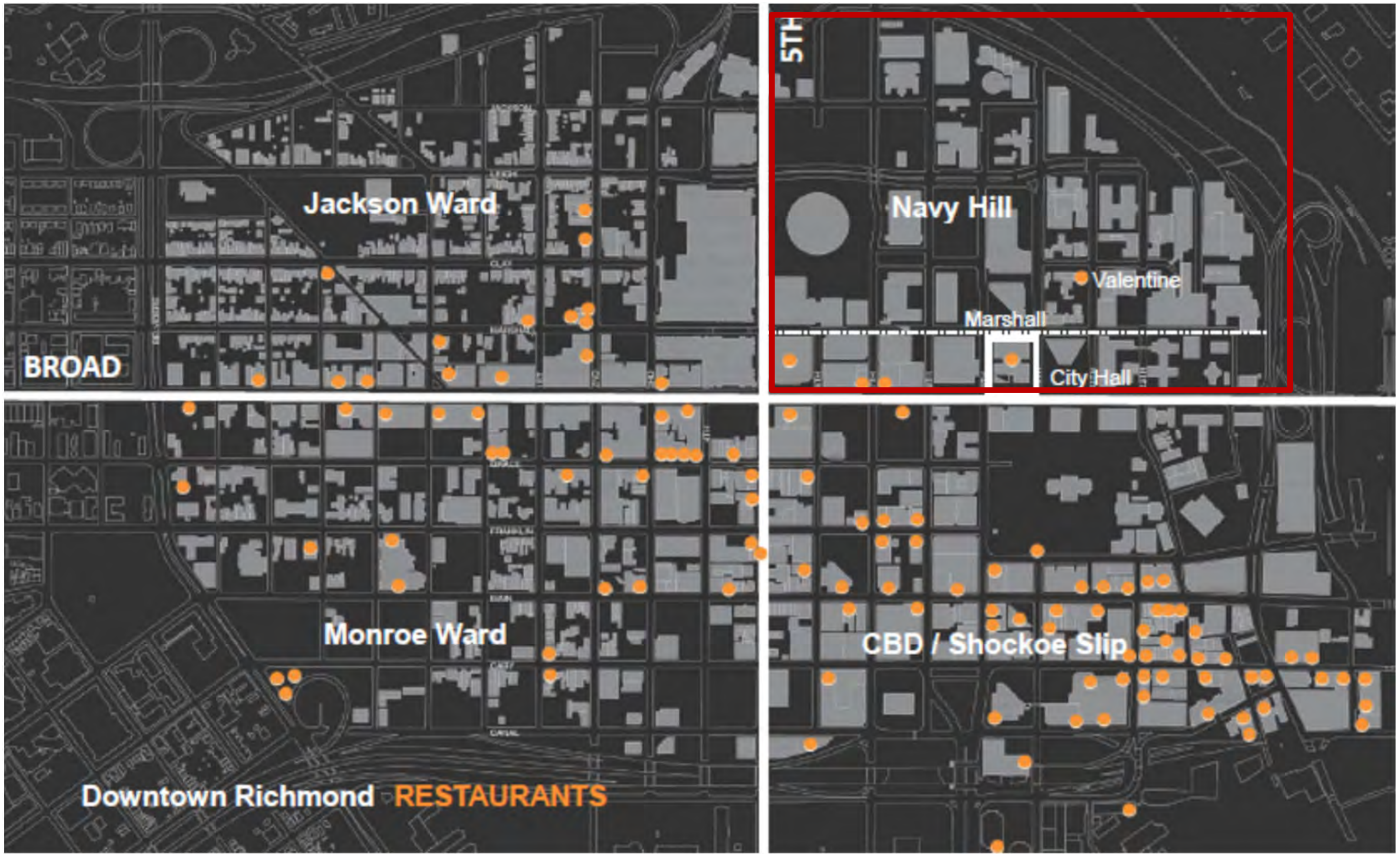
- *Is all of the Property in the Increment Financing Area generating revenue?*
  - No, approximately $1,450,000,000 of Tax-Exempt Real Estate that does not generate revenue is in the Increment Financing Area (highlighted in white below).
  - Approximately $2,110,000,000 of Taxable Real Estate(1) is in the Increment Financing Area and generates revenue (highlighted in green below).


Tax-Exempt Property in the Increment Financing Area

(1) Taxable real estate assumption included in Scenario 26-A by MuniCap based on valuation provided by the City Assessor. The City is in the process of reviewing land parcel data, which may affect this figure.

The Increment Financing Area (cont)

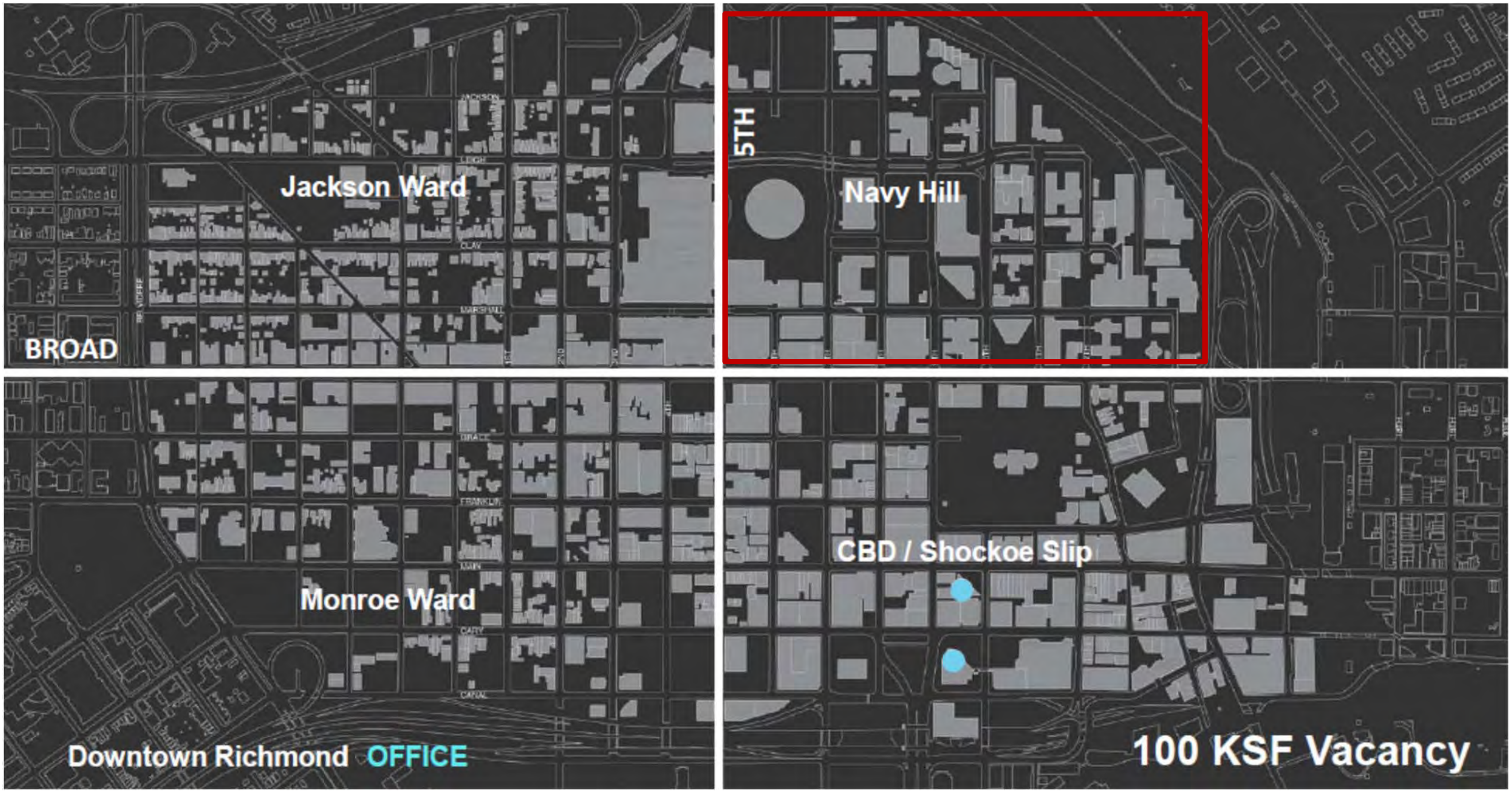
- *What is in the Navy Hill Project area today?*
  - There are limited restaurants in the immediate Navy Hill Project area today.



Source: Developer

The Increment Financing Area (cont)

- *What is in the Navy Hill Project area today? (cont)*
  - Spec Class “A” Office: There is no available Class “A” existing or in the pipeline sufficient for a major corporate relocation. Shown is Class “A” office space with at least 100 KSF of vacancy.



Source: Developer

The Increment Financing Area (cont)

- *What is in the Navy Hill Project area today? (cont)*
  - There are no residential units in the Navy Hill Project area today.

Source: Developer

The Increment Financing Area (cont)

- *Is the Increment Financing Area unusually large?*
  - No, the 80 block Increment Financing Area makes up approximately 276.4 acres, which is approximately 0.7% of the total 40,320 acres in the City.
    - The Tax-Exempt Real Estate represents approximately 163.9 acres (59.3% of the acreage) in the Increment Financing Area.
    - The Taxable Real Estate represents approximately 112.5 acres (40.7% of the acreage) in the Increment Financing Area.
  - In addition, the Taxable Real Estate in the Increment Financing Area is approximately 8% of the Total Taxable Real Estate in the City.
    - Existing FY 2020 Budgeted Real Estate Tax revenues and all other local tax revenues in the Increment Financing Area stay in the General Fund.
  - Increment Financing Areas used in other cities such as Indianapolis, Cincinnati and Dallas, amongst others, consist of larger single area or even multiple areas that are greater than the proposed area for Richmond.

The Increment Financing Area (cont)

- *Why is the Increment Financing Area larger than the Project Component Blocks?*
  - The Increment Financing Area provides added revenues in order to generate sufficient Debt Service Coverage in order to issue Non-Recourse Revenues Bonds for the New Arena.
    - Example:

Revenues	$30,000,000
Less: Debt Service	($20,000,000)
Equals: 1.50x Coverage (i.e. Surplus)	$10,000,000

Note: Any Surplus Revenues go back to the City.

  - As a result, the City does not have to provide its Moral Obligation or General Obligation to make up any shortfalls in the Debt Service related to the Non-Recourse Revenues Bonds.
    - If Incremental Revenues are insufficient for Debt Service, then the City is not on the hook for the shortfall in debt service.

What Makes up Incremental Revenues?

- *What makes up the Incremental Revenues?*
  - Project-related Revenues generated by the taxable investment on each of the Project Component Blocks (Shown in Blue) as follows:
    - Real Estate Tax Revenues;
    - 6% Meals Tax Revenues (the other 1.5% goes immediately/directly to Schools);
    - Local Sales Tax Revenues;
    - State Sales Tax Revenues – generated by certain Project Component Blocks adjacent to the New Arena pursuant to existing state legislation;
    - Lodging Tax Revenues – generated by the New Convention Center Hotel, to the extent available over and above the City's obligation to GRCCA;

Increment Financing Area

What Makes up Incremental Revenues? (cont)

- *What makes up the <u>Incremental Revenues</u>? (cont)*

  - Project-related Revenues generated by the taxable investment on each of the <u>Project Component Blocks</u> (Shown in Blue) as follows:
    - BPOL Tax Revenues;
    - Admissions Tax Revenues generated by the New Arena and Blues Armory; and
    - Arena Sponsorship Revenues.
  - *Since these Component Blocks produce no tax revenues at the present time, all new revenue will be incremental (i.e. above what the City currently receives).*

Increment Financing Area

What Makes up Incremental Revenues? (cont)

- *What makes up the Incremental Revenues? (cont)*
  - Other Revenues generated within the Increment Financing Area as follows:
    - Incremental Real Estate Tax Revenue; and
    - Incremental New Parking Revenue capped at $2.5 Million per year.
      - $500,000 goes to the Arena Renewal Fund; and
      - $2,000,000 goes to the repayment of the Non-Recourse Revenue Bonds.
  - *The City's current tax revenue level for the Increment Financing Area will not change – meaning that the City will not lose any existing tax revenues from its current FY 2020 budget.*

Other Questions

- *What is the O&M for the Arena?*
  - NHDC competed the operator role for the Arena and will require of the operator an upfront investment in FF&E, annual contributions to a Renewal and Replacement Fund, and an assumption of all operating risk of the Arena.
  - NHDC has indicated that they will share the full pro-forma Arena model once the Arena Operator is under agreement.

- *Why not call the Increment Financing Area a "Tax Increment Financing (TIF)"?*
  - A "Tax Increment Financing" is a specific, statutory term under the Code of Virginia.
  - The term Increment Financing Area is used so there is no confusion that the City is not creating a statutory TIF.

- *Why is the term of the Arena lease different than that of the Blues Armory?*
  - The Arena lease term is tied directly to the length of the Bonds.

3. The Financial Model

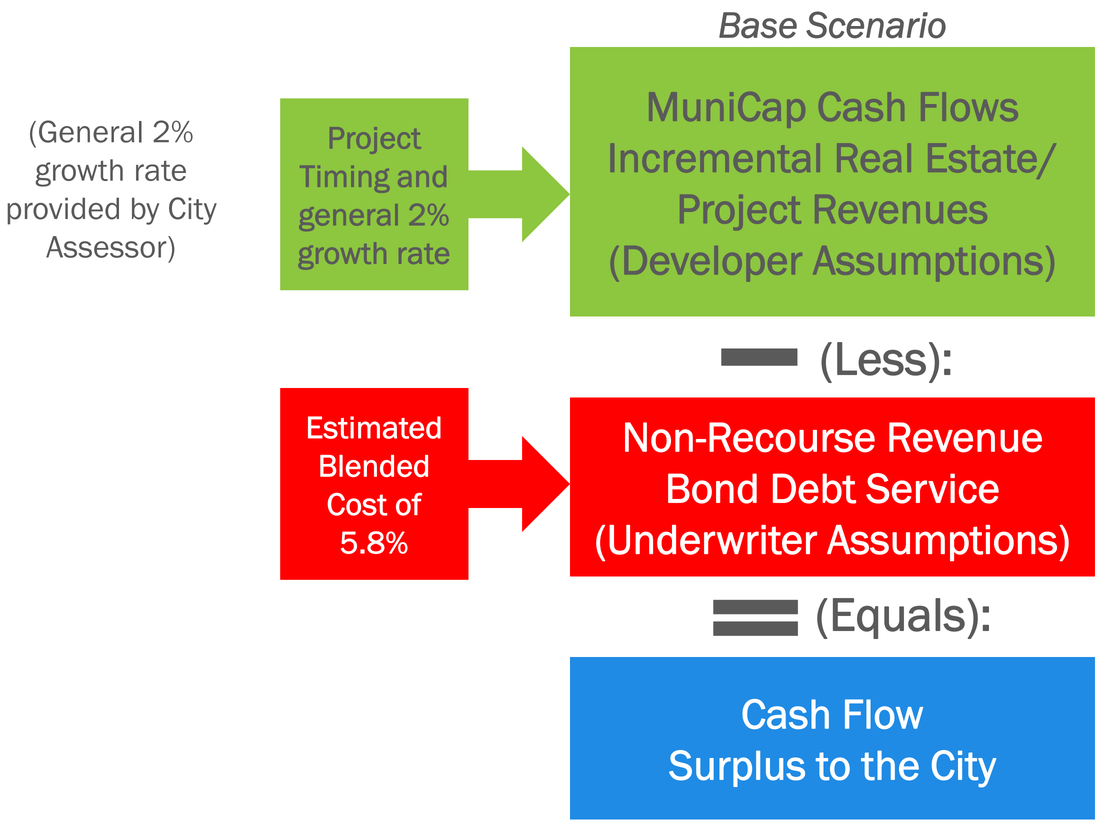
The Financial Model

- *What is the purpose of the Financial Model created by Davenport?*
  - The purpose of the Financial Model is to provide the City with an analytical tool to independently assess potential cash flow impact scenarios of the proposed Navy Hill Project (the "Project").

- *What is the Methodology used to create the Financial Model?*
  - The Financial Model relies on the following Key Assumptions:
    - The MuniCap Cash Flows with Developer's Revenue Assumptions for the proposed Project;
    - The Underwriter's (Citigroup) Estimated Bond Sizing and debt service calculations for the Non-Recourse Revenue Bonds; and
    - In addition, the Financial Model allows for *the inclusion (or exclusion)* of additional cash flow impacts (i.e. uplift), if any, based on The Independent Fiscal and Economic Impact Analysis performed by Hunden Strategic Partners.

Key Assumptions in the Financial Model

- *How are the Key Assumptions Related?*
  - The difference between the <u>MuniCap Cash Flows with Developer's Revenue Assumptions</u> for the proposed Project and the <u>Underwriter's Assumptions for the Non-Recourse Revenue Bond Sizing and Debt Service</u> is the <u>Surplus</u> to the City.



Base Scenario

(General 2% growth rate provided by City Assessor)

Project Timing and general 2% growth rate

MuniCap Cash Flows Incremental Real Estate/ Project Revenues (Developer Assumptions)

− (Less):

Estimated Blended Cost of 5.8%

Non-Recourse Revenue Bond Debt Service (Underwriter Assumptions)

= (Equals):

Cash Flow Surplus to the City

Key Assumptions in the Financial Model (cont)

Cash Flow
Surplus to the City

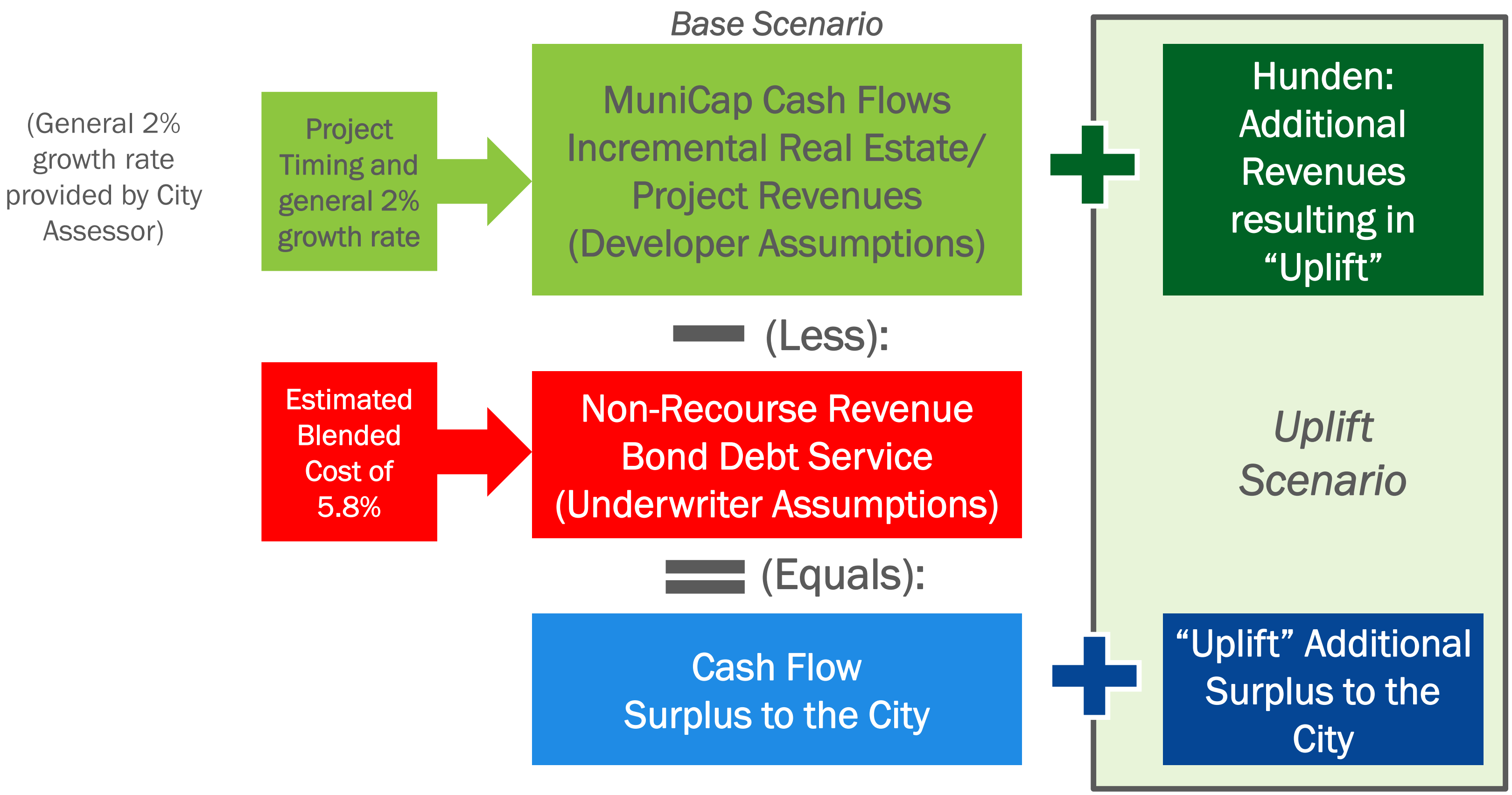
- *What are the Plans for the Surplus?*
  - All Surplus (100%) will go to the City.
  - 50% will be used to accelerate the Non-Recourse Revenue Bonds; and
  - 50% is recommended by the Mayor to be allocated as follows:
    - Schools: 50%
    - Core Services (Public Safety/Works) 34%
    - Housing/Homeless Services 15%
    - Arts, History 1%

Key Assumptions in the Financial Model (cont)

- *How does Hunden's Analysis fit into the Scenario With the Project?*
  - Hunden independently modeled the fiscal and economic impact of the Project.
  - Hunden estimated new revenues that would be generated by the Project and the Increment Financing Area and revenues lost form other parts of the City (i.e. Cannibalization).
  - Based on Hunden's expertise and analysis, they estimate that the ***critical mass of development and activity*** generated by the Project would spur increased activity and promote increased development in the Increment Financing Area.
  - This increased activity and development results in additional revenues.
    - An "Uplift Scenario" resulting in a larger Surplus to the City.

Key Assumptions in the Financial Model (cont)

- *How does Hunden's Analysis fit into the Scenario With the Project?*



(General 2% growth rate provided by City Assessor)

Project Timing and general 2% growth rate

Base Scenario

MuniCap Cash Flows Incremental Real Estate/ Project Revenues (Developer Assumptions)

+

Hunden: Additional Revenues resulting in "Uplift"

− (Less):

Estimated Blended Cost of 5.8%

Non-Recourse Revenue Bond Debt Service (Underwriter Assumptions)

Uplift Scenario

= (Equals):

Cash Flow Surplus to the City

+

"Uplift" Additional Surplus to the City

Key Assumptions in the Financial Model (cont)

- *What comprise the Additional Revenues estimated by Hunden in the Scenario With the Project?*

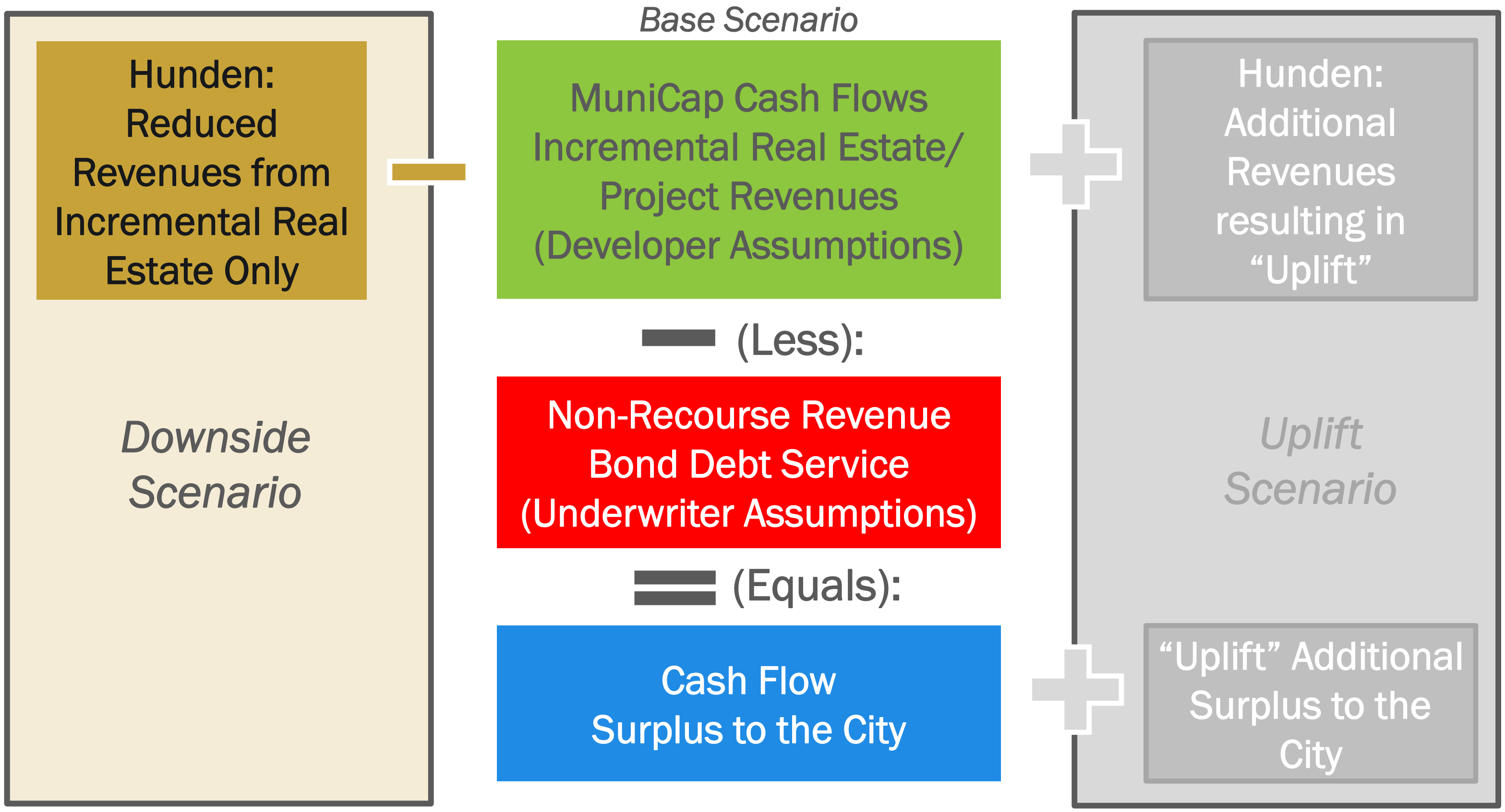
    - *Hunden's Additional Revenues are due to:*
        - Additional 1% to 1.5% growth (over the Developer's 2.0% growth assumption) in Real Estate Tax Revenues.
        - Enhanced Lodging and Admissions Tax Revenues based on increased activity in the New Arena, Blues Armory and Convention Center.

Key Assumptions in the Financial Model (cont)

- *How does Hunden's Analysis fit into the "Do Nothing" Scenario Without the Project?*
  - Hunden estimates that ***without the critical mass of development and activity*** associated with the Project, the growth in the Increment Financing Area would be lower than the typical 2% average that the City assumes to occur.
  - This slower growth is due to the current state of the Coliseum and the undeveloped non-taxable properties in the Project area.
  - In addition, the ***lack of the critical mass of development and activity*** brought by the Project would slow down the rate of additional new private investment.
  - As a result, Hunden estimated that the average growth in Real Estate Tax Revenues in the Increment Financing Area would be 1.5% (approximately 0.5% lower than the Developer's 2.0% growth assumption)
    - A "Downside Scenario" that results in a lower rate of growth in revenues to the City without the Project

Key Assumptions in the Financial Model (cont)

- *How does Hunden's Analysis fit into the "Do Nothing" Scenario Without the Project?*



Hunden: Reduced Revenues from Incremental Real Estate Only

−

Downside Scenario

Base Scenario

MuniCap Cash Flows Incremental Real Estate/ Project Revenues (Developer Assumptions)

− (Less):

Non-Recourse Revenue Bond Debt Service (Underwriter Assumptions)

= (Equals):

Cash Flow Surplus to the City

+

Hunden: Additional Revenues resulting in "Uplift"

Uplift Scenario

+

"Uplift" Additional Surplus to the City

The Financial Model

- *What is the Financial Model intended to do?*
  - Track the projected Incremental Revenues from the Navy Hill Project
  - Track the projected Incremental Revenues from the Increment Financing Area.
  - Determine the annual available cash flow for Debt Service related to the Non-Recourse Revenue Bonds (the "Debt Service") and Other Expenses of the City.
  - Run Scenarios assuming various levels of Revenue Projections and their resulting impact on Debt Service repayment and Surplus to the City.

The Financial Model (cont)

- *What is the Financial Model intended to do? (cont)*
  - Provide an order of magnitude and estimate of:
    - Incremental Revenues generated by the Increment Financing Area that are available for Debt Service;
    - Estimated timing of the repayment of the Debt Service;
    - Debt Service Coverage that is required to make the bonds financeable;
    - Surplus that is available to the City after the repayment of Debt Service and Other Expenses; and
    - Provide the *Cash Flow Impact of With and Without Hunden's Analysis* of the Project and Increment Financing Area.

4. Non-Recourse Revenue Bonds

What is meant by Non-Recourse Revenue Bonds?

- *What is meant by* *Non-Recourse Revenue Bonds?*
  - Non-Recourse Revenue Bonds means that the investors who buy this type of Revenue Bond can only rely on Incremental Revenues generated by the Project and in the Increment Financing Area for the repayment of the Revenue Bonds.
    - There is no other security pledge or collateral except that created by the Bond funded reserves and Incremental Revenues.
  - If there is a shortfall in the Incremental Revenues, the City will have no Moral Obligation or General Obligation to provide one dollar more than the Incremental Revenues generated.
  - The investors who buy these bonds do not expect and cannot require the City to make up any shortfalls in their debt service payments.
  - The only way Non-Recourse Revenue Bonds are financeable, is to demonstrate Debt Service Coverage.
    - Safeguards to the City are directly spelled out in the "Conditions Precedent to Financial Close on the Bonds" and can be found in the Development Agreement.

What is meant by Non-Recourse Revenue Bonds? (cont)

- *What are the safeguards for the repayment of debt service?*
  - Capitalized Interest that is funded from Bond proceeds pays all interest through FY 2022 and portions of interest payments in FY 2023 and FY2024.
  - Principal payments are delayed until after construction, beginning in FY2025.
  - A Debt Service Reserve Fund (DSRF) that is funded from Bond proceeds provides approximately 1 year of funding for debt service.
  - A second Stabilization Reserve that is funded from surplus cash flow in the first five years provides an additional approximate 1 year of funding for debt service.
  - Both the DSRF and the Stabilization Reserve will be used to repay the final maturities of the Bonds, when sufficient.
- *What is being Financed by the Non-Recourse Revenue Bonds?*
  - The New Arena ONLY.
  - The Blues Armory renovation, public infrastructure, and all other Private Development in the Navy Hill Project are being privately funded by the Developer.

5. Bond Size

Bond Size: Sources and Uses of Funds (Total Size)

- *What is the Total Estimated Size of the Bond Issue?*

	Funded from Bond Proceeds	Funded from Interest Earnings(1) and Cash Flow	Total Uses
Subtotal 1: New Arena Cost	**$ 231,688,484**	**$ 13,311,516**	**$ 245,000,000**
	+	+	+
Subtotal 2: Capitalized interest	**$ 42,021,966**	**$ 2,336,761**	**$ 44,358,727**
	+	+	+
Subtotal 3: Payoff of Coliseum Debt; Reserve; Issuance Costs	**$ 37,784,550**	**$ -**	**$ 37,784,550**
	=		
Totals	**$ 311,495,000**	**$ 15,648,277**	**327,143,277**

(1) Interest Earnings on Project & Capitalized Interest Funds @ 1.40%; DSR Fund @ 1.70%. Cash Flow comprised of Incremental Real Estate Tax Revenue and Arena Revenue.

Total Estimated Size of the Bond Issue; Blended Cost of Funds Estimated at 5.8%

Note: City staff has previously discussed an approximate $305 Million bond issue. The difference between the prior bond issue size and the $311 Million bond issue size shown herein is due to the timing of the Real Estate assessments in the Increment Financing Area being finalized.

Source: Citigroup; Preliminary, subject to change.

Bond Size: Sources and Uses of Funds (New Arena)

- *How much is the New Arena going to cost and how is the New Arena Funded?*

		Funded from Bond Proceeds	Funded from Interest Earnings(1) and Cash Flow	Total Uses
Q1. What is the amount of Bond Proceeds needed to fund the new Arena?				
Answer:	Amount from Bond Proceeds	$ 231,688,484	-	$ 231,688,484
Q2. Where is the balance of the money coming from to fund the new Arena?				
Answer:	Excess Incremental Revenues in FY2021 and FY2022(2)	-	8,721,815	8,721,815
Answer:	Interest Earnings on the Bond Proceeds	-	4,589,701	4,589,701
Subtotal 1: New Arena Cost		**$ 231,688,484**	**$ 13,311,516**	**$ 245,000,000**

(1) Interest Earnings on Project Fund @ 1.40%.

(2) Comprised of Incremental Real Estate Tax Revenue and Arena Revenue.

Total Estimated Cost of the New Arena

Source: Citigroup; Preliminary, subject to change.

Bond Size: Sources and Uses of Funds (Capitalized Interest)

- *How is the Estimated Capitalized Interest (i.e. interest payments on the Bonds through FY 2024) Funded?*

	Funded from Bond Proceeds	Funded from Interest Earnings(1) and Cash Flow	Total Uses
Q3. What is the amount of Bond Proceeds needed to fund capitalized interest through FY 2024 (2) ?			
Answer: Amount from Bond Proceeds	$ 42,021,966	-	$ 42,021,966
Q4. Where is the balance of the money coming from to fund capitalized interest through FY 2024 (2) ?			
Answer: Interest Earnings on the Bond Proceeds	-	2,336,761	2,336,761
Subtotal 2: Capitalized interest	**$ 42,021,966**	**$ 2,336,761**	**$ 44,358,727**

(1) Interest Earnings on Capitalized Interest Fund @ 1.40%; DSR Fund @ 1.70%.

(2) Annual Interest Expense or portions thereof on all Bonds.

Source: Citigroup; Preliminary, subject to change.

Bond Size: Sources and Uses of Funds (Other Components)

- *What are the Other Estimated Components of the Bond Financing and how are they funded?*

	Funded from Bond Proceeds	Funded from Interest Earnings(1) and Cash Flow	Total Uses
Q5. What is the amount of Bond Proceeds (i.e. escrow) needed to pay off the remaining Coliseum Bonds?			
Answer: Amount from Bond Proceeds	$ 3,000,000	-	$ 3,000,000
Q6. What is the amount of Bond Proceeds needed to fund the Debt Service Reserve Fund?			
Answer: Amount from Bond Proceeds	28,547,625	-	28,547,625
Q7. What is the amount of Bond Proceeds needed to fund estimated Costs of Issuance ?			
Answer: Amount from Bond Proceeds	6,236,925	-	6,236,925
Subtotal 3: Payoff of Coliseum Debt; Reserve; Issuance Costs	**$ 37,784,550**	**$ -**	**$ 37,784,550**

(1) Interest Earnings and Cash Flow not applicable for these components.

Source: Citigroup; Preliminary, subject to change.

Bond Size: Sources and Uses of Funds (Total Size)

Repeated slide for reference purposes.

- *What is the Total Estimated Size of the Bond Issue?*

	Funded from Bond Proceeds	Funded from Interest Earnings(1) and Cash Flow	Total Uses
Subtotal 1: New Arena Cost	**$ 231,688,484**	**$ 13,311,516**	**$ 245,000,000**
	+	**+**	**+**
Subtotal 2: Capitalized interest	**$ 42,021,966**	**$ 2,336,761**	**$ 44,358,727**
	+	**+**	**+**
Subtotal 3: Payoff of Coliseum Debt; Reserve; Issuance Costs	**$ 37,784,550**	**$ -**	**$ 37,784,550**
	=		
Totals	**$ 311,495,000**	**$ 15,648,277**	**327,143,277**

(1) Interest Earnings on Project & Capitalized Interest Funds @ 1.40%; DSR Fund @ 1.70%. Cash Flow comprised of Incremental Real Estate Tax Revenue and Arena Revenue.

Note: City staff has previously discussed an approximate $305 Million bond issue. The difference between the prior bond issue size and the $311 Million bond issue size shown herein is due to the timing of the Real Estate assessments in the Increment Financing Area being finalized.

Source: Citigroup; Preliminary, subject to change.

Total Estimated Size of the Bond Issue; Blended Cost of Funds Estimated at 5.8%

6. Summary of the Cash Flow Impact Scenarios Analyzed

The Opportunity Costs of Doing Nothing

- *What are the Opportunity Costs of Doing Nothing?*
  - The City loses $15.8 Million of land sales that would be available to the General Fund for any purposes including schools.
  - The City loses $10 Million of privately raised money that is dedicated toward the immediate creation of affordable housing in the downtown area.
  - The City loses lodging, meals and sales tax revenues due to approximately 10,000 room nights foregone each year.
    - According to Jack Berry, Executive Director of GRCCA, this loss is multiple of millions of dollars each year.
    - The Convention Center would remain challenged in its ability to meaningfully enhance annual results.
  - Richmond would be the largest City on the east coast without a modern arena.

The Opportunity Costs of Doing Nothing (cont)

- *What are the Opportunity Costs of Doing Nothing? (cont)*
  - The City loses the social impact and benefits from the creation of:
    - Affordable housing;
    - Permanent GRTC Transit Center for its riders;
    - Creation of thousands of jobs; and
    - An unprecedented level of ESB/MBE contracts. (The Navy Hill Project ESB/MBE contracting would be equivalent to the last 10 years of ESB/MBE contracting combined).
  - Without the Project, the cost to the City for GRTC Transit Center would undoubtedly be greater and increase the City's liabilities.
  - The Blues Armory would remain shuttered and continue to deteriorate.

The Opportunity Costs of Doing Nothing (cont)

- *What are the Opportunity Costs of Doing Nothing? (cont)*
  - Re-opening the nearly 50-year old Coliseum:
    - Would require significant capital investment that is not in the current CIP;
    - Use debt capacity and resources that are being or could be allocated to Schools;
    - Immediately impact the City's General Fund budget to support debt service and operations;
    - Does not guarantee that the Coliseum, if opened, would be a marketable sports or entertainment venue; and

And one more important additional consideration: Given the extraordinary level of resources, cost and scrutiny dedicated by multiple parties on this proposed Project, in Hunden's expert opinion if this Project were ultimately rejected by the City, it would send a meaningful and highly negative message to any and all potential future developers interested in doing significant economic development projects in the heart of the City's downtown. Rather, the City risks the prospect of piecemeal, one-off development in this area that will not achieve the desired goals and objectives of the initial request for proposals.

Summary of the Scenarios Analyzed (Includes 2nd Dominion Tower)

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

- *Scenarios originally presented to City Council on October 7, 2019:*

Totals shown below are cumulative.

Scenario	Description	5-Year Total	10-Year Total	Grand Total
A: "Do Nothing"	Without the Project; Growth Rate of Real Estate reduced to 1.5% per Hunden	$18,534,000	$54,852,000	$341,078,000
		PV=$17,258,000	PV=$48,204,000	PV=$241,542,000
B: "With the Project" (Excluding Hunden)	General City Growth Rate of 2%+MuniCap (Developer) Project	$16,046,000	$47,609,000	$684,439,000
		PV=$15,465,000	PV=$42,392,000	PV=$454,934,000
B: "With the Project" (Including Hunden)	General City Growth Rate of 2%+MuniCap (Developer) Project + Hunden Uplift Growth	$17,669,000	$66,464,000	$1,013,368,000
		PV=$16,924,000	PV=$58,576,000	PV=$678,117,000

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

Debt Service Coverage
(Includes 2nd Dominion Tower)

- *Scenarios originally presented to City Council on October 7, 2019:*

B: “With the Project” (Excluding Hunden)

Fiscal Year	B With Project (EXCLUDES Hunden)	B With Project (INCLUDES Hunden)
2021	N/A	N/A
2022	N/A	N/A
2023	1.50 X	2.17 X
2024	1.53	1.67
2025	1.55	1.73
2026	1.60	1.78
2027	1.67	1.93
2028	1.74	2.05
2029	1.81	2.17
2030	**1.89**	**2.30**
2031	1.97	2.44
2032	2.05	2.60
2033	2.14	2.78
2034	2.24	2.99
2035	2.36	3.23
2036	2.48	3.50
2037	2.62	3.83
2038	2.77	N/A
2039	2.94	N/A
2040	**N/A**	**N/A**
2041	N/A	N/A
2042	N/A	N/A
2043	N/A	N/A
2044	N/A	N/A
2045	N/A	N/A
2046	N/A	N/A
2047	N/A	N/A
2048	**N/A**	**N/A**

B: “With the Project” (Including Hunden)

Summary of the Scenarios Analyzed (Excludes 2nd Dominion Tower)

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

- *Revised Scenarios requested by City Council on October 7, 2019:*

Totals shown below are cumulative.

Scenario	Description	5-Year Total	10-Year Total	Grand Total
A-1: "Do Nothing" *(Excludes 2nd New Domion Tower)*	Without the Project; *Growth Rate of Real Estate assumes City Assumption of 2%*	$10,779,000	$32,683,000	$297,542,000
		PV=$10,115,000	PV=$28,692,000	PV=$206,183,000
B-1: "With the Project" (Excluding Hunden) *(Excludes 2nd New Dominion Tower)*	General City Growth Rate of 2%+MuniCap (Developer) Project	$16,047,000	$32,831,000	$549,298,000
		PV=$15,465,000	PV=$29,644,000	PV=$360,678,000
B-1: "With the Project" (Including Hunden) *(Excludes 2nd New Dominion Tower)*	General City Growth Rate of 2%+MuniCap (Developer) Project + Hunden Uplift Growth	$14,164,000	$51,524,685	$884,255,000
		PV=$14,151,000	PV=$45,596,000	PV=$586,915,000

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

Debt Service Coverage
(Excludes 2nd Dominion Tower)

- *Revised Scenarios requested by City Council on October 7, 2019:*

B: “With the Project” (Excluding Hunden)

Fiscal	B-1 With Project	B-1 With Project
Year	(EXCLUDES Hunden)	(INCLUDES Hunden)
2021	N/A	N/A
2022	N/A	N/A
2023	1.33 X	1.99 X
2024	1.32	1.46
2025	1.37	1.55
2026	1.43	1.60
2027	1.48	1.72
2028	1.53	1.82
2029	1.58	1.92
2030	**1.64**	**2.03**
2031	1.70	2.14
2032	1.76	2.27
2033	1.83	2.41
2034	1.90	2.56
2035	1.99	2.74
2036	2.07	2.94
2037	2.16	3.17
2038	2.26	3.44
2039	2.37	N/A
2040	**2.50**	**N/A**
2041	2.63	N/A
2042	N/A	N/A
2043	N/A	N/A
2044	N/A	N/A
2045	N/A	N/A
2046	N/A	N/A
2047	N/A	N/A
2048	**N/A**	**N/A**

B: “With the Project” (Including Hunden)

7. Scenario B Excluding Hunden: Cash Flow Impact – First 10 Years

Source Materials:

- ☐ MuniCap Financial Scenario 26 previously distributed to City Council
  - ☐ Including 2nd New Dominion Tower
- ☐ Citigroup Bond Sizing
- ☐ Hunden Uplift Analysis Excluded
- ☐ Davenport Financial Model

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

Cash Flow First 10 Years – Scenario B (Excluding Hunden) (Includes 2nd Dominion Tower)

- *How is the Project Cash Flow Impact to the City Calculated in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	1	2	3	4	5	6	7	8
		Plus:	Less:	Less:	Plus:	Less:	Less:	Equals:
Fiscal Year	Project Revenue(1)	Hunden Uplift In Project & Increment Area(2)	Cash Flow to Project(3)	Bond Debt Service(3)	Bond Funded Capitalized Interest(3)	Cash Flow to Stabilization Fund(4)	Cash Flow to Early Redemption	Subtotal Cash Flow To the City
2021	$1,951,920	$0	($1,951,920)	($16,124,992)	$16,124,992	$0	$0	$0
2022	6,769,895	0	(6,769,895)	(17,590,900)	17,590,900	0	0	0
2023	11,845,895	0	0	(17,638,654)	9,742,030	(3,949,271)	0	0
2024	24,933,554	0	0	(17,154,300)	900,804	(8,680,058)	0	0
2025	30,814,181	0	0	(19,860,274)	0	(10,953,907)	0	0
2026	34,377,709	0	0	(21,512,493)	0	(4,964,390)	(3,950,413)	3,950,413
2027	35,649,586	0	0	(21,292,306)	0	0	(7,178,640)	7,178,640
2028	36,931,133	0	0	(21,165,821)	0	0	(7,882,656)	7,882,656
2029	38,061,745	0	0	(21,018,865)	0	0	(8,521,440)	8,521,440
2030	39,331,005	0	0	(20,822,027)	0	0	(9,254,489)	9,254,489
Subtotal:								
2021-30	$260,666,622	$0	($8,721,815)	($194,180,631)	$44,358,726	($28,547,625)	($36,787,638)	$36,787,638
Subtotal:								
2031-48	$937,234,998	$0	$0	($172,592,024)	$0	$8,228,505	($102,134,617)	$670,736,863
Total	$1,197,901,620	$0	($8,721,815)	($366,772,655)	$44,358,726	($20,319,120)	($138,922,255)	$707,524,501

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Detailed Financial Model posted on the City's website.

Cash Flow First 10 Years – Scenario B (Excluding Hunden) (cont) (Includes 2nd Dominion Tower)

- *What are the other components that affect the Project Cash Flow Impact to the City in the First 10 years?* *REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS*

	8	9	10	11	12	13	14	15
	Equals:	Plus:	Plus:	Plus:	Plus:	Less:	Equals:	
Fiscal Year	Subtotal Cash Flow To the City	Purchase Funds Land Takedown	Hunden Uplift Outside Increment Area(2)	1.5% Schools Meals Tax(1)	Coliseum Savings(5)	Incremental City Costs(5)	Total Cash Flow To the City	Present Value @ 2.0%
2021	$0	$7,227,000	$0	$0	$990,000	($787,000)	$7,430,000	$7,287,555
2022	0	4,744,000	0	0	990,000	(802,740)	4,931,260	4,743,993
2023	0	1,779,000	0	202,123	990,000	(922,480)	2,048,643	1,933,060
2024	0	1,465,000	0	572,155	990,000	(2,199,500)	827,655	765,987
2025	0	585,000	0	875,149	0	(651,200)	808,949	734,322
2026	3,950,413	0	0	1,000,329	0	(955,310)	3,995,432	3,557,313
2027	7,178,640	0	0	1,035,774	0	(1,286,970)	6,927,444	6,049,568
2028	7,882,656	0	0	1,085,836	0	(2,742,149)	6,226,343	5,333,072
2029	8,521,440	0	0	1,107,553	0	(2,780,729)	6,848,264	5,753,312
2030	9,254,489	0	0	1,129,704	0	(2,819,309)	7,564,884	**6,233,512**
Subtotal:								
2021-30	$36,787,638	$15,800,000	$0	$7,008,624	$3,960,000	($15,947,388)	$47,608,874	**$42,391,695**
Subtotal:								
2031-48	$670,736,863	$0	$0	$24,673,366	$0	($58,580,451)	$636,829,778	**$412,542,634**
Total	$707,524,501	$15,800,000	$0	$31,681,990	$3,960,000	($74,527,839)	$684,438,651	**$454,934,329**

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

8. Scenario B Including Hunden: Cash Flow Impact – First 10 Years

Source Materials:

- MuniCap Financial Scenario 26 previously distributed to City Council
  - Including 2nd New Dominion Tower
- Citigroup Bond Sizing
- Hunden Uplift Analysis Included
- Davenport Financial Model

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

Cash Flow First 10 Years – Scenario B (Including Hunden) (Includes 2nd Dominion Tower)

- *How is the Project Cash Flow Impact to the City Calculated in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	1	2	3	4	5	6	7	8
		Plus:	Less:	Less:	Plus:	Less:	Less:	Equals:
Fiscal Year	Project Revenue(1)	Hunden Uplift In Project & Increment Area(2)	Cash Flow to Project(3)	Bond Debt Service(3)	Bond Funded Capitalized Interest(3)	Cash Flow to Stabilization Fund(4)	Cash Flow to Early Redemption	Subtotal Cash Flow To the City
2021	$1,951,920	$0	($1,951,920)	($16,124,992)	$16,124,992	$0	$0	$0
2022	6,769,895	(116,224)	(6,653,671)	(17,590,900)	17,590,900	0	0	0
2023	11,845,895	5,252,560	0	(17,638,654)	9,742,030	(9,201,831)	0	0
2024	24,933,554	2,282,452	0	(17,154,300)	900,804	(10,962,510)	0	0
2025	30,814,181	3,538,303	0	(19,860,274)	0	(8,383,284)	(3,054,463)	3,054,463
2026	34,377,709	3,694,603	0	(21,339,740)	0	0	(8,366,286)	8,366,286
2027	35,649,586	4,584,066	0	(20,869,802)	0	0	(9,681,925)	9,681,925
2028	36,931,133	5,269,251	0	(20,601,738)	0	0	(10,799,323)	10,799,323
2029	38,061,745	5,871,993	0	(20,289,822)	0	0	(11,821,958)	11,821,958
2030	39,331,005	6,443,713	0	(19,906,315)	0	0	(12,934,202)	12,934,202
Subtotal:								
2021-30	$260,666,622	$36,820,718	($8,605,591)	($191,376,538)	$44,358,726	($28,547,625)	($56,658,156)	$56,658,156
Subtotal:								
2031-48	$937,234,998	$252,607,778	$0	($123,714,969)	$0	$1,564,004	($102,899,598)	$964,792,213
Total	$1,197,901,620	$289,428,496	($8,605,591)	($315,091,506)	$44,358,726	($26,983,621)	($159,557,754)	$1,021,450,369

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Detailed Financial Model posted on the City's website.

Cash Flow First 10 Years – Scenario B (Including Hunden) (cont) (Includes 2nd Dominion Tower)

- *What are the other components that affect the Project Cash Flow Impact to the City in the First 10 years?* REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	8	9	10	11	12	13	14	15
	Equals:	Plus:	Plus:	Plus:	Plus:	Less:	Equals:	
Fiscal Year	Subtotal Cash Flow To the City	Purchase Funds Land Takedown	Hunden Uplift Outside Increment Area(2)	1.5% Schools Meals Tax(1)	Coliseum Savings(5)	Incremental City Costs(5)	Total Cash Flow To the City	Present Value @ 2.0%
2021	$0	$7,227,000	$0	$0	$990,000	($787,000)	$7,430,000	$7,287,555
2022	0	4,744,000	0	0	990,000	(802,740)	4,931,260	4,743,993
2023	0	1,779,000	(13,428)	202,123	990,000	(922,480)	2,035,214	1,920,389
2024	0	1,465,000	(737,848)	572,155	990,000	(2,199,500)	89,807	83,116
2025	3,054,463	585,000	(680,763)	875,149	0	(651,200)	3,182,649	2,889,043
2026	8,366,286	0	(544,802)	1,000,329	0	(955,310)	7,866,502	7,003,901
2027	9,681,925	0	(288,114)	1,035,774	0	(1,286,970)	9,142,615	7,984,023
2028	10,799,323	0	89,528	1,085,836	0	(2,742,149)	9,232,538	7,907,979
2029	11,821,958	0	526,654	1,107,553	0	(2,780,729)	10,675,436	8,968,568
2030	12,934,202	0	633,273	1,129,704	0	(2,819,309)	11,877,870	**9,787,439**
Subtotal:								
2021-30	$56,658,156	$15,800,000	($1,015,500)	$7,008,624	$3,960,000	($15,947,388)	$66,463,891	**$58,576,006**
Subtotal:								
2031-48	$964,792,213	$0	$16,019,229	$24,673,366	$0	($58,580,451)	$946,904,356	**$619,541,427**
Total	$1,021,450,369	$15,800,000	$15,003,729	$31,681,990	$3,960,000	($74,527,839)	$1,013,368,248	**$678,117,433**

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

9. Scenario B-1 Excluding Hunden: Cash Flow Impact – First 10 Years

Source Materials:

- ☐ MuniCap Financial Scenario 26 previously distributed to City Council
  - ☐ Excluding 2nd New Dominion Tower
- ☐ Citigroup Bond Sizing
- ☐ Hunden Analysis Excluded
- ☐ Davenport Financial Model

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

Cash Flow First 10 Years – Scenario B-1 (Excluding Hunden) (Excludes 2nd Dominion Tower)

- *How is the Project Cash Flow Impact to the City Calculated in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	1	2	3	4	5	6	7	8
		Plus:	Less:	Less:	Plus:	Less:	Less:	Equals:
Fiscal Year	Project Revenue(1)	Hunden Uplift In Project & Increment Area(2)	Cash Flow to Project(3)	Bond Debt Service(3)	Bond Funded Capitalized Interest(3)	Cash Flow to Stabilization Fund(4)	Cash Flow to Early Redemption	Subtotal Cash Flow To the City
2021	$1,951,920	$0	($1,951,920)	($16,124,992)	$16,124,992	$0	$0	$0
2022	6,769,895	0	(6,769,895)	(17,590,900)	17,590,900	0	0	0
2023	10,467,921	0	0	(17,638,654)	9,742,030	(2,571,297)	0	0
2024	21,406,990	0	0	(17,154,300)	900,804	(5,153,494)	0	0
2025	27,217,085	0	0	(19,860,274)	0	(7,356,811)	0	0
2026	30,708,672	0	0	(21,512,493)	0	(9,196,179)	0	0
2027	31,907,168	0	0	(21,515,731)	0	(4,269,844)	(3,060,796)	3,060,796
2028	33,113,867	0	0	(21,622,142)	0	0	(5,745,863)	5,745,863
2029	34,168,133	0	0	(21,596,037)	0	0	(6,286,048)	6,286,048
2030	35,359,521	0	0	(21,525,627)	0	0	(6,916,947)	6,916,947
Subtotal:								
2021-30	$233,071,172	$0	($8,721,815)	($196,141,149)	$44,358,726	($28,547,625)	($22,009,654)	$22,009,654
Subtotal:								
2031-48	$850,495,573	$0	$0	($223,287,062)	$0	$30,091,728	($106,925,824)	$550,374,415
Total	$1,083,566,745	$0	($8,721,815)	($419,428,211)	$44,358,726	$1,544,103	($128,935,478)	$572,384,069

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Detailed Financial Model posted on the City's website.

Cash Flow First 10 Years – Scenario B-1 (Excluding Hunden) (cont) (Excludes 2nd Dominion Tower)

- *What are the other components that affect the Project Cash Flow Impact to the City in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	8	9	10	11	12	13	14	15
	Equals:	Plus:	Plus:	Plus:	Plus:	Less:	Equals:	
Fiscal Year	Subtotal Cash Flow To the City	Purchase Funds Land Takedown	Hunden Uplift Outside Increment Area(2)	1.5% Schools Meals Tax(1)	Coliseum Savings(5)	Incremental City Costs(5)	Total Cash Flow To the City	Present Value @ 2.0%
2021	$0	$7,227,000	$0	$0	$990,000	($787,000)	$7,430,000	$7,287,555
2022	0	4,744,000	0	0	990,000	(802,740)	4,931,260	4,743,993
2023	0	1,779,000	0	202,123	990,000	(922,480)	2,048,643	1,933,060
2024	0	1,465,000	0	572,155	990,000	(2,199,500)	827,655	765,987
2025	0	585,000	0	875,149	0	(651,200)	808,949	734,322
2026	0	0	0	1,000,329	0	(955,310)	45,019	40,082
2027	3,060,796	0	0	1,035,774	0	(1,286,970)	2,809,600	2,453,555
2028	5,745,863	0	0	1,085,836	0	(2,742,149)	4,089,550	3,502,837
2029	6,286,048	0	0	1,107,553	0	(2,780,729)	4,612,872	3,875,332
2030	6,916,947	0	0	1,129,704	0	(2,819,309)	5,227,342	**4,307,363**
Subtotal:								
2021-30	$22,009,654	$15,800,000	$0	$7,008,624	$3,960,000	($15,947,388)	$32,830,890	**$29,644,086**
Subtotal:								
2031-48	$550,374,415	$0	$0	$24,673,366	$0	($58,580,451)	$516,467,330	**$331,033,974**
Total	$572,384,069	$15,800,000	$0	$31,681,990	$3,960,000	($74,527,839)	$549,298,219	**$360,678,060**

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

10. Scenario B-1 Including Hunden: Cash Flow Impact – First 10 Years

Source Materials:

- MuniCap Financial Scenario 26 previously distributed to City Council
  - Excluding 2nd New Dominion Tower
- Citigroup Bond Sizing
- Hunden Analysis Included
- Davenport Financial Model

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

Cash Flow First 10 Years – Scenario B-1 (Including Hunden) (Excludes 2nd Dominion Tower)

- *How is the Project Cash Flow Impact to the City Calculated in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	1	2	3	4	5	6	7	8
		Plus:	Less:	Less:	Plus:	Less:	Less:	Equals:
Fiscal Year	Project Revenue(1)	Hunden Uplift In Project & Increment Area(2)	Cash Flow to Project(3)	Bond Debt Service(3)	Bond Funded Capitalized Interest(3)	Cash Flow to Stabilization Fund(4)	Cash Flow to Early Redemption	Subtotal Cash Flow To the City
2021	$1,951,920	$0	($1,951,920)	($16,124,992)	$16,124,992	$0	$0	$0
2022	6,769,895	(116,224)	(6,653,671)	(17,590,900)	17,590,900	0	0	0
2023	10,467,921	5,252,560	0	(17,638,654)	9,742,030	(7,823,856)	0	0
2024	21,406,990	2,282,452	0	(17,154,300)	900,804	(7,435,946)	0	0
2025	27,217,085	3,538,303	0	(19,860,274)	0	(10,895,115)	0	0
2026	30,708,672	3,694,603	0	(21,512,493)	0	(2,392,708)	(5,249,037)	5,249,037
2027	31,907,168	4,584,066	0	(21,218,859)	0	0	(7,636,187)	7,636,187
2028	33,113,867	5,269,251	0	(21,066,496)	0	0	(8,658,311)	8,658,311
2029	34,168,133	5,871,993	0	(20,875,671)	0	0	(9,582,228)	9,582,228
2030	35,359,521	6,443,713	0	(20,618,837)	0	0	(10,592,199)	10,592,199
Subtotal:								
2021-30	$233,071,172	$36,820,718	($8,605,591)	($193,661,476)	$44,358,726	($28,547,625)	($41,717,961)	$41,717,961
Subtotal:								
2031-48	$850,495,573	$252,607,778	$0	($149,327,488)	$0	$2,121,847	($105,277,635)	$850,620,074
Total	$1,083,566,745	$289,428,496	($8,605,591)	($342,988,964)	$44,358,726	($26,425,778)	($146,995,597)	$892,338,035

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Detailed Financial Model posted on the City's website.

Cash Flow First 10 Years – Scenario B-1 (Including Hunden) (cont) (Excludes 2nd Dominion Tower)

- *What are the other components that affect the Project Cash Flow Impact to the City in the First 10 years?*

REVISED TO SHOW IMPACT OF INCREMENTAL CITY COSTS

	8	9	10	11	12	13	14	15
	<u>Equals:</u>	<u>Plus:</u>	<u>Plus:</u>	<u>Plus:</u>	<u>Plus:</u>	<u>Less:</u>	<u>Equals:</u>	
Fiscal Year	Subtotal Cash Flow To the City	Purchase Funds Land Takedown	Hunden Uplift Outside Increment Area(2)	1.5% Schools Meals Tax(1)	Coliseum Savings(5)	Incremental City Costs(5)	Total Cash Flow To the City	Present Value @ 2.0%
2021	$0	$7,227,000	$0	$0	$990,000	($787,000)	$7,430,000	$7,287,555
2022	0	4,744,000	0	0	990,000	(802,740)	4,931,260	4,743,993
2023	0	1,779,000	(13,428)	202,123	990,000	(922,480)	2,035,214	1,920,389
2024	0	1,465,000	(737,848)	572,155	990,000	(2,199,500)	89,807	83,116
2025	0	585,000	(680,763)	875,149	0	(651,200)	128,187	116,361
2026	5,249,037	0	(544,802)	1,000,329	0	(955,310)	4,749,253	4,228,474
2027	7,636,187	0	(288,114)	1,035,774	0	(1,286,970)	7,096,877	6,197,530
2028	8,658,311	0	89,528	1,085,836	0	(2,742,149)	7,091,526	6,074,130
2029	9,582,228	0	526,654	1,107,553	0	(2,780,729)	8,435,706	7,086,942
2030	10,592,199	0	633,273	1,129,704	0	(2,819,309)	9,535,867	**7,857,614**
Subtotal:								
2021-30	$41,717,961	$15,800,000	($1,015,500)	$7,008,624	$3,960,000	($15,947,388)	$51,523,697	**$45,596,105**
Subtotal:								
2031-48	$850,620,074	$0	$16,019,229	$24,673,366	$0	($58,580,451)	$832,732,218	**$541,318,975**
Total	$892,338,035	$15,800,000	$15,003,729	$31,681,990	$3,960,000	($74,527,839)	$884,255,914	**$586,915,080**

(1) Source: Municap/Developer.

(2) Source: Hunden Analysis.

(3) Based on Bond Size and maturity schedule from Citigroup (preliminary, subject to change).

(4) Negative number represents cash flow to fund Stabilzation Fund. Positive number represents excess Stabilization Fund amount not needed to repay bonds.

(5) Source: City of Richmond

Note: Present Value assumes 2.0% rate, which is the average of the change in the CPI-U over the most recent five years of data; Source Bureau of Labor Statistics

Exhibits

A. Cash Flow Details – Scenarios A and A-1 “Do Nothing/No Project”

- *Scenario A*
  - Includes 2nd Dominion Tower.
  - Real Estate Growth reduced to 1.5% per Hunden.

Fiscal Year	A Do Nothing No Project	Present Value Scenario A
2021	$961,920	$943,478
2022	2,038,153	1,960,753
2023	3,855,687	3,638,153
2024	6,450,907	5,970,256
2025	5,227,308	4,745,078
2026	5,716,463	5,089,624
2027	6,212,955	5,425,623
2028	6,716,895	5,753,246
2029	7,228,394	6,072,664
2030	**10,443,090**	**8,605,172**
2031	10,970,049	8,866,090
2032	11,504,913	9,120,107
2033	12,047,799	9,367,364
2034	12,598,828	9,607,998
2035	13,158,123	9,842,144
2036	13,725,808	10,069,937
2037	14,302,007	10,291,505
2038	14,886,850	10,506,976
2039	15,480,465	10,716,476
2040	**16,082,985**	**10,920,127**
2041	16,694,542	11,118,050
2042	17,315,273	11,310,361
2043	17,945,315	11,497,178
2044	18,584,807	11,678,614
2045	19,233,892	11,854,779
2046	19,892,713	12,025,783
2047	20,561,416	12,191,732
2048	**21,240,150**	**12,352,732**
Total	**$341,077,706**	**$241,542,000**

- *Scenario A-1*
  - Excludes 2nd Dominion Tower.
  - Real Estate Growth assumed at 2.0%.

Fiscal Year	A-1 Do Nothing No Project	Present Value Scenario A
2021	$961,920	$943,478
2022	2,038,153	1,960,753
2023	2,592,466	2,446,201
2024	3,157,865	2,922,576
2025	2,029,047	1,841,863
2026	2,617,289	2,330,290
2027	3,217,295	2,809,586
2028	3,829,302	3,279,926
2029	4,453,548	3,741,482
2030	**7,785,805**	**6,415,552**
2031	8,435,271	6,817,460
2032	9,097,727	7,211,897
2033	9,773,432	7,599,005
2034	10,462,650	7,978,926
2035	11,165,653	8,351,797
2036	11,882,716	8,717,753
2037	12,614,121	9,076,928
2038	13,360,153	9,429,450
2039	14,121,107	9,775,449
2040	**14,897,279**	**10,115,049**
2041	15,688,974	10,448,372
2042	16,496,504	10,775,540
2043	17,320,184	11,096,671
2044	18,160,338	11,411,879
2045	19,017,295	11,721,280
2046	19,891,391	12,024,984
2047	20,782,969	12,323,100
2048	**21,692,378**	**12,615,737**
Total	**$297,542,832**	**$206,182,984**

B. Assessed Valuation FY2015-FY2018

Assessed Valuation of Taxable Property								
Year	Real Estate	% Change	Personal Property	% Change	Machinery & Tools	% Change	Richmond Full Valuation	% Change
2015	20,031,295,000	2.3%	1,629,774,285	17.6%	588,032,927	-1.1%	22,249,102,212	3.2%
2016	20,881,840,000	4.2%	1,955,517,305	20.0%	577,169,740	-1.8%	23,414,527,045	5.2%
2017	21,595,770,000	3.4%	2,391,005,104	22.3%	599,972,231	4.0%	24,586,747,335	5.0%
2018	22,710,883,000	5.2%	2,240,666,165	-6.3%	613,217,909	2.2%	25,564,767,074	4.0%
CAGR 2015-18	4.27%							
Growth 2015-18	**13.4%**							

Source: Richmond FY 2018 CAFR

- The City's Assessed Value of Taxable Real Estate has grown each year since FY 2015 averaging 4.2% per year.
- Total Growth in the Assessed Value of Taxable Real Estate was 13.4% since FY 2015.

C. RPS General Fund Revenues FY2015-FY2018

RPS Funding - General Fund Revenues

	Year End	RPS General Fund							
Year	Avg Daily Attendance	Total State RPS Funding	% Change	Per Student RPS Funding	% Change	Local RPS Funding	% Change	Per Student RPS Funding	% Change
2015	20,432	123,309,547	-	6,035	-	137,219,584	-	6,716	-
2016	22,221	123,266,394	-0.03%	5,547	-8.08%	145,999,656	6.40%	6,570	-2.17%
2017	21,368	128,864,668	4.54%	6,031	8.71%	151,521,909	3.78%	7,091	7.93%
2018	21,506	132,022,970	2.45%	6,139	1.79%	158,975,683	4.92%	7,392	4.25%
CAGR 2015-18	1.72%	2.30%		0.57%		5.03%		3.25%	
Growth 2015-18	**5.3%**	**7.1%**		**1.7%**		**15.9%**		**10.1%**	

Source: RPS CAFRs

Note: Per Student Funding is based on Year End Average Daily Attendance shown in this table.

- During the same time period (from FY 2015 through FY 2018) that the City's Assessed Value of Real Estate grew 13.4%, RPS experienced the following:
  - State Funding Increase of 7.1% (Averaging 2.3%) per year.
    - On a per Student Basis this is a total growth of 1.7% (Averaging 0.57%) per year.
  - Local Funding Increase from the City of 15.9% (Averaging 5.03%) per year.
    - On a per Student Basis this is a total growth of 10.1% (Averaging 3.25%) per year.

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Version 01/13/2014 RK/JS|DR

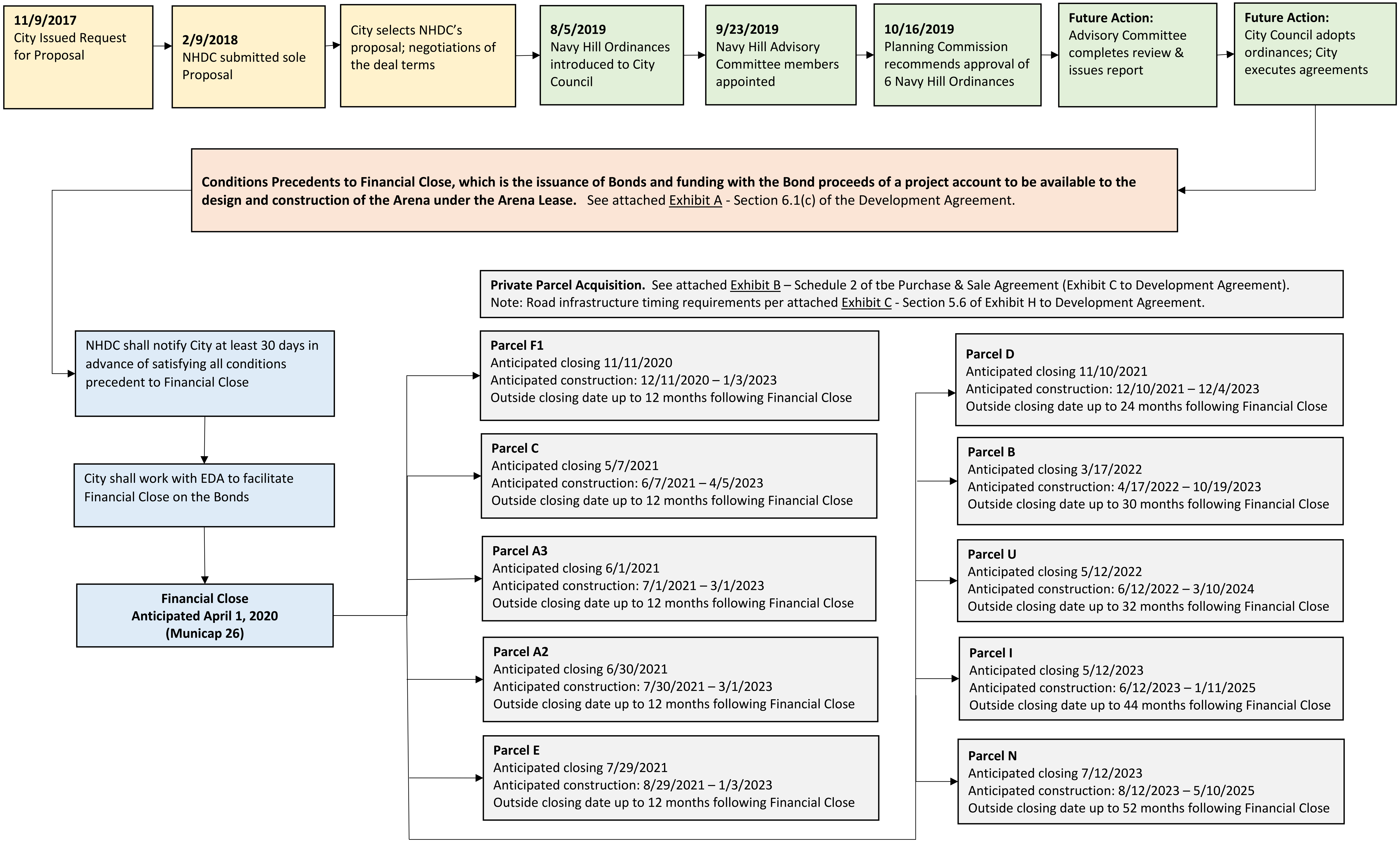
ATTACHMENT

to

Navy Hill Advisory Commission Responses – Oct. 19, 2019

FLOW CHART

NAVY HILL PROJECT
FLOW CHART



11/9/2017
City Issued Request for Proposal

2/9/2018
NHDC submitted sole Proposal

City selects NHDC's proposal; negotiations of the deal terms

8/5/2019
Navy Hill Ordinances introduced to City Council

9/23/2019
Navy Hill Advisory Committee members appointed

10/16/2019
Planning Commission recommends approval of 6 Navy Hill Ordinances

Future Action:
Advisory Committee completes review & issues report

Future Action:
City Council adopts ordinances; City executes agreements

Conditions Precedents to Financial Close, which is the issuance of Bonds and funding with the Bond proceeds of a project account to be available to the design and construction of the Arena under the Arena Lease. See attached Exhibit A - Section 6.1(c) of the Development Agreement.

NHDC shall notify City at least 30 days in advance of satisfying all conditions precedent to Financial Close

City shall work with EDA to facilitate Financial Close on the Bonds

Financial Close
Anticipated April 1, 2020
(Municap 26)

Private Parcel Acquisition. See attached Exhibit B – Schedule 2 of tbe Purchase & Sale Agreement (Exhibit C to Development Agreement).
Note: Road infrastructure timing requirements per attached Exhibit C - Section 5.6 of Exhibit H to Development Agreement.

Parcel F1
Anticipated closing 11/11/2020
Anticipated construction: 12/11/2020 – 1/3/2023
Outside closing date up to 12 months following Financial Close

Parcel C
Anticipated closing 5/7/2021
Anticipated construction: 6/7/2021 – 4/5/2023
Outside closing date up to 12 months following Financial Close

Parcel A3
Anticipated closing 6/1/2021
Anticipated construction: 7/1/2021 – 3/1/2023
Outside closing date up to 12 months following Financial Close

Parcel A2
Anticipated closing 6/30/2021
Anticipated construction: 7/30/2021 – 3/1/2023
Outside closing date up to 12 months following Financial Close

Parcel E
Anticipated closing 7/29/2021
Anticipated construction: 8/29/2021 – 1/3/2023
Outside closing date up to 12 months following Financial Close

Parcel D
Anticipated closing 11/10/2021
Anticipated construction: 12/10/2021 – 12/4/2023
Outside closing date up to 24 months following Financial Close

Parcel B
Anticipated closing 3/17/2022
Anticipated construction: 4/17/2022 – 10/19/2023
Outside closing date up to 30 months following Financial Close

Parcel U
Anticipated closing 5/12/2022
Anticipated construction: 6/12/2022 – 3/10/2024
Outside closing date up to 32 months following Financial Close

Parcel I
Anticipated closing 5/12/2023
Anticipated construction: 6/12/2023 – 1/11/2025
Outside closing date up to 44 months following Financial Close

Parcel N
Anticipated closing 7/12/2023
Anticipated construction: 8/12/2023 – 5/10/2025
Outside closing date up to 52 months following Financial Close

EXHIBIT

A

(c) **Conditions Precedent to Financial Close on the Bonds.** The City will not permit Financial Close on the Bonds until each of the following conditions precedent to Financial Close are achieved or waived by the City or the EDA, as applicable:

(i) the City has recorded the deeds delivered by RRHA pursuant to Section 3.1 (*Conveyance by RRHA to City*);

(ii) the EDA has recorded the deeds delivered by the City pursuant to Section 3.3 (*Conveyance by City to EDA*);

(iii) the Developer's representations and warranties made in the Contract Documents are true and correct in all material respects on and as if made on the Financial Close date;

(iv) the Parties, the EDA and any other required Persons have fully executed all of the applicable Financing Documents;

(v) the Developer has confirmed that the Construction Contractor and the OM&C Contractor for the Arena have not changed or been modified since the Effective Date;

(vi) all Performance Security (as defined in the Arena Lease) required for D&C Work for the Arena is in full force and effect as required in the Arena Lease;

(vii) the City has confirmed the Construction Contract for the Arena has been executed and satisfies the requirements in the Arena Lease and any other applicable requirement in this Agreement;

(viii) the City has confirmed the OM&C Contract for the Arena has been executed, [and if applicable, the OM&C Contract guaranty] has also been executed, and such agreements satisfy the requirements in the Arena Lease and any other applicable requirement in this Agreement;

(ix) the Developer has furnished the City with a fully executed copy of a room Block agreement between the Developer and Richmond Metropolitan Convention & Visitors Bureau, a Virginia nonstock corporation doing business as Richmond Region Tourism, in relation to the Hotel Improvements;

(x) with respect to the Hotel, a management contract the ("**Hotel Operator**"), franchise flag agreement, design services agreement and pre-construction services agreement (the "**Hotel Key Contracts**") have been executed by the Developer;

(xi) the City has verified the Developer's demolition plan for the Arena and the Developer has submitted for purposes of the City's review (but not approval) any other plans required to be completed or completed as of

Financial Close governing the Developer's or its Construction Contractor's performance of D&C Work on the Arena;

(xii) the City has received a copy of any Site Condition (as defined in the Leases) reports prepared by or with respect to each of the Premises (as defined the Leases), including all reports related to geotechnical, utility and environmental matters;

(xiii) all insurance required to perform the Work on the Arena and under this Agreement is in place and in full force and effect;

(xiv) the Developer has put into full force and effect the Developer Performance Security for the benefit of the City in an amount equal to Fifteen Million Eight Hundred Thousand Dollars ($15,800,000.00) to secure the Developer's performance with respect to the Private Development Project under this Agreement;

(xv) equity contribution agreements, in a form customarily provided by equity participants for similar projects, documenting an aggregate of One Hundred and Fifty Million Dollars ($150,000,000) in equity commitments by equity investors for the benefit of CCD to support Private Development on Blocks A2, A3, C, E and F (all as identified in this Agreement) have been executed and provided to the City;

(xvi) term sheets, in a form customarily provided by debt providers for similar projects, documenting Two Hundred and Ninety Million Dollars ($290,000,000) in debt for Private Development on Blocks A2, A3, C, E and F have been provided to the City;

(xvii) the Developer has satisfied its obligations under Section 2.2(i) (*Department of Social Services*);

(xviii) the Developer has satisfied its obligations under Section 2.2(g)(iii) (*Transit Center*);

(xix) the Developer has provided evidence deemed reasonably sufficient by the City documenting its ability to satisfy the fund-raising component of the Affordable Housing Commitment in accordance with Section 6.4 (*Affordable Housing Commitment*);

(xx) the delivery of the final Financial Model to the City; and

(xxi) all other conditions precedent in the Contract Documents and Financing Documents to achieving Financial Close have been satisfied.

EXHIBIT

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B

SCHEDULE 2

CONDITIONS PRECEDENT TO CLOSING ON PRIVATE DEVELOPMENT PARCELS

Section 1. The Developer's Conditions. The obligation of the Developer to proceed to Closing on each Private Development Parcel pursuant to this Agreement is subject to the City's satisfaction (or waiver by the Developer, if applicable) of all of the following conditions precedent:

(a) the City shall not be in breach of any of its covenants and agreements under this Agreement in any material respect;

(b) the City shall have complied with all of its obligations required to be performed by it under the Development Agreement prior to the Closing on such Private Development Parcel;

(c) the representations and warranties made by the City in the Development Agreement shall be true and correct in all material respects as of the Closing Date;

(d) with respect to the Private Development Parcels identified on Exhibit A to this Agreement as Blocks N and U, any development rights previously granted to ECI Development Advisors, Inc. shall have been released and terminated; and

(e) with respect to the Private Development Parcel identified on Exhibit A to this Agreement as Block E, the rights of the owner of the Richmond Marriott Hotel to the exclusive use of the Access Ramp (as defined in that certain Second Amended and Restated Parking Easement Agreement dated as of January 3, 2000, by and among Richmond Redevelopment and Housing Authority, Mutual Benefit/Marriott Hotel Associates-I, L.P. and First Union Real Estate Equity and Mortgage Investments, as the same has been subsequently amended from time to time) shall have been released and terminated on terms and conditions acceptable to the Developer and the City.

Section 2. The City's Conditions. The obligation of the City to proceed to Closing on each Private Development Parcel pursuant to this Agreement is subject to the Developer's satisfaction (or waiver by the City, if applicable) of all of the following conditions precedent:

(a) Financial Close shall have occurred on or prior to the Closing Date;

(b) the Developer shall not be in breach of any of its covenants and agreements under the Contract Documents, any Subcontract, or any Financing Documents in any material respect;

(c) the Developer shall have complied with all of its obligations then required to be performed by it under the Development Agreement, including that the Developer has delivered the Concept Plans for the applicable Private Development Parcel;

(d) the development of each of the Private Development Parcels for which a Closing has previously occurred in accordance with the terms of this Agreement shall be proceeding in accordance with the Development Agreement, any Subcontract or any Financing Documents in all material respects, subject to any delays due to the occurrence of any Delay Event;

(e) the Developer shall have obtained, or has taken all reasonable steps to obtain, all boundary line adjustments, lot consolidations and right-of-way vacations and Regulatory Approvals required to commence development of such Private Development Parcel in accordance with the terms of the Development Agreement and applicable Law and has provided copies thereof to the City;

(f) the Developer shall have obtained and delivered to the City sufficient equity commitments pursuant to executed equity contribution agreements and sufficient debt evidenced by final debt term sheets, all of which are for the development of such Private Development Parcel in accordance with the terms of Section 6.1(c) (*Conditions Precedent to Financial Close on the Bonds*) of the Development Agreement;

(g) with respect to the Private Development Parcels identified on Exhibit A to this Agreement as Blocks N and U, any development rights previously granted to ECI Development Advisors, Inc. shall have been released and terminated;

(h) with respect to the Private Development Parcel identified on Exhibit A to this Agreement as Block I, the Developer has satisfied its obligations in accordance with Section 2.2(i) (*Department of Social Services Offices*) of the Development Agreement;

(i) with respect to Private Development Parcel identified on Exhibit A to this Agreement as Block C, the Developer has satisfied its obligations in accordance with Section 2.2(g) (*Transit Center*) and entered into the GRTC Lease with GRTC, all in accordance with the Development Agreement;

(j) with respect to the Private Development Parcel identified on Exhibit A to this Agreement as Block E, the rights of the owner of the Richmond Marriott Hotel to the exclusive use of the Access Ramp (as defined in that certain Second Amended and Restated Parking Easement Agreement dated as of January 3, 2000, by and among Richmond Redevelopment and Housing Authority, Mutual Benefit/Marriott Hotel Associates-I, L.P. and First Union Real Estate Equity and Mortgage Investments, as the same has been subsequently amended from time to time) shall have been released and terminated on terms and conditions acceptable to the Developer and the City;

(k) the representations and warranties made by the Developer in the Development Agreement shall be true and correct in all material respects;

(l) a Survey for each of the Private Development Parcels shall have been obtained by the Developer and approved by the City in accordance with the terms of Section 5(b) of this Agreement; and

(m) with respect to the Private Development Parcel identified on Exhibit A to this Agreement as Block F-1, each of the Hotel Key Contracts, are in full force and effect.

EXHIBIT

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indicating that such surety bond, letter of credit, or other financial security is released; provided such surety bond, letter of credit, or other financial security may be partially released corresponding to portions of the Road Project completed under a Work in Streets Permit covering more than one portion of the Road Project. The Director will issue such a letter only if the Director determines that, based on all City and state standards applicable to the Road Project, no defects remain that the Developer is required to correct.

5.6 **Completion Timeline; Failure to Complete.**

A. Subject to delays caused by the occurrence of an event of Force Majeure, the Developer shall complete, in a manner in which the City can accept them pursuant to Section 5.5, (i) the 5th and 7th Streets Project prior to or contemporaneously with Substantial Completion of the required development for the applicable Project Segment on Block A1, Block, A2, or Block A3, whichever occurs earliest, (ii) the Clay Street Project from North 5th Street to North 8th Street prior to or contemporaneously with Substantial Completion of the required development for the applicable Project Segment on Block A1, Block, A2, or Block A3, whichever occurs first, (iii) the Clay Street Project from 8th Street to 10th Street prior to or contemporaneously with Substantial Completion of the required development for the applicable Project Segment on Block D or within 12 months of achieving Substantial Completion on Block C, whichever occurs earlier, (iv) the 6th Street Plaza Project prior to or contemporaneously with Substantial Completion of the required development for the applicable Project Segment on Block F1, and (v) the Leigh Street Project prior to or contemporaneously with Substantial Completion of the required development of the applicable Project Segment on Block A1, Block, A2, or Block A3, whichever occurs earliest.

B. Should the Developer fail to complete any Road Project pursuant to the timeline set forth in subsection A of this section 5.6, Developer, promptly upon written demand therefor by the Chief Administrative Officer or her designee, shall dedicate the portion of the Closing Areas pertaining to such Road Project that the Developer fails to complete to the City for public use and travel by a deed approved as to form by the City's City Attorney.

END OF RIGHT-OF-WAY RECONFIGURATION CONDITIONS

ATTACHMENT

to

Navy Hill Advisory Commission Responses – Oct. 19, 2019

RESPONSES TO SEPT. 23 COUNCIL WORK SESSION

Richmond City Council

The Voice of the People *Richmond, Virginia*

Office of the Council Chief of Staff

TO Lenora Reid, Acting Chief Administrative Officer
Matt Welch, Senior Policy Advisor
Jeff Gray, Senior Policy Advisor to the CAO

FROM Meghan Brown, Interim Council Chief of Staff

COPY Cynthia Newbille, President

DATE September 24, 2019

RE: September 23rd Navy Hill Work Session - Follow Up Questions

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I .) The Navy Hill Development proposal provides for the sale and conveyance of City-owned property to The NH District Corporation. Has the City had these properties appraised? If no, does the City anticipate having the properties appraised?

Response:

No, the City did not have the parcels appraised. The City negotiated, with NHDC, the purchase price of $15,800,000 as part of the overall benefit package that the City will receive for the private development of Parcels A-2, A-3, B, C, D, E, F-1, I, N and U (as shown on Exhibit K to the Development Agreement) and the project as a whole, which includes not only financial compensation for the property, but also the following benefits:

- Obligation to meet the minimum development requirements set forth in the Master Plan. Notably, the Minimum Capital Investment the Developer is required to meet for the development exceeds $1.3 billion(not including the arena);
- Obligation of NHDC to pay the $15,800,000 to the City for all of the parcels upfront and for the City to hold the payment in escrow and to only convey to NHDC the title of each parcel as the private funding and the financial closing for the each parcels has occurred[1];
- Obligation to construct and maintain a minimum of 280 affordable housing units, spread throughout the Development Parcels and incorporated as a percentage into each residential building (valued at $50,000/unit which is the average subsidy for an affordable housing unit = $14,000,000);
- Obligation of the Developer to secure and provide to the Better Housing Coalition, or similar entity, a cash philanthropic contribution of $10,000,000 allowing for the development of 200 additional affordable units within downtown Richmond;

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[1] If a Development Parcel does not convey to NHDC due to its failure to meet the prerequisites for closing prior to the applicable deadline set forth in Exhibit J to the Development Agreement or due to any breach, the City retains the purchase price allocated to such Development Parcel and retains ownership of the property – further, in such scenarios, the City has certain rights to terminate NHDC's right to acquire any Development Parcels not yet conveyed to NHDC (in which case, the City would retain the entire Purchase Price as well as the property).

- Obligation to include a 65,000 SF GRTC transit center within the ground floor of a mixed use development;
- Obligation to have as a goal $300,000,000 in minority business contract participation for the development work;
- Obligation to perform a variety of right-of-way and infrastructure improvements, including building back sections of East Clay Street and 6th Street and to re-align the rights-of-way for Leigh, 5th, 10th and Marshall Streets;
- Obligation to build all buildings to LEED silver standards;
- Obligation to utilize natural gas from Richmond Gas Works;
- Obligation to construct, make available, and maintain all public open spaces;
- Obligation to meet enhanced storm water retention standards;
- Obligation to construct a 500+ key convention center hotel and to secure an operator/flag that is designated as Upper-Upscale or Luxury; and
- Obligation to preserve the historic façade of the Richmond Garage.

Moreover, the City did not have the parcels appraised because many of the "parcels" currently do not exist[2] and the improvements on the current parcels are in a state of disrepair and almost all are required to be demolished as part of the project, and, therefore it would be impractical to rely upon an appraisal of the currently configured parcels based on their current use to determine a purchase price for property within the totality of the proposed project.

For comparison purposes only (see attached chart), the City has done an analysis of what the current assessed value of the land may be for each Development Parcel based on the City's Tax Assessor's 2020 assessed land value based on the applicable pro rata land value for each existing parcel, or portion thereof. In total, the pro rata land value of the parcels to be sold (based on the 2020 tax assessments) is $24,198,722. That number solely relates the assessed land value and does not take into account the various city benefits derived from the covenants, development obligations (including in public infrastructure at private expense), restrictions on use of the property, deal structure, and community benefits outlined in this response.

In conclusion, based on the complexity of the many parcel configurations, the $1.3 billion in private investment by NHDC, the absence of any request for City funding or incentives, and the host of benefits derived from the NHDC development proposal, the City believes it has negotiated a best value and benefits package.

(Note - two parcels: A-1, the carved out Arena parcel; and F-2, the Blues Armory parcel, are not part of the purchase price as these two parcels will be leased with use restrictions and obligations requirements that have been negotiated in the two respective lease agreements.)

2.) How was the $300 million goal for minority business enterprise (MBE) and

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[2] With one exception (Dev. Parcel N), the Development Parcels (as shown on Exhibit K - Map Depicting Development Parcels) are not current parcels of real estate in such configurations; rather, the contemplated future Development Parcels are comprised of a combination of current parcels /portions of current parcels of real estate owned by the City and associated entities. Formation and development of such contemplated Development Parcels is only made possible due to (1) a variety of infrastructure improvements to be completed and privately funded by the Developer, providing for updated street fronts and for the addition of portions of current rights-of-way to the Development Parcels and (2) demolition of deteriorating facilities – e.g., the Richmond Coliseum as part of the arena project (estimated cost if City demolished independently is $12 million) and the Public Safety Building to be completed by the Developer at its cost.

emerging small business (ESB) participation in the project derived? What percentage of the entire development does this represent?

Response:

Section 10.3(c) of the Development Agreement sets forth the MBE/ESB goal as follows:

> The Developer has set a goal that Three Hundred Million Dollars ($300,000,000) (or expressed as a percentage, a goal of thirty percent (30%)) of the Improvement Cost of the entire Project will be spent with Emerging Small Businesses and Minority Business Enterprises that perform commercially useful functions towards the construction of the Project. Within and as part of such goal (and not as a separate goal), the Developer has set as a further goal that a minimum of twenty percent (20%) of the Improvement Cost for each Project Segment will be spent with Emerging Small Businesses and Minority Business Enterprises that perform commercially useful functions towards the construction of such Project Segment.

The Office of Minority Business Development (OMBD) is satisfied with the goal based on the current minority business capacity.

Examples of previous projects with minority business participation:

Justice Center
Total project dollars: **$115,858,070.00**
% Minority participation: **46%**

(4) Public Schools (2015)
Total project dollars: **$139,290,172.00**
% Minority participation Average: **30%**

3.) What is the MBE/ESB strategy to ensure that the $300 million goal is met and how can we exceed/increase that amount?

NHDC Response:

As part of the developer's MBE/ESB plan, a granular initiative was launched to identify MBE/ESB firms to participate in the project. The developer is currently working with the City's MBE department and local MBE/ESB organizations, CVACC, MBL and CVBCA. In collaboration, the developer is creating a database to house a list of professional services, construction firms, suppliers, vendors, etc. that match the various scopes of skills needed for this project. That database will help us to establish how the $300 million will be allocated to MBE/ESB firms.

Moreover, this process is also identifying the barriers MBE/ESB firms may face. To that end, we have triggered a results-driven approach to ensure MBEs have the resources needed to participate in the project. Current programs and initiatives that are being evaluated are: Workforce/Training, Licensing, Bonding, Credit Lines, Payroll Assistance, Insurance, Equitable Material Purchasing, Contract/Legal Assistance, JV Partnerships and Unbundling of Scopes of Work.

With regard to the construction sector, all firms engaged on the project are required to submit their MBE/ESB plans for approval. The plans will then undergo review and approval by the developer's internal MBE coordinator, and also by the City's MBE department.

With the input from small businesses, local advocacy groups, the MBL, the City's MBE Department, the City's Community Wealth Building Department, CVACC, CVBCA and a host of other stakeholders – the comprehensive MBE/ESB plan will be finalized within the next 90 days.

Lastly, it is important to touch on workforce development. Help Me Help You & J&G Workforce Development are the workforce development partner for the project. As such that team is working closely with the MBE/ESB Coordinator, the Office Of Minority Business and Office of Community Wealth Building to design the workforce development initiative. With input from the general contractor community, they will identify the scope of service for each project, segmented by trade and division to determine how many new hires are expected, skilled and unskilled. This will assist in determining the scope and depth of training that is needed to prepare those targeted for the jobs. Working with our identified GC's and other employers in the community, Navy Hill is currently scheduling and hosting Job/Hiring events in the districts to gauge interest and connect residents who are currently looking for training and or work to opportunities.

4.) Is there an MBE/ESB Coordinator? What will be their strategy for ensuring that there is outreach to local MBE/ESB businesses/contractors and what is the plan to creatively ensure that local MBE/ESB businesses/contractors are utilized throughout the development?

NHDC Response:

Yes, Mike Hopkins of The M Companies, LLC is serving as the Coordinator.
In anticipation of the magnitude of the MBE/ESB program, the developer requested the coordinator start the outreach about the project approximately one year ago. Meetings have been held with various small businesses, local MBE/ESB organizations and advocacy groups. Going forward, three public informational sessions will be held starting in November.

In conjunction with current outreach efforts, Mike and his team are working toward the aforementioned program with a targeted approach to identifying participating firms.

5.) Are there any parameters set-up for local businesses in order to participate in the development?

Response:

Our strategy is to register and work with our Richmond-based businesses to make sure they are prepared. Part of our strategy is to also match non-construction opportunities with such businesses as restaurants and retailers. A minority consultant is currently being vetted by the Navy Hill group to work with us in accomplishing these efforts. We cannot however give local preference in procurement due to legal restrictions.

Outreach meetings:

1. MBE coordinator has presented at three informational sessions
2. OMBD staff is scheduled to offer three business and employment informational sessions starting with November, and followed by January and February.
3. In October OMBD staff should have a draft of the overall outreach efforts, including all activities.

Private Development Parcel A2

Makeup - Based on Current Parcels	% of current parcel	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances*
40,619 s.f. portion of N000-007-001	12.6	12,343,000	1,555,218	Only developable if coliseum demolished
**small section of to-be-closed r/w will be added to Dev. Parcel*				Developer must complete adjacent r/w improvements
Total			**1,555,218**	

Private Development Parcel A3

Makeup - Based on Current Parcels	% of current parcel	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
33,273 s.f. portion of N000-007-001	10.3	12,343,000	**1,271,329**	Only developable if coliseum demolished
**small section of to-be-closed r/w will be added to Dev. Parcel*				Developer must complete adjacent r/w improvements
Total			**1,271,329**	

Private Development Parcel B

Makeup - Based on Current Parcels	% of current parcel	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
19,902 s.f. portion of N000-0008-001	23.5	3,484,000	**818,740**	Only developable if to-be-closed r/w added - closing r/w requires developer to make r/w improvements with private funds
**to-be-closed r/w will be added to Dev. Parcel*				City will retain rights of ingress/egress across parcel to access garage - via easment
Total			**818,740**	

Private Development Parcel C

Makeup - Based on Current Parcels	% of current parcels	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
Collective 88,832 portion of parcels N000-009-001 and N000-009-002	98	3,867,000	3,789,600	65,000 of ground space must be used for GRTC transit center with min ceiling height of 22 feet
**small section of to-be-closed r/w will be added to Dev. Parcel*				Public open space required on roof of transit center

Total			**3,789,600**	

Private Development Parcel D

Makeup - Based on Current Parcels	Land Area % of current parcel	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
97,543 sf portion of E000-0235-001	74.3	4,327,000	3,214,961	Developer must demolish Public Safety Building
**small section of to-be-closed r/w will be added to Dev. Parcel*				Developer must complete adjacent r/w improvements for new E. Clay St.
Subtotal			**3,214,961**	

Private Development Parcel E

Makeup - Based on Current Parcels	% of current parcel	Total Land Value of Full Current Parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
12,972 s.f. portion of N000-007-001	3.5	12,343,000	432,005	Developer must demolish decrepit remnants of buildings on E-C
5,876 sf portion of N000-0011-033	8.5	2,839,000	241,315	Developer must complete adjacent r/w improvements for new Clay
N-0000-0011-034 (RRHA)	100	369,000	369,000	
Subtotal			**1,042,320**	

Private Development Parcel F1

Makeup - Based on Current Parcels	% of current parcel	land value of current parcel	% Land value of Portion (Pro Rata)	NOTES/Encumbrances
16,751 s.f. portion of N000-007-001	4.6	12,343,000	567,778	Developer must remove crystal palace and must complete r/w improvements for new E. Clay as well as improvemetns for public pedestrian plaza
N000-0011-032 (RRHA)***	100	678,000	678,000	Property encumbered by hotel use covenants and room block agreement
N000-0006-004 (RRHA)	100	975,000	700,000	
N000-0006-025 (RRHA)	100	700,000	700,000	

				***Entirety of this parcel (032) plus a little more land will be subject public pedestrian easement for 6th St. pedestrian plaza (total ecumbrance appx 17,577+/- s.f.)
Subtotal			**2,645,778**	

Private Development Parcel I

Makeup - Based on Current Parcels	**% of current parcel**	**Total Land Value of Full Current Parcel**	**% Land value of Portion (Pro Rata)**	**NOTES/Encumbrances**
11,545 sf portion of E000-0235-001	8.8	4,327,000	380,776	Developer must demolish Public Safety Building
E000-0235-003 (Advantage Richmond Corp.)	100	2,947,000	2,947,000	Developer must complete adjacent r/w improvements for new E. Clay St. Doesn't convey unless suitable relocation of DSS agreed upon.
Total			**3,327,776**	

Private Development Parcel N

Makeup - current parcels	**% of current parcel**	**Total Land Value of Full Current Parcel**	**% Land value**	**NOTES/Encumbrances**
W000-0025-001	100	2,615,000	2,615,000	
Subtotal			**2,615,000**	

Private Development Parcel U

Makeup - Based on Current Parcels	**% of current parcel**	**Total Land Value of Full Current Parcel**	**% Land value of Portion (Pro Rata)**	**NOTES/Encumbrances**
W000-0008-001	100	3,526,000	3,526,000	Developer must preserve historic features of Richmond Garage
W000-0008-008	100	109,000	109,000	
W000-0008-009	100	113,000	113,000	
W000-0008-010	100	170,000	170,000	
Subtotal			**3,918,000**	

Total of All Private Dev. Parcels			**24,198,722**	

*Notes/Encumrances do not include other obligations/convenants that will apply across all parcels such as the affordable housing covenant (requiring 280 affordable units on Development Parcels).