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CITY OF RICHMOND

Office of Mayor Levar M. Stoney

BACKGROUND/FAQ:

In 2017, Mayor Stoney announced an open, fair and transparent process to seek proposals for a redevelopment plan that would bring true economic benefits to all Richmonders and not leave the City on the hook for paying the bill. NHDC submitted a proposal to the city in February 2018. The City agreed in principle to the plan in November 2018, and announced completion of negotiations on August 1, 2019.

Where is the development located?

The Navy Hill plan centers on 10 blocks downtown — from Fifth to 10th streets, and from Marshall to Leigh streets.

Is the city “on the hook” if the development does not meet expectations?

No. There is no “moral obligation” or “general obligation” bonding by the city, meaning Richmond taxpayers will never be responsible for Navy Hill’s development costs — only private investors. Private investment will fund the project, including housing, the hotel, transit center, restoration of the Blues Armory, office space, and retail space. New tax revenue generated from the project will be used to pay for the new arena. If the new tax revenues are insufficient to cover the cost of the arena, the bond investors – not the city – will bear the financial risk.

Will the city own the new arena and retain the Armory?

Yes. Both the new arena and the Armory will remain city assets, but operations and management will be the responsibility of NHDC and the risk of any operating shortfall and the ongoing maintenance costs of these assets will be the responsibility of NHDC.

Who will build the project?

NHDC has engaged Concord Eastridge, led by the accomplished McLean-based developer Susan Eastridge, and Future Cities, led by the internationally recognized architect Michael Hallmark. The two companies formed Capital City Partners, to conceptualize, finance, design, and manage the redevelopment project, should it receive Council approval.

What happens next?

In December 2018, Richmond City Council established the Navy Hill Development Advisory Commission (Ordinance #2018-297). This volunteer group will provide advice on the ordinances introduced to redevelop Navy Hill. The Commission’s role is to offer

third-party validation of assumptions, projections, costs, and benefits of the development and its impact on the city. The Commission will complete its work within 90 days of member confirmation by city council.

The commission will make a recommendation to the city council, which has the final approval over the proposal.

If approved, how long will the project take to complete?

The project would take up to 5 years to complete once receiving council approval.

How will the arena be financed?

The \$235 million arena, which will be largest in Virginia, will be financed via the Economic Development Authority issuing non-recourse bonds, the risk of which will be borne by bondholders, not the city. These non-recourse bonds will be paid back utilizing only the incremental revenues from the project, including the incremental growth in real estate taxes throughout the incremental financing area.

Why is the increment financing area larger than the footprint of the project?

Approximately 60 percent of the property in the incremental financing area is occupied by state or other assets that do not pay taxes, such as the Commonwealth of Virginia and Virginia Commonwealth University.

Will current tax revenues be diverted to pay for these improvements to the city assets?

No. Only *incremental* revenues, the new revenues created by the project, or the growth in property taxes on real estate in the increment financing area, will go to the repayment of bonds.

Additionally, the city negotiated a baseline property tax valuation start date of July 1, 2019, so that no revenues used to balance our budget today are diverted to repay the bond debt.

This will protect the revenues we used to make record investments in schools, roads, transit and housing in this year's budget. This increment financing area is simply the safest way to fund this project without utilizing city debt capacity, existing tax revenue, or the moral or general obligation of the city.

How can we be sure the developer will deliver on its financial commitment?

The negotiated agreement requires significant private investments are on track before the city moves forward with the sale of any bonds.

So before any construction begins on a new arena, Navy Hill must show that \$900 million in private investment has been programmed to build the new hotel, affordable and market rate residence units, as well as retail and office space.