



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Council Chief of Staff

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COPY Cynthia Newbille, President

DATE September 24, 2019

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

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 occurred¹;
- 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;

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 exist² 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

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
<i>*small section of to-be-closed r/w will be added to Dev. Parcel</i>				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
<i>*small section of to-be-closed r/w will be added to Dev. Parcel</i>				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 City will retain rights of ingress/egress across parcel to access garage - via easment
<i>*to-be-closed r/w will be added to Dev. Parcel</i>				
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
<i>*small section of to-be-closed r/w will be added to Dev. Parcel</i>				Public open space required on roof of transit center

Total				<u>3,789,600</u>
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			<u>3,214,961</u>	
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			<u>1,042,320</u>	
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 improvements 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		NOTES/Encumbrances
			Portion (Pro Rata)	Total Land Value of Full Current Parcel	
11,545 sf portion of E000-0235-001	8.8	4,327,000	380,776	380,776	Developer must demolish Public Safety Building
E000-0235-003 (Advantage Richmond Corp.)	100	2,947,000	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				<u>3,327,776</u>	

Private Development Parcel N

Makeup - current parcels	% of current parcel	Total Land Value of Full Current Parcel	% Land value of		NOTES/Encumbrances
			Portion (Pro Rata)	Total Land Value of Full Current Parcel	
W000-0025-001	100	2,615,000	2,615,000	2,615,000	
Subtotal				<u>2,615,000</u>	

Private Development Parcel U

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

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).