

September 3, 2019

Richmond Council Presentation

Agenda

- + HSP Background
- + TIF Discussion: an Overview
- + Summary of Findings
- + Questions and Answers

Who We Are

Firm Focus

Hunden specializes in advisory and analysis at the intersection of:

- Real Estate Development
- Tourism Development
- Economic Development

Hunden's background and firm focus provide a solid basis for a clear-eyed view of the realities and challenges of real estate development for transformative public-private projects, as well as an understanding of the creative solutions used to bring difficult projects to fruition in a fiscally sound manner.

Hunden's clients are almost all public sector entities.



Specialties

Market Feasibility
Competitive Positioning
Master Programming – Physical & Site
Financial Projections & Feasibility
Gap Analysis/ Funding Alternatives
Economic & Fiscal Impact Analysis
Community Engagement
Developer & Mgmt Co. RFQ/P
Processes
Partnership Options



Experience

Mixed-Use Developments

Entertainment Districts

Convention, Conference & Expo Centers

Arenas & Stadiums

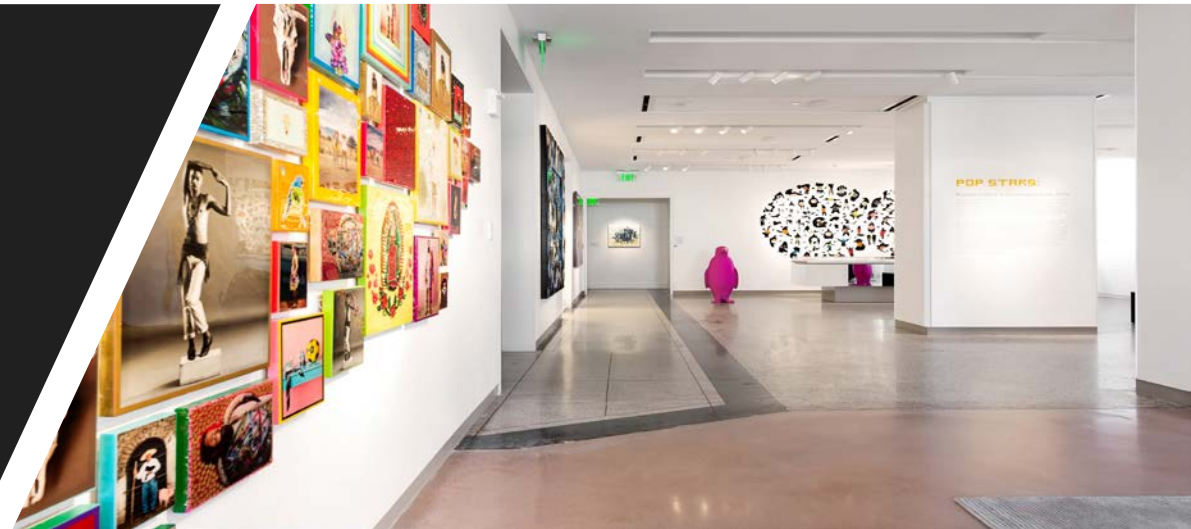
Youth Sports Complexes

Multipurpose Community Centers

Retail, Office & Restaurant

Hotels

Entertainment Facilities



Hunden Strategic Partners



hunden
strategic partners
professional experience

LEGEND

- Hotels
- Gaming, Mixed-Use Entertainment Districts and Land Dev't Studies
- Convention Center/Conference & Meetings Facilities
- Sports, Stadiums & Arenas

hunden
strategic
partners

PUERTO RICO
San Juan



Rob Hunden President & CEO

- 25 Years of Industry Experience
- Public & Private Sector Employment Experience
- Educator for IEDC Courses in Economic Development & Real Estate Development for 15 Years
- Industry Leader, Author & Speaker
- Reputation for reality-based assessments



Professional Analytical Staff

- Degrees focused in Finance and Real Estate, among others.
- Experience on hundreds of market, financial and impact studies.
- Understand the concept of “net-new”.
- Conservative in our approach and models.
- Assess projects asking for public incentives on a daily basis. Not all pass the tests or fully receive funds based on our models.

Repeat Clients



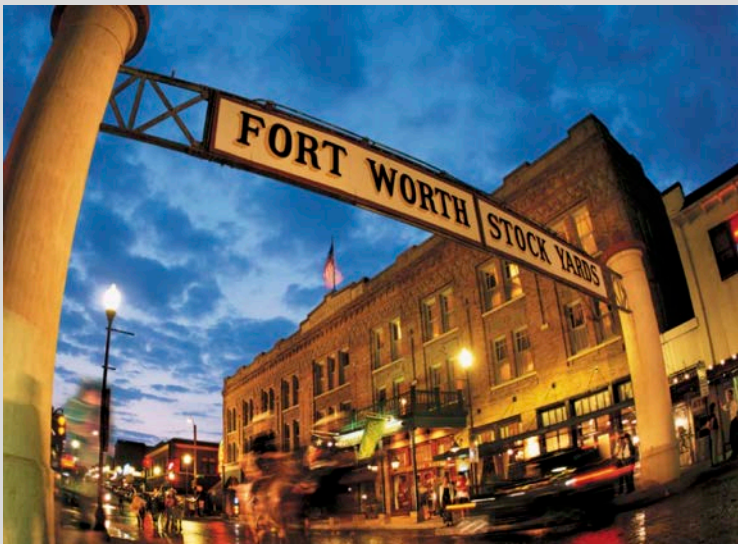
Chicago



Durham



Indianapolis



Fort Worth



Kentucky



Madison

TIF-Style Districts: an Overview

TIF Style Financing History

From 2000 through mid-year 2015, 2,547 individual municipal TIF style bond issues were sold to investors by U.S. cities, counties and special districts, with a par value totaling \$39.2 billion.

TIF style structure remains the most-used incentive program among those currently available to local governments throughout the nation.

Local governments began using these structures in the early 1950s, initially in conjunction with the federal government's Urban Renewal Program, and adoption of the technique spread quickly in the late 1970s and early 1980s.

By the late 1990s, TIF structures had been authorized in all 50 states and the District of Columbia.

TIF style structures are used across the Country where incremental revenues from real estate, sales, hotel, and admissions, parking, sponsorships, among others, can be utilized.

TIF Style Financing Fundamentals

Tax Increment Financing (TIF), by whatever name, is a tool that cities can use to promote economic development in a specified area by earmarking future property tax revenues that are anticipated to occur as the result of increases in assessed property values.

The concept of capturing incremental tax revenues to reinvest in a district is fairly universal, whether called a TIF or something else – or whether it collects property taxes or other types of taxes.

Core elements of TIF include:

- a designated district with defined geographic boundaries;
- a defined and limited operation period;
- expenditures that encourage economic development; and
- real estate appreciation that generates new property tax revenue. For synthetic districts, other incremental taxes may be captured, such as sales, hotel, income or ticket taxes.

TIF style structures do not impose any new taxes on property owners or users, but use incremental revenue.

Do NOT take away revenue needed today to fund essential governmental services.

TIF Examples Nationally and in Virginia



Downtown Indianapolis TIF



Overland Park STAR Bonds



Irvine Great Park Community Facilities District



Fort Worth Downtown PFZ and TIF



Ashland Kentucky State TIF

Short Pump Town Center TIF Style District

Henrico County, Virginia

- In 2000, Henrico County established a TIF structure to fund public improvements in connection with the development of the Short Pump Town Center.
- \$25 million in bonds were issued to fund the public improvements and were repaid from incremental real estate, personal property, BPOL and local portion of sales tax revenue in district within 6 years.
- The Mall was a catalyst to the development of Broad Street in Henrico, generating millions of new revenue to the County.



Study Findings

Assumed Navy Hill Project Elements for Study

- New arena (17,500 seats),
- 527-key hotel (Hyatt Regency) with 40,000 square feet of conference space, to be the headquarters hotel for the GRCC,
- Restoration of the Blues Armory into a food market, music club (800 seats, managed by a third-party operator), and ballroom,
- 790,000 square feet of office space,
- 274,354 square feet of mixed-use retail space,
- 2,659 market rate multi-family apartments,
- 183 80-percent affordable mixed-income apartments,
- 97 60-percent affordable mixed-income apartments,
- 4,396 parking stalls, and
- New GRTC Transfer Station.

Changes Since Study

- The negotiated Navy Hill project resulted in various changes to the components of the development.
- HSP's report findings would change under the updated scenario. Based on the market analysis, the adjustments are appropriate and would be absorbed by the market more readily.
- Davenport's assumptions relative to the revenue impact of these changes are reasonable.

Approach to the Study

- HSP completed much due diligence for its study, including:
 - Visited Richmond, toured the development area,
 - Interviewed, the developer, business owners, real estate professionals, developers, brokers, concert promoters, facility management companies, key stakeholders and tenants, tourism and convention professionals, hotel management, and others, and
 - In a separate analysis, HSP assessed cities across the U.S. to know Richmond's relative viability to support a new arena and professional sports franchise. Richmond was in the top results for cities that could support a professional or major league franchise and arena.
- HSP's independent report assumes that all Navy Hill project elements are built.
- HSP used current competitive market data to understand how the Navy Hill project would perform.
- HSP netted out any existing activity at the Coliseum as well as any existing property tax revenue.
- HSP was not asked to determine any particular result.
- HSP assessed the Navy Hill project, the district and made estimates about the impacts that would occur from developing the Navy Hill project.

Study Findings

- The Navy Hill development is a transformational project for the City.
- It has the ability to re-energize a currently depressed and dormant area in the heart of Downtown Richmond.
- The Coliseum is outdated and represents an increasing liability to the City.
- Absent removal of the Coliseum, its very presence will serve as a deterrent to any meaningful economic development in the area.

Study Findings (cont.)

- Unlike most cities where public event facilities are nearly 100% paid for by the public sector, this project is primarily composed of taxable private sector development and will generate new revenue to the City. These new revenues will be used to pay debt service on the non-recourse bonds.
- The incremental revenue over and above debt service will go to the City to fund critically needed capital projects such as schools and infrastructure.
- HSP's findings include a larger impact on the City than the Developer's analysis projected.

Study Findings (cont.)

- The Developer's current revenue projections are approximately \$1.13 billion. HSP analysis demonstrates an additional impact of over \$400 million based on the revised project configuration, all totaling over \$1.53 billion in incremental revenue to the City.
- HSP sees no net cannibalization of City revenues.
- The regional use of the Arena, the new Hotel and other newly constructed attractions will draw new revenues from outside the City to the benefit of the City and GRCCA.

Questions and Answers