

## **Questions posed within Gerner Dec. 4 Presentation (See presentation for context)**

### **Section #1 – Increment Financing Area Parcels Questions**

- When will there be a revised MuniCap report using the currently defined parcels in the increment financing area (aka TIF district)?

#### **City Response:**

MuniCap 27A has been provided to the Commission and City Council. We anticipate receiving an updated MuniCap 28 shortly.

- Does this affect the arena bond financing parameters? If so, how?

#### **City Response:**

The bond financing parameters are essentially the same in MuniCap 27-A, as it entails a \$245 million “costs of improvements” for the new arena, and debt service coverage increasing from 150% in 2023 to 215% in 2048.

### **Section #2 – Increment Financing Area Description in Ordinances**

- Are there plans to amend the City Council ordinances to clearly include parcels south of Main Street in the ordinances?

#### **Response from Legal Counsel (City Attorney/Orrick):**

The eastern and western boundaries of the IFA along 1<sup>st</sup> Street and 10<sup>th</sup> Street extend to the southern boundary along E. Byrd Street. However, in order to avoid any potential ambiguity, clarifying modifications to the definition of “Increment Financing Area” in both the Navy Hill fund ordinance and the Cooperation Agreement are anticipated to be included along with any other housekeeping amendments that may be identified prior to the Council’s vote to adopt the ordinances. The modifications would clarify that South 1<sup>st</sup> Street and South 10<sup>th</sup> Street also form part of the boundaries of the Increment Financing Area.

- If so, would these amendments also include attaching the referenced "Exhibit A (Development Area Parcels)" to the Cooperation Agreement in Ordinance No. 2019-211 and also to Ordinance No. 2019-212 (Navy Hill Fund)?

**Response from Legal Counsel (City Attorney/Orrick):**

The addition of the Exhibit A referred to in the definition of “Development Area” in both the Navy Hill fund ordinance and the Cooperation Agreement is anticipated to be included along with any other housekeeping amendments that may be identified prior to the Council’s vote to adopt the ordinances. Exhibit A will be comprised of a list of primary street addresses and corresponding tax parcel numbers for the relevant parcels in the lettered blocks A, B, C, D, E, F, I, N, and U.

Section #3 – “Baseline Real Estate Value” Definition

- Since current (2020) rehabilitation abatements within the increment financing area total more than \$200 million, does “Baseline Real Estate Value” include this deduction? Other deductions? What is the dollar amount for the “Baseline Real Estate Value”? Could the Navy Hill Fund ordinance (No. 2019-212) be amended to include this dollar amount? Does the definition for “incremental revenues” include the same deductions?

**City Response:**

The incremental real estate taxes available for repayment of the non-recourse bonds will correspond only with increases in taxable values for each parcel of real estate in the IFA above the baseline of July 2019 assessment notices.

The City Administration’s intent is to allow the increase in taxes associated with expiring rehab credits to go to the general fund, and not be associated with debt service for the new arena. The City Administration is working with the City Attorney’s office to draft additional language to include in the definitions of “Baseline Real Estate Value” and “City Incremental Revenues” that would clarify that the amount of partial real estate tax exemptions within the IFA would not be included in the incremental real estate tax revenues committed to the bond repayment.

For informational purposes, per the City Assessor the aggregate assessed value of all parcels of taxable real estate in the IFA as of the July 1, 2019 assessment notices is \$1,748,188,000.

Section #4 – Sponsorship Questions

- How do these "advances on payment for future potential marketing opportunities" affect the future sponsorship amounts that would be used for arena bond payments?

**NHDC Response:**

Early advances from potential corporate sponsorship sources to help underwrite arena design costs or other predevelopment activities have no effect on future potential marketing opportunities. Arena development costs are already accounted for in the arena

budget and when bonds are sold, those funds become available to reimburse any funds advanced.

- What are the annual contractual sponsorship amounts for bond payments, especially during the initial years?

**NHDC Response:**

The annual contractual sponsorship amounts for bond repayments will be the same in year 1 as they will be in the final year of bond repayment: **\$2.21 million**. Agreements to achieve those amounts of dedicated proceeds will be in place prior to the bond sale.

Section #5 – City Funding During Initial Years Questions

- What entity is ultimately responsible for paying the difference if this expected \$8.7 million in revenues from existing properties and sponsorships does not occur?

**City Response:**

The City will have no responsibility for any shortfall. The developers are responsible to deliver an arena that meets the technical requirements established under the ordinances. If these particular revenues will be needed to fund construction at the time the bonds are issued, then the developer will need to demonstrate to the contractor and the bond investors that those funds will be available.

- Would the Proposed Biennial Fiscal Plan for Fiscal Years 2021-2022 note the budget line item(s) that the property tax revenues from existing properties would have been applied to if the Navy Hill project had not been approved? (This question is in response to the recent School Board resolution.)

**City Response:**

The Mayor's Proposed FY2021 budget will be presented to City Council in March 2020. This issue will be taken into consideration during the development of the budget.

Section #6 – Fund Expiration Questions

- Based on the agreements in the City Council ordinances, could the City of Richmond be obligated to continue appropriating the Pledged Revenues beyond the final payment date for the arena bonds? If so, under what conditions? Until when? Could the EDA use funds in its Early Repayment Fund after the arena bonds have been completely paid? If so, for what purposes?

**Response from Legal Counsel (City Attorney/Orrick):**

Ord. No. 2019-212, § 2, requires all City Incremental Revenues to be credited and deposited into the Navy Hill Fund until that ordinance expires. Ord. No. 2019-212, § 3, provides that the ordinance expires on the later of (i) the expiration or earlier termination of the Arena Ground Lease or (ii) the expiration or earlier termination of the Cooperation Agreement.

Section 3.3 of the Cooperation Agreement requires payment of the Pledged Revenues (i.e., the City Incremental Revenues minus the \$500,000 in annual incremental parking revenues, which are paid into the Renewal Work Account under the Arena Ground Lease) as follows:

1. To the Bond Repayment Fund. After the bonds are repaid, no monies will be paid to the Bond Repayment Fund because that fund will no longer need to exist.
2. To the Stabilization Fund. After the bonds are repaid, no monies will be paid to the Stabilization Fund because that fund will no longer need to exist.
3. To the Early Repayment Fund. After the bonds are repaid, no monies will be paid to the Early Repayment Fund because that fund will no longer need to exist.
4. To the City's General Fund.

In other words, after the bonds are repaid, (i) all of the City Incremental Revenues will be paid to the City's General Fund except for the \$500,000 in annual incremental parking revenues that will be paid to the Arena's Renewal Work Account, (ii) section 4.2 of the Cooperation Agreement will prohibit the EDA from using the Pledged Revenues for any other purpose than paying them into the City's General Fund, and (iii) no monies will remain in the Bond Repayment Fund, the Stabilization Fund, or the Early Repayment Fund because those monies were used to redeem the bonds prior to their maturity.

The \$500,000 in annual incremental parking revenues must be paid into the Renewal Work Account during the term of the Arena Ground Lease (i.e., 30 years) pursuant to section 8.4.1.1 of the Arena Ground Lease. At the end of the term of the Arena Ground Lease, (i) the City will no longer be obligated to pay the \$500,000 in annual incremental parking revenues to the EDA because the Navy Hill fund ordinance will have expired pursuant to Ord. No. 2019-212, § 3, and (ii) the EDA will retain the balance of the Renewal Work Account pursuant to section 29.2.2 of the Arena Ground Lease.

## Section #7 – Fiscal Impact Analysis

- Does City Administration plan to provide more detailed fiscal analysis on estimated future cost of city services for the entire increment financing area, as well as the development parcels? If so, when?

### **City Response:**

No, we do not plan to do a more detailed fiscal analysis on estimated future costs within the IFA. The fiscal and economic impact statement, however, includes an estimate of costs attributable to the project. The City Administration continuously assesses city-wide needs and makes recommendations to City Council through the annual budget process.

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## **Questions sent by Homer/Gerner following Dec. 7 Commission Meeting**

1. From Mr. Schewel - The ordinance says that the Development Agreement shall be executed “substantially in the form” attached to the ordinance. What leeway does that give the City to make changes to the Development Agreement before execution? For example, could city insist that development agreement signed at closing provide that preference be given to certain number of housing voucher holders on the affordable housing, if the agreement attached to ordinance did not so specify?

### **Response from Legal Counsel (City Attorney/Orrick):**

Provided the City and the developer agree, the Development Agreement and its attachments may be changed in any way prior to the adoption of the ordinance to which the Development Agreement is attached. Once the ordinance is adopted, the language “substantially in the form of the document attached to this ordinance” in ordinances authorizing the execution of contracts affords City officials very little leeway with the text of the document (as amended prior to adoption) attached to the ordinance. Clerical, formatting, or typographical errors (and in some cases ambiguities or internal conflicts) may be corrected without further City Council action, but substantive changes to the document will require further City Council action. The question of whether a change to a document is substantive usually turns on whether the meaning of the document is changed. If so, then further Council action is required to authorize execution of the changed document. To use the example given, the Chief Administrative Officer would not be authorized to execute a version of the Development Agreement that provides that preference be given to a certain number of housing voucher holders on the affordable housing units if the Development Agreement (or any of its attachments) attached to the ordinance when adopted did not so specify. Consequently, any substantive changes desired by the City and agreed to by the developer should be the subject of amendments made prior to the Council’s adoption of the ordinances.

2. From Mrs. Long - What are the things that are locked into place once the ordinance is passed?

### **Response from Legal Counsel (City Attorney/Orrick):**

Except for clerical, formatting, or typographical errors (and in some cases ambiguities or internal conflicts), the text of the Development Agreement and its attached agreements is essentially “locked into place” with adoption of the ordinance. Substantive changes to the text of Development Agreement or its attached agreements would require further City Council action.