Davenport & Company

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Presentation Prepared for the Navy Hill Commission
The Navy Hill Project

City of Richmond, Virginia

November 2, 2019

Goals & Objectives/Approach

- ✓ In the 20 minute allotted presentation time, clarify and/or add context to certain key points presented at the Navy Hill Commission's October 19, 2019 Meeting.
  - Questions to be addressed at the end of the 20 minute presentation.

The Role of the EDA

Overall Bond Uncertainty – EDA Determines Details

3.0 **Bonds.**

3.1 **Issuance**

A. Upon satisfaction of all conditions precedent to issuance of the Bonds under the Financing Documents (as defined in the Development Agreement) by the Developer, the Authority and the City, the Authority shall issue the Bonds pursuant to the Act for the purposes of financing all or part of the costs of the Arena Project.

B. The Authority shall select the Trustee, determine the form and content of the Indenture and the other Financing Documents to which it is a party, and schedule the issuance of the Bonds in a manner that does not conflict with this Cooperation Agreement and in coordination with the City. The Authority shall ensure that the Indenture is written in a manner to minimize the interest on the Bonds and the amount of time required to pay off the Bon

Source: Cooperation Agreement in Ordinance Number 2019-211.

Key clause of sentence not highlighted. Specifies that the City is in control of the decisions.

What is the Role of the Economic Development Authority?

- ✓ The Economic Development Authority ("EDA") would be a conduit issuer for the Non-Recourse Revenue Bonds – LEGALLY AUTHORIZED TO ISSUE THE BONDS.
  - Most Common Conduit Issuer in Virginia.
- ✓ The EDA is a pass-through entity only.
- ✓ The City/City Council negotiates and sets all terms and conditions of the Agreements with the Developer – Not the EDA.

Cash Flow Impact as Presented October 19, 2019

- Incomplete Presentation

Presented October 19, 2019

Planned Tax Revenues from Existing Real Estate Properties

Existing Real Estate Property in Increment Financing Area

Year	Calendar Year Ending	Bond Year Ending	In Original TIF District	Existing Dominion Tower 1	Remainder of Expanded Financing Area	Total	Cumulative Total
---	31-Dec-18	1-Mar-20	---	---	---	---	---
1	31-Dec-19	1-Mar-21	---	---	---	$1,951,920	$1,951,920
2	31-Dec-20	1-Mar-22	$29,589	$2,110,248	$891,200	$3,031,037	$4,982,957
3	31-Dec-21	1-Mar-23	$44,829	$2,191,795	$1,350,212	$3,586,836	$8,569,793
4	31-Dec-22	1-Mar-24	$60,374	$2,274,972	$1,818,405	$4,153,751	$12,723,544
5	31-Dec-23	1-Mar-25	$76,230	$2,359,814	$2,295,961	$4,732,004	$17,455,548
6	31-Dec-24	1-Mar-26	$92,402	$2,446,352	$2,783,068	$5,321,822	$22,777,371
7	31-Dec-25	1-Mar-27	$108,899	$2,534,620	$3,279,918	$5,923,437	$28,700,807
8	31-Dec-26	1-Mar-28	$125,725	$2,624,654	$3,786,704	$6,537,084	$35,237,891
9	31-Dec-27	1-Mar-29	$142,887	$2,716,489	$4,303,627	$7,163,003	$42,400,894
10	31-Dec-28	1-Mar-30	$160,393	$2,810,161	$4,830,887	$7,801,441	$50,202,335
11	31-Dec-29	1-Mar-31	$178,249	$2,905,706	$5,368,693	$8,452,648	$58,654,984
12	31-Dec-30	1-Mar-32	$196,462	$3,003,162	$5,917,255	$9,116,879	$67,771,863
13	31-Dec-31	1-Mar-33	$215,040	$3,102,567	$6,476,788	$9,794,395	$77,566,258
14	31-Dec-32	1-Mar-34	$233,989	$3,203,960	$7,047,512	$10,485,461	$88,051,719
15	31-Dec-33	1-Mar-35	$253,317	$3,307,381	$7,629,651	$11,190,348	$99,242,067
16	31-Dec-34	1-Mar-36	$273,031	$3,412,870	$8,223,432	$11,909,333	$111,151,401
17	31-Dec-35	1-Mar-37	$293,140	$3,520,469	$8,829,089	$12,642,698	$123,794,099
18	31-Dec-36	1-Mar-38	$313,651	$3,630,220	$9,446,859	$13,390,730	$137,184,829
19	31-Dec-37	1-Mar-39	$334,572	$3,742,167	$10,076,984	$14,153,723	$151,338,552
20	31-Dec-38	1-Mar-40	$355,912	$3,856,352	$10,719,712	$14,931,975	$166,270,527
21	31-Dec-39	1-Mar-41	$377,678	$3,972,821	$11,375,294	$15,725,793	$181,996,320
22	31-Dec-40	1-Mar-42	$399,880	$4,091,619	$12,043,988	$16,535,487	$198,531,807
23	31-Dec-41	1-Mar-43	$422,526	$4,212,793	$12,726,056	$17,361,375	$215,893,182
24	31-Dec-42	1-Mar-44	$445,624	$4,336,390	$13,421,766	$18,203,780	$234,096,962
25	31-Dec-43	1-Mar-45	$469,185	$4,462,460	$14,131,389	$19,063,034	$253,159,996
26	31-Dec-44	1-Mar-46	$493,217	$4,591,051	$14,855,205	$19,939,473	$273,099,469
27	31-Dec-45	1-Mar-47	$517,729	$4,722,214	$15,593,497	$20,833,440	$293,932,909
28	31-Dec-46	1-Mar-48	$542,732	$4,856,000	$16,346,555	$21,745,287	$315,678,196
TOTAL			$7,157,263	$90,999,305	$215,569,708	$315,678,196	

Total for Year 1 to 5 period is $17 million.

Total for entire bond peri

is $316 million.

Source: John Gerner calc
using numbers from Mu
Draft Projection No. 26 V

Incomplete presentation of Revenues "With the Project" and *__Excludes City Expenses in a "Do Nothing Scenario".__*

Presented October 19, 2019

Tax Revenues from Existing Properties + Planned Domion 2 Tower

Year	Calendar Year Ending	Bond Year Ending	*Existing Real Estate Property in Increment Financing Area* in Original TIF District	Existing Dominion Tower 1	Remainder of Expanded Financing Area	Total	Cumulative Total	Planned Dominion Tower 2	Combined	Cumulative Total
---	31-Dec-18	1-Mar-20	---	---	---	---	---	---	---	---
1	31-Dec-19	1-Mar-21	---	---	---	$1,951,920	$1,951,920	---	$1,951,920	$1,951,920
2	31-Dec-20	1-Mar-22	$29,589	$2,110,248	$891,200	$3,031,037	$4,982,957	$26,705	$3,057,742	$5,009,662
3	31-Dec-21	1-Mar-23	$44,829	$2,191,795	$1,350,212	$3,586,836	$8,569,793	$1,418,433	$5,005,269	$10,014,931
4	31-Dec-22	1-Mar-24	$60,374	$2,274,972	$1,818,405	$4,153,751	$12,723,544	$3,581,052	$7,734,803	$17,749,735
5	31-Dec-23	1-Mar-25	$76,230	$2,359,814	$2,295,961	$4,732,004	$17,455,548	$3,665,894	$8,397,898	$26,147,632
6	31-Dec-24	1-Mar-26	$92,402	$2,446,352	$2,783,068	$5,321,822	$22,777,371	$3,752,432	$9,074,254	$35,221,886
7	31-Dec-25	1-Mar-27	$108,899	$2,534,620	$3,279,918	$5,923,437	$28,700,807	$3,840,700	$9,764,137	$44,986,023
8	31-Dec-26	1-Mar-28	$125,725	$2,624,654	$3,786,704	$6,537,084	$35,237,891	$3,930,734	$10,467,818	$55,453,841
9	31-Dec-27	1-Mar-29	$142,887	$2,716,489	$4,303,627	$7,163,003	$42,400,894	$4,022,569	$11,185,573	$66,639,414
10	31-Dec-28	1-Mar-30	$160,393	$2,810,161	$4,830,887	$7,801,441	$50,202,335	$4,116,241	$11,917,682	$78,557,096
11	31-Dec-29	1-Mar-31	$178,249	$2,905,706	$5,368,693	$8,452,648	$58,654,984	$4,211,786	$12,664,434	$91,221,530
12	31-Dec-30	1-Mar-32	$196,462	$3,003,162	$5,917,255	$9,116,879	$67,771,863	$4,309,242	$13,426,121	$104,647,651
13	31-Dec-31	1-Mar-33	$215,040	$3,102,567	$6,476,788	$9,794,395	$77,566,258	$4,408,647	$14,203,042	$118,850,693
14	31-Dec-32	1-Mar-34	$233,989	$3,203,960	$7,047,512	$10,485,461	$88,051,719	$4,510,040	$14,995,501	$133,846,194
15	31-Dec-33	1-Mar-35	$253,317	$3,307,381	$7,629,651	$11,190,348	$99,242,067	$4,613,461	$15,803,809	$149,650,003
16	31-Dec-34	1-Mar-36	$273,031	$3,412,870	$8,223,432	$11,909,333	$111,151,401	$4,718,950	$16,628,284	$166,278,286
17	31-Dec-35	1-Mar-37	$293,140	$3,520,469	$8,829,089	$12,642,698	$123,794,099	$4,826,549	$17,469,247	$183,747,534
18	31-Dec-36	1-Mar-38	$313,651	$3,630,220	$9,446,859	$13,390,730	$137,184,829	$4,936,300	$18,327,031	$202,074,564
19	31-Dec-37	1-Mar-39	$334,572	$3,742,167	$10,076,984	$14,153,723	$151,338,552	$5,048,247	$19,201,969	$221,276,534
20	31-Dec-38	1-Mar-40	$355,912	$3,856,352	$10,719,712	$14,931,975	$166,270,527	$5,162,432	$20,094,407	$241,370,941
21	31-Dec-39	1-Mar-41	$377,678	$3,972,821	$11,375,294	$15,725,793	$181,996,320	$5,278,901	$21,004,693	$262,375,634
22	31-Dec-40	1-Mar-42	$399,880	$4,091,619	$12,043,988	$16,535,487	$198,531,807	$5,397,699	$21,933,186	$284,308,820
23	31-Dec-41	1-Mar-43	$422,526	$4,212,793	$12,726,056	$17,361,375	$215,893,182	$5,518,873	$22,880,248	$307,189,068
24	31-Dec-42	1-Mar-44	$445,624	$4,336,390	$13,421,766	$18,203,780	$234,096,962	$5,642,470	$23,846,251	$331,035,318
25	31-Dec-43	1-Mar-45	$469,185	$4,462,460	$14,131,389	$19,063,034	$253,159,996	$5,768,540	$24,831,574	$355,866,892
26	31-Dec-44	1-Mar-46	$493,217	$4,591,051	$14,855,205	$19,939,473	$273,099,469	$5,897,131	$25,836,604	$381,703,496
27	31-Dec-45	1-Mar-47	$517,729	$4,722,214	$15,593,497	$20,833,440	$293,932,909	$6,028,294	$26,861,734	$408,565,230
28	31-Dec-46	1-Mar-48	$542,732	$4,856,000	$16,346,555	$21,745,287	$315,678,196	$6,162,080	$27,907,367	$436,472,597
TOTAL			$7,157,263	$90,999,305	$215,569,708	$315,678,196		$120,794,401	$436,472,597	

Incomplete presentation of Revenues "With the Project" and *Excludes City Expenses in a "Do Nothing Scenario".*

Analysis of Cash Flow Impact Over the First 5 Years

- Complete "Apples to Apples" Comparison of Revenues AND Costs

"Do Nothing Scenario" – First 5 Years

Without Hunden Analysis

Doing Nothing – Revenues for the First 5 Years:

➢ Project Development Block Revenue	$0
➢ Increment Area Real Estate Revenue	$25,900,000
➢ Purchase of Land	$0
➢ 1.5% Meals Tax to Schools from Project	$0
➢ Budgetary Savings	$0
➢ TOTAL REVENUE	$25,900,000

Less: City Incremental Costs for the First 5 Years:

❑ City Coliseum Costs	($4,000,000)
❑ Coliseum Demolition Costs	($12,000,000)
❑ TOTAL COSTS	($16,000,000)

Net Revenues for the First 5 Years	$9,900,000

Source: Developer/MuniCap/City

With the Project – First 5 Years

Without Hunden Analysis

Over the first 5 years of the Non-Recourse Revenue Bonds:

➢ Project Development Block Revenue	$46,600,000
➢ Increment Area Real Estate Revenue	$21,000,000
➢ Purchase of Land	$15,800,000
➢ 1.5% Meals Tax to Schools from Project	$1,600,000
➢ Budgetary Savings	$4,000,000
➢ TOTAL REVENUE	$89,000,000

Less: Debt Service/City Incremental Costs for the First 5 Years:

❑ Total Debt Service	($44,000,000)
❑ Stabilization Fund (Reserve)	($23,600,000)
❑ City Incremental Costs	($5,400,000)
❑ TOTAL COSTS	($73,000,000)

Net Revenues for the First 5 Years	$16,000,000

Source: Developer/MuniCap/City

Total Revenue excludes amount contributed to Project. Total Debt Service is net of capitalized interest.

With the Project – First 5 Years

With Hunden Analysis

Over the first 5 years of the Non-Recourse Revenue Bonds:

➢ Project Development Block Revenue	$55,000,000
➢ Increment Area Real Estate Revenue	$22,200,000
➢ Purchase of Land	$15,800,000
➢ 1.5% Meals Tax to Schools from Project	$1,600,000
➢ Budgetary Savings	$4,000,000
➢ TOTAL REVENUE	$98,600,000

Less: Debt Service/City Incremental Costs for the First 5 Years:

❑ Total Debt Service	($47,100,000)
❑ Stabilization Fund (Reserve)	($28,500,000)
❑ City Incremental Costs	($5,400,000)
❑ TOTAL COSTS	($81,000,000)

Net Revenues for the First 5 Years	$17,600,000

Source: Developer/MuniCap/City Hunden

Total Revenue excludes amount contributed to Project. Total Debt Service is net of capitalized interest and includes start of Turbo redemption.

With the Project – First 5 Years Comparison

- *Do Nothing:*

Without Hunden Analysis

Net Revenues for the First 5 Years	$9,900,000

- *With the Project:*

Without Hunden Analysis

Net Revenues for the First 5 Years	$16,000,000

- *With the Project:*

With Hunden Analysis

Net Revenues for the First 5 Years	$17,600,000

Source: Developer/MuniCap/Hunden

Analysis of Cash Flow Impact Over Life of Bonds

- ❑ Complete "Apples to Apples" Comparison of Revenues AND Costs

"Do Nothing Scenario" – Life of Bonds*

Without Hunden Analysis

Doing Nothing – Revenues for the First 5 Years:

➢ Project Development Block Revenue	$0
➢ Increment Area Real Estate Revenue	$429,300,000
➢ Purchase of Land	$0
➢ 1.5% Meals Tax to Schools from Project	$0
➢ Budgetary Savings	$0
➢ TOTAL REVENUE	$429,300,000

Less: City Incremental Costs for the First 5 Years:

❑ City Coliseum Costs	($4,000,000)
❑ Coliseum Demolition Costs	($12,000,000)
❑ TOTAL COSTS	($16,000,000)

Surplus:	$413,300,000

Source: Developer/MuniCap/City

*Note: No actual bonds are issued; in this scenario "Life of Bonds" refers to the same time period for the Non-Recourse Bonds as in the "With the Project" scenario.

With the Project – Life of Bonds

Without Hunden Analysis

Over the estimated life of the Non-Recourse Revenue Bonds:

➢ Project Development Block Revenue	$763,900,000
➢ Increment Financing Real Estate Revenue	$424,300,000
➢ Purchase of Land	$15,800,000
➢ 1.5% Meals Tax to Schools from Project	$31,700,000
➢ Budgetary Savings	$4,000,000
➢ TOTAL REVENUE	$1,239,700,000

Less: Non-Recourse Revenue Bonds/City Incremental Costs:

❑ Total Debt Service(19 years)	($480,800,000)
❑ City Incremental Costs	($74,500,000)
❑ TOTAL COSTS	($555,300,000)

Surplus:	$684,400,000

Source: Developer/MuniCap/City

Total Revenue excludes amount contributed to Project. Total Debt Service is net of capitalized interest/ bond funded DSRF and includes amounts funded from Stabilization Fund.

With the Project – Life of Bonds

With Hunden Analysis

Over the estimated life of the Non-Recourse Revenue Bonds:

➢ Project Development Block Revenue	$889,200,000
➢ Increment Financing Real Estate Revenue	$588,700,000
➢ Purchase of Land	$15,800,000
➢ 1.5% Meals Tax to Schools from Project	$31,700,000
➢ Budgetary Savings/Other Incremental Rev	$19,000,000
➢ TOTAL REVENUE	$1,544,400,000

Less: Non-Recourse Revenue Bonds/City Incremental Costs:

❑ Total Debt Service(17 years)	($456,500,000)
❑ City Incremental Costs	($74,500,000)
❑ TOTAL COSTS	($531,000,000)

Surplus:	$1,013,400,000

Source: Developer/MuniCap/City Hunden

Total Revenue excludes amount contributed to Project. Total Debt Service is net of capitalized interest/ bond funded DSRF and includes amounts funded from Stabilization Fund.

Summary of Scenarios – Life of Bonds

- *Do Nothing:* **Without Hunden Analysis**

Net Revenues – Life of Bonds	$413,300,000

- *With the Project:* **Without Hunden Analysis**

Net Revenues – Life of Bonds	$684,400,000

- *With the Project:* **With Hunden Analysis**

Net Revenues – Life of Bonds	$1,013,400,000

Source: Developer/MuniCap/Hunden

The Project

- Parcels Created
- Request for Proposals Process
- Timeframe for Investment

Presented October 19, 2019

Causation versus Correlation

- The development parcels have not yet been declared surplus by the City of Richmond.
- Therefore, prior private development was not possible and these parcels had not been actively marketed by the City.

But for the Project, the majority of development parcels do not currently exist without major capital investment.

All potential development areas of the Project were subject to a comprehensive Request for Proposals ("RFP") that was distributed nationwide on November 9, 2017. ***The RFP also stated specific social impact development objectives required of the Developer and Project.***

Major Lag in Impact (2018 Dissertation)

Sport-led Urban Development Strategies: An Analysis of Changes in Built Area, Land Use Patterns, and Assessed Values Around 15 Major League Arenas

From this research study, it is clear that the three metrics (land-use composition, built volume, and assessed value) are interrelated and build upon one another to provide one key measurement of arena-led development outcomes. Across all 15 cases, there were significant development lags since the opening of the major league venues, which demonstrates that the arena may not have had a direct impact on the development outcomes. As there is a ten to 15 year development lag since the opening of the arena, it can be concluded that professional sports facilities may not have the direct impact on urban redevelopment as city officials and proponents of arena-led developments have promised. In summary, there might be an inflation of the sports facility's capability and presence in downtown urban redevelopment strategies.

Assertion of development lag ignores key simultaneous and correlated development from the Taxable Private Investment.

The Arena is being built simultaneously with significant Private Investment.

What are Non-Recourse Revenue Bonds?

- ✓ Non-Recourse Revenue Bonds means that the investors who buy this type of debt can only rely on Incremental Revenue generated by the Project and the Increment Financing Area.
- ✓ 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 Revenue.
- ✓ The City's Credit will not be at risk.
- ✓ <u>*As a result, there has to be a high level of assurance and comfort that significant Private Investment is available to build the Project.*</u>

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	Office/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

No Lag in Private Investment with the Arena:

✓ Approximately $860 Million of Taxable Private Investment by the Developer in Sequence 1 (Blocks A2/A3/C/D/E/F1/F2).

Cannibalization

- Concerns
- Evaluation by Nationally Recognized Economic Consultant

Cannibalization

- A significant amount of planned future tax revenues for bond payment is from lodging taxes generated by the new convention hotel or from part of the meals tax charged by new restaurants on the development parcels.
- For example, planned lodging tax revenues would be $2.5 million for 2022. This would be 28% of all occupancy tax revenue collected by the City of Richmond in FY2019.
- The planned meals tax revenues from the development parcels would be $3.1 million in 2022. That would be 8% of all prepared food tax revenues for the City of Richmond in FY2018.
- If these sales take sales away from other existing and new businesses in the city, the development parcels would be cannibalizing tax revenue that would normally have gone to the future General Fund.

Discussion of “IF” there is cannibalization without mention of supporting analysis. No discussion of “IF THERE IS NO CANNIBALIZATION”

Cannibalization Concerns

- ✓ The City Administration shared the same concern.
- ✓ As a result, an Independent, Nationally recognized Economic Development Consultant was retained to evaluate, among other things this very concern.

✓ Hunden was hired by the Mayor to serve as an INDEPENDENT CHECK AND BALANCE on the Developer's Projections.

Note: City Council is in the process of hiring a 2nd Independent Economic Consultant.

Cannibalization Concerns (cont)

HUNDEN'S KEY FINDINGS:

✓ *There is no cannibalization of revenues because the new Project elements "grow the pie" by bringing new people, spending and taxes to the City (i.e. "Halo Effect").*

- *In effect, Hunden found that the opposite of Cannibalization will be the result for Richmond.*

- *In addition, the Greater Richmond Convention Center Authority would be a winner with this Project.*

Cannibalization Concerns (cont)

HUNDEN'S OTHER KEY FINDINGS:

✓ The Navy Hill Project is a transformational project for the City.

✓ The Project has the ability to re-energize a currently depressed and dormant area in the heart of downtown Richmond.

- In the past two years the assessed value of the taxable real estate in this area only grew 2% each year.
- In the past two years, the assessed value of taxable real estate in the entire City grew 7-8%+ each year.

Cannibalization Concerns (cont)

HUNDEN'S OTHER KEY FINDINGS:

- ✓ The Arena and Private Taxable Investment as proposed are 100% correlated.
- ✓ Absent the Project, the people, places and reasons to be in the Navy Hill area would not exist without some major inducement from a beneficial partner (i.e. the City).
- ✓ The Coliseum is outdated and represents an increasing liability to the City.
- ✓ Unless the Coliseum is removed, its presence will be a deterrent to any meaningful development in the area.

Cannibalization Concerns (cont)

HUNDEN'S OTHER KEY FINDINGS:

- ✓ The Navy Hill Project is primarily composed of taxable private sector development and will generate new revenue to the City.
- ✓ The Developer's projections were on the low end.
- ✓ Hunden estimates even more revenues to the City as a result of the Project.
- ✓ In Hunden's expert opinion, if the Project does not happen growth is likely to be depressed at 1.5% versus the assumed 2.0% by the Assessor.

Who is Hunden Strategic Partners?

- ✓ Highly respected and nationally known economic development consultants.
- ✓ Team of approximately a dozen professionals
- ✓ Several hundred assignments; in the business for over 25 years.
- ✓ Specializes in Real Estate Development, Tourism Development, and Economic Development.

Who is Hunden Strategic Partners? (cont)

- ✓ RELEVANT EXPERIENCE includes Entertainment Districts, Convention Centers, Arenas/Stadiums, Mixed-Use Retail/Office, Hotels, and Entertainment Facilities.

- ✓ REPEAT CLIENTS include: Cities of Chicago, Indianapolis, Durham, Fort Worth, and Madison.

Recommended Next Steps

Recommended Commission Next Steps

Obtain Additional Information…

1st Request that all legal parties (Hunton Andrews Kurth, Roth Jackson, McGuireWoods, City Attorney's Office, Orrick) present to the Commission, among other topics, the following:

- ✓ Legal Safeguards & Protections for the City, including "Conditions Precedent" to Issuing the Arena Bonds;
- ✓ Framework of the key operating documents; and
- ✓ Structure and Management of the Navy Hill District Corporation, including ongoing role and responsibilities of current and future City Administrations/City Councils.

Recommended Commission Next Steps

Obtain Additional Information…

2nd Request that the Developer Team (Capital City Partners) present to the Commission, among other topics, the following:

- ✓ New Arena – Rationale/Correlation/Synergy with Private Investment.
  - Ongoing operations and safeguards to the City.
- ✓ Sequencing of the Project (both Private and Public Investment).

3rd Request that the City present to the Commission the Social Impact of the Project

- ✓ Affordable housing;
- ✓ Jobs and Job Training;
- ✓ Modern GTRC Transit Center; and
- ✓ ESB/MBE Participation.

Recommended Commission Next Steps

Obtain Additional Information…

4th Request that Hunden Strategic Partners (Independent Economic Consultant specializing in hotel, retail and multi-purpose entertainment venues/arenas) present to the Commission the following:

- ✓ Summary of their findings and conclusions –
  - Convention Center Authority will further benefit;
  - The opposite of Cannibalization would occur; and
  - Without the Project the IFA would continue to lag in future assessed value growth.

Recommended Commission Next Steps

Obtain Additional Information…

5th Request that Davenport & Company LLC, as the long-standing Financial Advisor to the City, be allowed to present to the Commission the following:

- Our October 19, 2019 presentation (never presented), which included in-depth responses to all of the Commission's initial questions and detailed cash flow analysis; and
- The credit rating implications of this Project.

Summary

Summary

1. EDA is a legal conduit only – has no negotiating ability.

2. A complete cash flow analysis – 5 year and over the life of the bonds – reveals the following:
   - City is better off by doing the Project.

3. A Full-blown RFP was developed and distributed nationwide.
   - Proposers had complete discretion over properties they wished to obtain; and
   - City mandated certain Social Impact requirements for any submittal.

4. Arena Construction happens concurrently with significant Private Investment.
   - To sell non-Recourse Bonds the Developer must have a minimum of $450 Million* of Private Investment simultaneously.

* Figure rounded.

Summary

5. Cannibalization Concerns – City Administration concurs.
   - Nationally recognized economic development consultant retained to evaluate this – Findings were – No Cannibalization, but rather a overall positive to the City.

6. Recommendation to the Commission – Obtain Additional Information:
   - Invite the legal team that negotiated the key documents;
   - Invite the Developer to present key aspects of the Arena and other Project components;
   - Invite the City to address social impact to the citizens;
   - Invite Hunden and the 2nd Independent Economic Consultant to discuss their findings and directly Mr. Gerner's concerns and observations; and
   - Invite Davenport to fully present our written Report which includes an in-depth Financial Analysis.

Exhibit

Presented October 19, 2019

Example of Correlation Development in Area

New 100,000-square-foot building planned for biotech park

Mike Platania · September 17, 2019 · 0

A rendering of the planned building. *(City documents)*

Source: Richmond BizSense.

Located at 706 E. Leigh Street, near the existing Coliseum.

Tax-Exempt Project

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