## Questions from Council President Newbille's District 7 Community Meeting

### *Date of Meeting: September 24, 2019*

***Questions/comments written on note cards by attendees:***

**Q1. What would it take to make sure that the City of Richmond gets this investment back?**

**RESPONSE:** There are no direct City investments in the Navy Hill project. If the project is approved, and if the bonds are sold to private investors for the development of the arena, then the City will be committing certain incremental revenues that will be used to repay the bond debt for the construction of the arena. The bond debt is non-recourse to the City, meaning it is not City-issued debt, and the City is not required to fund any shortfall in revenues to repay the bond debt.

Further, the Development Agreement identifies certain conditions that must be met prior to the issuance of the bonds for the arena construction. One of these requirements is to provide evidence of the programming of funds for the construction of the buildings located on blocks A2, A3, C, E and F – which includes the residential and office around the arena, reopening 6th Street, multifamily residential adjacent to 6th Street, convention hotel and renovation of the Blues Armory, multifamily residential and office above the GRTC Transit Center, all together with the reopening of Clay Street. Block D is also planned for development during this initial sequence. The development of these specific blocks represents approximately 66% of the overall master-planned development.

Davenport & Company, the City's financial advisor, indicated that the Navy Hill project is estimated to generate approximately $1 billion in surplus revenues to the general fund, above and beyond the costs related to a new arena. Even if the project only performs at 46% of the projections, Davenport's Fiscal and Economic Impact Analysis submitted to City Council upon ordinance introduction estimates that the City would receive the same amount of revenue today as it would if the City took a "do-nothing" approach. However, in the case of Navy Hill going forward, the City would also have a new arena, a new convention hotel, a renovated Blues Armory, new multifamily residential and office uses, a new GRTC Transit Center and a newly reopened Clay Street and 6th Street to show for it.

For comparison, in addition to annual debt payments of approximately $545,000 for previous repairs to the facility, operation of the Richmond Coliseum recently required the City commit about $935,000 annually from the General Fund to subsidize Coliseum operations and is estimated to require $436,000 annually to maintain it even as a closed facility if it is not demolished (estimated cost of demolition is $12,000,000, which would require City funds/General Obligation debt if done independent of this project). If the Navy Hill Project moves forwards, (1) the non-recourse Arena Bonds backed by private investors will defease the remaining capital debt on the Coliseum as well as finance the cost of demolishing the Coliseum and (2) will transfer the responsibility of facility maintenance and the risk of operating loss away from the City and require the risk be borne by the Tenant/operator.

The City will also collect $15.8 million for the sale of the various pieces of property to the NH District Corporation. As City-owned property, this future development area is not currently generating any real estate tax revenue for the City. The Navy Hill Master Plan puts these properties to productive use and on the tax rolls.

The $1.3 billion of private investment that finances the construction of the commercial buildings within Navy Hill is being leveraged to produce both a new City-owned arena plus more than $1 billion in excess revenues to the City over 30 years.

**Q2. A major recession is predicted for 2020. What happens when the economy tanks and all of the private investors pull out?**

**NHDC RESPONSE (As prepared by NHDC):**

With or without a recession, the City still has no obligation to rescue the project should it falter.

But even assuming a recession happens in 2020 – the "do nothing option" would be worse for the City. If the questioner's assumption is a true prediction, then the City of Richmond would be acting in the best interest of its taxpayers to protect itself by moving forward with a project that obligates private investment in City land, and in abandoned buildings and infrastructure. Private investors would then be "on the hook" and not the City. Investment would follow as the market allows.

Private investors watch financial markets carefully and make investments accordingly. The Navy Hill development team is working with a national finance team from CBRE. CBRE is the world's largest commercial real estate services and investment firm. CBRE's global market research is led by Spencer Levy. In Spencer's most recent forecast of economic conditions, CBRE is projecting an economic slowdown 5 years out (2024) due to:

- Equity market corrections
- Credit market problems, and
- International geo-political factors.

CBRE is predicting moderate growth in 2019 and 2020.

With that said, our project feasibility work on Navy Hill has continually taken market changes into account. We run sensitivities related to the project's financial feasibility to best understand how economic changes will impact the project. Additionally, the possibility of economic changes was at the forefront of the minds of both Navy Hill and the City during the negotiation of the agreements between the City and Navy Hill.

**Q3. I would like access to the data behind all of this.**

**RESPONSE:** You can find the City's Request for Proposals, the developer's initial proposal, the series of ordinances being considered by City Council, financial analyses, revenue projections and assumptions (Municap and Hunden), and copies of presentations and Q&A documents here on the City's website: http://www.richmondgov.com/Mayor/downtown.aspx

**Q4. Does private investment in this project mean no tax abatements?**

**RESPONSE**: Correct, there are no tax abatements\ or new taxing districts involved in Navy Hill. In fact, just the opposite. The Navy Hill Project *creates* new real estate property taxes on land

That is currently City-owned and tax exempt and that new tax revenue is then used to pay the debt service of the bonds used to building the new arena, which will in turn attract new private investment. The new arena is the draw for private investors to then invest in other aspects of the project, including the hotel, housing, office and retail development.

**Q5. Which cities have created an arena without a deficit?**

**NHDC RESPONSE:** Cities do not create arenas with or without a deficit. Instead, there are two broad categories to describe arena financing:

1. *Debt.* The cost of construction always involves 'debt' that must be repaid, usually on an annual basis with an identifiable source of revenues. No lender will provide money for a project unless the source of repayment can be identified and trusted. This is the same mechanism used for any building program, and unless one has large cash resources, it is the same mechanism that is used to buy a home. In the case of the new Navy Hill arena, the only source for repayment of this debt is the incremental revenue, including revenue created by the arena's sponsorship sales, new ticket taxes and meals taxes, along with new property, retail sales, BPOL and other taxes generated by the new construction and resultant buildings, and in no case is it sourced from existing City revenues. Unlike financing a home, the arena is not security for the debt – only the incremental revenues are.
2. *Operating Income/Loss.* This is the 'business' of the arena as opposed to the construction of the building itself. The arena takes in revenue from sponsorships, suite sales, ticket sales, food and beverage sales and building rents. It then pays its bills, which includes staff salaries, building maintenance, power, security and other services. What remains is the net operating income. If the building has costs to operate that are greater than the amounts of revenue it takes in, then it has a loss which could be termed a "deficit."

The City is currently paying on debt for improvements made in the late 1990s to the Coliseum of approximately $545,000 annually and the annual operations of the Coliseum has recently required the City to subsidize the operations by approximately $935,000 annually from the General Fund. Even as a closed facility, the Coliseum operations is estimated to require $436,000 annually to maintain it if it is not demolished. (The estimated cost of demolition is $12,000,000, which would require City funds/General Obligation debt if done independent of this project). If the Navy Hill Project moves forwards: (1) the non-recourse Arena Bonds backed by private investors will defease the remaining debt on the Coliseum as well as finance the cost of demolishing the Coliseum; and (2) will transfer the responsibility of facility maintenance and the risk of operating loss away from the City and require the risk be borne by the Tenant/operator.

The new arena is projected to have an annual income of more than $4 million, with some of that money going toward paying down the arena debt, and some of it going to a repair and replacement fund (i.e., "Cap Ex") that will help keep the arena in good shape year after year.

Additionally, any operating agreement Navy Hill signs with a professional third-party operator will require both a capital investment in the arena, as well as an annual investment in the repair and replacement fund. Further, the third-party operator will be contractually obligated to fund any operating deficits. Therefore, the City is not responsible to fund operating deficits, even if the income is not sufficient – which is the opposite of the historical operations of the Coliseum.

To return to the original question:

1. No arena in any of the dozens of the cities in which the broader Navy Hill team has worked – has a deficit. In the case of Richmond, any operating losses or "deficits" are the responsibility of the operator and in no case are these deficits the responsibility of the City; and
2. All arenas, and virtually all other building types, have debt until those obligations are retired. In the case of Richmond, the non-recourse bonds for repaying the construction debt will protect the

City of Richmond if there is ever any shortfall. It's solely the risk of the bond buyers, and if they believed there was unreasonable risk, they would not purchase the bonds in the first place.

**Q6. What is the timeline for the $900 million in investment in the private development?**

**NHDC REPONSE:** There are 5 parcels within Navy Hill that will be under development concurrently with the arena construction and each of them will be completed around the time the new arena opens or shortly thereafter. The completion dates for these 5 parcels are scheduled for late 2022 through 2023. These 5 parcels include:

- Block "C": A mixed-use block that is comprised of the GRTC Transit Center at grade, with office, retail and residential uses above.
- Block "A": This block is the very large land parcel where the existing Coliseum now sits. The redevelopment of this block will include the new arena and will be wrapped on one side with a commercial Class A office building (and retail) and on the other side, a residential complex with pedestrian level retail.
- Block "F": This block will be the new Hyatt Regency hotel and also the renovated and repurposed Blues Armory.
- Block "E": This block's development includes both "for sale" and "for rent" residential units with pedestrian level retail.
- Block "D": This block will house "built-to-suit, leased back" facilities for use by a single tenant.

These 5 blocks represent the $861 million (Rounded up to $900 million in presentations) in total development costs shown below. This amount of new commercial development is nearly 2 million square feet in total:

| | |
|---|---|
| Total Acres | 8.53 Acres |
| Total Land & Acquisition Costs | $15,800,000 |
| Total Development Costs | $860,800,000 |
| Total Gross SF | 1,989,038 SF |

**Q7. What happens if the bondholders declare bankruptcy?**

**NHDC RESPONSE:** The bondholders buy the bonds at the closing and are not required to provide additional funding for the construction of the arena. A declaration of bankruptcy by one or more bondholders would have no impact on the Economic Development Authority's obligation to pay the debt service on the bonds from the increment financing area and other revenues pledged for that purpose. The bonds held by the bankrupt bondholder(s) would simply become assets of the bankrupt estate(s). In other words, if the bondholders declare bankruptcy, the City of Richmond nor its taxpayers are on the hook.

**Q8. Who are the "private investors"?**

**NHDC RESPONSE:** They are accredited investors, either individuals or business entities that are investing private equity into the project. The accredited investors include local investors, minority investors and institutional investors. An individual investment is a minimum of $1 million. However, we are allowing smaller investments (minimum $25,000) to be pooled with other smaller investors within a single entity in order to encourage more local community involvement.

**Q9. What happens if those sales don't come into existence?**

**RESPONSE:** Prior to the issuance of the Arena Bonds, the Developer must satisfy a variety of conditions precedent set forth in Section 6.1(c) of the Development Agreement, which include but are not limited to:

- Evidence of private funding (including equity) in place sufficient to develop Blocks A2, A3, C, E, and F;
- Satisfaction of obligations related to the GRTC Transit Center;
- Executed hotel management contract and room block agreement;
- Ability to provide $10 million in charitable contribution for affordable housing;
- Executed arena construction and operation contracts that satisfy the requirements set forth in the agreement; and
- Payment into escrow the entire $15.8 Million purchase price for the private development parcels.

If Navy Hill does not satisfy the conditions precedent, the City is protected as the bonds will not be sold, the arena project does not move forward, and the City retains all of its property.

Moreover, the private Development Parcels do not convey merely upon the payment of the purchase price into escrow or issuance of the arena bonds. Rather, each Development Parcel will only convey to NHDC following NHDC's satisfaction of a variety of prerequisites/conditions precedent, including NHDC demonstrating ability to develop the applicable parcel in a manner meeting or exceeding the minimum development requirements and minimum capital investment set forth in Exhibit L to the Development Agreement ("Master Plan") and in compliance with any other obligations set forth in the agreements (e.g., affordable housing, hotel on Development Parcel F1, GRTC Transit Center on Development Parcel C, etc.).

If a Development Parcel does not convey to NHDC due to its failure to meet the prerequisites 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 <u>and</u> 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).

**Q10. Is the $1.3 billion investment in this project tax exempt?**

**RESPONSE:** No. The $1.3 billion that builds out the entire project exclusive of the arena is private capital (equity and debt) and is not tax-exempt. Within the $305 million bond issuance (that provides the $235 million in proceeds to build the new arena), there is currently $278 million assumed to be tax-exempt debt and $27 million assumed to be taxable.

Currently, approximately 60% of the property in the increment financing area is tax exempt – the value of those properties that the City cannot currently tax is approximately $1.45 Billion. An additional $1.5 Billion of tax exempt real estate sits just east of the Increment Financing Area where the VCU Medical college facility is located.

The private development within Navy Hill is taking currently tax-exempt land (owned by the City) and putting those parcels and new privately developed buildings on the tax rolls for the City.

**Q11. How is 60% of AMI defined and what are the costs going to be for renting and owning your affordable housing units?**

**NHDC RESPONSE:** 60% AMI refers to 60% of the Area Median Income as established by the U.S. Department of Housing and Urban Development (HUD). HUD updates the AMI on an annual basis. The 2019 AMI for the Richmond metro area is $86,400 for a family of four. HUD determines a specific AMI for each household of different size. Below is a table for 60% AMI in 2019. We have included an estimated AMI table for the year 2023, when the first apartment units are expected to be available. For projection purposes, we have assumed an annual inflation rate of 2.5% through 2023.

| **Year 2019 AMI** = $86,400 | | |
|---|---|---|
| **Household size** | **2019** | **2023** (estimated) |
| | **60% AMI** | **60% AMI** |
| 1 | $36,288 | $40,055 |
| 2 | $41,472 | $45,777 |
| 3 | $46,656 | $51,499 |
| 4 | $51,840 | $57,222 |

Rents for the 60% AMI units are established by the Virginia Housing Development Authority (VHDA) and the Federal Low-Income Housing Tax Credits (LIHTC) program. Rents are determined by assuming tenants will pay no more than 30% of their household income (at 60% AMI) on rent. Utilities are not included in the rent. An occupancy factor (household size) is assumed for each unit type i.e. studio, 1-bedroom and 2-bedroom. We have assumed an annual growth rate for these rents to keep up with the projected AMI growth in the Richmond metro area.

| **60%AMI Affordable Units** | | | |
|---|---|---|---|
| | **Occupancy Factor** | **2019 Rent** | **2023 Rent** (estimated) |
| **Studio** | 1 | $907 | $1,001 |
| **1 Bdrm** | 1.5 | $972 | $1,073 |
| **2 Bdrm** | 3 | $1,166 | $1,287 |

**Q12. Why can't the City use the $600 million they want for the Coliseum project to fix the schools, the roads and the GRTC transfer center using minority businesses?**

**RESPONSE:** It is estimated that up to $ $1 billion of surplus tax revenue will be generated by the project over a 30 year period. That $1 billion of additional revenue will be available to the City for schools, roads, housing, and other priorities and depending on how the Council each year determines to use the surplus revenue may set as a goal a certain percentage of the work be performed by minority businesses as the current Navy Hill project has set a goal of at $300 million be performed by minority businesses.

**Q13. If the developers thought the Coliseum would make money, they would take out the loans themselves and not want 82 blocks of downtown in a TIF. True?**

**NHDC RESPONSE:** False. The developer is, in fact, doing just this. First, they are taking on 100% of the operating risk of the new arena. Second, they are investing equity as well as taking out loans to fund all of the new private developments. The proposal is to then ask the City to allow certain resulting new revenues to go to underwriting the debt on the new arena. The larger designated Increment Financing Area footprint is needed only to demonstrate a debt service coverage ratio of 1.5 times the required repayment amount to provide additional assurances to bond holders in the early years of the development. Finally, the geographic footprint is misleading as 60% of the property within the Increment Financing Area is tax-exempt.

**Q14. The City could partner with developers for affordable housing without having to build a coliseum. True?**

**RESPONSE:** True, however, the City does not have the resources to create this significant of an impact to affordable housing without creating more revenues by expanding the tax base. In addition to creating 280 affordable housing units in the development area and 200 more affordable housing units downtown (supported by a $10 M charitable donation required by the Development Agreement), this project includes the creation of new real estate realized by the demolition of the Coliseum itself, the new convention hotel, the renovated Blues Armory, the repair and replacement of streets and infrastructure, new retail, a new GRTC Transit Center and other developments that are part of this plan. Navy Hill is a holistic development designed to use its various components to solve for many interdependent problems.

Navy Hill redevelopment is a means to generate new revenues for the City and the City has pledged to use a significant portion of those revenues to support affordable housing – in other words, it is an opportunity to expand the tax base and provide revenues that will fund affordable housing initiatives not only today but for years to come.

**Q15. Is the City seeking to woo a major sports team?**

**RESPONSE:** The City is not directly seeking a team, either major or minor league, and is not relying on one its revenue projections.

However, according to NHDC: It is likely that once the arena project is approved, NHDC and its operator may pursue one or even two minor league teams such as G-League Basketball, ECHL, or AHL hockey. The revenues generated from these teams generally flow to the teams themselves so having a tenant does not materially affect the operating performance of the arena. The community, however, benefits from having sports teams – including opportunities for Richmond kids to experience these sports, as well as increased level of activity in downtown on a more frequent basis.

**Q16. If there is no sports team, does the City really need an arena that seats 17,500 people?**

**NHDC RESPONSE:** Yes, because the size of the arena is determined by the touring concert and show industry, which desires to have another arena of this size on the East Coast. An arena with more than 17,000 seats located on the I-95 corridor assures that Richmond will be considered the best possible opportunity to capture every major show available – and it would allow for larger events than could be considered by the current Coliseum.

**Q17. How will security be arranged? (It seems that security and crowd control for such a large gathering would be nothing short of a nightmare.)**

**RESPONSE**: The City will not be responsible for providing or funding security. The arena operator will be responsible for providing security and working with RPD. From a practical perspective, NHDC has indicated security for the new arena will be similar to what has always existed for the Coliseum and the neighboring convention center as most of the events in the new arena will be of a similar size as the old Coliseum, but with more of them. Security for larger events that fill the expanded size remains the operator's responsibility.

**Q18. Why do we need a publicly-financed arena – especially when there is evidence that such projects (e.g., Brookings Institute) fail to have a consistent, positive impact on jobs, income and tax revenues. Brookings could not identify a single example of a recent stadium project that had paid for itself in net tax revenue. For example, the pyramid in Memphis started as a sports arena and is now a Bass Pro Shop.**

**NHDC RESPONSE:** The new arena is not a sports arena, it is an entertainment arena. For example:

- *The Memphis Pyramid.* The Pyramid is an outlier example of bad arena programming, design and city planning, rather than a case study that arenas are bad economics. The City of Memphis recognized this not long after the Pyramid opened and soon began planning the arena they should have built in the first place – the FedEx Forum in downtown, adjacent to Beale Street. Originally conceived of as an out-scaled civic art project, the one-off Pyramid was meant to be the first of three pyramids similar to the ones in Egypt. It was never an appropriate arena concept and was doomed to fail as that use. It will likely make an equally bad Bass Pro Shop, but eventually it may find a tourism use compatible to its quirky purpose. The 90's also saw other industries make similar mistakes, like themed restaurants shaped like submarines, and bizarrely themed night clubs. Both of those industries survived these mistakes, but none of them should be tainted by the bad decisions of others. For every "pyramid," there are dozens of arena success stories. The professional approach to arena design, construction, and financing is well known.

- *Brookings Institute.* There is a significant difference between a 'stadium' or 'arena' which serves as the home venue for a professional team (with a team owner), versus an arena whose programming is for touring shows, tournaments, or even minor league sports with small budgets.

  The Brookings Institute is almost exclusively concerned with public subsidies to professional team owners who otherwise could afford to underwrite their own facilities, and we agree with that position. Our development team has worked on many of these arena projects, including privately funded facilities, arenas that were funded wholly by the community, and those that included a hybrid of funding sources both public and private.

  If the only sports facilities in America were those funded by wealthy team owners, then there would be no arena in any community in the United States that wasn't the home to either an NBA or NHL team. In other words, there would be no arenas in Virginia.

  The same would be true of convention centers, and many performing arts facilities. So that is clearly not the position of the Brookings Institute – that only private sector convention centers, performing arts facilities or arenas should be built.

  The stadiums and arenas the Brookings Institute has addressed in the past were one-off projects, often located in suburbs, and developments that offered little, or no, opportunity for ancillary growth, which is the source for a city's wealth – new revenues from new development.

  The other issue that the Brookings Institute famously objected to was tax-exempt bonds being issued for these professional stadiums, so even where there was a team owner who underwrote the cost of a professional-class arena, that owner was still getting a public subsidy in the form of tax-free bond financing.

We agree with the Brookings Institute on that point too. Unless a public economic benefit can be concretely identified, public agencies should not be in the business of underwriting sports venues for wealthy team owners, and cities across the country are well-aware of this thanks to economists who are setting a higher bar.

That is why cities like Sacramento, Kansas City, Atlanta and others are demanding more from these developments than just the presence of a sports team. Planning for urban redevelopment around new downtown arenas is now a proven economic development tool, and the primary question for cities is how much risk they should take on in effort to spur the kind of downtown rebirth other cities are now experiencing.

In the case of the arena underwriting proposed by Navy Hill, given the non-recourse terms of the bond underwriting, and the contractually-committed private investment that must be in place as a condition to proceed, that risk is less than in any arena built in these successful city examples who all played much larger, at-risk roles in the redevelopment of their arena-based downtown redevelopments.

While all of these cities are very different, and their financing strategies unique to their own situation, the experiences of places like Memphis, Kansas City, Sacramento, Allentown, Columbus and others who have built arenas in their stagnated downtown cores, as part of a master plan of to induce new private investment, prove this approach. These communities have benefitted greatly from an economic development strategy that fixed broken downtowns and brought residents back to city center, which is why this trend continues across the US.

**Q19. How realistic are the economic benefits? Do we really believe (and can we quantify) these benefits that will supposedly derive from new activity? Or, will they just be redistributed dollars from other parts of the City?**

**NHDC Response:**

The project has had multiple reviews and studies completed to ascertain, then validate, the economic benefits. These reviews and studies have included:

- *MuniCap* has been providing comprehensive analysis of the revenue forecasts for the Incremental Finance Area. MuniCap is in the process of completing its Projection #25 which provides an updated analysis for use by the arena bond underwriters. MuniCap is a public finance consulting firm that specializes in the support of funding strategies for infrastructure, facilities and services.
- *CitiGroup and JP Morgan Chase* make up the senior underwriters of the arena bond offering. They have been working closely with Navy Hill over the past three years, studying the project and its financial feasibility and directing the underwriting strategy for the arena bonds.
- An arena feasibility study by the consulting firm *Conventions Sports & Leisure International (CSL)*, the leading global consultancy to the convention, sports and leisure markets;
- A mixed-use development feasibility study by *H R & A Advisors*, a global real estate, economic development and program design and implementation consulting firm;
- An economic impact study was performed by *VCU's Center for Urban and Regional Analysis (CURA);*

- A hotel feasibility study conducted by *HVS*, the leading consulting firm serving the hospitality industry; and
- A residential and retail marketing and feasibility study conducted by the strategic market research and feasibility firm *Noell.*

Additionally, the project has been further studied by three of the largest real estate firms in the world, *CBRE*, *Colliers* and *Cushman Wakefield* through brokerage teams retained for the development.

Further, the City's financial advisors, *Davenport* and the consulting firm *Hunden Strategic* Partners have conducted their own independent analysis of the project.

**Q20. What is the cost of missed opportunity? It is certainly not zero – there is a cost of doing nothing, but the resources devoted to this effort are locked up for a significant amount of time and could instead be put to use in less risky, more diverse investments.**

**NHDC RESPONSE:** The assumption that the "resources devoted to this effort" exist today or exist independent of the developers taking the risk in their investment to make the private development components a reality is not accurate. The City has no existing resources to devote to this effort and no other developers have come forward to create any such resources.

If organic growth were possible, then it would have happened already, during what is widely seen as one of the best markets for new urban real estate in a long time.

At the same time, if the City does nothing – it could actually impede the growth in the surrounding areas as other developers are not going to improve adjacent neighborhoods without knowing what will happen with the arena.

Also, the local development community is focused narrowly on building apartments as infill projects, not on the kinds of uses that are the City's goals for its City Center: a state-of-the-art 17,500 seat arena; a 500-room luxury convention hotel; a completely renovated Blues Armory; a new GRTC Transit Center; mixed with office, retail and residential units to ensure that the area is vibrant during the day, evening and weekends.

**Q21. And, is a TIF really the only way to redevelop the arena?**

**RESPONSE:** Tax Increment Financing (TIF) is a common way to finance large scale public improvements like a new arena, but there are other ways. Typically, the City funds large scale infrastructure projects with grant funds from the federal government or from the Commonwealth of Virginia along with general obligation bonds, which the City then pays for with revenues coming primarily from residential property taxes. However, the City did not want to place any obligation on its residents to pay for the new arena so by requiring no moral or general obligation nonrecourse bonds the City and its residents are not on the hook if there is not enough revenue to pay the debt service.

The TIF-style financing is beneficial in a number of ways:

- No existing (current revenues) of the local government are diverted to pay the bonds;
- This structure allows non-recourse bonds (meaning that if the incremental revenues are insufficient to repay the bonds, the bond owners cannot require the City to make up any shortfalls) to be issued without a moral obligation or general obligation of the City; and
- This structure does not reduce the City's debt capacity, but, to the contrary, increases the capacity that can be used for other priorities (schools, roads, etc.).

**Q22. What happens if the operator doesn't keep up the arena?**

**RESPONSE:** NHDC will be contractually obligated to maintain the arena for the term of the ground lease, 30-years. The 300+ page arena ground lease agreement includes a variety of provisions to ensure that this happens. For example, the operation and maintenance plan must be approved by the City and updated every five years to ensure ongoing appropriate maintenance. Additionally, provisions provide for annual

funding to a renewal work account, which will ensure the arena remains in good shape for the duration of the lease. Comparatively, lack of such dedicated funding for the Coliseum led to continual deteriorations.

**Q23. Why does Allentown have a deficit? Kansas City?**

**NHDC RESPONSE:**

Allentown: We have attached a copy of the Mayor's *"2019 City of Allentown Proposed Budget and Program of Services"*, which outlines their progress over the years to turn around a declining small city in an economically challenged region and time.

There are many reasons why cities experience budget deficits, but in the case of Allentown, their new Arena and associated Neighborhood Improvement Zone (NIZ) isn't one of them. Just the opposite. The Mayor calls out the NIZ as one of the bright spots in the City's turnaround:

> *"Allentown's financial standing has been bolstered by the growth of the Neighborhood Improvement Zone and by the sustained pride and efforts of Allentown citizens. The City and surrounding Lehigh Valley are among Pennsylvania's fastest-growing population centers.*
>
> *Allentown's government has responded to these trends by maintaining and improving police protection, fire and emergency medical response, street maintenance, street lighting, bridges, traffic control, solid waste and recycling, parks and recreation, health, community and economic development, code enforcement, building standards and City planning services to ensure that all citizens benefit sufficiently from their provision."*

Kansas City**:** Kansas City does not have a deficit, but in fact has an expanded city budget as a result of a 4% increase in revenue.

We have also attached their 2019-2020 Adopted Budget which shows a robust city economy. They are now in the midst of tackling one of their greatest economic expansion challenges in rebuilding their airport. That comes after a dramatic turnaround of their downtown that saw the development of a new opera house, arena, and new Power and Light district that made living in downtown cool again.

Excerpts from the 2019-2020 Budget:

> *"Kansas City is a thriving hub of innovation, creativity and commerce. Many important projects are underway, including a new convention hotel, infrastructure improvements and repairs, and of course the new single terminal KCI. With a projected citywide revenue increase of 4.1 percent, we will not only continue to deliver important services residents need and deserve, but also improve upon those services by updating equipment and technologies…"*

And:

> *"A strong local economy and adherence to our financial plan led to growth of over $57 million in the City's General Fund reserve levels since the City adopted its first Citywide Business Plan in fiscal year 2013-14. In the last fiscal year ending in April 30, 2018, the City has met its policy goal of two months of operating reserves for the first time in the City's history…"*

Richmond City Council members, Navy Hill Commission members, and other consultants assisting in the evaluation of the Navy Hill proposal should visit Allentown, Kansas City, Columbus and other cities who have created arena-anchored development districts and ask those community leaders whether or not what they did was the right decision for their cities.

**Q24. Why doesn't a private developer do the arena?**

**NHDC RESPONSE:** Private development is, in fact, developing the proposed arena. It is using the nation's best design, construction, finance, and operating firms to help develop a state-of-the-art arena that will produce revenues that will go, in part, toward repaying the debt on the arena bonds, but also toward the continual maintenance of arena as well.

Furthermore, the risk of the arena operations stays solely with the private developer, and not the City.

**Q25. What are the rent prices for affordable housing?**

**NHDC RESPONSE:** See chart:

| **PROJECTED 2023 RENTS for Affordable Units** | | |
|---|---|---|
| | **60%AMI** | **80%AMI** |
| **Studio** | $1,001 | $1,335 |
| **1 Bdrm** | $1,073 | $1,431 |
| **2 Bdrm** | $1,287 | $1,717 |

**Q26. How will the population downtown increase as a result of this new development?**

**NHDC RESPONSE:**

Attached (PDF file) is an estimate for the new population specifically from the new development. There is a range shown, from 2,871 on the low end to 3,758 on the high end. You can see the number of residents per unit type at the top of the chart.

HR&A, in their feasibility study, pegged the downtown population at 24,327 as of early 2018, having experienced an annual growth of 4% in the prior seven years. If that same trend continues into 2023, the downtown population will be approximately 28,459. In 2026, the population would be approximately 32,012 residents. If we then include the residents from our project, that brings us to a range of 34,883 to 35,770 in downtown Richmond.

**Q27. No more eyesores downtown – what are the recourses to them?**

**RESPONSE:** The Navy Hill project will remove eyesores by demolishing derelict buildings such as the Coliseum and Public Safety Building, removing surface parking lots, and wrapping parking garages with active uses. Per NHDC, the Navy Hill team is continually seeking input through various meetings and reviews to make downtown Richmond the best and most beautiful and authentic place it can possibly be.

**Q28. A high school should be considered as part of this development. Thoughts?**

**RESPONSE:** The new housing associated with the project is going to primarily involve apartments and isn't expected to lead to a large influx of high school students that would logically be tied to it.

**Q29. Where is the money coming from to make up the nexus between the $600 million [bond repayment] when Hunden shows only $380 million coming in from incremental real estate taxes?**

**RESPONSE:** The following sources of revenue (above and beyond incremental real estate taxes) will be used to repay the non-recourse bonds for the arena:

- State and local sales taxes;
- Meals taxes (from the 6.0% tax levy, the remaining 1.5% will be directed to school facilities);
- Transient occupancy (a.k.a. lodging) taxes;
- Business license taxes;
- Admission taxes;
- Incremental parking revenues; and
- Other revenues associated with the new arena, including sponsorships

The Fiscal & Economic Impact Statement & Related Analysis is on the City's website. In particular, page 35 shows all the revenues that will come to the City taking into account debt service on the bonds. http://www.richmondgov.com/Mayor/downtown.aspx

**Q30. How much will tickets to events cost?**

**NHDC RESPONSE:** Ticket pricing is dictated by the event. For a concert, the pricing is determined by the show's promoter and for tournaments, it is decided by the hosting organization, such as the NCAA.

**Q31. Would city contractors receive a right of first refusal?**

**NHDC RESPONSE:** Yes, there will be a "Richmond First" preference in contracting.

**Q32. Where can I get the GIS coordinates for this project?**

**RESPONSE:** The City's Geographic Information Systems website can be found at: http://www.richmondgov.com/GIS/index.aspx

**Q33. Are you going to mandate PLEs so that there are opportunities for people to have careers?**

**NHDC RESPONSE:** There will be a number of opportunities for citizens to obtain jobs related to the development, including job fairs in coordination with the City's Office of Community Wealth Building. Section 10.5 of the Development Agreement requires NHDC "to:

> (i) Convene at least one job fair in each Council district of the City on or before the date that is six weeks of the execution of this Development Agreement;

(ii) Recruit City residents first for job placement by conducting an outreach program that targets neighborhoods with the highest concentrations of poverty;
(iii) Work with willing workforce development teams and training providers (including the Community College Workforce Alliance) to conduct a comprehensive training program;
(iv) Target City residents for employment opportunities;
(v) Create an ongoing jobs pipeline to benefit students in Richmond Public Schools through recruitment, training and internship programs;
(vi) convene at least one construction/trades job fair in each of the following RRHA rental properties (Gilpin, Mosby, Creighton, Fairfield, Whitcomb & Hillside) within the first six weeks after ground breaking;
(vii) Convene at least one hospitality job fair in each in each of the following RRHA rental properties (Gilpin, Mosby, Creighton, Fairfield, Whitcomb & Hillside) two months prior to the opening of the Hotel, (viii) Meet with the resident leaders of the following RRHA properties (Gilpin, Mosby, Creighton, Fairfield, Whitcomb & Hillside) to share information on the Project and related employment opportunities;
(ix) Distribute flyers and post signs about Project construction and permanent (hospitality, professional, security, etc.) job openings at all of the City Council District meetings and in the following RRHA communities (Gilpin, Mosby, Creighton, Fairfield, Whitcomb & Hillside); and
(x) Place job ads with multiple media outlets including local and smaller newspapers located in the City of Richmond."

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Renters per Unit | High | 1.0 | 1.0 | 1.5 | 3.0 | 3.0 | 1.0 | 1.0 | 1.0 | 1.0 | 3.0 | 3.0 | |
| | Low | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | |
| **BLOCK** | **Total** | **MARKET RATE** | | | | | **AFFORDABLE** | | | | | | **Target Delivery Date** |
| | | **No. Units** | | | | | **No. Units** | | | | | | |
| | | **Studio** | **1 Br** | **1 Br +Den** | **2 Br** | **2 Br +Den** | **Studio 60%AMI** | **Studio 80%AMI** | **1 Br 60%AMI** | **1 Br 80%AMI** | **2 Br 60%AMI** | **2 Br 80%AMI** | |
| **A2** | **230** | 6 | 62 | 25 | 83 | 12 | 5 | 10 | 5 | 10 | 4 | 8 | 10/1/2022 |
| **E1** | **56** | 6 | 14 | 5 | 12 | 2 | 2 | 2 | 3 | 5 | 1 | 4 | 6/1/2022 |
| **E2 - Condos** | **30** | 0 | 0 | 6 | 18 | 2 | 0 | 0 | 0 | 3 | 0 | 1 | 6/1/2022 |
| **B** | **213** | 1 | 67 | 18 | 75 | 8 | 5 | 15 | 6 | 11 | 4 | 3 | 5/1/2023 |
| **C** | **213** | 13 | 75 | 18 | 76 | 8 | 3 | 5 | 4 | 5 | 3 | 3 | 11/15/2022 |
| **I** | **489** | 56 | 88 | 100 | 172 | 22 | 13 | 12 | 9 | 6 | 6 | 5 | 8/1/2024 |
| **N** | **510** | 126 | 113 | 107 | 95 | 12 | 7 | 17 | 6 | 14 | 7 | 6 | 12/1/2024 |
| **U** | **383** | 100 | 150 | 0 | 90 | 0 | 13 | 15 | 4 | 6 | 3 | 2 | 9/1/2023 |
| | **2,124 units** | **308 units** | **569 units** | **279 units** | **621 units** | **66 units** | **48 units** | **76 units** | **37 units** | **60 units** | **28 units** | **32 units** | |
| **# of Renters** | High | 308 | 569 | 419 | 1,863 | 198 | 48 | 76 | 37 | 60 | 84 | 96 | **3,758** |
| | Low | 308 | 569 | 279 | 1,242 | 132 | 48 | 76 | 37 | 60 | 56 | 64 | **2,871** |