

Correction of the Record

October 23, 2019

The NH District Corp. (NHDC) respectfully submits the following information as a correction of the record of the Navy Hill Development Advisory Commission meeting held Saturday, October 19, 2019. Significant errors, omissions and misrepresentations of NHDC's various submissions used in the Commission's financial analysis of and commentary on the Navy Hill project may mislead the public if not promptly corrected. The major errors and omissions are as follows:

- 1. Purchase Price Is Irrelevant.** The Commission presentation assumes the \$15.8 million paid to the City at Financial Close (closing on the non-recourse bond for the construction of the arena) is irrelevant. In doing so, the Commission's presentation assumes these properties are already City assets. The reality is that many of these properties do not exist in a form that can be legally described and conveyed except in the form of the Master Plan proposed by NHDC. Additionally, these funds are available to the City's general fund with over \$7 million in general fund dollars by 2021. This is a significant amount of real money paid to the City to be invested in the future of Richmond.
- 2. Affordable Units Have to Wait.** The Commission presentation and commentary that followed (without correction) suggested no affordable units are required by the Development Agreement up front. This is untrue. Section 10.2 of the Development Agreement expressly requires affordable units in the first private development project blocks and throughout the development. This provision and the corresponding covenant ensure that the affordable units are no different than any other unit and are spread throughout the development – including the first buildings to be constructed.
- 3. Development Requirements Do Not Matter.** The overarching purpose of the City's November 9, 2017 RFP process was to leverage under-used parcels of City-owned land and turn those into critically needed community benefits. The City and its communities do not fully benefit when the City simply takes on the role of a land seller when more can be gained through a thoughtful master plan process and a benefits agreement. That is one of the critical issues the presentation failed to show in its analysis. In particular, the presentation failed to account for the public benefit for defeasance of existing debt on the Coliseum (which would otherwise cost the City millions of dollars), demolition of the Coliseum and remnants of the Sixth Street Marketplace, a reconstructed Clay Street, and reconstructed 6th Street – with all infrastructure, construction, utility relocation and new systems and enhanced storm water retention provided at private cost. The Development Agreement requires a convention hotel with a room block agreement – without a subsidy (typically tens of millions of dollars). The Development Agreement requires privately-funded renovation of the Blues Armory building – to specific historic rehabilitation standards. The Development Agreement requires a GRTC Transit Center. All of these development requirements provide significant benefits to the City. Each one has an associated financial risk borne by the private side investors and developers. The Commission's analysis omits each and every one.
- 4. Community Benefits Do Not Matter.** The Commission presentation also fails to account for the community benefits required by the ordinances. The GRTC Transit Center, 280 affordable housing units in the project, \$10 million in philanthropy towards 200 more affordable housing units, a \$300 million target for minority participation, career and job development, and meaningful open spaces are all tangible community benefits contained in the ordinances. Each is required based on the development timelines set forth in the Development Agreement – meaning

with each block developed, these benefits are realized. Yet, these were disregarded in the analysis.

5. **There is an Alternate Piecemeal Approach to Consider.** The Commission presentation would lead one to believe that there is an alternative proposal of incremental, piecemeal development to consider. Opposition groups have routinely referred to “organic growth” that would happen in the area with or without a planned development approach. There is no credible path to coherent beneficial economic growth in this area without a master plan. The Commission has not offered up an alternate approach to how this area might otherwise develop to the benefit of the City, but rather suggests that maybe, someday, something else might happen. To be clear, it took massive disruption to this area to turn it into the place it is today, and it will take an equally forceful approach to turn it around. The Navy Hill area has remained essentially unchanged for decades, even during periods of economic expansion. The reality is that the majority of the development parcels do not exist without massive infrastructure and demolition investments. The private sector is not interested in a piecemeal approach where the costs would outweigh the benefit of the project. This means a developer must take a master plan approach in order to attract the private investment needed to make an impact downtown. Additionally, the mixed-use development supports the arena as the attractor – meaning that the new hotel, arena, office and retail space and existing convention center are interdependent. The Commission’s presentation proposed small-scale planned development by non-tax-paying entities to propel the City forward. The suggested approach was to maintain surface parking lots as a financial plan for the City’s future – which does not offer nearly the return on investment that NHDC has proposed. Instead, the infusion of private investment in the Navy Hill proposal is nearly four times than what the City can currently offer – but it requires an arena and a master plan in order to be realized

Any financial analysis of Navy Hill is incomplete without the foregoing information. The NH District Corporation respectfully submits that a full public presentation of the development program to the Commission is fundamental to the Commission’s analysis of the ordinances, assessment of any risks of the project, and development of recommendations to City Council. The entire development, financial, feasibility, legal, and leadership team of The NH District Corporation and Capital City Partners are available at the Commission’s pleasure to publicly discuss these matters and clarify additional errors and omissions.

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