TO: The Navy Hill Development Advisory Commission

FROM: City of Richmond Staff

RE: Responses to Commission's Questions/Requests for Information

DATE: October 19, 2019

Please see the enclosed responses to a variety of questions and requests for information from Navy Hill Advisory Commission. Certain responses were provided respectively by legal counsel for the City, the City's financial advisor (Davenport), and the development team (NHDC) – all as indicated within the response document.

CITY RESPONSES

1. A number of the questions/requests and the corresponding responses are set forth in the attached analysis prepared by the City's financial advisor, Davenport & Company, entitled "Information Prepared for the Navy Hill Commission Appointed by the City of Richmond" and dated October 19, 2019.

2. The following responses were prepared by the City's legal counsel (City Attorney's Office and Orrick).

QUESTIONS AND RESPONSES – LEGAL

2(A). There is a State statute regarding tax increment financing and there is a statement in the documents that this is not that, what is the rationale around this?

RESPONSE

This is not tax increment financing under Va. Code §§ 58.1-3245--58.1-3245.5 because the City does not intend to establish a district by ordinance or issue bonds. Rather, as noted in the last two recitals of the Cooperation Agreement, this is a construction by the EDA of an authority facility for which the EDA pursuant to Va. Code § 15.2-4905(12) accepts appropriations of money made by the City pursuant to Va. Code § 15.2-953(B). City Charter § 2.02(i) empowers the City Council to provide for the control and management of the fiscal affairs of the City and to prescribe the City's systems of accounting, authorizing the City Council to adopt the Navy Hill Fund ordinance. This arrangement allows for the City Incremental Revenues to be captured and accounted for, so that the City may, subject to annual appropriations, make the required payments to the EDA for repayment of the bonds.

2(B). Is there exposure there because this is not a state TIF? This would be the largest in VA in terms of TIF financing.

RESPONSE

Because these activities are expressly authorized by the City Charter and the Code of Virginia, Dillon's Rule does not limit the City's ability to undertake them.

2(C). Is the EDA subject to public procurement requirements? Doesn't this fall within the exemptions?

RESPONSE

The Arena is a facility "for use by an organization (other than an organization organized and operated exclusively for religious purposes) which is described in § 501(c) (3) of the Internal

Revenue Code of 1986, as amended, and which is exempt from federal income taxation pursuant to § 501 (a) of such Internal Revenue Code" within the meaning of item (viii) of the definition of "authority facility" in Va. Code § 15.2-4902. Va. Code § 2.2-4344(B) exempts the EDA from competitive procurement requirements "with respect to any item of cost of 'authority facilities' or 'facilities' as defined in [Va. Code] § 15.2-4902."

2(D). Doesn't the EDA bring with it the requirement to go through procurement?

RESPONSE

We understand this question to ask whether the EDA's payment of the EDA Bond Proceeds to the Developer carries with it an obligation on the Developer's part to comply with public procurement laws in spending that money on the arena project. Nothing in the Development Agreement or the Arena Lease subjects the Developer to competitive procurement requirements. The EDA Bond Proceeds can only be used for authorized expenditures relating to the construction of the Arena. The EDA Bond Resolution and the Indenture will provide a definition of the Project Costs and it is only those expenditures that can be paid/requisitioned to the Developer.

2(E). Who in the City is taking the actions required in the Development Agreement (4.8, 4.15, 10.3) – is the approval of the ordinances the only time City Council will need to vote? How does it work and how do you govern the documents?

RESPONSE

Ultimately, the Chief Administrative Officer takes actions required of the City in the Development Agreement. Ord. No. 2019-211, § 2 provides, "the Chief Administrative Officer, for and on behalf of the City of Richmond, be and is hereby authorized to execute such contracts, deeds, and other documents and give such approvals contemplated by the Navy Hill Development Agreement as may be necessary to effectuate the purposes of the Navy Hill Development Agreement and to consummate fully the transactions contemplated by the Navy Hill Development Agreement, provided that all such contracts, deeds, and other documents first must be approved as to form by the City Attorney."

2(F). Why can't you close the TIF when the debt is repaid?

RESPONSE

Section 3 of Ord. No. 2019-211 provides that the obligation to segregate and pay the City Incremental Revenues to the EDA expires "upon the later of the (i) expiration or earlier termination of a certain Deed of Ground Lease (Arena) between the Authority and The NH District Corporation or (ii) expiration or earlier termination of the Cooperation Agreement." Once the bonds are paid, there are continuing obligations that still occur under the Arena Lease and Cooperation Agreement until their expiration or termination. However, the size of those obligations is drastically reduced, and the money not needed to satisfy those obligations is provided to the City's general fund.

2(G). Is it necessary for the City to own the arena?

RESPONSE

The City will not own the Arena. The EDA will own the Arena. The bond financing is contingent upon the EDA's ownership of the Arena.

2(H). The EDA- transparency part of the project is a concern, does the EDA need to be in the role they are in or can it be done in another way?

RESPONSE

The EDA's participation in the development is necessary for the Armory to be leased for more than 40 years because Va. Const. art. VII, § 9 prohibits the City from leasing out City-owned property for a term of longer than 40 years. The EDA is a public body subject to the same open meeting and open record requirements under the Virginia Freedom of Information Act to which the City is subject.

2(I). Can the City nullify the Bond commitment (6.1) if the terms of the bond are not consistent with the agreement?

RESPONSE

The second sentence of § 6.1(a) of the Development Agreement ("Usage and repayment of the EDA Bond Proceeds shall be subject to the terms and conditions of the EDA's bond resolution and ordinance for the Bonds, this [Development] Agreement, the Cooperation Agreement and the terms and conditions of the Financing Documents.") requires the "terms of the bond[s]" to be consistent with the Development Agreement and the Cooperation Agreement. Further, the City does not have to sign the Cooperation Agreement until the date of the bond issuance; therefore, the City, through the Chief Administrative Officer, will have a right to confirm that the terms of the Bonds upon issuance are in accordance with the Cooperation Agreement and other financing documents. In a way, this gives the City a passive approval right over the final terms of the Bonds. In addition, the City Council must approve by resolution the EDA's issuance of the bonds before the EDA may issue the bonds. The City Council need not adopt the resolution if the terms of the bonds are inconsistent with the other transactional documents.

2(J). Can the City by ordinance authorize "deemed approvals" with regard to public safety?

RESPONSE

The "deemed approval" provisions in the Development Agreement and the two leases concern only the City's role as a market participant and not its role as a market regulator. Section 6.1 of both the Arena Lease and the Armory Lease require the Developer to comply with all applicable laws. In addition, section 4.10 of the Development Agreement clarifies that no action by the City under the transactional documents constitutes a regulatory approval by the City.

END QUESTIONS AND RESPONSES – LEGAL

3. What is the CAO's role in the project? There are a number of places where the CAO is authorized to sign various documents and there is one specific area in the Cooperation Agreement where the CAO determines the parameters.

RESPONSE

In response to a similar question from City Council, legal counsel stated:

> "Pursuant to Section 2.5 of each of the Arena and Armory Ground Leases, each Ground Lease affords the City the "*power to exercise all of the rights of Landlord under *the* Lease*." This provision grants the City the legal right to grant any approvals or waivers required under the respective Leases and to perform all administrative functions of the Landlord, including, but not limited to, the approval of all design and construction contracts and related contractor documents, approval of the operating and maintenance plan, granting of any notice waivers or the exercise of any remedies upon a default under a Lease."

The Cooperation Agreement, specifically, states:

> "It is the intent of the City and the Authority that the Ground Lease will be administered at no cost to or liability upon the Authority beyond the amount of the Pledged Revenues. To that end, the Chief Administrative Officer or an authorized designee of Chief Administrative Officer (each an "Authorized CAO Designee") shall be responsible for administering and performing all functions of the Authority (excluding the issuance of the Bonds) and shall have the power to exercise all of the rights of the Authority. Specifically, in connection with the Arena Lease executed by the Authority, *any approval, notice, direction, findings, consent, request, waiver, or other action by the Authority required under the Arena Lease, shall be exercised by the CAO or any Authorized CAO Designee*." (Emphasis Added.)

Please also see response 2(E) above.

4. Declaration of Surplus property – is this a normal process? Any fiscal implication of this?

RESPONSE:

Yes, as set forth in City Code Section 8-65, anytime the City sells its real property, City Council must first declare the property surplus.

The City will receive $15.8 Million for the sale of property. The Master Plan exhibit requires a minimum capital investment on the private development parcels (which are currently tax exempt and will become taxable upon conveyance) of over $1.3 billion, collectively.

Additionally, certain outstanding debt on the Coliseum will be defeased, the City will avoid the cost of continued upkeep of the Coliseum, the City will avoid the cost of demolishing decaying public buildings (e.g., Coliseum and Public Safety Building), and the City will receive new and enhanced r/w infrastructure constructed at private expense. Please also see the attached information prepared by the City's financial advisor for a breakdown of the project's fiscal implications as a whole.

5. How does a public entity transfer land to a private entity?

RESPONSE

Pursuant to the Constitution of Virginia and the Code of Virginia, localities are authorized to sell and convey real property to outside entities – both private and public. Such dispositions cannot occur until the governing body has first held a public hearing (Va. Code 15.2-1800) and, in the case of cities and towns, a three-fourths majority of the governing body has approved the sale.

Virginia Code - 15.2-1800. Purchase, sale, use, etc., of real property.

B. Subject to any applicable requirements of Article VII, Section 9 of the Constitution, any locality may sell, at public or private sale . . . or otherwise dispose of its real property . . . provided that no such real property, whether improved or unimproved, shall be disposed of until the governing body has held a public hearing concerning such disposal.

Constitution of Virginia - Article VII. Local Government

Section 9. Sale of property and granting of franchises by cities and towns

No rights of a city or town in and to its waterfront, wharf property, public landings, wharves, docks, streets, avenues, parks, bridges, or other public places, or its gas, water, or electric works shall be sold except by an ordinance or resolution passed by a recorded affirmative vote of three-fourths of all members elected to the governing body.

. . . .

Virginia Code - § 15.2-2100. Restrictions on selling certain municipal public property and granting franchises.

A. No rights of a city or town in and to its waterfront, wharf property, public landings, wharves, docks, streets, avenues, parks, bridges, or other public places, or its gas, water, or electric works shall be sold except by an ordinance passed by a recorded affirmative vote of three-fourths of all the members elected to the council, notwithstanding any contrary provision of law, general or special, and under such other restrictions as may be imposed by law. Notwithstanding any contrary provision of law, general or special, in case of a veto

by the mayor of such an ordinance, it shall require a recorded affirmative vote of three-fourths of all the members elected to the council to override the veto.

. . . .

6. What is the framework we are setting up to realize an economic development scenario?

RESPONSE

Studies in economic development clearly show that when a focused effort on revitalizing a specific area is achieved, then the surrounding neighborhoods benefit from this investment. Local evidence of such investments may be seen in Carytown, Manchester, Church Hill, Church Hill North, Union Hill and Scotts Addition. Thus there is a strong probability that the areas west of the Arena, specifically West Broad Street will see investments as more events are scheduled for the Convention Center and more people moving back into the core of the downtown will desire local retail. This additional investment along Broad Street could be spurred on by new streetscape improvements.

7. Is tourism the dominant economic driver? Why is only 1% to arts, culture and tourism?

RESPONSE

Tourism will be greatly benefited by the project. Notably, Richmond Region Tourism has indicated that the biggest need for GRCCA is a convention center hotel as the City lost over 49,000 hotel room nights last year because conventions that wanted to come to Richmond had to pass the city over due to insufficient lodging availability. The project's convention center hotel will greatly increase RRT's ability to secure conventions bringing in thousands of non-Richmonders paying for not only lodging but meals, parking, retail, and more.

The recommendation to dedicate 1% of surplus revenues to arts/culture/tourism is similar to the City's percent for the art program, which dedicates 1% of certain CIP project cots to public art. The larger percentages to schools and infrastructure are due to prioritizing those most important city needs.

8. What is the history for the 2% rate? Please provide annual numbers as to what the growth rate has been over the last 10 years and how it is calculated.

RESPONSE

Please see the below table showing the city-wide assessed taxable value of real property for each year from 1999 until 2019. The sources for the assessed values are various City Comprehensive Annual Financial Reports (CAFRs) as reported by the Assessor. The table shows that the city-wide assessed value of taxable real property has grown significantly over the past 20

years - from $9,240,351,781 in 1999 to $24,723,042,000 in 2019. The total growth rate over that period far exceeds a 2% per year average.

-	Residential	Commercial	Total Assessed Value (incl. tax exempt)	Less Tax Exempt	Taxable Assessed Value
1999	5,173,535,791	6,073,281,040	**11,246,816,831**	2,006,465,050	**9,240,351,781**
2000	5,408,964,656	6,349,654,161	**11,758,618,817**	2,240,265,650	**9,518,353,167**
2001	5,745,560,736	6,744,788,690	**12,490,349,426**	2,210,297,652	**10,280,051,774**
2002	6,473,254,985	7,599,038,460	**14,072,293,445**	2,892,351,707	**11,179,941,738**
2003	7,396,450,777	8,358,905,035	**15,755,355,812**	3,103,519,875	**12,651,835,937**
2004	7,930,422,754	8,649,174,035	**16,579,596,789**	3,344,887,395	**13,234,709,394**
2005	9,448,941,200	9,291,733,951	**18,740,675,151**	3,661,451,800	**15,079,223,351**
2006	10,739,603,660	9,246,483,112	**19,986,086,772**	3,914,062,202	**16,072,024,570**
2007	12,273,304,550	11,495,448,724	**23,768,753,274**	4,726,230,820	**19,042,522,454**
2008	13,189,929,800	12,416,702,435	**25,606,632,235**	5,000,713,600	**20,605,918,635**
2009	14,501,085,200	12,117,784,643	**26,618,869,843**	5,519,840,800	**21,099,029,043**
2010	12,657,788,000	14,263,768,672	**26,921,556,672**	5,827,518,000	**21,094,038,672**
2011	12,019,466,000	13,786,267,222	**25,805,733,222**	5,918,281,000	**19,887,452,222**
2012	11,908,691,000	13,751,070,000	**25,659,761,000**	5,943,230,000	**19,716,531,000**
2013	11,527,422,000	13,981,508,000	**25,508,930,000**	6,024,864,000	**19,484,066,000**
2014	13,873,758,000	11,897,960,000	**25,771,718,000**	6,183,459,000	**19,588,259,000**
2015	14,322,697,000	11,976,725,000	**26,299,422,000**	6,268,127,000	**20,031,295,000**
2016	14,986,306,000	12,803,864,000	**27,790,170,000**	6,908,330,000	**20,881,840,000**
2017	15,650,193,000	13,250,426,000	**28,900,619,000**	7,304,849,000	**21,595,770,000**

2018	16,632,993,000	13,536,643,000	**30,169,636,000**	7,458,753,000	**22,710,883,000**
2019	18,219,437,000	14,252,708,000	**32,472,145,000**	7,749,103,000	**24,723,042,000**

9. Does the City own the arena as it is built on a ground lease?

RESPONSE

The arena site will be conveyed from the City to the EDA and the EDA will enter into a ground lease, as Landlord, with NHDC, as Tenant. As set forth in the ground lease, the arena Improvements will be Public Assets owned by the EDA.

Arena Lease

7.11 Title to Improvements. Landlord shall own all Improvements financed in whole or in part by the Bonds and all Additional Construction, restoration work, Routine Maintenance Renewal Work and all improvements, appurtenant fixtures, machinery and equipment installed upon the Premises ("Public Assets"). Public Assets exclude any Personal Property of the Tenant. Upon installation or construction of any portion of any Public Asset by Tenant or any Tenant Party on or within the Premises, legal title of such portion of such Public Asset will automatically transfer and vest in Landlord, and Tenant will deliver any documentation reasonably requested by Landlord necessary to effectuate such legal title transfer.

During the Term, for federal income tax purposes, Tenant shall be the "tax owner" of the Improvements except for Public Assets, including all Additional Construction and all appurtenant fixtures, machinery and equipment installed therein (except for Personal Property) and shall be entitled to depreciation deductions and any tax credits with respect to the Improvements, including all Additional Construction and all appurtenant fixtures, machinery and equipment installed therein (except for Personal Property).

At the expiration or earlier termination of this Lease, title to the Arena Project and all Improvements not already transferred to Landlord, including appurtenant fixtures (but excluding Personal Property), will vest in Landlord without further action of either Landlord or Tenant and without compensation or payment to Tenant. Tenant and its Subtenants shall have the right (unless otherwise purchased at fair market value by the Landlord) at any time, or from time to time, including, without limitation, at the expiration or upon the earlier termination of the Term of this Lease, to remove Personal Property from the Premises; provided, however, that if the removal of Personal Property causes damage to the Premises, Tenant shall promptly cause the repair of such damage at no cost to Landlord.

10. What is the impact of the new development on residents who currently live in the communities?

RESPONSE

There are currently no residents living in the blocks that are part of the Navy Hill project.

A recent analysis performed by the Planning staff indicates the following number of people living within 1/4 and ½ mile of the Navy Hill project:

Quarter-Mile Buffer

- Total Population: 545 (ACS 2013-2017 5-Year Est.)

Half-Mile Buffer

- Total Population: 9,052

Households that live in Jackson Ward and Monroe Ward will be impacted the most from the development of Navy Hill. A portion of the RRHA Gilpin Court public housing development site is also within one half mile of the Navy Hill development site and may also be impacted by the new investments.

Positive impacts will be the availability of more retail stores and a food market at the Blues Armory. In addition there will be up to 9,300 new jobs in retail, entertainment and hospitality created by the investment. Negative impacts include additional traffic to neighborhood streets and the probability that over time real property tax assessments may rise due to the increase in desirability to live closer to a vibrant downtown. This may create greater gentrification of the overall area. The Administration is working on a number of affordable housing strategies to allow gentrification without displacement that will be part of an Affordable Housing Strategy.

11. What is the impact of redevelopment on the homeless?

RESPONSE

Both the Department of DSS and HCD are completing a Strategic Plan to End Homelessness. The Plan will focus on partnering with the non-profit and faith-based communities to implement a holistic strategy to end homelessness in the City. The goal of the plan is to provide the homeless with shelter and services at a variety of locations throughout the City.

12. How does the project change the current travel pattern?

RESPONSE

The current proposal under consideration reestablishes the street grid network by re-opening Clay Street between 5th Street and 10th Street. Leigh Street will be reconfigured to emphasis people who walk as the modal emphasis. All proposed design work will follow our Better Streets Manual to serve all users (people who walk, roll, bike, ride transit, and drive) and implement Vision Zero speed management and design principles to improve safe access to a core downtown area. Other existing travel patterns are anticipated to remain the same at this time. Please see the attached Planning Commission staff report for additional information.

13. Job creation – where do the jobs actually come from? Davenport's analysis is only a bullet on this and doesn't say how it actually works.

RESPONSE

Please see the attached study performed by VCU CURA for analysis related to the projected creation of over 21,000 total jobs – 9,000+ of them permanent.

The Hunden Strategic Partners fiscal impact analysis performed for the City also includes analysis of employment impacts (direct/induced/indirect) and utilizes a FTE metric. The Hunden analysis can be found here: http://www.richmondgov.com/PressSecretaryMayor/robocopy/documents/HundenStrategicNoB.pdf

14. How does an already burdened City staff keep up with the enormous demands of this project?

RESPONSE

Each Department Director was tasked with identifying what their needs would be to support the Navy Hill project both during development, construction and ongoing operations. These requests are identified in the Ordinance and Resolution Request and Fiscal and Economic Impact Statement. Because the Navy Hill project is not a CIP project, the impacts on the City's staffs are greatly reduced.

The Fiscal and Impact Statement includes six additional staff for the Department of Planning and Development Review at approximate cost of $500,000/annually for five years to address the City's ability to perform its regulatory role in reviewing, permitting and inspecting the various structures in the development without any detrimental impact to reviews outside of this project. Another approach available to the City is to hire a third party firm to review, and inspect the structures.

Additionally, Section 7.3 of the Arena Lease provides for the Landlord's (EDA/City) use of a portion of bond proceeds to hire a dedicated "Project Monitor" tasked with reviewing plans and overseeing the Tenant's construction on behalf of the EDA/City – the Project Monitor will

significantly reduce the demand of city staff time needed for contractual reviews and administration.

15. How can we prevent private property owners in the IFA from feeling targeted to generate additional taxes?

RESPONSE

Private property owners in the IFA will be treated the same as all other tax payers in the City of Richmond. There will be no increased tax rate or any special taxes levied. Private property owners in the IFA will continue to pay taxes as they always would.

16. How does an intense retail corridor on E Clay Street work? (Note: referring to the street-oriented commercial designation). Please provide the decisions and analysis that led to that kind of determination or zoning.

RESPONSE

The street-oriented commercial designation is used in the newer or newly-amended zoning districts (TOD-1, B-7, B-4, B-5, B-6, RF-1 and RF-2). In these districts, dwelling units, when located on streets designated as street-oriented commercial or priority frontage, must have one-third or 1,000 square feet (whichever is greater) of the floor area of the ground floor dedicated to other principal uses permitted in the district. Please note that while the development does propose a good deal of retail square footage, street-oriented commercial does not specify retail. PDR is interested in activating the street by requiring uses on the ground floor of buildings, without creating undue hardship by specifying that it must be retail.

The street-oriented commercial designation serves another purpose in the amended CM district. While the district as amended permits far greater square footage of signage as well as off-premises and animated signs, PDR staff believed that it was important to have one pedestrian-oriented street on which the signage was of a more traditional size. The amended signage language differentiates between signage throughout the district and signage on streets designated as street-oriented commercial. On the latter, the signage size and type is the equivalent of Carytown or Brookland Park Boulevard.

Lastly, the reopening of Clay provides a unique opportunity to provide a central location to "knit together" all of the significant numbers of employees, guests, visitors, and residents in an area that is woefully under-served by convenience, and destination retail. Clay has the real potential to become the "main street" of the Navy Hill area and areas surrounding it.

Please see the attached Planning Commission staff report for additional information.

17. Please provide a land value assessment for the parcels that will be sold.

RESPONSE

Please see response # 1 in the attached responses to questions posed by City Council at its Sept. 23 work session.

19. Can you make any guarantees regarding the acceptance of vouchers? Can Gilpin Court residents move in?

RESPONSE

Development Agreement Section 9.2 requires acceptance of Housing Choice Vouchers as follows – "The Developer and any owner of any Private Development Parcel on which Affordable Housing Units are provided shall accept Housing Choice Vouchers from the Richmond Redevelopment and Housing Authority as part of any rental payment from a resident; however, neither the Developer nor any owner of any Private Development Parcel on which Affordable Housing Units are provided shall be required to give preference to a resident using a Housing Choice Voucher over a resident not using a Housing Choice Voucher."

19. What percentage of jobs are FTE?

RESPONSE

Please see the attached study performed by VCU CURA for analysis related to the projected creation of over 21,000 total jobs – 9,000+ of them permanent.

The Hunden Strategic Partners fiscal impact analysis performed for the City also includes analysis of employment impacts (direct/induced/indirect) and utilizes a FTE metric. The Hunden analysis can be found here:

http://www.richmondgov.com/PressSecretaryMayor/robocopy/documents/HundenStrategicNoB.pdf (See Table 1(Executive Summary Page 7) and Table 9-5 (Chapter 9 Page 6). Hunden estimates approximately 6,600 FTEs by year 5, approximately 7,000 FTEs by year 10. In total, Hunden estimates those jobs will result in over $11.1 Billion in net new earnings over the first 30 years.

20. Why are you including the Leigh Street Regrade in today's presentation? Is it in the deal or not?

REPSONSE

At this time, a regrade of Leigh Street in not included in the project. However, other adjustments to reconfigure Leigh Street are included in the project as set forth in Exhibit H to the Development Agreement ("Right-of-Way Reconfiguration Conditions"). (Please find Exhibit H

via the following link: http://www.richmondgov.com/Mayor/documents/Tab%20H%20-%20Dev.%20Ag.%20Exh.%20H%20-%20Right-of-Way%20Reconfiguration%20Conditions.pdf)

Those improvements to Leigh Street not only adjust the development blocks as needed (for example, to allow for the wrapping of the parking garage with active uses) but are also tailored to improve walkability along with the other infrastructure improvements that will reopen E. Clay Street from N. 5th to N. 10th St., reopen N. 6th St. from E. Marshall to E. Clay St. as a public pedestrian plaza, and to straighten N. 5th St. and N. 7th St. Notably, the project includes a ten-foot wide sidewalk along the south side of Leigh Street at grade with the arena and development blocks (see the pedestrian access easement along Leigh St. on the drawing attached to the Right-of-Way Reconfigurations exhibit).

Proceeding with the project as presented does not preclude a future regrading/raising of Leigh St. Moving forward, the City will work collaboratively with Navy Hill to pursue potential funding from the state or other entities as best benefits the City's needs.

21. Please identify each entertainment, tourism, or event space in the city that receives any type of financial support or tax abatement support from the city (e.g., convention center, performing arts center, blues armory, etc.) and provide a five year history of the city funds provided to each such facility.

RESPONSE

These numbers will be forthcoming.

22. Please provide an estimate of the number of multifamily units newly constructed in downtown Richmond in each of the last five years.

RESPONSE

These numbers will be forthcoming.

RESPONSES PROVIDED BY NHDC

1(A). What is the ability of the arena to support itself – can you show a breakdown of what the formula is for revenues and please provide information in writing as to where we are in regard to sponsorship revenues.

NHDC RESPONSE

The breakdown of how a Richmond Arena would operate profitably is shown in the CSL analysis within NHDC's RFP response (dated February 9, 2018).

Modern arenas that are designed to properly support touring shows, sports tournament play, and potential sports teams as tenants, routinely make an operating profit. While it is not unusual for older arenas that have limitations as a result of outdated bowl configurations and inadequate operational features (like the current Coliseum) to operate at a deficit, those that follow proven principles of arena programming and design, as well as engage professional operators, all regularly make a profit.

In the decades since the Coliseum was built, there has been a renaissance in the design and operations of U.S. arenas. The techniques of how to maximize operating revenues are well-known by the NHDC team of arena developers, architects, contractors and operators. These include:

1. Ease of staging events, including load-in, load-out, show rigging, performer support, etc.
2. Integrated marketing partnerships (sponsorships)
3. Premium seating programs
4. Arena size and its ability to dominate a regional market
5. Flexibility of staging diverse events, etc.

Given the robust health in the Richmond regional market for shows and other events, an efficient well-programmed new arena design, and an experienced private operator, the new Richmond Arena is projected to operate with sufficient annual profit that it has attracted at-risk operator interest from the most experienced facility operators in the US. Furthermore, the confidence in profitable return on investment is supported by the Arena Lease which puts the risk of any operating deficits on the Operator.

This distinction is important. To date, the Coliseum was operated by paying the operator a fixed fee, with nothing at risk if it failed to make a profit. Given its age, bowl configuration, and deferred maintenance, the Coliseum has not made a profit in its most recent years of operation.

Third-party analysts, CSL International, provided an initial assessment of an assumed business model for new Richmond arena that took into account the assumption of Operator risk. Their analysis is included in NHDC's RFP response dated February 9, 2018 and is available online. Their conclusions have been subsequently borne out through discussions with private operators who have competed for the opportunity to enter into a long-term, at-risk agreement to operate the new arena.

Once NHDC has consummated an agreement with its preferred private, at-risk arena operator, a breakdown of those proposed sources and uses of funds will be provided to the City.

<u>1(B). Information in writing as to where we are in regard to sponsorship revenues, especially the naming rights for the arena since this is expected to be the main single source of sponsorship revenues. Have the naming rights been sold, and if so to what company? What are the current negotiated terms concerning total amount, duration, and payment stream? Are there draft</u>

contractual arrangements with other major sponsors, and if so what is the total amount involved with these? What is the current draft contractual language in the financing documents concerning application of sponsorship revenues towards bond repayment? This is important because the developer agreement defers to the financing documents for details on sponsorship.

NHDC RESPONSE

Before addressing each of the specific questions below regarding the status of sponsorship (marketing partnership) sales in the proposed new Richmond Arena, it is instructional to understand how the development team has approached this subject, including the initial steps of a feasibility analysis identifying the region's corporate base, levels of interest in participation, establishing values for various marketing partnership levels, and finally, developer confidence in consummating these partnerships at the appropriate point in time when contractual commitments will need to be in place to provide assurances to the bond underwriting.

The approach included market research, focus group discussions with various corporate leadership teams within the Mid-Atlantic region, the vetting of integrated marketing partnership programming and concept ideas to be incorporated within the arena design itself, and, most importantly, the sales protocol itself – who is asking whom to participate in the program.

The goal of securing the highest possible level of regional and national sponsorship participation in the new arena must be as rigorously programmed as the design of the arena itself, so arena architects as well were engaged in the analysis.

When looking at the potential for long-term marketing partnerships in a state-of-the-art arena, Richmond enjoys several advantages over other cities of comparable size. These include:

- Richmond is the Capital City of a large and consequential State that is currently not well served by an arena of this scope. There are approximate 80 arenas in the U.S. over 15,000 seats, and none of those exist in the Commonwealth of Virginia.
- Richmond is home to seven Fortune 500 companies, with 14 additional F500 companies located within the Commonwealth.
- An arena positioned as this one will be – in the urban core, next to the GRCC, the Bio+Tech Park, and the VCU Health Systems campus – will be able to offer a very high-profile B to B benefit to marketing partners.
- The arena will be associated with an exciting and diverse mixed-use development that itself will have a regional and even national profile.

The experience of the development team itself is a major contributor to creating added value to an arena marketing partnership program in Richmond:

- **The arena developer** – members of Capital City Partners are innovators in public/private arena development and have helped to create integrated sponsorship programs in dozens of successful arenas throughout the US.
- **The arena architects** - HOK, have earned international respect in the design of arenas that feature creative revenue producing elements like sponsorship showcases, and premium seating and suite programs that support sponsorship fulfillment.
- **The arena operators** –selected from an elite shortlist of national and international facility managers experienced in the business of maximizing arena revenues. In this case, the operator's investment return is linked to the successful execution of a robust marketing partnership program, so there is additional motivation to secure high value partnerships
- **The Navy Hill Foundation Board** – who have been, and will continue to be, a primary force in promoting the advantages of business partnerships between Richmond's regional businesses and the new arena, and in helping to secure commitments from Richmond's largest and most consequential employers. These board members have participated in other similar and successful programs to promote a better Richmond and are in a position to make the case for a high-value arena marketing program to these companies.

The protocol to date has been that the development and design team has created a hierarchy of marketing partnership categories and have used these to test the market in one-on-one presentations with candidate companies. These categories included:

- Arena Naming Rights (1)
- Founding Partner (6+)
- Sustaining Partners (10+)

The value of the first two categories is believed to be approximately $2.8M min, with $2.21M of that total dedicated to arena bond underwriting. At the appropriate time in the procurement process with the City, and as the arena operator is fully in place, these marketing partnerships will become contractually obligated – a requirement for bond underwriting.

Candidate businesses with which the developer has already engaged have been identified from a well-known list of the area's largest employers. These companies are all active in regional business associations, philanthropic boards, and other traditional organizations. Each of these candidate companies have a desire to see a successful Navy Hill and a new Arena developed as it helps to solidify Richmond as a place where their current and future workers want to live. Navy Hill and the Arena gives their recruiters additional features and benefits to tout when promoting Richmond as a city with diverse benefits.

Some of these marketing partner candidates have already invested on the arena project, even prior to Council authorization, which is a testament to the importance these companies place the project. Until there is Richmond City Council authorization for the project, these marketing partnerships will remain confidential.

With that background as context, the answers to the specific Commission questions below are as follows:

- Sponsorship Q1. Information in writing as to where we are in regard to sponsorship revenues, especially the naming rights for the arena since this is expected to be the main single source of sponsorship revenues.

    - **Sponsorship A1.** The groundwork necessary to secure the arena's naming rights as well as most of the Founding Partner sponsorship categories has been accomplished by the Navy Hill development team with enough certainty to allow initial design of the arena to be underwritten. These marketing partnerships will be shared with the arena operator when that agreement has been consummated, and it will be the arena operator who will finalize, in writing, these agreements. The agreements ($2.21M identified in the revenues required) will become part of the bond underwriting.

- Sponsorship Q2. Have the naming rights been sold, and if so to what company?
    - **Sponsorship A2.** Yes. The arena naming rights and other marketing partnerships will remain confidential until Council approval.

- Sponsorship Q3. What are the current negotiated terms concerning total amount, duration, and payment stream?
    - **Sponsorship A3.** The terms of the partnerships vary. Most are annualized, while some are a lump sum to facilitate the development of a specific feature of the arena. Durations will vary from a one-time contribution to 20-year terms for the naming rights. Founding partners will be between five- and ten-year durations

- Sponsorship Q4. Are there draft contractual arrangements with other major sponsors, and if so, what is the total amount involved with these?
    - **Sponsorship A4.** Yes, those Marketing Partners who have already committed to up-front payments, required to advance the arena design, all have agreements in place. To date those contributions have totaled over $4 Million and are part of terms that will be shared following Council approvals.

- Sponsorship Q5. What is the current draft contractual language in the financing documents concerning application of sponsorship revenues towards bond repayment? This is important because the developer agreement defers to the financing documents for details on sponsorship.
    - **Sponsorship A5**. The bond offering will be drafted 60-90 days in advance of any bond sale. Specific contractual language concerning necessary sponsorship funds directed to bond repayment will be drafted during this period as a "condition precedent" to the bond sale.

2. Are there any private dollars in the Coliseum proposal?

NHDC RESPONSE:

Yes. There is a significant at-risk private investment in the New Arena. This comes in several forms, including:

1. **Marketing Partnerships**, both pre and post City Council approval. In order to advance design and cost analysis of the new arena (necessary to establish a proposed bond amount), the arena design has advanced to a "design development" stage, which is an industry term that describes the level of architectural design completeness. To get to this stage in the process, millions of dollars were required to pay a wide range of specialty consultants with unique experience in this building type, including the arena architect HOK, structural and MEP engineers, sustainability consultants, geotechnical consultants, cost estimators and others. The source for these funds has been in the early round of a marketing partnership program created by the developer that will continue when the arena opens under the direction of the arena's private operator. Marketing Partnerships are a traditional source of private funding in arenas used for both construction and ongoing operations. In this case it has been utilized to advance the project without any public funding. Annually, the marketing partnership program is projected to generate $3-4 million of private investment available for arena operations, and a portion to pay the debt service on the bond.

2. **Private Arena Operator Investment.** As is the case with the GRCC, the Altria Theater and other public assembly venues in the area, the arena will be operated by an experienced private operating company. Uniquely to the new arena however, the operator will be required to provide substantial capital investment in the arena construction and operations. These include:
    a. Underwriting the cost of arena Furniture, Fixtures and Equipment
    b. All pre-opening expenses
    c. Funding of a contractually obligated annual repair and replacement fund
    d. Assumption of any operating losses without recourse to either NHDC or the City

3. **Suite, Club Seats, and other premium inventory advance sales**. Unlike the current Coliseum, a substantial source of revenue available to fund the arena operations will come from contracts with Richmond regional companies for suite and club seating licenses. The term of these contracts is between 3 and 10 years and serves as a diverse, private corporate

investment in the arena. Whereas the maximum of amount of suite revenue possible from the current Coliseum's nine suites is about $200,000 / annually if all of that inventory had been sold (it wasn't), the amount of such revenue expected in the new arena, which includes 28 suites and 34 Club boxes, along with annualized club seating sales is projected to be approximately $3 million annually.

3. What is the bond amount, term, interest rate and the maturity of the bond? Where is the security for the bond provided?

NHDC RESPONSE

Based off of the total revenues available in MuniCap Projection No. 26, the following bond terms are as follows:

1. Bond Amount: $311,495,000.00
2. Term: Approximately 28 years
3. Assumed Rate: 5.50% Tax-Exempt, 7.25% Taxable
   a. Note: These rates are subject to change subject to market conditions at the time of bond issuance, expected 4/1/2020.
4. Maturity: Weighted Average Maturity is 20.12 years.
5. The security for the bonds are the pledged revenues, which include incremental real estate, meals, sales, lodging, admissions and BPOL taxes. Other pledged revenues that serve as security for the bonds are portions of the Arena sponsorships and incremental parking revenues within the Navy Hill development area.

4. What are the number of residential units and affordable housing units in each of the parcels?

NHDC RESPONSE

The following table shows the overall number of planned residential units and a breakdown of the affordable units and the market rate units within each Block:

Block	Market Rate Units	Affordable Units	Total
A2	188	42	230
B	169	44	213
C	190	23	213
E	65	21	86
I	438	51	489
N	453	57	510
U	341	42	383

Total	**1,844**	**280**	**2,124**

5. What is the sequencing and timing of the total development?

NHDC RESPONSE

The current timing and sequencing of the total development, as shown in the table below, is predicated on the Council's approval of the Development Agreement before the end of year 2019.

Block	Construction Start	Construction Completion
A1	7/18/2020	3/1/2023
A2	7/30/2021	3/1/2023
A3	7/1/2021	3/1/2023
B	4/17/2022	10/19/2023
C	6/7/2021	4/5/2023
D	12/10/2021	12/4/2023
E	8/29/2021	1/3/2023
F	12/11/2020	1/3/2023
I	6/12/2023	1/11/2025
N	8/12/2023	5/10/2025
U	6/12/2022	3/10/2024

6. What is the current bond debt payment schedule for the bond both on the standard 30 year amortization period and the planned 21 year accelerated payment?

NHDC RESPONSE

The bond debt payment schedule is provided in MuniCap Projection No. 26 dated October 10, 2019 in Schedules XXII and XXIII.

7. Tax rates versus future tax rates – is 2% a safe assumption for future growth? Retail in an uncertain market – where do these assumptions come from?

NHDC RESPONSE

Annual growth rates of 2% are reasonable and conservative over the long term. This assumption takes economic slowdowns as well as expansions into consideration. In other markets within the Commonwealth of Virginia (such as Northern Virginia), projected annual growth of 3% or higher is an accepted assumption.

Consideration for this growth rate referenced historical data from the Bureau of Labor Statistics as well as Richmond's role as a regional employment hub.

It is well documented that the real estate market in Richmond has been growing rapidly in the last decade. In a market feasibility studied completed by H R & A, it was found that multi-family rents in Richmond have grown at an annual rate of 2.5% over the last five years. When a new residential area or neighborhood is established, the demand for service-based retail and restaurants is created. With the amount of planned residential development within the Navy Hill area, it is essential that enough retail is delivered to support the community's needs. This north of Broad quadrant of the downtown is currently bereft of restaurants and service retail yet has a daytime workforce of well over 15,000 people.

This area is also designated by the FDA as a "food desert" for the lack of any grocery store presence. The Navy Hill master planning work and the associated significant feasibility research and analysis solved for the proper balance of needed retail support for this redeveloped area within the downtown.

8. Please provide a flow chart based on the conditions precedent or the structure of the project as well as a visualization of a series of the transactions that will need to occur.

NHDC RESPONSE

See attached Flow Chart exhibit.

9. What is the anticipated security package? There is no lien on the arena, so how are the bonds secured?

NHDC RESPONSE

The bonds are secured by the pledged revenues. The revenue pledge is detailed within the Cooperation Agreement and the Grant Agreement. The pledged revenues obligated are only the incremental revenues.

10. Show us why we think the sources of revenue for operation and maintenance – non-routine – are sufficient for those expenses.

NHDC RESPONSE

The initial analysis of this is found in the CSL study within the NHDC RFP response, Feb 9, 2018, and available online.

A summary explanation:

1. The Coliseum operated for many years without a repair and replacement fund in place. And like other underperforming aging assets, the City made a choice not to invest limited resources in order to keep things. With its own history of neglected Coliseum repairs and replacements, the City has required that the new arena operating agreement ensure a well-funded and transparent cap-ex program.

2. The entity that has primary concern over a well-maintained arena is the at-risk operator who will have a long-term agreement to run the building. Unlike the Coliseum, whose operator was simply paid a fee whether or not the Coliseum made a profit, the new operator is on the hook to make the arena as attractive to promoters, teams, and patrons as possible. Beyond that obvious self-interest, it is also contractually obligated to do so.

3. In the early years of a new arena, there are both contractor warrantees and equipment warrantees, so the risk of "non-routine" maintenance expenses are low. Nevertheless, NHDC and the City both have required a cap ex reserve fund to be in place over the years. Those requirements can be found in Exhibit B1 to the Development Agreement – Form of Arena Lease, page 59, Section 8.4.

4. Given the at-risk nature of the operating agreement, the experience of the operator in other similar venues, the initial capital investment the operator is making in the building itself, and the contractual obligations that include recourse to remove the operator in the event the operator does not perform, we believe the arena is well-protected to enjoy a long operating life well beyond bond repayment.

11. Is the equity commitment provided as security for the bonds?

NHDC RESPONSE

Not directly but the bond offering for the arena will emphasize the nature, magnitude and timing of the surrounding new development that is needed to support the bond repayment. The prospective bond buyers will be evaluating the "conditions precedent" that the City has established within the Development Agreement to assure the bond buyers that the new private development will occur as planned and will generate the projected revenues to support bond repayment. These are sophisticated institutional investors who are experienced in making these types of risk assessments.

12. How will the City, EDA, NHDC control or facilitate pricing in office space, parking, in terms of accessibility?

NHDC RESPONSE

Breaking this down, the City would have involvement in negotiating parking leases or parking agreements for any Navy Hill use of City-owned parking spaces. This therefore implies that the City is involved in the accessibility related to the use of City-owned parking.

The office buildings will be privately owned, and like any other privately-owned office building in Richmond, the City does not have any involvement in the pricing or operation of privately-owned office space.

The EDA is not involved.

NHDC provides oversight to the private development components of the project to ensure compliance with the agreements between the City and NHDC that govern the overall redevelopment.

13. How will it impact surrounding communities?

NHDC RESPONSE

On the west side of the development, the GRCC is actively promoting the importance of the Navy Hill - with its proposed convention hotel development - for tourism. Both the arena and the hotel are important complements for a healthy convention and tourism business.

The VA Bio+Tech Park to the North, the centerpiece component of the local entrepreneurial ecosystem, benefits greatly from the Navy Hill project. Supporting and advancing the interests of the various industries there, president and CEO of the park, Carrie Roth, is eager to see the blighted and deteriorating Coliseum area replaced with a well-planned, mixed-use community with services that do not exist in the area.

To the east, Court End and VCU health systems campus are fully supportive of the Navy Hill project.

The Valentine's director, Bill Martin, has been an outspoken advocate of Navy Hill development since its conception as it will serve to open up Court End to other communities by reconnecting Clay Street. Similarly, the VCU Health System's campus is a strong advocate for the project as it provides necessary new resources for its staff and patients through new market-rate and affordable housing for staff, walkable and connected streets, new service retail, and new office uses to support expanding programs.

NHDC has also initiated discussions with property owners in Jackson Ward to determine ways in which businesses there can be lifted up from the development, as has happened in other

cities. The focus has been primarily on improving the Marshall Street connection to tie the two areas together in a better way, and initial discussions on how 2nd Street can benefit from new entertainment tourism.

14. How was the number of housing units, affordable units vs. market rate, amount of retail, size of the arena developed – did the City consult?

NHDC RESPONSE

The overall program for Navy Hill was developed through market-based analyses and best practices in urban design. HR&A conducted a 3rd party in-depth market feasibility study of Downtown Richmond and City-wide Richmond that included economic and demographic trends as well as demand drivers for residential, office, retail, and hospitality uses. The Navy Hill program utilized data from the HR&A study and other local/regional data sources to generate a masterplan and development program for Navy Hill. The Navy Hill project team also referenced real-world examples of successful mixed-use projects in similarly sized US cities where new sports-and entertainment arenas were critical and catalytic components in revitalizing formerly under-utilized districts.

Extensive feasibility analyses were conducted to validate market and financial assumptions and additional third party studies were commissioned including a hotel feasibility study performed by HVS and a residential/retail analysis performed by Noell. Additionally, studies and data analyses were conducted by the real estate firms of CBRE, Colliers and Cushman Wakefield.

Housing: The number of affordable units was determined through extended negotiations with the City. Input and analyses were obtained from local affordable housing consultant (TK Somanath) and national apartment owner and operator (Bell Partners). Considerations were given to affordability income levels, project financial feasibility, and incorporation of affordable housing units into the proposed residential mixed income buildings – both rental and for sale.

Retail Size. The project promotes ground level retail wherever possible and is largely driven by activating those areas at the base of the other Navy Hill buildings. Ground level transparency is one of the project's foundational goals. The Navy Hill team is currently working with retail brokers to determine the appropriate mix of service retail, restaurants and other ground level commercial uses that will populate the area.

Arena Size. The size of the arena was determined though market analysis, primarily based around touring concerts. It was important that it be larger than John Paul Jones in Charlottesville to attract those shows that have, over the years, been lost to that arena.

In conversations with the NCAA, the Richmond Arena will be an ideal candidate venue for rounds 1 and 2, of the men's basketball tournament, and for all rounds of the women's basketball tournament. It would not, however, be a candidate for further rounds of the men's tournament no matter the seat count. Those rounds are routinely played in large metropolitan markets with NBA arenas, not because of seat-count but because of the larger media market.

Finally, we sought out the advice of arena operators and touring concert promoters who are especially eager to begin bringing larger shows to Richmond again.

In all cases, and at all stages of the negotiations, the City was briefed on the analyses and feasibility.

15. Why can't there be a project without an arena? What if that land was put to another purpose?

NHDC RESPONSE

There is, at best, limited interest, if any, from equity investors to bring project funding to this area of downtown Richmond for projects like the hotel, commercial office spaces, retail and other uses without the careful strategic planning involved in the master plan for Navy Hill and the feasibility of a new arena to serve as the "anchor" of the mixed use redevelopment in order to attract visitors and investment from outside the City.

Arena-anchored mixed-use development is a well-established economic development approach proven in places like Kansas City, Sacramento, Allentown and many other cities throughout the country. The developer and the City are in alignment on this concept – without the arena, there is no impetus for ancillary development in this part of downtown.

16. Is the cost or benefit of solar energy included in the analysis?

NHDC RESPONSE

Not in the form of a traditional cost/benefit financial analysis, no. But solar will be prominently featured within Navy Hill as an important element of our overall sustainability plan for the redevelopment.

The Navy Hill project will be a highly visible platform for many things - the realization of Transit Oriented Development, which is a goal of the Pulse Corridor Plan, affordable housing, reintegrating walkable streets, urban connectivity, transit, etc.

Given the collection of contiguous buildings around the new arena, there is also the opportunity to showcase rooftop programs such as urban agriculture and rooftop photo voltaic arrays. Even if it is not initially as cost effective for the investors' ROI as conventional power, Navy Hill is committed to utilizing solar power.

The rooftop plan currently available online shows how the Navy Hill plan will be an exemplar of sustainable mixed-use developments in urban settings.

17. Please provide the proposed lease schedule and estimated lease costs for the GRTC transfer facility.

NHDC RESPONSE

This is in the works. There is a meeting scheduled with the new GRTC CEO on October 30th to work through what lease terms might look like for a long-term tenancy for a GRTC Transit Center within Navy Hill.

We have met with previous GRTC team members over the last several months, and most recently with the new CEO, Julie Timm. These discussions have centered on the physical planning aspects of how a transit center might work within Navy Hill Block C.

The issues tied to the lease terms for GRTC center around their potential use of Federal funds to pay for the transit center improvements. The Federal monies can be used for capital infrastructure improvements (upon FTA approval) but not for on-going operational expenses. The use of the Federal funds also require that GRTC have long term control of the improvements and the on-going funding (whether rent and/or maintenance costs) cannot be subject to annual appropriation risk. The question will be how to structure a long-term lease or occupancy rights around these funding issues. Both GRTC and the Navy Hill team are working on how best to address the terms.

18. Please provide the NH District demand estimates for the following;

—annual coliseum attendance projections

—annual hotel room night projections

—annual restaurant gross receipt projections

NHDC RESPONSE

Annual Arena attendance currently assumes two minor league sports tenants. They are a G-League basketball team and a Minor League Hockey team, utilizing the Arena 24 days/year and 36 days/year, respectively. The average paid attendance for each G-League basketball game is approximately 2,000 attendees. The average paid attendance for a Minor League Hockey game is approximately 3,500 attendees. Under these assumptions, the total annual attendance for these two categories is 174,000 attendees.

The remaining event days for the Arena include ice shows, concerts, high school/college graduations, rodeos, boxing, motorsports, etc. The average paid attendance and number of events/year for each of these categories vary. We have included a table to break down the many types of events planned with their annual figures.

In summary, there are 181 events per year with total paid attendance of 683,000 attendees.

ANNUAL EVENTS & ATTENDANCE

Events	Annual Events	Average Paid Attendance	Total Paid Attendance	Avg. Ticket Price	Gross Ticket Sales
G-League	24	2,000	48,000	$15.00	$720,000
Minor League Hockey	36	3,500	126,000	$20.00	$2,520,000
Concert - A	5	15,000	75,000	$60.00	$4,500,000
Concert - B	12	8,500	102,000	$50.00	$5,100,000
Concert - C	6	5,000	30,000	$40.00	$1,200,000
Family Shows	10	3,250	32,500	$19.50	$633,750
Ice Shows	8	2,500	20,000	$25.00	$500,000
Motorsports	3	6,500	19,500	$25.00	$487,500
Rodeos	2	7,000	14,000	$32.00	$448,000
Boxing	1	7,000	7,000	$20.00	$140,000
Religious	6	6,500	39,000	$0.00	$0
Other Sports	10	5,500	55,000	$10.00	$550,000
HS Basketball	2	2,000	4,000	$9.00	$36,000
Graduations	10	3,500	35,000	$0.00	$0
Miscellaneous	40	1,000	40,000	$0.00	$0
Entertainment	6	6,000	36,000	$25.00	$900,000
TOTAL	**181**	**3,773**	**683,000**		**$17,735,250**

Annual hotel room night projections vary each year. In the first year, we assume an occupancy rate of 67%. Since there are 541 rooms and 365 days in the first year, we calculate the annual room nights in the first year to be 132,302 room nights. To check this, you multiply:

Number of rooms x Number of days in a given year x Occupancy rate

Check: 541 rooms x 365 days x 67% = 132,301 annual room nights

We anticipate that one year after the hotel opens the hotel operations will stabilize and a higher occupancy percentage of 70% will reflect that. Depending on the year, and if any particular year is a "leap year" (366 days), the total annual room nights will be either 138,226 or 138,604 upon stabilization of hotel operations. To check the math of this, the same equation used previously also applies:

Check: 541 rooms x 365 days x 70% = 138,226 annual room nights

541rooms x 366 days x 70% = 138,604 annual room nights

Annual restaurant sales vary according to when our anticipated restaurants open which is largely dependent on the construction schedule of each respective block. We assume a mix of

60% restaurant uses and 40% retail uses for each block, with the exception of Block F and Block I. At this time, Block F assumes no retail space while Block I assumes no restaurant space.

The methodology used to determine the annual restaurant sales in any given block takes several factors into account:

1. Number of Gross Square Feet for any given restaurant on any given block.
2. A vacancy factor to account for unleased restaurant space.
    a. We assume 7%.
    b. Applying this vacancy factor the Gross Square Footage arrives at what is called "Occupied Square Feet".
        i. Example: If there are 10,000 Gross Square Feet available for a restaurant, after 7% vacancy is applied we now have 9,300 Occupied Square Feet.
3. The timing of absorption for restaurant space on any given block.
4. The average restaurant sales per square foot based on a set of comparable restaurants.
    a. Note: Our projections assume that the restaurants within the Navy Hill area will be fast casual.
        i. Examples include: Potbelly Sandwich Shop, Buffalo Wild Wings, Panera Bread, Texas Roadhouse, Red Robin, and Chipotle Mexican Grill
            1. These restaurants are used in the competitive set for MuniCap Projection No. 26
        ii. The weighted average sales per square foot for these restaurants is $389 per square foot. This amount is in current dollars and grows with inflation each year at 2%.

The first year of restaurant operations for each block assume only 75% of the maximum potential sales for square feet is realized. The purpose for this assumption is to be conservative. The residential components that are to be built above each restaurant will still be leasing up, so there will likely not be as much foot traffic in the Navy Hill area until stabilization occurs.

It was necessary to explain the factors that are given consideration for our restaurant sales projections due to the large jumps in total restaurant sales in the early years of the project. For example, in Schedule XV-A of MuniCap Projection No. 26 the first year of total restaurant sales is $9,085,881 because only the hotel on Block F has commenced operations. The following year, total restaurant sales jumps to $31,335,728 due to the addition of Blocks A2, A3, C, E, as well as full capture of maximum sales per square feet on Block F (100% capture instead of 75%).

The following table summarizes annual restaurant sales for the total project in the first eight years:

Bond Year	**Gross Restaurant Sales (Annual)**
2023	$9,085,881
2024	$31,335,728
2025	$51,399,180
2026	$59,605,614
2027	$61,826,984
2028	$65,019,945
2029	$66,320,344
2030	$67,646,751