

Minutes of the Navy Hill Development Advisory Commission November 16th Working Meeting

Saturday, Nov. 16, 2019

9:00
AM

Richmond Southside Government
Community Service Center
4100 Hull Street Road, Richmond, VA

Members Present

Pierce Homer (Chair), John Gerner (Vice Chair), Mark Gordon, Grindly Johnson, Suzanne Long, Dr. Hakim Lucas, Mimi Sadler, Michael Schewel, and Dr. Corey Walker.

Call to Order

Pierce Homer called the meeting to order and welcomed the attendees. These included City Council member Kimberly Gray.

Introductions

Individual commission members introduced themselves.

Approval of Minutes of the Previous Meeting

Minutes of the November 2nd meeting were approved.

Disclosures

Suzanne Long and Michael Schewel met with lawyers involved with the Navy Hill project on November 11th. Suzanne Long had a similar meeting on November 15th. Their notes on these meetings are attached.

Freedom of Information Act (FOIA)

There were no FOIA requests received between the November 2nd and November 16th meetings.

Planning Discussion about Upcoming Commission Report and Future Meetings

Proposed report organization and content was discussed. The meeting originally scheduled for November 30th has been rescheduled to December 7th. There will be an additional working meeting on December 4th.

Hallmark Presentation on Arena Demand and Synergy

Michael Hallmark is with Capital City Partners, part of the Navy Hill development team. Topics included: credentials of key arena team members; obsolescence of the Richmond Coliseum; market analysis / program for a new Richmond arena; design of the new Richmond arena; and arena-anchored mixed-used development. His presentation slides are available at:

http://www.navyhillcommission.org/2019-11-16_Michael_Hallmark_Presentation-low-res.pdf

Meagher Presentation on Arena Demand and Synergy

Rich Meagher is an Associate Professor of Political Science at Randolph-Macon College. Topics included his background, his perspective, key areas of risk, determining arena demand, synergistic effects, catalytic effects on development, and alternative paths. His presentation slides are available at:

<http://www.navyhillcommission.org/Meagher+Navy+Hill+Commission+Presentation+FINAL.pdf>

Public Comment Period

David Rose spoke about Durham's progress after the ballpark and other improvements were made, that the Navy Hill project's arena would be surrounded by simultaneous private development, and that it would increase downtown tax revenue growth. Jamal asked whether Richmond taxpayers are willing to take the risk if the Navy Hill project fails. Dr. Malcolm spoke about his workforce development and minority business concerns. Lawrence West said this project has workforce development. Marilyn Olds is Creighton Court's Tenant Council President and talked about public housing resident concerns. Sandra Antoine said that the can kicking has to stop and that this project is an opportunity to do the right thing for Richmonders. Charles Willis said that Richmond does not need the existing coliseum, it needs a new arena. Gary

Broderick said there is an asymmetry in how presentations are being reviewed and that commission members should not allow the developers to bully them. Reginald Bates supports the project but wants people to be honest about who will benefit and what will happen with jobs and affordable housing. Quinton Robbins said that his calculations show that past growth for the 80-block increment financing (TIF) area is comparable to the city as a whole. Emma Clark is a teacher that said that the Navy Hill project is being presented as a humanitarian project, when it is not, therefore alternatives should be considered. Qiana Armstead supports changing downtown to provide jobs and other benefits. Felicia Coles said the project is a great idea because it would benefit her granddaughter and be the beginning of change in the area. Allan Chipman shared the experience of Baltimore's Port Covington development in order to discuss the difference between goals and requirements. Michelle Mosby said that the Navy Hill project would be a catalyst for jobs and workforce training. Rick Bishop is the liaison for City Council member Reva Trammell, who thanked everyone for being at the meeting.

Virginia Commonwealth University (VCU) sent a letter to the commission concerning D Block of the Navy Hill Project. This letter is attached. Written public comments by others are also attached. These comments are from Mark Kronenthal and Richard Rumrill. Jeff Cartwright provided copies of his recent FOIA requests as his written public comments.

Adjournment

Audio Recording

Available at:

http://www.navyhillcommission.org/2019-11-16_Navy_Hill_Commission_Meeting.mp3

Recent Press Coverage of Commission Efforts and Members:

Richmond Magazine (November 17, 2019)

<https://richmondmagazine.com/news/news/a-tale-of-two-navy-hills/>

Richmond Times-Dispatch (November 15, 2019):

https://www.richmond.com/news/local/government-politics/williams-yes-money-changed-hands-to-put-nh-districtcorp/article_151b508e-cabf-5835-9943-60c1c263adc7.html

Richmond Magazine (November 13, 2019)

<https://richmondmagazine.com/news/news/city-council-defers-navy-hill-vote/>

Notes of lawyer meeting 11/11/19. Present in person were Mike Schewel, Suzanne Long, John O'Neill, Leonard Sledge, George Martin, Arthur Anderson, Jennifer Mullen, and on phone, Darren Glymph and Matt Neuringer. Topics discussed were:

1. Validity of bonds – contract TIF – bond lawyers indicated that 15 deals have been done in this form in Virginia. Clearly permitted by Virginia code and Richmond code.
2. Q: Why is title to the Arena in the City?
A: Title to the Arena is not in the City, it is in the EDA. The title is in the EDA and not the developer in order to protect the EDA in case of a bankruptcy by the tenant, in which case the EDA would have the right to bring in a new operator without being subject to the automatic stay and other bankruptcy delays. [Could EDA have right to reconvey to developer upon payment of the bonds?]
3. Q: Why are the bonds not secured by the Arena?
A: Because if the Arena secured the bonds, the bonds could not be issued on a tax-exempt basis.
4. Q: What is the rationale for building the Arena?
A: In addition to the role that the Arena plays in attracting convention hotel, the City made a policy decision that an Arena and the other project improvements would produce an entertainment and convention district that would enhance the growth and prosperity of the City.
5. Q: In what sense are parts of the deal cross-defaulted?
A: There are no cross-defaults to the Arena Lease, but a default in NHDC's performance under any of the parcel development agreements triggers default under Development Agreement. Default under Development Agreement results in a variety of remedies, including loss of right to purchase other parcels, loss of performance security, and ultimately, reconveyance of the property in question (subject to mortgagee rights).
6. We reviewed the conditions precedent (CPs) to issuance of the bonds in the Development Agreement. We discussed the rights the City has to assure compliance with the Development Agreement at that time the bonds are issued.
7. Q: Construction Contract - will the Developer use a single prime for the Arena or multi-primes?
A: The Developer has chosen Clark Construction for the Arena, one of the nation's leading construction companies, who, among other projects, just built the new Golden State Warriors arena in San Francisco. The form of construction contract will pass through to Clark all of the lessee's construction obligations under the Arena Lease. All of those obligations will be bonded. No liability flowing to the City simply because City has approval rights. Although no one can prevent the City from being sued, the law in Virginia is clear there is no liability.
8. \$8Million of equity will go into the Arena construction financing. That's slim. But Clark will also be guaranteeing completion on terms of contract. [Is that so? Need to confirm as CP to Bond closing.]
9. All bond proceeds funded in bond reserve at Closing, so construction funds will be available in full from Closing, disbursed as construction proceeds.
10. Q: What is the equity buffer for Arena construction?
A: Contract retainage of 5%, payment of Development Fee on pro rata basis as construction proceeds (Developer's return is really based on successful completion/construction – need to confirm), and the surety bonds. This is market for arena projects.
11. O&M contract for Arena passes through Arena Lease operating obligations to Operator.

12. Q: What if the Arena needs, say, a new scoreboard in 15 years?
A: If the Arena is making money, then the Operator will presumably want to spend the money to modernize. However, the Operator is not obligated to do that, and non-required improvements of that sort could end up being a negotiation with the EDA.
13. Q: What is the nature and schedule for the Equity Commitments referred to in the CPs?
A: The Equity Commitments will cover each of the deal components other than the Arena. The first equity portion is \$150MM which will be committed at the closing of the CAFÉ block. Need to confirm this at Bond Closing. Are there conditions to the funding of the Equity Commitments? Need to confirm.
14. Q: Are the Equity Commitments tied to the bonds?
A: No the Equity Commitments are not tied to the bonds, they will likely be pledged in some capacity to repayment of the \$290m of debt necessary to finance the development of the CAFÉ block. The commitments are connected to the bonds, though, because if bond investors are not convinced that the money is there to make the development occur, provide required debt coverage ratio (1.5:1) and eventually produce tax revenue to pay back the bonds they will not buy the bonds.
15. Q: Why will Bond Holders be concerned about the viability of the Arena, and the on-time construction of the other parts of the Project?
A: Because their debt service coverage ratio depends on the generation of the tax revenues from the new construction, admission taxes and sponsorship revenues from the Arena and meal tax revenues. (Confirm: will Bond Holders/Trustee have any sort of enforcement rights in this regard?)
16. Q: What cash flows into the deal at Bond Closing other than the Bond Proceeds?
A: Only the \$15.8MM for the development parcel purchase (and does that go to Bond Fund or straight to City/EDA?). The rest of the equity and debt comes in on the scheduled closing dates in the Development Agreement. A2, A3, F and E have to close within 12 months of Bond Closing (but will equity come in when those parcels close?).
17. Q: How do the growth in admissions taxes flow into the bond repayment?
A: Growth in volume of admission taxes collected in the TIF flow to debt service; however, growth in admission taxes from increase in tax rate goes to Developer in the form of a grant. Done in that fashion to disincentivize City from raising already high admission taxes and making Arena uncompetitive. Richmond's admissions taxes are some of the highest in the country currently.
18. Q: Will the Project affect amount City receives from State under school funding formula?
A: Yes, but in the same fashion as any taxable real estate development in the City. City believes the Project will generate more funding for schools over time than the City will lose as a result of the development (relative timing of each?).
19. Q: Why won't the TIF end when the bonds are repaid?
A: Cooperation Agreement permits City to do that (need to confirm).
20. Q: Why doesn't the City sell parcels to private developers without the Project? Why doesn't the City let the area develop organically?
A: The City does not have the infrastructure to create developable parcels without the Project. The parcels don't even exist as separate parcels and there is a significant amount of work needed to create a cohesive platform for these parcels to be developed in a way that is

consistent with the City's Master Plan. There is money baked into the Project to pay for this infrastructure and the proposal allows the development to happen quicker.

21. Q: Can VCU develop Parcel D without the project?

A: No, Parcel D is owned by the City and VCU has no rights to that parcel unless the City agrees to sell it to them, which it won't do without the Project.

Suzanne Long hosted a meeting with the following parties on Friday, November 15, 2019 at 8:30 a.m.:

Arthur Anderson – McGuireWoods LLP

George Martin – McGuireWoods LLP

Jennifer Mullen – Roth Jackson Gibbons Condlin, PLC

John O’Neill – Hunton Andrews Kurth LLP

Leonard Sledge – City of Richmond Department of Economic Development

Via conference call:

Susan Eastridge – Concord Eastridge

Michael Schewel was unable to attend due to a scheduling conflict.

Below are summaries of the questions asked by Suzanne and the responses provided by the various parties to the meeting.

1. Who will own the parcel containing the proposed VCU project?

The Project is designed for the parcel to be privately owned, with VCU as an anchor tenant of the building to be constructed on the parcel. VCU and the proposed parcel owner have undergone extensive negotiations. The proposed parcel owner has agreed to build the facilities to suit VCU and VCU has agreed to pay for a portion of the taxes for this parcel.

VCU has approached the City numerous times to purchase the parcel and the City has denied the request. If VCU were to buy the parcel there would be no tax revenue coming back to the City because VCU is exempt from paying real estate taxes.

VCU has agreed to pay its portion of taxes as a tenant in the proposed building, in part due to their desire to locate facilities in this area where they have been unsuccessful in acquiring the underlying real estate, but also in order to entice the developer entities to undertake the other proposed facilities (e.g. restaurants, residential housing and similar amenities).

2. Could VCU purchase the property from the City or ground lease the property from the City and pay a PILOT (payment in lieu of taxes)?

Although this scenario could unfold, it is highly unlikely because it would be a slippery slope for VCU. It would open the doors to VCU having to strike similar arrangements with regard to many other land holdings throughout the City and/or for any future land purchases.

3. What is the basis for Navy Hill Development Corporation (NHDC) qualifying as a 501c3 for federal tax purposes.

The IRS granted NHDC 501c3 status in May based on its role in the proposed Project, which is to lessen the burdens of government with regard to development of the Navy Hill area.

4. Why is the deal structured so that a 501c3 entity is the developer and not a private entity?

The Arena bonds can only be issued on a tax-exempt basis because the user is a 501c3. The tax-exempt status of the Arena bonds means they can be issued at a lower interest rate and therefore the overall construction costs are lowered.

In addition, this structure is similar to the model used to develop theaters in Richmond. It is a structure that is highly successful and familiar to the City. The model calls for a 501c3 that relies on community leaders committed to these types of services and amenities to serve as the counterparty to the City to develop the facilities. In the theater scenario, the 501c3 counterparty is Richmond Performing Arts Center (RPAC), a limited liability partnership that operates CenterStage and the Landmark Theater.

5. Please explain the corporate structure of NHDC and the relationship of NHDC to the other developer entities.

NH Foundation is a Virginia non-stock corporation. It is not a 501c3. The board of NH Foundation consists of various community leaders who set the policy for the Navy Hill Project. It is an active board, much like RPAC. NH Foundation is the sole member of NHDC. NHDC is a Virginia non-stock corporation and is a 501c3 for federal tax purposes. NHDC has one board member.

NHDC has a series of contracts with Capital City Partners, LLC (CCP) and Capital City Developers, LLC (CCD) regarding the Project, but CCP and CCD are not officers or board members of NHDC. CCP will manage the Arena and Armory projects for NHDC. CCD will contract directly with the various parties (contractor, operator, etc.) for the private development. Michael Hallmark is the main contact for CCP and Susan Eastridge is the main contact for CCD. Michael Hallmark is, among other things, negotiating with the operator for the Arena. Michael worked on the Staples Center development in California. Susan Eastridge is overseeing the private development and has done more than 30 public private partnerships throughout her career.

6. Why is NHDC the counterparty to the City on all of the documents the City is entering into? Why is the City not doing ground leases for these various project components?

The City wanted simplicity and wanted to have one contract. In order to get the public and private portions of the Project under the umbrella of one contract, the counterparty needed to be NHDC. NHDC then entered into a series of back-to-back contracts with CCP and CCD to carry out various project elements.

The reason a master lease was not pursued is because a master lease would contain cross-default provisions, making each party liable for the actions of the other parties. If one party defaults, they are all in default. This is not attractive to developers and is also not feasible from a financing standpoint. In addition, if there were to be a need down the road to make changes to the master lease, all of the parties would have to come together and agree to the terms of the change, which is cumbersome and not practical.

The City also did not use a ground lease structure for the private development because any ground lease would need to be over an extremely long period of time (e.g. 90 years) for the development to be something investors and banks would be willing to finance. That is so far out into the future it is functionally equivalent to transferring the property out of public hands.

7. Given the status of NHDC as a non-stock corporation with very little or no equity, what is the risk that NHDC defaults under one of the documents and there is no money to satisfy NHDC's obligations? Walk me through a default scenario in each of the documents.

NHDC provides for development as a whole, including:

- Design, build and operate Arena
- Cause the Armory to be refurbished and reopen
- Cause development of private development parcels

NHDC carries out the obligation to design, build and operate the Arena through the Development Agreement and the Arena Lease. NHDC has back-to-back contracts with the Arena construction contractor (Clark) and the Arena operator (Spectra), meaning NHDC has contracted with those parties to have those parties perform all of its obligations with regard to building and operating the Arena. NHDC does not have any functional responsibilities under this arrangement. If the construction contractor or the operator default under their agreement with NHDC there are remedies NHDC can seek to make itself whole and allow it to fulfil any obligations under the agreements to which it is a party. Further, if the construction contractor or operator were to walk away from the Project and NHDC and the City needed to find a replacement there are highly negotiated requirements in the contracts that ensure the replacement contracts are on par with the original contracts.

NHDC carries out the obligation to cause the Armory to be refurbished and reopen through the Armory Lease, which contains similar features and protections as the Arena lease.

NHDC carries out its obligation to cause development of the private parcels through the Purchase and Sale Agreement, which has been assigned to CCP per the terms of the agreement. This creates the same back-to-back contract scenario as the Arena Lease and Armory Lease, whereby NHDC does not have any functional responsibilities.

This arrangement is no different than a typical (i) public private arena development, or (ii) public private partnership (P3) where the counterparty is a special purpose vehicle with very little equity.

7. The conditions precedent (CPs) to financial close on the Arena bonds include equity commitments and term sheets related to the private development parcels. How firm are those commitments going to be at the time of the bond closing?

The C, A, F, E and D blocks will be developed at the same time as the Arena construction. The idea is that they function together. The bond investors and the underwriters for the bonds want to see this happen because they want the revenue from the private development to be available to pay the principal and interest on the bonds when it is due (and not late or not at all). In that way, the City's and the bond investors' and underwriters' incentives are aligned.

In terms of the equity commitments, the financing plan for the Project calls for a 40% equity contribution for each private parcel. This is a conservative approach, meaning this is a larger equity contribution than in the case of other similar development projects, and is designed to (i) withstand a potential economic downturn, and (ii) induce debt providers to come to the table. The equity commitments will be structured like any other, typical joint venture development. The equity investors for each private development parcel will enter into an operating agreement with the other investors in that parcel. The operating agreement will contain (i) a commitment on the part of each investor to provide equity for the development of that specific parcel, and (ii) the terms of the return on that investment. This joint venture structure is very standard for a development of this type. They have \$88 million in equity in place currently. As each parcel comes online and is ready for construction, there is a requirement in the documents that the equity funding for development of that parcel be 100% funded in order for the developer to get a building permit from the City.

In terms of the term sheets, at financial close on the bonds when the City is evaluating the CPs and whether they have been met, the development will not be far enough along to get binding and fully negotiated term sheets from banks or debt providers. Debt providers will not typically agree to lock in terms for debt more than a year prior to the issuance of the debt. This is one reason the equity commitment for the Project is relatively large (at 40%). The bond investors and underwriters, as well as the debt providers for the private development, will find this feature attractive and will be less concerned that the term sheets are not binding or fully negotiated.



VCU

November 15, 2019

Virginia Commonwealth University
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The Honorable Pierce Homer
Navy Hill Commission
City of Richmond
900 East Broad Street
Richmond, Virginia 23219

VIA EMAIL: piercehomer@navyhillcommission.org

Dear Mr. Homer:

It has come to our attention that the Commission is exploring what if any options exist for development of the D block outside of the existing proposal offered by the Navy Hill Corporation. Although VCU Health System cannot direct the development of parcels not under the control of our institution, given our mission and the substantial investments we have made in the immediate vicinity, we are understandably engaged in the larger conversation about the future of our neighborhood.

It is our intent and strong preference that a more comprehensive approach be taken to the redevelopment of the neighborhood surrounding our hospitals and clinics, rather than a piecemeal approach. In contrast with the existing state of the built environment in Navy Hill, the retail, office, housing, and other improvements attendant to the proposed development, inclusive of an arena, will contribute to the experience of our patients, students, and employees thereby furthering our mission as an anchor and safety-net institution.

VCU Health System supports the proposal offered by the Navy Hill Corporation, and it is our hope that the Commission will conclude, as we have, that it should be advanced to Council expeditiously.

Sincerely,

Matthew A. Conrad

Executive Director of Government & Board Relations, VCU and the VCU Health System

Cc: Melinda Hancock, Chief Administrative & Financial Officer, VCU Health System

Media Clips

Mark Kronenthal <MKronenthal@rothjackson.com>

Fri 11/15/2019 11:02 AM

To: John Gerner <johngerner@navyhillcommission.org>

Cc: Pierce Homer <piercehomer@navyhillcommission.org>

Good morning John:

I have copied below a few recent media clips from respected, experienced, and relevant professionals and one from a democratically elected official. I have not seen these among the media clips you have circulated and posted among the commission materials. I assume you must have missed them and would want to include them:

###

Richmond Times-Dispatch: [John Cario on Navy Hill project \(LTE\)](#)

By John Cario

November 14, 2019

Some might ask why a hotelier would want more competition. For me, the reason is simple: Richmond would be in the mix for hosting larger events. That's why I give my full support to the Navy Hill project.

We need a coliseum that is state of the art and able to serve the needs of our visitors and residents with concerts, sports events and more. We have lost too much business to other cities by not having a competitive venue, and since the Richmond Coliseum closed (more than a year ago) we've lost even more. Richmond would have the potential to house and host much larger events than we currently do and impact our local economy on a much larger scale.

Currently the only two hotels adjacent to the Greater Richmond Convention Center are the Hilton and Marriott, which have about 650 total rooms. Large citywide events need more than 1,000 rooms and need to be within a short walk to the venue. As part of the Navy Hill project, an additional 500 rooms could be added, enabling three hotels and others to share in the impact of the 1,000-plus rooms citywide.

Richmond has come a long way in the past decade, but we must continue to be competitive. Richmond Region Tourism has put Richmond on the map by sharing our food and craft beer scene, festivals, sporting events and more. But we need more rooms for these visitors to stay and enjoy all that our city has to offer. The other facets of the project — including additional residential and retail space and the GRTC Transit Center — also would enhance Richmond's image, not only for our visitors, but also for our residents.

John Cario, General manager, Hilton Richmond Downtown.

###

Richmond Times-Dispatch: [To help fund Richmond's priorities, we need a complete downtown \(Opinion\)](#)

By Michael Hallmark

October 31, 2019

If Richmond wants to substantially increase its investment in schools, social services, affordable housing and other priorities, there are two choices.

One is to raise taxes — which isn't popular. The other is to attract new businesses and economic opportunity to expand the pool of taxpayers and increase city revenues — which isn't easy.

NH District Corp. is taking on the task that isn't easy, but necessary. It will transform an economically stagnated portion of downtown Richmond and turn it into walkable streets, residences and a long-needed convention hotel. It will restore neglected historic properties and replace a functionally obsolete Coliseum. It will put property that

has been exempted from taxes for decades back on the rolls, which is the mechanism we use for funding city programs — like schools.

“But Richmond is on the rise,” says the counter argument. Won’t this area “organically” develop on its own, like Scott’s Addition?

Scott’s Addition, and other areas of Richmond where growth is happening, enjoy intact infrastructure, streets, developable parcels and, in many cases, an inventory of existing buildings that can be transformed into other businesses.

The Navy Hill area is nothing like Scott’s Addition or other areas of downtown. It was designed to purposely disrupt Richmond’s normal infrastructure. It reshaped streets, created tunnels and blocked normal connectors. In the 1960s and ’70s, we turned our backs on proven planning principles, and we can and should course-correct that today.

Now that it is past its useful life, there is nothing the Coliseum can be adapted to that makes any sense for Richmonders today. The parcels of land and streets it altered must be recreated if we are to put these properties back to work generating revenue. And that will not happen organically. It would cost \$10 million alone just to demolish it to start again — something that the city cannot afford today, and not a cost a one-off development could support.

But why a new arena?

Richmond has a rich history in the arena business. Despite the fact that we have outgrown our Coliseum, we are a market and city to which touring shows and tournaments desperately want to come — if only we would provide a proper venue. The good news is that cities, with a well-vetted plan, can use the destination-attraction power of these venues as an urban development catalyst. In that way, an arena can be the single most important component in transforming a city center.

As an urban planner and sports architect for the past 30 years, I have worked on dozens of major arena projects, and in places like Washington, D.C., Los Angeles, Boston, Philadelphia, Cleveland and Columbus. I’ve also worked in many smaller non-NBA cities and, with few exceptions, these arenas were built in downtowns, with each becoming a case study in catalytic urban growth.

This practical experience led to an understanding of “arena-anchored” mixed-use developments as an economic engine for blighted areas. It happened first in Columbus, Ohio, with Nationwide Arena and its 75-acre Arena District. The private sector funded development, and with a complete plan in hand, turned vacant public land downtown into tax-generating private development parcels with new businesses and new residences. The same thing happened in Kansas City with Sprint Center, and in Allentown, Pa., with the PPL Center. All transformed their empty city blocks and parking lots into taxpaying urban communities.

Mark Rosentraub, a leading economist in the relationship of sports venues and city economic health, acknowledged this trend in his most recent book, “Reversing Urban Decline: Why and How Sports Entertainment and Culture turns Cities into Major League Winners.” He argues that cities must think about their blighted city centers as transformational opportunities, and that well-planned and programmed arenas are one of the most important tools for that transformation.

We no longer live in the Richmond of the 1970s. Today’s fans have experienced modern facilities in other cities. They can watch virtually any form of sports or entertainment on their smart phones and whenever it suits them. Despite those advantages, we all still crave the live experience. That sense of community is what makes cities memorable places to be, and desirable places to live.

With Navy Hill, Richmond has been offered a plan for a downtown that cannot otherwise evolve without intervention and innovation. It’s a plan that puts our public land assets to work and it delivers on the priorities of

more school funding, jobs and affordable housing. Navy Hill builds a better downtown — one that we can pass along, with pride, to a future generation of Richmonders.

###

Richmond Style Weekly: [Right Project, Right Time](#) (Opinion)

By Mayor Levar Stoney

November 5, 2019

Two years ago this weekend, I announced that the City of Richmond would solicit proposals to revitalize a long-neglected and blighted area in the core of our downtown.

People have said — and may continue to say — that this project isn't needed. That progress will just happen on its own and that we should just wait. I'm sorry, but the data and history of this area does not support that conclusion. We can't just wait for it to happen. We have to make it happen.

As our city overall has grown in assessed value at roughly 8% annually in the past couple years, the 80 blocks we have included in the Increment Financing Area have only grown at 2%.

So, why hasn't our downtown kept pace with the rest of our city when it comes to organic growth? Why are Scott's Addition and Manchester booming, but downtown is limping along?

For starters, roughly 60% of the land in the Increment Financing Area is tax-exempt, owned by either the Commonwealth of Virginia, Virginia Commonwealth University, or the city. The three cranes high in the downtown sky remind us of this fact; two are building new facilities for VCU Health, and one is constructing the new General Assembly building. When these state-of-the-art facilities are completed, they will pay no property taxes to the city.

Second, the lack of existing infrastructure and developable parcels has limited opportunities for new commercial development. Those that have been built have requested, and been provided, large tax breaks from the city, or required significant investments of city infrastructure to coincide with their development.

We simply won't be able to fund the fixes to the challenges we face as a community when our downtown, the heart of our city, is beating at a quarter of the rate of the rest of our city. It's past time that we should transform this area of parking lots and blighted buildings into an inclusive and equitable community that pumps real revenues into the city's coffers.

But, as I have heard some suggest, a piecemeal strategy to economic development in this part of downtown is neither feasible nor responsible.

It's not feasible because the lack of connected streets and infrastructure in the Navy Hill development area requires a comprehensive development plan. It's not feasible because no one wants to be the first to invest in a parcel when they don't know when or how the rest of the area will be developed. It's not feasible because developers don't want to invest in land adjacent to a crumbling Coliseum.

It's not responsible, because when the city owns the land, we have the opportunity to negotiate terms that bring benefits to our community. It's not responsible because selling to the highest bidder would not have allowed us to require an unprecedented commitment to building 480 affordable housing units, a transit center that will make it easier, safer and more dignified to travel across our city, and a restoration of the historic Blues Armory that will house an urban grocery store in an existing food desert.

Nor would we have been able to require a record-setting \$300 million commitment to minority contractors and businesses, which is equivalent to the total of all of the city-directed minority business participation in the last 10 years combined.

The result of two years of careful consideration is a Navy Hill project that would be the catalyst to generate more than \$1 billion in new revenues to invest into our schools, our streets, our communities and our people. And it does so in a way that is inclusive of communities that often miss out on the benefits of these types of revitalization efforts.

Navy Hill stays true to my commitment to build One Richmond that is inclusive and competitive. It requires us to be bold, to think big, to aim high, and also allows us the opportunity to be smart, to plan carefully and to exercise due diligence.

In my opinion, Navy Hill isn't big, shiny and new — it's responsible and overdue.

Levar Stoney is the 80th mayor of Richmond. Throughout November, the mayor and city officials will hold a series of town hall meetings on the Navy Hill redevelopment proposal. The first is scheduled Thursday, Nov. 14, at Carver Elementary School at 1110 W. Leigh St. from 6 - 7:30 p.m. For information visit richmondgov.com.

###

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*NEW ADDRESS

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Friday, November 15, 2019

Dear Navy Hill Commission members,

Thank you all for your example of civic stewardship, and for helping residents understand the Navy Hill Corp. proposal from the perspective of your various disciplines/areas of expertise.

I spoke at the Saturday November 2 meeting and am writing to clarify and re-iterate. I attended you last two meetings and while I understand that your task is primarily to deal with the viability of the NHC documents and ordinances, I will focus on the tone and context of the Navy Hill proposal.

I was impressed at your Oct 19 meeting at how proudly Grindly Johnson said she had spent her career working on 'soft' skills and that Dr. Walker asked the very important but simple question about who the Navy Hill plan was for. Good questions put simply and 'soft' skills are valid modes of inquiry into knowledge and should not be seen as less than 'objective' modes of inquiry.

This 'big project' oriented Economic development strategy misses Richmond's own culture.

My wife and I lived in Jackson Ward for 7 years and I frequently ran through Navy Hill to the MCV gym and pool. I also walked daily to VCU from Jackson Ward as an adjunct professor and I have observed that the dining culture close to VCU's Monroe Park and MCV campuses is weak considering the number of folks working nearby. MCV and VCU profs and staff tend to be under-paid or over-worked, they have short lunch breaks, and they are very likely to return to their families and friends right after work. In our seven years we saw the number of restaurants around Jackson Ward incrementally increase from 9 to 20. Because most Richmond restaurants are in historic buildings, and because of Richmond's extraordinary arts school at VCU, most restaurants in the city have remarkably interesting and appropriate décor's. Richmond Neighborhoods are also interesting and appropriate, in part because City old and Historic districts encourage standards of beauty and historical authenticity. The Navy Hill Corp assumes that new restaurants in Navy hill will be just as popular as restaurants in cohesive historic neighborhoods even though these new restaurants would be storefronts of newer buildings. It is a mis-reading of culture by the NHC to assume that the Navy Hill area, with centrally planned development, can quickly become a food destination. I once asked the marketing director at Unos how often their employees eating out on 1st and 2nd street close to their office and she laughed and told me that their office in the suburbs has a culture of eating out for lunch, but that the high percentage of IT workers in their downtown office rarely eat out. Nurses working long shifts for relatively low pay will opt for eating in a cafeteria, as will highly paid doctors who also work many long shifts. MCV employees are further incentivized to eat in MCV

cafeterias as they can avoid the city meal tax altogether. It is a mistake to assume this dining culture will change so quickly.

Another exaggeration of the cultural power of NHC's coliseum oriented plan is the false claim that this project will fix the street grid problem created when the present coliseum and convention center were created. The original plan to fix the grading of Leigh street is no longer in the plan, 4th street at Broad still dead ends at the convention center, Clay Street from Jackson Ward will still dead end at 3rd street for the convention center, and Marshall street would still have nothing but sidewalks fronting convention halls between 3rd and 4th street. Because this project markets itself as being a silver bullet, there is no sense of prioritizing the work needed to repair the street grid. The priority may be re-connecting Broad to Navy Hill by taking down the glass atrium that was the 6th street food court, but the assumption that the destination has to be a coliseum eliminates any chance to set priorities or explore possibilities. Urban food culture is not usually strongly associated with Coliseum's, and a city block not used for a coliseum would have a better chance of supporting a restaurant culture.

Archaeology as a creator of culture

I will not go into this here, but the Navy Hill project would be too rushed to benefit from any archaeological finds that could benefit the culture of the city. The current administration has not moved forward with an archeological program even though the Rose Fellowship recommended a consistent archeological policy to guide future development in Shockoe Bottom.

A Two year old RFP is not relevant to today's market

Since the original RFP the city of Richmond has grown by over 5,000 people, and announced new hotels and residences to be built in 2020. Henrico is finalizing a deal to create a sports arena at the old Virginia Center Commons Mallⁱ. Michael Schewel made a good point at the Nov. 2 meeting that new business does not always cannibalize, it often makes a more dynamic market that essentially creates a bigger pie. A two year old RFP neglects to include the market forces unleashed by opportunity zones as well as by neighboring development. Navy Hill Corp would argue that without a stadium the city could not get as large or as prestigious a hotel, yet the developments of the past year make large and more prestigious hotels even more likely to locate in Navy Hill or surrounding areas, and such a dynamic market may actually be able to support an even larger arena built on Arthur Ash Boulevard which would have cheaper construction costs and excellent access to highways.

Economic development and the “problem” of families with children.

As I stated when I spoke, I was once informed by a city plumbing inspector that a job that could be done for \$8,000 in surrounding counties would cost \$12,000 in the city of Richmond because of the added cost of going through an inefficient permitting officeⁱⁱ. Obviously the inefficiency tax is a smaller percentage of total costs for large developers, but it is indisputable that the inefficiency of the permitting office is a cost that is passed on to homeowners and renters at all income levels. Before the November 2 commission meeting I asked a city employee who works for economic development and who is working to improve the permits office about the problem that an inefficient permits office can hurt residents contractors and developers. They seemed not to understand this basic economic principal, but rather suggested that this might be good for contractors who could do less work and charge more for it. The city argues that hiring independent inspectors to help the Navy Hill construction small businesses and individuals waiting for permits will not be slowed down, but they already have been. I am baffled that a city economic development person would not see small businesses and homeowners as an engine of economic development. The March 31 2018 and Oct 31, 2019 Richmond bizsense articles and comments on the city permits officeⁱⁱⁱ make clear that there is a risk for the city that in the future the Navy Hill development would only further slow down the permits office. It seems that the permits office has already been neglected as the former CAO has spend much of her 6 year tenure working on large economic development projects to the detriment of basic city services. The city’s former CAO should have been improving the permits office in her tenure, but it is clear that negotiating Navy Hill was a priority over the permits office. The inefficiency of the city in building new schools also points to a culture of ‘big ideas and projects’ over day to day management^{iv}.

NHC Rhetoric is corrosive to public discourse and de-values cultural strengths.

In his Oct 31 opinion piece that the Richmond Times Dispatch oddly labeled a ‘column’, Michael Hallmark, an architect with NHC, argued that Richmond has a ‘Rich history in the arena business’^v. In the same opinion piece Hallmark denigrated arguments for ‘organic’ growth in the area by stating that the urban renewal that destroyed the street grid could not be fixed without anchoring development in a coliseum. We are either enriched by Richmond’s “Rich history in the arena business” or we are not. Public discourse is further corroded with the false dichotomy presented by Davenport and the NHC’s marketing arm that insists the city must do this project or “do nothing”.

The scenario labeled ‘do nothing’ does not factor in two powerful economic drivers that have already happened:

The NHC has argued that the land in question is undevelopable without their master plan, yet the re-zoning ordinances that the city has already adopted have increased the value of the land for development, even though they are primarily tailored for a stadium anchored development. In addition, the Opportunity Zone tax

and capital gain tax breaks introduced AFTER the city's RFP have also greatly increased the value of the land in question.

Aside from finding a new stadium management team the the Navy Hill Corp has not sweetened their offer in order to pass some of the benefits of developing in an Opportunity Zone fund to the city and its residents. In fact, the Navy Hill Corp is incentivized to start the project ASAP because capital gains invested into opportunity zones by the end of 2019 are have deferred taxes for the next 7 years at which time only 85% of the capital gains taxes need to be paid. In 2020 such capital gains taxes can be deferred for 6 years at which point only 90% of the capital gains taxes need to be paid. Further, after seven years all appreciation of property in an Opportunity Zone is not taxed provided the investor has doubled the value of the property, not a hard thing to do with a parking lot. Opportunity Zones are a somewhat obscure part of tax law and they seem to be limited to very large investors^{vi}. Ideally the city's economic development folks have worked with neutral real-estate lawyers to improve this project for the city and explain it to residents but they have done no such thing. At Councilwoman Ellen Robertson's Nov 9 meeting on Navy Hill Leonard Sledge, Richmond's Economic Development head, stated that all people need to know is that opportunity zones create opportunities.

Opportunity zones offer great opportunities for investors with large capital gains and they have increased the value of the land in the proposed Navy Hill development as well as Scott's addition. The city could have re-visited the value of the land in Navy Hill but they have tied themselves to this stadium-anchored plan. This tax law change also would make it much better for the city to actually sell parcels of land rather than lease because then the developers could more easily leverage the tax benefits and the city could realize more significant property taxes. Understandably it is politically complicated for the EDA to use an incremental approach and sell relatively small parcels to qualified investors and development groups, but in the long run it would be much more beneficial to the city. Richmond put out an RFP that was so flawed that they only received one proposal. In a regular business environment NHC might have seen the problems with the RFP, accepted their sunk costs, and walked away. However, because of the change in the tax law for opportunity zones and the ability to recoup sunk costs by folding them into bonds they would be fools to quit.

Libraries and schools can define who a city is for.

Since the city of Richmond has worked on inserting a baseball stadium in Shockoe Bottom and a new stadium in Navy Hill, Henrico county has completed three world-class libraries. I frequented Richmond's main street library for years with my daughters and was always impressed with the quality of the staff. However, the inadequacy of the children's area and checkout system has lead my family to spend more library time at the Libby Mill and Varina libraries. The message is clear that Henrico values families with children, and as much messaging

the city of Richmond puts out about working, playing, and living in the city, the message is clear that the living is for families without children. I say this as a parent who has appreciated the education our daughters are getting at our local school, Chimborazo Elementary.

At one point the NHC marketing arm argued that a relationship with a local sports team is good for kids. My daughters know who Nutsy and Nutasha the Squirrels mascots are, they have a great ballet teacher, soccer coach, run club coordinator from Sports Backers, and were thrilled to have U of R's women's soccer team practice street soccer with them twice this year. We are actually OK on the sports side, but really questioning the academic side.

As we are raising our daughters not to spend their lives being primarily spectators and consumers, it is harder every year to see why we are in a city school. We have had great teachers at Chimborazo Elementary, and while some students are slower learning to read (Chimborazo is not accredited) the experience has been good. I have watched very closely how the city views schools and historical buildings not as assets, but as problems to be patched. The city's former Chief Administrative officer, as a member of the school boards "Joint Construction Team" rushed to replace the old George Mason school with an inappropriate suburban school design borrowed from her colleagues in Suffolk. This school is replacing a 2-3 story historic school with a 1-2 story suburban school that will have more surface parking in an area full of on-street parking and even less green space. The Chief Administrative Officer was clearly distracted from essential city functioning by negotiations with the NHC Corp. As a parent it is a discouraging thing to watch a city CAO mis-manage school construction, permitting, and other basic functions while negotiating a questionable development scheme.^{vii}

As a parent and believer that much of Richmond's brand and value is its old buildings, I went to one of the mayor's "office hours" events in the hope of asking someone in the parks department why they would not use at least part of the old George Mason Elementary for a parks building (the old Ethyl Baily Furman park will be the location of the new school and the old school will be the location of a smaller park). I asked the mayor what he knew of the proposed demolition of this building in light of the fact that The Maggie Walker Governor's school and the Patrick Henry Elementary charter school were renovated with tax credits. The mayor and his CAO responded that they did not know the old building was to be torn down, and they referred me to someone from the parks service who told me he would ask the director of Parks and Rec. to call me back. I am not surprised or upset that I never received a call back, but rather concerned about an administration that would ask its high level employees, including the interim chief of police, to come to a meeting that they were not really invested in. I am similarly concerned that Sharon Ebert, who works for the city in economic development and fixing the permitting office would be at a meeting promoting NHC when there have been no measurable improvements to the permitting office in over 10 years. Even if NHC had a perfect plan for the city's questionable RFP for Navy Hill, they have already taken their eyes

off the ball when it comes to fixing the permitting office, and repairing and replacing schools. Meanwhile Henrico County has built libraries that are certain to draw college educated parents away from the city once they have children, and Henrico has a view that sports are for participation and not spectacles.

I don't just have a concern that the Navy Hill Coliseum plan will further slow down any fixing of the permits office and distract the city from essential services such as building and maintaining schools and Libraries, I have already seen it. I watched the city neglect these basic functions for seven years while pursuing the Shockoe Bottom Baseball park and the NHC Stadium anchored development.

Sincerely,

Richard Rumrill
105 N. 29th Street,
Richmond, VA

ⁱ Spiers, Jonathan. "Rebkee, Shamin pitch Virginia Center Commons for arena-anchored mixed-use redevelopment." *Richmond BizSense*, 12 Nov. 2019:

<https://richmondbizsense.com/2019/11/12/updated-rebkee-shamin-pitch-virginia-center-commons-for-arena-anchored-mixed-use-redevelopment/>

ⁱⁱ Spiers, Jonathan. "New Leaders, Old Problems at City Permit Center." *Richmond BizSense*, 31 Oct. 2019:

<https://richmondbizsense.com/2019/10/31/new-leaders-old-problems-at-city-permit-center/>

ⁱⁱⁱ Spiers, Jonathan. "Visit Volume up, Vacancies down, Upgrades Planned at City Permit Center." *Richmond BizSense*, 9 Mar. 2018:

<https://richmondbizsense.com/2018/03/09/visit-volume-vacancies-upgrades-planned-city-permit-center/>

^{iv} Wilson, Patrick, and Justin Mattingly. "Lack of Competitive Bid Causes Richmond to Pay Too Much for New Schools, Contractor Group Says." *Richmond Times-Dispatch*, 3 Nov. 2019:

https://www.richmond.com/news/local/plus/lack-of-competitive-bid-causes-richmond-to-pay-too-much/article_32999100-8142-582d-bb8b-4b22469ac659.html

^v Hallmark, Michael. "Michael Hallmark Column: To Help Fund Richmond's Priorities, We Need a Complete Downtown." *Richmond Times-Dispatch*, 31 Oct. 2019:

https://www.richmond.com/opinion/columnists/michael-hallmark-column-to-help-fund-richmond-s-priorities-we/article_644d4eb1-1b94-52da-a12c-0b138fca2651.html

^{vi} Presentation to Richmond Property Owner's Association, June 2019. James Canup of Hirschler Law. David Lionburger is also well versed in this area but didn't make the presentation.

FOIA Request to DED - North of Broad/Downtown Redevelopment Project

JeffCartwright<jeffrey.cartwright@gmail.com>

Wed 11/20/2019 5:52 AM

To: george.bolos@richmondgov.com <george.bolos@richmondgov.com>

Cc: Hon. Kristen Larson <kristen.larson@richmondgov.com>; All Members <members@navyhillcommission.org>; Hill Jr., Richard E. - City Attorney <Richard.HillJr@richmondgov.com>

Mr. Bolos:

I sending you this FOIA request for documents relating to the North of Broad/Downtown Redevelopment Project:

1. Any and all questions received from Respondents pursuant to RFP section 2.3 A & B, including any responses thereto.
2. Any and all requests by Respondents, or potential Respondents, submitted pursuant to RFP section 2.3 C, including any responses thereto.
3. Any and all discussions and/or conversations facilitated by the RFP Process Lead Contact pursuant to RFP section 2.4.

If the City intends to claim an exemption under FOIA for any of the requested documents please let me know as soon as possible.

Thank you for your anticipated attention to this request.

Jeffrey R. Cartwright
4308 New Kent Ave, Richmond, VA 23225
(908) 548-4563
jeffrey.cartwright@gmail.com

THIS REQUEST WAS EMAILED TO THE RECIPIENT AT 6 A.M. ON NOVEMBER 20, 2019

FOIA REQUEST - NORTH OF BROAD/DOWNTOWN REDEVELOPMENT PROPOSAL

JeffCartwright<jeffrey.cartwright@gmail.com>

Mon 11/25/2019 7:33 AM

To: george.bolos@richmondgov.com <george.bolos@richmondgov.com>

Cc: All Members <members@navyhillcommission.org>; Hill Jr., Richard E. - City Attorney
<Richard.HillJr@richmondgov.com>; Hon. Kristen Larson <kristen.larson@richmondgov.com>

Mr. Bolos:

I sending you this FOIA request for documents relating to the North of Broad/Downtown Redevelopment Project:

1. Any and all draft or preliminary reports, or portions thereof, provided to the City and/or Davenport & Co. by Hunden Strategic Partners prior to October 31, 2018;
2. Any and all records or documents relating to inquiries from any entity, including but not limited to The Cordish Companies, regarding the application process under the RFP and any possible modifications thereto, including extension of time to submit a proposal.

If the City intends to claim an exemption under FOIA for any of the requested documents please let me know as soon as possible.

Thank you for your anticipated attention to this request.

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THIS REQUEST WAS EMAILED TO THE RECIPIENT AT 7:32 A.M. ON NOVEMBER 25, 2019