
Executive Summary

The Proposed Shockoe Center Development

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DAVENPORT
& COMPANY LLC
EST. 1863 • MEMBER: NYSE • SIPC

ERA | AECOM


CHMURA ECONOMICS & ANALYTICS

Key Conclusions

- **The Project** – The project has the potential to be an attractive economic development opportunity for the City, but it is highly unlikely that the project can be financed as proposed without credit support from the City.
- **Potential City Exposure** – Assuming the City provides credit support to the project, in the most conservative case if the project generates only 67% of the revenue estimated there is still sufficient revenue to make the City whole.
- **Development Approach** – Under the Developer’s proposal, the ballpark will be built only if the entire Phase I of the project is built simultaneously. This approach minimizes the City’s exposure to development risk.
- **Market Demand** – The project needs to generate sales of \$67.3 million annually to support the project, compared to \$3.18 billion in total annual retail and food services sales within the City in 2008. This represents a 2.1% increase in sales Citywide from this project.

Project Description

- **Project Description** – Mixed Use Entertainment destination developing a largely vacant portion of Shockoe Bottom that lies partially in a flood plain
 - Ballpark
 - Retail
 - Office
 - Hotel
 - Residential
- **Timing** – Both the developer and ERA assume that the project will proceed when the economy returns to levels achieved prior to the current national recession, but not before Spring 2010.



Project Description (continued)

Project Phases – The project contemplates three phases as described below:

Phase I:

- Approximately 192,400 SF of retail / entertainment facilities.
- 160 room hotel.
- 109 multifamily residential units.
- 15 condominium units.
- 98,000 SF office space.
- 540 space structured parking facility.
- 280 space surface parking.
- 8,500 seat baseball stadium.
- Government infrastructure improvements.
- GRTC transfer station.

Phase II:

- Approximately 10,000 SF of retail / entertainment facilities.
- 240 multifamily residential units.
- 950 space structured parking facility.

Phase III:

- 185 room hotel.
- 200,000 SF office space.
- 600 space structured parking facility.

Project Cost

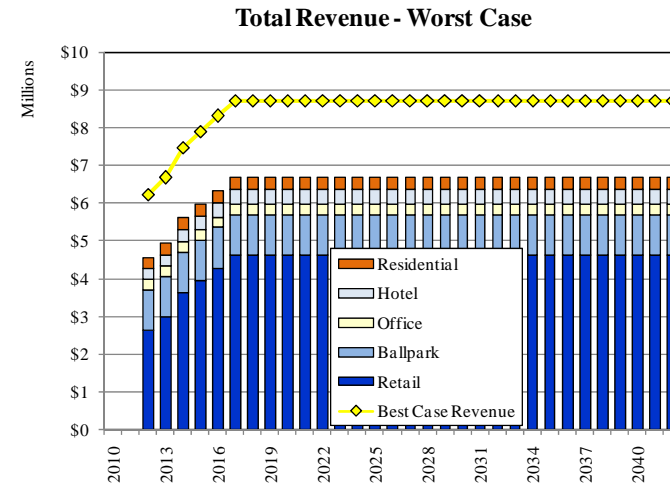
- **Project Cost** – The analysis is based only on Development of Phase I as discussed. Phase II and Phase III benefits have **not** been considered in determining revenues available to support the financing.

A. Private Investment	Phase I	Phase II	Phase III	Total
Retail / Hotel / Residential / Office	\$89,055,000	\$29,500,000	\$78,500,000	\$197,055,000
Structured Parking	10,800,000	19,000,000	12,000,000	41,800,000
Surface Parking	1,400,000			1,400,000
Subtotal Private Investment	\$101,255,000	\$48,500,000	\$90,500,000	\$240,255,000
B. Public Investment				
Stadium Construction*	\$56,000,000	\$0	\$0	\$56,000,000
Government Infrastructure	8,000,000	0	0	8,000,000
Subtotal Public Investment	\$64,000,000	\$0	\$0	\$64,000,000
C. GRTC Investment				
GRTC Transfer Station	\$45,000,000	\$0	\$0	\$45,000,000

*This amount excludes debt service (funded interest) and issuance costs. Further, the public investment comes from the tax revenues generated from the new development.

Economic Impact

- **Economic Impact** – Between \$6.6 million and \$8.7 million in annual incremental revenue. This is less than the Developer’s estimate of \$8.9 million.
- **Spending** – Must achieve \$67.3 million in annual spending in the most conservative case. This is 2.1% of 2008 spending in the City of \$3.1 billion. For comparison purposes, spending grew at an average annual rate of 3.91% between 2005 and 2007.
- **Jobs** - In the most conservative scenario the project is expected to generate over 1,100 jobs with a payroll exceeding \$44 million, as well as \$113 million in annual spending.
- **Flood Plain** – Due to restrictions on development within a flood plain, the proposed project may be a unique opportunity to develop this area.



- **GRTC Transfer Station** – The project is incompatible with the GRTC Transfer Station as currently proposed. Modifications to both projects would likely be needed for them to co-exist.
- **Parking** – Adequate as planned

Project Financing

- **Plan of Finance** – The Developer’s Proposed Plan of Finance contemplates that the Ballpark will be funded from incremental tax revenue generated by the Phase I development components including state and local sales taxes, property taxes, admissions tax, meals tax and Ballpark related rents, parking and lease payments.
- **Feasibility** - It is highly unlikely that the project can be financed as proposed without credit support from the City.
- However, should the City determine that such credit support is appropriate and desirable in some form, the proposal would be highly feasible.

City Credit Support

▪ **Benefits**

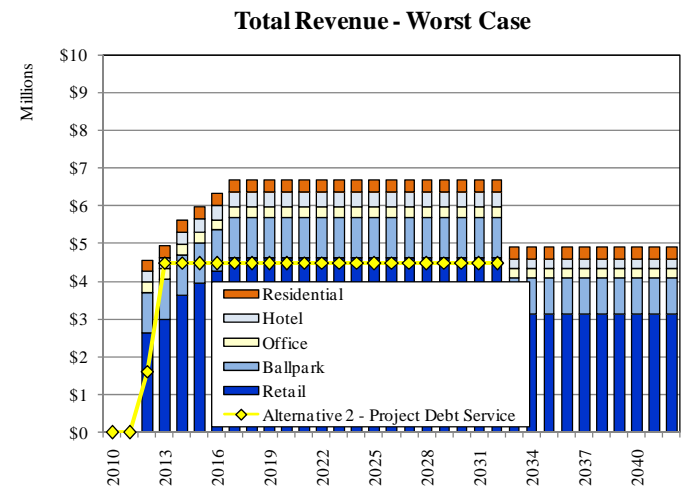
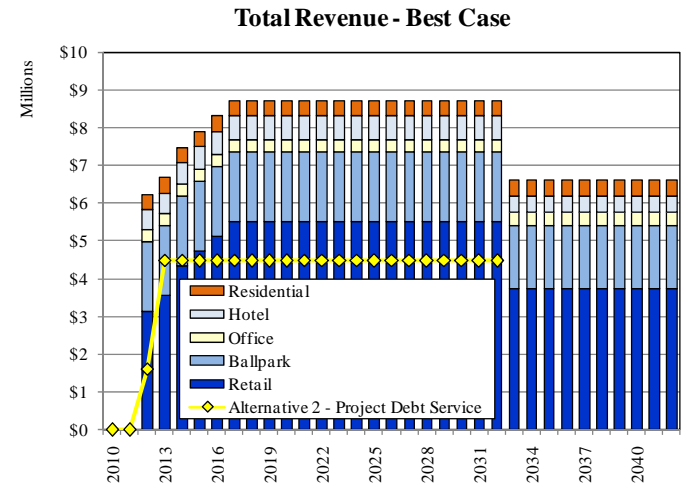
- **Market Access** - By providing the City's General Obligation guarantee, the City would increase the likelihood of market access for the financing.
- **Low Cost Financing** – The City would also benefit from the lowest cost financing available for the project.
- **Accelerated Benefits** – Finally, the potential economic benefits of the project would be greater and would be realized sooner, both as a result of lower cost financing.

▪ **Drawbacks**

- **Payment Risk** – If the project does not generate adequate revenue to meet the debt service payments, the City would be responsible for the payments.
- **Debt Capacity** – By providing credit support, the City would use a portion of its debt capacity that would otherwise be available for other projects. At \$56 million, the project would represent a 10.7% portion of the City's \$520 million draft capital spending plan from 2009 to 2016.

Results with City Credit Support

- **Financing** – \$59.2 million at 4.05% for 20 years
- **Best Case Results** –\$4.2 million annual benefit to the City through 2032 and \$6.4 million thereafter. Revenue declines after the bonds are retired due to loss of the state 2.5% sales tax.
- **Worst Case Results** – \$2.1 million annual benefit through 2032 and \$4.9 million thereafter.
- **Debt Capacity** – Would impact city debt capacity



Results with RMA Assistance

- **Background** – The Richmond Metropolitan Authority (RMA) currently owes the City \$57.8 million in subordinate notes for support received in meeting deficits of the Expressway System. These notes are currently a passive, non performing asset of the City and fully subordinated to other obligations of the RMA.
- **Early Repayment of the Notes** – If the RMA begins repayment of the notes at the City’s request (requiring an RMA debt restructuring) the City would receive sufficient annual payments to cover 100% of the debt service payments on the ballpark.
- **No Toll Increase** – Not required to accomplish a repayment of the subordinate notes.
- **Drawbacks** – The RMA Expressway System is scheduled to revert to the City in 2022 when its debt is retired, allowing for repayment of the notes at that time. A debt restructuring would extend such a reversion by many years.