DAVENPORT
& COMPANY LLC
Est. 1863 • Member: NYSE • FINRA • SIPC

One James Center
901 East Cary Street Ste 1100
Richmond, Virginia 23219
Phone: 804-697-2900

Information Prepared for the City of Richmond, Virginia

Analysis of the Proposed Conceptual Plans for the Boulevard and Shockoe Bottom Redevelopment

November 8, 2013

Background

- At the request of the City, Davenport & Company has performed a comparison of two potential Development Options provided to the City by Highwoods (the "Developer") for the Shockoe Bottom site and an Architect/Land Planner for the Boulevard site. The Options are as follows:

  - **Option A:** **I. Boulevard Redevelopment with Ballpark**
    - **Ballpark and related infrastructure cost approximate $68.2 million**

    II. Shockoe Bottom Redevelopment – No Ballpark

  - **Option B:** **I. Boulevard Redevelopment – No Ballpark**

    II. Shockoe Bottom Redevelopment with Ballpark
    - **Ballpark and related land/infrastructure cost approximate $79.6 million**

Key Assumptions

1. All Non-Ballpark (i.e. Retail, Residential, Hotel, Office, Parking, etc.) improvements will be privately financed by the Developer.
   - All private investment is assumed to be taxable and is additive to the City's tax base in terms of real estate, personal property, sales, meals and BPOL tax revenue generation. No allowances have been made with respect to development incentives.
   - Any new Hotel lodging tax is assumed to go toward the City's commitment to the Greater Richmond Convention Center Authority.

2. In conducting our analysis, Davenport has extrapolated the following assumptions from the original 2009 ERA Report:
   - Retail/Entertainment assessed valuation and sales figures per square foot;
   - Grocery sales figures per square foot; and
   - Hotel assessed valuation assumptions (1).

3. Ballpark revenues have been extrapolated from the original 2009 ERA Report and assume Minor League Game events only.
   - In addition, the City has indicated that approximately $1.7 million in annual lease revenue from the stadium is available. The combined total of theses revenue sources is approximately $2.1 million annually.

(1) Hotel gross receipts are based on Chmura assumption of 65% occupancy and Average Daily Rate of $120.

Key Assumptions

4. Additional assumptions as provided by the City are as follows:
   - Assessed Value of Real Estate for Grocery, Apartment Units, National, Regional and Local Retail, Class A Office, Medical Office, Parking Facilities and Health Fitness/Sports facilities are based on comparable information;
   - Applicable Business Personal Property for the above (excluding Parking Facilities) is estimated at 8% of Assessed Value of Real Estate;
   - National, Regional and Local Retail sales per square foot is based on comparable performance information;
   - Estimated BPOL tax revenues are based on projected sales figures for Retail/Entertainment establishments and gross receipts for the Hotels and the City's current BPOL tax rates; and
   - Estimated BPOL tax revenues from other non-retail offices/facilities have been excluded from this analysis. This data has not been included in this report to provide a conservative BPOL projection for those facilities.

5. For purposes of this analysis it has been assumed that the City will not be entitled to receive the state share of 2.5% of sales tax based on retail sales from the contiguous development around the Ballpark site.

6. Full build out for the Boulevard is assumed to be in 2018.

7. For purposes of this analysis, the Sportsbackers Facility located at the Boulevard is assumed to remain.

This comparative analysis also assumes that both Options are fully built out and generate tax revenues based on the development assumptions and other Key Assumptions as provided to Davenport. Davenport has not reviewed such assumptions for market reasonableness or the need for phasing or absorption, which could impact the results presented herein.

Preliminary Results – Summary

- A comparison of the preliminary annual revenue projections and estimated debt service costs based on the two Options at full build out is shown to the right.

Option A - Boulevard with Ballpark + Shockoe	Low	High
Total Annual Revenue	$9,915,024	$10,961,484
Less Annual Ballpark & Project Related Debt Service	$4,801,582	$4,801,582
Net Annual Benefit to the City	$5,113,442	$6,159,902

Option B - Shockoe with Ballpark + Boulevard	Low	High
Total Annual Revenue	$16,076,537	$17,749,482
Less Annual Ballpark & Project Related Debt Service	$5,577,471	$5,577,471
Net Annual Benefit to the City	$10,499,066	$12,172,011
Annual Difference Option B greater than Option A	**$5,385,623**	**$6,012,109**

- Net benefit to the City over 20 years is shown below.

Option A - Boulevard with Ballpark + Shockoe - Projected Annual Revenues over 20 Years[1]

	2014	2015	2016	2017	2018	2019	2020	2033	TOTAL
Low Revenue	(1,703,875)	(1,703,875)	(1,780,740)	(1,780,740)	$5,113,442	$5,113,442	$5,113,442	$5,113,442	$74,845,84
High Revenue	(1,703,875)	(1,703,875)	(1,675,850)	(1,675,850)	$6,159,902	$6,159,902	$6,159,902	$6,159,902	$91,798,97

Option B - Shockoe with Ballpark + Boulevard - Projected Annual Revenues over 20 Years[1]

	2014	2015	2016	2017	2018	2019	2020	2033	TOTAL
Low Revenue	(1,990,625)	(1,990,625)	(1,702,693)	(1,702,693)	$10,499,066	$10,499,066	$10,499,066	$10,499,066	$160,598,41
High Revenue	(1,990,625)	(1,990,625)	(1,425,763)	(1,425,763)	$12,172,011	$12,172,011	$12,172,011	$12,172,011	$187,919,39

	Low	High
Difference | Option B greater than Option A[1]:	$85,752,568	$96,120,420

[1]Revenues are shown in today's dollars. Carrying costs in years 2014 through 2017 assuming entire project is funded upfront.

This comparative analysis also assumes that both Options are fully built out and generate tax revenues based on the development assumptions and other Key Assumptions as provided to Davenport. Davenport has not reviewed such assumptions for market reasonableness or the need for phasing or absorption, which could impact the results presented herein.

Key Observations

- Based on the preliminary analysis and assumptions herein, Option B – Shockoe Bottom Redevelopment with the Ballpark in conjunction with the Boulevard Redevelopment provides the greatest net benefit to the City.

- The proposed footprint of Shockoe Bottom to be redeveloped allows for the Ballpark to be constructed simultaneously with other privately funded investment over two years – all of which is projected to be completed by FY 2016. As a result, the City would potentially have new incremental revenues coming online as the full debt service payments related to the Ballpark come due.

- Conversely, the Boulevard site would be redeveloped sequentially. Until the new replacement Ballpark is completed in FY 2016 the existing Diamond would remain in place and delay the completion of additional private investment until at least FY 2018. As a result, the City would have less revenues to offset the full debt service related to the ballpark and infrastructure until such time under Option A.

Supporting Information – Estimated Revenue Projections

- Based on the Key Assumptions, a comparison of the preliminary annual revenue projections based on the two Options is shown below.

Option A - Boulevard with Ballpark + Shockoe	Low	High
I. Boulevard with Ballpark	$6,894,183	$7,835,752
II. Shockoe Redevelopment - No Ballpark	$937,662	$937,662
Subtotal Project Revenues	$7,831,844	$8,773,414
III. Baseball Revenues	$2,083,180	$2,188,070
Total Revenues - Option A	$9,915,024	$10,961,484

Option B - Shockoe with Ballpark + Boulevard	Low	High
I. Boulevard Redevelopment - No Ballpark	$12,201,758	$13,597,773
II. Shockoe With Ballpark	$1,791,598	$1,963,638
Subtotal Project Revenues	$13,993,357	$15,561,412
III. Baseball Revenues	$2,083,180	$2,188,070
Total Revenues - Option B	$16,076,537	$17,749,482
Difference Option B greater than Option A	$6,161,512	$6,787,998

- A comparison of the revenues generated by the Shockoe Bottom portion of the development versus the financing for the Ballpark under Option B is shown below.

Option B: Shockoe Development Only	Low	High
Total Shockoe Revenue	$3,874,778	$4,151,708
Ballpark Debt Service	$4,062,976	$4,062,976
Difference	($188,198)	$88,732

Supporting Information – Estimated Capital Cost and Debt Service

- Preliminary Capital Cost (as provided to Davenport by the City) and Debt Service Estimates are shown below:

Option A: Boulevard Ballpark Cost	Capital Cost Total	Financing Assumption Taxable	Tax Exempt
Ballpark - Construction	$40,000,000	$40,000,000	$0
Ballpark - FF&E	$5,250,000	$5,250,000	$0
Ballpark - A&E	$3,000,000	$3,000,000	$0
Land	$0	$0	$0
Infrastructure	$3,100,000	$0	$3,100,000
Demolition	$1,000,000	$0	$1,000,000
Parking Lot	$5,000,000	$0	$5,000,000
Lumpkins Jail	$0	$0	$0
Relocation of Buildings (Net of Land Sale Proceeds)	$6,800,000	$0	$6,800,000
Contingency	$4,005,000	$3,600,000	$405,000
Total Costs	$68,155,000	$51,850,000	$16,305,000
Estimated Annual Debt Service		**$3,745,161**	**$1,056,421**
	Total:	**$4,801,582**	

Option B: Shockoe Ballpark Cost	Capital Cost Total	Financing Assumption Taxable	Tax Exempt
Ballpark - Construction	$40,000,000	$40,000,000	$0
Ballpark - FF&E	$5,250,000	$5,250,000	$0
Ballpark - A&E	$3,000,000	$3,000,000	$0
Land	$4,400,000	$4,400,000	$0
Infrastructure	$13,770,000	$0	$13,770,000
Demolition	$1,000,000	$0	$1,000,000
Parking Lot	$0	$0	$0
Lumpkins Jail	$5,000,000	$0	$5,000,000
Relocation of Buildings (Net of Land Sale Proceeds)	$2,450,000	$0	$2,450,000
Contingency	$4,755,000	$3,600,000	$1,155,000
Total Costs	$79,625,000	$56,250,000	$23,375,000
Estimated Annual Debt Service		**$4,062,976**	**$1,514,495**
	Total:	**$5,577,471**	
Difference Option B greater than Option A			
Total Costs	**$11,470,000**	**$4,400,000**	**$7,070,000**
Estimated Annual Debt Service		**$317,815**	**$458,074**

Financing Assumptions:

Taxable cost of funds is assumed at 5.5%.

Tax-exempt cost of funds is assumed at 4.5%.

All financing assumes 30 year maturity (2 years interest only/28 year amortization) and 2% cost of issuance.

Supporting Information – Preliminary Plan of Finance Assumptions

1. Financing for the Ballpark and Non-Ballpark related infrastructure development costs shown on Page 8 is repaid from the incremental tax revenues generated by the project and supported by the City's Moral Obligation.

2. Estimated 30 year cost of funds is as follows:
   - Taxable cost of funds is assumed at 5.5%.
   - Tax-exempt cost of funds is assumed at 4.5%.
   - Some portion of the proceeds of the sale of land at the Boulevard Site could be used to replace the Arthur Ashe Center.

3. Rating of the financing is assumed to be in the "AA" range and is based on the City's strong investment grade credit rating.

4. Two year interest only period followed by level debt service with final maturity of 30 years.

Disclaimer

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity or obligated person without regard to its own financial or other interests, except when Davenport acts as an underwriter, as noted below, or as a registered investment advisor. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement. As a financial advisor, Davenport's fiduciary obligations to the issuer are the same as those of a registered municipal advisor.

However, should an issuer choose to consider Davenport as an underwriter, under the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 Davenport is obligated to disclose that the underwriter's primary role is to purchase securities with a view to distribution in an arm's length commercial transaction with the issuer and the underwriter has financial and other interests that differ from those of the issuer; unlike a municipal advisor, the underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interest of the issuer without regard to its own financial or other interests; the underwriter has a duty to purchase securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; the underwriter will review the official statement of the issuer's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction. Rule G-17 also requires an underwriter to deal fairly at all times with both municipal issuers and investors. The SEC has clarified that in order for a person to serve as an underwriter with respect to an issuance of municipal securities there must be a relationship to a particular transaction.

Davenport's compensation when serving as an underwriter is normally contingent on the closing of a transaction. Clients generally prefer this arrangement so they are not obligated to pay a fee unless the transaction is completed. However, MSRB Rule G-17 requires an underwriter to disclose that compensation that is contingent on the closing of a transaction or the size of a transaction presents a conflict of interest, because it may cause the underwriter to recommend a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory, underwriting or placement agent services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport. 10.17.13 RK/DR