C: Dir., Office of Budget and Strategic Planning

City of NORFOLK

To the Honorable Council
City of Norfolk, Virginia

February 23, 2016

From: Gregory Patrick, Acting Budget Team Leader

Subject: An ordinance to amend the Fiscal Year 2016 Capital Improvement Program (CIP) Budget to add an Economic Development Authority capital project

Reviewed: Peter H. Chapman, Deputy City Manager

Ward/Superward: Citywide

Approved: Marcus D. Jones, City Manager

Item Number: **PH-5**

I. **Recommendation:** Consider Ordinance

II. **Applicant:** City of Norfolk

Description:
This agenda item includes an ordinance to amend the Fiscal Year 2016 Capital Improvement Program (CIP) Budget to establish a $14.5 million Economic Development Authority (EDA) project for the conversion of the former J.C. Penney store at Military Circle to an office building. This project is not a capital project being carried out by the city. This amendment is being proposed in anticipation of the city needing to provide debt service coverage through the operating budget for the $14.5 million project should the EDA not be able to make the loan payments.

III. **Analysis**
The EDA will issue a Revenue Note for $14.5 million secured by a cooperation agreement with the city, which includes a full faith and credit pledge. The credit of the city will be pledged and approved by City Council by way of a separate ordinance. Currently the EDA has a tenant committed for occupancy for roughly half of the square footage of the building. It is highly anticipated the EDA will be able to self-support this loan when additional tenants are secured. In addition, the EDA will be able to refinance this loan at the end of its five-year term and eliminate the need for the city's pledge.

IV. **Financial Impact**
The EDA has secured a loan for $14.5 million. The EDA will utilize the revenue from the five-cent cigarette tax dedicated to the Department of Economic Development as a source to make debt service payments. Cigarette tax revenue was previously dedicated for business development and retention by City Council in FY 2014. It is also anticipated the city may need to provide additional

support should the EDA fall short in operating revenue during in the initial two years of the loan until other tenants are secured. Should this coverage be needed, it will be supported through subsequent City Council adopted operating debt service budgets.

V. Environmental

N/A

VI. Community Outreach/Notification

Pursuant to the *Code of Virginia* and *Norfolk City Charter*, this agenda item requires a public hearing. As such, a public hearing notice was published in *The Virginian-Pilot* on February 16, 2016.

VII. Board/Commission Action

N/A

VIII. Coordination/Outreach

This letter and ordinance have been coordinated with the Office of Budget and Strategic Planning, the Department of Finance, Department of Development, the City Attorney's Office and the City Manager's Office.

Supporting Material from the City Attorney's Office:

- Ordinance

Form and Correctness Approved:

By _____
Office of the City Attorney

Contents Approved:

By _____
DEPT. Budget & Strategic Planning

Pursuant to Section 72 of the City Charter, I hereby certify that the money required for this item is in the city treasury to the credit of the fund from which it is drawn and not appropriated for any other purpose.

$ $14,500,000 N/A
Account

_____ 2/16/16
Director of Finance Date

NORFOLK, VIRGINIA

ORDINANCE No.

AN ORDINANCE TO AMEND AND REORDAIN SECTIONS 1 AND 2 OF THE CAPITAL IMPROVEMENT PROGRAM BUDGET AND TO ADD A NEW SECTION 3 TO THE CAPITAL IMPROVEMENT PROGRAM BUDGET FOR THE FISCAL YEAR 2016 TO FINANCE ECONOMIC DEVELOPMENT AUTHORITY COSTS IN THE AMOUNT OF $14,500,000 RELATED TO THE CONVERSION OF THE FORMER J.C. PENNEY STORE AT MILITARY CIRCLE TO AN OFFICE BUILDING.

WHEREAS, Council desires to further amend the Capital Improvement Plan Budget for the City for the fiscal year beginning July 1, 2015 and ending on June 30, 2016, so as to establish a new capital project and provide the funding therefor, said project being known as "Conversion of Former J.C. Penney Store at Military Circle to Office Building" (the "Conversion Project") in the sum of Fourteen Million Five Hundred Thousand Dollars ($14,500,000); now therefore,

BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That Sections 1 and 2 of the Fiscal Year 2016 Capital Improvement Plan Budget Ordinance #45,956, adopted by Council on May 19, 2015, and subsequently amended by Ordinance #46,080 adopted by Council on October 13, 2015, and by Ordinance #46,176, adopted by Council on December 15, 2015, effective from and after July 1, 2015, are hereby amended and reordained and a new Section 3 is added, so as to establish a new capital project and provide for the funding therefor,

said project being known as "Conversion of Former J.C. Penney Store at Military Circle to Office Building" in the amount of Fourteen Million Five Hundred Thousand Dollars ($14,500,000), such sections to read as follows:

Section 1:- That the capital projects set forth below in the Capital Improvement Plan for the fiscal year beginning on July 1, 2015 and ending on June 30, 2016, submitted by the City Manager under date of April 14, 2015, approved by City Council on May 19, 2015 and as subsequently amended by City Council on October 13, 2015 and December 15, 2015, are hereby approved and the amounts herein set forth aggregating $185,705,200, or so much thereof as may be necessary, as set forth in the Capital Improvement Plan Budget for the fiscal year July 1, 2015 to June 30, 2016, are hereby appropriated for the purposes hereinafter set out in the following subparagraph:

A. Capital Improvement Projects

Number	Title	Approved Amount
General Capital		
1	Address School Major Maintenance	3,750,000
2	Address Street Flooding Citywide	1,500,000
3	Build Broad Creek Library	9,000,000
4	Construct Camp Allen Elementary School	11,886,000
5	Construct or Renovate Schools	59,000,000
6	Continue Scope Arena Improvements (PA)	750,000
7	Control Beach Erosion	500,000
8	Develop Bicycle, Pedestrian Greenways, Sharrows, and Complete Streets	750,000
9	Enhance Signals and Intersections	200,000
10	Fund ADA Master Plan for City Facilities	150,000
11	Fund Chrysler Museum Capital Campaign Match	850,000
12	Fund Preliminary Engineering	3,359,000
13	Implement Fire-Rescue Facility Plan	5,125,000
14	Implement RPOS Master Plan	600,000
15	Improve Citywide Dredging and Waterways	350,000
16	Improve Community and Neighborhood Parks	500,000
17	Improve Cultural Facilities (PA)	250,000
18	Improve Denby Park Neighborhood	500,000

19	Improve Downtown Corridor Streetscaping	100,000
20	Improve Existing Community Centers	450,000
21	Improve Fairmount Park Infrastructure	950,000
22	Improve HVAC Systems Citywide	200,000
23	Improve Infrastructure and Acquire Property	1,000,000
24	Improve Neighborhood Streets - Major	600,000
25	Improve Roof Repair and Moisture Protection	250,000
26	Improve Street Lights	100,000
27	Maintain Municipal Facilities	3,000,000
28	Maintain USS Wisconsin BB-64	500,000
29	Renovate Virginia Zoo Farm and Reptile House	700,000
30	Repair and Maintain Bridges - Minor	250,000
31	Repair and Replace Bridges - Major	1,000,000
32	Repair Neigh. Sts/Sidewalks/Walkways	500,000
33	Revitalize, Redevelop, and Conserve Neighborhoods	2,500,000
34	Support Boxing Facility at Harbor Park	2,000,000
35	Support Career and Technical Education	1,000,000
36	Support Citywide Public Art	250,000
37	Chesapeake Boulevard Pedestrian Crossing	200,000
38	Improve Chelsea Neighborhood Infrastructure	100,000
39	Improve Arts District Infrastructure	200,000
40	Implement Five Points Better Block Plan	300,000
41	Implement Ocean View Traffic Calming	200,000
42	Implement Southside Neighborhood Plan	300,000
43	Implement Poplar Hall Drive Pedestrian Improvement	250,000
44	Support Economic Development	3,500,000
45	Conversion of Former J.C. Penney Store at Military Circle to Office Building	14,500,000
Total General Capital		133,920,000
Parking Facilities		
45	Maintain Parking Facilities	2,900,000
46	Acquire Parking Garage	10,000,000
Total Parking Facilities		12,900,000
Storm Water Utility		
47	Create Citywide Flooding Reserve	1,315,200
48	Improve Storm Water Quality	950,000
49	Improve Storm Water System	600,000
50	Improve Storm Water Waterfront Facilities	500,000
51	Reduce Neighborhood Flooding	1,450,000
52	Support Campostella Landfill Post Closure Requirements	1,500,000

Total Storm Water Utility	6,315,200
Wastewater Utility	
53 Improve Wastewater Collection System	17,000,000
Total Wastewater Utility	17,000,000
Water Utility	
54 Implement Meter Change-Out Program	150,000
55 Improve Water Pipeline Infrastructure	12,700,000
56 Rehabilitate Reservoirs Systemwide	1,050,000
57 Replace Master Meters	120,000
58 Upgrade Moores Bridges Water Treatment Plant	1,500,000
59 Upgrade Northstar Billing System	50,000
Total Water Utility	15,570,000
Grand Total	185,705,200

Section 2:- That in order to provide the funds heretofore appropriated, cash in the aggregate principal sum of $21,674,304 is authorized to be expended. Of such sum, $11,727,966 is for General Capital Improvement Projects, which is comprised of $300,000 of proceeds from the sale of land, $2,079,166 transferred from the General Fund, $2,200,000 transferred from the General Fund, $6,148,800 transferred from the School Fund, and $1,000,000 transferred from the Public Amenities Fund; $2,900,000 is for Parking Facilities Fund Projects; and $5,350,000 is for Water Utility Fund Projects; and $1,696,338 for Storm Water Utility Fund Projects, of which $381,138 was previously authorized cash. Proceeds of the Economic Development Authority Revenue Note (the "EDA Revenue Note") in the principal sum of $14,500,000 as described in Section 3 below is for the General Capital Improvement Projects and authorized to be expended on the Conversion Project. Previously approved, but unissued, bonds in the aggregate principal sum of $4,430,424 are reappropriated for General Capital Improvement Projects, and therefore bonds of the City of Norfolk in the aggregate principal sum of $149,530,896 are hereby authorized to be issued from time to time in such form and with such terms as shall be established pursuant to future ordinances, of which $107,692,034 is for General Capital

Improvement Projects, $10,000,000 is for Parking Facilities Fund Projects, $4,618,862 is for Storm Water Utility Fund Projects, $17,000,000 is for Wastewater Utility Fund Projects and $10,220,000 is for Water Utility Fund Projects. Further, that $7,500,000 of cash funding previously authorized from the Public Amenities Fund for General Capital Improvement Projects hereby reverts to the Public Amenities Fund, and funding for $40,000,000 of the City's previously authorized, but unissued, Water Utility Fund Projects is hereby converted to cash funding and is hereby appropriated.

Section 3:- That the City shall be obligated to make principal and interest payments on the EDA Revenue Note in the principal amount of $14,500,000 to be issued by the Economic Development Authority of the City of Norfolk ("EDA") to finance the Conversion Project, such debt service payments being made by the City under the terms of a cooperation agreement to be entered into with the EDA.

Section 2:- That in all other respects, Ordinance #45,956, as amended by Ordinance #46,080 and by Ordinance #46,176, shall remain in full force and effect.

Section 3:- That this ordinance shall be in effect from and after its adoption.