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Case Studies on Property Development:

RICHMOND HILLTOP SHOPPING CENTER

David E. Dowall and Dena Belzer

As he started walking back the dozen or so blocks from the post office in downtown Richmond to the civic center, Ken Smith heaved a deep sigh. When he first came to Richmond as city manager in 1967 he had known the job would be tough. But he had been confident in his skills as an administrator and in the city's potential for growth and development. Smith never anticipated that five years later the downtown, which had been one of his main priorities, would look as bad as it did now. Most of the stores and businesses had closed down; land that had been cleared for a new regional shopping center stood empty; and there was none of the hustle bustle one expects of a downtown area at lunch time. Smith was a taciturn man not generally given to brooding about the past. However, looking around at the city's struggling Central Business District (CBD) he began to think about Richmond's history and the reasons why the CBD was in its current condition.

Richmond had come into existence before the turn of the century as a small manufacturing and transportation center. It was located on San Francisco Bay to the north of Oakland and Berkeley and was the largest city in western Contra Costa County. The city's first central business district had been on Point Richmond. But, in the early 1900s civic

leaders and real estate speculators moved the CBD to its current location in the Iron Triangle neighborhood. From this time until 1940 Richmond grew slowly but steadily. However, with the onset of World War II things changed almost overnight. The city had four ship yards as well as other war related industries that suddenly required thousands of workers. Companies recruited people from all over the country to come take jobs. The city's population went from 23,642 in 1940 to about 110,000 in 1945. Suddenly there was a tremendous housing shortage and the government quickly built several thousand temporary housing units.

After the war ended, most companies began laying people off. In addition, the government tore down just about all of the temporary housing units. This economic downturn forced many people to leave Richmond and seek work elsewhere. But a greater number of people stayed on, merely squeezing more tightly into the existing housing stock. Overcrowded living conditions combined with increasing poverty resulted in social and economic problems that continued to plague Richmond over twenty years later when Ken Smith took his job as city manager.

Even with the post-war population decline, downtown Richmond, for some time, continued to serve as a regional shopping district for western Contra Costa Country. But by 1955 the CBD's retail sales had begun to decline. Suburban shopping malls were being built to give consumers easier access to a greater variety of merchandise, and the downtown's inefficient traffic patterns and limited parking were a further deterrent. In addition, the Iron Triangle neighborhood began to deteriorate as the city's more affluent residents started buying homes in the new suburban areas to the north and east of the downtown.

In 1956 downtown merchants and city officials became concerned about the CBD's future. A new shopping center was planned for El Cerrito, Richmond's southern neighbor. Another center was proposed for El Portal Road in San Pablo to the north of Richmond's CBD and closer to western Contra Costa County's new suburban development. City officials considered trying to build another shopping center, in what they thought would be a more competitive location, east of the downtown and closer to the new interstate freeway. They wanted to build their center before the other two were finished so as to attract the best department stores to anchor Richmond's share of the area's retail sales. This plan was never implemented but it was the first indication that downtown Richmond might not be the best location for a regional shopping center and that there could be a conflict between the need to keep retail sales activities in the city and the need to prevent the downtown from dying out.

The downtown merchants were upset about this potential conflict and started trying to prove that the CBD was appropriate for a large shopping center. These merchants formed a non-profit corporation and, in 1959, produced a revitalization plan for the shopping district and surrounding residential neighborhoods. The plan called for creating a pedestrian mall, building new parking facilities, and improved traffic circulation. It was to be funded primarily by downtown property owners. There was not much private support for the plan but it did convince city officials that the downtown could work well as a regional shopping center. Late in 1959 the city council designated the CBD as a redevelopment district. This meant that the Richmond Redevelopment Agency (RRA) would now be responsible for both planning and implementing

the district's renewal. The RRA had been created in 1949 to promote sound development and redevelopment of blighted, deteriorated, or slum areas and to determine appropriate new uses for such areas. It was an independent government agency with special powers including: an ability to buy and sell land; issue bonds; and withhold increased property tax revenues from the gains in assessed valuation in project areas to pay off debts incurred from redevelopment (tax increment financing). These powers, combined with RRA's ability to acquire land through condemnation, gave the agency a way to assemble large property holdings more efficiently than a private developer could.

Over the next several years the city gave the RRA approximately \$35,000 to determine exactly what actions should be undertaken to improve the downtown. These efforts culminated in the city council applying to the Urban Renewal Administration, HUD's predecessor, for a grant to develop a specific plan for redevelopment. Richmond got the money and the RRA hired a consultant, Wilsey, Ham & Blair, to conduct a feasibility analysis and write a preliminary plan.

The Wilsey, Ham & Blair report as well as another study done by the Roy Wenzlick company concluded that the Richmond trade area could support a shopping district with between 680,000 and 863,200 square feet of retail space by 1985 (see Figures 1, 2, 3, 4, 5, and 6). This would include two large department stores and numerous small retail shops. Both reports also projected significant demand for office space in the CBD and high density residential units in the surrounding neighborhood.

Like the earlier downtown plan, the Wilsey, Ham & Blair report envisioned converting the CBD's central core into a pedestrian mall. An

efficient system of parking structures would be built just outside the core. Through traffic would be routed around the pedestrian areas creating a smoother flow around the city center and eliminating conflict between cars and shoppers. The redevelopment nexus would be a fourteen-block area bordered by 6th and 14th streets to the west and east and Barrett and Bissell streets to the north and south. Where it was required, deteriorated structures would be torn down; but existing buildings were to be rehabilitated wherever possible.

Financing for the downtown project would come primarily from federal grants. Under the new federal community renewal legislation, the Urban Renewal Administration would pay two-thirds of the net project cost with the local government paying the other one-third. The local government share could be paid either in cash or in grants-in-aid which included: property tax credits, infrastructure improvements, and/or land donations. Wilsey, Ham & Blair estimated the net project cost for the downtown at \$14,086,357 with the federal government contributing \$9,337,429 and Richmond paying the balance of \$4,748,928 (see Figure 7).

Most of Richmond's share of the project would be paid through grants-in-aid. Infrastructure improvements like underpasses under the railroad tracks at 14th and 16th streets would be made using county highway funds. The biggest direct expense would be building new parking structures. Based on parking requirements of 3 spaces per 1,000 square feet of commercial area and 1.5 spaces per 1,000 square feet of office area, Wilsey, Ham & Blair projected demand for 3,045 parking spaces by 1968. There were already 800 existing spaces in the downtown requiring the city to build 2,235 additional spaces over a six-year period. Since

no specific monies were available from other government sources, the city had to consider how it could pay for the necessary parking additions. Using Wilsey, Ham & Blair's assumptions (see Figure 8), it was clear that the facilities could not provide enough revenue to cover bond encumbrances themselves. Therefore, income from some other source would also be needed to pay off the debt. The consultants recommended forming a special assessment district comprised of downtown property owners as the simplest solution to his problem. No further financial analysis was done of the project but the consultants seemed confident it was entirely feasible.

Although the Wilsey Ham & Blair plan was completed in October of 1962, Richmond did not receive a commitment for project implementation from the Urban Renewal Administration until 1964. Then the funds were held up for an additional two years pending a U.S. Supreme Court decision regarding all urban renewal funds. When the money finally came through in 1966, the city formally adapted a redevelopment plan for the downtown based on the 1962 plan and moved ahead with the project's initial phase. Late in 1966 the RRA began acquiring property and clearing buildings to facilitate street widening and other road improvements. Land acquisition was done in a somewhat haphazard fashion, particularly since no developer had expressed an interest in building a shopping center. By mid-1967, local business people were already becoming critical of the downtown project, calling it "operation bulldozer." In retrospect, Smith knew that these criticisms were well-founded but he had not gotten the job as city manager yet, so there had been nothing he could have done.

While the RRA slowly moved along towards its goal, socio-economic conditions in Richmond continued to deteriorate. The Iron Triangle neighborhood, which was considered the downtown's primary trade area, had become a very poor black district. Racial conflict was also becoming an ongoing problem with riots sparking off waves of violence in the downtown area.

When Ken Smith took over as city manager late in 1967 he had inherited a city which was economically underdeveloped, simmering with racial tension, and bogged down in its efforts to save its CBD. Smith had previously been city manager in El Cerrito and had been instrumental in getting the El Cerrito Plaza built in 1957. When he was hired, Richmond city officials had hoped his administrative skills and experience with shopping center development would get the downtown project back on track. Smith himself had intended to try and give Richmond a more balanced image as a nice place to both live and work. He had considered getting a regional shopping center in the city and revitalizing the downtown as crucial to meeting this objective.

Walking along uninterrupted in his ruminations, Smith remembered his first several years in Richmond with mixed emotions. Soon after he had started the job several different developers began expressing interest in building a regional shopping center somewhere in western Contra Costa County. Each developer was looking for both an appropriate location and commitments from large department stores to go in as anchor tenants. By mid-1968 there were five sites under consideration including downtown Richmond. The most promising site seemed to be at the intersection of Appian Way and Interstate 80 in an unincorporated

section of the county. The developer planned to put in three major department stores with an additional 800,000 to 1,000,000 square feet of gross leasable space. Although the western Contra Costa County trade area had grown throughout the 1960s, the area was still only big enough to support one such center. If the Appian Way site, or any of the others, went ahead, then it would no longer be feasible to attempt a regional shopping center in downtown Richmond as well.

With the pressure mounting to get something built, the RRA commissioned a new feasibility study for the downtown project. In 1968 Development Research Associates (DRA) released this new study. DRA concluded that the previous downtown plan was obsolete. They felt that clearance combined with rehabilitation of existing buildings would not create the appropriate development opportunities. Instead, DRA suggested clearing large areas to create a "superblock" that could then be sold to a single developer. A site which could accommodate two major department stores and 400,000-600,000 square feet of additional retail space would be enough to meet the area's need for retail space and triple previously projected sales for the downtown. However, DRA strongly suggested that the RRA not proceed with this plan unless they had obtained pre-commitments from tenants, including two department stores.

Smith had supported the superblock concept because he knew that shopping centers were changing from the old style malls with outdoor walkways to the new enclosed facilities with climate control and a unified architectural theme. He also knew that obtaining anchor tenants would be critical to the project's success. So, in an attempt to

support the RRA's efforts, he began contacting department store representatives to feel out their attitude towards Richmond. The response he got was very disheartening. Nobody seemed interested in locating in the downtown with its racial tension and rundown atmosphere. However, Smith had not lost faith in the project and was pleased when the RRA signed an option on twelve acres of downtown land jointly with Newman properties and Ernest Hahn Inc. (Newman-Hahn) in July of 1968.

The terms of the option agreement stated that the RRA would do all things necessary to acquire title to the twelve acres of land, prepare it for development, and convey it to the developer for construction of a shopping center. The center was to contain four major department stores totaling 600,000 square feet plus 400,000 square feet of smaller stores along a 50,000 square foot mall. In addition, the RRA was to provide 6,000 free parking spaces. As a result of the Newman-Hahn option, the RRA moved ahead to change the redevelopment plan to reflect their new approach to the downtown. They were following DRA's advice to merely clear land for development rather than trying to reuse existing buildings. This change required submitting a new proposal to HUD as well as finding a way to finance the parking. Under the terms of the agreement, the RRA could not form a special assessment district as it had originally intended.

Although the Newman-Hahn option had initially made the downtown project seem like it was finally under way, things began to look less promising in 1969. The option had originally been for six months; but it was extended for another six months; and then for another year because the developers were unable to get commitments from any

department stores. Also, the financing was becoming very uncertain. The net project cost was now up to \$48,467,447 (see Figure 9) with parking construction costs estimated at somewhere between \$9,773,960 (the city's estimate) and \$12,500,000 (a consultant's estimate). In any case the parking structures represented between 60% and 75% of the city's total contribution towards getting the project built. The Richmond City Council and HUD would have final approval of project funds and by this time both were having second thoughts about the city's ability to pay its share.

Yet another consultant was hired in July of 1969 to review the prospects for parking development and financing. Bartle Wells Associates (BWA), the new consultants, estimated the parking costs in the project's initial phase would range between \$10.7 million and \$12.7 million (see Figure 10). BWA determined that there were two key elements to financing the project. One was to have a source of interim financing that could be used for several purposes including: deferring permanent financing, paying debt service before tax increment revenues became available, and/or reducing the total long-term debt. The second element was an ability to undertake adequate long-term debt to finance the project. After studying the situation, BWA concluded that the RRA had a sufficient source of interim financing in their Redevelopment Revolving Fund. Long-term financing could be obtained by floating various types of bonds. Tax increment bonds were considered the best instrument. But, based on projected increases in property taxes, BWA determined that the tax increment alone would not produce enough revenue to fund the entire project. Therefore, they concluded that other sources of revenues would be required but that adequate funds did exist.

What was necessary was a willingness rather than an ability to pay the price of the development.

Following completion of the BWA report, the RRA issued its own special report on the downtown project. It outlined all project costs to date as well as future expenditures. This report was intended to demonstrate the total project's financial feasibility. Ken Smith had carefully reviewed both the BWA study and the special report. In November of 1969 he wrote a memo to the city council's Redevelopment and Urban Renewal Committee outlining his opinion of the two.

Smith's conclusion had been that neither document clearly demonstrated the project's feasibility. In terms of financing the parking structure, Smith thought that sales tax revenues would be the only other likely source of revenue to cover debt service. According to city staff, the net increase in sales tax revenues after project completion would be only \$550,000. This combined with the \$605,000 which was the maximum amount BWA estimated would be available from tax increments, produced \$1,155,000 (Figure 10). Although this amount was greater than the projected debt service of the parking structure, it left very little margin for error. If the project did not produce the expected amount of revenue, the City would be in very serious trouble. Smith also was concerned about the desirability of using over \$1 million of city funds for parking. Was this an effective use of public monies or should it fund other needs?

By this time, Smith doubted whether the project would ever go forward as planned. Over 83% of the necessary property had been acquired; 400 families had been relocated; and 125 businesses had been

displaced, but the City and the RRA had begun to develop major differences as to how the rest of the project should be financed. Finally, HUD stepped in and told the RRA that until these problems could be resolved, it was halting all project funds.

HUD's refusal to continue with the project came as a great shock to the RRA. It did not surprise Smith. At this point, he had been fairly certain that Newman-Hahn would not exercise their option. They were not having any better luck with the department stores than he had had earlier. So, when their option had finally expired in 1970, Smith had begun negotiating with representatives from the Chevron Land and Development Company (CLDC) to get a regional shopping center built on their hilltop tank farm site northeast of the CBD but still within Richmond's boundaries. CLDC working in conjunction with the Taubman Company began looking for anchor tenants for the site and by late in the year had firm commitments from several stores.

Smith had been sorry to abandon the downtown plan. But he also knew the economic realities of the situation. It had been clear for several years that the stores were not interested in locating there. He only wished that the RRA had not been so blindly dedicated to their goals. If they had been more prudent and realistic, they might not have cleared so much land and disrupted so many peoples' lives. The Hilltop project had been lucky. If things had gone differently, Richmond could have lost out altogether. At least now it would have the prestige and tax revenues from a regional shopping center. Smith began to consider what alternative uses could be drawn to the downtown.

Reaching the door to his office, Smith sighed again and began thinking about Richmond's future and the future of Hilltop mall. Now, two years after the mall had first been proposed, construction had still not begun. The project was mired in the environmental review process and it would probably take a long court battle to resolve all the conflicts. Smith knew that when Hilltop eventually opened he would have at least accomplished one of the goals he had set for himself when he had first come to Richmond. But, he wished things had worked out differently. Many city residents did not see winning a shopping center from other places in the county as a victory at all. Instead, they were bitter and disillusioned with Richmond city government and saw little hope for accomplishing their goal: a revitalized downtown. Smith settled into his office chair and began reviewing the history of Richmond's shopping center efforts again. He wondered what course of action the City could take to enhance downtown.

Figure 1

RETAIL SALES (in thousands of dollars)
RICHMOND TRADING AREA, 1960

	<u>CBD</u>	<u>Other Richmond</u>	<u>El Cerrito</u>	<u>San Pablo</u>	<u>County</u>	<u>Total</u>
<u>Food</u> ⁽¹⁾						
(000's of \$)	3,084	19,616	8,652	7,256	4,999	43,607
(% of Total)	7.1	45.0	19.8	16.6	11.5	
<u>Drug</u>						
(000's of \$)	1,304	1,759	1,853	258	(2)	5,156
(% of Total)	25.3	34.1	35.6	5.0		
<u>Liquor</u>						
(000's of \$)	524	1,856	1,004	455	373	4,212
(% of Total)	12.4	44.1	23.8	10.8	8.9	
<u>Service station & Auto Supply</u> ⁽³⁾						
(000's of \$)	293	50,698	2,015	2,620	2,095	57,721
(% of Total)	0.5	87.8	3.5	4.6	3.6	
<u>Eat & drink</u>						
(000's of \$)	1,088	4,292	2,715	1,731	557	10,383
(% of Total)	10.5	41.3	26.1	16.7	5.4	
<u>General merchandise</u>						
(000's of \$)	7,922	10,418	7,242	463	—	26,045
(% of Total)	30.4	40.0	27.8	1.8		
<u>Apparel</u>						
(000's of \$)	4,720	502	2,324	—	140	7,686
(% of Total)	61.5	6.5	30.2		1.8	
<u>Home furn. & Appl.</u>						
(000's of \$)	2,063	2,948	736	220	(2)	5,967
(% of Total)	34.6	49.4	12.3	3.7		
<u>Specialty</u>						
(000's of \$)	2,180	2,410	3,453	889	984	9,916
(% of Total)	22.0	24.3	34.8	9.0	9.9	
<u>Building materials</u>						
(000's of \$)	336	2,653	2,692	1,237	(1)	6,918
(% of Total)	4.9	38.3	38.9	17.9		
<u>Motor vehicle dealers</u>						
(000's of \$)	—	19,476	1,919	—	(1)	21,395
(% of Total)		91.0	9.0			
TOTALS (000's of \$)	23,514	116,628	34,587	15,129	9,148	199,006
(% of Total)	11.85	58.6	17.4	7.6	4.6	

(1) Estimated based on ratio of taxable sales to non taxable sales of 4 to 1.

(2) Withheld to avoid disclosure.

(3) Estimated based on ratio of taxable sales to non taxable sales of 3 to 1 for Richmond area and 5 to 1 for the remainder because of the concentration of auto parts and supply stores in Richmond area.

(4) Estimated by Riches Research, Inc.

Source: State Board of Equalization

Figure 2

WILLSEY HAM PROJECTIONS OF POPULATION
 RICHMOND TRADE AREA
 1960-1985

	1960	1975	1985
<u>Sector</u>	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>
Iron Triangle	12.4	18.0	22.5
Central Richmond	19.2	19.5	20.0
South Richmond	13.8	20.5	20.5
Point Richmond	2.3	2.6	3.7
West Richmond	6.8	8.7	1.8
San Pablo	21.8	24.3	27.9
El Sobrante-			
North Shore	21.9	33.3	39.8
Wildcat Canyon	.1	4.2	7.0
Richmond Hills	17.7	18.1	18.3
El Cerrito Hills	8.8	10.8	12.2
El Cerrito-			
S.E. Richmond	26.9	30.9	31.1
TOTAL	151.7	190.9	204.3

Sources: 1960 Population - Census Bureau; Population projections for the Iron Triangle and other sectors - Richmond City Planning Commission Staff; Riches Research Inc. (Downtown Richmond: A Plan for Redevelopment Action; Technical Supplement, Willsey, Ham & Blair. Millbrae, 1962).

Figure 3

PROJECTED POPULATION

RICHMOND TRADE AREA

1961-1985

<u>Sector</u>	<u>1961*</u>	<u>1968</u>	<u>1975</u>	<u>1985</u>	<u>Increase 1961-85</u>
Iron Triangle	12,400	16,100	18,200	23,000	10,600
South Richmond	17,060	26,800	30,000	33,000	15,940
Central Richmond	26,250	28,000	31,000	35,000	8,750
Point Richmond	2,770	3,100	4,000	5,500	2,730
North Richmond	6,700	6,850	6,900	†	-6,700
San Pablo	22,250	25,500	27,000	28,000	5,750
El Cerrito	43,650	47,000	49,500	50,000	6,350
El Sobrante-					
North Shore	22,360	29,500	35,000	45,000	22,640
Wildcat Canyon	360	1,500	5,000	10,000	9,640
Pinole-Hercules	7,700	13,000	17,000	21,000	13,300
Trade Area Total	161,500	197,350	223,600	250,500	89,000

*1960 Census of Population & 1961 Building Permit Data

†Planning Commission calls for complete redevelopment to industrial purposes by 1985.

Source: Roy Wenzlick & Co.

Figure 4

ESTIMATED GROSS FLOOR AREAS
RICHMOND CBD
(sq. ft.)

<u>Use</u>	<u>Existing</u>	<u>1968</u>	<u>1975</u>	<u>1985</u>
Shopping Goods	380,585	410,000	430,000	440,000
Convenience Goods				
Food Stores	57,219	52,000	52,000	60,000
Eating and Drinking	37,053	39,000	43,000	50,000
Other Retail*	87,424	110,000	120,000	130,000
Total	562,281	611,000	645,000	680,000

*Excluding automotive group.

Source: Roy Wenzlick & Company

Figure 5

ESTIMATE OF GROSS RETAIL STORE SPACE DEMAND
Richmond CBD
1975, 1985

<u>Use</u>	<u>1975</u>	<u>% Total</u>	<u>1985</u>	<u>% Total</u>
Shopping goods	645,200	81.7	705,200	81.7
Convenience goods		15.2		15.3
Food stores	61,000	7.7	63,000	7.3
Eating & drinking	59,000	7.5	69,000	8.0
Other Retail	25,000	3.2	25,000	2.9
Total	790,200	100.0	863,200	100.0

Source: Riches Research, Inc.

(Willsey, Ham & Blair, Technical Supplement,
1962, p. 36)

Figure 6

RICHMOND'S POTENTIAL RETAIL SALES
as projected by Wenzlick & Willsey
1975, 1985
(thousands)

Year	CBD Potential	
	Wenzlick*	Willsey†
1975	\$33,600	\$38,610
1985	36,500	43,790

* Source: Wenzlick & Co.

† Riches Research, Inc. (Willsey, Ham & Blair)

Figure 7
1962 (Willsey Ham)

Gross Project cost	\$20,586,357
Less proceeds from resale of project lands	(6,500,000)
Net project cost (on which Fed-Local sharing is based)	14,086,357
Federal grants	9,337,429
Local shares	4,748,928
Breakdown of local share:	
a. Land donations	15,000
b. Const. of parking lots	464,000
c. Const. of storm drain system	280,400
d. Credits from const. of underpasses at 14th & 16th Sts.	758,000
e. Credits from Muni services provided to agency-owned improved properties (real estate tax credits)	50,000
f. Cash derived from tax increments of sale of tax allocation bonds	3,181,528
Additional federal grant for relocation payments	265,000

Figure 8

PARKING STRUCTURE FEASIBILITY CALCULATIONS*

1. Revenue Projections

The projections of average parking revenue are predicated upon the following assumptions:

- a. Rates - 10 cents per hour.
- b. The land use changes and new developments outlined by the Downtown Plan will have been accomplished.
- c. Short-time parking will predominate with average parking duration of two hours. This gives a gross revenue per car parked of 20 cents.
- d. Operation and maintenance expenses with attendant control of customer parking will amount to 15 cents per car parked.
- e. Parking facility usage will average two and one-half cars per space per day (turnover of 2.5).

Under these assumptions, the annual net revenue is computed as follows:

$$\begin{aligned} &2,235 \text{ (spaces)} \times 306 \text{ (operating days)} \times 2.5 \\ &\text{(turnover)} \times \$0.20 \text{ net revenue } (\$0.20 \text{ gross} \\ &\text{revenue} - \$0.15 \text{ expense}) = \underline{\$85,500} \end{aligned}$$

2. Financial Feasibility

The annual debt service on the parking facility's capital cost of \$4,868,900 at, for example, 4-1/2% - 25 years, is \$328,200. The test of feasibility is then:

Annual Net Revenue	\$ 85,500
Annual Debt Service	<u>328,200</u>
Revenue Deficiency	(242,700)

3. Conclusions

- a. Since parking revenues fall far short of meeting debt service, it is concluded that the program is not economically feasible if only these revenues are available.

- b. Parking therefore must be provided by a combination of the following:
 - (1) Refinancing of the outstanding bond issue and provision of new public facilities.
 - (2) Downtown assessment district with owner-participants.
 - (3) Integral requirements of each new redevelopment scheme.

* Willsey, Ham and Blair

Figure 9

1969 PROJECT COSTS

Gross Project Cost	\$53,200,447
Less proceeds from land sales	(<u>4,733,000</u>)
Net project cost	48,467,447
Federal grants	31,969,005
Local share	16,498,442
Breakdown of local share:	
Non-cash grants-in-aid infrastructure, parking	15,913,695
Local cash grants-in-aid	372,262
Real estate tax credits	212,485
Federal relocation grants	1,393,526

Source: Richmond Redevelopment Special Report, 1969

November 21, 1969

TO: City Council Redevelopment and
Urban Renewal Committee

FROM: Kenneth H. Smith, City Manager

SUBJ: Proposed Revised Downtown Plan

The following is a summary of comments and observations of city staff on the Urban Renewal Plan of Project 10A, April 28, 1969; Special Report on the Urban Renewal Plan of Project 10A, May 7, 1969. Review of Parking Development and Financing, Project 10A, July 8, prepared for the Agency by Bartle Wells and Associates (submitted by the Richmond Redevelopment Agency to the City Council for its consideration.)

1. Neither the Special Report nor the Bartle Wells report includes a clear demonstration of the feasibility of the proposed project (as required under State Community Renewal Law). In fact, a cursory analysis of the data included in the Bartle Wells report tends to indicate that the return on public funds invested would in fact be quite marginal.

	<u>Development Cost</u>	<u>Annual Debt Service</u>
Principal & Interest on Min. Est. of Financing Cost - 25 years at 7%	\$10,755,000*	\$ 922,900
Principal & Interest on Max. Est. of Financing Cost - 25 years at 7%	12,710,000*	1,090,700
Est. Annual Cost of Parking Maint.	50,000	
Range of Annual Financing Cost of Parking Proposal and Maintenance		972,900 Min. 1,140,700 Max.

Resources Available for Debt Service:

Max. est. available for debt service from sequestering of all taxes on added value over base year**	605,000
Sales Tax receipts increase over current level	550,000
	<u>\$1,155,000</u>

*Figure does not include capitalized value of tax exemption on parking, est. at \$3,000,000.

**Review of Parking Development & Financing, Page 10-A