

Updated: CoStar in talks for new office tower within Navy Hill development

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CoStar CEO Andy Florance provides remarks alongside, from left, Richmond economic development director Leonard Sledge, Mayor Levar Stoney, NH District Corp.'s Tom Farrell, and City Council member Ellen Robertson and president Cynthia Newbille. *(Photos by Jonathan Spiers)*

While state legislators weigh a bill that could reshape the project's public-funding structure, the developers behind the proposed Navy Hill development have lined up a large office tenant for one of its planned buildings.

Representatives with developer NH District Corp. joined Richmond Mayor Levar Stoney in announcing Monday that real estate research firm CoStar Group has struck a tentative agreement to occupy a 400,000-square-foot office building within the development, should the City Council approve the \$1.5 billion project.

The building would be located beside the new arena that would anchor the mixed-use development and replace the Richmond Coliseum. The building, which would be constructed by 2023, would be taller than previously envisioned to accommodate CoStar's plans, which call for doubling the number of jobs it would bring to Richmond to 2,000.



An updated rendering of the now-taller office building planned beside the new arena. (Courtesy NH District Corp.)

CoStar CEO Andy Florance said the increase in jobs, which would be added incrementally over five years, is not contingent on Navy Hill, though he said the company hopes to see the project move forward.

“We believe in the potential of the Navy Hill project and that it could provide an ideal solution for our company’s future growth here in Richmond,” Florance said.

The announcement was one of several updates provided in a hastily called press conference at City Hall. Among them, Stoney said progress had been made to locate enough income-based housing units within the project area to meet the city’s required percentage threshold for new multifamily residential development.

Stoney also acknowledged a bill introduced in the General Assembly last week that would allow state sales tax revenue generated from Navy Hill to be put toward paying off bonds to fund the arena, potentially reducing the size of the project’s proposed tax-increment financing (TIF) district. Stoney said preliminary analysis showed the district, proposed for an 80-acre swath of downtown, could be reduced in size by more than half.

“We’ve heard from citizens and experts about both their excitement and their concerns about the Navy Hill project,” Stoney said. “I want the citizens of Richmond to know that we’ve been hard at work, day in and day out ... to find solutions to concerns you’ve raised.”

WestRock building maxed out

Stoney said an aspect of the project that had received less attention is the potential addition of Class A office space, a bulk of which CoStar would fill through the arrangement.

Florance said the company would occupy the entire building, with some street-level retail filling out the ground floor.

If Navy Hill receives council's approval, the CoStar building would be delivered by 2023, providing the firm with space beyond its current offices in the riverfront WestRock tower, which Florance said it has maxed out.

The company, which totals 4,400 employees across 100 offices, established its largest operations center in the downtown tower in 2016 and gradually has expanded its footprint since, most recently announcing an additional 100 jobs there last year.

Florance said locating in Navy Hill would help attract and retain employees, describing the project as creating a walkable environment with access to transit, entertainment, conferencing and housing.

“We’re enthusiastic about this opportunity in particular because it offers a fantastic live-work environment for our employees in the heart of the city’s downtown, which is important to us,” he said.



A 7-acre plot houses the city-owned Coliseum. (*BizSense file photo*)

Florance added that the arena would be useful to the company in hosting companywide conferences and events, on top of facilities at the nearby convention center and a planned 541-room hotel included in the development. Two years ago, the company hosted a gathering at the Main Street Station train shed that included a private concert by the Zac Brown Band.

“I want to stress that the proposed arena is one of the most important reasons Navy Hill works well for CoStar Group,” Florance said. “We bring employees from all over the world to Richmond for meetings, and the arena, combined with the new potential hotel and the convention center, is an ideal solution.”

TIF district revisited



An aerial rendering of the proposed new arena and the surrounding buildings. (Courtesy navyhillrva.com)

As currently proposed, Navy Hill would consist of a 17,500-seat arena, the 541-room hotel, 2,000 market-rate apartments, an initial 280 income-based housing units with potential for more, renovated Blues Armory building, GRTC transfer center, and additional retail, office and city-use buildings.

The project would be kickstarted with \$900 million in private investment that is projected to total \$1.3 billion upon completion of the project. The development agreement put forth by the mayor and now under review by City Council requires NHDC to show the \$900 million has been secured before the city can pursue a bond sale to finance the arena, projected to cost \$235 million and planned to be the largest in Virginia.

The arena portion of the project would be funded through nonrecourse revenue bonds that the city would issue and pay back over 30 years or less primarily with real estate tax revenues generated from new development and increased assessments in the proposed TIF district. As proposed, that 80-block area would be bordered to the west and east by First and 10th streets, and to the north and south by Interstate 64-95 and the Downtown Expressway.

Last week, Del. Jeff Bourne of Richmond introduced House Bill 1345, which would add state sales tax revenues to the funds the TIF district could generate for the project, potentially allowing the area to be reduced in size. Stoney said the bill is similar to legislation adopted last year to support the Dome mixed-use redevelopment project in Virginia Beach.

Asked if CoStar would contribute to Navy Hill beyond its building tenancy and additional job creation, Florance said a monetary investment could be considered.

“At this point we’re focused on adding the jobs, but the other element could happen as well,” he said.

Tom Farrell, the Dominion Energy CEO who is spearheading the Navy Hill effort, said CoStar joins VCU in committing to the project, providing bookends to the project area beside the Coliseum with the respective buildings they would fill.



Florance and Stoney listen to remarks from Farrell, the Dominion Energy CEO spearheading Navy Hill.

Farrell said the project continues to be tweaked based on feedback received from the public and council, referring to the income-based housing percentage adjustment and an alternate location considered for the planned bus transfer center. He and Stoney said a location along Broad Street and GRTC's Pulse rapid-transit bus line is being weighed against a previously proposed site on Ninth Street.

"We've been working hard on those proposals, and we're aiming at delivering this to the city of Richmond to carry out what the council members and the mayor want," Farrell said. "I know the council members have been doing a lot of work on this themselves and a lot of them are working on making proposals. We look forward to receiving those and working with the council and the mayor to bring this across the finish line."