FORT MONROE
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Financial Options Review for Fort Monroe Authority Board of Trustees Meeting

Bay Breeze Conference Center
April 20, 2017

The Evolution of the Economic Model

The Early Days

After the 2005 Defense Base Closure and Realignment (BRAC) Commission announced that Fort Monroe would be closed in September 2011, the City of Hampton started immediately planning for the reuse of Fort Monroe. The City of Hampton's Federal Area Development Authority (Hampton FADA) was created by the action of the Virginia General Assembly in 2005. The Hampton FADA was recognized by the Department of Defense (DOD) as the Local Reuse Authority (LRA) under the BRAC guidelines.

As early planning efforts by the City evolved, citizens became concerned about future development at Fort Monroe. Citizen groups, while supporting financial sustainability, began to advocate that the property at Fort Monroe should be a park open to the citizens of the region, that the historic structures at Fort Monroe should be preserved and protected, that new construction at Fort Monroe should be minimized, and that the property and structures at Fort Monroe should remain in public ownership to retain control for the property's future. These same concepts also informed the extensive public consultation process begun in 2005 pursuant to the National Historic Preservation Act and the resulting execution of a Programmatic Agreement to address the immediate and foreseeable impacts of closure on Fort Monroe in a manner consistent with sound stewardship practices.

The 2007 General Assembly passed enabling legislation (HB3180) that created the Fort Monroe Federal Area Development Authority (FMFADA). The statute retained provisions for the seven commissioners from the Hampton FADA but added eleven commissioners appointed by the Commonwealth. The FMFADA was subsequently recognized by the DOD as the LRA for reuse planning at Fort Monroe. The new legislation contemplated property conveyance at Fort Monroe to private parties, provided it was consistent with the Reuse Plan:

> As to real property or interests therein owned or held in whole or in part by the Authority, whether acquired by reverter of title, purchase, gift, condemnation, or otherwise, no such real property or ownership interests in the former federal area known as Fort Monroe shall be subject to any land use, zoning, or subdivision ordinance of any city so long as such real property or interests therein are owned or held by the Authority. *However, the conveyance of any interest in the real property from the Authority to a private party shall be consistent with Fort Monroe's reuse plan and contingent upon the private party's obtaining all necessary approvals under applicable land use law or ordinance.* [2007 § 15.2-6304.1(D)]

Citizen groups continued to call for maintaining public ownership. In 2008, a committee of citizens developed a petition calling for an amendment to the City of Hampton policy on Fort Monroe to specifically include a provision opposing any sale of Fort Monroe real estate to private entities. Over 7,000 Hampton residents signed the petition. One advocacy group, the Citizens for a Fort Monroe National Park (CFMNP), emerged as the most vocal proponent for continued public ownership, lobbying the FMFADA Board and the local General Assembly members. The CFMNP was successful in convincing the legislature to adopt a “no land sale” provision. This strategy was incorporated by the 2010 General Assembly in the Fort Monroe Authority (FMA) Act by passage of HB1297 that states:

> *It is the policy of the Commonwealth that property at Fort Monroe shall not be sold to private interests, but shall be maintained as Commonwealth-owned land that is leased, whether by short-term operating/revenue lease or long-term ground lease, to appropriate public, private, or joint venture entities. If the decision is ever made to sell property at Fort Monroe, it may only be sold with the consent of both the Governor and the General Assembly, and approval as to form of the documents by the Attorney General. [2010 § 15.2-7304(A)]*

The new FMA Board of Trustees established by HB1297 began to revisit some of the decisions made by the FMFADA Board, including the lease-only strategy. Several of the Trustees openly expressed concern about the sustainability of the economic model and the decision to pursue prepaid leaseholds as a financing mechanism for implementing the capital improvement plan. Similar concerns had been expressed by representatives of the Hampton City Manager’s office and members of the U.S. Army Deputy Assistant Secretary of Installations and Housing office negotiating the Economic Development Conveyance with the FMA.

In late 2010, the FMA staff and City of Hampton officials worked on amendments to the enabling legislation to reflect some changes requested by the new FMA Board. Representatives of the CFMNP also provided comment and input on the revised legislation. The 2011 session of the General Assembly passed SB1400 which amended the conveyance language to read:

> *It is the policy of the Commonwealth that the historic, cultural, and natural resources of Fort Monroe be protected in any conveyance or alienation of real property interests by the Authority.* Real property in the Area of Operation at Fort Monroe may be maintained as Commonwealth-owned land that is leased, whether by short-term operating/revenue lease or long-term ground lease, to appropriate public, private, or joint venture entities, with such historic, cultural, and natural resources being protected in any such lease, to be approved as to form by the Attorney General of the Commonwealth of Virginia. *If sold as provided in this article, real property interests in the Area of Operation at Fort Monroe may only be sold under covenants, historic conservation easements, or other appropriate legal restrictions approved as to form by the Attorney General that protect these historic and natural resources and only with the consent of both the Governor and the General Assembly, except that any transfer to the National Park Service shall require only the approval of the Governor.* [2011 § 2.2-2340(A)].

The 2011 amendment revised the previous policy established by the legislature by dropping the outright prohibition on private sales while retaining the strict procedural requirements for approval of sales.

In early 2011, the FMA Board commissioned a study to investigate the feasibility of the prepaid leasing concept in the Hampton Roads market including the ability to obtain mortgage financing on prepaid leasehold interests and the marketability of leasehold interests to potential leaseholders in the area. The report was prepared by Bay Area Economics (BAE) and presented to the FMA Board on March 24, 2011. The final version of the BAE Technical Memorandum dated April 13, 2011 contains the following conclusions:

- A Prepaid Residential Leasehold program presents the FMA with a sub-optimal business proposition: lower sales revenues with higher costs both in terms of staff time and out-of-pocket expenses than would likely be the case with a fee-simple sales program.

- The FMA should consider adopting a fee simple sales program with property controls implemented through deed restrictions; Covenants, Conditions and Restrictions documents (CC&Rs); and historic preservation easements/covenants as set forth in the Programmatic Agreement (PA) – the degree of control would be virtually equivalent to that achieved under a leasehold structure since the PA and its mandated controls apply to both forms of ownership.

The CFMNP questioned the results of the report and asked the FMA Board to further study the issue. The Leasehold Feasibility Working Group (LFWG) held its first meeting in April 2011. The LFWG consisted of two members of the FMA Board, two members from the City of Hampton staff, two members from the CFMNP, two citizen representatives, three staff members from the Department of Historic Resources (DHR), three staff members from the Office of the Attorney General (OAG), David Shiver from BAE, and the FMA senior staff. The group met again it June and August before making its final recommendation to the FMA Board in November 2011.

In short, the LFWG determined that:

- The FMA has a strong list of tools available to protect the historic properties in any scenario. The strongest protection is afforded through perpetual historic preservation easements and by restrictive covenants for leaseholds, which provide substantially similar protection but only for the term of the leasehold.

- Prepaid financing for residential leaseholds would not conform to federal lending standards and are not likely to be approved by local lending institutions.

- In general, financing for prepaid leaseholds for commercial properties is more likely to be available since it is principally based on the appraised value of the property and the cashflow of the tenant, not on federal lending requirements.

The LFWG also made the following recommendations:

- The FMA should finalize the Design Standards. This will provide an important supplement to the perpetual historic preservation easements and restrictive covenants for leaseholds. The FMA should also work to develop some form of community management regulations to govern the use of the property beyond those protections in the other governing documents.

- The FMA should move to amend the FMA statute to remove the General Assembly approval for property transfer, since the time delay involved makes either property improvement transfer for leasehold or fee simple transfer infeasible in a market where perspective tenants or buyers have many other choices that don't require the approval of a body that meets only 45-60 days per year.

- The FMA should work with the Governor's office to establish a protocol for timely approval for the transfer of property improvements to be used as security for leaseholder financing or deed conveyance if fee simple transfers are approved.

- The FMA should also consider adding fee simple sales as a possible conveyance strategy in addition to long-term leaseholds and short-term operating leases. The availability of fee simple transfer as a conveyance option would increase the flexibility of the FMA to structure transactions for future development such as single family housing units. This alternative will inform the master planning process for the future of Fort Monroe.

In late 2011, the FMA staff and City of Hampton officials worked on amendments to the enabling legislation to reflect the recommendations of the LFWG. The CFMNP opposed the legislation and a compromise bill was submitted that allowed for land sales in the Historic Village and North Gate without General Assembly approval but retained the General Assembly consent for property sales in the Inner Fort and Wherry Quarter, except for transfers to the NPS. The 2012 session of the General Assembly passed HB580 which amended the conveyance language to read:

> "It is the policy of the Commonwealth that the historic, cultural, and natural resources of Fort Monroe be protected in any conveyance or alienation of real property interests by the Authority. Real property in the Area of Operation at Fort Monroe may be maintained as Commonwealth-owned land that is leased, whether by short-term operating/revenue lease or long-term ground lease, to appropriate public, private, or joint venture entities, with such historic, cultural, and natural resources being protected in any such lease, to be approved as to form by the Attorney General of the Commonwealth of Virginia. *If sold as provided in this article, real property interests in the Area of Operation at Fort Monroe may only be sold under covenants, historic conservation easements, historic preservation easements, or other appropriate legal restrictions approved as to form by the Attorney General that protect these historic and natural resources and only with the consent of both the Governor and the General Assembly, except that any transfer to the National Park Service shall require only the approval of the Governor. Properties in the Wherry Quarter and Inner Fort areas identified in the Fort Monroe Reuse Plan may only be sold with the consent of both the Governor and the General Assembly, except that any transfer to the National Park Service shall require only the approval of the Governor. The proceeds from the sale or pre-paid lease of any property within the Area of Operation shall be retained by the Authority and used for infrastructure improvements in the Area of Operation".* [2012 § 2.2-2340(A)].

The Land Use Master Plan

While the LFWG was performing its analysis, the FMA Board directed the staff to seek an update to the 2009 Reuse Plan. In August 2011, the FMA issued a Request for Proposal for Master Land Planning and Real Estate Advisory Services. In December 2011, Sasaki and Associates was selected to provide these services. The Sasaki team included HR&A Advisors (market research) and BAE (financial modeling). As part of the contract for services, Sasaki had to assess the economic sustainability of any proposed master plan.

In December 2012, Sasaki, HR&A, and BAE made a presentation to the FMA based on the first year of planning and public meetings. HR&A presented the market study that recommended a focus on creating a critical mass of residential units (1,000+ units); absorbing the current residential inventory to create momentum for future phases; new residential development at Fort Monroe would be desirable to the market; and commercial real estate absorption would be up to 20,000 SF per year. BAE presented their analysis of the three proposed alternatives which showed that all three alternatives could be expected to produce annual deficits in 2027 of $3.3 - $4.8 million. The draft observations were:

1. Redevelopment will be complex and long-term
2. Need to expand opportunities for revenue generation and reduce expenses (but no identified “silver bullet” yet)
3. Cost transference to private sector is critical in the short, mid, and long term for financial sustainability
4. Strongest current market demand is for residential uses
5. Attracting high quality, large scale employment reuse requires creative local, regional, and state partnerships
6. Unresolved property ownership hinders marketing to prospective users
7. Aging, inefficient infrastructure results in high redevelopment costs and ongoing maintenance expenses

In response to the large deficits the Board charged Sasaki and its team to work with the FMA staff to develop recommendations to reduce the deficit to achieve sustainability. For this example, sustainability was defined as revenues increasing and expenses decreasing until revenues exceeded expenses at some point in the future. It is debatable that this condition represents “economic sustainability” since no provision is made for capital funding beyond the utility upgrades.

The Economic Advisory Team

The Economic Advisory Team (EAT) was formed to respond to the Board's search for a sustainable economic model. The EAT met three times in January and February 2013 to propose ideas to test. The EAT focused on proposing revenue generating ideas and identifying costs reducing measures that involved $250,000 or more.

The EAT report to the FMA Board in March 2013 included the following recommendations:

1. Exit the Utility Business – Turn over water/sewer to local providers. Mitigate risk with old infrastructure. Capital costs estimated at $30M – $36M to implement. Could save $1.2M in annual operating revenues.

2. Tax Increment Financing – Allocate property tax revenue to pay for water and sewer CIP projects. Requires the City of Hampton to establish base property tax assessment. Could raise $1.5M or more depending on how the assessed value base is set.

3. Reprogram Wherry Option A – Shift land use to residential. Preserve Butler Buildings for interim use. Remove community facilities for future lodging. Could raise $1M net increase in revenue. Mid- to long-term. Hold for property value increase.

4. Homeowners Association Dues – Establish HOA dues program. Could be structured as supplemental millage rate in lieu of HOA. Formulate HOA structure, service, and rates. Apply to residences when sold. Could raise $522 - $845 thousand per year.

5. PILOT Savings – VA budget caps PILOT payment at $984 thousand. File exemption documentation. Monitor assessed values. Could save $300 thousand in 2027.

6. Parking Revenue Program – Establish a parking program targeted to visitors. No charge to residents and commercial tenants. Implement "pay and display" and/or "parking pass" program. Could generate $240,000 in net revenue. Revenue dependent on visitation and price sensitivity. Seven to ten years out for implementation.

7. Focus on Residential – Revise land use plan to increase residential reuse and development. Current master plan over-weighted in office. Accelerates and increases revenue ($218,000 modeled).

8. Flexible Real Estate Strategy – Adopt a flexible approach to real estate development. FMA developer for Reeder Circle conversions. Solicit one or more developers for non-prime locations e.g. Historic Village/Northgate. Phasing adds value. Hold Wherry for long-term if needed to achieve independence. $80 - $120,000 for Reeder Circle conversion.

9. Cost Recovery from NPS – NPS plans to cover costs of land and buildings within the National Monument. NPS reimburses FMA for costs of infrastructure systems on an allocated basis. Potentially $150,000 annually.

10. Service District Charge – Establish modest PSF charge on third-party developed commercial real estate. Example $0.15 - $0.30 PSF. Could generate $57 - $114 thousand. Potential for $300,000 by 2027.

Implementing all these changes resulted in one of the scenarios producing a surplus of revenue over expenses in 2027.

Fort Monroe Master Plan	Option A		Option B		Option C	
2027 Structural Deficit	**$**	**(4,500,000)**	**$**	**(4,800,000)**	**$**	**(3,300,000)**
1. Exit Utility Business	$	1,200,000	$	1,200,000	$	1,200,000
2. Tax Increment Financing	Included as part of Exit Utility Business above					
3. Reprogram Wherry District Option A	$	979,000	$	-	$	286,400
4. Estabhlish HOA Dues	$	668,000	$	597,000	$	735,000
5. Reduced PILOT	$	300,000	$	300,000	$	300,000
6. Establish Parking Program	$	240,000	$	240,000	$	240,000
7. Focus on Residential (Adaptive Reuse)	$	218,000	$	218,000	$	218,000
8. NPS Cost Sharing	$	150,000	$	150,000	$	150,000
9. Flex Approach/ Reeder Circle Conversion	$	100,000	$	100,000	$	100,000
10. Commercial SDC Program	$	86,000	$	86,000	$	86,000
Net Financial Position	**$**	**(559,000)**	**$**	**(1,909,000)**	**$**	**15,400**

Sasaki and BAE incorporated these recommendations in the final Master Plan model adopted by the FMA Board in October 2013 and accepted by the Governor in December 2013. In addition, the concept of the FMA Bank Program for owner financing was proposed to help achieve economic break-even.

<u>Update on the Economic Model</u>

1. Exit the Utility Business – The FMA staff has been working with Kimley-Horn to develop the Utility Master Plan. The General Assembly and Governor approved an allocation of $22.5M for infrastructure projects to begin the Utility Master Plan implement. As mentioned in the Scope of the Challenge report, the shortage of available funds has resulted in a portion of the $22.5M being allocated to building repairs projects. In addition, $5.25M of this funding was allocated to the Fort Monroe Visitor Center project. The FMA will need to identify additional future funding to complete the utility upgrades and subsequent transfer to the regional operators. While the Department of Planning and Budget has indicated that additional bond allocations may be available, there is no guarantee that additional VPBA funds will be approved.

2. Tax Increment Financing (TIF) – Since this funding was expected to fund utility capital projects it has not been pursued in light of the $22.5M bond allocation. However, given that additional capital funding will be required, which may not come from the General Assembly, the FMA staff should work with the City of Hampton to evaluate the implementation of a TIF program for Fort Monroe.

3. Reprogram Wherry Option A – The FMA has been successful in leasing the Butler Buildings to commercial tenants in the interim. With the City signing long-term leases for the Community Center, this initiative will require consultation with the City. Since this option is viewed as a mid- to long-term strategy, the FMA staff should begin discussions with the City staff about the future for this property.

4. Homeowners Association Dues – This topic was discussed extensively at the last Finance Committee meeting. Since the economic model reflects that this could be a millage rate increase which would anticipate residential sales, it is important that the FMA staff establish the strategy and program before any land sales or long-term ground leases are executed. This information will also be important to disclose in any RFP for redevelopment proposals from private investors.

5. PILOT Savings – This strategy hinges on the General Assembly keeping the annual cap on the PILOT fee in place. In lieu of that strategy, the FMA should consider ways to transfer real estate to private investors, through sale or ground lease, that would generate real estate tax revenue for the City and reduce the FMA's PILOT payment below the cap.

6. Parking Revenue Program – In preparing the response for this category the FMA staff reviewed the historic analysis of entrance and parking fees.

    - Entrance Fees – Some of the early analysis proposed that the FMA could generate significant revenue from implementing an entrance fee of $5 per car. Net revenue of $150,000 per year was estimated when visitation reached 250,000 visitors. However, when the logistics of implementing a parking plan were evaluated, the confidence in the potential net revenue was not high. Exemptions would have to be granted for residents and their guests and tenant employees and their guests. The front entrance would need to be reconfigured to allow for an "easy pass" lane for card holders. Residents and tenants would have to contact the gate house to notify the attendant of expected guests. The entrance would need to be staffed to record and screen for authorized guests. Retail businesses would suffer unless their customers were allowed to avoid the entrance fee. The expectation was that visitors would learn to say they were visiting one of the retail operations to avoid paying the entrance fee. But, first and foremost, it is the belief of the FMA staff that implementing an entrance fee would violate one of the founding planning essentials in the 2009 Reuse Plan signed by Governor Kaine – Open It Up – no gated streets – continuous public waterfront esplanade/trail – open the beach – advertise the sense of community, not isolation. For these reasons an entrance fee is not recommended by the FMA staff.

    - Parking Fees – The FMA staff has investigated the implementation of a parking fee program. It identified and met with representatives of service providers for paid parking areas. The FMA staff identified Pay by Phone as the best, low implementation cost solution for mobile pay without significant startup costs. In meeting with the Pay by Phone representative, the parking lots by the beaches were identified as the highest demand and highest potential revenue. With these parking lots now expected to be donated to the NPS, the potential for parking revenue will need to be coordinated with the NPS.

7. Focus on Residential – Continued high occupancy in the residential units supports this initiative. The FMA has limited ability to create new residential inventory without the significant investment detailed in the Scope of the Challenge report. Private investors are the key to creating this inventory through adaptive reuse of surplus office buildings.

8. Flexible Real Estate Strategy – The EAT report recommended that the FMA continue to act as the redeveloper for small projects like the renovation of the Reeder Circle buildings. Based on the cost to renovate Building 80 into the 10-unit apartment building the expected cost to renovate the nine apartment buildings would be on the order of $8.6 million. While the FMA may have the ability to finance the project, and there may be the opportunity for the FMA to capture the historic tax credits, this is not viewed as the core function of the FMA. Instead the transfer of surplus vacant office inventory to private investors by sale or ground lease offers a much-larger potential benefit to reduce operating costs.

The FMA needs be able to evaluate proposals based on the proposed use and to structure conveyance agreements that weigh the potential revenue to the FMA in the long-term compared the capital cost to maintain the buildings if retained by the FMA. The Master Plan financial model demonstrated the flexible approach to real estate strategy by setting out a structure to evaluate different conveyance proposals.

Sale and Reinvestment	
$3,277,000	Land sales price
3%	Reinvestment rate
$98,310	Annual income

Ground Lease	
$3,277,000	Land value
7%	Rate of return to set annual ground rent
$229,390	Annual rent payment

Sales and reinvestment	
$150,000	Sales price
$15,000	Prep costs
$135,000	Net proceeds
3%	Reinvestment rate
$4,050	Annual income

Sales and FMA financing	
$150,000	Sales Price
$30,000	20% Downpayment
$120,000	Loan Amount
0.04	Interest rate
30	Term
$6,940	P&I payment
($139)	Less: servicing @2%
$6,801	Net payments to FMA
$30,000	One time revenue
($15,000)	Less: Prep costs
($4,800)	Less: Underwriting @4%
$10,200	Net one time revenue

Retain as Rental	
$150,000	Value
$16,200	Annual rent
$7,290	Annual expenses @45% of rent
$8,910	Net annual income

9. Cost Recovery from NPS – The EAT report suggested that the NPS cover costs of land and buildings within the National Monument of potentially $150K annually. The FMA staff has negotiated the Cooperative Management Agreement and associated Task Agreements for the cost sharing arrangements. The total annual costs projected once all the land transfers are complete is roughly $600K per year. This amount creates a great burden on the Fort Monroe National Monument budget and limits the NPS Superintendent's ability to implement programs. Discussions on the NPS cost recovery have been the topic of several recent meetings with the NPS.

10. Service District Charge (SDC) – This is a concept borrowed from the Presidio in San Francisco. This service district charge is not a common practice in the local real estate market. In recent negotiations with current tenants, the service district charge is confusing and has resulted in the tenant's desire to pay lower rental rates to offset the SDC. So the FMA staff believes the net increase in operating revenue will be minimal.

11. FMA Bank Program – The final Master Plan economic model included the concept that the FMA act as the mortgage lender for all residential real estate sales. The concept was projected to generate $1.0M per year in principal and interest payments to the FMA once the sale of 110 residential units was complete. The down payments would be used to establish an endowment fund to generate additional operating revenue for investment income of $390 - $400,000 per year. The worksheets from the Master Plan presentation are included below. This concept assumes that residential land sales are a conveyance option and that all the residential units in the Historic Village, except the Reeder Circle apartments, are sold to private investors.

Assumptions		
Percent That Buyers Pay Cash	25%	
Interest Rate	4.250%	
Average Term	25	Years; asssumes mix of 15, 20 and 30-year morgages.
Average Loan-to-Value	80%	
Contracted Underwriting and Closing Costs	4%	of Principal Amount
Loan Servicing Charges	2%	of Total Gross Loan Payments to FMA

FMA Bank Scenario Calculations	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Gross Residential Sales Revenue (a)	$ 10,469,412	$ 8,876,792	$ 8,554,008	$ 1,374,302	$ -	$ -
Gross Sales Financed by FMA (b)	$ 7,852,059	$ 6,657,594	$ 6,415,506	$ 1,030,726	$ -	$ -
Principal Amount (c)	$ 6,281,647	$ 5,326,075	$ 5,132,405	$ 824,581	$ -	$ -
Annual Loan Payment (d)	$ 412,795	$ 350,000	$ 337,274	$ 54,187	$ -	$ -
Total Gross Loan Payments to FMA (d)	$ 412,795	$ 762,796	$ 1,100,069	$ 1,154,256	$ 1,154,256	$ 1,154,256
Less Contracted Underwriting Costs (e)	$ 251,266	$ 213,043	$ 205,296	$ 32,983	$ 70,259	$ 70,259
Less Loan Servicing Charges (f)	$ 8,256	$ 15,256	$ 22,001	$ 23,085	$ 23,085	$ 23,085
Net Loan Payments to FMA	**$ 153,274**	**$ 534,497**	**$ 872,772**	**$ 1,098,188**	**$ 1,060,912**	**$ 1,060,912**
Cash Sales/Downpayment Revenue (g)	**$ 4,187,765**	**$ 3,550,717**	**$ 3,421,603**	**$ 549,721**	**$ -**	**$ -**
(Cash sales plus downpayments recevied by FMA)						

Notes:
(a) Sales generated by financial model from 110 existing residential units.
(b) A percentage of sales will be cash per buyer's preference.
(c) Gross initial principal balance after downpayments.
(d) Annual loan payment for loans financed in current year.
(e) Assumes FMA contracts out loan underwriting and closing services. Also assumes 10% annual roll over of mortgages and that FMA financing is required upon subsequent sale.
(f) Assumes FMA contracts out loan servicing.
(g) This is one-time revenue that goes to CIP program.

In lieu of the FMA Bank program, a cash sale program could generate capital funding for a variety of projects, including commercial tenant improvements in the event the FMA keeps commercial buildings to generate operating revenue, funding to upgrade residential units prior to sale to increase the market value, and funding for additional capital improvements across the property.

Example Year	FY 2015
Gross Sales Revenue	**$ 10,469,412**
Capital Improvement Program	
Commercial Tenant Improvements	$ 401,081
Residential Sales Program Improvements	$ 1,124,025
Environmental Remediation	$ 259,400
CIP Critical Infrastructure Improvements	$ 4,000,000
Subtotal Capital Budget	$ 5,784,506
NET CIP POSITION	**$ 4,684,907**

FMA Endowment Calculations	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Reserve/Endowment Fund Balance	$ 4,684,907	$ 8,672,857	$ 12,542,219	$ 13,385,366	$ 13,136,032	$ 13,024,403
Interest @3%	$ 140,547	$ 260,186	$ 376,267	$ 401,561	$ 394,081	$ 390,732

Conclusion

The FMA staff supports the findings of the LFWG – that adequate tools are available to protect historic property and regulate new development for any long-term conveyance by sale or ground lease.

All of the recommendations of the LFWG has been implemented or completed with the exception of the development of community management regulations.

Many of the recommendations of the EAT are expected to be implemented over time and as a result are still outstanding. However, if the FMA Board is supportive of the recommendations in the Scope of the Challenge report to move groupings of vacant properties to the market then decisions on some of the outstanding initiatives will need to be made so the information can be provided to potential investors.

The prospective funding through Tax Increment Financing and the possibility of a tax overlay district as part of a Homeowners Association will require consultation with the City of Hampton and support of the City Council.

The FMA staff recommends:

- The FMA Board support the recruitment of a contractor with expertise in community regulations and the structuring of homeowner or property owner associations to work with the FMA and City of Hampton staffs on the evaluation of the tax increment financing, homeowner association dues, and service district charge concepts recommended by the EAT with the goal of making a final recommendation to the FMA Board on creating ongoing revenue for the FMA.

- The FMA staff continue its discussions with the NPS on the cost sharing program to support the educational initiatives of the NPS Superintendent while fairly compensating the FMA for the NPS portion of shared service costs.

- The FMA staff should initiate discussions with the City of Hampton and the NPS to evaluate the design and enforcement of a parking revenue program for the Fort Monroe property.