

MINUTES
VIRGINIA BEACH DEVELOPMENT AUTHORITY
JANUARY 20, 2009

The regular meeting of the Virginia Beach Development Authority was held on Tuesday, January 20, 2008, at 8:34 a.m. in the large conference room at 222 Central Park Avenue, Suite 1000, Virginia Beach, VA, pursuant to notice given by the Chair.

MEMBERS PRESENT: Donald V. Jellig, Chair
Page G. Lea, Vice Chair
Douglas D. Ellis, Assistant Secretary
Elizabeth A. Twohy, Treasurer
C. Maxwell Bartholomew, Jr., Commissioner
Dan H. Brockwell, Commissioner
Paul V. Michels, Commissioner
Jerrold L. Miller, Commissioner
John W. Richardson, Commissioner

ADVISORS PRESENT: Greg Anger, VBDA Accountant
Gary Arnold, Parsons Brinckerhoff
Larry Barry, LandMark Design Group
Jay Bernas, Planning Commission
Clay Bernick, Planning Department
Michelle Chapleau, Business Relocation Specialist
David Couch, Business Development Manager
Carissa Frasca, Media Communications Group
Tasos Galiotos, Williams Mullen
David Gulick, Busch Manufacturing, LLC
Lou Haddad, Armada/Hoffler
Scott Hall, Business Development Coordinator
Warren D. Harris, Economic Development Department Director
Steve Herbert, Deputy City Manager
Lloyd Jackson, Project Development Manager
Louis Jones, Vice Mayor
Charles McKenna, Planning Department
Tammy Owens, SWAM Business Manager
Patti Phillips, Finance Department
Robert Ruhl, Business Development Coordinator
Tony Russo, Project Development Manager
Ellen Sanders, AECOM
Joe Strange, Planning Commission
Jerry Stewart, Workforce Development Coordinator
Alex Stiles, City Attorney's Office
Mark Wawner, Project Development Coordinator
Cynthia Whitbred-Spanoulis, Strategy & Performance Coordinator
Rosemary Wilson, Councilmember

REPORTED BY: Mark Wawner

RECORDED BY: Linda Sheehan

The Authority convened into session and the following was discussed:

REGULAR MEETING

1. Approved minutes of regular meeting held on December 16, 2008.

MOTION: Elizabeth A. Twohy

SECOND: Dan H. Brockwell

APPROVED: 6-0

Paul Michels arrived at the meeting after the vote was taken on this item.

REVIEW OF FINANCIAL POSITION

2. Greg Anger reviewed the Authority's financial statements for the month of December.

Monthly Cash Flows – Operating Account

The beginning operating cash on hand for the month was \$5,180,693, cash receipts for the month were \$238,308, and cash disbursements for the month were \$135,222 for a net increase in cash of \$103,086. The end of month cash balance in the operating account was \$5,283,779. Mr. Anger noted the following:

- A rental payment in the amount of \$7,403 from Virginia Beach National was received. Half will be retained for capital maintenance and half will be transferred to the City.
- A payment in the amount of \$90,139 was made to B. L. Jones for the Corporate Landing pump station.
- The \$21,122 interest on the Town Center note will be reimbursed when parcels are sold.

Monthly Cash Flows – EDIP Account

Mr. Anger reviewed the Reconciliation of Cash to EDIP Status Report for December. Town Center Associates was paid \$19,500 for Block 5 streetscapes. Disbursement of EDIP funds was made as follows:

- Heritage Bank - \$73,000
 - Originally awarded \$73,000 September 2007.

This report is hereby incorporated into these minutes.

John Richardson and Page Lea arrived during the discussion of this item.

TOWN CENTER

3. Resolution approving Phase IV of the Town Center Project, authorizing execution of the Phase IV Documents and accepting the transfer of air rights over Market Street from the City of Virginia Beach was approved. The Authority was briefed at its December 16, 2008 meeting, and provided the Development Agreement prior to this meeting to allow for review. City Council approved this action at its January 13, 2009 meeting.

The Town Center Phase IV Summary of Terms entails the primary components and details, which is hereby incorporated into these minutes – in addition to the resolution and other applicable documentation.

Lou Haddad noted Armada Hoffler is expending several million dollars on architects, engineers, etc. Regarding procurement of financing, his primary lender considers his company in excellent standing. Anticipate breaking ground the third quarter of 2009.

Regarding other Town Center components:

- Two Columbus Center
 - Kimley Horn - Tenant
 - Unannounced user will occupy 2.5 floors
- The Westin Hotel
 - Normal four-year ramp up to attain mid 70% occupancy
 - Occupancy rate currently in the low 60% range
- The Westin Residential Condominiums
 - 95 of 120 units have been sold, and 85 have closed.
 - There have been four price increases.
 - No units have been discounted, remainder will be held until market rebounds.
 - Construction loan was paid off.
- Studio 56 Lofts
 - Sold quickly - approximately 38 have closed
 - Primarily investor purchases
 - Primarily occupied by renters
- Cosmopolitan Apartments Building
 - 97% rented - “slow down” percentage
 - Waiting list for one bedroom apartments
- Hilton Garden Inn
 - Occupancy rate - recent “decrease” to 83%. An occupancy rate of 80% is considered above normal

The Phase IV Development Agreement mirrors the three previous Town Center Development Agreements, whereas both the City and Development Authority are protected. Also, as was done with the first three phases, a cost consultant will be utilized to validate expenditures.

Regarding the \$12 million public money entailed, Armada/Hoffler guarantees payback over a 20 year period, and the Authority noted this is important information for the public to know. Lou Haddad noted his company was able to absorb this cost for Phase I, II, and III. However, the current market will not allow this component to be financed, as was done with Phase I, II, and III. Additionally, the escalation of construction costs is greater than the increase in rental rates. When stacked vertically construction costs become more expensive. Additionally, the cost to carry the Beacon Building is being borne by Armada/Hoffler.

Vice Mayor Louis Jones noted payment of the public money is at least three years out. Councilmember Rosemary Wilson noted the construction of Phase IV will create jobs and avoid gridlock by having product available once the economy improves.

MOTION: Elizabeth A. Twohy
SECOND: Douglas D. Ellis
APPROVED: 9-0

4. Mark Wawner reported the following regarding Town Center:
 - Beacon office space buildout is ahead of schedule – anticipate April occupancy.
 - An internet based continuing education company will be locating in 10,000 sq. ft. of ground floor space at the corner of Columbus and Central Park Avenue (Cosmopolitan Apartment building). In addition to relocating 5-6 current employees, the company projects employing 56 staff on site – mostly local hires.

INDUSTRIAL PARKS

5. Resolution Authorizing Release and Termination of Rights to Reacquire Parcel 39B in Oceana West Industrial Park (Busch Manufacturing) was approved. This is a housekeeping item that has been overlooked during several ownership transitions dating from 1982. This came to light during the holidays, and a December closing was being planned. Although this action removes the Development Authority's first right of refusal, covenants and rules applicable to this parcel will remain in force. David Gulick, Vice President of Busch Manufacturing, LLC and Tasos Galiotos of Williams Mullen, the company's attorney, were in attendance. The City Attorney's Office and the Economic Development Department staff support this request and recommended approval. The resolution and other applicable documentation are hereby incorporated into these minutes.

MOTION: Elizabeth A. Twohy
SECOND: Paul V. Michels
APPROVED: 9-0

SPORTSPLEX

6. Resolution approving reduction in area leased to the City of Virginia Beach Development Authority by the City of Virginia Beach under Multi-purpose Stadium Ground Lease was approved. The lease of the property from the City to the Development Authority remains in force. A generalized plan of development of the Sportsplex property (Exhibit A) indicates the "AREA TO BE RELEASED FROM LEASE" and "AREA TO REMAIN SUBJECT TO LEASE." The City has engaged negotiations for two new operators to manage the Sportsplex, and construct improvements on the property subject to the Ground Lease. The resolution and Exhibit A are hereby incorporated into these minutes.

MOTION: Dan H. Brockwell
SECOND: Jerrold L. Miller
APPROVED: 9-0

ECONOMIC DEVELOPMENT INVESTMENT PROGRAM

7. Approved two-year extension of Amerigroup EDIP Award. The original award amount was \$2 million, and this extension applies to the remaining balance of \$92,038. Staff

recommended approval. A letter from Amerigroup and an EDIP spreadsheet are hereby incorporated into these minutes.

MOTION: Jerrold L. Miller

SECOND: John W. Richardson

APPROVED: 8-0-1

Doug Ellis abstained due to his business relationship with Amerigroup.

ADMINISTRATIVE INFORMATION

8. VBDA Priorities

a. A PowerPoint entitled “Market Assessment Historic Kempsville Area Master Plan” was presented to the Authority with the primary categories as follows:

- Kempsville Vision
- Profile of Kempsville
- Market for Residential Housing
- Market for Retail Property
- Kempsville Office Market
- Observations – Real Estate
 - Professionals and Comparables
- Conclusions

The PowerPoint is hereby incorporated into these minutes.

b. VBDA Members Activity Update.

Regarding the Convention Center Headquarters Hotel, Page Lea reported a recommendation from the Committee is expected sometime during the summer.

Doug Ellis reported contact has been received from the first prospect as a result of the Site Selection consultants hosted this past fall during the Neptune Festival. The prospect is a Defense Contractor considering 30,000 sq. ft. of office space. The company plans to make a decision within the next three months.

Regarding the Pembroke SGA Steering Committee, Boo Twohy reported a two day charrette is scheduled for January 29-30. Warren Harris noted it will be held at the Westin from 9:00 a.m. to 3:00 p.m., is open to the public, and encouraged the members to attend if their schedules permit. An April wrap up of this process is anticipated.

Regarding the Dome Site, John Richardson reported Michael Jenkins has selected and is working with a general contractor out of Dallas, Texas. Additionally, he has signed confidentiality agreements with some vendors. Steve Herbert and Jim Ricketts will continue to work with Mr. Jenkins. Anticipate having a definitive outline of the project by March.

Dan Brockwell noted the Burton Station project continues to make progress. Steve Herbert and Warren Harris are coordinating with Norfolk officials regarding participating in the next couple of months.

Don Jellig noted the OLUCC met the previous week. Of the three year cumulative \$45 million total funds, \$600,000 to \$800,000 remains for the remainder of this fiscal year. In concert with

continuing to acquire properties, conjoining properties are being assembled. Additionally, there has been some property acquisition in the ITA.

- c. The annual business appreciation event has been scheduled for May 1, and the Authority was asked to "Save the Date."

9. Director's Report

Warren Harris noted an ad is being placed in the Wall Street Journal's Eastern Region Section to expand marketing presence on the national scene. Impact on prospect inventory and activity will be evaluated against the baseline provided by Scott Hall utilizing the Executive Pulse capabilities.

A broad overview of project activity was provided by Scott Hall as follows:

- Project Activity – January 2009
 - Project Type (#'s) – New Location, Expanding Business
 - Geographical Origin (#'s) – Local, National, International
- New Location Projects (24 Total)
 - Geographical Origin (%) – Local, National, International
 - Industry Type (%) – Industrial, Office, Other
- Expanding Business Projects (21 total)
 - Geographical Origin (%) - Local, National, International
 - Industry Type (%) - Industrial, Office, Other

It was noted both the Alliance and State have provided leads. Mr. Hall's PowerPoint presentation is hereby incorporated into these minutes.

Mayor Sessoms is interested in engaging with small businesses. A breakfast has been scheduled for February 19 beginning at 8:00 a.m. in the Economic Development Department, and will probably be the first of many such events.

Notification of a Federal government contracting seminar series scheduled to begin February 10 was sent via e-mail blast.

CLOSED SESSION

The Authority moved to recess into a closed session pursuant to the exemptions from open meetings allowed by Section 2.2-3711(A) of the Code of Virginia (1950), as amended, for the following purposes:

1. Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected, pursuant to Va. Code § 2.2-3711(A)(6).

MOTION: C. Maxwell Bartholomew, Jr.
SECOND: Dan H. Brockwell
APPROVED: 9-0

The Authority concluded its closed meeting and certified that to the best of each member's knowledge, only public business matters identified above and lawfully exempted from open meeting requirements under the Code of Virginia were heard, discussed or considered in the closed meeting of the Authority.

MOTION: John W. Richardson
SECOND: Elizabeth A. Twohy
APPROVED: 9-0

Joe Strange, Planning Commission Vice Chair, was introduced by Jay Bernas and he noted Mr. Strange will be attending the Authority meetings on behalf of the Planning Commission effective immediately.

There being no further business, the meeting was adjourned.

Donald V. Jellig, Chair