

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
April 16, 2019 MINUTES

The City of Virginia Beach Development Authority held its regular meeting on Tuesday, April 16, 2019, at 8:30 a.m. in the Economic Development Town Center Boardroom at 4525 Main Street, Suite 700, Virginia Beach, VA, pursuant to notice given by the Chair.

MEMBERS PRESENT: Dorothy L. Wood, Chair
 Charles M. Salle', Vice Chair
 Lisa M. Murphy, Secretary
 W. Taylor Franklin, Commissioner
 Joseph E. Strange, Commissioner
 William Brunke, Commissioner

ADVISORS PRESENT: Taylor Adams, Director of Economic Development, Interim
 Ron Williams, Deputy City Manager
 Dana R. Harmeyer, Senior City Attorney
 Rosemary Wilson, City Councilmember
 David Couch, Business Development Administrator
 Randy Royal, Kimley-Horn Senior Vice President
 Lloyd Jackson, Business Development Manager
 Letitia Langaster, Business Development Manager
 Svetla Tomanova, Marketing Assistant
 Ray White, Business Development Coordinator
 Steve Harrison, Business Development & Research Manager
 Devin Cowhey, GrowSmart Development Specialist

REPORTED BY: Taylor V. Adams

RECORDED BY: Anna Marie Miller

The Authority convened into session and discussed the following:

OPEN FLOOR

Dot Wood welcomed all in attendance and opened the floor to anyone that would like to speak. No one in attendance requested to speak.

REGULAR MEETING

1. Review and approval of minutes of regular meeting held on March 19, 2019. – *D. Wood*

MOTION: Charles M. Salle'
SECOND: Dorothy L. Wood
APPROVED: 6-0

CORPORATE PARKS

2. David Couch, Business Development Administrator, requested approval of a Temporary Drainage Easement for Virginia Beach IX Limited Partnership (a/k/a Point One Holdings, Inc.) *Data Center* in Corporate Landing. Mr. Couch states that the first phase of the development is about 5.7 acres and the overall development will be 10.7 acres when completed. The temporary easement will be in place for 90-120 days while under construction. A Power Point displaying developments schematics and location of the easement is hereby incorporated into these minutes.

MOTION: Lisa M. Murphy
SECOND: Charles M. Salle'
APPROVED: 6-0

ECONOMIC DEVELOPMENT INVESTMENT PROGRAM

2. Letitia Langaster, Business Development Manager, requested approval of a resolution authorizing \$7,500 in Economic Development Investment Program, Part A, funds to Three Ships Coffee LLC (d/b/a Three Ships Coffee Roasters) for capital investment. The company has a current location at 607 19th Street (2,000 sf) and is seeking to open a second location on 612/614 Jack Rabbit Road (7,100 sf). The new location's main purpose is to manufacture and store coffee. They will also dedicate three conjoined incubator spaces. Ms. Langaster made note that the new location will be used for roasting and shipping coffee nationally. The Authority adopted the proposed resolution. A Power Point of the Presentation with full details is hereby incorporated into these minutes.

MOTION: Lisa M. Murphy
SECOND: Charles M. Salle'
APPROVED: 6-0

3. Raymond White, Business Development Coordinator, requested approval of a resolution authorizing \$40,000 in Economic Development Investment Program, Part A, funds to BN Media, LLC for job retention and new job creation. BN Media will create 5 new Full-time employees and retain 28 existing employees. Mr. White states that BN Media's parent company, Bonneville is seeking to move BN Media to their headquarters in Utah. They are seeking funds as an effort to keep the company and jobs in Virginia Beach. He believes that this will become the East Coast center of operations and continue to increase employment in the coming months. Mr. White also introduced the President and COO of BN Media, Jeremy McGee. William Brunke posed a question, wanting to know if it is the best use of the Authorities funds to make this investment of \$1,200 per FTE for job retention amortized over a five-year period. Wanting to know if \$1,200 is really the tipping point on making a business decision to move or not move from the East Coast to the West Coast. Ray White states that a key factor is that Utah's taxes are less than Virginia Beach. BN Media feels as if being in Virginia Beach for several more years with this incentive to counterbalance the taxes will give them a chance to grow and expand. Taylor Adams states that the initial EDIP was based on Capital Investment only and was satisfied in 12-18 months. This investment is based solely on jobs in an effort to establish an East Coast

center of operations for the company. The one thing that we have in this award that was not present in the prior, is a provision that will allow us to recapture these funds in the next five years. William Brunke asked, "is this considered State Tax or Local Business License Tax?". Ray White answered that this was local business license tax. Mr. Brunke states that was an important factor because of the local business license tax has potential to aid with retention. The Authority adopted the proposed resolution. A Power Point of the Presentation with full details is hereby incorporated into these minutes.

MOTION: Charles M. Salle'

SECOND: Joseph E. Strange

APPROVED: 5-1-0

Lisa Murphy abstained pursuant to Conflict of Interests Act § 2.2-3115(F). Ms. Murphy's letter is hereby incorporated into these minutes.

4. Taylor Adams, Director of Economic Development, requested approval to use approximately \$15,000 in Economic Development Investment Program, Part D, funds for Town Center Parking Study. Mr. Adams states that now that the Block 9 of Town Center, including the Zeiders American Dream Theater, is complete, we are ready to update the study. The Authority approved the use of funds for this purpose.

MOTION: Charles M. Salle'

SECOND: Lisa M. Murphy

APPROVED: 6-0

5. Taylor Adams, Director of Economic Development, requested to use EDIP funds for the renewal of Storm Water Construction General Permits under the Virginia Pollutant Discharge Elimination System (VPDES) program for the following sites: Dome Site (EDIP Part D), Corporate Landing (Corporate Park Capital Maintenance Account), London Bridge (EDIP Part C). The cost is \$2,200 for each permit. The Authority approved the use of funds.

MOTION: Lisa M. Murphy

SECOND: Charles M. Salle'

APPROVED: 6-0

REVIEW OF FINANCIAL POSITION

6. Taylor Adams reviewed the Authority's financial statements for the month of March.

Monthly Cash Flow

Operating Account Summary: March 2019

Beginning Cash - \$ 4,789,303

- Significant Cash Receipts
 - ✓ \$18,550 in Industrial Revenue Bond fees
 - ✓ \$23,754 from VB National for December and January rent
 - ✓ \$3,039 monthly interest income
- Significant Cash Disbursements
 - ✓ \$6,045 to CLA for final billing of FY2018 financial audit
 - ✓ \$8,000 to contribute to the FY2019 Business Appreciation Event

✓ \$120,862 to City Treasurer to return unexpended Pedestrian Bridge funding
Ending Cash - \$ 4,784,406

Incentive Account Summary: March 2019

Beginning Cash - \$ 2,816,391

- Significant Cash Receipts
 - ✓ \$517 monthly interest income
 - ✓ \$123,768 reimbursement for Town Center Block 9 consultants
- Significant Cash Disbursements
 - ✓ \$64,504 EDIP Part A award payments: to TDI, LLC for capital investment
 - ✓ \$10,584 to City Treasurer to return unexpended ITA Study and Burton Station funding
 - ✓ \$3,023 to Regional & Community Development for reimbursable travel expenses

Ending Cash - \$ 2,862,565

Ending Cash on Hand	\$ 2,862,565
PLUS: Incentive Program Receivables	\$ 8,079,572
LESS: Incentive Program Payables	\$ 9,129,778
Ending Available Funding	\$ 1,812,359

BRIEFINGS

7. Tabatha Webster, General Manager of the Amphitheater, provided the VBDA with the Annual Update. She briefly recapped the 2018 activity stating that there was a total of 27 shows last year with 5 of the shows having over 15,000 people in attendance and 2 of the shows being Pavilion only shows. The Magic Dragons show was sold out and Chris Brown was very close to being sold out. There was an average attendance of 10,219 and they generated \$1.79 million in rent and taxes. There have been a total of 647 events and 6.4 million fans to come to the Amphitheater since it opened. \$30.1 million has been generated in revenue to the city, which is a significant financial milestone. Capital Improvements that were made in which the costs were split between the VBDA and Live Nation include beer wall conversions, painting the structural steel on property and painting the asphalt in front of the box office. There were also a few projects that were completed only by Live Nation to add to the building. One is the Flight Deck that is located at the top of the lawn on stage right. The Flight Deck, a public concession stand which caters to the patrons on the lawn, was built for \$183,000 and acts as a private viewing and service area. Live Nation also purchased all new furniture and added a new entrance for the VIP club for clients who are season ticket holders and the box seats were upgrade replacing the canvas and adding all new paint for a different color scheme. Ms. Webster announced that we have just kicked off our 24th season with 23 shows confirmed so far, starting with the Zac Brown Band this past Friday, and it was a great show. New this year, the original three 9x12 projector screens on the lawn have been upgraded to all new 15x26 LED screens. This large investment by Live Nation will create a great change in the experience for the patrons on the lawn. There are a few projects that are currently in progress this year with costs shared between the VBDA and Live Nation. The merchandise stand that was original to the building is currently under construction having been relocated to give more space in the plaza and a concession stand has also been added as well. All new parking lot markers are currently being installed as the previous ones are 23 years old. Markers have been replaced in 2 of the lots so far and the others will be completed this week. Phase 1 of light

replacement in the parking lots will be starting with lots B and D getting all new LED light heads. The replacements will continue over the next 2 years. Another beer wall that was original to the project is being replaced. The demo of the beer wall is starting today, and it will be rebuilt by May 15th in time for the second show. Additional improvements that have been made are all restrooms have been completely repainted. Some of the food and beverage options have been upgraded. All proteins sourced have been humanely raised as Live Nation has a very high standard for what they do at the Amphitheater. Live Nation has partnered with some celebrity chefs bringing some additional food options, including Fabio Viviani, Art Bird and Questlove Cheesesteaks. Ms. Webster closed by giving some historical background about the Amphitheater for the new members. The Amphitheater is a public-private partnership between the City of Virginia Beach and Live Nation (at that time they were called Cellar Door). The venue was built for \$17.5 million, with \$10.5 million coming from the city and \$7 million coming from Cellar Door. Revenue has continued to be generated for the city and the supplemental rent and interest were paid off in 2010. Anything additional revenue above that has been additional income for the city. Improvements are always being made to the building and it looks better than it has in a while. We are very committed as we were in the beginning and great pride is taken in the building, while great shows are continuing to be brought to the venue. The leases will go through 2031 with Live Nation. Dot Wood adds that we are very proud of Tabatha and the work she does.

8. Taylor Adams, Director of Economic Development, gave an update on the Bonney Road project. Mr. Adams started out with pointing out a few key dates regarding the history of the site. Mr. Adams stated that the Bonney Road site is 11.7 total acres with 7.5 developable acres. The current assessment of the real estate is \$1.7 Million which would break down to \$144,000 per acre. The Developer has offered \$1.8 Million for the 7.5 developable acres, which breaks down to \$240,000 per acre for the developable land. A nominal value has been agreed to be established for the remaining land. A \$50,000 deposit will be made upon execution of the agreement. With the preliminary design in place, the developers made offers regarding construction. To develop a professional office with between 100,000-140,000 square feet of office space it would cost about \$250 per foot and a total of about \$25-\$35 million. To develop a multi-family component with about 240 units at \$175,000 per unit would cost a total of about \$42 million. And to develop parking of about 782 spaces at \$15,000 per space would cost a total of about \$11.7 million. We are estimating about a \$75 million total developer investment. Mr. Adams shows a conceptual drawing of the proposed development plan and discussed where that professional Office, multi-family Living and the parking garage will be. He spoke about understanding the possible impact of having 782 new parking spaces would be for the intersection at Bonney Road and Independence. He also speaks about the developer requested cost participation. The developer is requesting assistance in parking similar to what city council has done in other town centers parking arrangements in the area. There is an EDIP Part B application that will be coming to the Authority in May to request a total of \$604,000. \$142,000 of that is to purchase the wetland mitigation credits and build a roadway. \$410,000 is for Stormwater in hopes to run it underground. If we are not able to run stormwater underground, it will cause the loss of the second office tower which will impact long term and immediate of what it will generate for the city. \$52,000 will be for Offsite utilities. All investments are performance based. This proposed deal is cash flow positive in year three. The net present value is higher with city participation in stormwater than without.

There is a \$3.7 million net present value over 25 years with additional construction and a \$2.2 million net present value over 25 years without the 60,000 square foot office tower. This property will be in the Town Center TIF. On May 7th we will be asking City Council to schedule a Public Hearing on the declaration of excess property. On May 21st we hope to ask for consideration from the Authority of the EDIP Part B award as well as request approval of declaration of excess property and consideration of participation in costs associated with construction of public parking. W. Franklin Taylor asked what the benefit is of having a second professional office tower instead of just one and a multi-family? He also asked why not have the developer build the BMP? Mr. Adams replied stating that the real estate tax revenue that would be generated for the city from the second tower. Mr. Taylor asked why could the storm water not be underground? Mr. Adams reiterates that going underground is the plan, otherwise they would have to build a pond which would take up the space where the tower would go. Lisa Murphy made mention that the depth and the size of the pond would be the same size as the building. Ron Williams also mentioned that in addition to receiving tax revenue, that there is a market for this kind of space and that there are already some active tenants for this site as well. Ms. Murphy asked if there is enough demand for this kind of space. Mr. Williams states that there is an anchor tenant that is in discussion with the developer and this also gives us a feeder system for the winners of the bio challenge. Ms. Murphy asked why this project is being accelerated. Mr. Adams states that this has been in the works since 2017, but there is a developer that is pushing hard that is waiting. A Power Point of the Presentation with full details is hereby incorporated into these minutes.

9. Taylor Adams, Director of Economic Development, provided an update of the Conduit Management RFP for Corporate Landing. The City's IT department (?) did a review of the 2 proposals that we received, and we hoped to have had a recommendation but unfortunately, they were unable to come to a recommendation based on the information that was provided. They have given us a series of questions to send back to various proposers. The questions are easy to answer and would like to ask for a couple members of the Authority to review the answers once they have been submitted so that we are able to get a final recommendation. Charles M. Salle' and Lisa Murphy volunteered.

ADMINISTRATIVE INFORMATION

10. VBDA Priorities

- Dorothy Wood welcomes the new member and apologizes for the brief meeting. We are very happy to have with us today the Chairman of the planning commission, D. Oliver.

11. Taylor Adams noted the following during his Director's Report.


- Spoke with the Ruritans last night speaking about land acquisition in Kempsville.
- First Citizen Banquet is coming up on Monday night.
- We have two items in front of city council today related to fairly large deals which the Economic Development Department has been engaged.
- Ron Williams provides an update on the Dome Site. There are several items on the term sheet that were adopted by Council and the Development Authority that required us to take some actions before we completed the agreement for the Dome Site. First

was to negotiate for lease or acquisition with the United Methodist Church, which is the parcel where we contemplated. For the office tower development. The second was acquisition of the parcel that is on 18th Street in between Pacific and Artic Avenue where there is currently the Virginia Power and Atlantic Transmission site owned by Norfolk Southern. A purchase price has been agreed upon and we are working with Virginia Power on what the retirement for that Transmission site would look like. We are continuing to work on the terms of the operating agreement of the entertainment venue with Oak View and Live Nation. We have also been working on the overall development agreement package. We still aim to bring that to the Development Authority and Council this Summer.

CLOSED SESSION

NO CLOSED SESSION

There being no further business, the meeting was adjourned.


Dorothy L. Wood, Chair