

An aerial photograph of Virginia Beach, Virginia, taken at sunset. The sky is a mix of orange, yellow, and blue. In the center, a tall, modern skyscraper with a pointed top is illuminated. To its right, a large, multi-story building with a prominent tower is also lit up. The city streets are visible, with cars and buildings scattered across the landscape. A teal-colored rectangular overlay is positioned in the lower-left quadrant of the image, containing white text.

# VBDA Monthly Cash Flow

City of Virginia Beach Development Authority

October 15, 2019

# Operating Account Summary: September 2019

**Beginning Cash**

**\$4,692,790**

- **Significant Cash Receipts**

- ✓ \$52,040 of operations & capital maintenance rent from VB National
- ✓ \$3,186 of monthly interest income

- **Significant Cash Disbursements**

- ✓ \$12,275 to Kimley Horn for industrial park engineering fees
- ✓ \$120,029 to Live Nation for VBDA portion of capital maintenance improvements
- ✓ \$5,798 to Kimley Horn for Corporate Landing stormwater plan

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**Ending Cash**

**\$4,680,860**

# Incentive Account Summary: September 2019

**Beginning Cash**

**\$5,295,631**

- **Significant Cash Receipts**

- ✓ \$1,177 of monthly interest income

- **Significant Cash Disbursements**

- ✓ Incentive award payments to:
  - ✓ Hermes Abrasives (\$39,350) for Part A capital investment
  - ✓ Wasserhund Brewing (\$9,723) for Part A capital investment
  - ✓ Yummy Goodness (\$1,531) for Part C capital investment
- ✓ \$47,460 in Part D expenses to:
  - ✓ Brian J Dundon (\$1,850) for Princess Anne Rd / Winterberry Ln parcel appraisal
  - ✓ Kimley Horn (\$45,610) for July engineering fees related to City initiatives and projects
- ✓ \$83,218 in Dome Site related expenses to:
  - ✓ Leisure Development Partners (\$6,540.12) for 50% of travel expenses
  - ✓ Singer-Davis (\$76,678) for Development Agreement documents
- ✓ \$1,035 to Kimley Horn for Bio Park Phase 1 engineering fees

**Ending Cash**

**\$5,114,491**

# Incentive Account Summary: September 2019

<b>Ending Cash held by VBDA</b>	<b>\$5,114,491</b>
<b>PLUS: EDIP and other Receivables</b>	<b>\$9,976,809</b>
<b>LESS: Payables and Commitments</b>	<b>\$11,370,379</b>
<hr/>	
<b>Ending Available Funding</b>	<b>\$3,720,921</b>

# We promise to *know you* and *help you.*

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

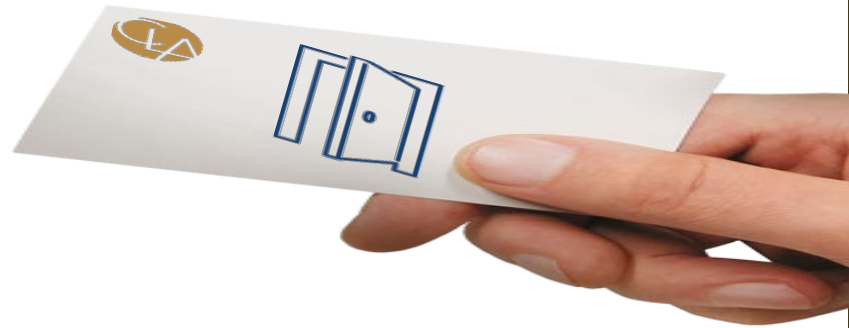
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



City of Virginia Beach Development Authority (the Authority)  
Results of June 30, 2019 Financial Statement Audit

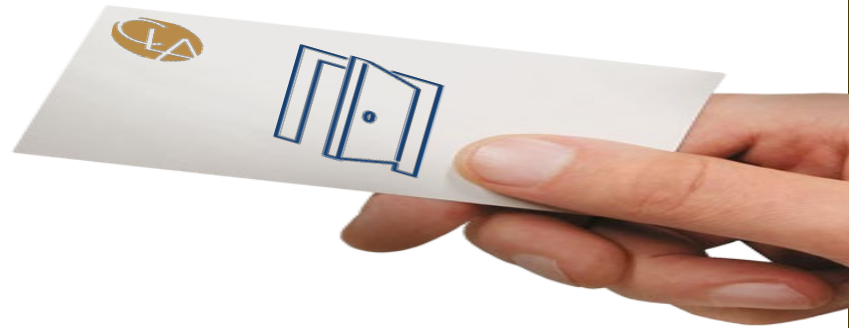
## Agenda

- Our audit approach
- Audit results
- Required communications



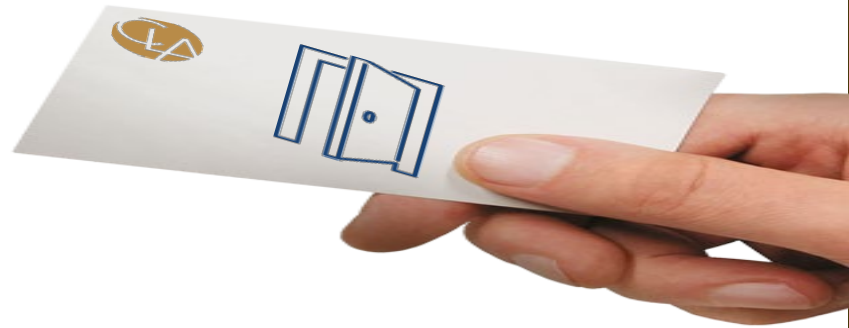
## Our Audit Approach

- Approach – Risk Based with emphasis on assessment of key internal controls
- Communication – Frequent, including regular status meetings, and information communications



## Audit Results

- **Auditors' Opinion on Financial Statements – Unmodified**
- **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – No material weaknesses or significant deficiencies noted**





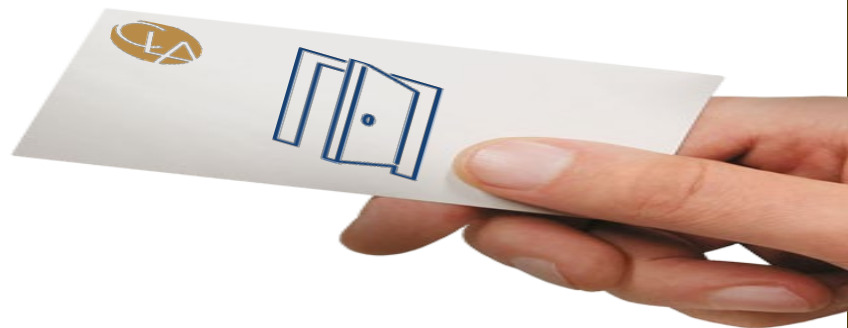
## Required Communications

- **Auditors' Responsibility Under Generally Accepted Auditing Standards:**

- The financial statements are the responsibility of management. Our audit was performed for the purpose of forming opinions as to whether the Financial Statements have been prepared in accordance with GAAP.

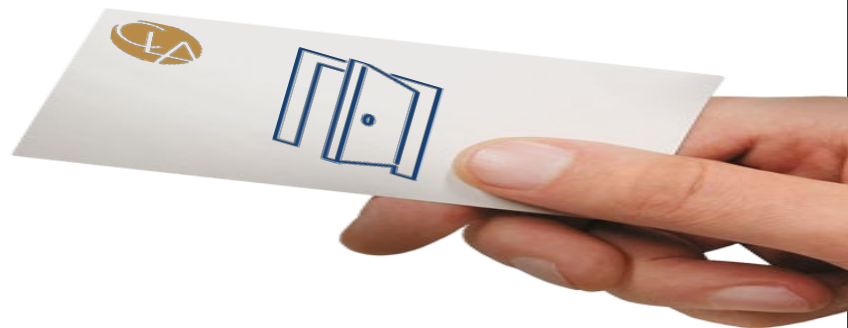
- **Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies are disclosed in the Summary of Significant Accounting Policies in Note 1 of the Financial Statements.



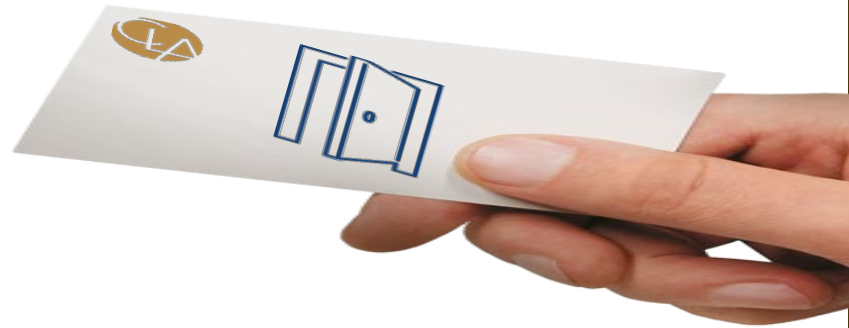
## Required Communications (continued)

- The preparation of the Financial Statements requires that certain estimates and judgments be made by management. These judgments and estimates include:
  - Depreciable lives of capital assets
  - Receivable allowance
- We concluded that management has a reasonable basis for significant judgments and estimates that impact the Financial Statements.
- No sensitive Financial Statement disclosures.



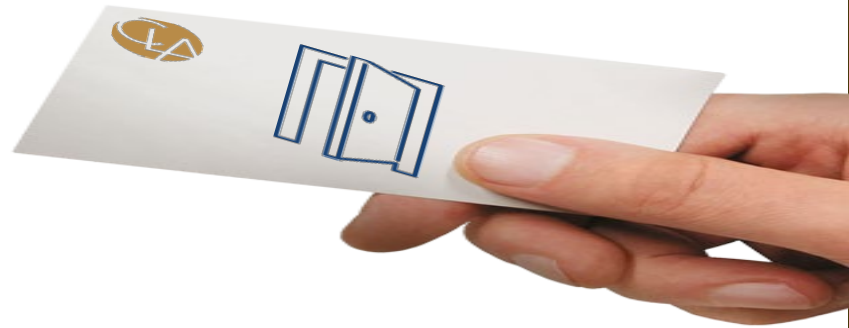
## Required Communications (continued)

- **Difficulties Encountered in Performing the Audit**
  - No significant difficulties were encountered during the audit.
- **Disagreements with Management**
  - There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters.
- **Representations from Management**
  - The representation letter was signed by management.
- **Consultations with Other Accountants**
  - We were informed by management that they made no consultations on the application of GAAP and GAAS.

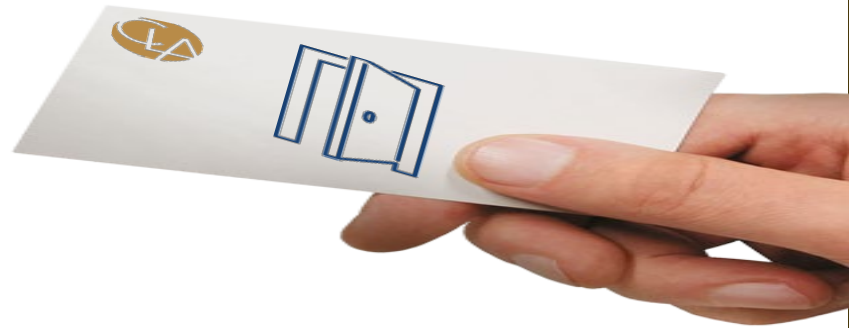


## Required Communications (continued)

- **Significant Issues Discussed with Management Prior to Retention**
  - There were no significant issues discussed with management prior to retention as the auditors.
- **Other Significant Findings or Issues**
  - There were no additional findings or issues not previously discussed.
- **Other Information in Documents Containing Audited Financial Statements**
  - We do not express an opinion on required supplemental information or supplemental information.



**Thank you to the VBDA staff for their assistance during the engagement!**



# *Contact Information*

**Greg Bussink, CPA**

Principal

Greg.Bussink@CLAconnect.com

**Aires Coleman, CPA**

Engagement Director

Aires.Coleman@CLAconnect.com



**We promise** to *know you and help you.*

# Update on the Revision to the Economic Development Investment Program (EDIP) Policy

October 15, 2019

Taylor V. Adams

# EDIP Purpose and History

- Enhance the ability of the VBDA to curate economic development by inducing new businesses to locate here, and existing businesses to remain or expand here
- Original policy approved by VBDA and City Council in 1994
- EDIP funds generated cigarette tax
- EDIP awards are approved by the Development Authority based on Director's recommendation
- EDIP requires job creation/retention or new capital investment



# “Part A”

- ROI less than 3 yrs: *(and/or)*
- Capital Investment: *(and/or)*
  - \$25 of new investment for every \$1 of investment
- Jobs:
  - \$1,000 EDIP = at least 1 new job (excluding benefits)
  - \$2,000 EDIP = at least 1 new job paying between \$35K - \$50K
  - \$3,000 EDIP = at least 1 new job paying between \$50K - \$75K
  - \$2,000 EDIP = at least 1 new job paying above \$75K

# “Part B”

- ROI less than 4 yrs: *(and)*
- \$12.50 new capital investment per \$1 of EDIP
- Must be appropriated by the City Council.
- Authority shall not award more than fifty percent annual appropriation for Part B

# Project History

- Nov 2018 - Report Management Response
- Report contained 12 recommendations
- 11 recommendations have been implemented
- Both VBDA & City Council have approved

# Procedural Changes

- 1.1 Update written disbursement controls to include ACH and electronic check processing.
- 2.1 VBDA chair, when performing his/her financial review of invoices, review each prior monthly bank statement to verify payments
- 3.1 Economic Development implement dual approval prior to ACH
- 4.1 Adopt a written procurement policy (similar to the City's)
- 8.1 Develop a plan to be able to publicly broadcast all VBDA meetings
- 9.1 VBDA accountant work with the City Comptroller to promptly return \$131,445 to the City for closed/inactive CIP projects.

# Recommendation 6.1

## Auditor Finding

- We recommend that Economic Development adhere to the EDIP Policies and Procedures, the EDIP award resolutions and remit grant awards only after the criteria are met- specifically the requirement that investments of capital assets be new, not existing, capital assets.
- Total- retained capital can count.

## Adopted Change

- The definition of “Capital Investment” shall mean a capital expenditure in taxable real property, taxable tangible personal property, or both at the Project in the City of Virginia Beach. The Authority may, in its discretion, determine that the value of machinery and equipment leased under an operating lease will qualify as a capital investment. The Authority may also, in its discretion, consider Capital Investments made by third parties at the Project for the overall benefit of the Project, and/or the value of moveable equipment retained by a business that was considering relocating outside of the City of Virginia Beach.

# Recommendation 7.1

## Auditor Finding

- We recommend in the future that it be written in the award resolution that in the event a company receives an EDIP award and chooses to utilize a **developer or subcontractor, that the contractor must allow the City full access**, like the award recipient, to their records needed to verify the capital cost investment as part of the performance criteria to receive the contract. This requirement should be added to the EDIP policies and procedures as well.

## Adopted Change

- Part D, Section 3, Subsection A shall be amended to:  
“When EDIP funds are awarded pursuant to either Part A or Part B this Policy, they shall be **paid to the Applicant at such time as the Director shall (i) obtain copies such records from the Applicant (including all contractors or subcontractors) necessary to document the actual costs incurred for the purpose or purposes for which the funds are to be provided...**

# Recommendation 7.2

## Auditor Finding

- Reword EDIP Part D#3 to require **full access to all records supporting the verification of the performance criteria**, but allow for the use of sampling, materiality and judgement (discretion) in deciding acceptable verification methodology for each award- more like an audit clause.

## Adopted Change

- Part D, Section 3, Subsection A shall be amended to:  
**(ii) determine that the Project is in conformity with the plan of development presented to the Authority and with all conditions which may have been attached to the approval of the award of the funds by the Authority;** and (iii) where required by the Authority (such as when a majority of the justification for an award is for the acquisition of personalty that could be removed from the City of Virginia Beach), the Applicant shall execute and deliver to the Authority an EDIP Recapture Agreement in a form acceptable to counsel for the Authority.”

# Recommendation 7.3

## Auditor Finding

- Acknowledging that there are times when flexibility and discretion are needed to promote growth, for accountability and transparency we **recommend that a short summary report be prepared by the accountant performing the verification at the time of each EDIP award disbursement**, communicating what verification steps were taken and deemed satisfactory and include that in the monthly financial packet presented to the Commissioners.

## Adopted Change

- Part D, Section 3, Subsection D shall be amended to:  
**“The Director shall compile a written report for each award paid documenting the methodology employed, records reviewed and steps undertaken to ensure compliance with the terms of this Policy. The report shall include sufficient information to determine compliance with the Capital Investment and/or New Job requirement(s) of Section 3(b), above. This report shall be provided to the Commissioners at their monthly financial briefing.”**



# Additional Changes

- Added Opportunity Zones to areas in City where awards will be considered (previously SGA, SEGA and Economic Redevelopment Areas ).
- Added definitions of “Capital Investment”, “New Job” and “Project” based on Commonwealth Opportunity Fund Guidelines.
- Added reporting requirements from director to better disclose basis of award recommendation and promote even application of Policy.
- Sunset and “claw back” provisions included per VBDA direction
- “EDIP is discretionary and not an entitlement” emphasized in the Policy and Application
- EDIP grants are available for new locations and expansions, as well as retaining existing businesses

# Questions



Virginia Beach  
Development Authority  
October 15, 2019

# Disclosure

- Pat Larabee, President, Facility Logix
- Lynn Cooper, Project Management Services Director, Facility Logix

# 3 Agreements

- Consultation Service Agreement
- Fee Development Agreement
- Property Management Agreement

# Consulting Service Agreement Terms

- Flat fee of \$10,857/month for 7 months of service planning
  - Space design
  - Program development
  - Sub-leasing and fit up plan for the Bio Accelerator lab space
  - SOP development
  - Budget development
- Straight pass through on expenses
  - travel not to exceed \$12,000
- They estimate that the space would be ready in approx. 10 months... we are pushing for a more aggressive schedule

# Fee Development Agreement

- They would act as general contractor and manage the development of the space design and the subsequent construction project
  - This includes coordinating efforts with the building owner
- Equipment Purchase/Lease Agreements
  - They would also procure and manage the lab equipment within the space

VA Beach Bio Accelerator  
Order of Magnitude CapEx Draft

Cost Category	Vendor	ROM Value	Comments
Design & Engineering	TBD	99,855	Includes 2 owner reviews, 100% CDs, and construction administration
Design Contingency	TBD	9,986	Set at 10% of design fees due to renovation and incomplete documentation
Permits	TBD	4,905	Jurisdiction dependent - allowance for now.
Construction	TBD	998,550	PSF pricing at <b>\$175 psf</b> over 5,706 square feet.
Construction Contingency	TBD	199,710	20% of construction
Equipment	TBD	103,020	Includes autoclave w/water softener, ice machine, RO/DI water, glasswasher, two BSCs.
Office Furniture	TBD	50,000	Allowance
Low Voltage	TBD	25,000	Allowance, does not include VA Beach-specific devices and switches if required
Signage	TBD	7,500	Allowance
Locksets	TBD	2,500	Allowance
<b>Subtotal:</b>		<u>1,491,026</u>	
Owner Contingency	7%	<u>104,372</u>	Taken on full project value.
<b>Total:</b>		1,595,397	
FLGX Contract/Finance Carry	6%	95,724	Taken on full project value. All contracts held by FLGX. All admin and payment by FLGX including finance "float" while invoices outstanding to VA Beach Dev Authority.
<b>Overall Total:</b>		<b>1,691,121</b>	



# Property Management Agreement

- They would manage the ongoing operation of the accelerator space on our behalf
- They could also operate a virtual accelerator model (a connection portal)
  - West coast and international companies interested
- There will be a person on site, in a part time capacity on the front end until it is fully operational and scaled up from there
- This cost has not yet been identified

# Recommendation

- Request approval of a resolution for the VBDA to allow the VBDA Chair to enter into a Consultation Agreement with Facility Logix as outlined.
- The Fee Development Agreement and Property Management Agreement will be brought back to the VBDA separately for consideration at a future date.

# Questions?



# EDIP MODIFICATION REQUEST



City of Virginia Beach Development Authority

October 15, 2019

# DISCLOSURES

## PRINCIPALS INVOLVED INCLUDE:

- Rony Thomas, President & CEO, LifeNet Health
- Gordon Berkstresser, CFO, LifeNet Health
- Thomas Frantz, Williams Mullen, Legal
- Hon. Patrick Gottschalk, Williams Mullen, Legal
- Alyssa Embry, Williams Mullen, Legal
- KPMG, Accountant
- Lyall Design, Architect
- Ron McIntosh/Michael Stephen, Contractor

## BOARD OF DIRECTORS INCLUDE:

- Gerald M. Bowers, DDS, Officer & Director, LifeNet Health
- John M. Herre, MD, Officer and Director, LifeNet Health
- Ann Lange, Director, LifeNet Health
- Linda Cross, Director, LifeNet Health
- Dr. Lee Riley, Director, LifeNet Health
- Dr. William T. Greer, Director, LifeNet Health
- Adam Landsman, Director, LifeNet Health
- Hon. Norman Olitsky, Director, LifeNet Health
- Jonathan Barton, Director, LifeNet Health
- Dr. John Cardea, Director, LifeNet Health
- Dr. Lenneal Henderson, Jr., Director, LifeNet Health
- Dr. Mark Reynolds, Director, LifeNet Health

**LifeNet Health is self financing their expansion, but it should be noted that the owner of one of the buildings is financed by TowneBank and another by BB&T.**

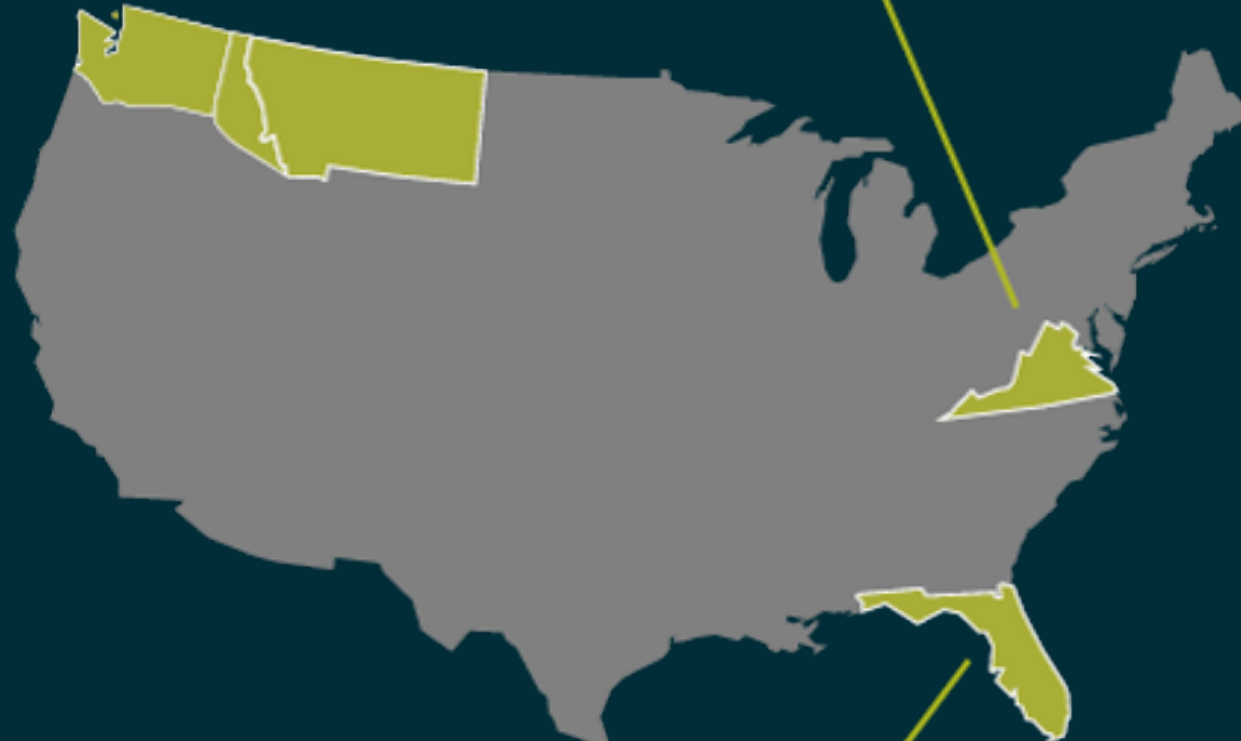
# ABOUT THE COMPANY

- LifeNet Health is a “Homegrown” Virginia Beach company, which has been in operations for over 37 years.
- Corporate Headquarters is located at 1864 Concert Dr.
- Mission: To improve the quality of human life through the provision of organs and tissue for transplantation and to serve the community by providing educational and support services.
- LifeNet Health is the largest free-standing organ and tissue bank in the United States.
- LifeNet Health is a 501(c) 3, non-profit organization
- Does not pay BPOL or Sales taxes
- Does pay Real Estate and Personal Property taxes

# LOCATIONS

**LifeNet Health Northwest LLC**

**LifeNet Health Corporate Headquarters**



**LifeNet Health of Florida**

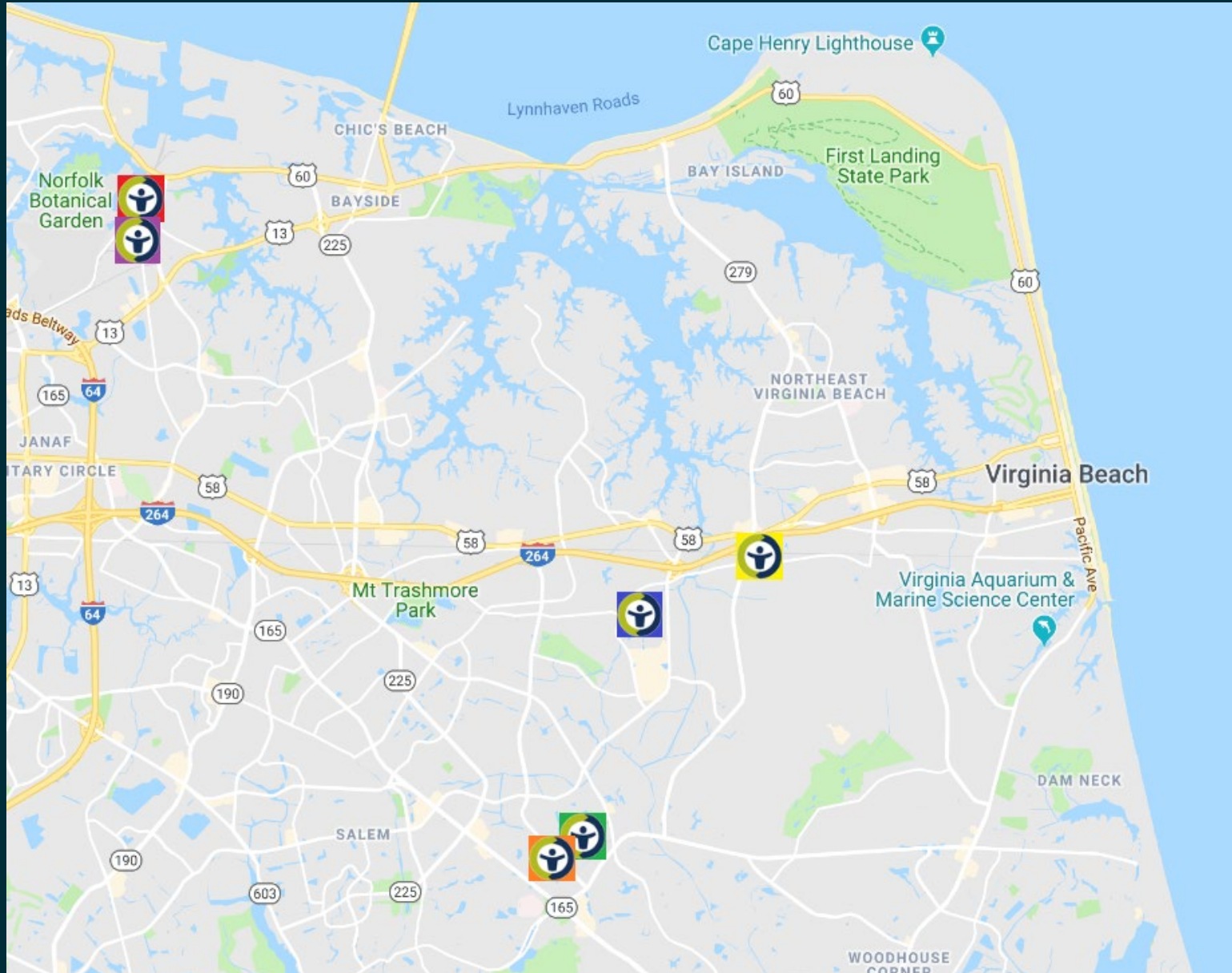
## NATIONAL LOCATIONS

- Virginia Beach, VA
- Renton, WA
- Pensacola, FL
- Jacksonville, FL

## VIRGINIA BEACH LOCATIONS

- Concert Dr
- Ward Court
- Bayside Rd
- Chandler Creek
- Sabre St – Sabre II
- London Bridge Rd.

# VIRGINIA BEACH LOCATIONS



## VIRGINIA BEACH LOCATIONS

- Concert Dr
- Ward Court
- Bayside Rd
- Chandler Creek
- Sabre St – Sabre II
- London Bridge Rd.



# PREVIOUS DEALS WITH THE CITY

## TWO SALES OF CITY-OWNED LAND: total of 22.39 acres

- ✓ 15.82 Acres 2003 for Headquarters location
- ✓ 6.57 Acres 2010 for Center of Regenerative Medicine

## PREVIOUS EDIPs

1999:	\$140,000
2003:	\$600,000
2010:	\$432,131
<b>2017:</b>	<b>\$700,000*</b>
2019:	\$100,000
<b>Total:</b>	<b>\$1,972,131</b>



**\*Outstanding (Also COF \$700,000 and VJIP \$288,900)**

# REQUEST

- LifeNet received an EDIP award of \$700,000 in 2017 based on 301 New Jobs and \$12,254,000 in Capital Investment as a part of a 3-facility expansion.
- As part of the of the job creation component of the EDIP award, they said that the average annual salaries excluding benefits would be \$70,524. Unfortunately, they miss calculated this value by including the value of the benefits.
- LifeNet is asking that this be corrected, and that the minimum salary threshold be reduced to \$55,375, which will properly reflect the salary level when adjusted to exclude benefits.
  - ✓ *This would still be within the same job salary calculation strata and is within the scope of the EDIP policy.*

# PROJECT SUMMARY

	Existing in VB	Outstanding	Expansion	Grand Total
Real Estate	\$40,549,149	\$10,664,000	\$1,000,000	\$52,213,149
FF&E	\$3,574,193	\$1,390,000	\$595,000	\$5,559,193
M&T	\$15,016,662	\$200,000	\$200,000	\$15,416,662
Total	\$59,140,004	\$12,254,000	\$1,795,000	\$73,189,004
New Jobs Created	704	321	44	1,069
Average Annual Salaries		\$70,524	\$55,375	
Requested Change		\$55,375		



# RECOMMENDATION

Allow LifeNet Health to modify the EDIP minimum salary threshold requirement for their 2017 EDIP award from \$70,524 to \$55,375.

# PROJECT SUMMARY

EDIP RECOMMENDATION  
Solaray, LLC dba SRP Companies

City of Virginia Beach Development Authority  
October 15, 2019

# DISCLOSURES

➤ **SOLORAY, LLC dbA SRP COMPANIES:**

**Darrin Eisele, CEO**

**DeAnn Brunts, CFO**

➤ **REAL ESTATE BROKER:**

**Lang Williams, Colliers International**

➤ **RACKING CONTRACTORS:**

**Allen Industrial Services, LLC and Richmond Rack**

➤ **BANKING INSTITUTION:**

**Antares Capital LP**

➤ **OWNER OF PROPERTY:**

**STIHL**

# ABOUT THE COMPANY



- Solaray was established in 1969 (parent company)
- Headquarters in Castle Rock, Colorado
- This is a consolidation as well as an expansion:
  - Closed warehouses in PA (3), UT, CA and OH
- Leading supplier to over 60,000 retailers nationwide
- Virginia Beach location will be used for receiving, warehousing, and distributing consumer products: cell phone accessories, sunglasses, toys, and travel accessories

**LOCATION: 2600 International Parkway - (Bay 4)**





# MULTI-CHANNEL MANAGEMENT OF DISTRIBUTION :

## SPORTING GOODS



## TRAVEL CENTERS



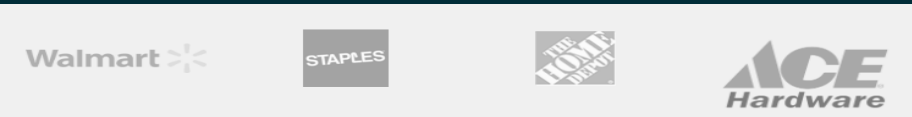
## RESORT & TOURISM



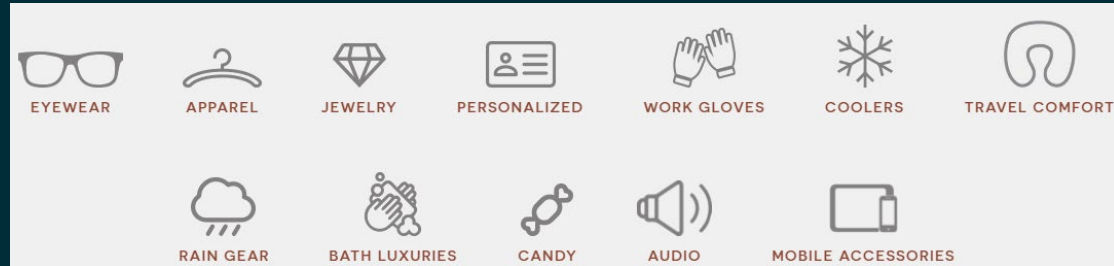
## CONVENIENCE STORES



## OTHER CHANNELS



# PRODUCT PORTFOLIO



# PROJECT SUMMARY

## PROPERTY

- Building Square Footage: 218,680
- Storage, warehouse/distribution
- Navy approved use
- I-1 (APZ-1) Zoning approved use
- Project referred by HREDA
- Presented to VBDA Closed Session, 7/16
- Approved by OLUCC

## RECOMMENDATION

- Economic Development Investment Program (EDIP) Grant - "Part C" (APZ-1) : \$75,000
- Meets capital investment criteria: \$1.00 of EDIP funds yields \$10.50 (+) or more in new capital investment
- Target industry sector:
  - ✓ Compatible business use in APZ-1
  - ✓ Warehouse/Distribution

## INVESTMENT (within 48 months)

CAPITAL INVESTMENT	AMOUNT
REAL ESTATE	\$0
MACHINERY AND TOOLS	\$150,000
FF&E	\$1,010,000
<b>TOTAL:</b>	<b>\$1,160,000</b>

# Questions?

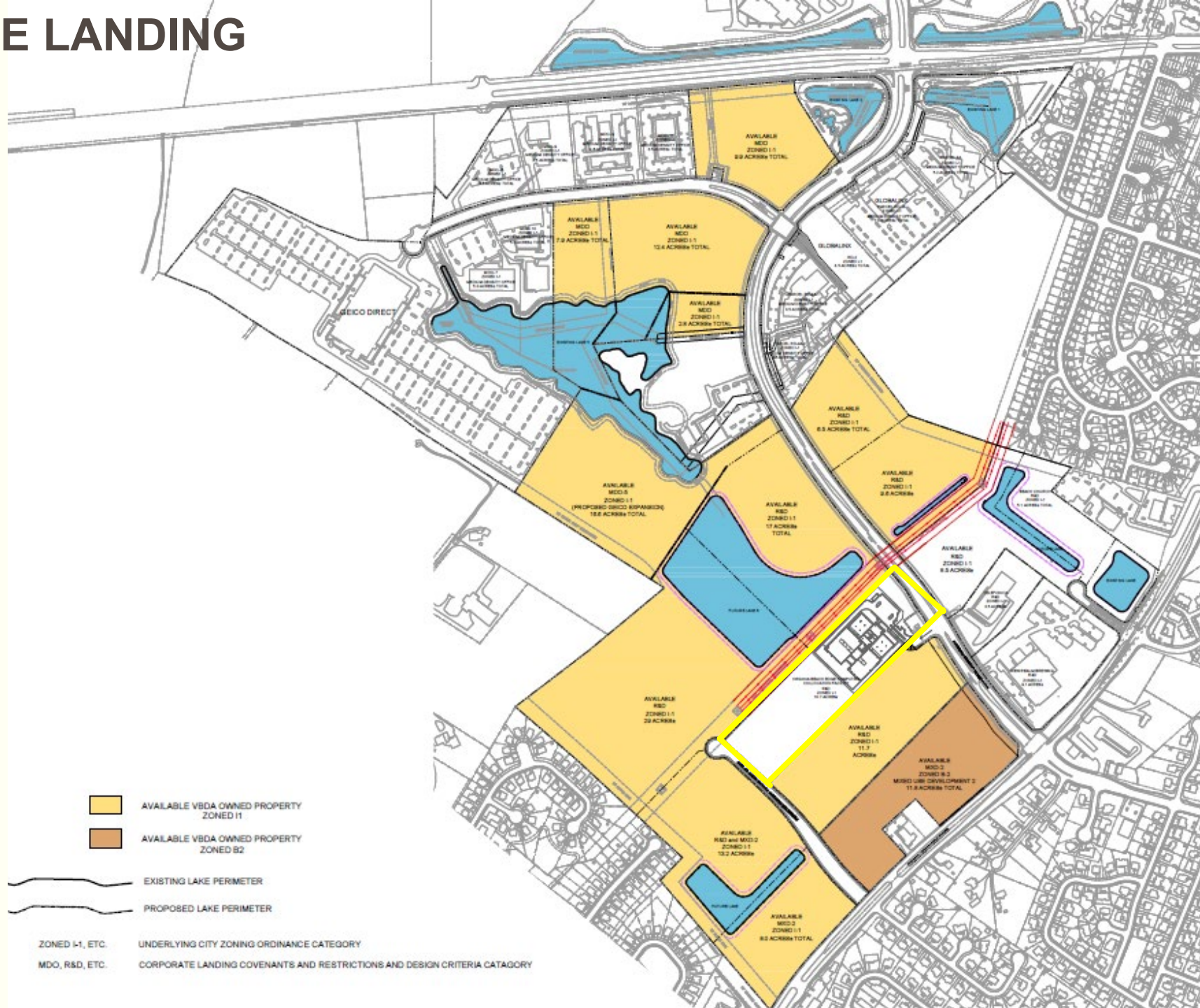


# DRAINAGE EASEMENT

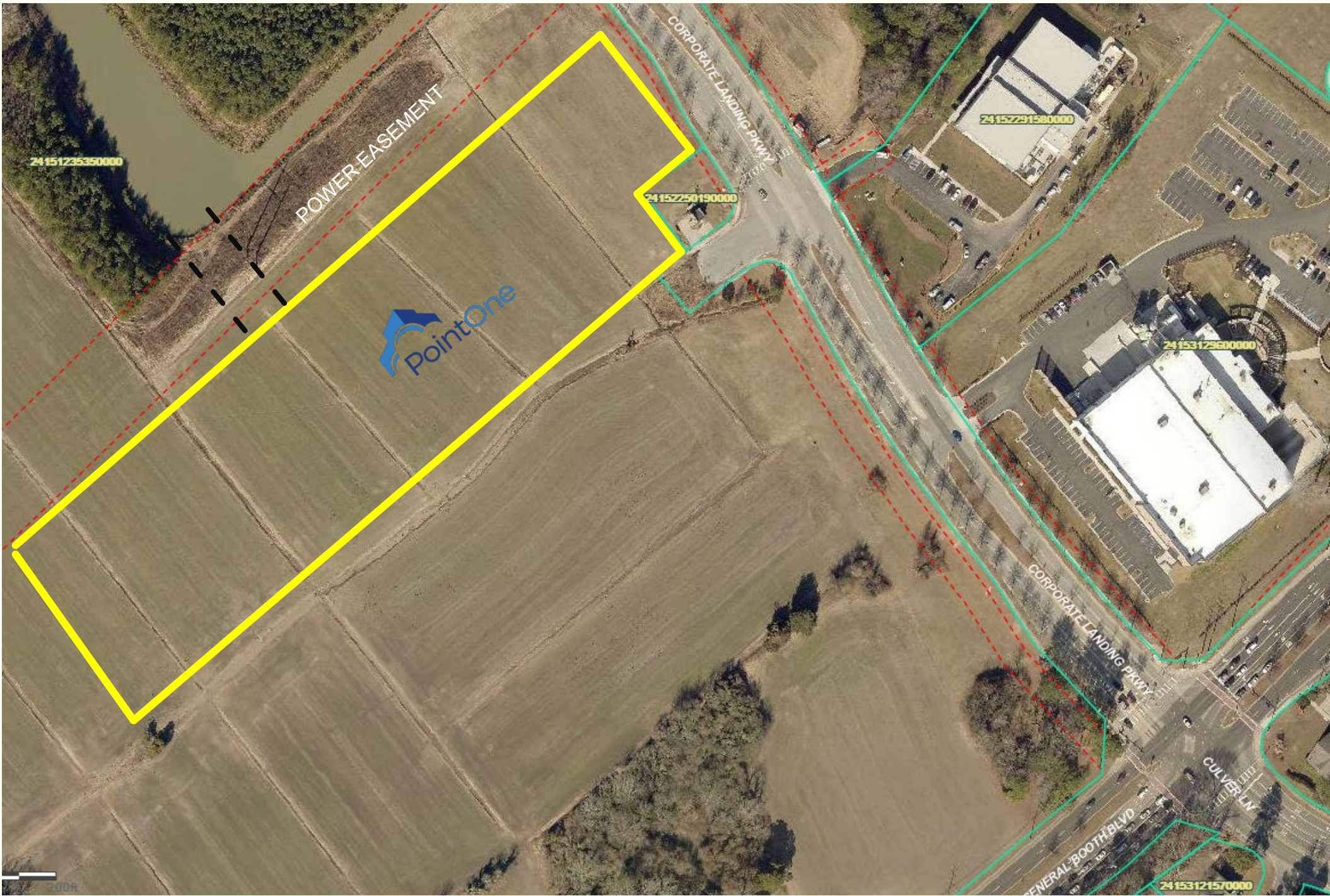
Virginia Beach Development Authority  
October 15, 2019



# CORPORATE LANDING



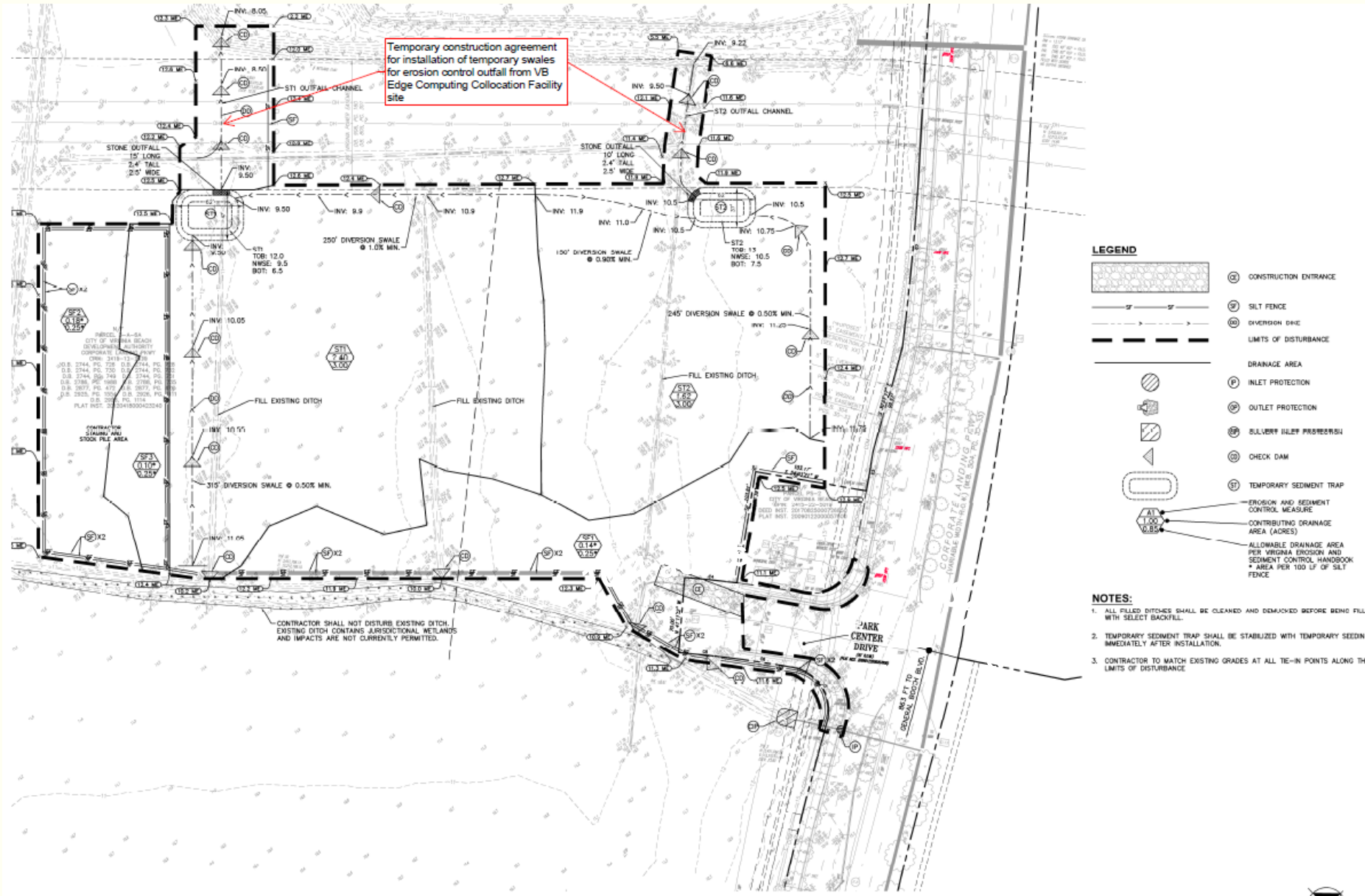
- AVAILABLE VBDA OWNED PROPERTY ZONED I1
- AVAILABLE VBDA OWNED PROPERTY ZONED B2
- EXISTING LAKE PERIMETER
- PROPOSED LAKE PERIMETER
- ZONED I-1, ETC. UNDERLYING CITY ZONING ORDINANCE CATEGORY
- MDO, R&D, ETC. CORPORATE LANDING COVENANTS AND RESTRICTIONS AND DESIGN CRITERIA CATEGORY



PointOne

PointOne

# TEMPORARY DRAINAGE EASEMENT



**LEGEND**

- CONSTRUCTION ENTRANCE
- SILT FENCE
- DIVERSION DITCH
- LIMITS OF DISTURBANCE
- DRAINAGE AREA
- INLET PROTECTION
- OUTLET PROTECTION
- SILT FILTER PROTECTION
- CHECK DAM
- TEMPORARY SEDIMENT TRAP
- EROSION AND SEDIMENT CONTROL MEASURE
- CONTRIBUTING DRAINAGE AREA (ACRES)
- ALLOWABLE DRAINAGE AREA PER VIRGINIA EROSION AND SEDIMENT CONTROL HANDBOOK \* AREA PER 100 LF OF SILT FENCE

**NOTES:**

- ALL FILLED DITCHES SHALL BE CLEANED AND DEMARCKED BEFORE BEING FILLED WITH SELECT BACKFILL.
- TEMPORARY SEDIMENT TRAP SHALL BE STABILIZED WITH TEMPORARY SEEDING IMMEDIATELY AFTER INSTALLATION.
- CONTRACTOR TO MATCH EXISTING GRADES AT ALL TE-IN POINTS ALONG THE LIMITS OF DISTURBANCE

DATE
REVISIONS

NO.
NO.

8100 HUNTERSWOOD BLVD., SUITE 200  
 FARMINGTON, MD 21048  
 PHONE: 757-212-8800 FAX: 757-121-8801  
 WWW.KIMLEY-HORN.COM

SVA PROJECT 1161810100  
 DATE 04/10/2019  
 SCALE AS SHOWN  
 DRAWN BY  
 CHECKED BY

**EROSION AND SEDIMENT CONTROL PHASE 1**

VIRGINIA BEACH EDGE COMPUTING COLOCATION FACILITY  
 PREPARED FOR POINTONE

VIRGINIA BEACH VIRGINIA

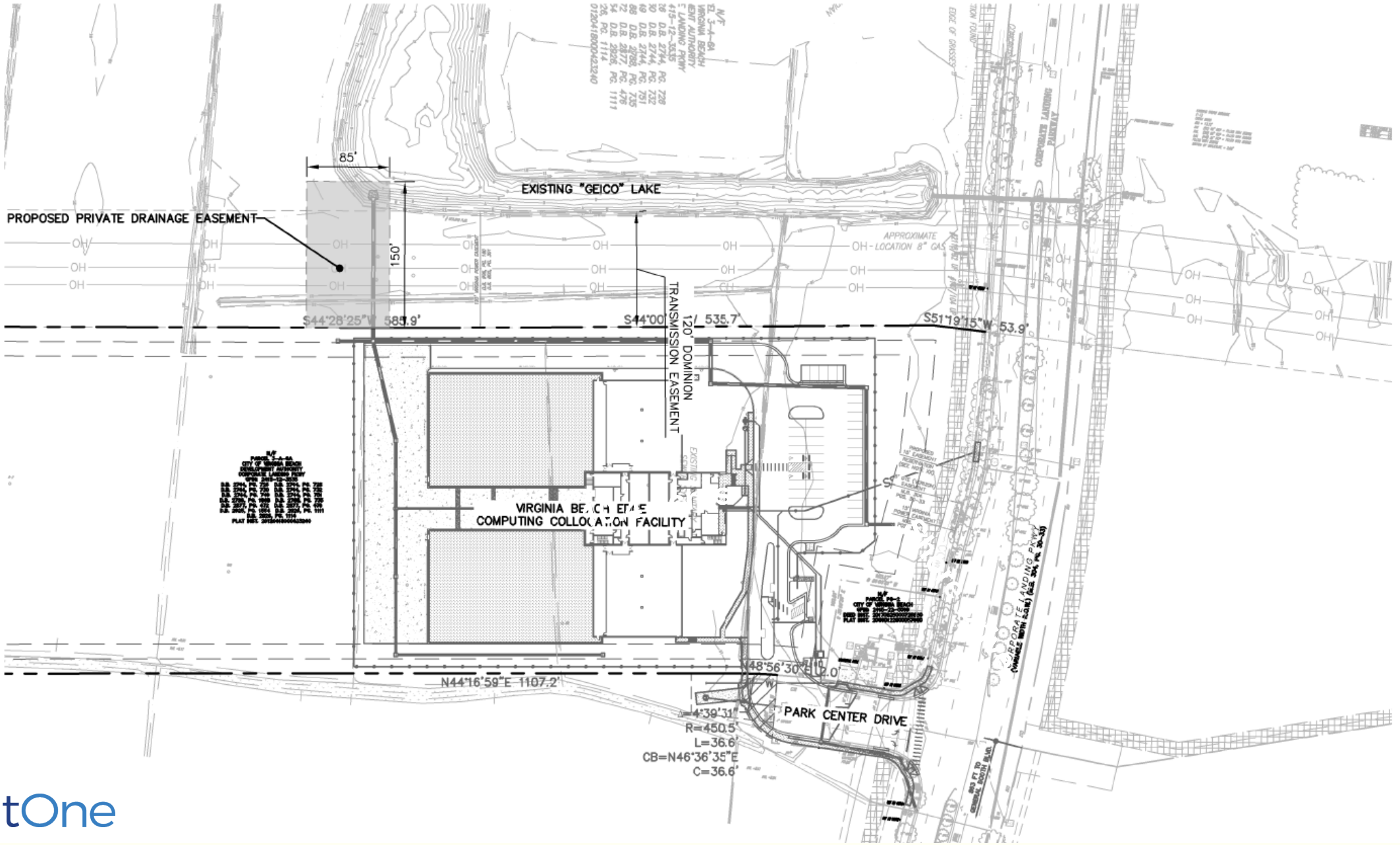
SHEET NUMBER 014

GRAPHIC SCALE IN FEET  
 0 20 40 80





# PERMANENT DRAINAGE EASEMENT



No.	REVISIONS	DATE

**Kimley»Horn**  
 © 2019 KIMLEY-HORN AND ASSOCIATES, INC.  
 4525 MAIN STREET, SUITE 1000, VIRGINIA BEACH, VA 23462  
 PHONE: 757-213-9800 FAX: 757-212-9801  
 WWW.KIMLEY-HORN.COM

KHA PROJECT 116081040 DATE 09/08/2019 SCALE AS SHOWN DESIGNED BY DRAWN BY CHECKED BY	PRIVATE DRAINAGE EASEMENT EXHIBIT FOR VBDA	HEDGE LOCATION FOR ID PARTNERSHIP VIRGINIA
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PRIVATE DRAINAGE EASEMENT EXHIBIT FOR VBDA
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