

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
October 17, 2023 MINUTES

The City of Virginia Beach Development Authority (“VBDA”) held its regular meeting on Tuesday, October 17, 2023, 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.

Full video of item presentations and discussions can be viewed on our website at the following link – <https://www.yesvirginiabeach.com/vbda>

MEMBERS PRESENT: Lisa M. Murphy, Chair
W. Taylor Franklin, Vice-Chair
William Brown, Assistant Secretary
William Brunke, Treasurer
Michael J. Standing, Commissioner
Linda Garris-Bright, Commissioner
Penny Morgan, Commissioner
David Weiner, Commissioner
Guenter H. Weissenseel, Secretary
Eric Keplinger, Commissioner

MEMBERS ABSENT: Ronnie L. Parker, Commissioner (excused)

CITY COUNCIL: Vice Mayor Rosemary Wilson
Council Member Michael Berlucchi

ADVISORS PRESENT: Alexander W. Stiles, Senior City Attorney
Charles E. Rigney, Interim Director of Economic Development
Laura Hayes Chalk, Deputy Director
Emily L. Archer, Project Development Administrator
Michael R. Anaya, Planner III
Charles J. Bauman, III, Business Development Coordinator
Katrina N. Flowers, VBDA Accountant
Paige M. Fox, Business Development Manager II
Letitia Langaster, Business Development Manager II
J. D. Hines, Senior Land Development Engineer
Tecora D. McIntyre, Administrative Specialist I
Elisabeth D. Parker, Executive Assistant II
ShiKim Holden, Administrative Technician
Katelyn Philleo, Business Development Representative I
Jeffrey L. Smith, Business Development Coordinator
Annagid Walker, Account Clerk III
Taylor Wilke, Media and Communications Coordinator

REPORTED BY: Charles E. Rigney

RECORDED BY: Elisabeth D. Parker

Chair Lisa Murphy began the meeting at 8:31 a.m. and opened the floor for public comment.

OPEN FLOOR

No public speakers.

INTRODUCTION OF NEW COMMISSIONERS

1. Chair Lisa Murphy welcomed newly appointed Authority Commissioner, Eric Keplinger, who then introduced himself, gave his personal/business background

MEETING MINUTES

2. Approval of Meeting Minutes, September 19, 2023

MOTION: William Brunke

SECOND: Penny Morgan

APPROVED: 9-0-1 (Mr. Keplinger abstained as he did not attend the meeting)

FINANCIALS

3. Review of Financial Statements for September of 2023 presented by Katrina Flowers.

Operating Account Summary: September 2023

Beginning Cash – September 1, 2023 **\$4,583,391**

Significant Cash Receipts

- Grand Total of Significant Cash Receipts - \$2,268,596
 - \$1,596,785 Atlantic Park Venue Payments for Venture Waves, LLC Reimbursement from City
 - \$ 66,509 Innovation Park Offsite Infrastructure Reimbursement from City
 - \$ 585,349 Corporate Landing Park Business Pond D and Utility Construction-Reimbursement from City
 - \$ 19,953 Interest Income

Significant Cash Disbursements

- Grand Total of Significant Cash Disbursements - \$3,608,184
 - \$ 54,253 Atlantic Park Construction Inspection and Support Services
 - \$ 585,349 Corporate Landing Park Business Pond D and Utility Construction to be reimbursed by City
 - \$ 66,509 Innovation Park Offsite New Roadway, Design Pump Station, and Sewer Design to be reimbursed by City
 - \$1,596,785 Atlantic Park Entertainment Venue Reproductions, Special inspections, and State Commission Corporation fees for Venture Waves, LLC to be reimbursed by City
 - \$1,052,285 Atlantic Park Offsite Infrastructure Special inspections, Utility Relocations, and Temporary Power for Venture Waves, LLC to be reimbursed by City
 - \$ 118,393 Innovation Park Infrastructure for GoVA Grant reimbursement due to City
 - \$ 49,388 Corporate Landing Parcel Annual Maintenance due to Parks and Recreation
 - \$ 85,222 Virginia Beach National Golf Club Operation Rent and Profit Sharing due to the City

Ending Cash – September 30, 2023 **\$4,542,153**

Incentive & Initiative Account Summary: September 2023

Beginning Cash – September 1, 2023 **\$2,875,769**

Significant Cash Receipts

- Grand Total of Significant Cash Receipts - \$100,457

\$ 457 Bank interest income
 \$ 100,000 Innovation Park Offsite Infrastructure Reimbursement from City

Significant Cash Disbursements

- Grand Total of Significant Cash Disbursements - \$ -

Ending Cash – September 30, 2023 **\$2,946,572**

EDIP Grant Summary Reporting: September 2023

Beginning VBDA EDIP Grant Balance	\$3,315,616
Earned Interest and Activity Analysis Fee	+\$ 98
EDIP Grants Expired (Closed)	+\$ 0
New Grants Approved by VBDA	<u>-\$ 0</u>
EDIP Grant Funds Available as of September 2023	\$3,315,714

AUDIT REPORT UPDATE

4. Audit report update on Virginia Beach National Golf Course (“VB National”) given by City Auditor Lyndon Remias.

City Auditor Lyndon Remias began by acknowledging the golf course operation partners, Duncan McDuff and Glenn Pierce, and restaurant operator, Mike Crawford. Mr. Remias stated that the purpose of the audit was to determine whether the VBDA and Virginia Beach Golf Club, LLC (“VBGC”) operate in compliance with the terms set forth in the contractual agreements governing the operation of VB National. Currently, the City owns the land, and the Authority leases the golf course through a 40-year ground lease signed by the City in 1997. The Authority has engaged VBGC to manage VBGC. The current management agreement expires on December 31, 2026. VBGC has contracted with VBN Restaurant, LLC to manage the daily operations of the restaurant. Mr. Remias informed the Authority that the number of rounds being played has increased since the pandemic. The Authority receives a monthly operating payment and an annual profit sharing payment per the management agreement between VBDA and VBGC. The formula includes 6% of golf course fee revenue, monthly, and 25% of net income for the annual profit. Upon receipt of these funds, the Authority, then, remits them to the City. The 6% monthly capital improvement amount stays with the Authority for CIP needs. The first finding observed during fieldwork was the absence of written procedures related to the Authority’s oversight at VB National. Mr. Remias stated that although it was noted that certain control activities were present, the absence of written procedures makes it difficult to ensure that sound control activities will be duplicated consistently. It was pointed out during the audit that several key staff members, including a long-time City employee responsible for VBDA asset management, left in 2019 leaving several gaps in coverage. A new team has been assembled and a clearer understanding of the scope of VBDA’s assets has been developed to resolve this issue. A project planner is also in the process of being hired to help track and manage VBDA assets. It was recommended that board and management should develop written procedures for all significant tasks surrounding the business operations of VB National, create an organizational chart which is specific to the roles and responsibilities of VB National, and provide training and orientation to all VBDA members. A second finding involved issues with identifying and managing maintenance of the golf course. Semi-annual inspections are not being conducted by VBDA or the City in accordance with the management agreement. Mr. Remias informed the board that the absence of a formal process governing capital improvement needs increases the risk that critical needs will not be addressed in a timely fashion. It was recommended that board and management should develop a formal process to identify, track, and fund capital improvement needs, routinely inspect completed work on large capital improvement projects, follow the City’s procurement practices for all capital improvement needs in accordance with changes to the VBDA bylaws, and provide VBGC with annual bank statements for the capital improvement account in accordance with the management agreement. Mr. Remias also discovered that the Authority is not receiving the stormwater inspection reports prepared by Public Works and is therefore unaware of the condition of the wet ponds. It was recommended that board and management should request the annual inspection

reports be sent to VBDA to assess the situation, prioritize the repair needs for the wet ponds, and procure required services in accordance with the City's procurement practices. Completeness and timeliness of payments made to VBDA was also found to be an issue. Documentation supporting monthly and annual payments made to VBDA is inadequate. Mr. Remias believes administrative controls surrounding the remittance of payments should be enhanced to ensure the completeness and timeliness of payments made to VBDA. It was recommended that board and management should require source documentation to accompany monthly and annual payments and ensure VBGC is delivering its annual financial statements in accordance with the management agreement to determine reasonableness of remitted payments. The last finding was that no actions were taken on prior audit recommendations. Although VBDA adopted the City's procurement policy on December 18, 2018, the Authority did not utilize procurement procedures during the purchase of goods and services. It was recommended that board and management should adhere to and utilize the adopted procurement policies and procedures for the purchase of all goods and services, to the extent they apply.

Discussion:

Chair Lisa Murphy indicated that she and Interim Director of Economic Development, Charles Rigney, had already sent Mr. Remias a joint written response to the Audit. Mr. Rigney then reported that Pam Witham is joining our department as an Asset Manager on October 19, 2023. He believes that this action will significantly help with keeping the golf course within compliance. Mr. Rigney thanked the operators for keeping the golf course ranked at #14 in the state. The Department is striving for the course to reach the top 10 and believes the recommendations can get the VBGC there. Mr. Rigney believes that getting a couple board members to oversee the recommendations would be very useful. There are seven to eight assets that were managed by a previous Economic Development employee. It was found that there was no replacement hired once this employee retired. Chair Lisa Murphy has created an Asset Management Committee that will be composed of two members from the Authority, Assistant Secretary Taylor Franklin and Commissioner Eric Keplinger. The new Asset Manager will give the Authority quarterly updates on the Authority's assets and ongoing management efforts. Ms. Murphy also stated that upon reading deeper into the lease between the City and the Authority, she found that both the operational and capital payments should be staying with the Authority. When VB National was developed, the developer subleased the land from the Authority to build and operate the golf course. Pursuant to the terms of the Authority's lease with the City, the Authority was required to remit those rent payments to the City. That original sublease was terminated and replaced with a management agreement. There is no rent being paid to the Authority only management fees and a portion of the annual profits of operating the golf course. The Authority's lease with the City is silent on how to treat management fees. Ms. Murphy indicated that the management fee payments are not rent and therefore should not be remitted to the City. Moreover, those payments are needed to fund capital improvements at VB National, for which the Authority is responsible. Had the payments been properly reclassified, the Authority would have collected more money over the last several years fund capital improvements. It does not appear that the original process in place with the City was changed once the sublease was replaced with the management agreement. Ms. Murphy suggested a meeting with the city council member liaison to rectify the misunderstanding. Vice Mayor Rosemary Wilson inquired about the prioritization of capital improvements due to a complaint she received regarding the course being soggy. Ms. Murphy assured her that Mr. Franklin and Mr. Keplinger, along with the staff liaison will work together to compose a set list of priorities to prioritize utilization of the funds. Mr. Rigney informed Ms. Wilson that the Authority is also working with our contracted engineering group, VHB, to determine what prioritization needs to occur on all repairs. Treasurer William Brunke believes that the committee is a good idea, but asked if the Authority must do any memorialization to make it a standing committee; and if the Authority needs to create some structure around the committee and reporting requirements. Mr. Stiles assured him that he would do the research and bring an answer back to him. Mr. Franklin believes bringing VBDA members onboard will be very useful and thanks him for the suggestion. Ms. Murphy informed the board that the new staff member will be responsible for getting a list of assets and gathering all agreements within an index. Mr. Rigney says that all board members will receive an overview of all current assets at the November VBDA meeting. Ms. Murphy

stated that moving forward, all new staff will be briefed on the assets. Mr. Franklin stated that he believes giving a background on bond sales and how they work would be useful as well. Mr. Brunke asked if the Asset Management Committee would have an overview of and any status updates on the remaining parcels in the two parks that are owned by the Authority. Ms. Murphy informed him that she believes this is possible after focusing on the current active assets that the Authority is managing.

BONDS

PUBLIC HEARING

5. Request approval of Resolution Authorizing the Initial Approval of the Issuance of up to \$525,000,000 of the Authority's Revenue Bonds for the benefit of Westminster-Canterbury of Chesapeake Bay presented by Senior City Attorney Stiles.

Vice-Chair Franklin opened the public hearing. Clerk Elisabeth Parker asked if anyone would like to speak. Mr. Stiles introduced Bond Council for Westminster-Canterbury, Anne Curtis-Saunders. Ms. Saunders introduced herself and Vice President of Development for Westminster-Canterbury, Mark Forest. Westminster-Canterbury has a new project underway on its campus. The company is building a new independent living building. The property will house 226 independent living units and additional amenities for the residents. Westminster-Canterbury has requested that the Authority consider issuing revenue bonds to assist with the building of the independent living project. The Authority was provided with two resolutions, preliminary approval of the financing and final authorization of the financing. The first resolution, if approved, would be sent to City Council. Westminster-Canterbury will ask them to consider approving the financing as well, which is required under both Virginia and Federal law.

Discussion:

Ms. Murphy stated that she will be abstaining from the vote on both agenda items due to her firm working for Westminster-Canterbury. Commissioner David Weiner also abstained due to working with the architect and a Contractor on this project. Mr. Stiles stated that there will be abstention letters on file for both. Ms. Murphy closed the public hearing.

MOTION: Taylor Franklin

SECOND: Guenter Weissenseel

APPROVED: 8-0-2 (Ms. Murphy and Mr. Weiner abstained and their letters are attached to these minutes).

6. Request approval of a Resolution Authorizing the Issuance and Sale of the Authority's Revenue Bonds in an amount not to exceed \$525,000,000 for the benefit of Westminster-Canterbury of Chesapeake Bay presented by Senior City Attorney Stiles.

Ms. Saunders informed the board that the second resolution, if approved, provides the Authority's authorization of the issuance of the bonds within certain parameters of a \$525 million maximum principal amount, with an 8% maximum interest rate and a 40-year maturity for the bonds. Mr. Stiles clarified that these funds are not Authority or City funds. Westminster-Canterbury sells the bonds on the open market. This is a statutory mechanism that allows the company to access capital markets at a lower interest rate. These financings are completely non-recourse to the Authority and the City. Westminster-Canterbury is going to be liable for any cost related to the financing and any debt. Ms. Murphy stated that the Authority receives compensation for being the issuer.

No Discussion

MOTION: Taylor Franklin

SECOND: William Brunke

APPROVED: 8-0-2 (Ms. Murphy and Mr. Weiner abstained).

AGRICULTURAL GRANT

- 7. Request approval of a Resolution Accepting Appropriation of Funds from the City and Authorizing Grant to Cullipher Farm presented by Senior City Attorney Stiles.

Discussion:

Mr. Stiles informed the Authority that this item derives from a request from City Council. The grant originated from the Governor and AFID program to Cullipher Farm. Statutorily, the City is unable to make this type of grant, however, the Authority can. The City has appropriated to the Authority funds received from the Commonwealth, and a matching \$27,500 figure. The City is requesting that the Authority accept the appropriated funds and make a grant to Cullipher Farm for the purchase of supplies to promote agriculture. This grant will be done on a reimbursement basis. Ms. Murphy confirmed that the City has agreed to this proposal and that the Authority is the passthrough. Mr. Franklin inquired about the specific amount. Mr. Stiles informed him that the amount of the grant is \$55,000.

No Discussion

MOTION: Linda Garris-Bright
SECOND: Penny Morgan
APPROVED: 10-0-0

ECONOMIC DEVELOPMENT INVESTMENT PROGRAM (EDIP)

- 8. Request approval of a Resolution authorizing an EDIP Part “A” award in the amount of \$130,000 for job creation to ThayerMahan presented by Business Development Manager Paige Fox.

Ms. Fox began by giving company disclosures, background, and industries. The company searched for office space to make Mid-Atlantic headquarters and chose Virginia Beach. Their biggest customers in Hampton Roads are the US Navy, Dominion Energy, and DEME Offshore. The company plans to bring multiple positions in the electrical field. The expectant hiring projection is 40 FTE’s with an average salary of \$125,000. Ms. Fox informed the board that she is recommending a \$130,000 EDIP for job creation under Part A of the EDIP. There will be a press release at the end of the week.

No Discussion.

MOTION: William Brown
SECOND: Linda Garris-Bright
APPROVED: 10-0-0

CORPORATE LANDING BUSINESS PARK

- 9. Request approval of a Resolution authorizing a lease a portion of the Authority's Corporate Landing Conduit System to Globalinx Data Center LLC presented by Emily Archer.

Ms. Archer informed the board of Corporate Landing offering a 2.1-mile data conduit system that was installed for \$800,000 in 2018. The project was installed as an incentive to attract subsea fiber optic cables and data center projects to the park. One conduit is currently being leased by Level 3 Communications of Virginia, Inc. d/b/a Century Link, leased in 2020, and one disparate conduit is being leased by GlobalinxData Center, LLC, as part of their management agreement in 2019. GlobalinxData Center, LLC currently manages the conduit system and leasing of it. They have secured additional subsea cable landings at Sandbridge and are proposed to start construction by the end of 2023. The company is requesting a 20-year lease of four additional conduits in Corporate Landing for a \$160,000 upfront fee and \$12,000 annual maintenance fee with 2% escalation. This is to eliminate

the need to create new duct banks. Capital expenditure is anticipated to exceed \$60 million. Their request aligns with the established conduit lease rates.

Discussion:

Mr. Weissenseel inquired about the remaining number of conduits. Ms. Archer informed him that there are nine conduits remaining.

MOTION: Guenter Weissenseel
SECOND: Penny Morgan
APPROVED: 10-0-0

ADMINISTRATIVE INFORMATION

10. VBDA Priorities: *No Discussion*

11. VBDA Members: *L. Murphy*

Discussion:

Vice Mayor Rosemary Wilson informed the board that she attended a District 5 meeting. Ms. Wilson complimented Mr. Rigney on his economic overview, particularly focusing on the recently approved Amazon project.

12. Interim Director's Report: *C. Rigney*

Discussion:

Interim Director, Charles Rigney, informed the board of the staff currently working on formulating the 2024 international and domestic travel calendars. The Alliance is also working on getting their participation calendars to the Authority. Prospect activity in Virginia Beach and company expansions have been very robust. Subsea and offshore wind energy are two new industries showing promise within Virginia Beach. The Authority hosted an educational session on the offshore wind industry and had 40 companies participate. Mr. Rigney informed the board of a new job opening at the HIVE. The HIVE recently won two silver and one bronze medal at the annual IEDC conference in Dallas, TX. There is also a vacant Business Development Manager position that will be advertised soon. The Authority has received appraisal updates on Corporate Landing and Innovation Park. The property is now appraised at \$200,000 per acre. The Authority will be increasing the asking prices at both parks accordingly. Mr. Rigney reported that Armada Hoffer has agreed to reduce the annual operating cost for the Authority's lease of the 7th floor on this tower by \$115,000 over the five-year renewal term. Mr. Rigney then introduced the new VBDA liaison, ShiKim Holden. Ms. Holden gave professional background and thanked the board for the opportunity to work for them. Mr. Rigney informed the board of the new office arrangements to utilize more incubator space. VBDA will be hosting a Christmas party on December 6th at the Westin. Information will be sent out in the coming weeks. Former VBDA Liaison, Elisabeth Parker, thanked the VBDA for the opportunity to work with them. Mr. Rigney thanked Ms. Parker for her hard work and dedication.

Chair Lisa Murphy moved to recess into a closed session.

CLOSED SESSION

The VBDA 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 purpose:

CONTRACTS: Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body, pursuant to Va. Code § 2.2-3711(A)(29). (*District 1*) (*District 2*) (*District 3*)

LEGAL MATTERS: Consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel, pursuant to Va. Code § 2.2-3711(A)(8). *(District 2) (District 3) (District 5)*

PROSPECTIVE BUSINESS OR INDUSTRY: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community, pursuant to Va. Code § 2.2-3711(A)(5). *(District 1) (District 3)*

PUBLICLY-HELD PROPERTY: Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body, pursuant to Va. Code § 2.2-3711(A)(3). *(District 2) (District 3) (District 5)*


MOTION: William Brunke
SECOND: William Brown
APPROVED: 10-0-0

RECONVENED INTO OPEN SESSION

CERTIFIED CLOSED SESSION

MOTION: Guenter Weissenseel
SECOND: Linda Garris-Bright
APPROVED: 10-0-0

Chair Lisa Murphy adjourned the meeting at 10:07 a.m.



Lisa M. Murphy, Chair



October 17, 2023

Ms. Elisabeth D. Parker
Clerk, Virginia Beach Development Authority
4525 Main Street, Suite 700
Virginia Beach, Virginia 23462

Re: Abstention/Disclosure Pursuant to Conflict of Interests Act § 2.2-3115(F)

Dear Ms. Parker:

Pursuant to the State and Local Government Conflict of Interests Act, I make the following declaration:

1. I am executing this written disclosure regarding the Development Authority's discussion and/or vote on the inducement and approval resolutions of revenue bonds for Westminster-Canterbury on Chesapeake Bay ("Westminster").

2. I have a personal interest in Willcox & Savage, P.C. located at 440 Monticello Avenue Suite 2200 Norfolk, Virginia 23510.

3. Willcox & Savage, P.C. provides services to Westminster; therefore, I will abstain from voting on the proposed bond issuance items.

Please record this declaration in the official records of City of Virginia Beach Development Authority. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa M. Murphy", with a long horizontal flourish extending to the right.

Lisa M. Murphy
Chair

LMM/AWS/csk



October 17, 2023

Ms. Elisabeth D. Parker
Clerk, Virginia Beach Development Authority
4525 Main Street, Suite 700
Virginia Beach, Virginia 23462

Re: Abstention/Disclosure Pursuant to Conflict of Interests Act § 2.2-3115(F)

Dear Ms. Parker:

Pursuant to the State and Local Government Conflict of Interests Act, I make the following declaration:

1. I am executing this written disclosure regarding the Development Authority's discussion and/or vote on the inducement and approval resolutions of revenue bonds for Westminster-Canterbury on Chesapeake Bay ("Westminster").
2. I have a personal interest in Batchelder & Collins Inc. located at 2305 Granby Street Norfolk, Virginia 23517.
3. Batchelder & Collins Inc. provides goods and services to Westminster; therefore, I will abstain from voting on the proposed bond issuance items.

Please record this declaration in the official records of City of Virginia Beach Development Authority. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Weiner', written in a cursive style.

David Weiner
Commissioner

DW/AWS/csk