

An aerial photograph of Virginia Beach, Virginia, taken at sunset. The sky is a mix of orange, yellow, and blue. In the foreground, a teal-colored rectangular box is overlaid on the image. The box contains the title 'VBDA Monthly Cash Flow' in large white letters, followed by 'City of Virginia Beach Development Authority' and 'February 15, 2022' in smaller white text. The background shows a dense urban area with various buildings, including a prominent tall building with a pointed top and a 'WESTIN' sign, and a large parking lot. A bright light source, possibly the sun or a street light, creates a starburst effect in the middle ground.

VBDA Monthly Cash Flow

City of Virginia Beach Development Authority

February 15, 2022

Operating Account Summary: January 2022

Beginning Cash - January 1, 2022

\$ 4,394,712

- **Significant Cash Receipts**

- ✓ **\$193,261** of Amphitheater Rent
- ✓ **\$19,936** of VB National Rent Revenue
- ✓ **\$40,000** of VB National Revenue for 2021 Profit Sharing
- ✓ **\$733** of bank interest income

- **Significant Cash Disbursements**

- ✓ **\$14,768** to Vanasse Hangen Brustlin (VHB) for CL New Roadway Design
- ✓ **\$8,050** to Kimley Horn for CL Stormwater
- ✓ **\$11,470** to Taste Catering & Events for Catering for VBDA Annual Holiday Celebration

Cont. Operating Account Summary: January 2022

- **Cont. Significant Cash Disbursements**

- ✓ **\$13,792** to Globalinx for Jan. 15th conduit management fee
- ✓ **\$13,792** to Globalinx for Feb. 15th conduit management fee

Ending Cash – January 31, 2022

\$ 4,387,799

Incentive & Initiative Account Summary: January 2022

Beginning Cash – January 1, 2022

\$3,725,801

- **Significant Cash Receipts**

- ✓ **\$425** of bank interest income

- **Significant Cash Disbursements**

- ✓ **\$21,286** Olympia Bendix Two – Jan. & Feb. Rent for Bio Accelerator

- ✓ **\$101,061** Cooper Carry – Atlantic Park (Dome Site) - Reimbursable

- ✓ **\$11,729** Kimley Horn – Atlantic Park (Dome Site)- Reimbursable

- ✓ **\$11,789** Singer Davis LLC – Dec Legal Services (Dome Site)

- ✓ **\$11,000** Facility Logix – Nov. & Dec. – Bio Management Fee

Cont. Incentive & Initiative Account Summary: January 2022

- **Cont. Significant Cash Disbursements**

- ✓ **\$5,838** Assissi Medical Services formerly known as the Veterinary Hospital – DIP Grant

Ending Cash – January 31, 2022

\$3,563,462

Incentive Account Summary: January 2022

Ending Cash held by VBDA **\$3,563,462**

PLUS: EDIP and Other Receivables **\$6,393,020**

LESS: Payables and Commitments **\$7,057,264**

Ending EDIP Grant Available Funding **\$2,899,218**

VBDA Plan of Action Response to the Follow-Up Review of the City Auditor's 2018 Audit of the City of Virginia Beach Development Authority

Lyndon S. Remias, City Auditor
Report to City Council, October 19, 2021

Kathy Warren, Department of Economic Development
VBDA Plan of Action Report February 4, 2022

Background

The Economic Development Investment Program (**EDIP**) is one of the resources that the VBDA administers. It provides discretionary grants to qualifying businesses that are relocating to or expanding in Virginia Beach in support of economic development projects that create new jobs and capital investments.

The average yearly funding for the last three fiscal years was \$2.3 million, which comes from the allocation of 16 cents of cigarette tax collected for every pack sold.

Policies and procedures over this program are set forth in the EDIP Policy.

- **Part A** covers qualifying new businesses to relocate to Virginia Beach and existing businesses to remain or expand operations within Virginia Beach.
- **Part B** covers qualifying developers and property owners for development or redevelopment of properties in Strategic Growth Areas, Special Economic Growth Areas, Economic Redevelopment Areas, or Opportunity Zones.
- **Part C** covers qualifying developers and property owners for the development or redevelopment of properties in APZ-1 or Clear Zones.
- **Part D** covers general provisions applicable to Parts A, B, and C.

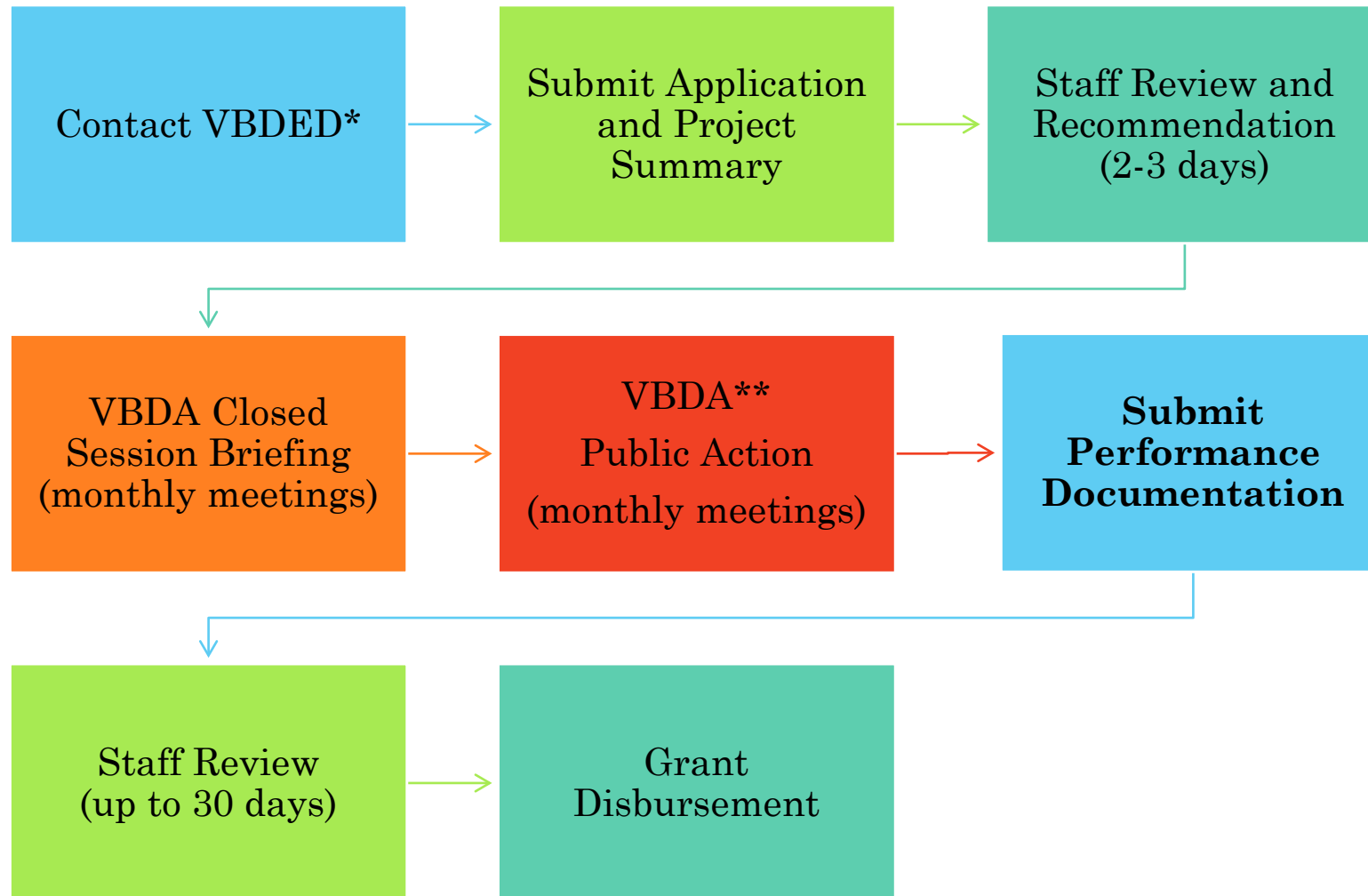
Background - Part A

- Part A covers qualifying new businesses to relocate to Virginia Beach and existing businesses to remain or expand operations within Virginia Beach. One or more of the following criteria must be met:
 - a. Based on generation of direct tax revenue to city
 - b. Capital Investment
 - c. Award based on job creation at tiered amount based on average salary (most commonly used)
 - Must be filled for one year
 - Must be in the City of Virginia Beach

Note: COUNCIL APPROVAL OF CERTAIN EDIP AWARDS.

If the Director, acting on behalf of the Authority, determines the need to provide EDIP funds for the Project, but the criteria set forth in paragraph 2 of this Part A have not been met, the Authority shall obtain specific approval from City Council prior to its approval of the provision of EDIP funds for such purpose.

Background



*VBDED - Virginia Beach Department of Economic Development

**VBDA – City of Virginia Beach Development Authority

One recipient received EDIP funds for capital investment in new machinery and tools, but the supporting documentation provided was solely generated by the recipient, i.e., an unfiled Tangible Personal Property/Machinery & Tools Return (CR-13) accompanied by a list of business personal property.

Proper support for the disbursement of EDIP funds should be third-party documentation, such as vendor invoices and/or the business tangible property tax bill, which serves as evidence that the CR-13 was successfully filed with the Commissioner of the Revenue's Office.

Recommendation:

1.0 Evaluate the appropriateness of documents provided by the recipient.

Finding 1. Inadequate Supporting Documentation for Machinery and Tools

Finding 1: VBDA Plan of Action

The Department of Economic Development (ED) supports the use of third-party documentation as support for an EDIP disbursement. ED staff will ask the VBDA Board and City Council for direction on what type of documentation should be required from grantees. This can include a business tangible property tax bill, which serves as evidence that the CR-13 was successfully filed with the Commissioner of the Revenue's Office. Language will be added to future VBDA resolutions specifying the documentation that will be required.

It should be noted that the Commissioner of the Revenue considers business tangible property tax bills to be proprietary and will not provide those directly to ED.

The VBDA awarded an EDIP grant of \$350,000 with the understanding that Virginia Beach would receive 147 full-time equivalent (FTE) positions.

However, this grant was awarded without an effective process in place to measure and ensure how the FTE positions are going to be filled. The absence of an effective process to verify performance at the time of the award increases the risk of inaccurate disbursements.

Recommendation:

2.0 Ensure that an effective process of verifying performance is developed at the time of the EDIP grant award.

Finding 2. No Effective Process In Place to Verify Recipient's Performance

Finding 2: VBDA Plan of Action

ED will streamline the EDIP process by providing a list of documents to the EDIP grantee at the time of award that defines the supportive documentation required in order to receive reimbursement. It should be noted that the existing process is consistent with scoring for jobs throughout the history of EDIP. The expectation of leadership has always been that consistent with the Commonwealth's requirement, certified payrolls were to be submitted by the grantee. With the hire of a new accountant for the VBDA and ED, this discrepancy has been resolved.

Finding 3. Filling of Job Positions Not According to the EDIP Policy

Seven recipients received funds for positions that were filled less than one year. This is inconsistent with the EDIP Policy requirement that states, “For any job to qualify for an award, that position must be filled for at least one year.” An email in one of the recipients’ folder mentioned that disbursement could be made at the Department Director’s discretion. However, the EDIP Policy makes no mention of this discretion, nor does it have anything other than the one sentence requirement.

Two recipients had positions filled before their resolution was adopted by the VBDA. The resolution date is the official start of the grant and only those positions created from that date and up to 36 months thereafter are considered part of the performance period.

Finding 3. Filling of Job Positions Not According to the EDIP Policy

Recommendations:

3.0 Revise the EDIP Policy to include more detail on the job expansion and retention criteria.

3.1 Ensure that disbursements are made only:

- 1) For positions filled or retained within the performance period.
- 2) After the positions were filled for more than one year.



Finding 3: VBDA Plan of Action

The VBDA and City Council may consider a potential revision to the EDIP policy regarding job expansion and retention criteria. At the time of grant award, the grantee shall be provided clear direction on acceptable, supportive documentation to be submitted in order to receive grant disbursement. Grant disbursements will be made for positions filled or retained within the performance period and after the positions are filled for more than a year. In addition, enhanced staff training and the addition of an accountant will ensure that the requirements of the Policy are met.

Finding 4. Inadequate Supporting Documentation for Job Expansion

Due to the large amounts of EDIP funds disbursed, we deem that proof of performance for job expansion and retention should be supplemented by a stronger form of evidence, such as a computerized Human Resources employee report. Currently, the recipient merely needs to submit a memo attesting to the accuracy and completeness of the accompanying list of employees.

The current list is a Microsoft Excel spreadsheet that contains the job position, date position filled, location, and annual salary of every employee.

We deem this type of support as inadequate, as errors could have easily been made or entries falsified.

Finding 4. Inadequate Supporting Documentation for Job Expansion

Recommendations:

4.0 Require a strong, supplemental form of evidence to ensure that disbursements for job expansion/retention is properly made to strengthen the integrity of the EDIP process.

4.1 Determine the State's method for verifying job creation and, where possible, align with the State's methodology.

4.2 Due to heavy involvement in the disbursements process, have the VBDA Accountant sign the disbursement routing sheet to show that he or she has reviewed the accompanying documentation. The signature will be in addition to those of the Business Development Manager, the Department Director, and the Senior Attorney from the City Attorney's Office.

Finding 4: VBDA Plan of Action

ED staff will determine the State's method for verifying job creation and, where possible, align with the State's methodology. Each grant disbursement will have a disbursement routing sheet with the signatures of the Accountant, Business Development Manager, Department Director and Senior Attorney from the City Attorney's Office to show that they have reviewed the accompanying documentation. Staff training on EDIP policy and procedures will commence in the next sixty days.

It is important to note that over half of the Business/Project Development staff has been part of the ED team for less than two years and enhanced staff training is already contemplated by leadership.

Currently, the exact amount of Incentive funds available is unknown to the VBDA. Due to the VBDA Accountant's departure, the last report of the Incentive Accounts' Payables and Commitments balance was in January 2021, which presented December 2020's month-end balance of \$1.7 million.

This was an aggregation of all economic incentive programs' individual balances that included EDIP Parts A – D. While subsequent monthly cash flow presentations to VBDA included disbursements, they did not show the Incentive Funds balance.

Recommendation:

5.0 Refrain from further awarding any EDIP grants until the exact amount of available funds is determined and made available to the VBDA.

Finding 5. Exact Amount of Incentive Funds Available is Currently Unknown to the VBDA

Finding 6. EDIP Total Incentive Awards Spreadsheet Needs to be Updated

The Total Incentive Awards spreadsheet, which is the primary record for tracking and summarizing all important information about EDIP awards, has not been updated since the VBDA Accountant's departure in **February 2021**.

Based on our analysis of the spreadsheet, we noted that:

- There is \$596,000 of potentially available EDIP funds that could be recommitted to funding future projects. This is the total undisbursed awards from projects that have ended but not closed, the earliest of which were from fiscal year 2014.
- It does not adequately depict where the award truly stands. For example, the user of the spreadsheet would not know why there was zero disbursement for a project that has ended.

Finding 6. EDIP Total Incentive Awards Spreadsheet Needs to be Updated

	Part A Findings	#	Total Award	Total Disbursed	Potential Funds Available
1	Performance period ended but not closed & not paid 100%	6	\$705,000	\$566,035	\$138,965
2	Performance period ended but not closed & zero paid	1	\$30,000	0	\$30,000
3	100% paid but not closed	3	\$740,000	\$740,000	-
4	Payment made but not performed*	1	\$500,000	\$436,823	\$63,177
5	Award for jobs expansion but no entry in jobs columns	1	\$46,500	\$21,000	
6	No entry in all other columns except name and amount	1	\$600,000	0	
	Total	13	\$2,621,500	\$1,763,858	\$232,142

* The City is filing a claim in bankruptcy court.

Finding 6. EDIP Total Incentive Awards Spreadsheet Needs to be Updated

	Table 2. Part C Findings	#	Total Award	Total Disbursed	Potential Funds Available
1	Performance period ended but not closed & zero paid	5	\$235,000	0	\$235,000
2	No entry in performance period end date and zero paid	2	\$95,000	0	\$95,000
3	Performance period ended but not closed & not paid 100%	1	\$100,000	\$65,823	\$34,177
	Total	8	\$430,000	\$65,823	\$364,177

Recommendation:

6.0 Analyze and update the *Total Incentive Awards* spreadsheet to ensure that it properly reflects the status of the projects and to determine the amount of available funds that can be used for future projects.

Finding 5 and 6: VBDA Plan of Action

The Accountant position for the VBDA has been vacant for one year. This position was recently filled, and the Accountant is updating all reports. A presentation will be given at the VBDA February meeting with details for all EDIP awards to include active, inactive/recommended for closure, encumbrances and available funding. At no point did the VBDA represent that it had more funding than it did, and never committed more funding than it had.

It should be noted that EDIP incentives included in this spreadsheet predate current leadership and were made under the prior version of the EDIP policy. Current administrative practice would not allow for this condition.

Based on our confidential staff survey and interviews, as well as the results of our documentation review, we found that the level of knowledge of business development managers on the EDIP policy and process is not consistent.

Seventy-five percent of the Business Development Managers are less than two years in their position and are trained by their seniors. However, the training is informal and can be inconsistent, as they are based on the level of expertise and experience of the trainers.

Recommendation:

7.0 Given the considerable size of the EDIP funds awarded, management should take this time to develop a formal training program for Business Development Managers.

Finding 7. Program Training Needed

Finding 7: VBDA Plan of Action

The Accountant position for the Department of Economic Development has been filled. The Accountant has extensive experience with staff training and Standard Operating Procedures and has developed new policies and procedures for the EDIP program. Training will occur for all Business Development and Project Development staff over the next 60 days. All files will be consistent regardless of the staff involved with the project.

It is important to note that over half of the Business/Project Development staff has been part of the ED team for less than two years and enhanced staff training is already contemplated by leadership.

Thank you

QUESTIONS?

- Lyndon S. Remias, City Auditor
- Email: iremias@vbgov.com
- Phone: 757-385-5870

VBDA Plan of Action Report

February 4, 2022

Kathy Warren
Department of Economic Development



Corporate Landing Business Park- Approval of Sale Precision Measurements, Inc. (PMI)

City of Virginia Beach Development Authority
Open Session
Ihsane Mouak
February 15, 2022



Disclosure Statement

- Applicant: Precision Measurements Inc.
- Directors: Alexandra Leitz, Pauline Leitz, Kenneth Leitz
- Officers: Alexandra Leitz, Pauline Leitz, Kenneth Leitz, Stephen Pearce
- Accounting: Cherry Bekaert, LLP, Barb Smith, CPA
- Construction Contractor: Hoy Construction, Adam Ritt
- Architect/Land Planner: Covington Hendrix Architects, Jonathan Covington, AIA
- Engineering: Land Planning Solutions- Scott D. Stam, PE
- Financing: C&F Mortgage
- Legal Services: Sykes, Bourdon, Ahern & Levy, P.C.

About the Company



**Precision
Measurements, Inc.**

- Established In 1995
- Full-service land surveying firm providing surveying services throughout Virginia, nationally and internationally
- Employees 31
- PMI services include mapping, boundary surveys, platting, topographic surveys, 3-D Scanning, route surveys, global positioning system surveys, construction stakeout services, land title surveys, hydrographic surveys, and utility designation services

Site Location



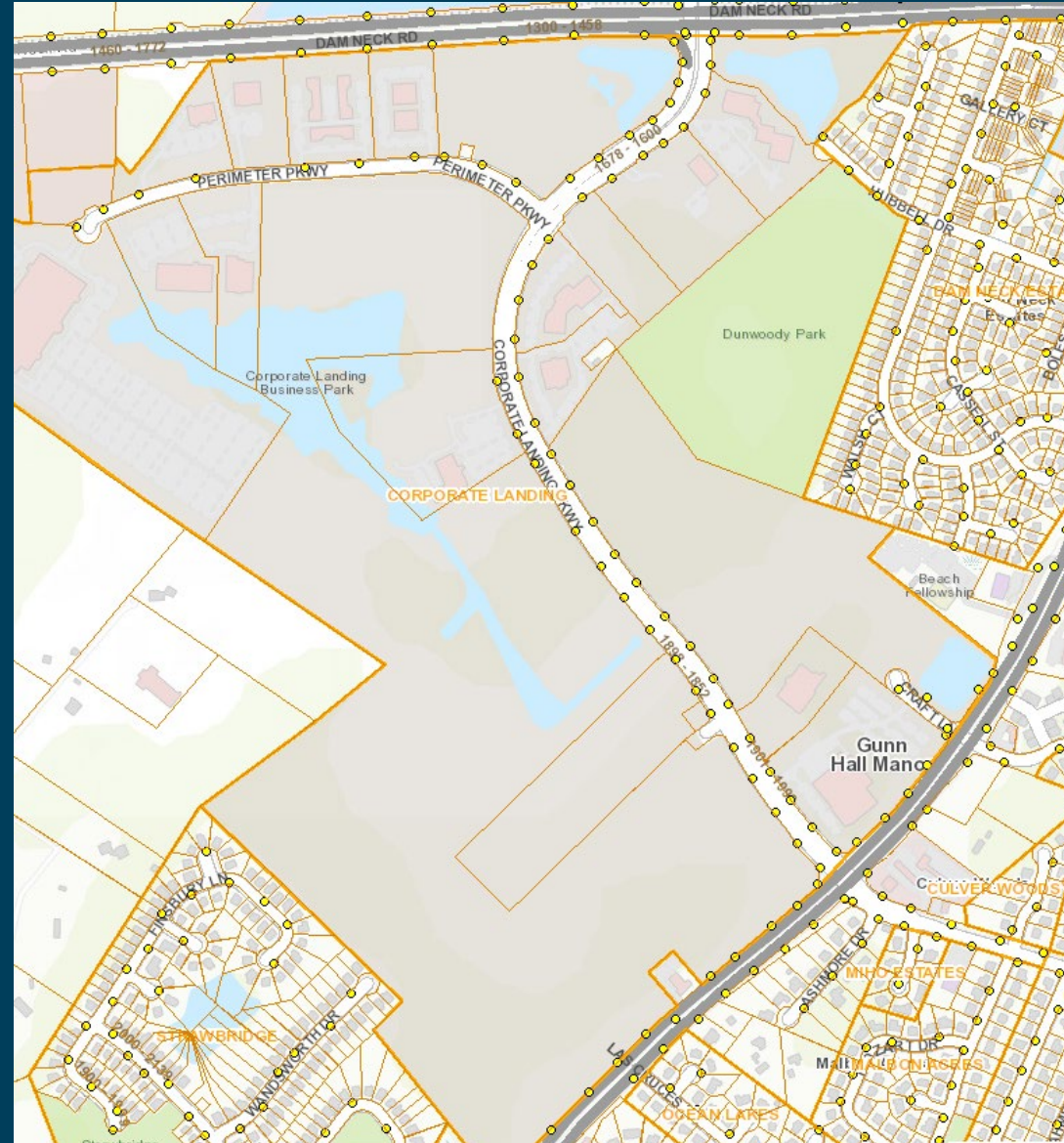
Site Layout- Sale Terms

- Parcel: +/-3.5 ac at \$200K per ac (\$700K)
- Deduct from the land proceeds (\$15,700):
 - Cost of 2 streetlights (\$11,200)
 - Cost of Subdivision plat (\$4,500)



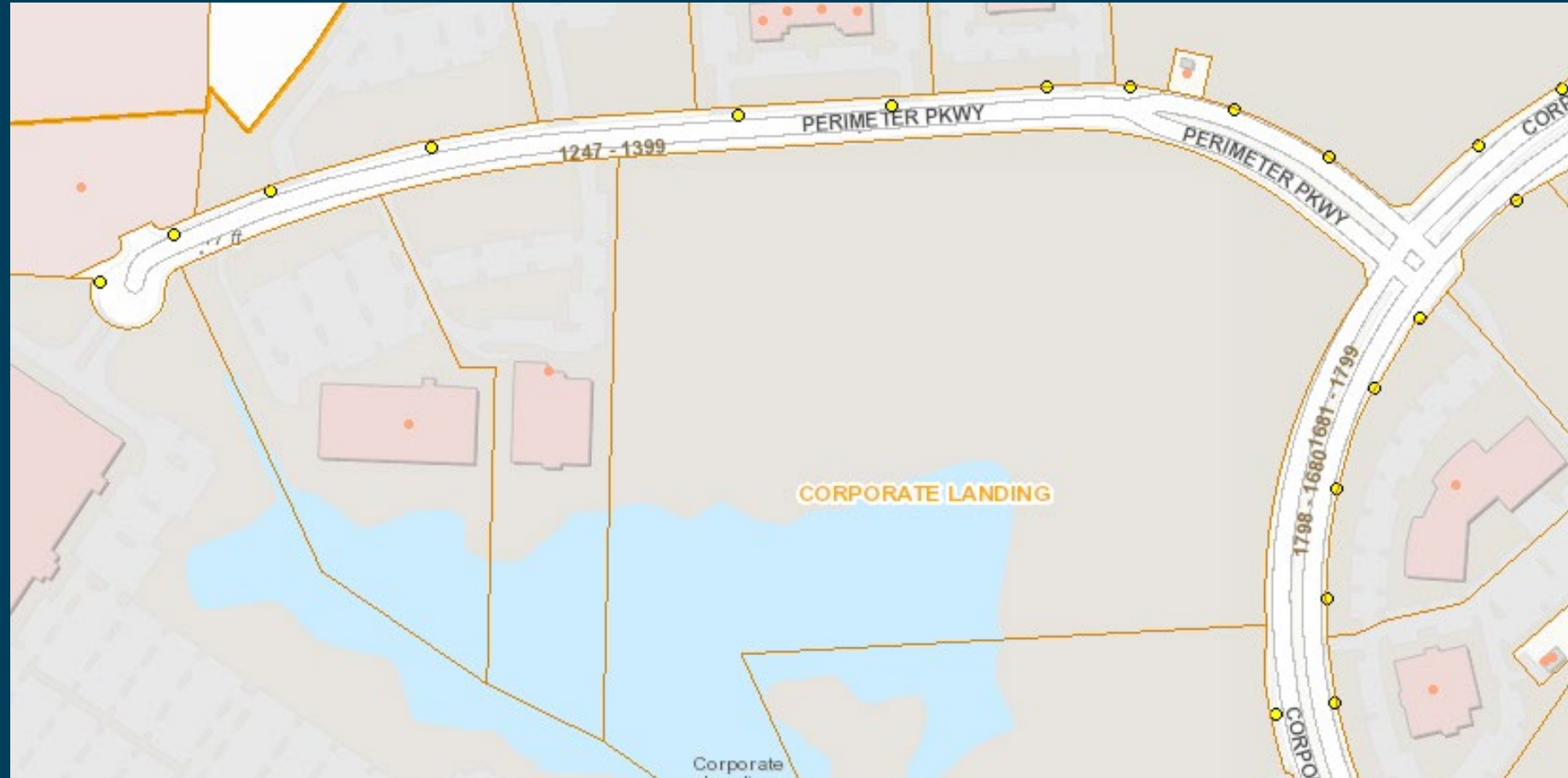
- Total Investment: \$10.1M
- Existing Jobs: 32
- New Jobs: 20

Existing Streetlights



Additional Streetlights

A portion of
Corporate Landing
Pkwy and the
south side of
Perimeter Pkwy



PMI's Request

- Request to VBDA to cover the cost of two streetlights
- Developer will be responsible to design and install
- Cost Per Streetlight: \$11,200
 - Dominion Energy : \$8,000
 - City surety requirement: \$3,200

Recommendation

- Approve the sale as presented