



City of Virginia Beach Development Authority
Audit Executive Summary

November 17, 2023





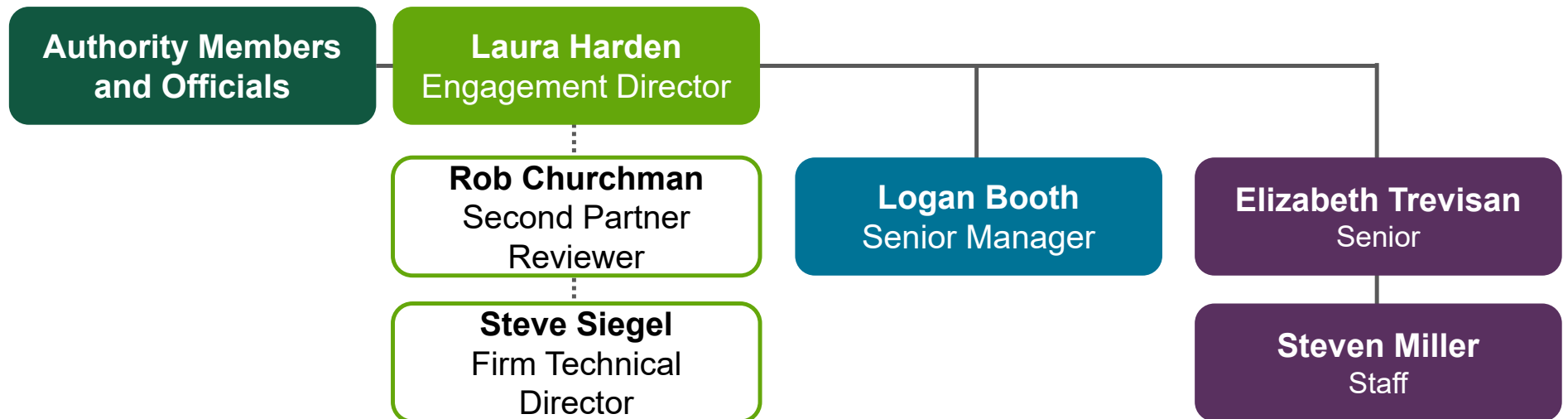
Agenda

- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Internal Control Communication
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters

This information is intended solely for the use of the Board of the City of Virginia Beach Development Authority and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Client Service Team



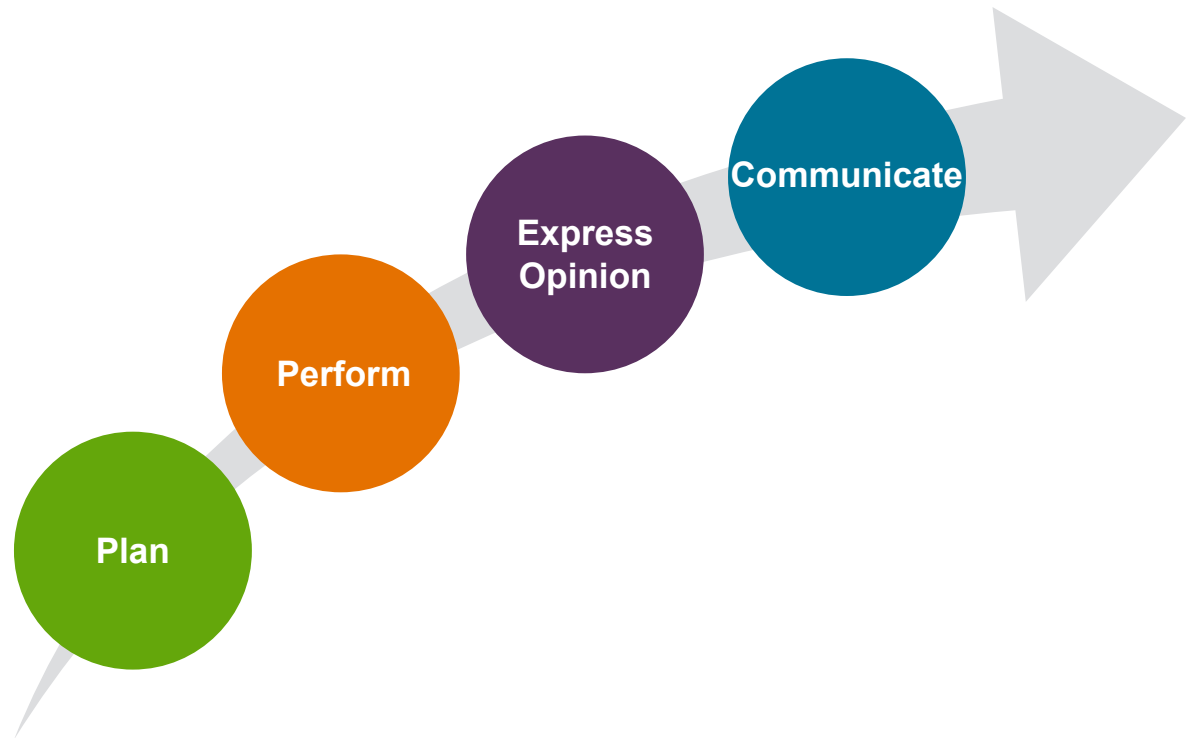
Results of the Audit

Financial Statements:

- We have audited the financial statements of the City of Virginia Beach Development Authority (the “Authority”), as of and for the year ended June 30, 2023, and we have issued our report thereon dated November 16, 2023.
- We have issued an unmodified opinion on the financial statements.

Compliance:

- We identified no instances of noncompliance required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Authorities, Boards, and Commissions*.



Internal Control Communication

In planning and performing our audit, we considered internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.



Internal Control Communication (continued)

Material Weakness

- ▶ A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency

- ▶ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted no material weaknesses but have one deficiency that we believe to be a significant deficiency.



Internal Control Communication (continued)

Significant Deficiency

- ▶ **Condition:** During fiscal year 2023, the City of Virginia Beach, Virginia (the “City”) and the Authority discovered that the Authority recorded \$702,868 of construction in progress assets related to the Atlantic Park project that were appropriately capitalized by the City and were recorded on both the City’s and Authority’s financial statements at June 30, 2022.
- ▶ **Cause:** During the early stages of the Atlantic Park project, there was an unclear understanding of who had ownership of certain capital assets and infrastructure associated with the project. Additionally, during fiscal year 2022, the Authority did not reconcile the capital project activity related to the Atlantic Park project with that of the City resulting in the assets being recorded on both the City’s and Authority’s financial statements.
- ▶ **Effect:** The Authority’s capital assets and net position were overstated by \$702,868 at June 30, 2022, and the Authority has adjusted amounts during fiscal year 2023 to accurately present capital assets and net position at June 30, 2023.



Internal Control Communication (continued)

Significant Deficiency (continued)

- ▶ **Auditor Recommendation:** We recommend the Authority review and reconcile transactions yearly between the City and the Authority to ensure they are completely and accurately reported.
- ▶ **Management Response:** The Authority will establish annual reconciliation procedures related to transactions between and among the Authority and the City to ensure complete and accurate reporting. In addition, the Authority, working with the City's Finance Department, will ensure the ownership of capitalizable projects is properly identified and/or allocated at the start of the projects, and the related transaction between the Authority and City will be carefully reviewed and properly recorded on the Authority's books.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

- ▶ None noted.

Uncorrected Misstatements

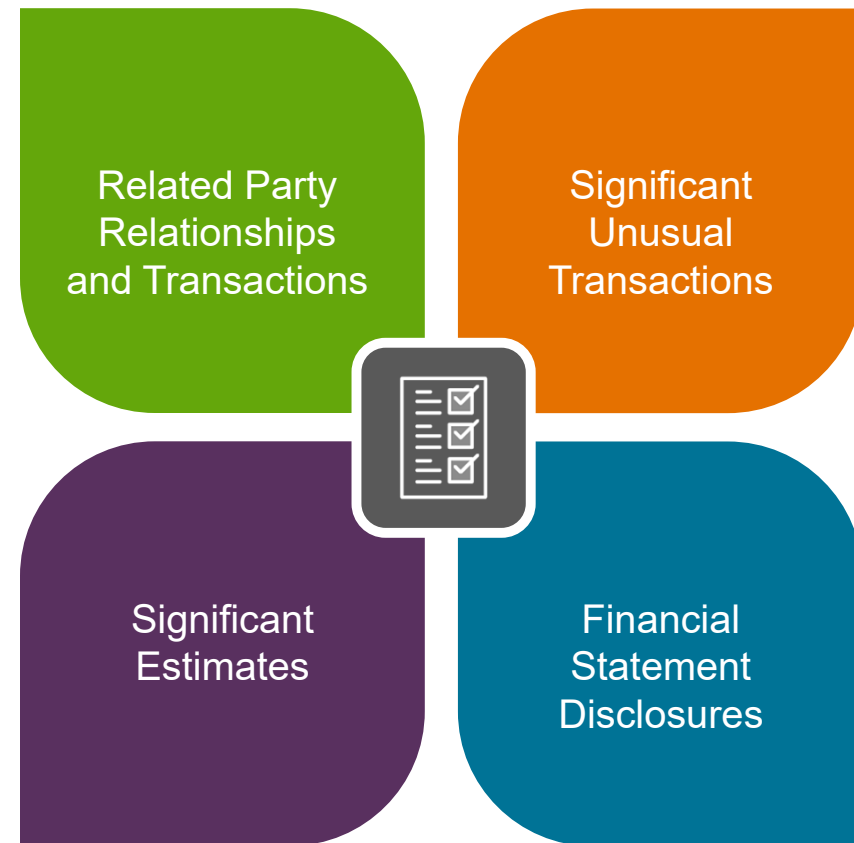
- ▶ We identified an uncorrected misstatement recorded in the financial statements of the Authority for the year-ended June 30, 2023, relating to the accounting of capital projects associated with Atlantic Park. The Authority had incorrectly accounted for certain projects that were correctly capitalized by the City for the year ended June 30, 2022, and subsequently had to correct for the error during the year ended June 30, 2023. The Authority expensed costs of \$702,868 related to the double-counting of those projects during fiscal year-ended June 30, 2023.



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no inappropriate accounting policies or practices.

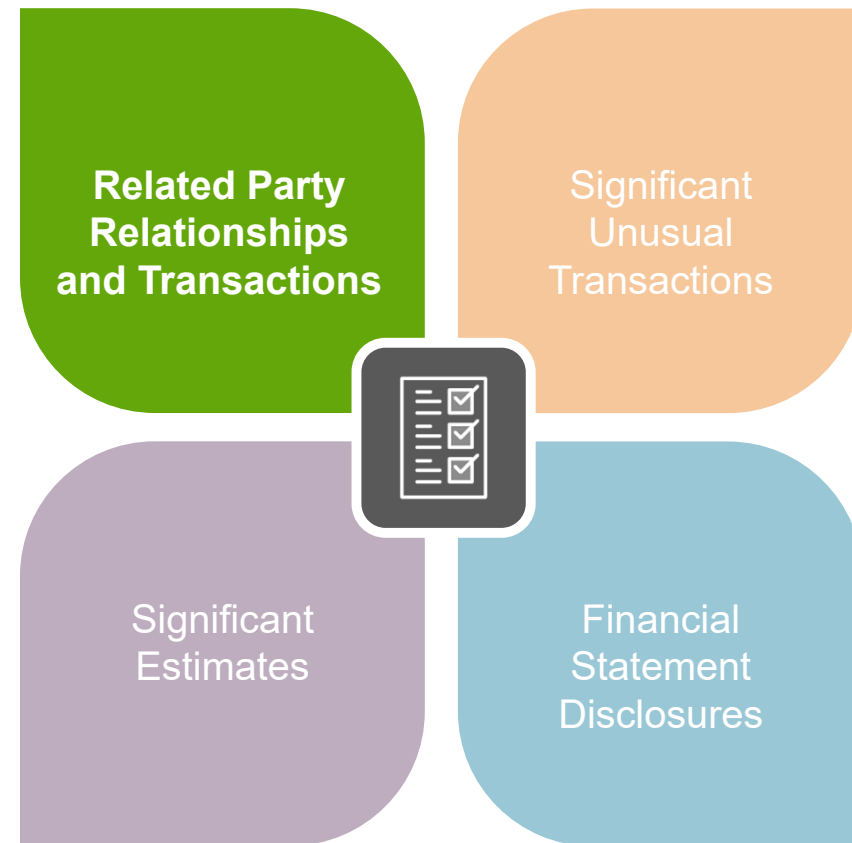


Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the Authority's identification of, accounting for, and disclosure of the Authority's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

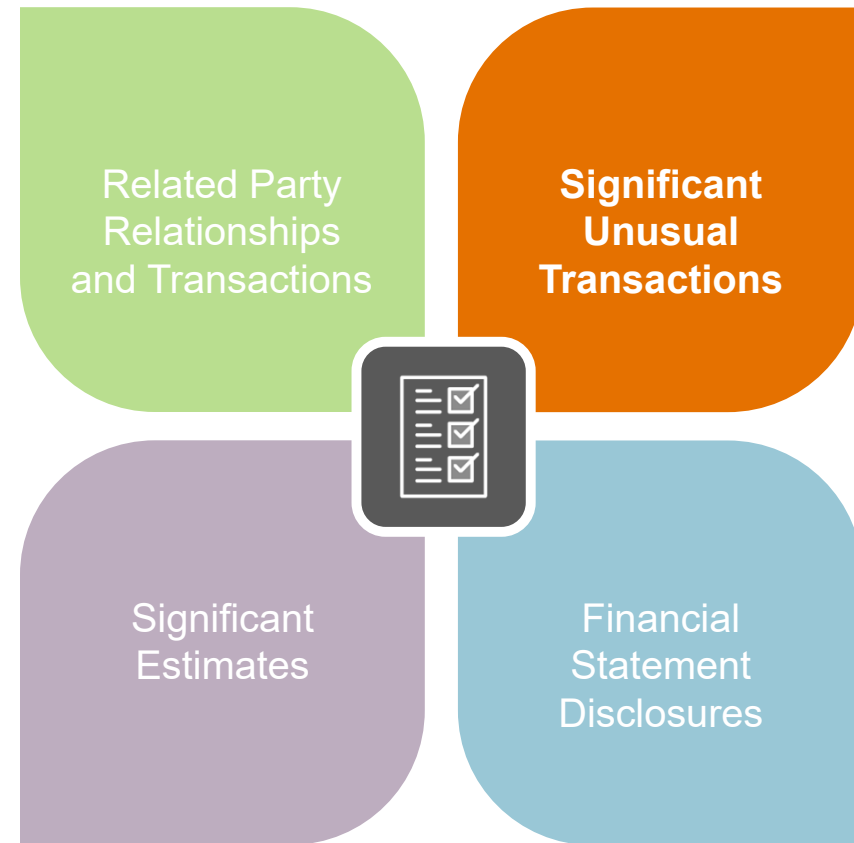
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the Authority's policies or procedures or for which exceptions to the Authority's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions; and
- Difficulties in identifying the party that ultimately controls the Authority.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

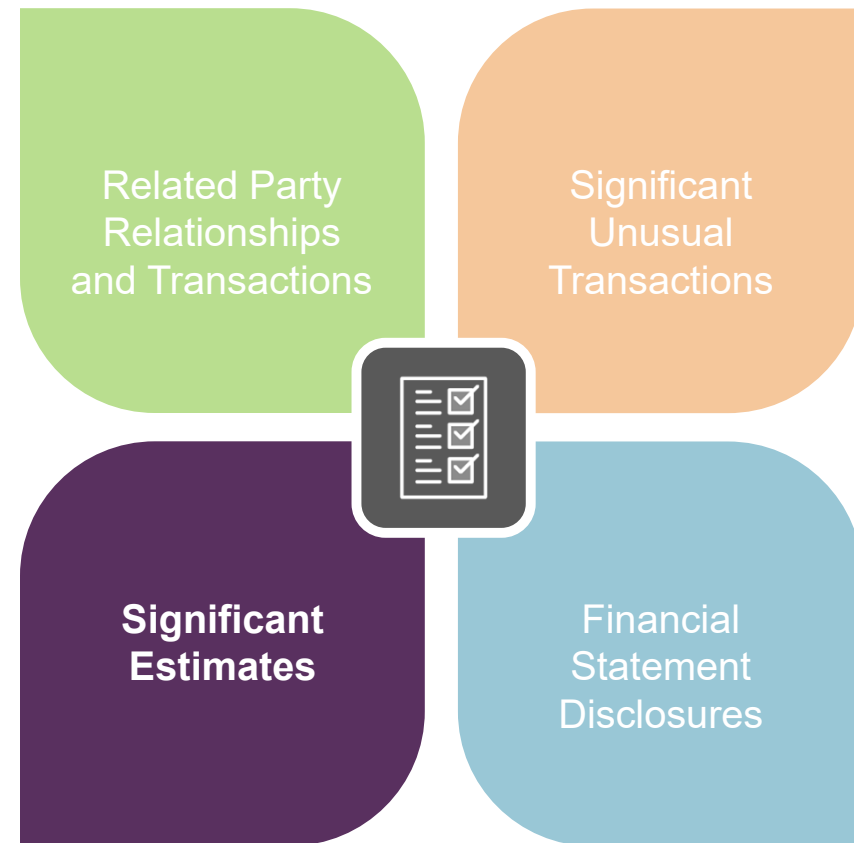
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.



Qualitative Aspects of Accounting Practices

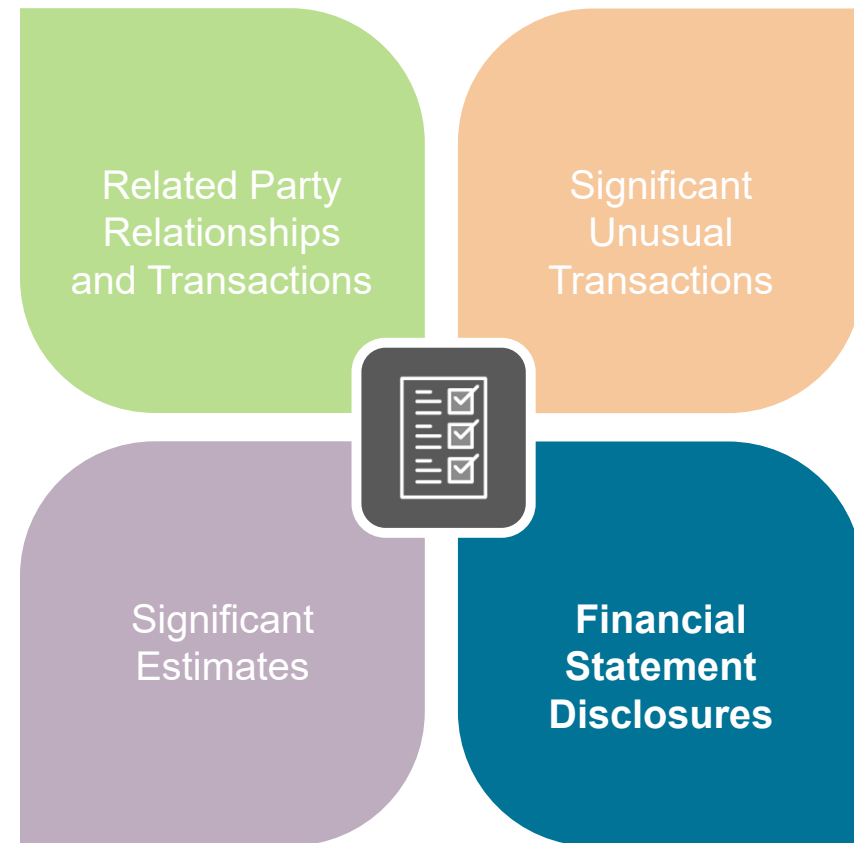
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the land held for resale is based on the acquisition cost plus improvements. We evaluated the key factors and assumptions used to develop the land held for resale in determining that it is reasonable in relation to the financial statements taken as a whole.



Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



Independence Considerations

Nonattest Services

- ▶ Our firm did not perform any nonattest services.

Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the Authority and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2023.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations.

To our knowledge, with other there were no such consultations accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year.

These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about the entity’s ability to continue as a going concern.



Other Matters

Required Supplementary Information

With respect to the management's discussion and analysis accompanying the financial statements, we have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information.



Supplementary Information

With respect to Supplementary Information, Schedules accompanying the financial statements, the information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information – Schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Matters

Other Information

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Questions

Contacts

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Logan Booth, CPA

Audit Senior Manager

lbooth@cbh.com

About Cherry Bekaert LLP

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CBH.com



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 prominent. To its right, a large, multi-story building with a prominent tower and a bright light on top is visible. The city is densely packed with buildings, parking lots, and roads. A teal-colored rectangular box is overlaid on the left side of the image, containing white text.

VBDA Monthly Cash Flow

City of Virginia Beach Development Authority

November 17, 2023

Operating Account Summary: October 2023

Beginning Cash – October 1, 2023

\$4,542,153

Significant Cash Receipts

- **Grand Total of Significant Cash Receipts - \$6,561,624**

- ✓ **\$ 3,104,434** Payment to AGI for Innovation Park Offsite Infrastructure (Reimbursement from City CIP)
- ✓ **\$ 85,744** Industrial Revenue Bond Annual Administration Fee
- ✓ **\$1,253,490** Atlantic Park Entertainment Venue to Venture Waves LLC (Reimbursement from City CIP)
- ✓ **\$ 69,851** Innovation Park Design (Reimbursement from City CIP)
- ✓ **\$ 531,770** Corporate Landing Stormwater Construction (Reimbursement from City CIP)
- ✓ **\$1,016,358** Atlantic Park Offsite Infrastructure to Venture Waves LLC (Reimbursement from City CIP)
- ✓ **\$ 279,646** Payment to Live Nation Worldwide, Inc. for Amphitheater Capital Maintenance (Reimbursement from City CIP)

Cont. Operating Account Summary: October 2023

Continue Significant Cash Receipts

- ✓ **\$ 197,284** Commonwealth Opportunity Fund (COF) grant reimbursement for Acoustical Sheetmetal Company
- ✓ **\$ 23,047** Interest Income

Significant Cash Disbursements

- **Grand Total of Significant Cash Disbursements - \$6,699,730**
- ✓ **\$ 35,990** Construction and project management expenses for Lishelle Place
- ✓ **\$ 58,578** Atlantic Park Construction Inspection expense
- ✓ **\$ 525,035** Corporate Landing Park Business Park Offsite Infrastructure (To be reimbursed by City CIP)
- ✓ **\$3,104,434** Payment to AGI for Innovation Park Offsite Infrastructure (To be reimbursed by City CIP)
- ✓ **\$ 112,232** Innovation Park Phase II Real Estate Commission for AGI/VBDA Land (To be reimbursed by City CIP)

Cont. Operating Account Summary: October 2023

Cont. Significant Cash Disbursements

- ✓ \$ **14,632** Monthly recurring charge conduit management for Globalinx-October 2023
- ✓ \$ **1,253,490** Atlantic Park Entertainment Venue to Venture Waves LLC (To be reimbursed by City CIP)
- ✓ \$ **69,851** Innovation Park Infrastructure (To be reimbursed by City CIP)
- ✓ \$ **279,646** Payment to Live Nation Worldwide, Inc. for Amphitheater Capital Maintenance (To be reimbursed from City CIP)
- ✓ \$ **1,016,358** Atlantic Park Offsite Work to Venture Waves LLC (To be reimbursed by City CIP)
- ✓ \$ **32,200** Corporate Landing land sale to BMKV Holdings, LLC for real estate commission on Perimeter Parkway
- ✓ \$ **197,284** Commonwealth Opportunity Fund (COF) grant reimbursed for Acoustical Sheetmetal Company

Ending Cash – October 31, 2023

\$4,369,263

Incentive & Initiative Account Summary: October 2023

Beginning Cash – October 1, 2023 **\$ 2,946,572**

Significant Cash Receipts

Grand Total of Significant Cash Receipts - \$455

- ✓ \$ 455 Bank interest income

Significant Cash Disbursements

Grand Total of Significant Cash Disbursements - \$56,492

- ✓ \$ 25,981 Taste Unlimited LLC (EDIP Final Payment for Part A grant)
- ✓ \$ 11,420 Olympia Bendix Two (Bio Accelerator Lease Payment to include Pro-rata Real Estate Taxes-October 2023)
- ✓ \$ 10,000 CLR, Inc. (FIG Grant)
- ✓ \$ 9,091 Ray Ray's at the Mayflower, LLC (FIG Grant)

Ending Cash – October 31, 2023 **\$ 2,890,003**

EDIP Grant Summary Reporting: October 2023

Beginning VBDA EDIP Grant Balance	\$ 3,315,714
Earned Interest and Activity Analysis Fee	+\$ 100
EDIP Grants Expired (Closed)	+\$ 35,000
New Grants Approved by VBDA	<u>-\$ 130,000</u>
EDIP Grant Funds Available as of Oct 2023	\$ 3,220,814



DOMA Technologies, LLC

EDIP Recommendation

City of Virginia Beach Development Authority

November 17, 2023

Letitia Langaster, Business Development Manager



Disclosures:

Applicant:

- President: Pat S. Feliciano
- Vice-President: Ian Checcio
- Chief Operating Officer: Chris Hutcheson
- Chief Information Officer: Chandler Pitcher
- Accountant: Barb Smith, Cherry Bekaert Advisory, LLC
- Construction Contractor: Brian Rowe, Master Development
- Attorney: Woods Rogers Vandeventer Black, PLC
- Financial Institution: Towne Bank

Owner:

- South Beach Services and Tactical Investments

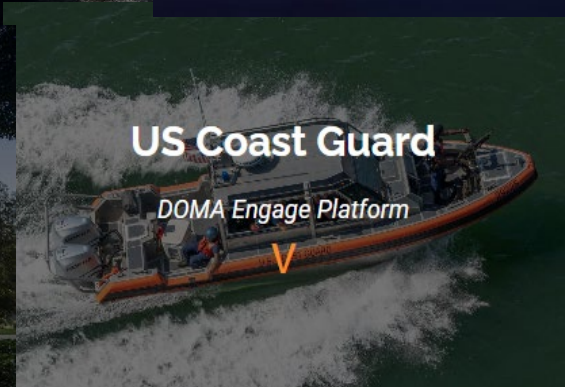
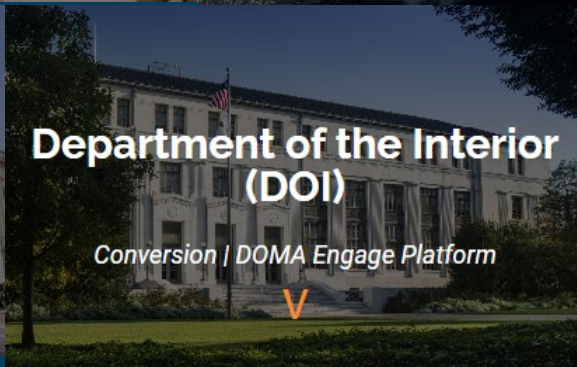
About the Company:

- Founded in 2000
- Headquartered in Virginia Beach, 851 Seahawk Circle
- Cloud-based document management software company
- Focuses on information management lifecycle from document conversion and data extraction to analytics and automated workflows



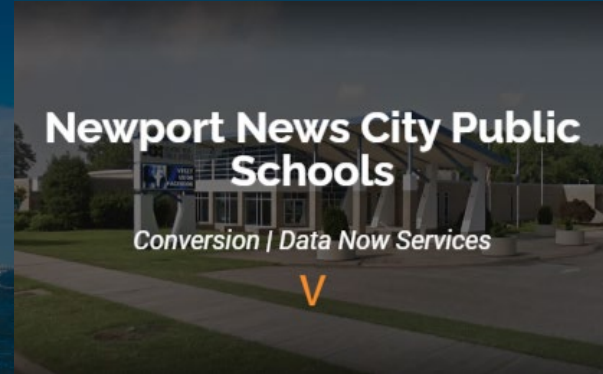
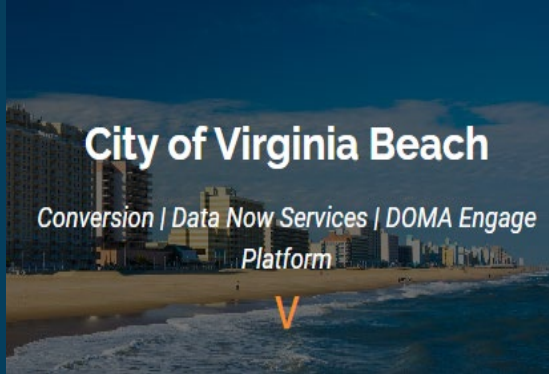
Client Portfolio

- FEDERAL GOVERNMENT:



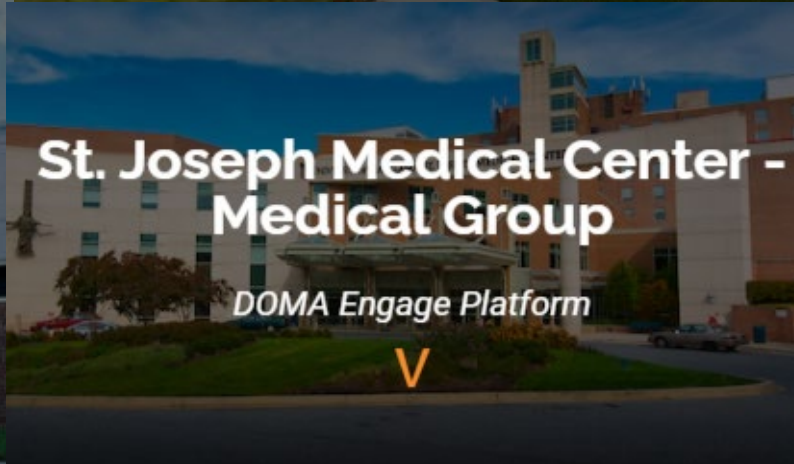
Client Portfolio

- PUBLIC SECTOR:



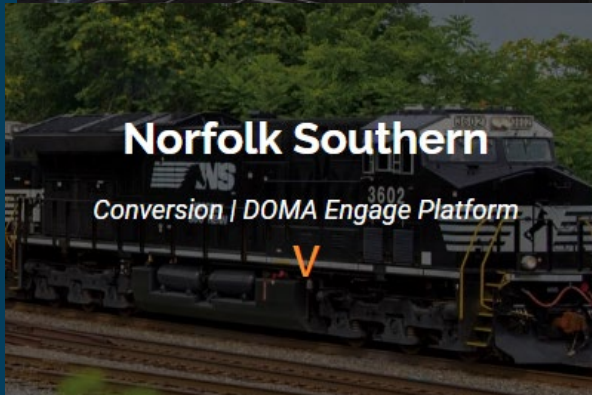
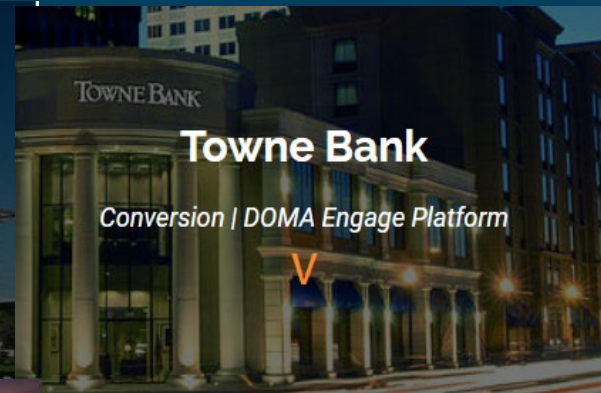
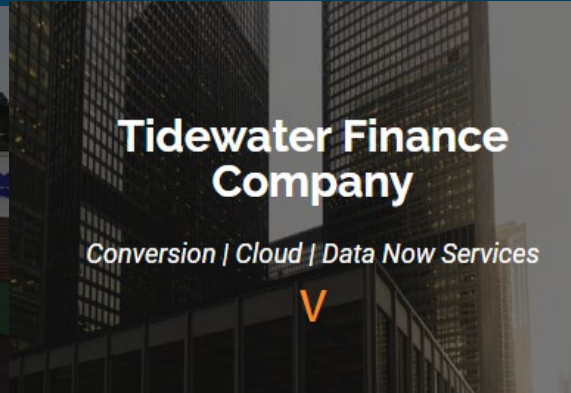
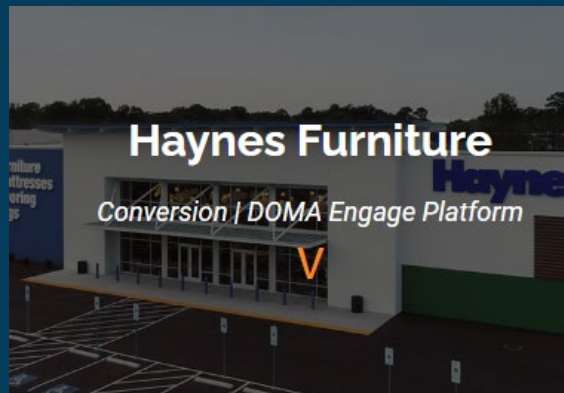
Client Portfolio

- HEALTHCARE:



Client Portfolio

- COMMERCIAL:

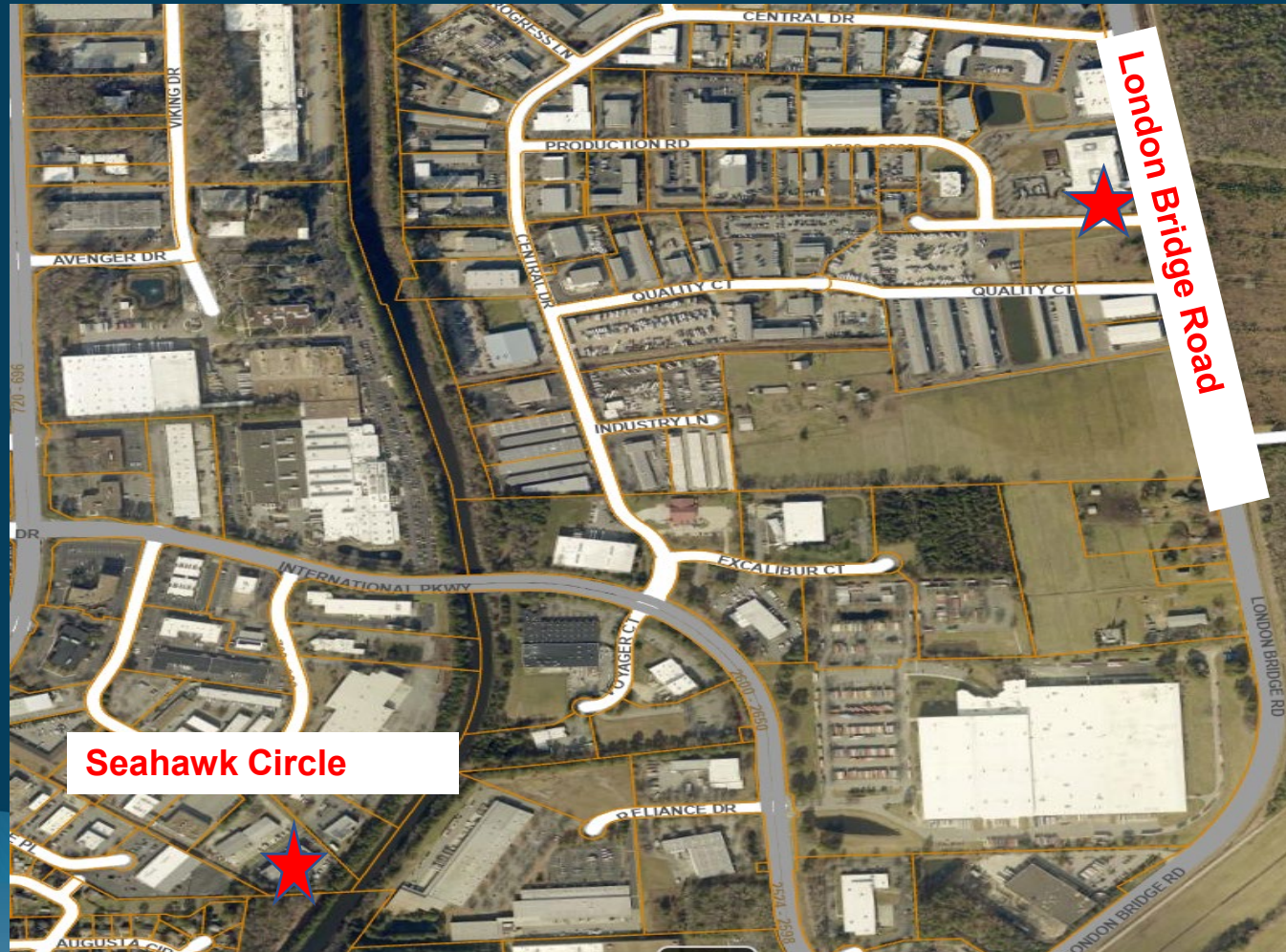


Project Summary

- Moving from 852 Seahawk Circle, 30K SF
Moving to 585 London Bridge Road, 69K SF
- Lease term, 5-years
- Storage/warehouse/distribution/processing
- Zone: APZ2 (OLUCC/JRP approval not required)

New Location and Expansion

- *New Headquarter Office: 585 London Bridge Road*



Project Summary

- Phase I: Complete renovation and redesign
- Phase II: Production floor segregation
- Phase III: North production floor redesign and renovation
- Anticipated project completion date June 2024

Project Summary



- Governor announced that Virginia Economic Development Partnership (VEDP) has awarded \$245,600 grant for Virginia Jobs Investment Program to DOMA Technologies.
- The Virginia Jobs Investment Plan (VJIP) provides services and funding to new or expanding companies for recruitment and training efforts.

Project Summary



CAPITAL INVESTMENT (within 36 months)	AMOUNT
REAL ESTATE	\$0
FUNITURE, FIXTURES & EQUIPMENT	\$175,000
MACHINERY & TOOLS	\$1,500,000
TOTAL:	\$1,675,000

JOBS	AMOUNT
CURRENT FTEs	222
NEW FTEs	275
TOTAL FTEs:	497
AVERAGE ANNUAL SALARY (not including benefits)	\$60,000

- Received EDIP award...October 2014, \$90,000, Satisfied
November 2019, \$180,000, Closed
(did not use, company was impacted by COVID)

Recommendation:

- Economic Development Investment Program Grant, Part A - \$167,000
 - ✓ Pursuant to “Part A” of the EDIP Policy for Capital Investment
- Target industry sector:
 - ✓ Business Retention and Expansion
 - ✓ Information Technology
 - ✓ SWAM Certified

QUESTIONS?



TDS Properties, LLC Corporate Landing Property Alteration Request

Emily Archer, Project Development Administrator

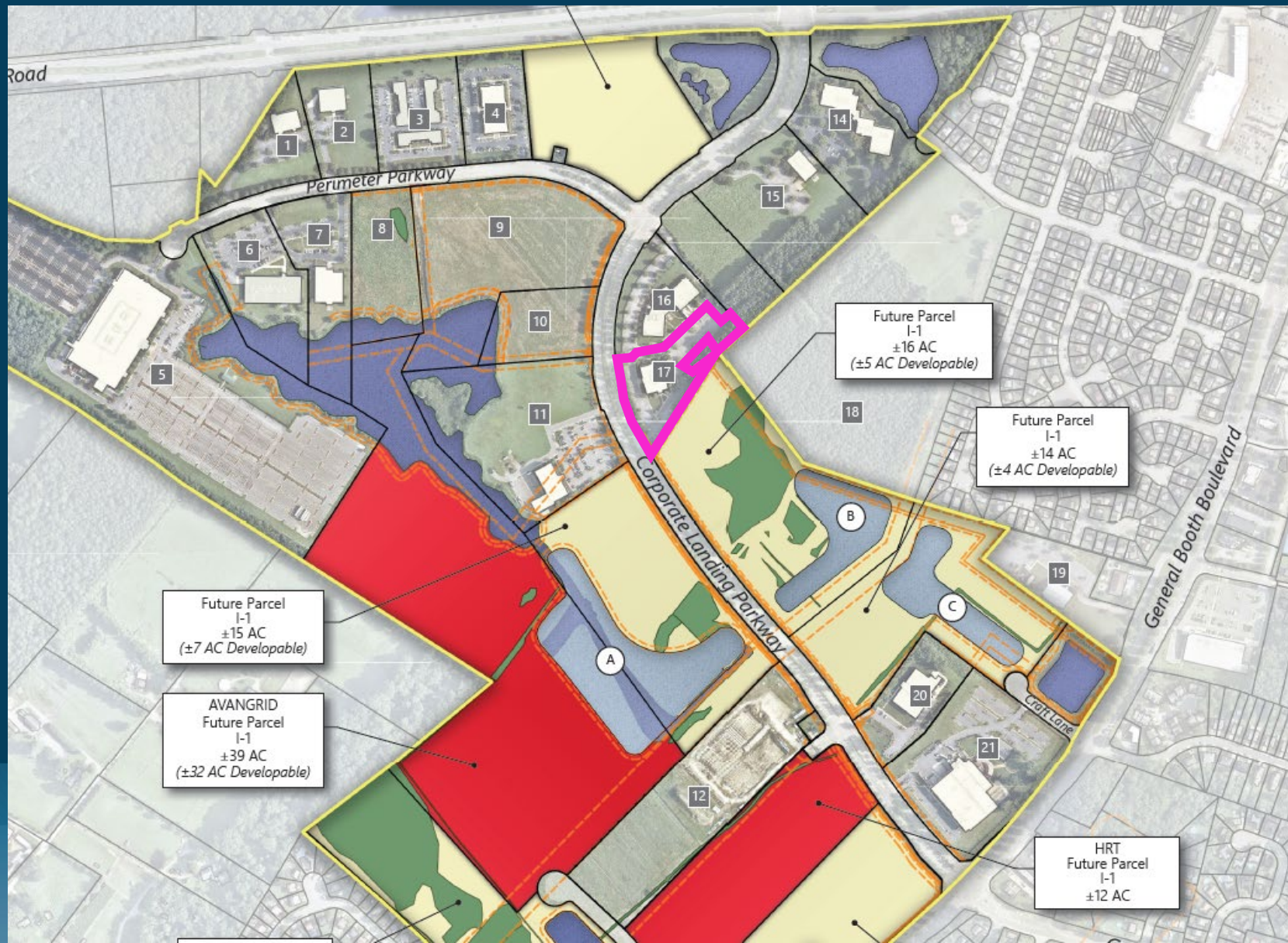
Virginia Beach Development Authority, November 17, 2023



Disclosures

- Applicant: TDS Properties, LLC, and TST Roofing & Glazing (affiliated)
- Principal: Ryan Turner
- Accounting: Colby & Co.
- Architect: Covington Hendrix Anderson Architects, Jon Covington
- Engineer: AES Consulting Engineers, Larry Barry
- Contractor: Hoy Construction, Adam Ritt
- Financing: M&T Bank
- Legal: Wolcott Rivers Gates

Location – 1732 Corporate Landing Parkway



About the Company

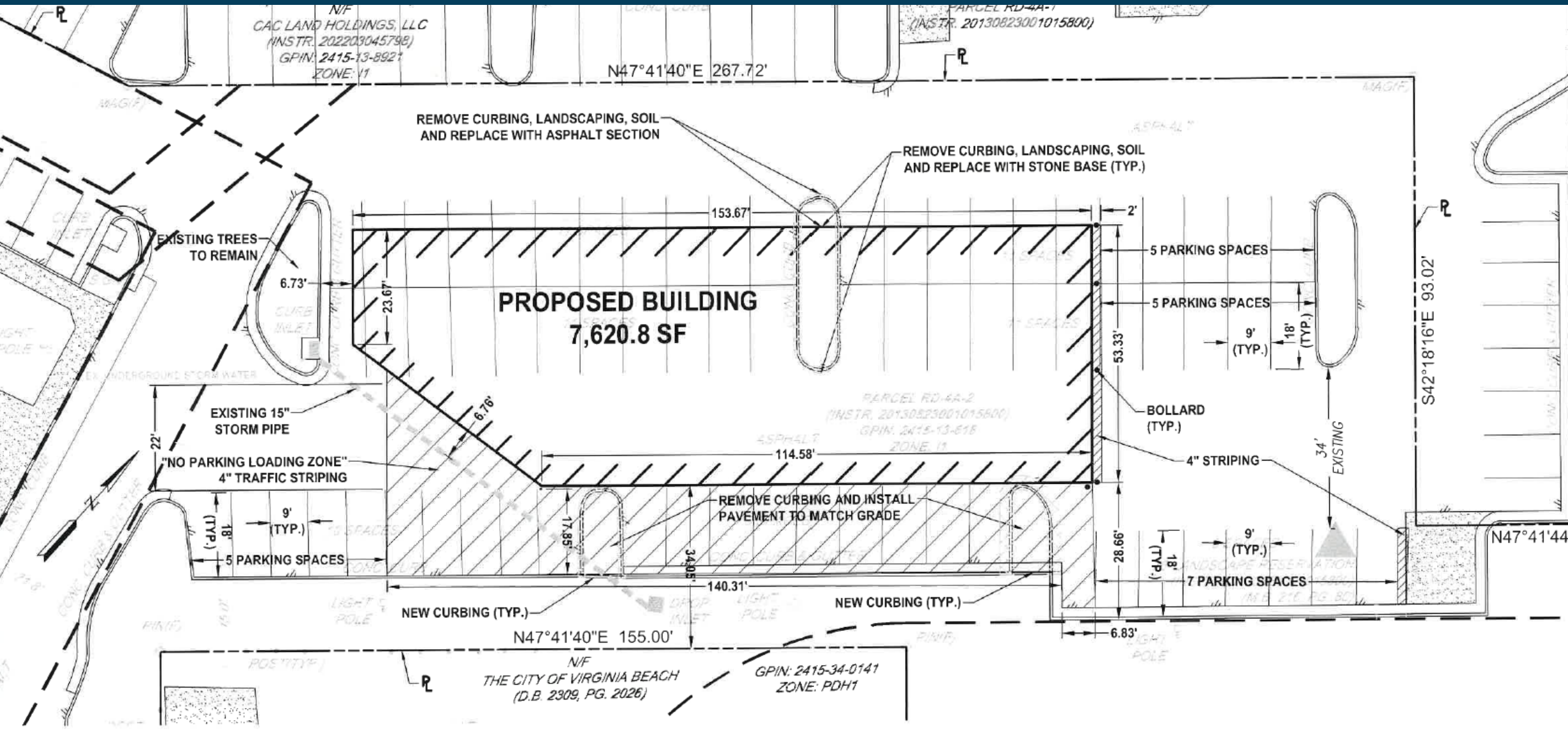
- TST Roofing & Glazing and Tidewater Development Services is a Virginia Beach based construction company with 120+ employees, and growing
- They support construction projects in the area for the Federal government, public school systems, universities, and municipalities throughout Virginia and the Mid-Atlantic Region
- The office building at 1732 Corporate Landing will accommodate about 40 office employees and allow them to expand fabrication and manufacturing capabilities for roofing and glazing



TDS Properties Alteration Request

- A 7,620 +/- SF warehouse building is requested in the rear parking lot to house their fabrication equipment
- Without the warehouse, they would need to find additional locations and this would limit their growth potential locally





N/F
CAC LAND HOLDINGS, LLC
(INSTR. 202203045798)
GPIN: 2415-13-8921
ZONE: U1

PARCEL RD-4A-1
(INSTR. 20130823001015800)

N47°41'40"E 267.72'

REMOVE CURBING, LANDSCAPING, SOIL
AND REPLACE WITH ASPHALT SECTION

REMOVE CURBING, LANDSCAPING, SOIL
AND REPLACE WITH STONE BASE (TYP.)

PROPOSED BUILDING
7,620.8 SF

EXISTING TREES
TO REMAIN

5 PARKING SPACES

5 PARKING SPACES

EXISTING 15"
STORM PIPE

"NO PARKING LOADING ZONE"
4" TRAFFIC STRIPING

REMOVE CURBING AND INSTALL
PAVEMENT TO MATCH GRADE

BOLLARD
(TYP.)

4" STRIPING

5 PARKING SPACES

7 PARKING SPACES

NEW CURBING (TYP.)

NEW CURBING (TYP.)

N47°41'40"E 155.00'

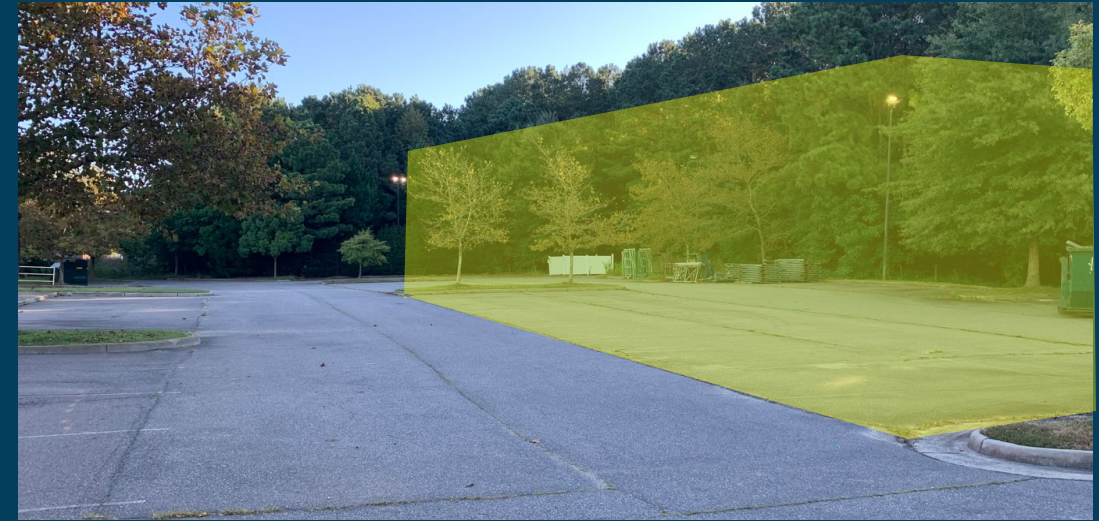
N/F
THE CITY OF VIRGINIA BEACH
(D.B. 2309, PG. 2026)

GPIN: 2415-34-0141
ZONE: PDH1

S42°18'16"E 93.02'

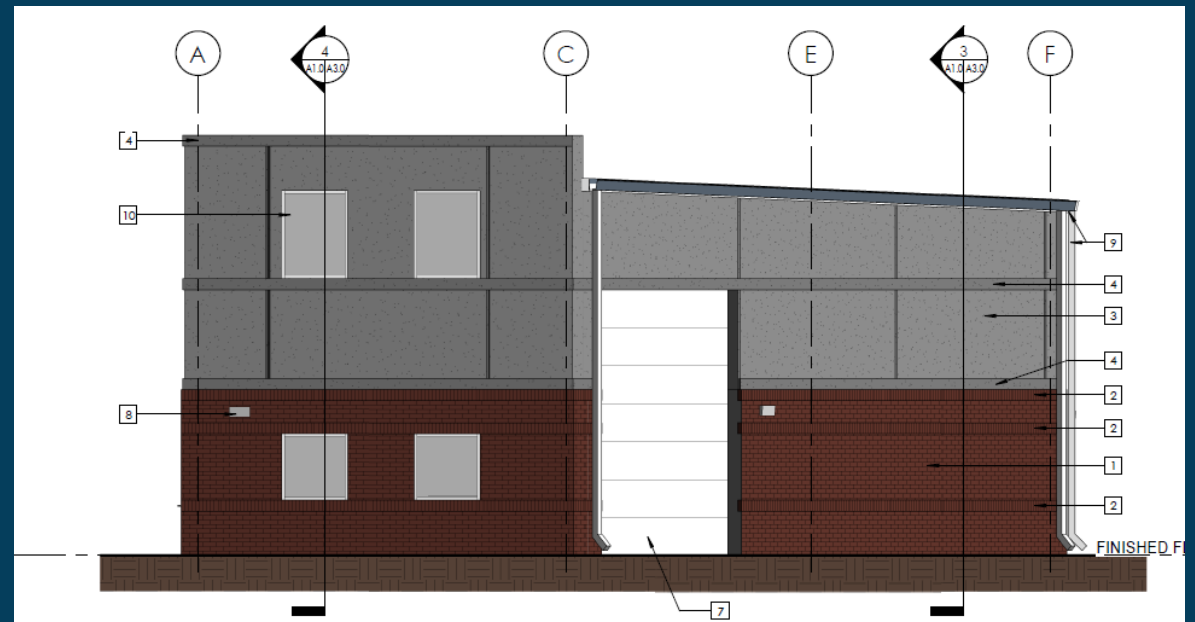
N47°41'44"

Existing Photos of 1732 Corporate Landing Parkway

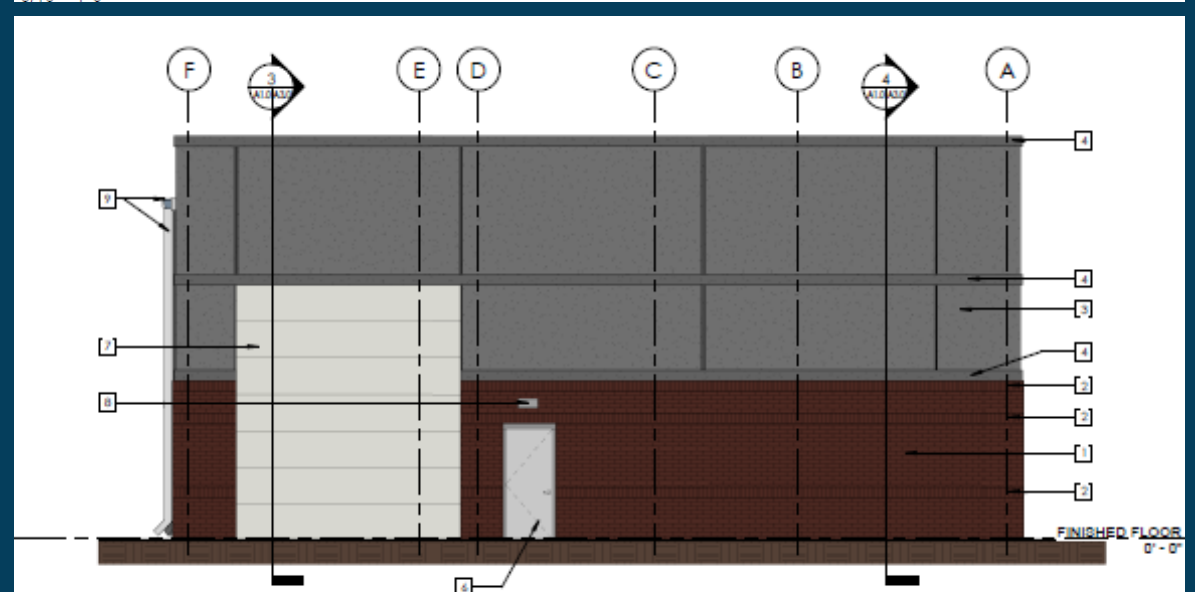


Proposed West and East Elevations

- Max Building Ht: 23'-8"
- Materials:
 - 1st Fl, Brick Veneer to match existing office building
 - 2nd Fl, EIFS Panels in gray tones
 - Metal insulated doors in gray tones
 - Glazing panels on NW corner to match adjacent building windows

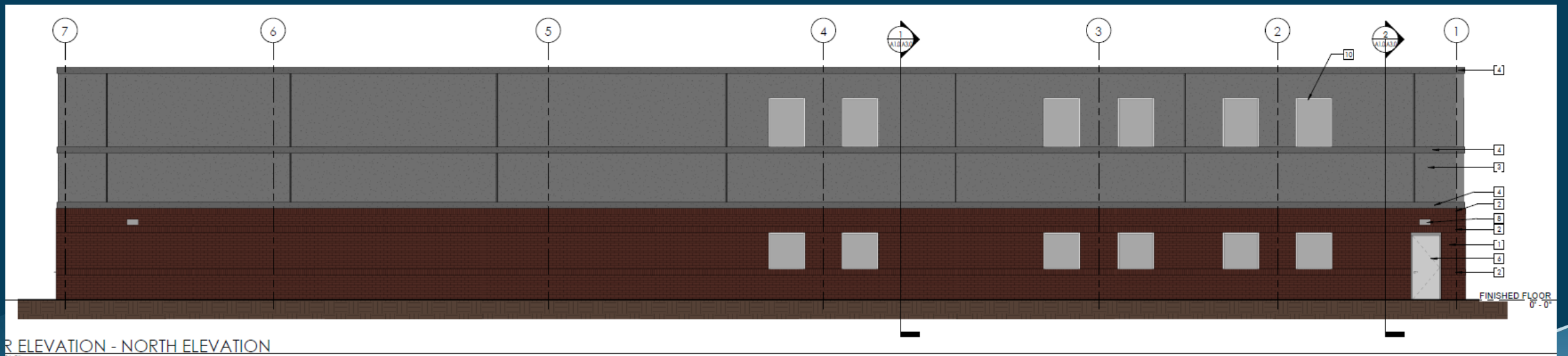
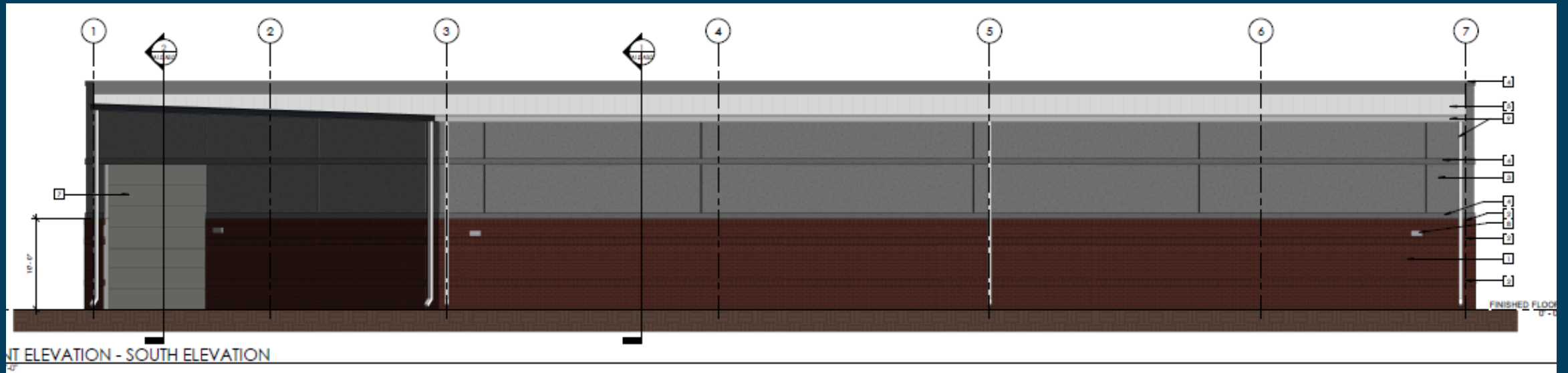


LEFT SIDE ELEVATION - WEST ELEVATION
3/16" = 1'-0"



RIGHT SIDE ELEVATION - EAST ELEVATION
3/16" = 1'-0"

Proposed South and North Elevations



Recommendation for Approval

- Designs meet the 1990 Corporate Landing Design Criteria
- Construction anticipated in January 2024





Corporate Landing Infrastructure – Stockpile Policy

Emily Archer, Project Development Administrator
VBDA, November 17, 2023

Future Parcel
I-1
±15 AC
(±7 AC Developable)

AVANGRID
Future Parcel
I-1
±39 AC
(±32 AC Developable)

Future Parcel
I-1
±20 AC
(±3 AC Developable)

Stockpile
Area

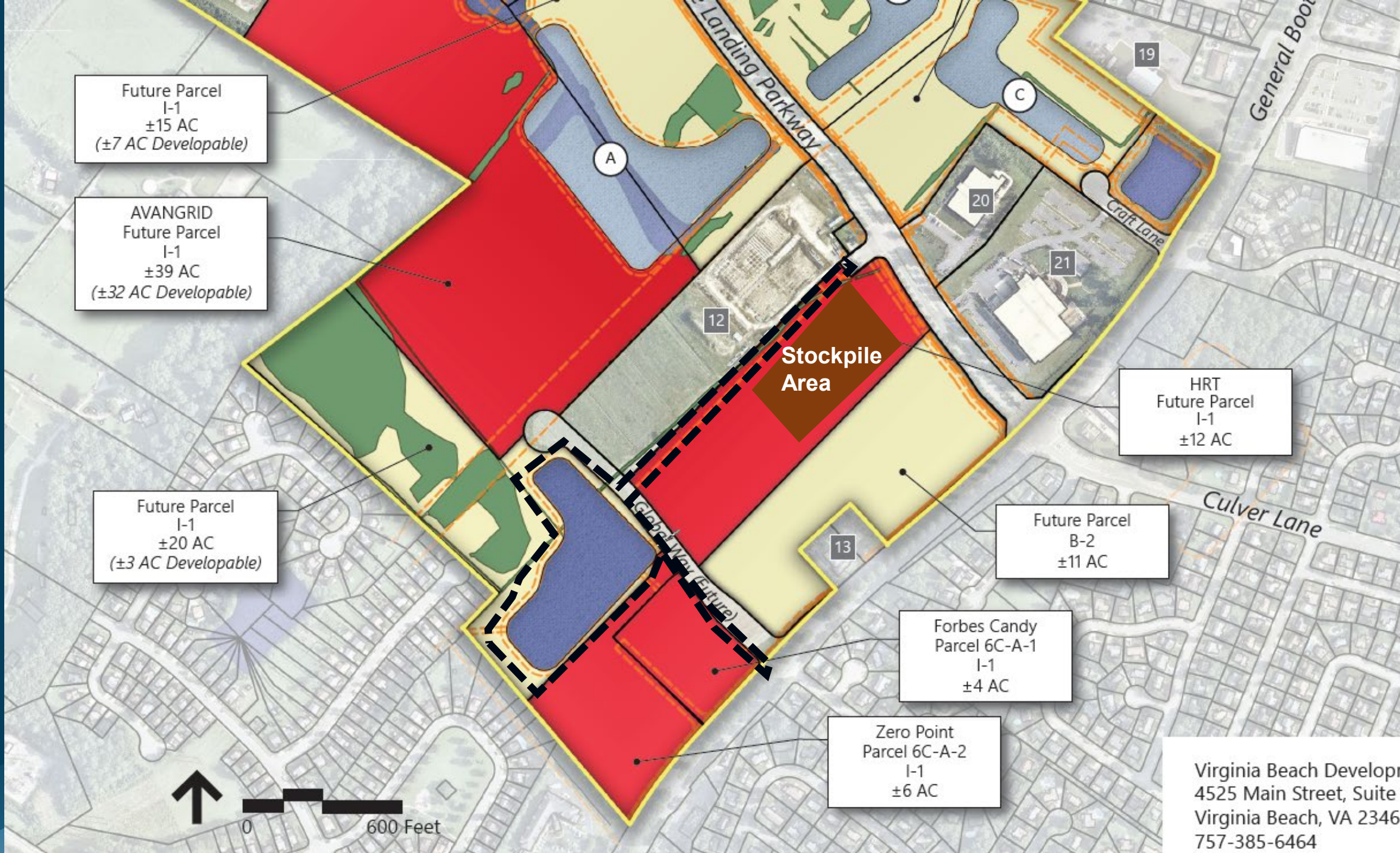
HRT
Future Parcel
I-1
±12 AC

Future Parcel
B-2
±11 AC

Forbes Candy
Parcel 6C-A-1
I-1
±4 AC

Zero Point
Parcel 6C-A-2
I-1
±6 AC

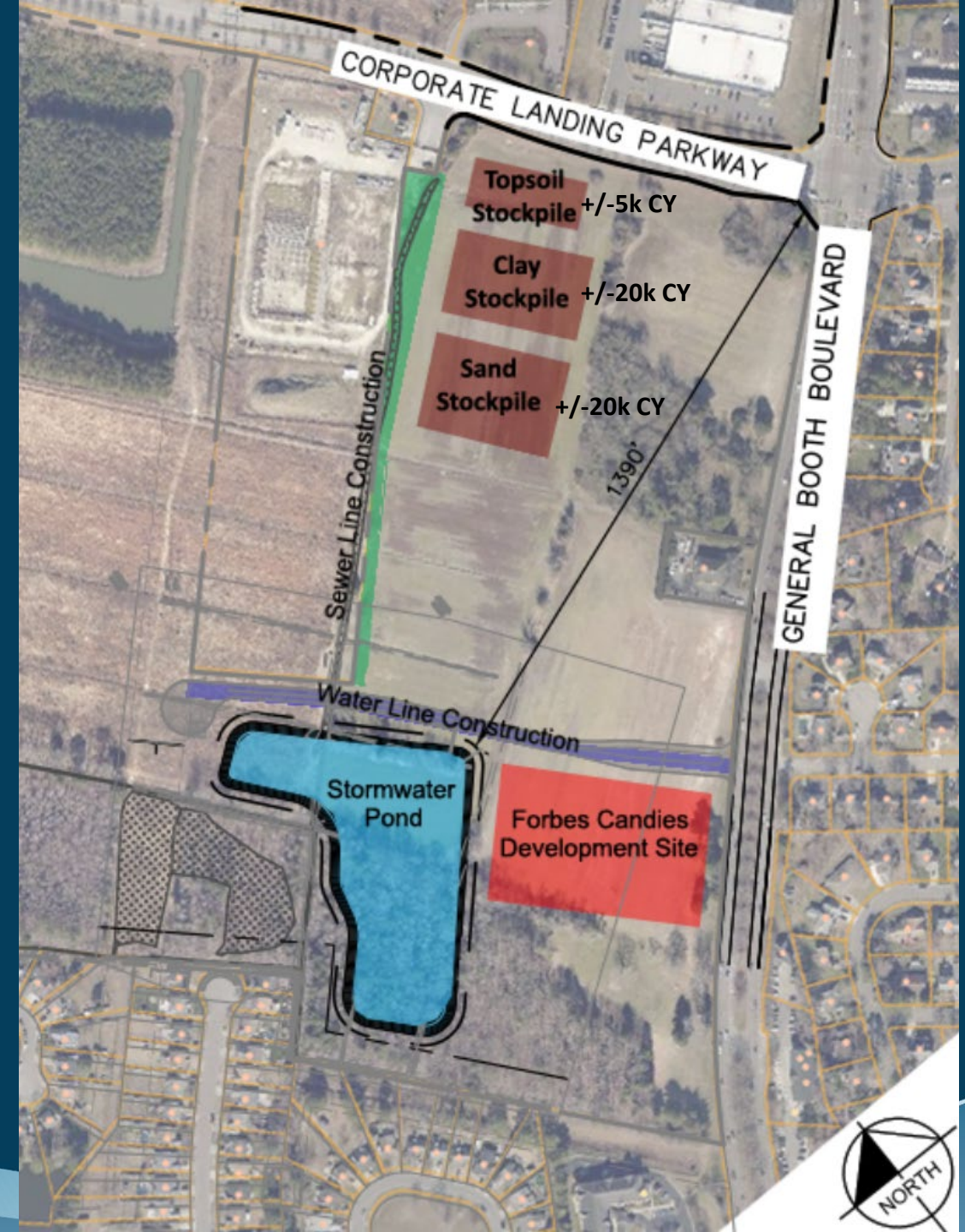
Virginia Beach Develop
4525 Main Street, Suite
Virginia Beach, VA 2346
757-385-6464



Existing Agreements:

- Agreement to provide Forbes 4,500 CY of sand
- Agreement to provide Miller Group 3,250 CY of sand
- Global Way road construction will require 2,500 CY
10,250 total

+/- 9,750 CY of Sand Fill Remaining



Request:

- Contractor from a construction site outside of Corporate Landing Business Park is requesting 5,000 CY of sand at market rate (\$47,500 value).
- This would leave +/- 4,750 CY of sand in the stockpile

Current Market Rate of Sand Fill:

\$9.50 / CY

Price for material itself. Pick up, delivery and loading costs are additional.

Disclosures

- Applicant & Contractor: Rudolf Construction Partners, LLC
- Principal: Chip Rudolf
- Broker: Colliers International, Don Crigger
- Project & Location: Skyzone – 1736 General Booth Blvd
- Engineer: John Sandow Engineering, LLC

Recommended Policy

1. Set a reduced rate for the stockpile material at 50% of market rate (currently \$4.75/CY) for all developments within CLBP
2. Require market rate for all requests outside of CLBP (currently \$9.5/CY)
3. For all requests:
 - a) Stockpile material is to be picked up and transported at the purchaser's sole cost and expense
 - b) Purchaser shall pay the VBDA via check in advance of loading stockpile material
 - c) Purchaser is required to notify staff at least one week in advance of picking up stockpile material and provide truck tickets in order satisfy the transaction

A photograph of a large, single-story commercial building with a light-colored, possibly white, facade. The building has a flat roof and several small, rectangular air conditioning units or vents mounted on the exterior wall. To the right of the building, there is a tall, black light pole with three rectangular light fixtures. In the foreground, there are some trees and a yellow fire hydrant with a blue top. The sky is clear and blue.

Former Circuit City Building

Demolition Request

City of Virginia Beach Development Authority

November 17, 2023

Location



About the Building

- 110 S. Independence Blvd., District 4
- Built 1982
- Acquired by VBDA August 2009: \$5,000,000
- Lot size: 3.64 acres
- Building size: 37,150 sf
- Assessment (FY 23): \$6,862,700
- Utilities (CY 23): \$23,159.51
- RFI for lease: Feb. 2011
- Last RFP for purchase/lease: Feb. 2019



Site Plan



Current Status

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- Fire Department intermittent trainings as long as permitted
- Water service were recently disconnected
- Ongoing staff time for:
 - Graffiti removal
 - Debris removal and landscape maintenance
 - Security and trespassing
 - Requests to purchase and lease for undesirable uses



Current Conditions



Request

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- Estimated cost of demolition: \$300,000 - \$400,000
- Staff request: Release a solicitation for demolition





Questions?