



POWERFUL FORCES AT WORK

VIRGINIA BEACH DEVELOPMENT AUTHORITY
2008/2009 ANNUAL REPORT

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Ruth Hodges Fraser
City Clerk

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Robert S. Herbert
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Cynthia Whitbred-Spanoulis
Strategy and Performance Coordinator





MISSION STATEMENT

The City of Virginia Beach Development Authority (VBDA) exists to facilitate the expansion of the tax base and employment opportunities in the city through increased business development and redevelopment.

DEAR CITY COUNCIL, CITIZENS, AND BUSINESS COMMUNITY:

When we examine our position in the global marketplace, we realize that Virginia Beach has some extremely powerful forces working to our advantage. These strengths include our Mid-Atlantic location, contemporary resort lifestyle and a highly skilled workforce. Virginia Beach's pro-business culture and coastal environment create the ideal climate for business and personal success. Despite a global recession, it is no surprise that we consistently have been successful in bringing new businesses and retaining existing businesses in our city over the years. And, this past year is no different.

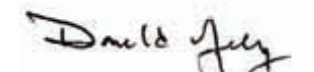
The tenets of our work and the driving force of the Virginia Beach Development Authority (VBDA) are to support business growth, spur innovation, promote revitalization, and stimulate job creation and capital investment. With the foundation we have established, the VBDA created more than 1,474 new jobs, \$183,750,000 new capital investment, 24 new company locations and 54 company expansions in 2008-09.

This year has been one of steady growth. Employers in Virginia Beach continue to create jobs here, perhaps at a slower pace than earlier in the decade, but we are proud to report an increase nevertheless.

Virginia Beach is not immune to the recession, but we were listed as one of the best places in the country to ride out the recession according to *Forbes*. Virginia Beach was also listed in the top 10 cities in the United States for job growth according to *Southern Business Development*. The recent announcement for ADS, Inc. world headquarters is a welcome reminder that Virginia Beach is in an enviable position, compared to many other places in the world.

Looking ahead, the City of Virginia Beach remains poised to capture more new jobs as the economy stabilizes and we continue our mission. I strongly believe that whatever economic challenges we face, the VBDA has helped position the city to capitalize on even greater opportunities in our future.

Respectfully,


Donald V. Jellig, Chair

EXECUTIVE SUMMARY

The Virginia Beach Development Authority (VBDA) prepares an annual report for City Council review in accordance with the Acts of the Virginia General Assembly. This report reflects the activities of the VBDA and the Department of Economic Development in support of the VBDA's efforts to increase investment and expand the tax base in the City of Virginia Beach during the period of July 1, 2008 through June 30, 2009.

The results from the past year show steady growth and continued investment in the city. The VBDA and the department assisted in the location of 24 new companies to the city and the expansion of 54 existing Virginia Beach businesses for a total new capital investment of \$183 million. These companies created 1,474 new jobs.

During the past fiscal year the VBDA continued to implement the target industry study, focusing both financial and human resources on the industry specific markets and industries. In this regard, the marketing program underwent an aggressive expansion with Virginia Beach participating in 47 events, including five international trips. In addition, a highly successful familiarization tour was hosted in Virginia Beach for nine site selection consultants who represent national and international corporate clients.

Other activities included extensive analysis on the potential Headquarters Hotel for the Convention Center, continued conceptual work for the former Dome Site and the completion of the Burton Station Master Plan.

The VBDA continued the momentum of Town Center in adopting the Phase IV Development Agreement, which includes substantial new growth. This phase adds a new office tower with ground floor retail, parking garage, housing, and a hotel and conference center. Town Center continues to be the city's premier address and a powerful example of successful leveraging of funds through public/private partnerships.



VERIZON WIRELESS VIRGINIA BEACH AMPHITHEATER

Nominated as Venue of the Year
by the Academy of Country Music

In 2008, the Verizon Wireless Virginia Beach Amphitheater returned 14.22% on the city's \$10.5 million investment and provided a venue for world-renowned performers and local cultural and community events. An events schedule for the 2008 season follows on the next page.

During the 2008 season, the amphitheater held 24 events with attendance in excess of 265,000 patrons. In the first 13 years of operation, the amphitheater has provided performances for more than 3.7 million music lovers and generated almost \$15 million in direct revenue for the city. Historical data since inception is illustrated on the next page.



VERIZON WIRELESS VIRGINIA BEACH AMPHITHEATER

1996 — 2008 Rent & Taxes

Description	Calendar Years 1996 — 2007	Calendar Year 2008	TOTAL
Admissions Taxes	\$8,530,402	\$999,715	\$9,530,117
Leasehold Taxes	\$1,155,883	\$67,322	\$1,223,205
Business License Tax	\$505,954	\$48,377	\$554,331
Concessions Tax	\$1,572,597	\$182,514	\$1,755,111
Merchandise Tax	\$126,654	\$14,690	\$141,344
Rent	\$1,579,840	\$180,668	\$1,760,508
TOTALS	\$13,471,330	\$1,493,286	\$14,964,616

Other Information

CALENDAR YEARS
1996-2007

359

NUMBER OF EVENTS

3,449,158

ATTENDANCE

CALENDAR YEAR
2008

24

NUMBER OF EVENTS

265,595

ATTENDANCE

TOTAL

383

NUMBER OF EVENTS

3,714,753

ATTENDANCE

Events and Attendance — 2008 Season

Event	Event Date	Attendance
Brooks & Dunn	5/09/08	8,474
Kanye West	5/11/08	7,580
James Taylor	5/22/08	7,312
Tim McGraw	6/14/08	13,867
Pearl Jam	6/17/08	13,931
Billy Joel	6/21/08	18,847
Motley Crue (Crue Fest)	7/06/08	7,436
Vans Warped Tour	7/15/08	11,910
Kenny Chesney	7/17/08	18,391
311 & Snoop Dogg	7/22/08	9,008
Counting Crows/Maroon 5	7/25/08	11,972
Projekt Revolution	7/26/08	10,404
Mayhem Festival	8/01/08	9,060
Tony Hawk's Boom Boom Huck Jam	8/05/08	3,366
Dave Matthews Band	8/07/08	17,821
Journey	8/12/08	19,051
Toby Keith	8/15/08	11,862
Jonas Brothers	8/19/08	19,718
Brad Paisley	8/31/08	10,517
Rascal Flatts	9/11/08	16,006
Music Builds Tour	9/12/08	4,011
Mary J. Blige	9/19/08	5,397
Phil Lesh/The Allman Brothers Band	10/01/08	3,429
Martina McBride	10/05/08	6,225

TOTAL: 265,595



FINANCIAL ACCOMPLISHMENTS

Economic Progress in Challenging Economic Times

Throughout the year, the Virginia Beach Development Authority (VBDA) has continued to further the economic vitality of the city. The following fiscal year 2008-2009 accomplishments are an illustration of its commitment to the overall economic development mission of the City of Virginia Beach.

Land Sales

The VBDA reported one land sale totaling \$162,800 in Corporate Landing. Twenty percent of the net proceeds after settlement charges from the sale were used to reduce the outstanding loan between the VBDA and the City of Virginia Beach in accordance with the February 25, 2003 agreement. This land sale reduced the loan by \$32,560 to \$722,510.

Virginia Beach National Golf Course

The Virginia Beach National Golf Course, which is owned by the VBDA, continues to be operated by Virginia Beach Golf Club, LLC. The VBDA received more than \$170,300 of rental income for calendar year 2008 from the facility in addition to the taxes generated, which were paid to the city to support basic city services. The number of rounds played at the course increased to 26,354 rounds of 18-hole equivalents from the prior year, exceeding fiscal projections. In addition, the VBDA is utilizing a portion of the rent revenues received to fund capital repairs and maintenance to the facility.

Town Center Phase III

Phase III of Town Center was completed, which includes the following:

Block 5

- Six-story, 108,000 sq.-ft. office building

Block 6

- Six-story building housing a McCormick & Schmick Seafood Restaurant and Studio 56 condominiums
- 84,000 sq.-ft., 1,200-seat Sandler Center for the Performing Arts

Block 7

- 37-story, 236-room Westin Hotel and 119 luxury condominiums
- 36,500 sq. ft. of retail space
- Structured parking garage with 724 public parking spaces and 212 private parking spaces
- Pedestrian bridge connecting Dick's Sporting Goods to Westin Hotel



Town Center Phase IV

On January 20, 2009, the Virginia Beach Development Authority (VBDA) approved the Phase IV Development Agreement for Town Center which includes the following:

- 20-story, 332,000 sq.-ft. office tower with ground floor retail
- Structured parking garage with 601 public parking spaces, 15-story high-rise consisting of a 162-room Aloft Hotel, meeting space, and 210 apartments
- 24,000 sq.-ft. Conference Center housed in the Aloft Hotel
- Enclosed connection linking Aloft Hotel to Westin Hotel Conference Center

The costs associated with Phase IV of Town Center are as follows:

- The VBDA will purchase the Block 2 parking garage for \$36.3 million
- The VBDA will purchase the Block 9 Aloft meeting space and enclosed connection for \$18.6 million
- \$3.7 million will be paid for bond and other financing costs
- \$3.5 million of EDIP funds will be used for streetscape improvements on both blocks and other parts of the project

Public Facility Revenue Bonds issued by the VBDA in the approximate amount of \$56.6 million will be used to purchase the Block 2 parking garage, the enclosed bridge, and the Aloft Hotel meeting space. In addition, dedicated revenue streams, including hotel taxes, rent revenue, and profit sharing will be used to pay a portion of the debt service related to this project.

Town Center Special Service District

The Special Service District (SSD) is the Town Center core area sometimes referred to as the Central Business District. Property owners pay an additional tax to cover the costs associated with the maintenance of the garages, enhanced services in the core area, and to build a long-term maintenance reserve.

In fiscal year 2008-2009, the VBDA approved a \$1.87 million SSD budget for fiscal year 2009-2010. The tax rate remained \$.45 per hundred dollars of assessed value. This is in addition to the current real estate tax of \$.89 per hundred dollars of assessed value for all real estate throughout the city. Due to continued investment within the SSD, the real estate assessments increased slightly from the prior fiscal year. The VBDA continues to work with city staff and property owners to provide needed services in a cost-effective manner.

As part of Phase III, the Virginia Beach Development Authority (VBDA) contracted for the construction of traditional public infrastructure such as public streets, streetscapes, and landscaping. The cost of this public infrastructure was approximately \$1.35 million and was funded through the city's Capital Improvement Program and the VBDA's Economic Development Investment Program (EDIP). Public Facility Revenue Bonds issued by the VBDA were used to purchase the Block 7 parking garage, the pedestrian bridge connecting Block 12

to Block 7, and the Westin Conference Center. A Support Agreement between the City of Virginia Beach and the VBDA ensures that the VBDA's principal and interest obligations on these bonds will be paid with available revenue from the Central Business District South Tax Increment Financing (TIF).

On November 18, 2008, the Amendment to the Beacon Exchange Agreement was approved by the VBDA. This agreement states that Landmark Communications will exchange its current building and land

located on Block 2 of Town Center for:

- 15,000 sq. ft. of improved office space in the Block 7 Westin Hotel building
- Five parking spaces in the Westin Hotel parking garage
- \$1.635 million cash payment
- \$300,000 EDIP award for moving expenses

The Beacon Exchange Agreement was completed on May 7, 2009, and the VBDA is now the owner of Block 2 of Town Center. Armada Hoffler is obligated to purchase Block 2 no later than 36 months following the closing on these facilities.



ECONOMIC DEVELOPMENT INVESTMENT PROGRAM

The Virginia Beach Development Authority (VBDA) has been administering the Economic Development Investment Program (EDIP) on behalf of the City Council in accordance with the policy approved by the City Council and the VBDA, dated January 25, 1994. During this time, 132 EDIP grants totaling \$29,235,078 have resulted in the creation and retention of 26,268 jobs and \$1,167,973,558 in capital investment. The total fiscal year 2008-2009 EDIP appropriation was \$882,539.

During the fiscal year July 1, 2008 through June 30, 2009, EDIP assistance was approved for the following companies (listed chronologically):

Company	Amount of EDIP	Amount of Investment	Number of Employees
JTH Tax, Inc. (Liberty Tax Service)	\$350,000	\$6,260,000	144 new, 253 retained
Olympia Development Corporation Part B (Redevelopment)	\$800,000	\$22,300,000	0
DLH Sports	\$250,000	\$20,000,000	70 new
ADS	\$75,000	\$10,402,725	75 new, 192 retained
Art Institute	\$400,000	\$8,400,000	52 new

A total of \$1,875,000 of EDIP funds were approved, leveraging more than \$67,362,725 in capital investment and creating/retaining 786 jobs in the City of Virginia Beach.

The purpose of the EDIP is to foster and stimulate economic development in Virginia Beach by inducing new businesses to locate in the city, and enticing existing businesses to remain or expand operations in Virginia Beach. For these reasons, \$30,575 of EDIP funding was approved for use to conduct a study related to the development of Historic Kempsville. The results of this study will be used to determine the best use of available resources within the city.

EDIP Policy Amendment

During fiscal year 2006, the Base Realignment and Closure Commission (BRAC) directed the City of Virginia Beach to create a program to purchase non-compatible use properties in APZ-1. This program is required to spend a minimum of \$15 million per year for this purpose.

As part of this effort, the EDIP program will utilize available funding as an incentive for nonconforming businesses currently located in APZ-1 to relocate into other areas within Virginia Beach, and to attract new businesses into APZ-1 that conform with the Zoning Ordinance. The goal of this program is to eliminate encroachment and non-compatible uses of land in APZ-1. During fiscal year 2008-2009, the Oceana Land Use Conformity Committee continued meeting and made recommendations as an advisory body to the VBDA and City Council. This committee is chaired by the mayor and includes two members from the VBDA, additional council members, property owners in the affected area, a Navy Liaison, and the City Manager, and the City Attorney. In addition, one EDIP grant was awarded to Tidewater Fleet in the amount of \$50,000.

INDUSTRIAL REVENUE BONDS

From 1973 to present, the Virginia Beach Development Authority (VBDA) has approved for issuance Industrial Revenue Bonds with a total dollar value of \$1,629,224,769. The issuance of these bonds has assisted local companies with financing of construction projects and new capital equipment, along with expanding and diversifying the tax base of the city.

In fiscal year 2008-2009, the VBDA issued an industrial revenue bond to Westminster-Canterbury of Hampton Roads, Inc. for \$15,000,000.



SMALL BUSINESS DEVELOPMENT SUPPORT

The VBDA continues its support of small business development by funding the Small Business Development Center of Hampton Roads, Inc. (SBDC). This funding allows the SBDC to obtain matching federal dollars for additional services to the business community.

The SBDC is part of a statewide network directed by George Mason University. Hosted locally by the Hampton Roads Chamber of Commerce, the mission of the SBDC is to contribute to the growth and development of the economy by providing management, technical, assistance and information to the region's small business community.

During calendar year 2008, the SBDC provided direct assistance to 71 entrepreneurs in Virginia Beach. As a result of improved training programs, 199 potential new business owners attended training programs. In February 2009, the SBDC staff participated in the annual City of Virginia Beach African History Month program and presented to more than 150 business owners.

Each year, the SBDC hosts the annual Hampton Roads Chamber of Commerce Small Business of the Year awards, the longest running premier small business recognition program in the region. One small business from each Southside Hampton Roads city is recognized, and one of the five is selected as the Small Business of the Year for the entire region. In 2008, IssueTrak of Virginia Beach was the winner of this prestigious award.



WORKFORCE DEVELOPMENT

The Virginia Beach Development Authority (VBDA) supports the Virginia Beach Department of Economic Development's (VBDED) goal to have a well qualified workforce to fulfill the many job opportunities that exist. In order for Virginia Beach businesses to be competitive in the global economy, the workforce needs to be highly skilled.

During the past year, the VBDA formed a Workforce Development Committee to work closely with the VBDED staff on workforce development activities. The committee has been instrumental in assisting with the following focus areas:

Business Survey

The committee developed a business survey that documents workforce development challenges for Virginia Beach businesses. Committee members, along with VBDED staff, will conduct interviews with targeted companies. To supplement this survey, the VBDED staff is assisting Opportunity, Inc., the regional workforce development board, in the development of its comprehensive survey.

Exiting Military

There were more than 16,000 exiting Navy personnel during the past calendar year and most are highly skilled with several years of advanced training. Due to the military screening process, today's military represents the top 28% of the youth eligible for military service. Initiatives are under way to connect the exiting military personnel to employment opportunities available with Virginia Beach businesses.

Future Workforce Preparedness

Virginia's Workplace Readiness Skills continues to receive priority within the Virginia Beach City Public Schools' Technical and Career Education curriculum. In a recent Opportunity, Inc. survey, employers once again identified the basic work skills as a priority for new employees entering the workforce. In response to this need, the City of Virginia Beach Department of Economic Development partnered with the Virginia Beach City Public School System to ensure students receive 13 identified workforce skills as part their curriculum. In July of 2008, 1,377 Virginia Beach high school students successfully passed the Virginia's Workplace Readiness Skills certification test administered by an independent testing agency. This is an increase from the 752 receiving the certification in July of 2007.

Virginia Beach businesses need highly skilled employees to remain competitive and Virginia Beach City Public Schools addresses this need by the strong support of nationally recognized industry certifications. In July 2008, 4,081 students successfully completed rigorous certification testing, which certifies to employers they have the skills to enter directly into the workplace.



SMART GROWTH AND STRATEGIC PLANNING

Northampton Boulevard Corridor / Burton Station

The Northampton Boulevard Corridor Area, also known as the Burton Station Planning area, is one of 12 Strategic Growth Areas identified by the 2003 Comprehensive Plan, adopted December 2, 2003. This area is the first plan that will be implemented. In October and November 2008, Virginia Beach Department of Economic Development (VBDED) and the city's Planning Department engaged the Burton Station community with several public workshops. Through this active citizen participation, a series of design principles were defined:

- Respect traditions and context
- Optimize and extend connections
- Develop sustainable initiatives
- Provide a mix of uses
- Encourage economic development
- Create an image
- Improve quality of life

The strategic plan which evolved from the design exploration merged each of these goals in order to create a cohesive vision and direction for development in this area. The golf course is reconfigured into a more central amenity, surrounded by residential units and ample office and employment opportunities. Northampton Boulevard is improved and developed to provide a more comfortable pedestrian atmosphere and increased commercial opportunities. The industrial park to the north remains and is assumed to support more intense business development over time including adding more than 11 million sq. ft. of commercial, residential, and light industrial space when fully developed. Improved street connections link it to surrounding development and the port to the north. The plan received funding for the first phase of the project in the 2010 budget, and construction is scheduled to begin during the fourth quarter 2010.

Historic Kempsville Area Master Plan Update

City Council adopted the Historic Kempsville Area Master Plan on January 24, 2006, as a response to the opportunity to leverage planned roadway and related infrastructure improvements at the Kempsville / Witchduck Road / Princess Anne Road intersection into a community redevelopment opportunity. The plan sets forth specific design redevelopment objectives for the area surrounding the intersection, establishes a zoning overlay district, and lays out the establishment of a mixed-use urban village in style and scale similar to Merchants Square in Williamsburg, Oyster Point in Newport News, and New Town in Williamsburg.

As work has progressed on the road plans for the area, the VBDED and Planning Department staff collaborated on a Market Assessment of the Historic Kempsville Area. The assessment confirmed that the area has the potential to support the kind of mixed uses envisioned in the Master Plan. Proximity of the intersection area to the HRT light rail station under construction at Newtown Road, along with potential future station stops in the vicinity of Witchduck Road and Pembroke,

THE TOWN CENTER OF VIRGINIA BEACH

Building a world-class urban center

increase potential redevelopment opportunities for Historic Kempsville.

Phase I included:

- 21-story, 245,725 sq.-ft. Class "A" office tower
- 102,691 sq. ft. of self-contained office/retail space situated in a two-story building and a five-story building
- 176-room business-class Hilton Garden Inn hotel
- Two-story, 14,500 sq.-ft. Towne Bank
- 1,284-space parking structure

Phase II included:

- Dick's Sporting Goods occupying 86,572 sq. ft. and an additional 17,282 sq. ft. of retail space
- 341 units of the Cosmopolitan residential luxury apartments
- 182,645 sq. ft. of retail and office space
- Two parking structures with a total of 1,425 spaces

Phase III included:

- 37-story, 236-room Westin Hotel with 119 luxury condominiums
- 25,000 sq.-ft. Westin Conference Center
- 36,500 sq. ft. of retail space
- 947-space parking structure
- The Sandler Center for the Performing Arts, an 84,000 sq.-ft., 1,200-seat facility
- Studio 56 Lofts — a five-story, 71,682 sq.-ft. building with 56 lofts and street-level retail space
- Two Columbus Center, a five-story, 90,000 sq.-ft. building consisting of Class "A" office space and retail space

Phase IV includes:

- 21-story, 356,657 sq.-ft. Class "A" office tower
- 634-car parking garage
- 57,758 sq. ft. of wrap-around retail space
- 162-room Westin, Aloft hotel and Conference Center
- 195 apartments



The Town Center of Virginia Beach is the heart of a mixed-use, main street style development within the city's emerging Central Business District and the home of its entertainment, cultural, business, and retail activities. Town Center supports a sophisticated blend of lifestyles, including the best in downtown development in a landscaped, brick-paved, sidewalk setting. All roads lead to the Town Center Plaza, an open area with a beautiful fountain, where people gather for outdoor concerts, events and dining, or relax after a long day at the office or beach.

This highly successful project fulfills a long-time goal of creating an urban center for the city.

The Virginia Beach Development Authority (VBDA) and Armada Hoffer Holding Co., one of the premier commercial real estate developers in the Mid-Atlantic, are developing Town Center as a public/private partnership. As of July 1, 2009 the total taxable real estate assessment within the TIF district was approximately \$799 million, a growth of over \$688 million since July 1, 1998. Private investment within the core area of the TIF district is approximately \$369 million.



The Town Center eventually will span 25 acres and 17 city blocks in the area bounded by Virginia Beach Boulevard, Constitution Drive, Columbus Street and Independence Boulevard. The complex is projected to include 800,000 sq. ft. of Class "A" office space, 832,500 sq. ft. of multi-level upscale retail space, a new 4-star hotel and conference center, luxury apartments and condominiums, performing arts theater, fine dining, specialty shops, and free structured parking.

Providing a much-needed, unified center of commerce for Virginia Beach, Town Center's strategic location and complementary mix of office and commercial space make it one of the most important developments in the region.

OCEANA LAND USE CONFORMITY PROGRAM

To move Virginia Beach Businesses in the right direction, we joined the NAVY



The City Council established the Oceana Land Use Conformity Committee and charged it to coordinate the various aspects of the Oceana Land Use Conformity Program and to make recommendations to the City Council, the Virginia Beach Development Authority (VBDA) and the Planning Commission on matters relating to the Plan. The Committee, chaired by the Mayor, is comprised of two City Council members, City Manager, City Attorney, and representatives of business and residential owners located within the Accident Potential Zone 1 (APZ-1). The Commanding Officer of NAS Oceana sits as a non-voting member to provide the Navy's perspective on the committee's actions.

The goals of the Oceana Land Use Conformity Program are to: (1) bring new conforming uses into APZ-1;

(2) convert nonconforming uses to conforming uses; (3) retain conforming uses in APZ-1 and, (4) relocate nonconforming uses in APZ-1 to other areas of the city consistent with the Comprehensive Plan.

In June 2008, the Virginia Beach Department of Economic Development (VBDED) hired a Business Relocation Specialist to manage the program and serve as the authoritative point of inquiry for APZ-1 related issues. This includes visiting businesses to encourage either relocation into or out of APZ-1 depending on the business-use type, preparing incentive packages, and recommending land sales and purchases associated with the relocation program for consideration by the Oceana Land Use Conformity Committee.

The city offers the following four incentives to businesses:

APZ-1 Zoning Incentives

A compatible use may locate in APZ-1 without a conditional use permit even if the use would otherwise require a permit under applicable provisions in the city Zoning Ordinance.

APZ-1 Business Opportunity Zone

Provides a 90% rebate of the Business License tax for a period of 15 years for any new compatible use in APZ-1, as well as the reimbursement of fees for building permits, site plan applications, and water and sewer connections.



APZ-1 Property Tax Exemption District

Provides an abatement of real estate taxes for the rehabilitation, renovation, or replacement of commercial or industrial improvements resulting in the conversion of a non-conforming use to a conforming use.

Economic Development Investment Program Incentives

The city offers additional incentives on a case-by-case basis for the development or redevelopment of property within the APZ-1 that converts nonconforming uses to conforming uses, retains conforming uses, or relocates nonconforming uses to other areas of the city.

To date, the City of Virginia Beach awarded the first three incentive grants totaling more than \$105,850 to qualifying companies under the program:

Cataldo Builders, Inc. and Peerless Carpet Care and Restoration Services received \$22,366 and \$21,861, respectively, APZ-1 Business Opportunity Zone incentives for completing exterior improvements to its locations on Village Road. Both companies fit the criteria for conforming businesses within the zone, and qualified for the funds.

Callahan Management Services also received \$11,622 to assist with upgrades to its property in Oceana South Industrial Park. Callahan developed the property, which is being leased to Precision Pipe, a new conforming business to the area.

The first APZ-1 land sale of city-owned property occurred and resulted in the Virginia Beach Development Authority (VBDA) granting \$50,000 in Economic Development Investment Program APZ-1 funds, to Tidewater Fleet Supply for the construction of a new facility.

The city's response to the BRAC's decision has been both comprehensive and effective. This program serves as a model for other localities grappling with the problem of encroachment upon military bases. We are proud of our partnership with the Navy and look forward to many more years of hosting the East Coast Master Jet Base in Virginia Beach.



NAME: Anthony Cataldo
COMPANY: Cataldo Builders

"I would highly recommend other businesses apply to the YesOceana program. Having a 90% rebate for 15 years is a very nice benefit."



NAME: David Kifer
COMPANY: Peerless Carpet Care & Restoration Services

"I found the application process very easy. The interface with the principals within the YesOceana program was the easiest part."



NAME: Catherine Callahan
COMPANY: Callahan Management Solutions

"Locating in the Oceana part of Virginia Beach has many advantages including easy access to the interstates."

LARGEST BUSINESS PROJECTS FOR FISCAL YEAR 2008-2009

OUTSIDE VBDA-MANAGED PARKS

The following table identifies the largest business projects within the City of Virginia Beach for this past fiscal year that located outside one of the VBDA-managed business parks. Examples of the 33 additional projects include such firms as JRS Worldwide, NCO Financial, Regent University, DB Schenker USA, and Computer Sciences Corporation.

Company	Business Area	Type of Facility	Size (Sq. Ft.)	Number of Employees	Amount of Investment
Convergence Center IV	CBD/Pembroke	Speculative Office	80,000	0	\$21,000,000
Art Institute	CBD/Pembroke	Educational Training Center	35,000	72 New	\$12,100,000
ADS, Inc.	Oceana South Industrial Park	Warehouse	81,950	22 New 50 Retained	\$7,900,000
TowneBank Enterprises	Oceanfront Resort Area	Office	35,000	40 New 80 Retained	\$2,500,000
Heritage Bank	Hilltop	Office	5,530	7 New 3 Retained	\$2,300,000
Virginia Provisions	Taylor Farms Commerce Park	Office	10,500	45 New	\$1,800,000
Phase II Products	Castleton Commerce Park	Office/ Warehouse	22,000	25 New 50 Retained	\$1,675,000
Cyberdome Technologies	Lynnhaven	Mod/Sim & Entertainment	13,000	15 New	\$1,500,000
Mid Atlantic Fire Protection Inc.	Greenwich/ Witchduck	Office/ Warehouse	9,500	70 New	\$1,250,000
33 Additional Projects	—	—	414,644	422 New 1110 Retained	\$9,175,000
TOTAL*	—	—	707,124	718 New 1,293 Retained	\$61,200,000

*GRAND TOTAL FOR FISCAL YEAR 2008-2009

Size (Sq. Ft.)	Number of Employees	Amount of Investment
2,017,274	1,474 New 2,589 Retained	\$183,750,000

LARGEST BUSINESS PROJECTS FOR FISCAL YEAR 2008-2009

WITHIN VBDA-MANAGED PARKS

The table below identifies the largest business projects within the City of Virginia Beach for this past fiscal year that located within one of the Virginia Beach Development Authority (VBDA)-managed business parks. These include new projects as well as existing business expansions. Examples of the 29 additional projects include such firms as UNISYS, Wells Fargo, KBS, Inc., VT Milcom, LifeNet Health, and AIN Plastics.

(Please note that specific information on projects which located in the VBDA-managed business parks is shown in the tables for each business park located in the appendix. AIP = Airport Industrial Park, OWCP = Oceana West Corporate Park.)

Company	Type of Facility (Locations)	Size (Sq. Ft.)	Number of Employees	Amount of Investment
DLH Sports, Inc.	Office/Warehouse (Airport Industrial Park)	230,000	69 New	\$20,000,000
ADS Inc.	Office (OWCP)	89,000	75 New 192 Retained	\$10,400,000
Carraro Group	Headquarters/Meetings (OWCP)	—	35 New	\$8,050,000
Lynnhaven Commons	Speculative Office (OWCP)	36,800	0	\$7,500,000
Liberty Tax	Office (Corporate Landing)	30,000	0	\$6,500,000
Mid Atlantic Maritime Academy	Professional Training Academy (Airport Industrial Park)	15,000	25 New	\$2,500,000
Arai Manufacturing	Manufacturing (Airport Industrial Park)	0	150 New	\$1,750,450
29 Additional Projects	—	909,350	402 New 1104 Retained	\$65,850,000
TOTAL*	—	1,310,150	756 New 1,296 Retained	\$122,550,450

*GRAND TOTAL FOR FISCAL YEAR 2008-2009

Size (Sq. Ft.)	Number of Employees	Amount of Investment
2,017,274	1,474 New 2,589 Retained	\$183,750,000



EXISTING INDUSTRY INITIATIVES AND ACCOMPLISHMENTS

Healthy cities have strong, healthy businesses.

The success of the city's business retention and expansion programs and services is extremely important to the overall economic development efforts of the Virginia Beach Department of Economic Development (VBDED) and the Virginia Beach Development Authority (VBDA). Seventy percent of the total business growth in Virginia Beach comes directly from existing businesses. Business expansion stimulates the local economy by increasing the number of jobs, payroll, production and new capital investment. The presence of strong existing businesses stabilizes and expands the local economy during downturns in the national economy.

The purpose of the VBDED and VBDA's Retention, Expansion and Assistance Program is to promote, retain and expedite the profitable growth of targeted existing businesses. The successful expansion of these companies increases the economic vitality of the community and increases the demand for products, goods, supplies, and services. Business growth is facilitated by the identification of economic development opportunities, removal of the barriers that hinder expansion, and providing the necessary financial and human resources. A proactive and aggressive contact and visitation program is the vehicle to accomplish these goals and objectives.

In the first quarter 2009, Mayor William D. Sessoms, Jr. and VBDED staff personally met with the leadership of the top businesses located in Virginia Beach. Companies included ADS, Amerigroup, Avalon Bay,

AVIS/Budget, Carraro/MG Minigears/Gearworld, GEICO, LifeNet, STIHL, NEXCOM, Troutman Sanders, and VT Milcom among others. Company executives shared the same sentiments that the city's interest in the company's success is genuinely appreciated. In February 2009, Mayor Sessoms also hosted a roundtable discussion with 30 Virginia Beach small business owners. The roundtable centered on issues such as the importance of small business to our economy, the challenges faced by small businesses and potential solutions at the local, regional, and state levels. Additional small business roundtable discussions will be held in the future.

Additionally, the VBDA Workforce Liaison committee has been actively engaged in meeting with Virginia Beach businesses over the past year. The Liaison committee members focused their discussion on the current and future workforce needs identified by the company executives and then identifies the appropriate follow-up actions.

In May 2009, the VBDA and the VBDED hosted the second annual Virginia Beach Business Appreciation Charity Golf Classic and Networking Reception at the Virginia Beach National Golf Club. The event was scheduled to coincide with the Commonwealth of Virginia's Business Appreciation Month which is celebrated each May to recognize the invaluable contributions that Virginia Beach businesses make to support our economy and quality of life.



More than 150 Virginia Beach business and industry executives, real estate agents, developers, brokers, architects, engineers, and consultants joined the Virginia Beach Development Authority (VBDA) and Virginia Beach Department of Economic Development (VBDED) in this charitable fund-raising event, and a portion of the private-sector proceeds were donated to a local charity. The Virginia Beach Health Department's Healthy Families Program was selected as this year's recipient. This program is highly successful and provides valuable services to disadvantaged Virginia Beach citizens and their families. Mayor Sessoms kicked off the Charity Golf Classic on behalf of the city, and Director of VBDED Warren D. Harris presented a check in the amount of \$10,000 to the Director of Public Health, Dr. Venita Newby-Owens on behalf of the Virginia Beach business community.

Also in May, the city hosted one of the largest Department of Defense and Homeland Security Conference and Trade Shows in the Commonwealth of Virginia – Joint Warfighting 2009 at the Virginia Beach Convention Center. Additionally, VBDED and the Virginia Beach Military Economic Development Advisory Committee held a special reception during the conference. More than 400 individuals attended as a result of invitations extended by VBDED staff.

BUSINESS ACCOMPLISHMENTS

Virginia Beach was named by *Forbes* as one of the best places to ride out the recession

Fiscal year 2008-09 brought many opportunities for the Virginia Beach Development Authority (VBDA), which continued its successful efforts to grow a diversified economy for the city despite many challenges brought about by the changing global economic forces and increased competition for investment worldwide.

More than \$183 million in new capital was invested by the city's business community through the combined efforts of the VBDA and Virginia Beach Department of Economic Development (VBDED). Companies working with the department reported the creation of 1,474 new jobs and filled 2 million sq. ft. of new and existing commercial space. In addition, more than 2,589 jobs were retained in the city by companies making the strategic decision to expand in Virginia Beach instead of relocating elsewhere.

The tables on pages 26 and 27 summarize the past year's project activity for which the VBDA provided assistance.

The VBDA also supported the expansion of outreach activities by the VBDED for new business recruitment and retention. The department participated in more than 47 marketing events and numerous outreach programs to the business community and local entrepreneurs.

Following the completion of the new Economic Development Strategic Plan last year, the VBDA and the VBDED partnered on an aggressive implementation process. An updated marketing plan established numerous new initiatives:

- Creation of a prospect and retention management system
- Expanded focus on international business attraction efforts
- Increased direct contact with existing industries
- Creation of a Small, Woman and Minority Owned (SWaM) Business plan
- Increased contact with strategic partners such as Hampton Roads Economic Development Alliance (HREDA), Virginia Economic Development Partnership (VEDP), commercial brokerage community, and national site selection consultants
- Development of new marketing initiatives for each of the city's target industry sectors



MARKETING TRIPS FISCAL YEAR 2008-2009

The Economic Development marketing outreach program underwent an aggressive expansion, with Virginia Beach participating in 47 events. Of these, five were international. The Virginia Beach Department of Economic Development (VBDED) initiated 24 trade missions, and 23 were made in conjunction with the city's strategic partners. In addition, a highly successful familiarization tour was hosted in Virginia Beach for national corporate site location consultants.

Outreach Programs

TRADE SHOWS	CONSULTANT EVENTS
32	26
PERCENT	PERCENT
PROFESSIONAL CONFERENCES	MARKETING MISSIONS
21	13
PERCENT	PERCENT
SINGLE PROJECT TRIPS	
8	
PERCENT	

An increased emphasis was placed on making direct contact with targeted industry decision makers. As a result, two-thirds of the outreach events were focused outside the traditional trade show environment, maximizing contact with specific companies, consultants and developers on marketing missions, as well as at consultant events and professional conferences. Several single purpose trips were also made to advance individual high-priority projects.



MINORITY BUSINESS DEVELOPMENT PROGRAM

Building national and international support for local businesses

The Virginia Beach Department of Economic Development (VBDED) established a Minority Business Development Program in April 2007, as an initiative from city Council. The primary objectives of the program are to educate small, women-owned and minority (SWaM) companies about available resources to start or expand businesses, and to attract national and international minority firms to the city.

The department has taken the lead in the following initiatives:

- Conference of Minority Transportation Officials (COMTO)
- Commercial Real Estate Women (CREW)
- American Business Woman's Association (ABWA)
- Virginia Beach Minority Business Council (MBC)
- 2009 Entrepreneurial Connection
- Small Business Administration Workshop Series
- Small Business Tax Cuts Workshop
- Blue Coast Small Business Conference
- Tidewater Government Industry Council (TGIC)
- Department of Minority Business Enterprise (DMBE)
- Urban League of Hampton Roads
- Urban League of Hampton Roads Women of Power Advisory Council
- Virginia Minority Supplier Development Council



VBDA IMPACT ON ECONOMIC BASE

(VBDA Property - circa 1970 to Present)

TOTAL
ACREAGE
SOLD

1,485

ACRES

TOTAL
ASSESSED
VALUE

\$1.1

BILLION
(SOLD, TAXABLE
PROPERTY)

NUMBER OF
COMPANIES

900*

TOTAL
SQUARE
FOOTAGE

13.5

MILLION*

TOTAL
EMPLOYMENT

21,000*

CUMULATIVE
REAL ESTATE
TAXES

\$124.8

MILLION*

ANNUAL REAL
ESTATE TAXES
GENERATED

\$10.9

MILLION*
(FISCAL YEAR 2007-2008
TAX RATES)

* Denotes approximate figures

VBDA LAND INVENTORY SUMMARY

(As of June 30, 2009)

Property	Total Acreage	Acreage Sold*	Acreage Available for Development
Airport Industrial Park	250	250	0
Oceana West Corporate Park	1,024	1,024	0
Corporate Landing Business Park	325	97	228
Centre Pointe Office Park	25	25	0
Lakeview Corporate Park	23	23	0
31st Street Property	1	1	0
Little Creek Industrial Park	39	39	0
Lynnhaven Industrial Park	15	15	0
Town Center	12	11	1
Princess Anne Commons (VBDA-Owned Portion)	10	0	10
TOTALS	1,724	1,485	239

* Figures may include easements, wetlands, right-of-way dedications, etc.



Dome Site

At the request of the City Council the VBDA solicited letters of interest for a qualified development company to build a mixed-use high density entertainment venue at the Dome Site. The VBDA selected Leisure and Recreation Concepts, Inc. (LARC) to develop conceptual plans and recommendations regarding the type of entertainment that would be successful in the Virginia Beach market. The conceptual plans and recommendations are scheduled to be presented to the VBDA in 2010.

Convention Center Headquarters Hotel

At the request of the City Council the VBDA conducted a Public-Private Education Act (PPEA) process to explore the potential development of a convention center headquarters hotel. A selection committee was created to review the proposals and select two finalists. The selection committee received detailed proposal submissions from the two finalists which are currently under review.

MARKETING OUR STRENGTHS

In 2008, the Virginia Beach Department of Economic Development (VBDED) developed an aggressive marketing campaign to communicate the city's strong brand position with a hard-selling business message.

A concise Brand Positioning Platform was developed after evaluating research and reports including:

- The City of Virginia Beach 2007 Economic Development Strategy Update
- Virginia Beach business professional interviews
- The 2008 VBDED Marketing Plan
- Site Selector Criteria
- Various city accolades

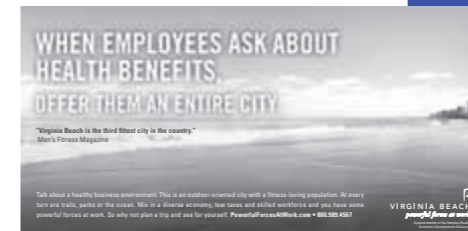
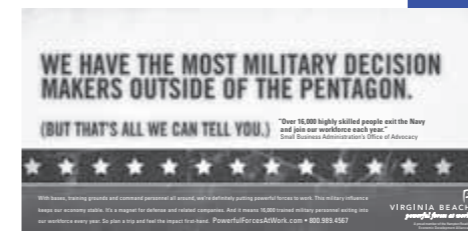
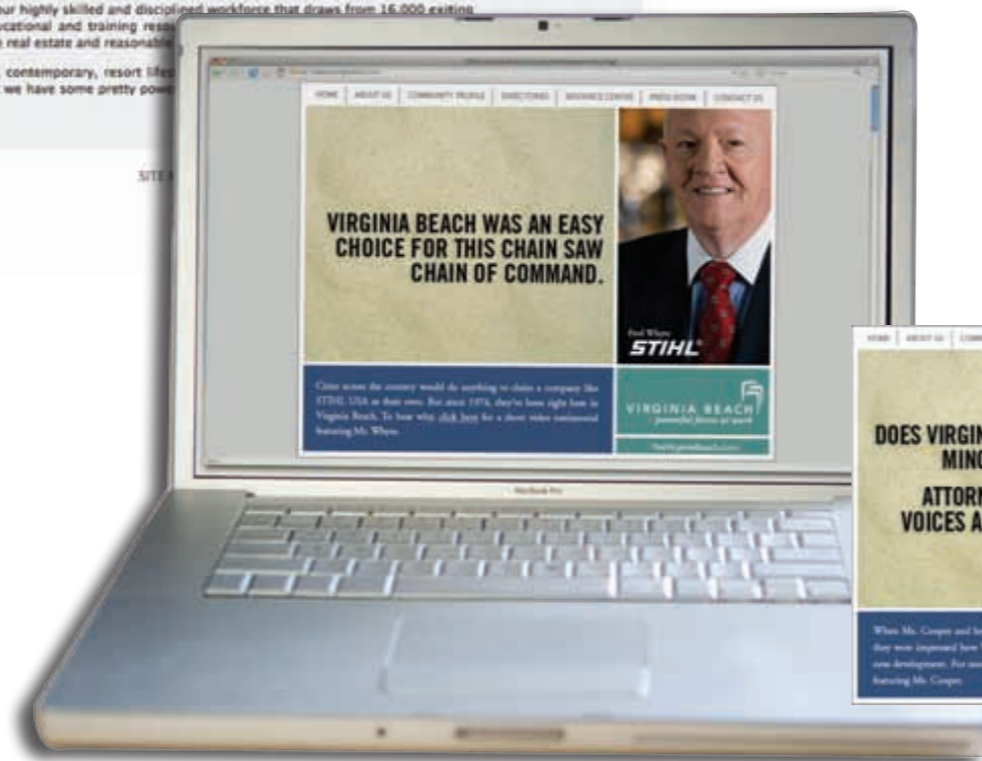
The brand position is clear – Virginia Beach's Mid-Atlantic location, contemporary resort lifestyle, and abundant, highly skilled workforce make it a strategic and advantageous location for business. The idea is to communicate that if a company locates in Virginia Beach, the culture and coastal environment will ensure both business and personal success.

The tagline, Powerful Forces at Work, was adopted because it represents all the key messages that appeal to businesses such as a strong workforce, the presence of the defense industry, quality of life, strategic location, port proximity, and a pro-business environment.



A video was produced to introduce the new campaign, Powerful Forces at Work. The video includes testimonials from Virginia Beach business and military leadership citing the benefits of locating here.

A microsite, PowerfulForcesAtWork.com, was also created to host the video interviews touting the city's strengths. These video testimonials are being distributed via email blasts to select audiences based on the message. In many instances, the video email blasts are sent to trade show attendees as follow up to a marketing trip or to targeted audiences as a follow up to the print advertising campaign. By distributing these individually, the Virginia Beach Department of Economic Development (VBDED) is able to track how many people are viewing the message, and the response rates are measured.



The print ads are being featured in the Wall Street Journal and also coincide with specific target industry conferences. Success is measured by traffic to the web site and direct contact with VBDED. If you haven't had a chance to see these materials, we invite you to do so at PowerfulForcesAtWork.com.





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