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Virginia Beach Development Authority
2009-2010 Annual Report

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Virginia Beach Development Authority (VBDA)



Donald V. Jellig
Chair
Jellig Partners



John W. Richardson
Vice Chair
Kaufman & Canoles



Prescott Sherrod
Assistant Secretary
PEMCCO



Douglas D. Ellis
Assistant Secretary
Ellis Gibson Development
Group



Elizabeth A. Twohy
Treasurer
Capital Concrete, Inc.



C. Maxwell Bartholomew, Jr.
Commissioner
Dominion Virginia Power



Dan H. Brockwell
Commissioner
DAPARO Construction Services



Luke M. Hillier
Commissioner
ADS Tactical



Paul V. Michels
Commissioner
Coastal Training
Technologies Corp.



Jerrold L. Miller
Commissioner
Earl Industries, L.L.C.



Shewling Moy Wong
Commissioner
Wong & Associates

Virginia Beach Department of Economic Development (VBDED) Staff



Warren D. Harris
Director

Greg Anger
VBDA Accountant

Michelle Chapleau
Business Development Manager

Betty Clark
Executive Assistant to the Director

David Couch
Business Development Manager (New Business)

Scott Hall
Business Development Coordinator (New Business)

Rob Hudome
Project Development Manager

Lloyd Jackson
Business Development Manager (Existing Business)

Olivia O'Bry-McCollins
Economic Development Assistant

Tammy Owens
SWAM Business Development Manager

Robert Ruhl
Business Development Coordinator (Existing Business)

Tony Russo
Project Development Manager

Linda Sheehan
Economic Development Assistant (VBDA Clerk)

Jerry Stewart
Workforce Development Coordinator

Mark Wawner
Project Development Coordinator

Cynthia Whitbred-Spanoulis
Strategy and Performance Coordinator

Virginia Beach City Council

William D. Sessoms Jr.
Mayor

Louis R. Jones
Vice Mayor
Liaison to the Virginia Beach Development Authority

Rosemary Wilson
Liaison to the Virginia Beach Development Authority

Rita Sweet Bellitto (from 2/23/10)

Glenn R. Davis

Bill R. DeSteph

Harry E. Diezel

Bob Dyer

Barbara M. Henley

John E. Uhrin

Ron A. Villanueva (through 2/23/10)

James L. Wood

City Staff

James K. Spore
City Manager

Ruth Hodges Fraser
City Clerk

Mark D. Stiles
City Attorney

Robert S. Herbert
Deputy City Manager

Alexander W. Stiles
Associate City Attorney



Dear City Council, Citizens, and Business Community,

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.

It has been my honor and privilege to serve as the Virginia Beach Development Authority Chair for Fiscal Year 2010. As we all know, growth is never guaranteed although we always strive to make progress in achieving our goals. This past year brought many challenges to our Virginia Beach business community. Nonetheless, the tenets of our work, our pro-business culture, and our commitment to our strategy proved that Virginia Beach indeed has many powerful forces at work.

During the year, we were able to successfully locate and expand 64 companies, create 1,450 new jobs and directly add an additional \$48,790,000 in new capital investment to our tax base. While these numbers are not reflective of our previous successes, they are quite remarkable when compared to other cities across the country. We continue to grow because of our stable economy, our strength from our significant military community and because of the hard work and dedication from the City and the businesses who call Virginia Beach home base.

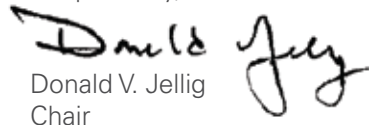
It is imperative that we all work together in this economic recovery effort. Now is the time for us to help Virginia Beach companies increase market share, to help unemployed workers find jobs or hatch new business ideas, and to train our workers to ensure we're creating a highly skilled labor pool that will put us in the strongest possible position for this recovery. As Warren Buffett notes, "if you wait for the robins, spring will be over."

While Virginia Beach is not immune from the recession, we were able to rank as one of the top 20 areas for economic performance during the recession, according to the Brookings Institute. Also, Forbes ranked our area as the

second best place in the nation to get a job in April 2010. Looking ahead, the City of Virginia Beach has positioned itself well.

As I end my tenure as Chair, I wish to express my appreciation on behalf of the Authority to the Mayor, City Council, and especially Louis Jones and Rosemary Wilson, the Authority's City Council liaisons, for their clear direction and great leadership. I would also like to recognize the staff of the Department of Economic Development. They are a dedicated team of professionals who are committed to making the City of Virginia Beach a better community. So much of what we are able to report is a direct result of their unflinching efforts. Finally, I wish to thank my fellow board members who have tackled the challenges and additional assignments presented to them with enthusiasm. Their efforts have contributed to the increased prosperity for our community, and I can assure you that the VBDA will continue its mission to increase the tax base of the City of Virginia Beach and create new job opportunities as we move into 2010 and 2011.

Respectfully,


Donald V. Jellig
Chair

Executive Summary

The Fiscal Year 2010 brought many opportunities for the Virginia Beach Development Authority, 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.

Nearly \$50 million in new capital was invested by the City's business community during FY2010 through the combined efforts of the Authority and Department of Economic Development. Companies working with the Department reported the creation of 1,450 new jobs (649 by existing companies, 801 by new companies to the City) and filled more than 737,000 square feet of new and existing commercial space throughout Virginia Beach.

The Authority also supported the expansion of outreach activities by the Department of Economic Development in FY2010, both for new business recruitment and retention.

The Department participated in more than 45 marketing events, in addition to numerous additional outreach programs for the existing business community and local entrepreneurs.

The Authority and Department continued moving forward with the aggressive implementation of the City's Economic Development Strategic Plan in FY2010. Total prospect activity increased by 117%, and the number of prospects located outside of the metropolitan area more than doubled. More than 75% of the project announcements for the year were within one of the Department's target industry sectors, with most (20%) being in the Defense sector.





Other Information

Calendar Years 1996—2008

383
NUMBER OF EVENTS

3,714,753
ATTENDANCE

Calendar Year 2009

22
NUMBER OF EVENTS

280,713
ATTENDANCE

TOTAL

405
NUMBER OF EVENTS

3,995,466
ATTENDANCE

\$7 Million Private Investment

\$10.5 Million Public Investment

\$16,342,035 (Past 15 Years) Taxes returned to the General Fund

Virginia Beach Amphitheater

In 2009, in its 14th season, the Virginia Beach Amphitheater returned 13.12 percent on the City's \$10.5 million investment and provided a venue for world-renowned performers and local cultural and community events.

During the 2009 season, the amphitheater held 22 events with attendance in excess of 280,000 patrons. In the first 14 years of operation, the amphitheater has provided performances for almost 4 million music lovers and generated more than \$16 million in direct revenue for the City.

HISTORICAL DATA

1996 — 2009 Rent & Taxes

Description	Calendar Years 1996—2008	Calendar Year 2009	TOTAL
Admissions Taxes	\$9,530,117	\$833,147	\$10,363,264
Leasehold Taxes	\$1,223,205	\$65,504	\$1,288,709
Business License Tax	\$554,331	\$59,059	\$613,390
Concessions Tax	\$1,755,111	\$213,148	\$1,968,259
Merchandise Tax	\$141,344	\$18,243	\$159,587
Rent	\$1,760,508	\$188,318	\$1,948,826
TOTALS	\$14,964,616	\$1,377,419	\$16,342,035

Financial Accomplishments

Throughout the year, the Virginia Beach Development Authority has continued to further the economic vitality of the City. The following Fiscal Year 2010 accomplishments are an illustration of its commitment to the overall economic development mission of the City of Virginia Beach.

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 \$250,000 of rental and tax income for calendar year 2009 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 from the prior year to 26,354 rounds of 18-hole equivalents; this exceeded VBGC's fiscal projections. In addition, the VBDA is utilizing a portion of the rent revenues received to fund capital repairs and maintenance to the facility.

Purchase of the former Circuit City Building

In August 2009, the Authority purchased the former Circuit City building located at 110 South Independence Blvd.

for approximately \$5.02 million. In December 2009, the Authority leased the building to East Coast Appliance on a short-term basis since the building may potentially be used for compatible expansion of the very successful Town Center of Virginia Beach within the next ten years.

Purchase of Land in Burton Station

In December 2009, the Authority purchased 2.06 acres of land located at 5858 Burton Station Road for \$0.5 million. Part of this land will be utilized for road improvements and the remainder will be sold to stimulate future development in the area.

Public Facility Revenue Bond Refunding

In March 2010, the City of Virginia Beach Development Authority approved a resolution to act as a conduit issuer of



The total debt service savings on the two series of final maturity was \$6.4 million over 13 years. Of this, \$1.96 million in savings will be realized in FY2010.

\$17 million in public facility revenue bonds (PFRBs) and up to \$85 million (later increased to \$150 million) in public facility refunding revenue bonds. The new money PFRBs funded certain economic development projects and equipment leases. A true interest cost of 2.58% was received on the bonds.

The refunding bond issuance refunded portions of the 2002A, 2003A, 2005A, and 2007A bonds that were used to finance public facilities such as the Town Center parking garages, Westin Conference Center, 31st Street garage, and 9th Street garage. Two series of refunding bonds were sold totaling \$138.48 million. The true interest costs were 2.99% and 3.39% on each refunding series. The total debt service savings on the two series to final maturity was \$6.4 million over 13 years. Of this, \$1.96 million in savings will be realized in FY2010, which will be distributed to the City funds from which the debt service is paid.

Town Center Special Service District (SSD)

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

In Fiscal Year 2010, the VBDA approved a \$2.05 million SSD budget for Fiscal Year 2010. The tax rate remained at a level of 45 cents per hundred dollars of assessed value. 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 within the SSD to provide needed services in a cost-effective manner.



Economic Development Investment Program

The 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, the VBDA has made 138 grants investing \$29,803,078 in EDIP funds resulting in the creation and retention of 26,717 jobs and \$1,194,372,558 in capital investment. For this Fiscal Year, a total of \$568,000 of EDIP funds were approved, which leveraged more than \$26,399,000 in capital investment and created/retained 786 jobs in the City of Virginia Beach.

During the fiscal year July 1, 2009 through June 30, 2010, EDIP assistance was approved for the following companies (listed chronologically from July 1, 2009 through June 30, 2010):

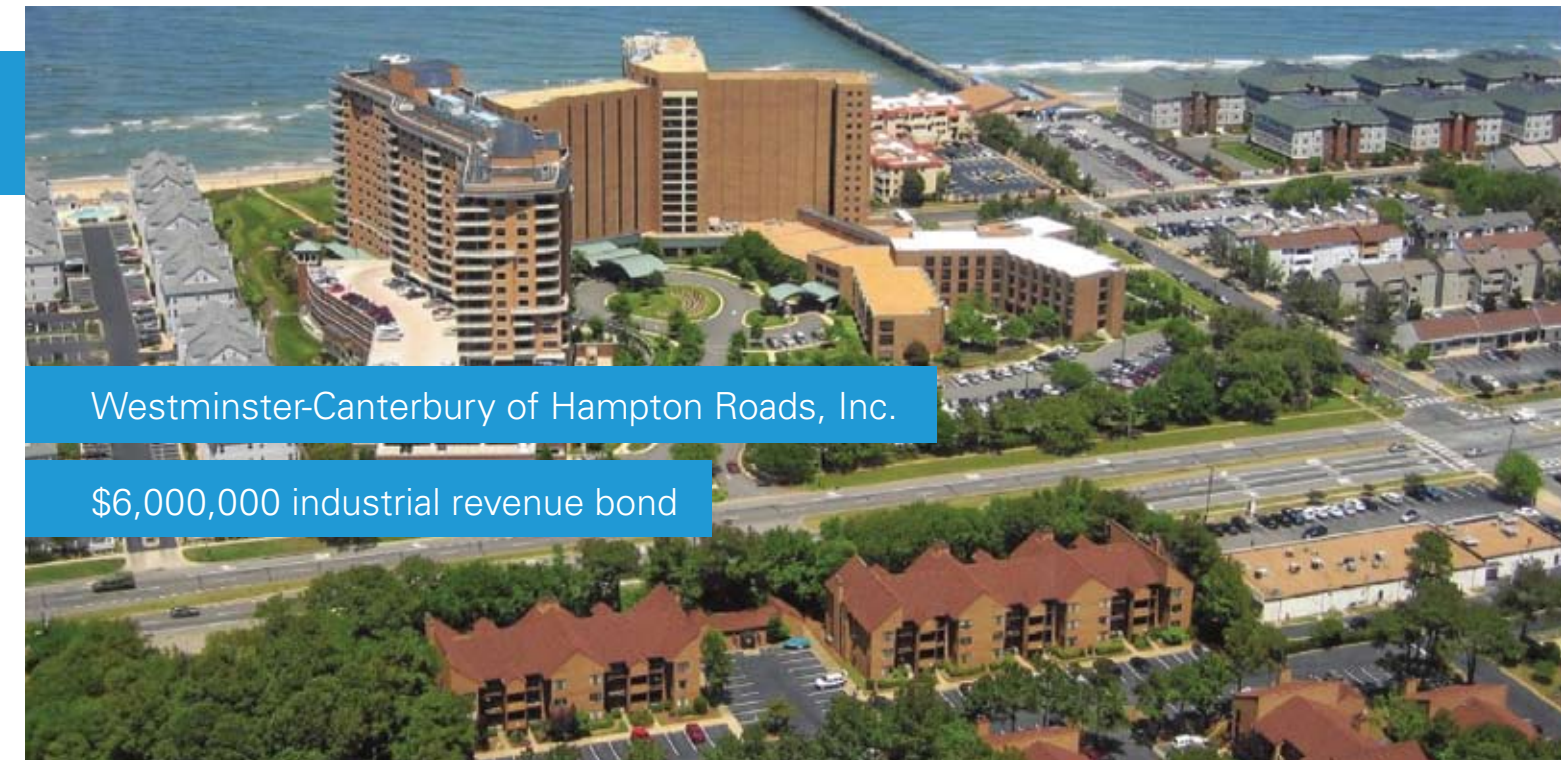
Company	Amount of EDIP	Amount Of Investment	Number of Employees
MCO, Inc.	\$28,000	\$175,000	14 (new) 16 (retained)
Transformational Defense Industries	\$45,000	\$3,180,000	35 (new) 24 (retained)
Hermes Abrasives, Ltd.	\$160,000	\$5,000,000	20 (new) 140 (retained)
South University of Virginia	\$100,000	\$2,544,000	100 (new)
Runnymede Pavilion Center II	\$135,000	\$15,500,000	N/A
Avis Budget Car Rental	\$100,000	\$0	100 (new)

Amendment to EDIP Policy

During Fiscal Year 2006, the BRAC Commission ordered 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 non-compatible businesses currently located in APZ-1 to relocate into compatible-use areas within Virginia Beach, and to bring new uses into APZ-1 that conform with the APZ-1 Ordinance. The goal of this program

is to gradually eliminate encroachment and non-compatible uses of land in APZ-1. During Fiscal Year 2010, the Oceana Land Use Conformity Committee continued meeting and made recommendations as an advisory body to the VBDA and City Council. This committee includes two members from the VBDA, the Mayor and a City Council member, property owners in the affected area, Navy Liaisons, the City Manager, City Attorney, and the Deputy City Manager. One EDIP grant was awarded to Tidewater Fleet in the amount of \$50,000.



Industrial Revenue Bonds

From 1973 to present, the 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 in the financing of construction projects and new capital equipment, along with expanding and diversifying the tax base of the City.

In August of 2009, the VBDA approved a one-year extension for the issuance of \$6,000,000 of tax-exempt bonds for Westminster-Canterbury of Hampton Roads, Inc.



SBDC provided 107 entrepreneurs assistance

Clients of SBDC had 12.4% sales increase

Small Business Development Support

The Virginia Beach Development Authority continues its support of the entrepreneurial community by the renewal of funding for 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 small business community in Virginia Beach.

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 and other assistance and information to the region's small business community.

During calendar year 2009, the SBDC provided direct assistance to 107 entrepreneurs in Virginia Beach and had 196 attendees at training events throughout the year. Overall, the clients of the SBDC had 2009 sales increases of 12.4% versus 3.4% for non-SBDC businesses.

SWaM Business Development Program

Aggressively building national and international support for local businesses

Understanding the importance of diversity to the sustainability of the local economy, the Virginia Beach City Council established within the Department of Economic Development a Minority Business Development Program in April 2007. The primary objectives of the program are to generate new capital investment and employment opportunities among Small, Woman-owned and Minority-owned (SWaM) firms, and to help educate SWaM companies about available business assistance resources. In 2009, the program outreach was expanded to include Service-Disabled Veteran-Owned Small Businesses.

As part of its program, VBDED has partnered with a variety of Federal and State agencies in serving the SWaM business community, including: the offices of US Senator Jim Webb and US Congressman Glenn Nye; the US Small Business Administration; the Small Business Development Center of Hampton Roads; Old Dominion University; the Virginia Department of Business Assistance; the Virginia Department of Minority Business Enterprise; the Virginia Economic

Development Partnership International Trade Division, the Virginia Beach Minority Business Council, and many others. Additionally, Service Corps of Retired Executives (SCORE) counseling is available to entrepreneurs and small business owners at no charge. In 2009/10, 416 SCORE counseling sessions were conducted in the VBDED offices.

The City of Virginia Beach served as host city for the 2009 Virginia Black Expo & Conference, welcoming more than 200 black business leaders to a variety of events over the three-day event.

In February 2010, for the first time, the City hosted the US Conference of Mayors "Partner America" program for small businesses, providing more than 200 local business leaders information about small business resources. Virginia Beach Mayor Will Sessoms, Jr. also received the Partner America Small Business Advocate Award.



Host city for 2009 Virginia Black Expo & Conference

"Partner America" host for small businesses

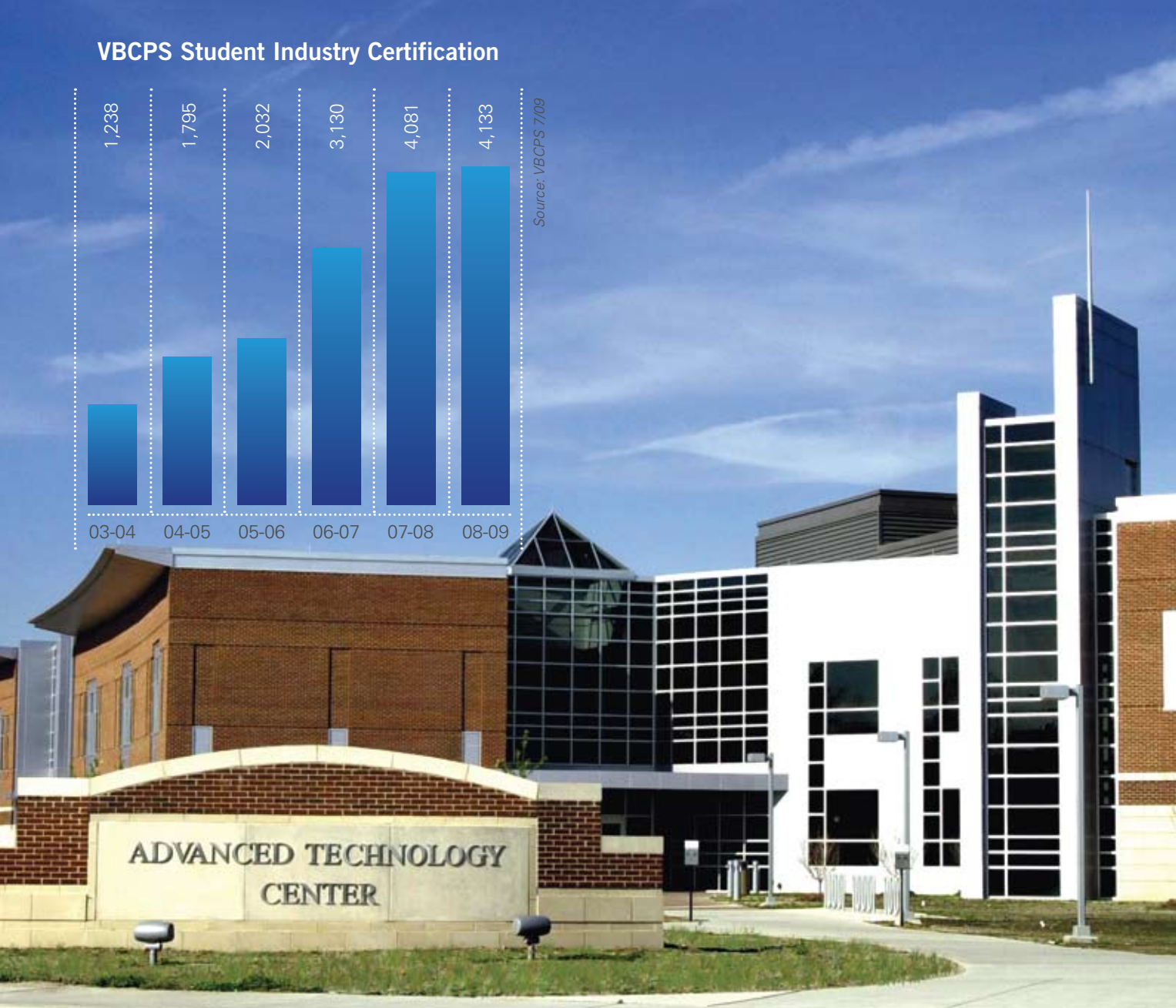
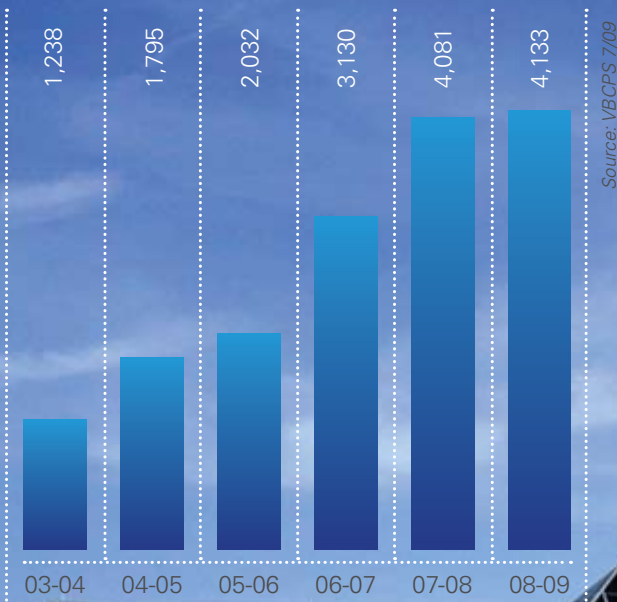
Workforce Development

The City of Virginia Beach Development Authority supports the City of Virginia Beach Department of Economic Development's goal to have a qualified workforce to meet the needs of new business prospects and existing businesses. A highly skilled workforce is a necessity to remain competitive in today's global economy.

The Town Center of Virginia Beach and immediate area continues to be a magnet for higher education institutions. The past year has seen the addition of The Art Institute of Virginia Beach and South University. These two newest institutions are in addition to Bryant & Stratton College, Hampton University, Phoenix University, and Strayer University, all with established campuses.

The Virginia Beach Development Authority's Workforce Development Liaison Committee works closely with the Virginia Beach Department of Economic Development staff on workforce development initiatives. The Committee conducted several one-on-one meetings with Virginia Beach business executives throughout the year to ascertain weaknesses and needs in today's workforce. With this input, the staff then

VBCPS Student Industry Certification



works with the appropriate workforce development community partners to improve the competitiveness of existing and potential employees.

The Virginia Beach Development Authority, along with the Military Economic Development Advisory Committee, partnered with Regent University to conduct a study of the Hampton Roads exiting Navy personnel. The final report will assist in the identification of workforce strategies to retain more of the exiting military personnel in Virginia Beach and connect these highly skilled employees with new and existing businesses.

The Virginia Beach Development Authority works in partnership with the Virginia Beach City Public Schools in the preparation of our future workforce.

The Technical and Career Education students in Virginia Beach City Public Schools earned 4,133 industry recognized certifications in 2009. These certifications not only serve as student-selected verified credits fulfilling high school graduation requirements, but also provide students a business recognized credential to enter directly into the technical workforce.

Strategic Growth Areas

In 2008, following extensive public input, the City adopted a new growth strategy. Instead of relying on the remaining inventory of underdeveloped land to absorb growth, the City carefully defined areas planned to accommodate and absorb urban growth called 'Strategic Growth Areas' (SGAs).

The City has identified eight Strategic Growth Areas to:

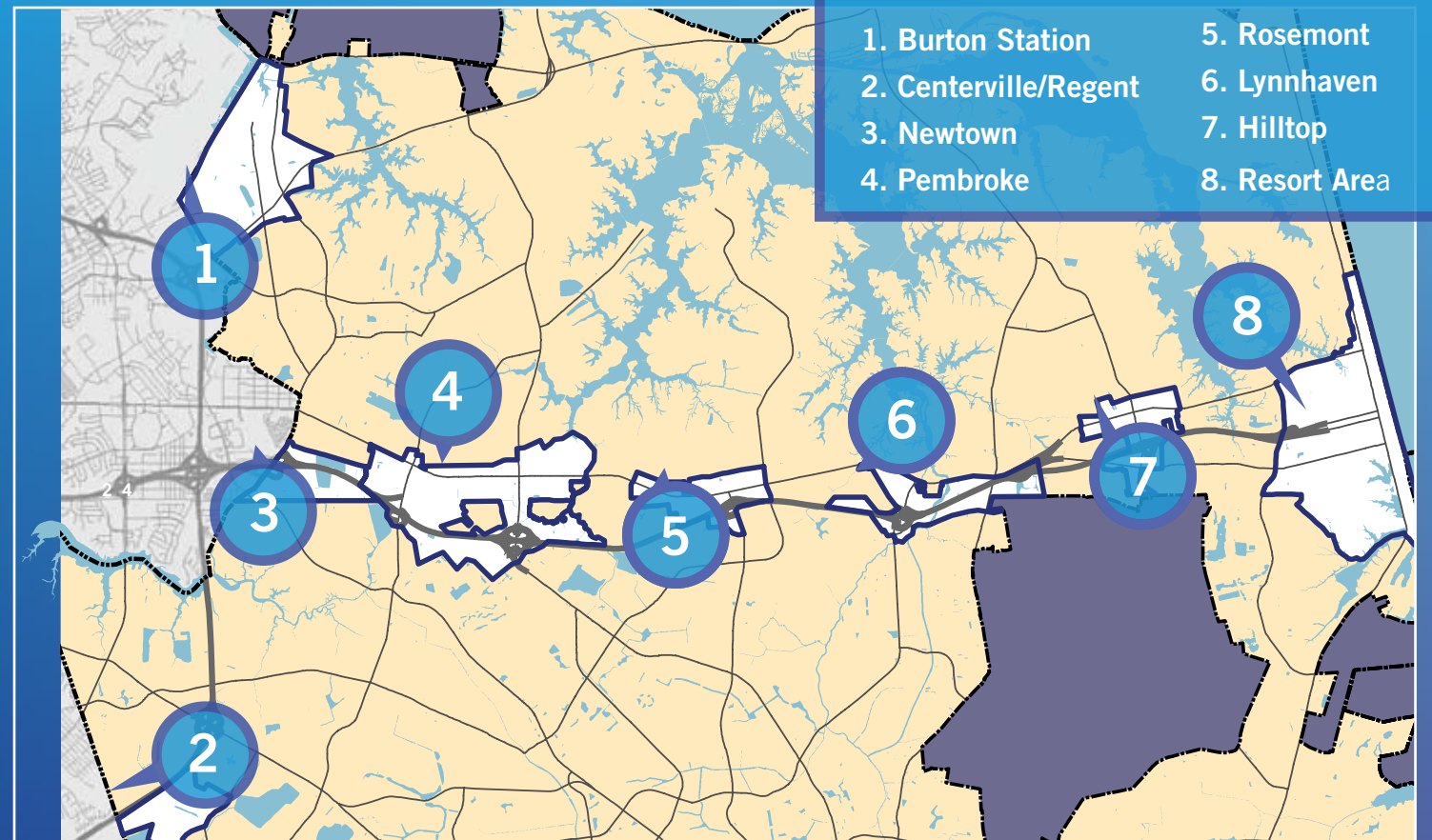
- Provide opportunities for continued physical and economic growth;
- Help prevent urban sprawl;
- Protect our established residential neighborhoods and rural areas from incompatible development due to growth pressures;
- Maximize infrastructure efficiency;
- Create unique and exciting urban destinations.

Area-Specific Planning Recommendations

Each of the following eight Strategic Growth Areas begins with a general description of the area's development characteristics. The goal is to achieve a gradual transformation of these areas in keeping with the recommended land uses identified in this Plan.

Strategic Growth Areas (SGAs)

- | | |
|-----------------------|----------------|
| 1. Burton Station | 5. Rosemont |
| 2. Centerville/Regent | 6. Lynnhaven |
| 3. Newtown | 7. Hilltop |
| 4. Pembroke | 8. Resort Area |



Northampton Boulevard Corridor/Burton Station

The Burton Station strategic growth area is located in the northwestern part of the city, adjacent to the Norfolk International Airport, Little Creek Amphibious Base, Airport Industrial Park, and Interstate 64. The western part of the study area is within the City of Norfolk because the Lake Wright Golf Course within the study area straddles the border between both cities. Port traffic and military bases nearby are huge economic engines that bring value to Burton Station as an area for future economic development.

The strategic growth planning process confirmed that redevelopment within the study area will yield great opportunities for job creation, residential living, improved public amenities and growth of the city's tax base. As a result of the Burton Station strategic growth area master plan, improvements to the infrastructure along Burton Station Road were recommended and are currently under design, with construction scheduled for 2011. Also recommended was the construction of a new road accessing undeveloped property with the potential for new residential and commercial development.



Area for future economic development

Growth of City's tax base

Pembroke

The Pembroke area is located in the heart of the City and has emerged as the linchpin of Virginia Beach's vibrant central business district. It has a true midtown location – 10 miles from the Oceanfront Resort District, 10 miles from downtown Norfolk, 10 miles from the Virginia Beach Municipal Center and 10 miles to the Chesapeake Bay. Established boundaries are Thalia Creek to the east, Jeanne and Broad Streets to the north, Clearfield Avenue to the west, and Bonney and Baxter Roads to the south. The model for the midtown area's future growth is spurred by the Town Center of Virginia Beach, a successful mixed-use, high-density development within the Central Business District. The plan calls for a blending of unique districts designed to emphasize academics, arts, business, the local waterfront, and urban-style residences. The plan was officially adopted by City Council in November 2009.



Newtown

The Newtown Strategic Growth Area is located along the I-264 corridor on the western edge of Virginia Beach adjacent to the City of Norfolk. Newtown Road is located in the center of the region and at the convergence of major highways and future transit. This location makes it highly attractive to businesses seeking easy access to the interstate system and regional highways. The addition of transit will increase the value of Newtown as an area of future economic development at higher densities.

Great progress has been made on the Newtown plan during the 2009/2010 year. In October 2009, Urban Design Associates held a variety of focus group meetings and also a public hearing. Discussions included, but were not limited to, light rail, interchange improvements at I-264 & Newton Rd., I-264 & Witchduck Rd. and the proposed Cleveland Rd. Greenwich Rd. flyover. In April 2010 Urban Design Associates presented completed copies of the plan to City Council and the Planning Commission. In July 2010 the plan will go before City Council for a public hearing and adoption consideration to the City's Comprehensive plan.





The Town Center of Virginia Beach

Building a world-class urban center

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.

Mixed-use, high-density entertainment

Convention Center headquarters hotel

Resort Area

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.

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

The Virginia Beach Development Authority 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 district was approximately \$799 million, a growth of more than \$688 million since July 1, 1998. Private investment within the core area of the TIF district is approximately \$369 million.

Town Center Phases I-II & III

The first three phases of the Town Center of Virginia Beach are complete. The phases consist of major hotels, retail and office space, residential space and parking structures. In addition, The Sandler Center for the Performing Arts offers a venue for a variety of entertainment.

- Retail: Approximately 700,000 square feet
- Office: Approximately 800,000 square feet
- Entertainment: Approximately 150,000 square feet
- Hotel(s): 460 rooms in two facilities

- Multi-Family: Up to 516 upscale units (Westin condos, Studio 56 Lofts and Cosmopolitan Apartments)
- Performing Arts Center: 1,300 seats

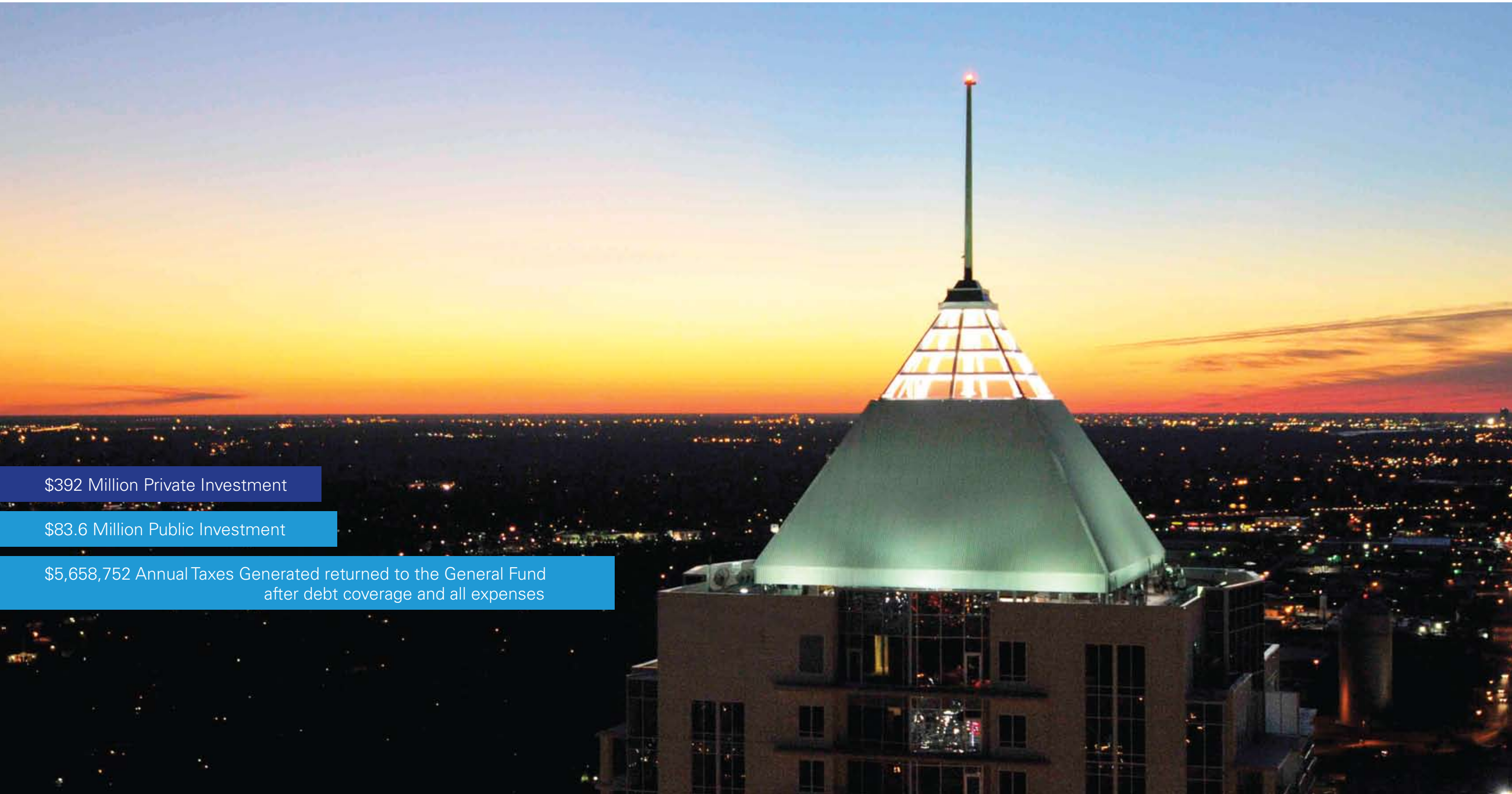
Town Center Phase IV

Phase IV is in the planning stage for additional office, retail and residential space.

\$392 Million Private Investment

\$83.6 Million Public Investment

\$5,658,752 Annual Taxes Generated returned to the General Fund after debt coverage and all expenses



Oceana Land Use Conformity Program

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

The goals of the Oceana Land Use Conformity Program are to: (i) bring new conforming uses into APZ-1; (ii) convert nonconforming uses to conforming uses; (iii) retain conforming uses in APZ-1 and, (iv) relocate nonconforming uses in APZ-1 to other areas of the City consistent with the Comprehensive Plan.

In June 2008, the Department of Economic Development hired a business relocation specialist to assist in the program's effort and serve as the authoritative point of inquiry for APZ-1 commercial-related issues and manage the APZ-1 incentive program. This includes visiting potential businesses to encourage either relocation into or outside 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 use permit under applicable provision in the City Zoning Ordinance.
- APZ-1 Business Opportunity Zone - provides a 90% rebate of the Business Licenses 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 - provided an abatement of real estate taxes for the rehabilitation, renovation, or replacement of commercial or industrial improvements resulting in the conversion of a nonconforming use to a conforming use in APZ-1.
- Economic Development Investment Program Incentives - the City offers additional incentives on a case-by-case basis for the development or redevelopment of property in APZ-1 that converts nonconforming uses to

conforming uses, retaining conforming uses in APZ-1, or relocating nonconforming uses to other areas of the City.

To date, 26 nonconforming commercial properties have been eliminated from APZ-1. In addition, the City of Virginia Beach has awarded incentive grants totaling more than \$700,000 to 12 qualifying companies under the program. By providing financial encouragement, the City is able to spur economic development in a way that is compatible with the mission of NAS Oceana.



Bring new conforming uses into APZ-1

\$700,000 in incentives awarded to 12 qualifying companies

Included in the total above, the Virginia Beach Development Authority awarded four (4) Economic Development Investment Program grants totaling \$118,000 in APZ-1 funds, to the following companies:

Impressions In Print Inc., a company specializing in printing commercial signage and promotional products, received \$23,000 for their relocation and expansion plans in Oceana West Corporate Park.

Willard Marine, Inc., a leading manufacturer of aluminum and fiberglass boats headquartered in Anaheim, California received \$35,000 for expanding its operations by opening a new facility in Virginia Beach.

The second APZ-1 land sale of City-owned property occurred and Beach Automotive Services was granted \$35,000 for the construction of a new facility.

Automotive Services Finance, Inc., an automotive financing company was awarded \$25,000 to facilitate their relocation outside of APZ-1 and expansion plans within the City.

In addition to the above-mentioned successes, the department of economic development also launched a new website dedicated to the program, www.yesoceana.com.

Also, in June 2010, the City received notification from the Association of Defense Communities (ADC) that Naval Air Station Oceana is recognized as the Active Base Community of the Year at their annual conference in August 2010. This award recognizes an active defense community whose

efforts in building partnerships with a military installation have enhanced military value and the overall economic development of the community.



In the words of NAS Oceana's Commanding Officer Captain Markham Rich, "A key challenge confronting our country today is how to balance the training and mission-readiness requirements of the armed forces with the economic and community planning goals of cities and states. Here in Virginia Beach, city and Navy leaders are working to build stronger relationships, to protect Naval Air Station Oceana and to preserve the quality of life for city residents."



The commitment demonstrated by the Commonwealth and the City of Virginia Beach and their partnership with the Navy continues to be successful in reducing and reversing incompatible development around NAS Oceana and is serving as a model for other localities grappling with the problem of encroachment upon military bases. The City looks forward to many more years of hosting the East Coast Master Jet Base in Virginia Beach.

Largest Business Projects for Fiscal Year 2010

The following table identifies the largest business projects within the City of Virginia Beach for this past fiscal year. These include new projects as well as existing business expansions. Examples of the 53 additional projects include such firms as Willard Marine, AGF Machining, EIMSKIP USA, NCS Pearson, Turner Construction, M Co, Computer Sciences Corporation, and Rummel, Klepper & Kahl LLP.

<u>Company</u>	<u>Business Area</u>	<u>Type of Facility</u>	<u>Size (Sq. Ft.)</u>	<u>Number of Employees</u>	<u>Amount of Investment</u>
Restaurant Depot <i>(New)</i>	CBD/Pembroke	Office/Warehouse	89,000	50 new	\$9,000,000
Virginia Natural Gas <i>(New)</i>	Lakeview Corporate	Office	32,500	110 new	\$6,500,000
East Coast Appliances & Electronics <i>(Expansion)</i>	CBD/Pembroke	Retail	38,400	25 new	\$5,500,000
Hermes Abrasives <i>(Expansion)</i>	OWCP	Manufacturing	-	30 new	\$5,000,000
Members Trust Credit Union <i>(Expansion)</i>	Lakeview Corporate	Office	20,500	-	\$4,000,000
Transformational Defense Industries, Inc. <i>(Expansion)</i>	OWCP	Office/Warehouse	5,000	35 new	\$3,000,000
South University <i>(New)</i>	CBD/Pembroke	Educational Training Center	34,000	100 new	\$2,600,000
BCF <i>(Expansion)</i>	CBD/Pembroke	Office	12,600	-	\$280,000
STS, Inc. <i>(Expansion)</i>	AIP	Office/Warehouse	30,200	20 new	\$100,000
LoanCare Servicing, Inc. <i>(Expansion)</i>	Rosemont Interstate Center	Office	10,500	50 new	\$100,000
Virginia Premier Health Plan <i>(New)</i>	Landstown Commons	Office	10,200	40 new	\$100,000
53 Additional Projects	-	-	454,404	990 New	\$12,610,000
TOTAL			737,304	1450 New	\$48,790,000



Existing Industry Initiatives and Accomplishments

Healthy communities have strong, healthy businesses. The success of the City's existing business retention and expansion programs and services are extremely important to the overall economic development efforts of the VBDED and the VBDA. Seventy to eighty percent of the total business growth in Virginia Beach comes directly from the existing business and industry sector. Business expansion stimulates the local economy by increasing the number of jobs, payroll, production, and new capital investment. The presence of strong, healthy existing businesses will help stabilize and ultimately expand 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 will increase the economic vitality of the community and increase the demand for products, goods, supplies, and services. Business growth is facilitated by identifying economic development opportunities, removing barriers that

hinder expansion, and providing the necessary financial and human resources. A pro-active and aggressive contact and visitation program is the vehicle to accomplish these goals and objectives.

In 2009, the Virginia Beach Department of Economic Development held a Healthcare, Biomedical, and Biotechnology Cluster Business Meeting and Reception.

Mayor William D. Sessoms, Jr. along with Councilmembers Harry Diezel and Bill DeSteph, and Economic Development staff greeted more than 75 company representatives who attended this first event of its kind designed to target this growing industry cluster. From this reception, a monthly cluster luncheon has been held to share growing industry trends, ideas and updates.

The VBDED staff provides many tools and resources to support growth of the business community. In this regard, in September 2009, Mayor Sessoms also hosted a roundtable discussion with twenty-five Virginia Beach small business owners from the Airport Industrial Park in the VBDA's conference room. 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, and the Burton Station/Northampton Boulevard Corridor Redevelopment Plan.

In March of 2010, the Virginia Beach Development Authority and Mayor Sessoms hosted a Business Roundtable luncheon with industry executives from Corporate Landing Business Park. Twenty-two business representatives from Corporate Landing participated in the roundtable.



Business expansion stimulates local economy

Healthcare, Biomedical, and Biotechnology roundtable

In May 2010, the VBDA and the VBDED hosted the third annual Virginia Beach Business Appreciation Charity 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 annually during May to recognize the invaluable contributions that Virginia Beach businesses make to support our economy and quality of life.

More than 800 Virginia Beach business and industry executives, real estate agents, developers, brokers, architects, engineers, and consultants were invited and joined by members of the VBDA and VBDED to participate in this charitable fund-raising event. A portion of the private-sector proceeds generated from sponsorships were donated to several worthy local charities: Virginia Beach Grow Smart whose vision is for all children to be born healthy, continue to thrive, and be ready to succeed both in school and in life; the Virginia Beach Education Foundation's "Building Futures Grants" that funds innovative and creative learning programs for students; and Hope House Foundation which provides

individualized supported living services for adults with developmental disabilities. These donations will be given in the name of the Virginia Beach Business Community. This exciting and new event generated \$15,000 in monies for the benefit of the above referenced programs.

VBDA Impact on Economic Base

(VBDA Property - circa 1970 to Present)

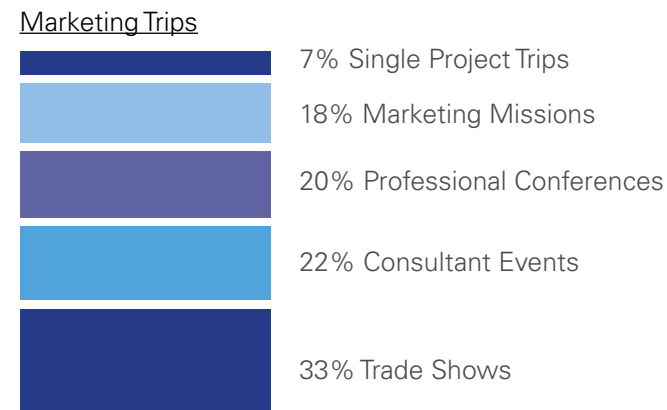
Total Acreage Sold	1,485 Acres
Total Assessed Value	\$1.4 Billion (sold, taxable property)
Number of Companies	925*
Total Square Footage	13.8 Million*
Total Employment	21,000*
Cumulative Real Estate Taxes	\$130 Million*
Annual Real Estate Taxes Generated	\$11.5 million* (FY2008-2009 tax rates)

NOTE : *Denotes approximate figures

Marketing Trips, Fiscal Year 2010

Despite a more challenging global economic situation, the Economic Development Department continued its aggressive marketing outreach program in FY2010, participating in 45 separate events. The City continued its commitment to global business development, participating in eight international missions. 21 missions were self-generated by the Department, and 24 were made in conjunction with one of the City's strategic partners. While the overall number of consultant events decreased slightly in 2009-10, actual contact with site selection consultants increased, as more than 40 site selection consultants were visited.

Direct contact with consultants and companies also grew through the Department's electronic outreach program. By nearly tripling the size of its contact database, VBDED dramatically increased its ability to use targeted email communications to augment its travel program. In addition, the Department launched a new international direct marketing program that provides access to business decision makers in four European countries.



VBDA Land Inventory Summary

(As of June 30, 2010)

<u>Property</u>	<u>Total Acreage</u>	<u>Acreage Sold*</u>	<u>Acreage Available for Development</u>
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
31 st Street Property	1	1	0
Little Creek Industrial Park	39	39	0
Lynnhaven Industrial Park	15	15	0
Town Center	13	11	2
Princess Anne Commons (VBDA-Owned Portion)	10	0	10
TOTALS	1,725	1,485	240

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

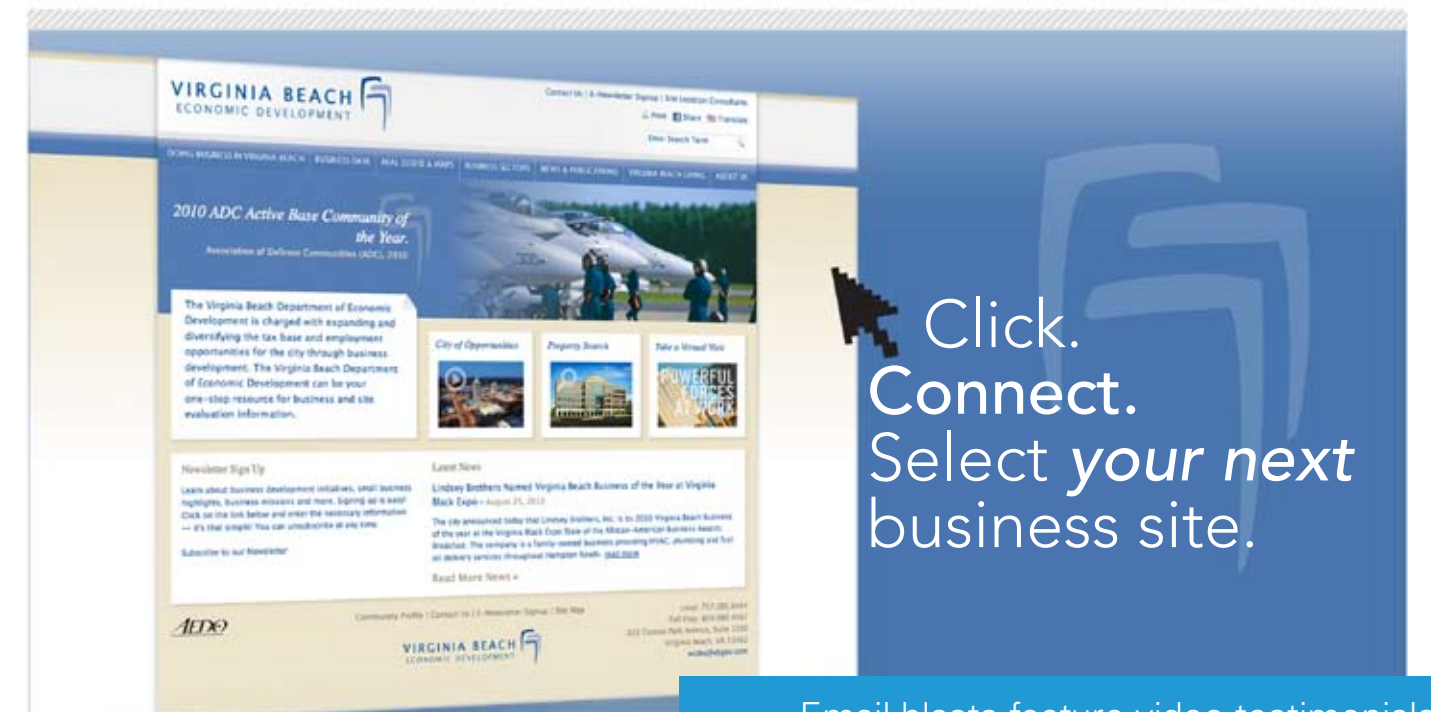
Marketing Our Strengths

Targeted Marketing Showcases Virginia Beach's Success

In 2009, the Virginia Beach Department of Economic Development continued to market the City's strengths as a business location and further cemented the campaign and tagline, *Powerful Forces at Work*. The unique selling proposition for Virginia Beach showcases our Mid-Atlantic location, contemporary resort lifestyle, and abundant, highly skilled workforce.

VBDED has an extremely targeted database of site selection consultants, real estate advisors, and corporate leaders who received regular updates about Virginia Beach's success throughout the year in email blasts. These communications often featured video testimonials of Virginia Beach executives. These video testimonials are also featured on a newly designed yesvirginiabeach.com web site and a micro site, powerfulforcesatwork.com. The sites contain all the information needed to relocate or open a business in Virginia Beach.

In many instances, the video email blasts were sent to trade show attendees as a follow up to a marketing trip or to targeted audiences as a follow up to the online advertising campaign. By distributing these individually, the Virginia Beach Department of Economic Development is able to track how many people view the message, and the response rates are measured.

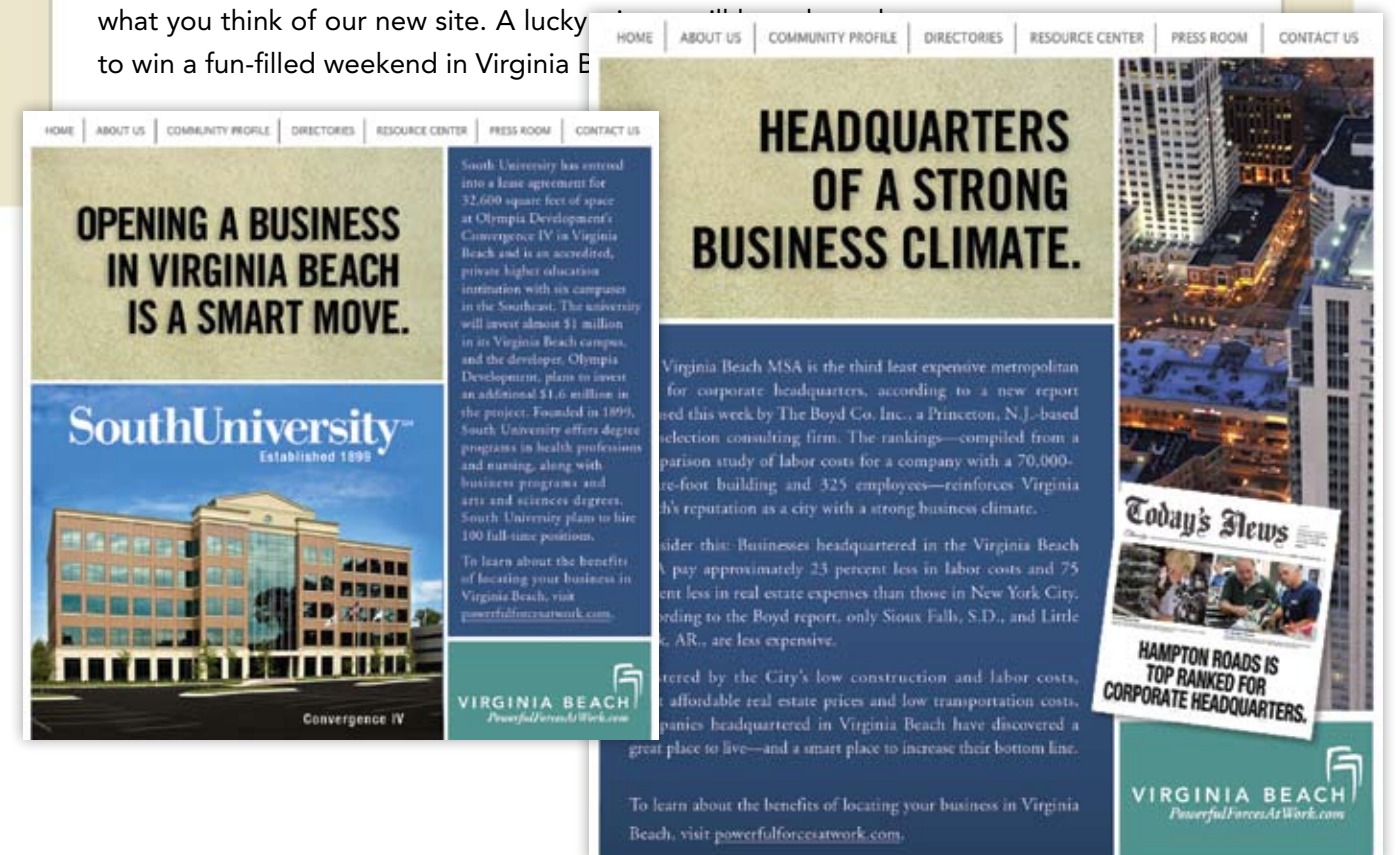


Email blasts feature video testimonials

Virginia Beach launches a new Website that shows businesses wishing to relocate or expand. It's easy to see why Virginia Beach has been named one of the best places to live and launch a business.

Newly designed yesvirginiabeach.com

In fact, we invite you to take a test drive. [Click here](#) to tell us what you think of our new site. A lucky winner will win a fun-filled weekend in Virginia Beach.



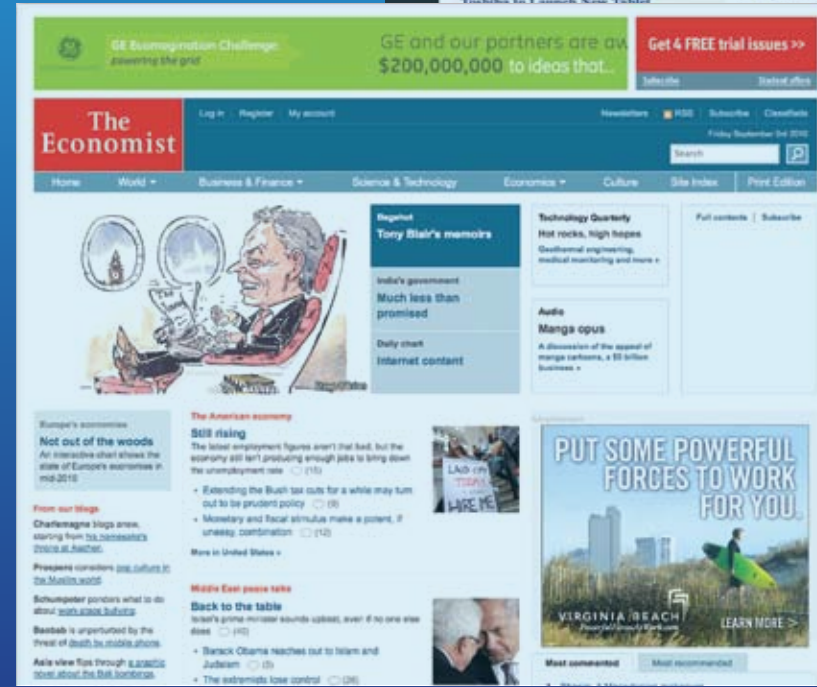
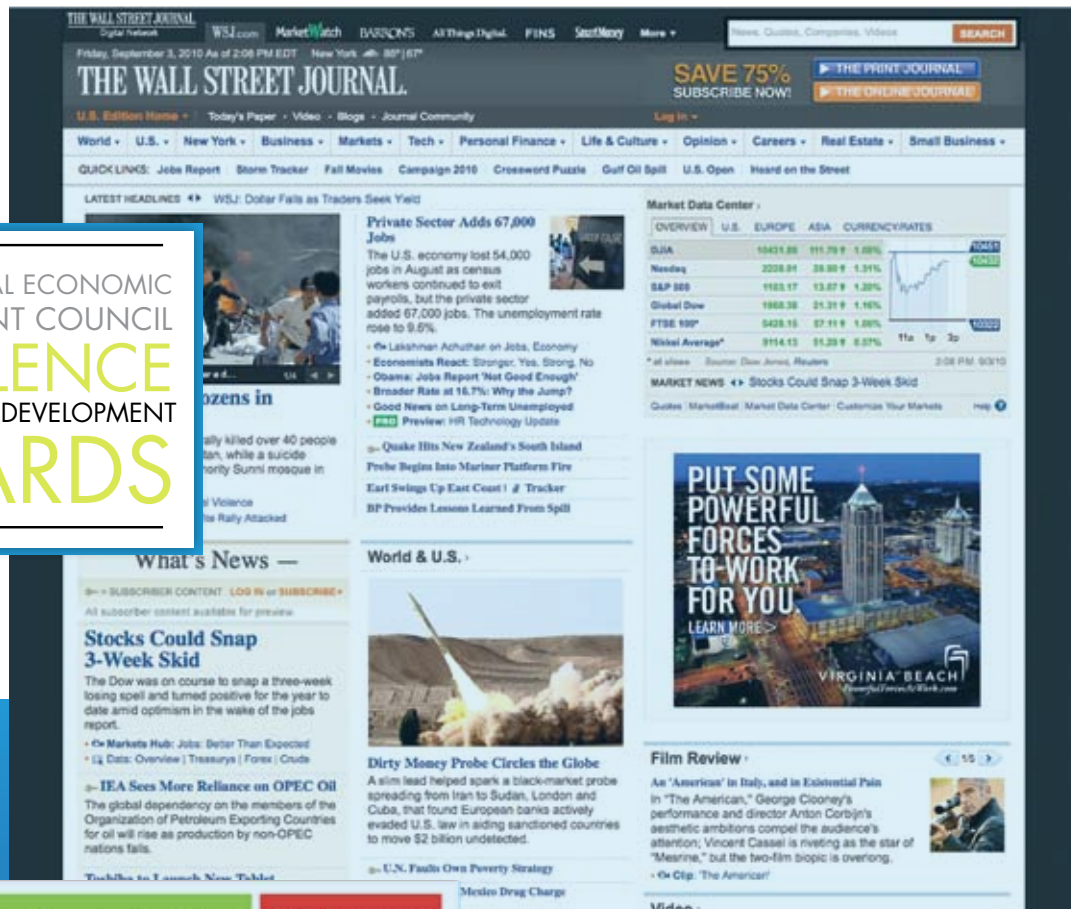
The Virginia Beach Department of Economic Development's 2009 marketing program has been selected as a winner in the paid advertising campaign category, one of the most competitive and comprehensive in all of economic development.

Print ads, specifically targeting site selection consultants, ran in Virginia Business magazine, which was also inserted into the national Site Selection magazine. VBDED also delivered its message to the Asian market through an ad in Nikkei – SEUS edition.

VBDED also ventured into social media with an active Facebook and Twitter presence. The friends of the City are growing, and it has proven to be a very cost effective and timely way to distribute information to an interested audience.



2010
INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL
EXCELLENCE
IN ECONOMIC DEVELOPMENT
AWARDS



Online ads were featured in the Wall Street Journal and the Economist. These ads linked directly to the web site so the department is able to measure the success of each ad by traffic to the web site and direct contact with VBDED. Economist.com produced a total of 562,318 impressions, delivering a total of 590 click throughs. Wall Street Journal.com produced a total of 561,783 impressions, delivering a total of 331 click throughs. Both of these sites were the top two referring sites for visitors to the VBDED web site.

WE'RE MAKING WAVES

Virginia Beach, Virginia is ranked one of the top cities in the U.S. to live and launch a business, *Fortune Small Business*

With one of the fastest-growing international ports on the East Coast, a skilled labor force that benefits from the strong work ethic of exiting military personnel, and a water-oriented lifestyle, it's easy to see why the City of Virginia Beach is a great place to locate your business. To find out more about how to put Virginia Beach powerful forces at work for you, email Warren D. Harris, Director of Economic Development at wharris@vb.gov or Scott Hall, Business Development Coordinator at schall@vb.gov.com.

VIRGINIA BEACH
powerful forces at work

Virginia Beach, Virginia 23462
www.powerfulforcesatwork.com



POWERFUL FORCES AT WORK.

With one of the fastest-growing international ports on the East Coast, a skilled labor force that benefits from the strong work ethic of exiting military personnel, and a water-oriented lifestyle, it's easy to see why Japanese companies such as ARAI Americas, Inc. and NGK-Locke Polymer Insulators, Inc. have chosen to locate in the City of Virginia Beach. To find out why your business should, too, email Warren D. Harris, Director of Economic Development, at wharris@vb.gov or Scott Hall, Business Development Coordinator, at schall@vb.gov.com for more information.

Virginia Beach, Virginia 23451 • USA
www.yesvirginiabeach.com

VIRGINIA BEACH
ECONOMIC DEVELOPMENT

Major Companies Representative of Business Base with 50 or more Employees

Name	Product/Service	Appx. # of Employees
Sentara Healthcare	Health services	4,600
SAIC	Defense Contractor	2,500
Stihl Inc.	Manufacture of power driven tools	2,000
GEICO	Insurance	2,000
Navy Exchange Service Command	Corporate headquarters; retail management	2,000
Amerigroup Corporation*	Corporate headquarters; healthcare services	1,850
Christian Broadcasting Network	Motion picture, video & television production	1,000
AVIS Budget Group, Inc.	Accident liability center; customer service center	500
NCO Financial Systems, Inc.	Collections & financial services	500
LifeNet Health	Tissue & organ bank	500
Penrod Company	Import & distribution	500
Electronic Systems	Computer related training services	400
Chartway Federal Credit Union	Corporate headquarters	375
ADS	Supplier of tactical and special operations equipment	350
Liberty Tax Services	Corporate headquarters	310



Name	Product/Service	Appx. # of Employees
Coastal Training Technologies Corporation	Video production services; computer software development	300
ProSoft	Computer services	300
VT Milcom	Defense contractor	280
London Bridge Trading Company	Production and sales of military/commercial law enforcement products	260
Q.E.D. Systems	Marine engineering & technical services	250
Hermes Abrasives	US headquarters; manufacture of industrial coated abrasives	250
Fulton Bank	Commercial banking services	200
NGK-Locke Polymer Insulators, Inc.	US headquarters; manufacture of electrical insulators	170
Busch Manufacturing	Manufacture of industrial pumps & associated equipment	150
AvalonBay Communities	Customer care and shared services center	130
Controls Corporation of America	Manufacture of industrial pressure valves & regulators	130
URS Corporation	Engineering consultants	130
Skanska USA	Industrial construction	130

*Fortune 500 Company