



CITY OF VIRGINIA BEACH 2007 ECONOMIC DEVELOPMENT STRATEGY UPDATE

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Executive Summary

The City of Virginia Beach has grown remarkably over the past several years. In fiscal year 2006-2007, 1,618 new jobs were created, and over \$163 million in new capital investment was realized. The City also located 32 new businesses and expanded or retained 43. Quality of life continues to increase through new job opportunities, creation of new amenities and urban centers, and increases in public tax revenues from the City's commercial tax base.

To capitalize on the City's growth, an update to the Economic Development Strategy was commissioned. This update was designed to refocus the recommendations of the 2000 Economic Development Strategy, building from the City's growth and strong competitive strengths while recognizing the City's competitive disadvantages.

Work Completed

The effort to update the City's Economic Development Strategy involved stakeholder interviews, field research, and technical analysis of eleven major issue areas impacting the city's prospects to achieve economic development. The results of this technical analysis as well as detailed findings and recommendations within these major issue areas are recorded in nine technical memoranda identified as follows:

1. Analysis of Strengths, Weaknesses, Opportunities, Constraints (SWOC) from Stakeholder Interviews
2. Industry Cluster Analysis
3. Regional Demographic and Economic Trends, Recent Trends in Business Growth and Expansion Current Real Estate Market, and Land Use Conditions
4. Evaluation of HREDA's Role in City of Virginia Beach Business Recruitment
5. Evaluation of Public-Private Partnerships
6. Market Analysis
Identification of Target Industries and Firms
7. Workforce Development
8. Opportunities for Women and Minorities
9. City Job Creation Standards

Report Organization

This report represents the culmination of the City of Virginia Beach Economic Development Strategy 2007 Update. Key demographic, economic, and market trends identified and analyzed over the course of the study are presented in this report, followed by an action agenda to achieve the City's economic development goals. Additional analysis and details regarding implementation of the action agenda are found in the major issue area technical memoranda.

Updates to 2000 Report

Issues Addressed

The 2000 Economic Development Strategy includes the following eight sections.

- Section 1. Overview: Background and purpose.
- Section 2. Existing Conditions: key demographic and economic data.
- Section 3. Targeting: Expanding opportunities in selected industries and sectors.
- Section 4. Marketing: Communicating an image for economic development.
- Section 5. Land Development: Finding space for industrial growth.
- Section 6. Business Assistance: Providing support and training assistance.
- Section 7. Organization: Aligning staff resources and program requirements.
- Section 8. Conclusion: Summary of recommendations.

The 2007 report includes the following sections:

- 1 Demographic, Economic, and Market Trends
 - 1.1 Demographic Trends
 - 1.2 Economic Trends
 - 1.3 Real Estate Market Trends
- 2 Economic Development Goals
- 3 Action Agenda
 - 3.1 Firm/Industry Targeting
 - 3.2 Workforce Development
 - 3.3 Strengthening of Women and Minority Business Opportunities
 - 3.4 Financing and Funding
 - 3.5 Identification of Land and Building Space
 - 3.6 Marketing

In sum, the 2007 report addresses existing demographic and economic conditions, targeting, marketing, land development, business assistance, organization (as was addressed in 2000). The 2007 Update ALSO addresses real estate market conditions, strengthening of women and minority business opportunities, the City's coordination with the Hampton Roads Regional Economic Development Alliance (HREDA), and detailed recommendations regarding financing and funding strategies to achieve economic development.

The Firm/Industry Targeting was an area of special focus in which the 2000 targets were updated to respond to the City's competitive strengths and disadvantages.

Economic Development Goals

The 2000 Economic Development Strategy identified the following goals:

- Improve workforce skills through technical training and higher education.
- Market the City effectively, internally and externally.
- Target businesses that support income growth.
- Redevelop older parts of the City.
- Enhance tourism activities.

The 2007 study presents the following updates to the City's economic development goals:

- Achieve growth in updated target industries.
- Efficiently utilize limited amount of commercial space and developable land.
- Facilitate the redevelopment of underutilized land.
- Enhance application of economic development financing tools to achieve growth in target industries.
- Create opportunities for suppliers, distributors and workers with office-based skills in the area.

- Diversify the City’s workforce and job market.
- Enhance the ability to secure major “deals” with major employers who conduct business on a national or international level.
- Build upon the City’s quality of life and amenities in order to recruit firms that will provide higher-quality jobs.
- Supply the necessary infrastructure and cultivate the professional agglomeration/clustering of firms and companies to create a better business and employment environment.
- Broaden the international presence of Virginia Beach.

The 2007 goals are based on the findings of the economic, demographic, and market analysis.

Action Agenda

The 2000 Economic Development Strategy identified the following action agenda items:

Provides recommendations related to the following five agenda items:

- Give high priority to assisting businesses in expansion and job creation.
- Expand efforts to develop and redevelop land and sites.
- Expand and intensify targeting efforts.
- Refocus marketing activities and align them with its targets.
- Align organizational resources to reflect strategic priorities.

The 2007 Report provides detailed recommendations regarding strategies to achieve economic development goals in the following six issue areas – as requested by the client as focus areas:

- Firm/Industry Targeting
- Building a Workforce That Supports Desired Industries
- Increasing and Enhancing Opportunities for Women and Minority-owned Firms
- Providing Financing/Funding Mechanisms to Recruit Industries
- Providing/Facilitating Identification of Needed Land or Building Space
- Establishing Relationships and Marketing Approaches

As mentioned above, the Firm/Industry Targeting was an area of special focus. Many of the action agenda strategies in the subsequent issue areas (i.e. workforce development, financing and funding, land and building space, and relationships and marketing) align with the new firm/industry targets.

Monitoring and Evaluation

Monitoring of the City’s economic development strategy and its success in achieving economic development goals is key to maintaining focus and relevancy in a constantly changing and evolving economic environment. The significant updates to the 2000 report, as presented in this summary, are a vivid illustration of the need to conduct frequent analysis of demographic, economic, and market trends, to confirm that the City’s strategy and economic development goals align with political and economic realities, and to make changes in City policy and allocation of resources where appropriate. To that end, this 2007 report should represent the first of frequent updates to the City’s Economic Development Strategy to ensure that the City keeps pace with regional, national, and global economic and market trends and maintains focus on achieving priority economic development goals.

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1 Demographic, Economic, and Market Trends

The analysis of major issue areas impacting the city's prospects to achieve economic development resulted in identification of key demographic, economic, and market trends.

1.1 Demographic Trends

Population

Virginia Beach continues to lead most other communities within the Hampton Roads region in population and income levels. As the population table below shows, Virginia Beach is almost twice as large in population as Norfolk, the next largest city. Population growth accelerated slightly from 2000-06, compared with the period from 1990-2000. Growth projections for the next five years project a slower rate of growth of .72%, less than population growth projections for the Metropolitan Statistical Area (MSA) for the same time period. Faster growing communities in this table include Suffolk, which will continue to grow at more than five times the rate for Virginia Beach. Chesapeake is projected to grow at a rate more than twice as fast as Virginia Beach over the next five years, while several communities are expected to see slow or negative population growth.

Figure 1: Population Profile -- Virginia Beach and Surrounding Communities

City	1990	2000	2006	2011 (est.)	Growth Rates		
					1990-00	2000-06	2006-11
Virginia Beach	393,069	425,257	447,986	464,252	0.79%	0.87%	0.72%
Norfolk	261,229	234,403	239,083	244,553	-1.08%	0.33%	0.45%
Chesapeake	151,976	199,184	219,483	236,853	2.74%	1.63%	1.53%
Hampton	133,793	146,437	146,350	145,854	0.91%	-0.01%	-0.07%
Protsmouth	103,907	100,565	99,217	98,556	-0.33%	-0.22%	-0.13%
Suffolk	52,141	63,677	81,480	100,082	2.02%	4.19%	4.20%
Newport News	170,045	180,150	184,254	188,757	0.58%	0.38%	0.48%
Regional MSA	1,449,389	1,576,370	1,679,612	1,767,992	0.84%	1.06%	1.03%
Virginia	6,187,358	7,078,515	7,775,963	8,441,598	1.35%	1.58%	1.66%

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

Income

Household and per capita income levels are another area that Virginia Beach shows relative dominance within the Hampton Roads area. Figures 2 and 3 below show various income levels for the City and the growth over the most recent period of 2000 - 2006. Virginia Beach is projected to show strong household income growth for the next five years. Average and per capita income levels will also grow at close to 4% on a compound average basis.

Income Profile	Year			Compound Annual Percentage Change	
	2000	2006	2011	2000-2006	2006-2011
Median Household Income	\$48,681	\$59,105	\$68,733	3.29%	3.06%
Average Household Income	\$60,389	\$75,008	\$89,845	3.68%	3.68%
Per Capita Income	\$22,365	\$27,847	\$33,549	3.72%	3.80%

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

Within the Hampton Roads region, Virginia Beach continues to have the highest household income numbers except for the City of Chesapeake. Since 1990, Chesapeake has overtaken Virginia Beach to become the leading city in the region in terms of household income growth. Chesapeake and Portsmouth are projected to lead in household income growth over the next five years, as the table below shows.

City	Household Income				Compound Annual Growth Rate		
	1990	2000	2006	2011 (est.)	1990-2000	2000-2006	2006-2011
Virginia Beach	\$36,271	\$48,681	\$59,105	\$68,733	2.99%	3.29%	3.06%
Norfolk	\$23,563	\$31,945	\$38,826	\$45,006	3.09%	3.30%	3.00%
Chesapeake	\$35,737	\$50,745	\$61,578	\$71,850	3.57%	3.28%	3.13%
Hampton	\$30,144	\$39,541	\$48,045	\$55,499	2.75%	3.30%	2.93%
Portsmouth	\$24,601	\$33,782	\$40,354	\$47,085	3.22%	3.01%	3.13%
Suffolk	\$26,125	\$41,114	\$49,601	\$56,620	4.64%	3.18%	2.68%
Newport News	\$27,469	\$36,693	\$44,082	\$50,877	2.94%	3.10%	2.91%
Regional MSA	\$30,742	\$42,698	\$51,915	\$60,419	3.34%	3.31%	3.08%

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

Ethnic Diversity

Virginia Beach's population by race shows a less diversity among racial categories than the larger MSA. Figures 4 and 5 provide comparisons of population by race from 1990 to 2000, both for Virginia Beach and the MSA.

Ethnic Group	1990	% of Total	2000	% of Total	% Change 1990 - 2000
	Total	393,069	100.0%	425,257	100.0%
White	311,018	79.1%	303,681	71.4%	-0.24%
African American	54,305	13.8%	80,593	19.0%	4.03%
American Indian or Alaska Native	1,384	0.4%	1,619	0.4%	1.58%
Asian	16,620	4.2%	20,869	4.9%	2.30%
Pacific Islander	365	0.1%	416	0.1%	1.32%
Some Other Race	3,578	0.9%	6,402	1.5%	5.99%
Two or More Races	5,799	1.5%	11,677	2.7%	7.25%
Diversity Index	39.2		49.6		2.38%

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

Figure 5: Hampton Roads MSA Population by Race (1990 and 2000)

Ethnic Group	1990	% of Total	2000	% of Total	% Change 1990 - 2000
Total	1,449,389	100.0%	1,576,370	100.0%	0.84%
White	311,018	972,173	67.1%	983,682	62.4%
African American	54,305	13.8%	407,790	28.1%	488,892
American Indian or Alaska Native	1,384	0.4%	4,816	0.3%	6,232
Asian	16,620	34,065	2.4%	42,990	2.7%
Pacific Islander	365	0.1%	1,213	0.1%	1,332
Some Other Race	3,578	0.9%	11,019	0.8%	18,509
Two or More Races	5,799	18,313	1.3%	34,733	2.2%
Diversity Index	39.2	49.4		54.3	

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

As presented in the tables, Virginia Beach is becoming a more diversified city. From 1990 to 2000, the percentage of residents classified as *white* decreased from 79% to 71%, while minority categories either maintained or increased their percentages of total population. In 1990, African-Americans' representation in the city's population was roughly equivalent to their representation nationwide. By 2000, however, African-American representation increased to 19% of the population, a 38% increase.

The latest population estimates for Virginia Beach as of 2006 indicate that African-American representation is leveling off at approximately 20%, while Asian and Pacific Islanders are showing strong increases in population, now accounting for 6.2% of the population. Residents identifying as white alone now account for 65% of the population, down from 71.4% in 2000. Some residents identify with more than one category. The population counts for race/ethnicity identification are higher than are the counts for persons. This indicates that some persons have been double counted for racial/ethnic identity. Figure 6 compares Virginia Beach's population by race/ethnicity to those of other Hampton Roads communities. Although Virginia Beach has increased its population diversity, it is still the least diverse community within the Hampton Roads region.

Figure 6: Hampton Roads Communities Population Breakdown By Race/Ethnicity (2006)

	Virginia Beach	Norfolk	Chesapeake	Hampton	Portsmouth	Suffolk	Newport News	MSA
White Alone	65.10%	43.19%	62.31%	47.21%	42.14%	50.18%	47.79%	57.81%
African-American Alone	19.90%	43.33%	29.42%	44.37%	51.47%	45.02%	38.31%	30.70%
American Indian Alone	0.40%	0.46%	0.41%	0.41%	0.48%	0.31%	0.42%	0.40%
Asian Alone	5.81%	3.29%	2.26%	1.82%	0.93%	0.95%	2.73%	3.21%
Pacific Islander Alone	0.40%	0.11%	0.06%	0.09%	0.07%	0.03%	0.13%	0.09%
Other Race Alone	1.85%	2.04%	0.89%	1.01%	0.77%	0.45%	2.19%	1.41%
Two or More Races	3.50%	2.93%	2.00%	2.33%	1.98%	1.48%	3.27%	2.58%
Hispanic Origin	5.24%	4.64%	2.66%	2.77%	2.15%	1.59%	5.17%	3.80%

Source: ESRI Business Information Solutions 2007, U.S. Census Bureau 2000

Military Representation in the Hampton Roads Region

Military representation in the adult working population in Virginia Beach and the Hampton Roads region deserves a closer look for two reasons: 1) military personnel are not otherwise included in civilian employment figures; 2) the high concentration of active duty personnel, reserve military personnel, and civilian veterans in the Hampton Roads region has a strong impact on the regional economy¹. Figure 7 shows the active duty personnel and civilian veterans and their representation within several Hampton Roads communities.

Figure 7: Hampton Roads Communities Military and Civilian Veterans (2005)

Area Name	Population 16 Yrs. +	Active Duty Military	Civil Veterans*	% of Total Population	
				Active Duty	Retired
Virginia Beach	327,800	19,900	62,800	6.07%	19.16%
Norfolk	152,900	1,720	26,500	1.12%	17.33%
Chesapeake	163,600	6,250	26,400	3.82%	16.14%
Hampton	103,300	5,750	23,600	5.57%	22.85%
Portsmouth	72,000	3,950	11,900	5.49%	16.53%
Suffolk	60,300	1,980	9,800	3.28%	16.25%
Newport News	131,000	5,700	22,800	4.35%	17.40%

Source: U.S. Census Bureau American Community Survey, 2005

Virginia Beach contains the largest number of active duty personnel living in the area. No information is available to determine the distribution of rank and grade within each community, so there is no way of knowing whether higher earning personnel are residing in Virginia Beach than elsewhere. However, military personnel residing in Virginia Beach receive additional non-wage benefits including housing allowances that add significantly to total purchasing power. In terms of civilian veterans, 19.6% of Virginia Beach's working-age population has served in the military. Given that military personnel leave the Armed Forces at relatively young ages, they represent a highly skilled portion of the labor force. Of the 62,800 civil veterans in Virginia Beach, 23,721 are classified as "retired military" and receive military pensions equivalent to \$46,715,000 each month.² These individuals not only contribute to the civilian labor force upon retirement but also contribute to the regional economy with civilian earned income as well as their military pensions.

¹ Civilian veterans refers to all former military personnel no longer serving in the military, regardless of whether they have served 20 years and are receiving retirement benefits.

² Source: Department of Defense Office of the Actuary, Fiscal Year 2006 DOD Statistical Report on the Military Retirement System, "Military Personnel Receiving and Not Receiving Pay from DoD as of September 30, 2006 (Payment in Thousands)"

1.2 Economic Trends

City At Place Employment

Figure 8 presents the industries with greatest concentrations - by number of employees - in Virginia Beach in 2006.

Figure 8: City of Virginia Beach 25 Industries with Highest Total Employment			
NAICS Code	Industry	# of Establishments	# of Employees
7221	Full-Service Restaurants	447	9,717
7222	Limited-Service Eating Places	432	7,477
5613	Employment Services	76	5,559
5413	Architectural and Engineering Services	211	4,871
6211	Offices of Physicians	241	4,291
5617	Services to Buildings and Dwellings	407	3,953
4451	Grocery Stores	79	3,778
4529	Other General Merchandise Stores	61	3,753
7211	Traveler Accommodation	116	3,620
7139	Other Amusement & Recreation Industries	114	3,334
2382	Building Equipment Contractors	296	3,106
5241	Insurance Carriers	96	2,892
5511	Management of Companies and Enterprises	96	2,861
9221	Justice, Public Order, and Safety Activities	18	2,773
5415	Computer Systems Design and Rel Services	202	2,657
4411	Automobile Dealers	73	2,497
2381	Building Foundation/Exterior Contractors	218	2,304
9281	National Security & International Affairs	8	2,289
5614	Business Support Services	62	2,133
4521	Department Stores	17	2,125
2361	Residential Building Construction	429	2,123
4481	Clothing Stores	137	1,922
4471	Gasoline Stations	177	1,815
5411	Legal Services	247	1,771
5311	Lessors of Real Estate	137	1,739

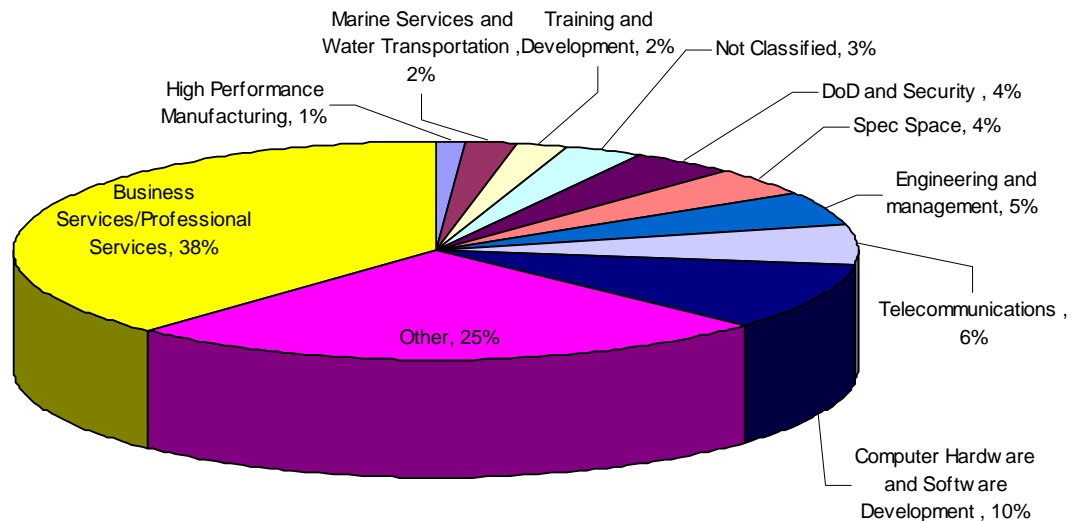
Source: Labor Market Statistics, Covered Employment and Wages Program; 2006 Annual Quarterly Census of Employment And Wages Sector (4 digit) data for Virginia Beach

The highlighted industries are those categories which coincide with the City's target industries. Seven of the twenty-five "Top Industries" coincide with City targets, namely in science and engineering, management of companies and enterprises, construction, national security and international affairs.

City Business Growth and Expansion Trends – by Industry

Figure 9 presents a distribution of the growth in the number of business establishments by industry type over the past seven years within the City of Virginia Beach.

Figure 9: City of Virginia Beach Distribution of New Business Establishments by Industry Type (2000 – 2006)



Source: City of Virginia Beach Department of Economic Development, 2000 - 2006

As presented in the chart, almost one half of the new business growth has been in the following two sectors:

- Business Services/Professional Services (38 percent)
- Computer Hardware and Software Development (10 percent)

The specific industries included in the “Business Services/Professional Services category are Finance, Insurance and Real Estate (FIRE), Banking Services, Consulting, Title companies and Law firms.

Industries experiencing moderate growth levels are:

- Telecommunications (6 percent);
- Engineering and management (5 percent);
- DoD and Security (4 percent).

Industries that have not grown significantly over the years are:

- High Performance Manufacturing (1 percent);
- Marine Services and Water Transportation (2 percent);
- Training and Development (2 percent).

City Labor Force

Figure 10 is a table presenting U.S. Census 2000 labor force data for the employed civilian Virginia Beach population 16+. The labor force data has been organized into categories reflective of the City's current industry targets.

Figure 10: City of Virginia Beach Occupations for the Employed Civilian Population 16+ Years (2000)

Occupations	# of Residents	% of Total
General Office/Sales/Management		
Office and administrative support occupations	31,836	16.3%
Sales and related occupations	26,861	13.8%
Management occupations, except farmers and farm managers	17,692	9.1%
SUBTOTAL	76,389	39.2%
Business and Financial Specialist Occupations		
Business operations specialists	4,932	2.5%
Financial specialists	4,542	2.3%
Legal occupations	2,250	1.2%
SUBTOTAL	11,724	6.0%
Construction and Repair Occupations		
Supervisors, construction and extraction workers	2,061	1.1%
Construction trade workers	8,962	4.6%
Installation, maintenance, and repair occupations	8,461	4.3%
Extraction workers	70	0.0%
SUBTOTAL	19,554	10.0%
Transportation Occupations		
Supervisors, transportation and material moving workers	382	0.2%
Material moving workers	3,156	1.6%
Aircraft and traffic control occupations	521	0.3%
Motor vehicle operators	4,075	2.1%
Rail, water and other transportation occupations	884	0.5%
SUBTOTAL	9,018	4.6%
Production Occupations		
Production occupations	8,482	4.4%
SUBTOTAL	8,482	4.4%
Healthcare and Social Assistance Occupations		
Health diagnosing and treating practitioners and technical occupations	7,091	3.6%
Healthcare support occupations	3,142	1.6%
Health technologists and technicians	3,015	1.5%
Community and social services occupations	3,038	1.6%
Personal care and service occupations	6,055	3.1%

SUBTOTAL	22,341	11.5%
Technical, Science, Engineering Occupations		
Computer and mathematical occupations	5,094	2.6%
Architects, surveyors, cartographers, and engineers	3,181	1.6%
Drafters, engineering, and mapping technicians	1,638	0.8%
Life, physical, and social science occupations	707	0.4%
SUBTOTAL	10,620	5.4%
Other Occupations		
Protective service occupations	4,389	2.3%
Arts, design, entertainment, sports, and media occupations	3,739	1.9%
Food preparation and serving related occupations	10,066	5.2%
Building and grounds cleaning and maintenance occupations	5,336	2.7%
Education, training, and library occupations	12,910	6.6%
Farming, fishing, and forestry occupations	247	0.1%
Farmers and farm managers	108	0.1%
SUBTOTAL	36,795	18.9%
TOTAL	194,923	100.0%

Source: U.S. Census 2000

As presented in the chart, almost 40 percent of the City's employed residents are in administrative support, sales, and general management positions. These occupations are the top three most highly represented occupations in the City. The second most highly represented group of overarching industry categories is healthcare and social assistance. Almost 12 percent of the City's employed residents work as healthcare practitioners, healthcare technicians, community and social service providers, and personal care support workers. Construction and repair occupations make up the third largest industry category, with 10 percent of the City's residents working as supervisors or trade workers in these fields.

Skillsets of Retiring Military

The Virginia Beach Department of Economic Development recently compiled data on all Navy members exiting military service in the Hampton Roads area from September 2006 to September 2007. They also included each Navy rating with a comparative civilian standard occupational classification code and data further defined by length of military service prior to exit. Of those 16,039 Navy members who exited the military in the past year, the overwhelming majority (seventy six percent or 12,189 members) exited the Navy with 10 years or less military experience. Of those with ten years or less experience, fifty-five percent (8,821) left the Navy with six years or less of military service. Navy members exiting with 21 – 31 years of service represented sixteen percent (2,566) of all those exiting the Navy in Hampton Roads. The vast majority of exiting military are those who are highly trainable, motivated and seasoned workers.

The distribution of exiting military occupations is presented in the table below:

Figure 11a: Distribution of Exiting Military Occupations (By SOC Code) 9/06 - 9/07

Major SOC Category	# of Exiting Military	% of Total
Enlisted Military Training (no related SOC)	1,017	6.34%
business and Financial	48	0.30%
Computer and Mathematical	3	0.02%
Architecture and Engineering	851	5.31%
Life, Physical and Social Science	70	0.44%
Art, Design, Entertainment, Sport, and Media	142	0.89%
Healthcare Support	421	2.62%
Protective Services	1,344	8.38%
Cooks, Institution & Cafeteria; Food Preparation Workers	656	4.09%
Office and Administration Support	1,928	12.02%
Construction and Extraction	695	4.33%
Installation, Maintenance, and Repair	3,849	24.00%
Production	574	3.58%
Transportation and Material Moving	2,307	14.38%
Military Specific	2,134	13.31%
Total	16039	100.00%

Source: Naval Support Activity, Virginia Beach Department of Economic Development

A significant number of military exiting in the Hampton Roads area possess skill sets which closely match the labor markets of industries identified in previous BBPC deliverables as highly desirable for future business development. Using the City's Navy members exiting military service data and marrying this data to the target industries produces impressive findings.

Figure 11b: Exiting Military with Occupational Skill Sets Matching Virginia Beach Target Industries 9/06 - 9/07

Target Industry Category	# of Exiting Military	% of Total Exiting Military
Construction	695	4%
Management Companies/Corporations (Business/Financial Support)	1,948	12%
Healthcare and Social Assistance	653	4%
High Performance Manufacturing	342	2%
Information Services	2,751	17%
Science/Engineering Research, Management/Technical Consulting	921	6%
Military Specific Occupations	2,134	13%
Total	9,444	59%

Source: Naval Support Activity, Virginia Beach Department of Economic Development

Of the 16,039 total Navy personnel exiting the military this past year, over half (59 percent) of the personnel possess occupational skills sets that match one of the industries targeted by Virginia Beach.

This is exciting news that the Hampton Roads region has a skilled pool of potential workers ready to support the City's recruitment efforts of targeted industries.

Unemployment

The Hampton Roads region maintains consistently lower unemployment levels compared to the Commonwealth and U.S. rates. The table below shows employment and unemployment levels for several cities within the Hampton Roads Economic Development Alliance and compares them to Virginia and U.S. levels.

Area Name	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
Virginia Beach	225,362	219,323	6,039	2.7
Chesapeake	114,316	111,041	3,275	2.9
Hampton	68,220	65,761	2,459	3.6
Newport News	88,078	84,993	3,085	3.5
Norfolk	98,231	94,098	4,133	4.2
Portsmouth	45,564	43,743	1,821	4.0
Suffolk	38,697	37,431	1,266	3.3
MSA	797,016	771,456	25,560	3.2
Virginia	4,048,354	3,924,445	123,909	3.1
U.S.	152,236,000	145,323,000	6,913,000	4.5

Source: Virginia Employment Commission

Within this comparison, Virginia Beach maintains the lowest unemployment rate of all the cities within the region shown for comparison. At 2.7%, Virginia Beach's unemployment rate is almost 2% lower than the U.S. rate, 2% lower than that of Chesapeake, the next lowest within the region, and a half-percentage lower than the MSA rate.

At-Place to At-Work Comparisons

Virginia Beach's high household income levels are not necessarily the result of work within the Virginia Beach confines. Commuters to other cities and towns in the region also earn income that is included in income statistics for Virginia Beach.

Data provided by the Census Bureau from the 2000 Census shows that in that year approximately 127,000 Virginia Beach residents traveled to their jobs within city confines. However, more than 88,000 of Virginia Beach residents, or almost 42%, commuted to work to communities outside of Virginia Beach, including more than 55,000 to nearby Norfolk.

Figure 13: Workers Commuting to Places from Virginia Beach (2000)

Area Name	Workers	% of Total
Virginia Beach city	127,961	58.7%
Norfolk city	55,963	25.7%
Chesapeake city	18,541	8.5%
Portsmouth city	7,318	3.4%
Newport News city	2,319	1.1%
Hampton city	2,020	0.9%
Suffolk city	1,223	0.6%
York County	499	0.2%
Isle of Wight County	205	0.1%
Remaining Areas	1,982	0.9%
Total	218,031	100.0%

Source: U.S. Census 2000

Although the number of Virginia Beach residents working is approximately 225,000, there is a total of 180,000 positions in Virginia Beach, according to data provided by the Virginia Employment Commission. This data calculates the number of business establishments in the city and organizes them into specific job classifications roughly similar to the NAICS categories shown in previous tables.

Change in Number of Minority- and Woman-Owned Firms

An analysis of growth or change in the number of minority- and woman-owned firms and employees in minority- and woman-owned firms from 1997 to 2002 is presented in Figure 14. As presented in the chart, growth in the number of all firms increased by 1,315 firms, or 4.6 percent, in Virginia Beach from 1997 to 2002. This growth rate is compared to 49,383 firms, or 10.3 percent growth, in the Commonwealth of Virginia as a whole (2 percent annual growth) and 1,258 firms, or 10.9 percent growth, in Chesapeake. Percentage growth in minority and woman-owned firms in the City of Virginia Beach is relatively on par with Norfolk and Portsmouth, and far greater than Newport News, which recorded growth of only 0.8% from 1997 to 2002.

Figure 14: Change in the # of Minority and Woman-Owned Firms (1997 - 2002)

		All Firms	Total Minorities	African American	Hispanic or Latino	Asian	Women
Virginia Beach	1997	28,688	4,230	2,290	461	1,399	9,028
	2002	30,003	n/a	2,300	629	1,346	9,517
	% Change 97-02	4.6%	n/a	0.4%	36.4%	-3.8%	5.4%
Virginia	1997	480,122	71,705	33,539	13,703	22,441	132,219
	2002	529,520	n/a	41,165	18,987	30,457	157,030
	% Change 97-02	10.3%	n/a	22.7%	38.6%	35.7%	18.8%
Norfolk	1997	11,415	2,396	1,664	206	486	3,108
	2002	11,825	n/a	1,923	125	450	3,335
	% Change 97-02	3.6%	n/a	15.6%	-39.3%	-7.4%	7.3%
Chesapeake	1997	11,506	1,808	1,093	223	351	3,382
	2002	12,764	n/a	1,753	187	395	3,700
	% Change 97-02	10.9%	n/a	60.4%	-16.1%	12.5%	9.4%
Portsmouth	1997	4,398	1,125	842	n/a	140	1,011

	2002	4,631	n/a	809	n/a	137	1,506
	% Change 97-02	5.3%	n/a	-3.9%	n/a	-2.1%	49.0%
	1997	9,131	1,755	1,397	112	177	2,791
	2002	9,200	n/a	1,532	n/a	376	2,470
Newport News	% Change 97-02	0.8%	n/a	9.7%	n/a	112.4%	-11.5%

Source: U.S. Economic Census 1997 and 2002, BBPC Associates

As compared to growth in all firms, growth in the number of minority firms and woman-owned firms varies greatly.

In Virginia Beach, African American-owned firms grew at a far slower pace (10 new firms or 0.4%) than growth in all firms (1,315 new firms or 4.6%) and growth by comparable firms in Virginia (7,626 new firms or 22.7%), Norfolk (4,259 new firms or 15.6%), and Chesapeake (660 new firms or 60.4%). Growth in African American-firms was only slower in Portsmouth, which posted negative growth from 1997 to 2002.

Growth in Asian-owned firms was also poor, with negative 3.8% growth in Virginia Beach while Virginia as a whole experienced growth of 8,016 new firms, or 35% growth, between 1997 and 2002 (7 percent annual growth). Norfolk and Portsmouth also suffered losses in Asian-owned firms, with only Newport News and Chesapeake experiencing gains.

On the other end of the spectrum, growth in Hispanic or Latino firms was very strong. Virginia Beach posted growth of 168 new firms or 36.4 % growth. This is more than 5 % per year. This growth rate is on par with the Commonwealth of Virginia as a whole and far surpasses any other Hampton Roads city.

Growth in woman-owned firms was also positive. Virginia Beach experienced growth in woman-owned firms slightly higher than growth in all firms. However, despite the gain in woman-owned firms, Virginia Beach's growth was less than increases in woman-owned firms in the Commonwealth as a whole and within all other Hampton Roads cities evaluated except for Newport News.

Industries with Highest Firm Concentration Minority- and Woman-Owned Firms

The types of industries (as categorized by the 2007 North American industry classification system (NAICS)) represented by minority- and woman-owned firms located in the Commonwealth of Virginia were also evaluated. To conduct this analysis, business data from the U.S. Economic Census (2002) was compiled and organized by type of firm (minority group or gender) and by the industry in which the firms operate. Within each firm group, the four industries with the highest representation were identified. Figure 15 presents the results of this analysis.

Figure 15: Industries with Highest Concentration of Minority- and Woman-Owned Firms (2002)

Industry	Industry Rank	Total # of Firms (Owned by Minority or Women)	% of Total Firms (Owned by Minority or Women)
Hispanic-Owned Firms			
Construction	1	5,039	26.6%
Administrative/ support/waste management & remediation	2	3,172	16.7%
Other Services	3	2,042	10.8%
Professional, Scientific, Technical	4	2,027	10.7%
Black- and African American- Owned Firms			
Other Services	1	7,307	17.8%
Health Care and Social Assistance	2	6,235	15.1%
Administrative/ support/waste management & remediation	3	5,022	12.2%
Transportation and Warehousing	4	4,609	11.2%
Asian-Owned Firms			
Other Services	1	6,427	21.0%
Professional, Scientific, Technical	2	4,861	15.9%
Retail	3	3,192	10.4%
Accommodations and Food Services	4	3,075	10.1%
Woman-Owned Firms			
Professional, Scientific, Technical	1	25,976	16.5%
Other Services	2	25,046	15.9%
Retail	3	24,898	15.9%
Health Care and Social Assistance	4	21,662	13.8%

Source: U.S. Economic Census, 2002

As presented in the summary table, each type of firm (Hispanic, Black/African American, Asian, Woman) demonstrates dominance in a different industry group. The highest percentages of Hispanic firms operate in the construction industry, waste management and remediation, other services, and professional/scientific/technical industries. In contrast, the highest percentages of Black- and African American-owned firms operate in other services, health care and social assistance, waste management and remediation, and transportation and warehousing. The highest percentages of Asian-owned firms operate in other services, professional/scientific/technical industries, retail, and accommodations and food services. Finally, the highest percentages of woman-owned firms operate in professional /scientific/technical industries, other services, retail, and health care and social assistance.

The only industry category with a high level of representation across firm groups is “other services.” This category includes a wide variety of industries. The specific sub categories represented within this umbrella category are as follows:

- Repair and Maintenance
- Personal and Laundry Services
- Religious, Grant making, Civic, Professional, and Similar Organizations

Housing Market Trends

Since the time of the last economic development study, Virginia Beach has experienced tremendous asset price inflation, which has resulted in rapid increases in home prices and land values for all development sectors.

Figure 17 shows the increase in home values since 2000. While wages increased by a compounded annual rate of 4.5% from 2000 to 2006, home prices increased by 13.5% for re-sold homes and 17% for new homes. This disparity has made home affordability a key challenge for future economic development success.

Figure 16: City of Virginia Beach Single Family Sales: New Construction & Resales

Year	New		Resale	
	Construction	% Change	Resale	% Change
2000	\$216,523	-	\$161,876	-
2001	\$226,436	4.6%	\$170,296	5.2%
2002	\$274,902	21.4%	\$192,683	13.1%
2003	\$295,124	7.4%	\$219,648	14.0%
2004	\$365,384	23.8%	\$270,338	23.1%
2005	\$473,798	29.7%	\$330,047	22.1%
2006	\$554,059	16.9%	\$346,199	4.9%
Six Year Average*	-	17.0%	-	13.5%

*Compounded Annual Change

Source: Virginia Beach Housing Office

Recent data on Virginia Beach's housing market indicate that the rapid increase in home values over the past six years has slowed considerably. As with many other regions of the U.S., the escalation of home prices coincided with record low interest rates and increasing liquidity, both the result of generous monetary policies of central bankers. This flood of liquidity caused not only escalating home values, but also a wave of building by developers influenced by favorable lending terms.

1.3 Market Trends

Virginia Beach Distribution of Facility Space for New Businesses and Business Expansion

Business growth within the City of Virginia Beach has caused absorption of over 4.8 million square feet of office space, industrial space (i.e. warehouse space, production, and distribution space), flex space (office/warehouse space), retail space, hotels, and mixed use space (vertical and horizontal integration of multiple use types).

An additional 1.5 million square feet is speculative office and warehouse space, of which, almost 20 percent (284,000 square feet) of the speculative office space was completed in 2006.

A distribution of the types of facilities by square feet is presented in Figure 17.

Facility Type	Square Feet	% of Total
Office	2,519,127	39.86%
Industrial	512,189	8.10%
Flex Space	309,208	4.89%
Retail	164,000	2.59%
Mixed Use	2,700,500	42.73%
Hotel	115,000	1.82%
TOTAL	6,320,024	100.00%

Source: City of Virginia Beach Department of Economic Development, 2000 – 2006

New business growth has resulted in more mixed use development than any other type of facility space (42.73 percent). This mixed use development is represented in large part by the Town Center project – over 2.1 million square feet of space. Dam Neck also experienced a degree of mixed use development (523,000 square feet of retail and office space completed at Landstown Commons in 2006).

Office-based business growth is the second largest category – representing almost 40 percent of total business growth.

Industrial space and flex space were the third (8.10 percent) and fourth (4.9 percent) most demanded categories of facility space.

Business expansion has resulted in absorption of almost 6 million square feet of facility space. Figure 18 presents a distribution of the different types of facility space by square feet.

Figure 18: Virginia Beach Distribution of Facility Space for Business Expansion (Sq. Ft.) (2000 - 2006)		
Facility Type	Square Feet	% of Total
Office	2,606,542	43.46%
Industrial	1,126,045	18.78%
Flex Space	1,292,609	21.55%
Retail	24,000	0.40%
Mixed Use	47,889	0.80%
Hotel	900,000	15.01%
TOTAL	5,997,085	100.00%

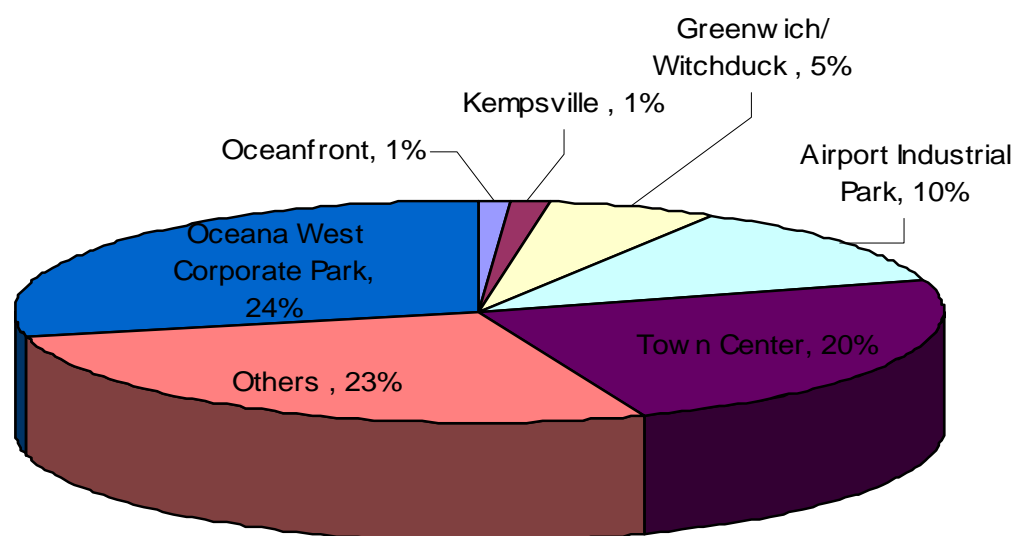
Source: City of Virginia Beach Department of Economic Development (2000 - 2006)

Office uses represents the greatest share of the space absorption - over 2.6 million square feet (44 percent) of space. This office development is represented in large part by Oceana West Corporate Park and the Central Business District. In contrast with the new business space absorption, flex space (21.55 percent) and industrial (19 percent) are the second and third most demanded types of space – absorbing over 2.3 million square feet of space combined.

City of Virginia Beach Location of New Jobs Due to New Business Growth

As presented in Figure 19, there are six major areas that have received new business growth: Airport Industrial Park, the CBD, Greenwich/Witchduck, Oceana West Corporate Park, Virginia Beach Town Center, and Kempsville. New business growth has also occurred in other locations throughout the City, including Great Neck, Rosemont, Bayside, and along the Interstate 264 corridor. The CBD, the Virginia Beach Town Center, and Oceana West Corporate Park have especially large concentrations of new business growth. These spaces contribute to almost 75 percent of all jobs in the City.

Figure 19: City of Virginia Beach Location of New Jobs Due to New Business Growth (2000 – 2006)



Source: City of Virginia Beach Department of Economic Development 2000 - 2006

City of Virginia Beach Location of New Jobs By Industry Type

Figure 20 presents a breakdown of location selection by industry. As presented in the chart, the City's four most dominant target industry sectors were evaluated to determine if they tend to concentrate in any specific geographic locations.

Figure 20: City of Virginia Beach Location of New Jobs By Industry Type (2000 – 2006)

Location	DoD & Security Firms		Business/ Professional Services		Tele-communications		Computer Hardware & Software Development		Other Industries		TOTAL (2000-2006)	
	#	%	#	%	#	%	#	%	#	%	#	%
Airport Industrial Park	231	58%	85	4%	20	3%	10	2%	171	8%	522	10%
CBD	46	12%	319	17%	411	69%	30	7%	163	8%	969	18%
Greenwich/Witchduck	20	5%	85	4%	96	16%	20	5%	78	4%	299	5%
Oceana West Corporate Park	75	19%	484	25%	27	5%	163	39%	489	24%	1238	23%
Oceanfront	0	0%	41	2%	0	0%	0	0%	0	0%	41	1%
Town Center	0	0%	557	29%	0	0%	40	9%	535	26%	1132	21%
Others Areas	15	4%	362	19%	44	7%	159	38%	637	30%	1217	22%
Total	392	100%	1,933	100%	598	100%	422	100%	2,073	100%	5418	100%

Source: City of Virginia Beach Department of Economic Development

The Virginia Beach Town Center and the Oceana West Corporate Park have the highest concentration of jobs, across all industries/sectors.

While there is little evidence of strong industry locational preferences, several industries demonstrate a degree of concentration.

Nearly 60 percent of the new Department of Defense and Security employment (231 out of 392 jobs) are in the Airport Industrial Park. This represents 3 of 10 firms- Securitas USA, Inc., Scientific Research Corp. and Resource Consultants, Inc. More than 70 percent of the new telecommunication industry employment is in the CBD – or 3 of 16 new firms- TEC Communications, Sprint Spectrum and Trader Publishing Company.

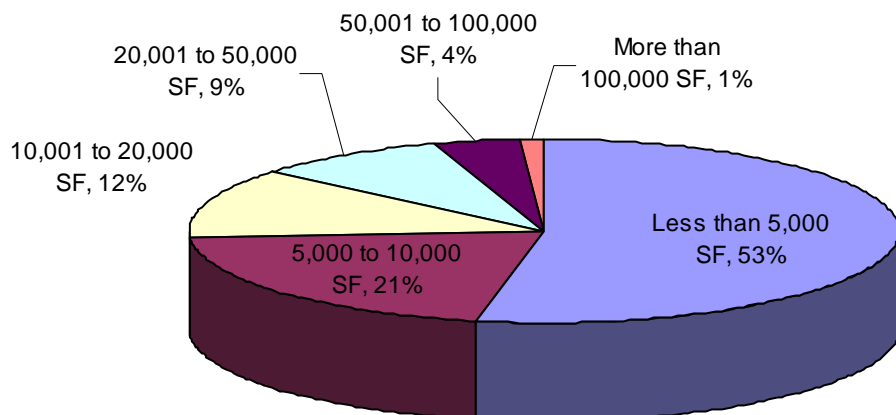
Meanwhile, business services/professional services and computer hardware and software development are located in primarily the Oceana West Corporate Park, the Town Center, and distributed over other locations throughout the City.

In addition to an analysis of locational preferences, an evaluation of preferences related to the amount of space required was also conducted.

City of Virginia Beach Distribution of New Business Establishments by Size

Figure 23 presents a distribution of the new business establishments by size requirements for the 2000 – 2006 time period.

Figure 21: City of Virginia Beach Distribution of New Business Establishments by Size (2000 - 2006)



Source: City of Virginia Beach Department of Economic Development 2000 - 2006

More than 50 percent of the jobs located in spaces less than 5,000 square feet. Another 21 percent is located in spaces between 5,000 and 10,000 square feet. The 10,000 to 20,000 square foot range represents another 12 percent of the business growth by number of jobs. Almost three-quarters of the total new establishments located in spaces that are less than 10,000 square feet in size. The 10,001 to 20,000 square foot range represents another 12 percent – indicating that 85 percent of all the new establishments located in spaces less than 20,000 square feet in size.

Virginia Beach Industrial and Office Space as % of Region

In order to conduct this evaluation of the City's real estate and market conditions, an assessment was conducted of the city's available land and buildings in office parks/submarkets, industrial parks/submarkets, and infill locations.

The City of Virginia Beach has five major concentrations of office, industrial and commercial property - Airport Industrial Park, Greenwich/ Witchduck Corridor, Central Business District/ Pembroke Area (which includes the Virginia Beach Town Center for this analysis), Oceana West Corporate Park/ Lynnhaven Corridor, and Corporate Landing Business Park (Figure 15).

In total, the City of Virginia Beach's current (2007) inventory of commercial and industrial property equates to almost 2,500 acres, 13.5 million square feet of industrial space, and 7.5 million square feet of office space.

Figure 22: Virginia Beach Industrial and Office Space as % of Region (2003 - 2007)

	INDUSTRIAL			OFFICE		
	Hampton Roads	Virginia Beach	Percent Share	Hampton Roads	Virginia Beach	Percent Share
2003	91,257,090	12,261,543	13.44%	25,067,000	6,273,536	25.03%
2004	92,195,051	12,591,789	13.66%	25,400,000	6,931,938	27.29%
2005	95,999,871	12,846,102	13.38%	25,400,000	7,056,649	27.78%
2006	96,836,275	12,399,165	12.80%	25,400,000	7,457,968	29.36%
2007	100,237,510	13,543,677	13.51%	26,200,000	7,585,497	28.95%
Total	476,525,797	63,642,276		127,467,000	35,305,588	

Source: ODU Market Reviews (2003- 2007)

As a point of comparison, the City's inventory of industrial space as a share of the regional inventory is 13.5 percent. The City's office space inventory represents 29 percent of the regional inventory. The capture rates for industrial space are somewhat lower than the City's share of the regional population (26 percent) and the City's share of the regional labor force (28 percent), yet the City's share of regional office space is higher than the City's share of regional population and labor force. While the share of industrial space has stayed relatively constant over the past five years, the share of office space has increased by almost four percentage points.

Major Centers of Industrial and Commercial (Office-Based) Property

The following table provides a summary of the City's inventory of industrial and commercial (office-based) property.

Figure 23: City of Virginia Beach Major Centers of Industrial and Commercial (Office-Based) Property						
Name	Land Area	Available (Undeveloped) Land*	Building Space (SF)	Land Use	Industries	Lease Rates (\$/SF/Year)
Airport Industrial Park	250 acres	0 acres	4 million SF	Light industrial and office space	Manufacturing, warehousing, distribution operations	<u>Industrial</u> \$4.25 to \$8.00
Greenwich/Witchduck Corridor	250 acres	40 acres	1.3 million SF of office space (40 % of total) 1.9 million SF of industrial space (60% of total)	Low and mid-rise suburban office space in business parks, including Interstate Corporate Center, Corporate Woods, and Commercial Park	Corporate headquarters, business operations, regional warehousing and distribution operations	<u>Office</u> Class A: \$18.56 Class B: \$15.19 Class C: 10.00 <u>Industrial</u> \$7.00 to \$13.00
Central Business District/Pembroke	500 acres	0 acres	2.6 million SF	Low and high-rise office space in business parks including Town Center, Pembroke Office Park, Corporate Center, and Convergence Center	Business operations, corporate headquarters	<u>Office</u> Class A: \$24.25 Class B: \$15.42 Class C: \$10.33
Oceana West Corporate Park/Lynnhaven Corridor	1,100 acres	225 acres, which includes 10 acres in Oceana West Corporate Park	1.76 million SF of office space 5.5 million SF of industrial space	Low and mid-rise suburban office space and light industrial space	Corporate headquarters, manufacturing, warehousing, distribution	<u>Lynnhaven Office</u> Class A: \$18.84 Class B: \$13.47 <u>Industrial</u> \$7.75
Corporate Landing Business Park (owned by VBDA)	325 acres	229 acres	325,000 SF		Headquarters, professional services, R&D, high-tech manufacturing	<u>Office</u> \$12.93/SF

Sources: Official Statement: City of Virginia Beach \$75,000,000 General Obligation Public Improvement Bonds, ODU 2007 Market Survey

*Available land data obtained from the City of Virginia Beach Department of Economic Development website

(<http://www.vbgov.com/vgn.aspx?vgnextoid=7dfcb2c08804c010VgnVCM1000006310640aRCRD&vgnnextchannel=69a7e13871b5d010VgnVCM1000006310640aRCRD&vgnnextfmt=default>)

unless property-specific data for VBDA-owned business parks provided in the VBDA 2005-2006 Annual Report

*Refer to page 24 for current asking prices for available land.

The disproportionately low quantity of industrial space is highlighted by the relatively small quantity of land available for new development. In the five major commercial and industrial centers, only two areas have significant quantities of “shovel-ready” land available for new development. Corporate Landing has 229 acres and Oceana West Corporate Park has 10 acres for a total of 330 acres. If land development for build-to-suit office, industrial, and flex space occurs only at the pace it proceeded from 2000 to 2006, (13.6 acres per year), 330 acres represents a 24 year supply and will be absorbed by 2031. If the rate of development increases by 25 percent (17 acres per year), 330 acres will be absorbed by 2026.

Available Vacant Built Size

Available vacant built space is also limited - relative to the City’s size as the largest jurisdiction in the region. Figure 24 presents a 2007 inventory of available office space in Hampton Roads.

Figure 24: Hampton Roads Inventory of Vacant Office Space (2007)

Jurisdiction	Total Available Space SF	% of Total Available Space	Buildings #	% of Total Buildings	Average Space Available/Building SF
Chesapeake	1,811,059	34.26%	62	27.68%	29,211
Franklin City	45,000	0.85%	1	0.45%	45,000
Gloucester	128,188	2.43%	2	0.89%	64,094
Hampton	890,140	16.84%	43	19.20%	20,701
Isle of Wight	98,180	1.86%	3	1.34%	32,727
James City	76,873	1.45%	10	4.46%	7,687
Newport News	219,476	4.15%	12	5.36%	18,290
Norfolk	974,486	18.44%	24	10.71%	40,604
Portsmouth	61,054	1.16%	4	1.79%	15,264
Suffolk	37,182	0.70%	4	1.79%	9,296
Virginia Beach	844,086	15.97%	56	25.00%	15,073
Williamsburg	53,376	1.01%	1	0.45%	53,376
York	46,704	0.88%	2	0.89%	23,352
TOTAL	5,285,804	100%	224	100%	

Sources: Hampton Roads Economic Development Alliance, BBP Associates

The City of Virginia Beach has almost 850,000 SF of built vacant space available for office tenants in 56 different properties. Despite being the largest jurisdiction, the City’s inventory ranks third in size behind Chesapeake, Norfolk, and Hampton, accounting for 16 percent of the region’s inventory. In addition to overall size, the City is also at a competitive disadvantage in terms of average vacant square footage available per building (15,073 SF). This is the third smallest average in the entire region. While small office suites and small floor plates are not a problem for small companies, large companies seeking floor plates in excess of 25,000 square feet may have a difficult time finding available built space within the City.

Availability of vacant industrial space in existing buildings is also a challenge to economic growth in Virginia Beach. The City ranks fourth behind Chesapeake, Hampton, and Suffolk in available vacant industrial space. In addition, the City ranks lowest terms of average space available per property.

Figure 25: Hampton Roads Available Vacant Industrial Space (2007)

Jurisdiction	Total Available Industrial Space		Buildings		Average Available SF/Building
	SF	%	#	%	
Chesapeake	2,317,699	23.62%	56	29.63%	41,387
Franklin City	91,000	0.93%	2	1.06%	45,500
Gloucester	128,188	1.31%	2	1.06%	64,094
Hampton	2,095,583	21.36%	34	17.99%	61,635
Isle of Wight	446,740	4.55%	6	3.17%	74,457
James City	578,574	5.90%	12	6.35%	48,215
Newport News	290,975	2.97%	12	6.35%	24,248
Norfolk	642,682	6.55%	15	7.94%	42,845
Portsmouth	218,992	2.23%	3	1.59%	72,997
Southampton	223,000	2.27%	2	1.06%	111,500
Suffolk	1,719,165	17.52%	11	5.82%	156,288
Virginia Beach	818,389	8.34%	29	15.34%	28,220
York	239,744	2.44%	5	2.65%	47,949
TOTAL	9,810,731	100.00%	189	100.00%	n/a

Source: Hampton Roads Economic Development Alliance.

Lease Rates

In terms of lease rates, Virginia Beach is also at a competitive disadvantage in the office market.

Figure 26: Hampton Roads Office Rental Rates (2007)

Submarket (Jurisdiction)	Average Class A Rents*
Downtown Norfolk	\$21.42
Chesapeake/Greenbrier	\$18.52
Hilltop/Oceanfront (Virginia Beach)	\$23.26
Pembroke/Central Business District (Virginia Beach)	\$24.25
Portsmouth	\$16.10
Newtown/Witchduck	\$18.56
Lynnhaven	18.84
Suffolk	\$11.00

Source: ODU 2007 Market Survey

*Price/SF/Year NNN

The major Virginia Beach submarkets of Hilltop/Oceanfront, Pembroke/Central Business District, Newtown/Witchduck, and Lynnhaven are among the most expensive in the region. At \$23 to \$24 per square foot, Hilltop/Oceanfront and Pembroke/Central Business District are the highest rental rates in Hampton Roads.

Vacancy Levels

Average vacancy rates also pose a challenge for new development. The City of Virginia Beach's submarkets have the lowest vacancy rates in the region. These vacancy levels represent 347,200 SF of Class A space, or 41 percent of the total 844,000 square feet of vacant office space. While low vacancy

rates are typically a sign of healthy market conditions and signal to developers that new space should be built, the lack of available space may make it difficult for target industry tenants seeking Class A space to secure a lease in the City of Virginia Beach.

Figure 27: Hampton Roads Office Vacancy Rates (2007)

Submarket (Jurisdiction)	Average Class A Vacancy Rates*	Available Class A Office Space (sf)	% share of Available Space
Downtown Norfolk	7.12%	120,337	34.63%
Chesapeake/Greenbrier	12.18%	115,208	33.16%
Hilltop/Oceanfront (Virginia Beach)	1.76%	2,335	0.67%
Pembroke/Central Business District (Virginia Beach)	3.15%	31,027	8.93%
Portsmouth	10.53%	9,300	2.68%
Newtown/Witchduck	2.33%	25,383	7.30%
Lynnhaven	5.07%	43,886	12.63%
Suffolk	0.00%	0	0.00%
TOTAL		347,476	100.00%

Source: ODU 2007 Market Survey

City Land Sales

Since 1998 the City has sold 178.1 acres of land, an average of 17.8 acres per year. Of these 178.1 acres, 58.5 acres were sold in Corporate Landing, 76.7 acres were sold in Oceana West, 10.0 acres each were sold in Town Center and Princess Anne, and 22.9 acres were sold in the Holland Road area. Oceana West experienced the most land sale transactions at 12, followed by Corporate Landing (9) and Town Center (7), while Princess Anne Hunt Club and Holland Road each had one transaction. Corporate Landing comprised the largest portion of gross land sales (\$6.2 million of \$18.7 million in total sales or 33%), followed by Oceana West (\$5.2 million), Corporate Landing (\$5.0 million), Holland Road (\$2.1 million) and Princess Anne Hunt Club (\$200,000). These figures are summarized in the table below.

Figure 28: City of Virginia Beach City-Owned Land Sales (1998 – 2007)

Area	# of Sales	# of Acres	Total Price
Corporate Landing	9	58.5	\$ 4,985,615
Oceana West	12	76.7	\$ 5,240,755
Town Center	7	10.0	\$ 6,228,412
Princess Anne Hunt Club	1	10.0	\$ 200,000
Holland Road	1	22.9	\$ 2,062,890
TOTAL	30	178.1	\$ 18,717,672

Source: City of Virginia Beach Department of Economic Development

Below is the annual average price per acre for sales occurring in each of the five areas from 1998-2007.

Figure 29: City of Virginia Beach City-Owned Land Sales Price Per Acre (1998 – 2007)					
Year	Corporate Landing	Oceana West	Town Center	Princess Anne Hunt Club	Holland Road
1998	\$70,000	-	-	-	-
1999	\$85,000	-	-	-	\$90,004
2000	\$95,000	\$77,408	-	-	-
2001	-	\$76,533	-	-	-
2002	\$99,573	\$70,000	-	-	-
2003	\$217,857	\$161,392	-	-	-
2004	-	\$41,511	\$636,387	\$20,000	-
2005	\$95,759	-	-	-	-
2006	\$120,000	\$68,233	\$709,629	-	-
2007	-	\$0	\$1,469,101	-	-

Source: City of Virginia Beach Department of Economic Development 2007

Although there is a great variation in the sale price ranges between areas, there is relative consistency between price ranges and price trends for sales in Corporate Landing and Oceana West, which together make up 70% (21 of 30) of Virginia Beach land sales between 1998 and 2007. This pattern is evident in looking at the graph below showing price per acre comparisons between the areas over these years. Both areas' sale prices ramp up to a peak price in 2003, followed by significantly lower, but upward trending prices from 2004-2006.

2 Economic Development Goals

Analysis of these demographic, economic, and market trends and statistics, as well as interviews with numerous stakeholders and City staff, has led to identification of two overarching goals for economic development in Virginia Beach. These goals are to attract more firms and to provide greater employment opportunities for City residents.

By achieving these goals, The City will be able to address a number of other subgoals, which are as follows:

- Achieve growth in updated target industries.
- Effectively and efficiently utilize limited amount of commercial space and developable land.
- Facilitate the redevelopment of underutilized land
- Diversify the City’s workforce and job market.
- Create opportunities for suppliers, distributors and workers with office-based skills in the area.
- Enhance the use and application of economic development financing tools, such as the Economic Development Investment Program (EDIP), tax abatement, tax increment financing, and industrial revenue bonds to achieve growth in targeted industries.
- Enhance the ability to secure major “deals” with major employers who conduct business on a national or international level.
- Build upon the City’s quality of life and improving its amenities in order to recruit firms that will provide higher-quality jobs.
- Supply the necessary infrastructure and cultivate the professional agglomeration/clustering of firms and companies to create a better business and employment environment.

Analysis of these demographic, economic, and market trends and statistics, as well as interviews with numerous stakeholders and City staff have also led to identification of several key focus areas to develop strategies aiming to achieve the City’s economic development goals.

3 Action Agenda

This section details economic development strategies within several key focus areas to achieve the City's economic development goals.

These focus areas are:

- Firm/industry targeting
- Building a workforce that supports desired industries
- Building and enhancing women and minority-owned firms
- Providing financing/funding mechanisms to recruit industries
- Providing/facilitating identification of needed land or building space
- Establishing relationships and marketing approaches

The following section details the specific findings and implementation strategies within these economic development focus areas designed to achieve the City's economic development goals.

3.1 Firm/Industry Targeting

Newly focused firm/industry targeted is based on analysis of national industry growth projections, local (City) competitive advantages and constraints, local (City) industry growth trends, local (City) industry clusters, and local (City) labor force statistics.

New Industry Targets

Figure 30: City of Virginia Beach Recommended Focused Industry Target Goals	
Industry Category	Recommended Focus Areas
Construction (23)	<ul style="list-style-type: none"> • Building Construction (NAICS Code 236), particularly construction of commercial and multifamily buildings • Heavy and Civil Engineering Construction (NAICS Code 237), particularly highway, street and bridge construction • Specialty Trade Contractors (NAICS Code 238) particularly highly-skilled technicians (electrical contractors, foundation, structure, and building exterior contractors)
Management of Companies and Corporations (55)	<ul style="list-style-type: none"> • Hospitality industry • Professional associations/organizations representing the building construction, real estate, facilities management industries • Insurance company headquarters
Healthcare and Social Assistance (62)	<ul style="list-style-type: none"> • Home health care services • Community care facilities for the elderly • Residential mental health and substance abuse facilities • Residential mental retardation facilities • All other residential care facilities • Offices of physical, occupational and speech therapists, and audiologists • Ambulatory health care services • Outpatient care centers

	<ul style="list-style-type: none"> • Offices of chiropractors • Offices of all other health practitioners
High Performance Manufacturing	<ul style="list-style-type: none"> • Computer and Electronic Product Manufacturing (334) • Electrical Equipment, Appliance, and Component Manufacturing (335) • Aerospace Product and Parts Manufacturing (3364)
Information Services	<ul style="list-style-type: none"> • Broadcasting (Except Internet) (515), particularly cable and other subscription programming • Internet Publishing and Broadcasting (516) • Data Processing, Hosting and Related Services (518)
Science and Engineering Research, Management and Technical Consulting	<ul style="list-style-type: none"> • Architectural and Engineering Services (5413) • Computer Hardware and Software Development (5415) • Management, Scientific, and Technical Consulting Services (5416) • Information technology development and computer simulation and modeling associated with space (aeronautics) research and technology (927)

Source: BBPC Associates

Strategies To Achieve New Focused Industry Targets

These strategies address workforce training and recruitment, land/building space, financing and funding, and relationships and marketing.

A pervasive theme throughout the workforce training and recruitment efforts is that the City should consider recruitment and retention of professionals with technical skills in engineering fields, social sciences with a foundation in science and research, and healthcare as one of its primary focus areas.

Professionals with these skill sets are in high demand, and the “creative class” as identified by Richard Florida in his book *The Rise of the Creative Class*, seek specific amenities in where they choose to live. An urban experience, replete with dining, shopping, and entertainment options, as well as cultural diversity and recreation choices are high on their list. Virginia Beach offers these amenities, and the growth of Town Center and other emerging urban areas within the City are examples of its growing competitive edge. These qualities should be highlighted in recruiting the desired labor force and firms.

Other strategies that the City should consider to advance their industry recruitment efforts include assisting in identification of sites that meet the locational requirements of high performance manufacturing firms, telecommunication firms, and R&D facilities. Highly specified locational and facility requirements may make it challenging for these types of firms and any company seeking R&D space to find suitable sites within the City. Efforts to match companies seeking space with potential sites will facilitate recruitment.

The City should also consider targeted incentives aimed at recruiting the specific types of firms within the overarching industry targets. Incentives include but are not limited to focused TIF districts, targeted EDIP grants, personal and real property tax abatement.

The identification of high-technology zones, as well as healthcare infrastructure zones, should be considered as one strategy to facilitate recruitment. By marketing potential sites, offering opportunities for complementary firms to locate proximate one another, and making companies aware of any potential incentives that may be associated with these zones, the City will facilitate recruitment efforts.

Job Creation Standards

Currently, Virginia Beach only employs two standards in terms of recruiting companies for its job creation goals: 1) the company is within one of the determined target industries for Virginia Beach and 2) the company has an average salary of \$35,000 or higher. Job creation standards aligned with the new industry and firm recruitment targets the City's economic development goals have also been identified

The City should consider changing how it determines and uses its average salary standards for new employers. While the City should continue to strive to recruit higher-paying jobs given current differentials in average salaries between Virginia Beach (\$28,600), Hampton Roads (\$32,000), and the nation (\$38,000), the current criteria should be modified to reflect variations in average salaries in different industries the City is targeting for job creation.

Nationally, goods-producing industries have average salaries of \$41,800, service-producing industries have average salaries of \$37,200, and the health care industry has an average salary of \$39,500.

Variations in company size also impact average salaries. Smaller companies provide significantly lower salaries than larger companies. In Virginia Beach, goods-producing companies with 1 to 49 employees have an average salary of \$27,500 while goods-producing companies with more than 500 employees have an average salary of \$40,600.

Above all, salary considerations should be used as guidelines, rather than as strict standards. Regardless of average salaries, the greater attention should be paid to recruitment efforts within the City's target industry categories - recognizing the City's competitive advantages and weaknesses in recruitment of certain types of firms and industries.

Additional job creation criteria may be considered that are consistent with the City's competitive advantages and weaknesses and represent overarching considerations for recruitment within the target industry categories. These new standards could address the following issues.

- Take into consideration the land and space requirements of firms in certain targeted industries. By focusing on jobs associated with firms having lower land/space requirements and higher job density, the City can use its remaining land and available office/industrial space in most efficiently and effectively.
- Emphasize the need to address the locational requirements of the City's target industries, including creation and preservation of high-quality amenities and a skilled workforce.
- Target jobs consistent with the skill and experience profiles of the current Virginia Beach workforce/ labor force. In addition to focusing on workforce development and business recruitment to help create job opportunities in new, diverse sectors, the City should also focus its resources on firms that mesh with the current workforce's/labor forces skills, abilities and competitive strengths.
- Focus on defense and security firms that are less dependent on the proximity of the Oceana Naval Base. Furthermore, bring in companies that provide high-quality defense/security jobs that are directly or indirectly tied into other industries and national or supra-regional defense networks.

3.2 Workforce Development

One of the focus areas identified to assist in achieving the City's economic development goals and recruiting target industries and firms is enhancement of the City's workforce development efforts.

Workforce training programs need to constantly evolve to reflect the changing demands of the marketplace. Today, workers, job seekers, and employers have to navigate many entry/exit points to reach appropriate services that they may need. The City can make this an easier journey with a broader marketing plan and targeted collaborative efforts.

The City offers a number of effective workforce training programs that should continue to be supported. The Virginia Beach City Public School system appears to be on the right track in preparing the workforce of the future. The creation of the *Virginia's Workplace Readiness Skills Program* will better prepare a future workforce, whether going directly into the workforce from high school or after post-secondary education. There are successful cross over programs offered under the umbrella of the Princess Anne Commons Academic Village. The City's institutions of higher education also offer many undergraduate and graduate programs, which support many of the industries targeted by the City for job creation.

Despite these successes, several opportunities to strengthen the City's workforce development efforts have been identified.

In an effort to better serve existing and emerging industries, the City may wish to augment ongoing and/or previous employer surveys (i.e. Opportunity Inc.'s 2006 Employer Survey) with questionnaires that seek to identify the specific types of technology training programs that would boost workforce preparedness.

Offering aptitude- screening tests, created in partnership with the private sector, may be an effective way to assist high tech employers in locating candidates who, with a small investment in training, have the potential to become highly productive employees.

Provide incentives, in a variety of forms at all levels of training for workers to enter high-demand occupations, should also be explored. These incentives could be applied to crossover programs such as the Virginia's Readiness Skills Program, the Virginia Beach City Public School systems five academy programs, the Advanced Technology Center programs, TCC's Workforce Development programs, Career Readiness Certificate program and the Job Skills Training Programs. Incentives such as reduced fees or scholarships, jobs, advanced training opportunities and executive mentorship, could assist those students in seeking high education and assist companies seeking skilled employees.

Joining with businesses in the community to offer internships, both paid and unpaid, should also be considered. These recommendations may prove strong, alternative avenues to increasing the average salaries, employment opportunities, and spin off business expansions within the City.

Exploring opportunities to bring new programs in emerging target industries to the City should also be pursued. The health care and medical fields offer particular opportunities to strengthen the City's workforce training efforts. The Eastern Virginia Medical School in Norfolk recently signed a memorandum of understanding with Old Dominion University to strengthen collaboration between the two institutions. This new, formalized partnership may represent an opportunity to bring new health and medical programs to ODU's and NSU's Virginia Beach Higher Education Center.

Finally, strengthening outreach efforts to the annual classes of exiting military should also be pursued. From September 2006 to September 2007, over 16,000 personnel exited the military in Virginia Beach. Almost 60 percent of this personnel have occupational skill sets that match the labor force needs of the City's target industries. Efforts to connect these highly skilled and highly trained individuals with job opportunities in the City's target industries should be enhanced as a strategy to retain these assets to the City's labor force. Highlighting the skills of the exiting military should also be enhanced in efforts to recruit companies in the City's target industries.

In general, to address the labor force needs of the City's target industries, the strengthening of recruitment and retention at regional, state, and national colleges and universities should be pursued. As with several other industry categories, growth and retention of the "creative class", as coined by Richard Florida in his book *The Rise of the Creative Class*, is necessary in Virginia Beach to support expansion of these industries. The creative class includes not only the "super creative core" (e.g. architects, artists, musicians) but also knowledge workers, which includes professionals who produce new forms, new ideas, and new innovations.

3.3 Strengthening of Women and Minority Business Opportunities

The second focus area identified to assist in achieving the City's economic development goals and recruiting target industries and firms is efforts to strengthen opportunities for women- and minority-owned businesses.

Recommendations for Key Policy Objectives and Strategies

The data analysis findings provides the basis for several recommendations regarding policy objectives and strategies to address opportunities to increase the levels of participation by minority- and woman-owned firms in business activity in Virginia Beach.

Above all, given weak growth in number of Asian and African American-owned firms relative to growth of other minority groups within the City, regional growth levels, and state growth levels, the growth of Asian and African American-owned firms should be established as a top policy goal.

Strategies to address this policy goal are as follows:

- Establish partnerships with existing Asian and African American-owned firms
 - Identify potential mentors for cultivation of new Asian and African American-owned firms
 - Conduct interviews to understand factors which contribute to decisions to locate in Virginia Beach. Seek to model these success factors in recruitment efforts with other Asian and African American owned firms
- Identify opportunities to match industry concentrations (African American-owned firms: Other services, health care and social assistance, waste management and remediation, transportation and warehousing), (Asian-owned firms: Other services, professional/scientific/technical industries, retail, accommodations and food services) with specific City contracting opportunities and other business opportunities within the City
- Seek to identify potential implications of decline in number of employees in African American-owned firms throughout the state.
 - Take advantage of potential benefits (i.e. greater flexibility to respond to price sensitive contract opportunities, willingness to partner with other small firms, users of small office

- space – providing demand for speculative office projects and office complexes in City’s numerous office submarkets)
- Work to address potential disadvantages (i.e. limited capacity to respond to large contracting opportunities with the City)

Secondly, given strong growth in the number of Hispanic-owned firms relative to growth of other minority groups within the City, regional growth levels, and state growth levels, the City should capitalize on strong growth in number of Hispanic-owned firms.

Strategies to address this policy goal are as follows:

- Establish partnerships with top Hispanic-owned firms
- Highlight success stories in marketing materials
- Conduct case study analysis to identify factors which contribute to decisions to locate Hispanic-owned firms in Virginia Beach. Seek to model these success factors in recruitment efforts with other minority groups and woman-owned businesses.

In addition to focusing on the growth of Asian, African-American firms as top policy goals, the City should seek to increase Virginia Beach firms’ share of total Virginia firms registered as SWaM certified vendors above 5 percent and increase cumulative growth to levels on par with growth in the state and in the region. Special focus should be applied to minority firms - which have experienced a steady decline in the increase in number of firms registering each year.

Strategies to address this policy goal are as follows:

- Conduct SWaM certification awareness workshops (i.e. benefits, procedure, potential incentives) with local business associations (Virginia Minority Supplier Development Council, Greater Hampton Roads Black Chamber of Commerce, Hispanic Chamber of Commerce, NAACP, Urban League, Metropolitan Business League)
- Consider potential City incentives to encourage SWaM certification (i.e. fast track process in City contracting, business license permit fee reductions, inclusion in advertising and marketing materials, business directory free of charge)
- Continue to make awards to outstanding SWaM businesses at the annual MBC conference and expo

Finally, the City should continue to work toward increasing City of Virginia Beach awards and expenditures to minority and woman owned firms.

Strategies to address this policy goal are as follows:

- Continue to market City contracting opportunities to minority and woman-owned business associations
- Highlight contracting opportunities in industry categories with high concentrations of minority- and woman-owned firms
- Contribute to workforce development programs at region’s institutions for higher learning,
 - Apply special focus on region’s minority colleges and universities
 - Apply special focus to development of skills consistent with City’s prevailing or most recurring contracting needs.
- Continue to implement City Council-approved initiatives designed to facilitate minority participation in City contracting

- Seek to fulfill City needs through existing contractors (operating under existing award) rather than through new bid processes

Evaluation of Currently Proposed Initiatives

The findings of the data analysis and recommendations regarding policy objectives and strategies provide a context to evaluate the City's currently proposed new initiatives. The majority of the currently proposed initiatives are consistent with the recommendations regarding policy objectives and strategies. Potential priorities and areas of special focus for the proposed new initiatives are outlined below:

1. Hire Department of Economic Development Minority Business Development Representative II

Given the depth and variety of opportunities to increase participation levels, the creation of a new position to spearhead and coordinate the City's efforts will provide a significant benefit in achieving the City's goals. It is understood that specific duties for this post are currently in development. The following priorities and areas of special focus are proposed as the guiding mission for the new Minority Business Development Representative II. Specific criteria could be established to benchmark progress toward achieving overarching policy objectives and implementing the recommended strategies.

2. Attend conferences both local and national that target minority entrepreneurs, networking events, tradeshows, and continue MBC Expo.

- Conduct SWaM certification awareness workshops (i.e. benefits, procedure, potential incentives) with local business associations (Virginia Minority Supplier Development Council, Greater Hampton Roads Black Chamber of Commerce, Hispanic Chamber of Commerce, NAACP, Urban League, Metropolitan Business League)
- Identify opportunities to match industry concentrations (African American-owned firms: Other services, health care and social assistance, waste management and remediation, transportation and warehousing), (Asian-owned firms: Other services, professional/scientific/technical industries, retail, accommodations and food services) with specific City contracting opportunities and other business opportunities within the City
- Continue to make awards to outstanding SWaM businesses at the annual MBC conference and expo
- Continue to market City contracting opportunities to minority and woman-owned business associations
- Highlight contracting opportunities in industry categories with high concentrations of minority- and woman-owned firms

3. Survey local SWaM businesses to understand business needs and areas of potential support

- Establish partnerships with existing minority- and woman-owned firms
- Identify potential mentors for cultivation of new Asian and African American-owned firms
- Conduct interviews to understand factors which contribute to decisions to locate in Virginia Beach. Seek to model these success factors in recruitment efforts with other Asian and African American owned firms
- Seek to identify potential implications of decline in number of employees in African American-owned firms throughout the state.

4. Partner with educational institutions and other agencies
 - Contribute to workforce development programs at region's institutions for higher learning.
 - Apply special focus on region's minority colleges and universities.
 - Apply special focus to development of skills consistent with City's prevailing or most recurring contracting needs.
 - Development Memorandum of Understanding with Virginia Department of Business Assistance
5. Partner with organizations such as the Virginia Minority Supplier Development Council, Greater Hampton Roads Black Chamber of Commerce, Hispanic Chamber of Commerce, NAACP, Urban League, Metropolitan Business League, etc.
 - Conduct SWaM certification awareness workshops (i.e. benefits, procedure, potential incentives)
 - Seek to identify potential implications of decline in number of employees in African American-owned firms throughout the state.
 - Identify potential mentors for cultivation of new Asian and African American-owned firms
 - Continue to market City contracting opportunities to minority and woman-owned business associations.
 - Highlight contracting opportunities in industry categories with high concentrations of minority- and woman-owned firms.
6. Continue to work toward increasing City of Virginia Beach awards and expenditures to minority and woman owned firms.
 - Develop a communication and implementation plan for institutionalization of Women and Minority Participation Plan to allow for electronic submission/monitoring
 - Conduct training/educational sessions re implementation of purchasing/procurement procedures
 - Host quarterly "How to Do Business with the City" forums
 - Implement on-line training for staff and contractors
 - Consider potential City incentives to encourage SWaM certification (i.e. fast track process in City contracting, business license permit fee reductions, inclusion in advertising and marketing materials, business directory free of charge)
 - Seek to fulfill City needs through existing contractors (operating under existing award) rather than through new bid processes
 - Continue to market City contracting opportunities to minority and woman-owned business associations
 - Highlight contracting opportunities in industry categories with high concentrations of minority- and woman-owned firms
7. Continue to enhance general outreach, coordination, and data collection efforts
 - Develop web-based directory of minority- and woman-owned businesses
 - Continue collecting data on minority participation and compliance, particularly related to SWaM certification, industries (by NAICS code if possible), specific minority group or gender, City awards and contracts, and number and type of firms located within the City of Virginia Beach
 - Continue improvements to the MBC website

3.4 Financing and Funding

The third focus area identified to assist in achieving the City's economic development goals and recruiting target industries and firms is efforts to enhance and refine the City's use of financing and funding mechanisms to facilitate economic development.

Several development financing tools currently in use in the City of Virginia Beach were evaluated. They include:

- Tax Increment Financing
- Special Service Districts
- Industrial Revenue Bonds
- The Economic Development Investment Program
- Land Sales
- The Fast Track Construction Program
- Catalytic projects
- Community Development Authorities

Although these tools differ in their structure, use and function, they all have a common element – they are based on the foundation of public-private partnerships in generating effective economic development. They seek to blend the entrepreneurship and efficiency of the private sector with the regulatory power and resources of the Virginia Beach City Government. By employing collaboration between these two distinct entities, these partnerships enable the successful combination of market forces with public incentives.

Overall, these economic development programs and tools have generated direct benefits for the City, in terms of new revenues, and wider-reaching benefits, such as; long-term business development and retention; creation of vital office, commercial, residential and retail space; new job creation; and economic diversification and expansion.

Summarized below are key evaluative points and recommendations for the seven economic development financing tools analyzed above.

Tax Increment Financing

The City funds the same proportion of TIF-related project costs as some other cities regularly using TIF and gets significantly higher returns than particularly aggressive TIF users like Kansas City (MO). Given the relative effectiveness of Virginia Beach's TIF program, the City may want to consider further expanding this tool to generate further economic development. Bond capacity is a potential limiting factor for TIF, but the City may be able to work around this constraint by implementing a non-bonding TIF structure, such as that used for the Lynhaven Mall project. The City should consider establishing criteria for TIF funding that gives higher priority to projects that fulfill multiple economic development goals.

Special Service Districts

The City's two Special Service Districts (Town Center and Sandbridge) have functioned very effectively and have generated substantial funds to support infrastructure maintenance and related costs in these two areas. The City could consider expanding the function and uses of SSDs beyond the infrastructure

maintenance functions they currently serve. One potential additional use could be to use SSDs to serve business improvement functions (i.e., in the form of Business Improvement Districts) such as funding for district-wide marketing and business development efforts.

Industrial Revenue Bonds

The issuance of Industrial Revenue Bonds (IRBs) provides Virginia Beach with a solid economic development financing mechanism without presenting the City with a high risk or large financial commitment. The City should continue to employ this financing tool and potentially expand its promotion so that more companies can obtain access to this source of low-cost financing to further fulfill the City's economic development goals.

Economic Development Investment Program

By its internal criteria/standards, Virginia Beach's EDIP is performing very well in terms of generating private capital investment (\$42/\$1 of EDIP funds) and creating/retaining jobs (1.44 jobs/\$1,000 of EDIP funds).³ Virginia Beach, for the most part, institutes criteria similar to that of comparable programs in other jurisdictions, particularly in focusing on a critical threshold of capital investment and job creation. The City could consider incorporating additional elements into its EDIP Program that further fulfill its economic development goals, namely criteria that focus on job creation within target industries and creation of higher-quality, higher-paying jobs.

Land Sales

The selling price of City-owned land is comparable to that of nearby cities. In order to uphold incentives for relocation, development and expansion of businesses within the City, Virginia Beach should keep these prices competitive to neighboring jurisdictions.

Revenues from both the sale of City-owned land and the subsequent tax revenues generated by this land provide Virginia Beach with a good return on investment. Given that a substantial portion of the sold land is still to be improved, tax revenues from these properties should become even more substantial in the near future.

Virginia Beach may also want to consider alternatives such as retaining the land and issuing long-term ground leases to developers, thereby enabling the City to maintain ownership of these valuable land assets while still realizing revenues generated from sources other than the land. This would also allow the City to maintain regulatory control of the land in order to better dictate its planning, development and growth initiatives.

Fast Track Construction Program

The Fast-Track Construction Program provides an effective mechanism for facilitating development projects that can help the City to achieve its economic development goals. The Program provides a particularly cost-effective means of project facilitation in that it provides regulatory, as opposed to financial, incentives to firms relocating or expanding within Virginia Beach. Particularly in combination with other economic development programs like the EDIP, the Fast Track Program is a powerful tool that helps bolster the City's business development efforts and overall economy.

³ Excludes EDIP grants to Town Center

Catalytic Projects

Virginia Beach's role in major projects like Oceanfront Hilton/Neptune Park help drive demand and help bolster the City's economy through increased job and business opportunities, as well as entertainment, retail and residential options. This type of informal involvement in large-scale development allows the City to more easily get involved in potential economic development opportunities while letting private sector entities take on the majority of organizational and administrative effort. The City's informal involvement in catalytic projects provides a good complement to the array of more formal economic development financing tools the City also uses.

Community Development Authorities (CDAs)

A CDA is a private entity authorized by City Council (upon petition by a majority of property owners, or those owning a majority of the assessed value, within the proposed CDA boundaries) for the purpose of providing public infrastructure. The CDA is empowered to issue tax-exempt bonds infrastructure improvements including but not limited to roads, parks, recreation facilities, educational facilities, water and sewer, and fire prevention and control systems. Any bonds issued by the CDA are repaid through assessments levied upon the property owners within the boundaries of the CDA district.

Assessments can be levied through ad valorem assessments limited to 25 cents per \$100 unless all property owners agree to a higher rate or a special assessment based on use and benefit from the improvements. Assessments cannot exceed the cost of the improvements.

While a drawback to CDAs is risk of property owner default on the loan leaving the City responsible to repay the bond issuance, CDAs offer several significant benefits. By making available -cost financing for public infrastructure, CDAs can reduce project costs and increase cash flow to a level that may make a project "work" which otherwise would be deemed infeasible. This City should enhance its use of CDAs as a financing tool and incentive to encourage growth and development in target locations and in target industries.

Strategies to Attract Target Industries

Public-private partnerships, such as those evaluated for this study, should be tailored and targeted to realize growth in the City's target industries. Specific public investments for the target industries are as follows:

Construction

Given the capital-intensive nature of owning one's own construction company, programs reducing personal property taxes on new equipment would serve as an incentive to attract additional contractors and companies to the City.

Management of Companies and Corporations

As one of the best locations for development of Class A office space in Virginia Beach, the City should consider focusing additional special incentives on Town Center to advance redevelopment efforts. Programs such as real property tax abatement, catalytic investments in parking, and EDIP grants targeted for regional headquarters should be considered in the Town Center/Pembroke area.

Healthcare and Social Assistance

To encourage development of speculative space and build-to-suit space for medical users, incentives (i.e. focused TIF funding, real property tax abatement, catalytic investments, EDIP grants) should be considered in designated medical/health care clusters or for medical office development throughout the City.

Information Services

The special needs associated with facility development make construction costly. Incentives, such as land write downs, personal property tax abatement, and EDIP grants, for telecommunications companies building new facilities should be considered.

High Performance Manufacturing

The special needs associated with facility development can make construction costly. Incentives, such as land write downs, personal property tax abatement, and EDIP grants, for high performance manufacturing companies building new facilities should be considered.

Science and Engineering Research, Management and Technical Consulting

Incentives (focused TIF funding, real property tax abatement, catalytic investments, EDIP grants) at Town Center and in campus-like settings such as Corporate Landing should be considered to encourage development of spec space as well as build-to-suit space.

3.5 Identification of Land and Building Space

The fourth focus area identified to assist in achieving the City's economic development goals and recruiting target industries and firms is efforts to enhance and refine how the City identifies land and building space for potential prospects.

Existing Commercial Submarkets

Of the City of Virginia Beach's five major centers of commercial and industrial activity, there are only two areas with significant quantities of land available for new development: Corporate Landing and Oceana West Corporate Park.

Corporate Landing is constrained by poor interstate access. This site constraint makes Corporate Landing a less than ideal option for companies requiring interstate access. Target industries that do not require ideal interstate access but who are seeking sizeable land area and the amenities of a corporate business park could be recruited to the available parcels.

Oceana West Corporate Park has good I-264 access, and target industries seeking interstate access, the amenities offered by Lynnhaven Mall and Lynnhaven Corridor and significantly sized, and infrastructure-ready sites should be recruited to the remaining available parcels.

Another challenge that the City faces, in addition to limited land for new office space development, is a lack of speculative space available for tenants looking for immediate occupancy. As presented in the Market Analysis section, despite being the largest jurisdiction, the City's inventory of available office

space (844,000 square feet) ranks third in size behind Chesapeake, Norfolk, and Hampton, accounting for 16 percent of the region's inventory. In addition to overall size, the City is also at a competitive disadvantage in terms of average vacant square footage available per building (15,073 SF). This is the third smallest average in the entire region. While small office suites and small floor plates are not a problem for small companies, large companies seeking floor plates in excess of 25,000 square feet may have a difficult time finding available built space within the City. Average vacancy rates also pose a challenge for new development. The City of Virginia Beach's submarkets have the lowest vacancy rates in the region (less than 5 percent). These vacancy levels represent 347,200 SF of Class A space, or 41 percent of the total 844,000 square feet of vacant office space.

The City should consider encouraging development of speculative office space to accommodate office users, particularly those seeking large floor plates or large spaces in excess of 25,000 square feet. In 2006, the Hampton Roads region experienced net absorption of 301,000 square feet of office space – of which Virginia Beach submarkets absorbed 120,933 square feet (40 percent).⁴ Given the City submarkets' extremely low vacancy rates, City may want to target annual development of new speculative office space at levels comparable to the recent net absorption trends to continue to accommodate a large share of regional office demand. The City should consider focusing select public financing and funding programs (i.e. tax increment financing, Economic Development Investment Program, Fast Track Construction Program, Community Development Authorities) on creation of speculative space to address this goal for additional office space available for immediate occupancy.

To address this need for shovel ready sites and speculative office space for immediate occupancy, the City's Strategic Growth Areas and urban commercial areas should continue to be marketed as premium locations for office-based tenants.

The Town Center at Virginia Beach and Hilltop/Oceanfront offer amenities that are unparalleled throughout the Hampton roads region. Business growth in the service industries (accommodations and lodging, mixed use development that includes a retail component) and business/professional services seeking boutique office space are ideal candidates for these locations.

There may also be opportunities for office-based companies requiring larger floor plates in infill/redevelopment locations proximate to the Town Center at Virginia Beach and Hilltop/Oceanfront. Property values are rising in the areas surrounding Town Center and Hilltop/Ocean front as a result of the recent development, and this increase in property values is stimulating additional redevelopment. Mixed use development proposals for the areas surrounding Town Center are beginning to emerge, such as plans for a mixed-use development next to the FX site, on the old HQ property. The buildings would mimic Town Center's shops, offices, apartments and condos. Office-based companies requiring large floor plates would serve as an ideal anchor for these types of projects – provided that the required parking could be accommodate through parking management strategies consistent with the Town Center's urban format (i.e. shared parking, use of public garages).

In working with developers and companies seeking opportunities to build new office space, Virginia Beach should also consider strategies to encourage green building practices, as part of the City's growing commitment to environmentally-friendly practices. Green building practices are not only good for the environment; they reduce strain on infrastructure and County utilities – ultimately providing a benefit to taxpayers and County resources. Incorporation of the national standards of the Leadership in Energy and Environmental Design Building Program, or LEED for short, into planning and design guidelines represent one strategy for the City to translate this commitment to environmental-friendly practices into reality.

⁴ Source: Old Dominion University Hampton Roads 2007 Office Market Survey.

Strategies to Attract Target Industries

As with public-private partnerships, efforts to address the City's land and building space competitive strengths and disadvantages should be tailored and targeted to realize growth in the City's target industries. Specific strategies to recruit target industries are as follows:

Construction

Small construction companies who spend most time on site or in meetings with clients in the clients' offices may not have a strong demand for Class A office space and may seek affordable office rental space as a means to reduce costs. Efforts to identify commercial clusters in City with office space suitable for construction companies may facilitate recruitment of target companies and contractors.

Management of Companies and Corporations

Regional headquarters look for Class A office space in prominent locations – within CBDs and/or near to major roadway access and visibility. Efforts to connect companies looking for new space and developers looking for build-to-suit opportunities should be continued and strengthened. The additional development of Class A space at Town Center should also continue to be facilitated.

Healthcare and Social Assistance

The designation of medical/health care clusters should be considered, The Princess Anne Commons Health Campus which includes the new Sentara Princess Anne outpatient center and future site of a new Sentara Hospital is an example of this strategy. Designation of land for senior residential development should also be considered as demand for this lifestyle grows and residents of Hampton Roads seek opportunities to remain in the region.

Information Services

Given the special needs associated with development of facilities to house telecommunications equipment and operations, assistance in the identification of land/buildings suitable for the telecommunications industry would facilitate recruitment efforts. Potential land and building requirements include but are not limited to the following:

- 5 to 10 acres
- 50,000 to 300,000 square feet of building space
- Central location within geographic service area
- Specialized systems for operations, security, and protection of the equipment and data:
 - Upgraded or redundant roofing systems
 - Electric and air-conditioning loads up to ten times the capacity of a typical office building
 - Specialty loading docks
 - Specialized electrical systems
 - Slab-on-grade requirements greater than standard industrial facilities - one story configurations⁵

High Performance Manufacturing

⁵ Business Park and Industrial Development Handbook. Second Edition. Urban Land Institute. 2001.

Given the special needs associated with development of facilities to house high performance manufacturing equipment and operations, assistance in the identification of land/buildings suitable for the high performance manufacturing industry would facilitate recruitment efforts. Potential land and building requirements include but are not limited to the following:

- 25,000 to 200,000 square feet of building space
- Specialized systems for operations, security, and protection of the equipment and products
- Upgraded power systems to support, air conditioning, high light levels, ventilation systems for “clean rooms”
- Security systems such as key card access and perimeter control⁶

Science and Engineering Research, Management and Technical Consulting

In order to recruit companies requiring specialized laboratory space and R&D facilities, assistance in the identification of land/buildings suitable for the telecommunications industry should be provided. Potential land and building requirements include but are not limited to the following:

- 30,000 to 100,000 square feet
- Wet lab spaces, including special plumbing and mechanical services like gas, vacuum deionized water, and fume hoods
- Good visibility from adjacent streets and highways
- Attractive design
- Easy access to amenities, such as retail, recreation facilities, open space, campus setting
- Security, such as key card access and perimeter control⁷

3.6 Marketing

This final section details the specific findings and implementation strategies within the marketing and relationship building economic development focus area.

Hampton Roads Economic Development Alliance (HREDA)

The most significant component of the economic development focus area reviews the Hampton Roads Economic Development Alliance (HREDA) and its relationship with the City of Virginia Beach.

The review of the HREDA and the City’s relationship with this agency finds that its scope, mission, and strategies to recruit and assist in business development are similar to other regional economic development alliances. The historical recruitment efforts of the HREDA have generated a return on the City’s annual investment both in terms of direct impacts, including new jobs and new capital investment within the City’s borders, and indirect impacts, including the multiplier effects and fiscal impacts of regional job growth on the City’s General Fund.

However, despite the economic and fiscal returns, as a share of total regional HREDA-assisted business recruitment, the City does not receive a proportional share of new job growth consistent with the magnitude of its annual contribution to the Alliance. An analysis of the industries’ and firms’ locational requirements indicates a mismatch between Virginia Beach’s competitive advantages – the benefits the

⁶ Ibid.

⁷ Ibid.

City can offer – and the types of companies that HREDA has been successful in recruiting. Given Virginia Beach’s importance to the region – as a source of amenities and cultural resources, quality residential communities, and high quality professional employment – the HREDA should be doing more to showcase Virginia Beach’s competitive advantages and seeking businesses that align with the City’s target industries and competitive strengths.

Nevertheless, efforts to champion Virginia Beach and its unique competitive strengths should be balanced with a continuing effort to promote the region as a whole. Not only does promotion of Hampton Roads as a region produce indirect impacts, including the multiplier effects and fiscal impacts of regional job growth on the City’s General Fund, regional marketing introduces national and international prospects to all that the region offers. Engaging in regional marketing is one of the primary objectives of any regional economic development alliance and a service that should be highly valued by participating jurisdictions.

By putting Hampton Roads “on the map” and showcasing Virginia Beach as its largest jurisdiction, a regional approach to economic development can do more for Virginia Beach than if it were promoted as a stand-alone opportunity. National and international prospects are not only made aware of the advantages of any single jurisdiction, they are introduced to all of the regional resources that they can tap – including a highly talented, diverse, and mobile workforce, educational and training assets, infrastructure resources, an excellent quality of life replete with cultural and entertainment opportunities. The HREDA’s unique capacity to engage in regional marketing provides significant benefits to Virginia Beach and should be highly valued as a service received in return for annual contributions.

In sum, Virginia Beach’s annual contributions to the HREDA are an investment in regional strengthening and promotion, which highlights all the Hampton Roads has to offer and thereby enhances Virginia Beach’s image. This regional approach to economic development is a unique service, and the Alliance has the capacity to direct these efforts. On the other hand, Virginia Beach’s contributions are also an investment in business recruitment that should directly and consistently benefit Virginia Beach – in terms of new jobs and new employment. HREDA needs to do more for both the region and Virginia Beach.

Strategies to Attract Target Industries

As with public-private partnerships and land and building space, efforts to address the City’s land and building space competitive strengths and disadvantages should be tailored and targeted to realize growth in the City’s target industries.

Efforts to strengthen the City’s presence at trade shows and conferences within the targeted industries should be pursued. These efforts facilitate establishment of relationships with industry leaders and prospective companies.

In the health care field, relationships with regional health care educational institutions and medical centers should continue to be strengthened. These relationships will provide the opportunity for Virginia Beach to invite these centers and education institutions to consider Virginia Beach for expansions and satellite facilities.

Finally, a mid-Atlantic marketing effort to recruit the “creative class” should be considered. The City’s high quality amenities, such as growing dining and entertainment options, emerging urban centers, plentiful recreation options should be highlighted in this marketing effort.