



City of Virginia Beach

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January 7, 2016

The Honorable William D. Sessoms, Jr.
Members of City Council

Dear Council Members:

RE: City Pier

As you know better than I, over the years there have been many discussions about redeveloping the City Pier and the adjacent parking lot, none of which have come to fruition. The latest discussions took place at the staff level in early December when we received a proposed term sheet from representatives of the families that control the property. That term sheet was presented with the caveat that all the families needed to execute business agreements among themselves, which occurred yesterday. This afternoon I received a conceptual proposal (cover letter attached) from a consortium of six families – Lachman, Murden, Bonney, Thompson, Capps, and Sibony.

We recognize there will be a request for some level of public participation. So, there is much analysis and evaluation that needs to happen. Earlier, I asked Mayor Sessoms to appoint Council liaisons for this project. He asked that we work with Vice Mayor Jones and Councilman Wood as we review and respond to the proposal. We will include materials about the proposal in your Friday packet. I anticipate providing a more thorough review of the proposal to City Council during a future meeting.

The families intend to share their conceptual plan with representatives of the media. I simply want to make you aware of this proposal this evening in advance of any media coverage.

Best Regards,

Douglas L. Smith
Acting City Manager

DLS:pam

Attachment

January 7, 2016

BY HAND DELIVERY

Doug Smith, Interim City Manager
City of Virginia Beach
City Manager's Office
2401 Courthouse Drive, Room 234
Virginia Beach, Virginia 23456

Re: Virginia Beach Fishing Pier

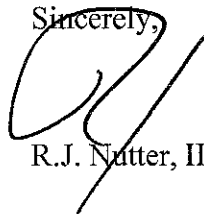
Dear Mr. Smith:

Please find enclosed a proposal by a consortium of six families in Virginia Beach who have come together to propose a redevelopment of their collective properties consisting of the Virginia Beach Fishing Pier and the properties in the immediate vicinity of the Pier. This proposal is evidence of their willingness to work together and their desire to see the largest redevelopment in the southern portion of the Oceanfront in the City's history. They propose to collaborate with the City on what we believe will be a transformational redevelopment.

While we have had preliminary discussions with your office previously, all of the property owners involved had not signed all of the required agreements until just recently. Thus, we are now in a position to work in conjunction with your office, the City Attorney's office and representatives on the City Council to finalize this significant redevelopment opportunity and make it a reality.

On behalf of these families, we look forward to your response.

Sincerely,



R.J. Nutter, II

Enclosure

cc: Mr. Albert L. Bonney, Jr. (by U.S. Mail w/o enclosures)
Mr. James H. Capps (by email w/o enclosures)
Mr. Robert L. Lachman, Jr. (by email w/o enclosures)
Mr. Brian W. Murden (by email w/o enclosures)
Mr. Ronnie Sibony (by email w/o enclosures)
Mr. Bruce L. Thompson (by email w/o enclosures)

Joint Venture Participants

Capps: Jimmy Capps and his family are fourth-generation hotel operators. His grandparents rented beach cabins in the 1940s and 50s. His parents joined that business and purchased the Essex House Motel in 1962. That motel was replaced by the Breakers Hotel at 16th and Atlantic Avenue in 1984. The business continues to be operated by Jimmy, his wife Clara and their family.

Bonney: Al Bonney Sr. was one of the three original Pier owners and an active beach attorney and a member of the Virginia Beach Town Council. The three generations of Bonneys are still owners of the Pier today. The Bonneys also own County View Trailer Park in Virginia Beach and the Hatteras Harbor Marina in North Carolina.

Lachman: Elkan Lachman Sr. started the idea for the Pier in 1948. He purchased the land in 1949 and then sought investors to build the Pier. They received a grant from the city in 1950, and built the Pier in 1950 with two other families (investors) the Murdens and the Bonneys. The three generations of Lachmans have businesses on the Pier today, and they own an interest in the Lynnhaven Fishing Pier on the Chesapeake Bay.

Murden: L. D. Murden was one of the three original Pier owners, and they too are in their third generation of ownership of the Pier. The Murdens have been in Virginia Beach for more than 100 years, and they own many significant parcels of land at the oceanfront. Brian Murden also owns Beach Gallery on 31st Street.

Sibony: The Sibony family has lived and worked in Virginia Beach since 1990. They are one of a very few families that own an entire block at the oceanfront between 14th and 15th Streets and Atlantic and Pacific Avenues. They also own Coastal Edge Surf Shops in addition to Sunsatons stores in Virginia Beach, North Carolina and Maryland. They also own the Hampton Inn on the oceanfront on 11th Street.

Thompson: Bruce Thompson has been a resident of Virginia Beach for more than 50 years. His company, Gold Key | PHR, has invested over \$750 million in resort revitalization development consisting of new hotels, timeshare resorts, restaurants, office buildings and apartments.

Pier and Virginia Beach Resort Redevelopment Fact Sheet

Prominent Virginia Beach families including Bonney, Capps, Lachman, Murden, Sibony and Thompson families and an international vacation ownership developer have formed a joint venture to lead the redevelopment effort.

Estimate value is \$245 million for the multi-use development that comprises three blocks of the Virginia Beach oceanfront along 14th, 15th and 16th Streets from Atlantic Avenue to Pacific Avenue.

Elements include:

- 880-foot new concrete free pier at 15th Street with 45,000 square feet of leasable space for retail, restaurants, fishing, public restrooms and entertainment including a year-round approximately 180-foot tall SkyWheel
- A 10,000 to 20,000-square-foot public oceanfront plaza and park
- A full-service franchise oceanfront hotel, with 150 to 200 rooms, will be built on the site of the existing Breakers Hotel
- A new 330-key vacation ownership resort will flank the southern end of the development at 14th Street
- An approximately 800 to 1,000-space structured public parking facility will be built between Atlantic Avenue and Pacific Avenue
- A commercial building with approximately 68,428 square feet of leasable restaurant, retail and office space will be located on the west side of Atlantic Avenue

Construction can begin as early as fall 2016 pending City and other approvals.

Virginia Beach Pier and Resort Redevelopment

Frequently Asked Questions

Q: Who are the partners in the joint venture and how much does each own?

A: The families that currently own the properties included in the joint venture are:

- Capps Family – The Breakers
- Sibony Family – Garage and Retail (Atlantic)
- Murden/Lachman Families – Pier and Pier Property
- Bonney Family – Pier
- Thompson Family – Investor

The project is complex, large, and may involve additional investors. Once the City's interest in the joint venture is determined, we may invite other investors to participate in the project. The ownership interests will vary depending upon each joint venture member's interests.

Q: How tall is the SkyWheel and who will own it?

A: The SkyWheel is approximately 180 feet tall. The joint venture may acquire and own it, or partner with an operator. Once the City's interest is determined, engineering will begin and discussion on ownership or joint venture will be decided.

Q: How long will the new pier be and what is involved with building it?

A: The pier will be redeveloped at approximately 880 feet, its original length, and will be made of concrete. Preliminary design and engineering have been completed. Soundings for structure require completion and plans must be submitted to various regulatory agencies for approval such as the Army Corps of Engineers, Virginia Institute of Marine Science, Virginia Marine Resources Commission, etc.

Once the joint venture knows the City's intent with respect to the project, building and development will begin immediately.

Q: What do you envision being developed on the pier, and what is the pier development cost?

A: We anticipate two restaurants, three to four retail shops, some small kiosk concessions, fishing and public observation decks with, for the first time, free public access.

The cost for pier development is approximately \$52 million.

Q: Do you expect the City to subsidize the private development?

A: No. Private development (the hotel, parking garage, retail, restaurants, and vacation ownership resort) will all be developed through private funding.

Q: What do you expect from the City?

A: We would like the City to review the property and proposed development plans and meet with the joint venture representatives to consider the City's potential involvement.

Additional City involvement may include:

- Create a new roadway alignment with 15th Street to the Oceanfront (swap joint venture property for 14th Street)
- Determine if and how much land the City may wish to purchase from the joint venture in order to create an oceanfront park/plaza
- Determine if and how much public parking the City may wish to purchase in the new parking garage
- Determine the best development and ownership option for the pier moving forward

Q: Who is the national company that will ultimately own the vacation ownership resort?

A: The joint venture will subdivide the vacation ownership portion of the parcel and sell that land to a vacation ownership developer. Several national companies are interested, and a participant will be confirmed once the City determines its interest.

Q: Who will own the new hotel and has a franchisee been determined?

A: The Capps family and the joint venture partners who decide to participate once the hotel is designed and property subdivided will own it. Gold Key | PHR's existing relationships with major hotel brands presents several interesting opportunities. We anticipate once the City determines its level of interest, the joint venture will immediately proceed with franchise negotiations and architectural design.

Q: If the City does not participate in any of these plans, will you move forward with the project?

A: No. It is unrealistic to consider the redevelopment of the property without understanding the City's intent for the future of the pier. For the project to be viable and to create the two development sites, it will be necessary to move streets in order to align roadways and create vistas. Absent of these decisions, the joint venture will not move forward with development.

Q: When will the project begin, and what is the expected completion date?

A: The project development process will begin immediately upon receipt of City, regulatory and any required FAA approvals. We hope to begin construction on the pier as early as September 2016. Immediately following, the vacation ownership resort and parking garage will commence construction and take approximately 18 months to construct. The hotel and park will begin approximately 12 months following the start of the vacation ownership resort.