

Thank you, Jeanne, it's a privilege for me to represent the City of Virginia Beach and to have so many Councilmembers and business leaders here today.

I am well aware that part of my responsibility as your speaker is to give you some beautiful images to look at while you're listening to me. I hope you will agree we've put together a great show.

So as Jeanne said, we are here today because they are renovating the Westin, and that got me thinking about the progress we've made since that beautiful hotel opened a little over 10 years ago – in November of 2007. In that time, we have seen the entire city change and grow – no place more than the Central Business District and Town Center. . .

In fact, since we first broke ground on the Armada Hoffler Tower in 2000, \$108 million in public investment has leveraged nearly half a Billion dollars in private investment.

Today, Town Center boasts

- More than 814 K sf of office space
- 19 restaurants
- 223 K sf of retail
- 935 residential units
- 412 hotel rooms
- A world class performing arts venue with a second one to open this fall
- And - a really cool new year's eve party

It now generates more than \$8 million a year in tax revenues that pay for the delivery of services. From our schools and roads - to public safety and parks - Town Center, the Lynnhaven business corridor and of course, our oceanfront, are major economic drivers for our city - so much so that each and every resident benefits through lower property taxes and overall higher levels of service.

The central business district is the heart of our city's economic vitality. That is saying a lot, because we have centers of economic vitality located throughout the city - from the Lynnhaven corridor, Shore Drive and Red Mill - to Princess Anne Commons, Diamond Springs and of course, the oceanfront.

Small businesses are launching throughout the city and new economic centers, such as the intersection of Kempsville and Princess Anne, the intersection of Dam Neck and General Booth and the intersection of Princess Anne and Indian River Road - are poised to bloom.

We must make progress to stay viable and relevant. To become what I think of as the preferred coastal city in the United States, we will have to make timely decisions with measured risk-taking.

No city anywhere in the world has succeeded by standing still. We don't want to merely survive. We want Virginia Beach to thrive.

David (BOW-ee) once said, "Tomorrow belongs to those who can hear it coming." I think we can enhance our hearing and therefore our likelihood of success, through sight. Specifically, through three levels of sight.

We need hindsight to ensure we learn from past experiences while not being shackled by them. We need insight to gain a full understanding of present issues and circumstances. And we need foresight to look ahead and prepare today for the challenges we will face tomorrow.

The oldest American cities were established a few hundred years ago, so as far as cities go, Virginia Beach as we see it - today - is young— just 55 years old.

Compared to human years, I figure in city years, Virginia Beach is just about ready to graduate from high school.

It's really only natural, then, that we experience growing pains and grapple with what we want to be when we grow up.

To thrive, I submit that we must continue to evolve Virginia Beach into more than a great beach town with stellar military installations. We must emphasize Transformation to support 21st century job creation and position our City to compete, both nationally and internationally.

There are a lot of variables that go into creating competitive cities. We already have a leg up on much of the competition. Place making is an essential ingredient in where people choose to live – and - Virginia Beach's recreational diversity and beauty is exceptional. Living choices are far more sophisticated today so we must continue to offer . . .

- Great schools.
- And a safe community with low crime, high marks for 911 and responsive fire and emergency medical services.

And our challenge is to make sure we offer . . .

- An affordable cost of living
- Revitalized suburban neighborhoods, expanded urban living choices and mixed use development
- A community free from recurrent flooding and protected from impending Sea Level Rise
- Multi-modal transportation
- Strong climate for business growth and job creation
- And, recognition as a true year-round destination.

It comes as no coincidence that these are among the City Council's priorities. That means we focus time, attention and resources in these priority areas to ensure Virginia Beach is a place where people choose to live, start businesses and raise families.

So how did we do in 2017?

The City

- **Added 2,500** new jobs AND **Retained 5,400** jobs
- **Saw 1.5 Million** Square Feet of commercial real estate leased or purchased
- **Realized \$240 million** in private capital investment

Several of our outstanding private employers contributed to these results:

- Mythics leased 39 K square feet of office space in Town Center as part of a \$7.5 million capital expansion that added 30 new jobs and retained 143
- STIHL announced a \$2.8 million expansion of its corporate headquarters
- And GEICO announced it added 500 new jobs to its growing portfolio.

Advanced technology has been a major aspect of our economic development strategy and in 2017 we welcomed the arrival of the first transoceanic cable landing here in Virginia Beach.

- The MAREA cable, which is a partnership among Telxius, Microsoft and Facebook, now connects Virginia Beach to Spain and serves Europe, Africa and Middle East.
- The BRUSA cable, a Telefonica project, will soon connect Virginia Beach to Brazil and Puerto Rico.
- Construction is under way on a 24 K sf building in Corporate Landing designed to support the fastest and largest capacity subsea cables in the world. And more cables are being planned.

This all ties in to our regional broadband strategy. In an unprecedented commitment to regionalism, all 17 Hampton Roads jurisdictions have committed to this ambitious project. We want to initiate a middle mile strategy to create affordable broadband with sufficient bandwidth to incentivize 21st century startups, incubators and accelerators . . . AND to eliminate the digital divide for families and businesses, both large and small.

We continue to attract advanced manufacturing businesses and had some success last year.

- Global Technical Systems, which has developed new types of energy storage systems that are 100% green, announced the construction of a new 500 K sq. ft. manufacturing facility off Birdneck Road. It will add 1,100 new jobs and retain 84 existing jobs while making a \$54 million capital investment in the Seatack hub district.
- Chinese manufacturer U-Play leased 200 K sf of existing industrial space, invested \$5 million and created 40 new jobs
- We welcomed new retailers, including Williams Sonoma, and Pottery Barn. And we welcomed craft breweries and wineries, including Mermaid Winery, Vibrant Shore Brewing, Smartmouth, and Farmhouse Brewing.
- We are continuing to build our biomedical business cluster, with LifeNet Health leading the way. They announced the opening of three new facilities in our city totaling 138 K sq. ft. This translates into a \$12.25 million capital investment and 321 new high-paying jobs.
- We launched our VABeachBio Innovation Challenge in 2017. This is an unprecedented initiative that will launch 20 startup companies focused on medical responses for veteran-related illnesses from diabetes to cancer. The winning companies will incorporate right here in Virginia Beach, and have access to the VABeachBio Innovation Park, home to 1 million square feet of lab, office and industrial space being developed in Princess Anne Commons.
- The VABeachBio Innovation Challenge has the potential to create as many as 2,000 knowledge-based jobs and solidify our position as a place where biomedical start-ups can flourish.

Start-ups . . . THAT'S where we see the impact that place-making and a good business environment can have on a city. For at least the fifth consecutive year, Virginia Beach has led the region in new business start-ups. In fact, one of every three regional start-ups selects Virginia Beach as the place to open their doors.

As I mentioned, there are economic centers throughout our city. Town Center is certainly a critical epicenter for the future economic stability of our city.

Phase 6 is really taking shape, which will add 131 apartments, 40 K sf. of retail, and the 300 seat Zeiders American Dream Theater. The theater is scheduled to open its curtains this fall. All together, we're looking at more than \$170 million in new capital investment in Phase 6.

In the spring of 2019, we'll see a number of new additions to our CBD landscape, including the Residence Inn, Pembroke Hyatt, Cityview II and the much-anticipated opening of Wegmans.

As our debt capacity resets in 2024, we will be ready to provide the public parking necessary for the next major expansion of our Town Center.

Another epicenter of economic prosperity and future expansion is based upon our ability to create a year-round destination. Where the central business district is the heart of our economic expansion . . . the Virginia Beach resort serves as our economic soul. We need Both to preserve our economic vitality.

The resort remains the largest and cleanest commercial tourist resort beach in the nation, if not the world. Whether it's people traveling to sporting events or families enjoying our boardwalk, the investments we make in tourism-related projects pay BIG dividends.

Tourism is a major industry for Virginia Beach—to the tune of \$1.4 Billion. Think about it. More than 15 million visitors come here every year, have a good time, and then go home, leaving us some of their money. They don't enroll children in our schools or require other services. It's the money our visitors spend here that enables us to provide a higher quality of life for our residents.

Tourism brings shoppers and diners to our small businesses. Tourism fills our hotels and our convention center with paying guests. Tourism helped build some of our most important public projects, including the beach erosion and hurricane protection project that expanded our beach and built the boardwalk.

We used tourism revenues to pay for the convention center, the Sandler Performing Arts Center and parking at the Virginia Aquarium. And because of tourism, taxpayers save at least 10 cents on the real estate property tax.

While we didn't get the arena last year, we haven't let that stop us from pursuing strategies to support our goal of establishing Virginia Beach as a year-round destination. We are poised to make important investments in the entertainment district that will provide amenities our residents can also enjoy.

The entertainment district is anchored in the west by the convention center and new sports center and eventually a headquarters hotel. It is anchored in the east by the rebirth of the Dome site with a music venue, experiential retail, office and residential, new to market entertainment which looks to include a world-class Olympic training-capable surf park. Connecting the two anchors of the entertainment district is the revitalization of 19th street and additional investments in the ViBe.

Complementing the entertainment district is the creation of the 15th Street Pier Place which expands the year-round offerings at the oceanfront.

We're talking about a new city pier constructed of concrete that will offer entertainment ... walkways to stroll ... and fishing areas. It will be connected to the boardwalk ... a new beach-front public park ... more public parking ... AND new resort towers will also be part of this \$200 million investment.

Creating a year-round destination enhances our ability to stay competitive so we remain - the Greatest City in the World.

There are other elements that are important to the overall health of our city.

The State of the Region Report Old Dominion University released in October and reports from the Hampton Roads Planning District Commission provide some valuable insights into the cost of living and prospects for the future, both of which are important elements to our quality of life.

Let me share some contrasts with you that will help tell this story.

While housing expenses exceed 30% for nearly 28% of our residents - nearly 25% of homeowners are mortgage free.

While we have seen a slight decline in poverty rates – there's been a rise in students qualifying for free or reduced lunch.

While our relative tax burden is the lowest in the region – we have aging housing that isn't desirable to newer buyers.

So...we have something of a dichotomy going on here. Our challenge is to devise strategies to keep the positive momentum going and interrupt the negative trends.

WHO - is key to this equation?

You probably won't be surprised. It's millennials!

Millennials desire convenience and this shapes their housing preferences. In fact, all else being equal, most millennials will choose a Location they perceive as ideal over a home with greater square footage.

Whether they're renting or buying, they want to live near their friends and family and prefer mixed-use urban areas for the convenient walkability.

This is especially important because nearly a quarter of all households in Virginia Beach are headed by a millennial, and that's more than in the MSA or Virginia as a whole.

Aging baby boomers are also in flux. Our enthusiasm for yard work is waning and with the kids gone, there is no need for four bedrooms. The convenience and social benefits of walkable districts offering lower maintenance requirements and lock-and-leave residences allow us to take advantage of retirement and travel.

Unfortunately, our decades-old suburban housing stock isn't keeping pace with changing needs. The growth in Town Center is a testament to the desire for a mixed-use, transit-oriented, development pattern that will better respond to emerging housing preferences. More densely populated areas . . .

- reduce the degree to which private costs are shifted to public responsibility
- increase land values
- reduce infrastructure expenses
- and generate higher revenues than sprawling suburbs.

Ironically, our strategy of concentrating growth in strategic areas like Town Center helps preserve the suburban quality of life many people still prefer.

Finding ways to keep pace with emerging housing trends is one critical area of focus. The other is ensuring our neighborhoods are healthy and able to weather the effects of climate change.

In this year's budget, the City Council approved \$316 million to fund major storm water projects in the city. Neighborhoods hardest hit by Hurricane Matthew are receiving much-needed upgrades to help address problems with recurrent flooding.

We must maintain the commitment to create the resources for investing in upgrading our stormwater infrastructure. To remain a preferred coastal city, we will need to engineer solutions based on sound science and modeling to counter the impacts of sea level rise and recurrent flooding.

But...our public investment cannot all go towards stormwater.

Having a safe community is key to everything we are able to accomplish.

For the last several years, Virginia Beach has achieved one of the lowest crime rates of any large city in the country. Every day, our public safety employees in police, fire, Emergency Medical Services and 911 make split-second decisions that affect our quality of life. Every day, they respond to calls for service that often involve people on their very worst day.

Ensuring these men and women are the best trained, best equipped and best led is a responsibility we take very seriously. Because every day, our first responders put themselves in harm's way so others can be protected.

Police Chief Cervera likes to use the phrase "without incident" to describe the department's work when armed suspects are involved.

This means his officers encountered a subject with a handgun, rifle or knife and were able to take them into custody without use of deadly force. As you know, cities around the country have seen protests and destruction in the wake of police-involved shootings. In 2017, Virginia Beach police officers arrested 15 armed and dangerous suspects, without incident.

Fire, EMS and police responded to nearly 386 K calls for assistance in 2017 and because of them, we are one of the safest cities in America.

I still believe we cannot be a viable 21st century region without a fully functioning, multi-modal transportation system.

One of the most car-centric cities in the country, Los Angeles, recently announced it will be investing Billions of dollars in transit to help ease the congestion that is choking their entire city.

We will always invest in roads and will make sure high value projects are built, such as our ongoing efforts to redesign the I-264/Independence interchange. How much longer can we go before we must commit to a multi-modal regional transportation plan? We must ask ourselves, did we not interview for the Amazon job with the referendum in November of 2016?

Few aspects of our community are more important to our overall quality of life and our ability to attract new residents than our schools. Fortunately, our school system is among the best in the country, as evidenced by the fact that 100 percent of Virginia Beach City Public Schools achieved accreditation. That's 82 schools, which is an incredible accomplishment.

To make Virginia Beach the preferred coastal community, we must remain steadfast in our commitment to attract new businesses, new jobs, new lifestyle choices, new infrastructure and new residents.

New does not mean throwing out the core essence of our quality of life. New means we are exciting and vibrant, building on our fabulous location, to attract the workforce and private investments that want to be a part of our growth.

For those of us who dream and who want more for Virginia Beach, we cannot let our past keep us from seeing a bright future. We are not a sleepy little beach town. We must take advantage of this unique quality of life we have carefully cultivated and maintained.

We need to leverage it to entice visionaries and innovators, to establish new businesses, to expand existing businesses, and foster incubators and accelerators, and offer diverse living choices. When we do this, we provide for the quality of life that will sustain us in the decades to come.

Thank you for being here today and allowing me the opportunity to share my thoughts with you, and aspirations for the years to come. I look forward to answering any questions you may have.