



Resort Advisory Commission
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RESORT ADVISORY COMMISSION
MINUTES

DATE: June 5, 2014
TIME: 3:00 pm
PLACE: Virginia Beach Convention Center, Meeting Room 4AB

COMMISSION MEMBERS PRESENT

Billy Almond
Ken Taylor
Bobby Melatti
Randy Thompson
Joe DaBiero
Bill Gambrell
Laura Habr
Nancy Creech
Sam Reid
Bryan Cuffee
Kristina Chastain
Craig Roback
John Hawa
Michael Cloud-Butler
Sylvia Strickland

Jim Davis
Preston Midgett

OTHERS PRESENT

Joe Gelardi, ESG
Valerie Wilkinson, ESG
Joel Rubin, RCG
Bernice Pope, PDRC
Jessica Foy, OEC, OVC
Barry Frankenfield, SGA
Greg Ward, BCF
Diana Burke, VBHMA
John Uhrin, Council
Bill Reed, BEACON
Stacey Parker, The Pilot
Mike Eason, SGA/Resort Mgmt.
Robin Hart, SGA/Recorder

COMMISSION MEMBERS ABSENT

Tom Brown
Gerrie West

Chair Billy Almond called the meeting to order at 3:00p.m.

Motion carried to approve the minutes from the May 1, 2014 meeting as written.

Arena Presentation – Joe Gelardi / ESG Companies

Before beginning his presentation to bring an iconic, multi-purpose entertainment and sports arena to Virginia Beach, Joe Gelardi introduces Valerie Wilkinson, one of the accountants on the team, who monitors the arena plan's financial progress. He mentions Eddie Garcia, President of United States Management, LLC, who has the ability to notice areas that have the chance to be game-changers in their communities.

For more information on the arena presentation, see the ESG website <http://www.vbarenanow.com/> and view the links for Why An Arena?, Why Our Team? and What Are The Benefits?

Plan, Structure and Capability

The Plan is for an 18K-seat capacity arena, approx. 550K sf at a cost of \$200M. To be located in what is now the Virginia Beach Convention Center (VBCC) parking lot, the arena would anchor the entire 19th Street corridor.

The parking design is inspired by the wind and sail design at the VBCC.

While neither the light rail nor the maglev is required to make the project successful, they are prepared to integrate with it.

The Structure is situated that one would come off the boardwalk to face the site, and be able to see all the way down 19th Street. The entryway would be open lighted glass, and would open toward the ocean. The view to the south of the plaza would be bordering the proposed restaurant and retail space. It would augment the VBCC for their events, and create a dynamic, festive space.

The Capability would be to host events varying from concerts, ice shows, truck shows, rallies, circuses, trade shows, arena football and Olympic trials, including participatory sports events, which could host tournaments.

The future capability could include the NBA and NHA, as they have built the capability into the building for a team. If that were to happen, the cost is about \$80M and the change would take about six months.

The timeline would be for beginning construction in the first quarter of 2015 and have the first event occur in 2017.

Frequently Asked Questions

Valerie Wilkinson disagrees with comments from a Nashville business representative quoted in a May 30 article from Inside Business, which states that the beach arena would need a team to succeed.

Nashville's success of their arena is tied directly to the success of their team. Also, the Nashville municipality owns the arena and they are responsible for the operational exposure not provided by the team.

In Virginia Beach's case, the arena success will not be dependent on one team. ESC will be responsible for the whole arena, and they have to make the debt payment to the bank. The Tulsa and Kansas City arenas are examples of successful, multi-purpose arenas. The availability of hotels and restaurants within walking distance of the Virginia Beach location makes the area more attractive for a multi-purpose arena (that also has the capability to house a team).

The Business Team

ESG is skilled at unifying objectives, and had success in the past with this type of project. The team consists of China Machine Engrg. Corp. (CMEC), SB Ballard and Mortenson (construction), Clark Nexsen and AECOM (architecture and design), USM (private financing), and SMG (operations).

ESG's plan is to have USM provide the private financing, and assume the risk for construction and operations.

The City of Virginia Beach would contribute the land, 1% allocation of the existing hotel tax, the "but for" tax revenue (which is raised through the arena operation itself),

and infrastructure (includes things five feet outside the arena itself, such as parking, site improvements, sidewalks, lighting, and storm water management). The city is actively working now to develop a plan for that, with a report due back to the city in July. Their engineers and Clark Nexsen projected that the \$50M cost would be offset by tax revenue.

The surface parking to the west will provide 2,080 onsite parking spaces. They have projected that 15 times a year they would exceed the amount of available parking. Designing to the 90th percentile parking capacity is the goal, and there will be alternate spaces for the overflow. Kimley-Horne recommended that as the solution from the last time they reviewed the project.

Joe recommends that the city does not overbuy on the infrastructure, and with a 5% cost escalation, a six-month delay could mean a possible overall total increase of \$10M for the arena and infrastructure together.

He would like to have the doors open by January 2017 (between September and January), and not during the summer, which is at the low end of the arena season. Openings need to have a big splash, when tours are happening, and revenue is being generated.

Joe says that the ESG plan is the clear choice because of the lower cost and less risk. There is no city debt and no new tax burden to citizens. Their shared vision with the City of Virginia Beach is to stimulate jobs, grow the economy, draw top entertainment, and do so without asking the city or citizens to shoulder the burden. Joe requests that the public learn more about the project. Visit www.VBArenaNow.com, go to the public hearings, watch the media (including social media such as Facebook and Twitter), and watch for the responses to the Open Letter to the Editor that they are going to submit in a few days.

QUESTIONS from the RAC

Bill Gambrell asks if anything about the proposed arena is LEED- or GREEN-certified.

Joe says yes, they have had energy efficiency consultants in for a presentation and discussion. Return on investment (ROI) decisions have to be made, they are mindful of the LEED certification process, and there is a whole set of event organizers out there that will only use LEED-certified facilities.

Bill supports the project, but observes that the timeline is aggressive. He is not aware of very many projects that are built as fast as they plan.

Joe says that with regard to the construction, they are aware of the possible delays and are monitoring the costs, balancing them against economic models. He feels that the only unknowns lie in the approval period.

Nancy Creech asks if the layout necessitates closing portions of 19th Street, as the design appears to show.

Joe answers that the reason that it might appear that 19th Street is closed is that they will redesign the area with pavers but that does not mean the street is closed. The only time you would see a temporary street closure is during an event, to redirect traffic, etc.

Nancy asks about the synergy between the arena and VBCC. She asks whether or not there are plans for a headquarters hotel, and how long they think they can sustain the arena without one.

Joe says that they are thinking about it, but they are not putting the ideas in the package, as the cost would go up. There needs to be a phasing plan for that idea. The model is built knowing that they do not have a hotel, and it is a successful model; however, the model will change accordingly if the direction changes.

Ken Taylor has two comments and one question. Comment one, of the SMG centers designed, he'd like to know how many had a sports team connected to them; comment two, the 19th Street drawing does show the street closed, so that should be clarified.

The question on parking capacity is that, if there are only 18 times a year that they would need over 3,000 parking spaces, then he assumes from that information that the events Joe will be booking are smaller events, not maxing out the capacity of the arena.

Joe replies that you cannot base an economic model on maximum capacity, so the model is built on conservative estimates. Looking at 85% capacity for the configuration of the event, be it a 270 (degree) configuration capacity where you lose all the seats behind a concert stage, or a basketball tournament where you could fill the arena (360 degree configuration), the attendance will vary.

Joe explains to Kristina Chastain that the "but for" tax is from ticket sales, food and beverage, all generated by the operations itself.

Joe replies to John Hawa that the building is designed below the USN restrictions.

Joe replies to Randy Thompson that the current projection for the annual 1% hotel tax is about \$3M/year. Along with the estimated "but for" taxes at approx. \$4M/yr, the total would equal approximately \$7M/year. They will cap the amount to be received, and any additional money that exceeded that amount would not come back to the project. It is there to cover the debt service, and capital asset reserve; no tax revenue goes into anyone's pocket.

Joe replies to Joe DaBiero that September through March is peak season for the arena. During the time when events taper off is the time to attract tournaments, and the like.

Billy Almond asks if the VBCC and arena can be having events at the same time, yet be hosting different events. He believes at some point that a deck will be required for the western parking lot.

Joe replies that the city told them that the expansion of the VBCC across the street was a vision, but they chose to have ESG there instead. ESG is certainly flexible, and they know that the VBCC expansion to the west instead of surface parking is still something they still want to see happen.

They know that both facilities will most likely not be going at the same time with two different events, because they will compete. The VBCC would most likely be an overflow of another event. Something like an ACC event would require a shuttle.

Craig Roback asks if the operating management team, SMG, has the ultimate authority for booking events.

Joe says that the answer is yes, but both Valerie and Joe say that the venues and event coordinator act as good neighbors, meaning that we collaborate with the city and the VBCC, as well as all across the country, to not book competing events. It is a necessary part of business to make everyone successful.

Sam Reid notes the \$50M cost estimate for the infrastructure and asks if they know yet how long that would take to recoup in revenue.

Joe replies that they cannot tell yet because they have not agreed on the number, and Patti Phillips did not ask for exact numbers from ESG. Patti's office will price it out, compare it with what Kimley-Horne will have, and then they will evaluate. Until that reports comes back to staff, if it is turned over to Council in July, they will not have the opportunity to talk with them about it.

COMMITTEE REPORTS

Transportation, Parking, Pedestrian Committee (TPPC)

Mike Eason reports for Preston Midgett.

Mike Tippin updated the committee on the reduction in scope of the Pacific Avenue project due to cost.

Mark Shea updated the committee on an existing app from a private company to find the locations of the HRT trolleys. The app is not being promoted by HRT but they are developing their own app. The TPPC is encouraging the development.

The trolleys will be now purchased over two seasons, but we will have all the trolleys in one season. Council Uhrin is leading that plan. The increase in the trolley fare will not occur until the end of the season (October), to lessen impact, given the new trolleys that are coming in.

For the RPP Program, Mike advised the committee that they are attempting to formalize the process in which a section of the residential neighborhood can apply for and be approved for included into the RPP Program. They are formalizing the process and getting manager approval.

Concerning the CUP program, there have been suggestions from some of the residents that new construction projects that have a large number of employees not be included in the RPP program. This is only for projects that require a CUP. There were questions on the process. They will be updating the committee on how the process works.

The bike path will be repainted with symbols this fall.

There is something new coming to the Rudee Loop for the winter, but that will be announced later.

They have relocated the 34th Street pylons to 13th Street and are trying to get the foundations installed.

Mike recalls that when Bill Gambrell was heading the Resort Area Parking Committee, one of the recommendations was to simplify the RPP signs. The parking office was

working on the upper portion, supported by city code, which says that you can have an RPP area, and this is how it will operate. The bottom portion of the sign with the two holiday restrictions on two weekends is not a city code but is enforced by signage. Only the top portion of the sign was redesigned. The suggestion from the TPPC was to do nothing, as the \$40- to \$50K that would be spent to replace 600 signs was not enough to justify the expenditure. Mike asks for RAC's direction on the sign on whether or not they want to move forward with improving the upper sign, or is the existing signage enough that they can maintain that for at least a while longer.

There were suggestions to defer to staff, to keep considering a change for 2015 and do nothing in 2014, to use temporary holiday signs, and rewrite the holiday wording. Mike will take the suggestions back to Preston and the TPPC.

Planning and Design Review Committee (PDRC)

Billy Almond reports that PDRC met on Tuesday and approved the concept of a commercial parking lot at 22nd Street.

Mike Eason has addressed the 34th Street pylon relocation.

They are awaiting an update on the Old Coast Guard Station fence project.

There was a meeting after the PDRC meeting concerning redesigning the façade for the 21st Street Block, and they are trying to get base map information.

Oceanfront Enhancement Committee (OEC)

Sam Reid reports for Jim Davis. The OEC learned of the approval of the cameras and social worker requested in their OEC Strategic Action Items.

They discussed Strategic Action Item #3, and will be speaking with more of the service providers in future discussions.

Resort Investment Committee (RIC)

Ken Taylor reviews the Subcommittee Guidelines, which were initially drawn up to improve attendance.

The associations – the restaurants, the hotels, the civic organizations, and the Chamber – shall each have a seat on the subcommittee of their choice, without a waiting period. Their vote becomes effective when they select their committee to attend.

One item was added to the guidelines concerning the Chairs representing both sides of a recommendation when necessary. The RAC needs to hear from any strong opposing voice along with a committee recommendation. The RAC vote counts; the subcommittee vote is solely a recommendation to be brought to the RAC.

Once a position as a voting member is established, they must adhere to the attendance guidelines in Article II., Section 5 of the RAC Bylaws." They further stated that all of the RAC Bylaws govern the subcommittees.

The guidelines were then sent out to everyone for review and comment at today's meeting.

One member asked if the minutes of the subcommittees, once approved, would be circulated to the committee members and full RAC as stated in the guidelines. Ken verified that will be done.

Motion carried to support the Subcommittee Guidelines as presented.

Oceanfront Visionary Committee (OVC)

Kristina Chastain reported that the OVC did not meet. The plan is to meet in August 2014.

G.R.E.E.N. Committee

Laura Habr reported that the G.R.E.E.N. Committee did not meet last month.

Economic Development Report

Bryan Cuffee reports that in the last meeting of the Authority they did approve 6 mos. exclusive agreement for further development of the Dome site, in response to an RFQ.

Staff Report

Mike Eason reports that they received delivery of 100 recycle containers through the grant program with Snapple. They are onsite and available free for any event organizer who wants and needs them.

Last weekend, they had multiple events. They had the air show and the concert, as well as the Wounded Warrior event with 500 families in town for recreational therapy. They all received positive feedback, and the military was very happy, so that weekend will be growing. John Uhrin agreed and hoped for continued support.

Old Business

None

New Business

Laura Habr reports that the First Friday Vibe is continuing to grow from 19th Street to 17th Street, and the Old Beach Farmers Market is now operating under summer hours, starting at 8am.

Public Comment

Sylvia Strickland requests that a RAC member speak to the Human Rights Commission in regard to what the Resort Advisory Commission does and how it operates, and / or asks permission to speak on RAC's behalf. Okayed by the Commission.

Meeting adjourned at 4:45p.m.