



Resort Advisory Commission
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RESORT ADVISORY COMMISSION
MINUTES

DATE: March 1, 2018

TIME: 3:00 pm

PLACE: Virginia Beach Convention Center, Room 4AB

COMMISSION MEMBERS PRESENT

Kristina Chastain
BJ Baumann
Billy Almond
Bobby Melatti
Bryan Cuffee
Craig Roback
Gerrie West
John Hawa
Keith Ireland
Laura Habr
Michael Cloud-Butler
Nancy Creech
Phil Boyer
Preston Midgett
Randy Thompson
Ron Villanueva
Russell Lyons
Sam Reid
Sylvia Strickland
Tyler Brown

OTHERS PRESENT

Linda Collins, Resident
Jim Capps, Resident
City Manager Dave Hansen
DCM Ron Williams
Brad Van Dommelen, CVB
Nancy Helmann, CVB
Capt. Mike Ronan, VBLE
Matt McInerney, VBLE
John Uhrin, Council
Stacey Parker, The Pilot
Teresa Diaz, CVB
Emily Archer, SGA
Kristine Gay, SGA
Kathy Warren, SGA
Rob Fries, SGA
Cece Riddick, SGA
Casi Hansford, SGA
Bernice Pope, PDRC
Nancy Perry, InterExchange
Bill Gambrell, VBRA
Mike Eason, CVB/Resort Mgmt.
Robin Hart, CVB/Recorder

COMMISSION MEMBERS ABSENT

None

Kristina Chastain called the meeting to order at 3:00pm. **Motion carried to approve the minutes from the February 1, 2018 meeting with one revision to recorded attendance.**

Entertainment District Update –

City Manager Dave Hansen, DCM Ron Williams and CVB Director Brad Van Dommelen
Ron Williams recalled the January 2018 update to the RAC on the Dome Site project, and the verbal update last month on the Entertainment District. They have a new mandate from City Council to have a public engagement workshop for the projects presented today, scheduled for March 15, similar to what they did with the Dome Site on January 31 of this year. He thought it would be good to have a refresher on these discussions and look at the projects collectively, as well as share some new information.

One of Ron Williams' areas of focus as Deputy City Manager is on implementing the Resort Area Strategic Action Plan (RASAP) adopted by Council in 2008, of which creating distinct districts and identities is a key part. The development strategies and objectives of the plan guide how work is organized and projects are vetted.

The 31st Street Laskin Gateway is considered an accomplished project, and they have moved to the central beach area and dubbed these projects collectively as the Central Beach Entertainment District. As they organized and worked through several of the ideas that are part of the District, they also concluded that they needed new product in order to achieve that year-round destination, one of the strategies of the RASAP.

Ron directed presentation to Brad Van Dommelen, who said that the media generates a lot of excitement when a destination like Virginia Beach invests in new product that changes the scope of the destination. He quoted a headline from a February 2018 article on Thrillist, an online media brand covering food, drink, travel and entertainment, saying that Virginia Beach may be considered "a primo American beach destination" within a few years. The article mentioned the Dome site, Cavalier Hotel, and pier project.

Authentic, bold products and destination marketing are critically related, where a conscious decision is made to make a destination better and bigger than it is. The sports center is a bold and transformative product on which they are currently working to bring 62 annual events and \$100M to the area. Designing a creative funding mechanism like the TIP Fund for a tourism product like the sports center is something he has not seen in any other destination. The city has the means to raise the bar for its competition.

These projects are catalytic by themselves, and when they are put together, a synergy is created that can make the area become one of the places to visit in the future.

Ron described for the RAC the three key projects and the one main infrastructure project for the Central Beach District.

In the west, the sports center will become the Virginia Beach Convention and Sports Center, as the two together will become a campus. They are in discussion on that and he illustrates conceptual siting and parking with the project. The city currently has a good reputation in a \$15B sports industry and are at risk of losing it because they are holding events in the convention center and not a tournament center. They want to solidify and grow the sports tourism business and let the convention center settle in to its purpose and draw the type of business for which it was built.

Council has approved a design/build interim agreement, and in March, they will review an opportunity for an operations interim agreement. The goal is to have a comprehensive development agreement in July, and have a public engagement workshop between February and July as they further conceptualize the design.

The ViBe District has construction on 19th Street that is expected to be underway this spring, and 18th Street is a year behind that. There will be decorative inlay intersections along the corridor and will be announced in the spring when construction begins.

Since the Dome site public engagement workshop on January 31, they are in continued negotiation and study on the project. Ron reviewed survey results and revealed the next steps to be taken through May 2018 concerning studies, analyses and costs.

The Pier has been an ongoing idea for many years, but the overall issue is a desire by the city to have the pier replaced because it is vulnerable to more damage, having been already shortened by one storm. They have had unsolicited proposals, appointed Council liaisons in 2016, but it was at the end of 2017 that they decided they needed to move forward and see how they would be able to get such a project completed. In February, they

briefed Council on not only how they could replace the pier, but also how they might invest in a pier and induce private sector investment to create a distinctive place that would add to the vibrancy of the whole district.

Ron Williams reviewed the proposed terms and potential public private development for the Pier project. It will be included as part of the March 15 public engagement workshop. A term sheet could come before Council in April.

A parking strategy was adopted in 2013 that plans ongoing activity as well as short-, mid- and long-term goals for technology and resources. A Park Plus model, plus walk tolerance analysis, is used to determine Central Beach District parking requirements for projects they want to accomplish.

These opportunities will be discussed on March 15 at the public engagement workshop.

Dave Hansen elaborated on how they will get the projects with a review of the capital funding for the Central Beach Entertainment District projects.

They set a goal to increase tourism by 20%, going from 15M to 18M people coming to the area every year. The sports center is projected to help make that increase happen. He believes that projects have to be brought to the area that will make people want to stay another night.

QUESTIONS/DISCUSSION

There was discussion on funding, future projects resulting from the proposed projects, a headquarters hotel, parking, creation of displacement, the vetting process and the need to educate the public about why the projects need to be viewed as a whole and how they work together to create the destination.

- John Uhrin verified through Dave Hansen that the source of the funds of the proposed capital funding all comes from the TIP Fund.
- Russell Lyons asks if there is a timeline for the 20% growth that was mentioned and Dave believed that 18M visitors a year should be no problem when they complete those three major entertainment projects in the central resort area, plus the parking.

Russell also asks about the TIP fund and the extra dollar per night that they added that has an upcoming expiration date. Dave replies that they are not carrying the contribution forward, and says that the VBHA can make those decisions. Russell asks about the additional dollar tax was predicated on the fact that the arena would be there, and Dave advised leaving it in place, as it is not prohibitive to their room nights. Dave says that they did explain to Council that the dollar was originally put there for the arena.

Russell asked what the projected remaining balance in the TIP would be if all those projects were accomplished. Dave replied that he will review the spreadsheet with him, as it has a significant fund balance, which will grow, and in about eight years, the city will have about \$70M+ dollars in fund balance that provides the opportunity for another half-billion dollar investment.

- Nancy Creech asked whether a headquarters hotel is in the picture and Dave replied that they are not pursuing that. The Miller Study conducted around 2003 suggested they begin with a hotel, but it did not appear to be something that the industry was eager to have. Although it is now high on the new CVB Director's list, they are not programming that into the entertainment district at this time. When they add the revenue stream to the TIP fund, they can probably have that conversation in the future.

Brad Van Dommelen added that they are in the process of upgrading a 2011 study from HVS on the city's market and competition, and the opportunity for a hotel, as well as what it might look like and how it would operate. The process will take about 10 weeks.

Nancy Creech asked if the numbers have been run that tell them whether what they have existing hotel facilities would accommodate the sports center people they plan to attract, and Brad says that the majority of the sports center business is in the shoulder season. When they do get the hotel on the projects-for-consideration list, the pattern of business will be also in the shoulder season. The hotel will be a Sunday through Wednesday-Thursday pattern and the sports center will be a Thursday to Sunday pattern. Both assets will be working for them in the shoulder season and will together cover the entire week, attracting new business that is not currently in the market.

- BJ Baumann said that they recently had a presentation from the city's finance Department on the TIP fund forecast for the next eight years. It included the sports center but it did not include debt service on the pier project, parking initiatives, or the dome site project. She asks if the city will be able to provide the revised balances, as they see a significant increase in Year 8 but they do not see the debt service in this analysis for any additional business they might receive.

Dave Hansen said that they are working on those spreadsheets now and realistic projections can be shared after he shares them with City Council, hopefully within a week. He has seen what the fund balance and the TIP does based on data going in, and removing costs. They have not put in the projected revenue streams in this yet but he is comfortable with the pier projections. They are creating a hefty displacement factor, as it is larger than Atlantic Avenue; it is displacement from Philadelphia, Fredericksburg, and everyone else, because you are going to take some loss in the first year, but it will come back after the volume of tourism comes back in.

They are still at the elementary level with what the Dome site might be thinking about putting at that site. They have people that are trying to book the sports center with athletic tournaments today, and they just got the 30% design agreement through Council. Those projections can be immense, and he is confident with an estimated growth rate of 20%, because the shoulder and winter seasons can be very lucrative for those teams to come here.

BJ added that, although they understand Dave's desire to share with City Council, she points out that they are working with huge expenses and revenues. Ron Williams added that, in this scenario, they do not need the additional revenue to have the capacity; it is already there.

- Preston Midgett noted that our tourists want more things to do. These projects presented here today are something for which people will stay, he believes. He does not view these projects as competition, and he thinks will add value to the resort.

- Craig Roback asked how the \$60M in parking will be allocated between the sites, and Ron Williams pointed out that they are concepts, but the most fleshed out are the western lots, as they were part of another plan. They need that capacity even now, for large events. What is absent is opportunity east of Pacific Avenue. The highlighted areas are concepts that they have on the table right now.

- Phil Boyer said that the VBRA was briefed on the Dome Project, and although they understood the need for more product to bring tourists into the City, there is an overriding concern amongst restaurateurs about the amount of square footage that is allotted to new restaurants in that displacement. The displacement numbers they are seeing are

substantial, and he would like to see some studies done to understand the economic impact of these projects and their effect on the existing restaurants in the city.

Ron Williams said that the displacement factor that the finance department uses is not a substitute customer that exists. The displacement factor is that the business will not perform at 100% in the first year, and that is what is built into the model, and then the business picks back up. Every time the economic impact studies have been done, it has proven to be a conservative estimate of what actually happens, and businesses outperform the estimate. They reason analysts look at it is because they use the estimated decline in business as a governor (i.e. displacing 60% of the opportunity) in order to remain conservative with the tax revenues that could be generated from the project.

Dave Hansen added that he has a responsibility to show the taxpayer and the TIP fund what their return on investment and projected revenues are. He uses what the current businesses are doing on the property as a baseline to have a risk-reverse, guarantee to hit his numbers for his board of directors. By doing that, he will know that, in seven years, if \$21.5M is put on a pier project for example, it will generate a return back to the TIP and will provide a 7-year return on investment.

Phil was looking at the square footage being added. The numbers for the pier are not yet available.

- Russell Lyons asked if there was a specific method to calculate the number of new visitors that may come to an area because of a specific project, and Dave Hansen replied that there is no way to predict what the project will truly produce. They have set the goal, and he expects their marketing initiatives, into which they have put another \$1M, to attract visitors. Ron added that they began with the conservative Victus study and they added the proposed track element. That, along with the entertainment components, plus another element that is not in the presentation, are providing them with a better idea of what the visitation is.

- Randy Thompson asked if they had looked at any other recent similar developments, one being Pigeon Forge with their wheel, which has become iconic. Their whole market has grown because of it. He offered that they might have before and after numbers, which could help with displacement figures. Ron replied that is why they continue to looking at the project from a district perspective because some of the projects occupy a couple of blocks, and when they marketed the Dome site, they marketed those 10 acres as the Entertainment District. When you put all these pieces together, you have a focal piece, plus added things to do. The projects are kept as a collective package, as it has elements of what is believed to be the right mix for Virginia Beach. The decision was made to *not* be heavy on the food and beverage, as most entertainment districts across the nation are designed that way.

- Nancy Creech pointed out that this is an interconnected, comprehensive program, and asked if there been any analysis on which pieces will be done, if not all of it can be done. Dave Hansen replied that the national impact will be significantly reduced, and you will not realize all the tourism and public notoriety that is predicted to come with the projects. There is simply not enough to do at the beach right now. You have to be able to do more than go to the ocean.

Nancy asked how they are going to educate the public about the necessity of getting all the projects done in order to realize the desired outcome. We need to see all the projects in totality as opposed to having one project at a time.

Dave says that they intentionally focused the sports center in a different direction in order to capitalize on the water feature and to utilize the far parking. The objective is to help the convention center be utilized to its maximum capacity and benefit, and they are

preserving their ability to expand for a reason. When this current initiative is in place, they need to be able to focus on the next thing. The TIP and the financing that the city has put together will be able to assist in doing that.

Brad Van Dommelen agreed that we do need it all, to create that experience, noting that it appears that we are doing a lot at one time, but it is because the city has not done a lot in a long time. He is hoping that these projects will be a catalyst for other projects and it will cause other investments to move forward. That is how destinations become that special place.

- John Hawa thanked City Staff for their foresight and believes that change makes things strong. Agreeing with Phil Boyer that there is concern among the business entities, John believed that it is paramount that they talk about the numbers in the district. It is important that they stay close to the process and the processes that have been set up to properly vet each project.

John verified that the 15.2M tourists from 2016 and 7.2M overnight tourists cited in discussion are citywide numbers, not solely resort numbers. Of the 10K rooms in the city, about 8K of them are at the oceanfront. Russell Lyons replied that, even over 30 years, the growth is flat, with the majority in the summer months. They are hoping that the sports center will increase their numbers.

Brad commented that Virginia Beach is about three percentage points below the national average in occupancy. He thinks that the city must do better, and they can do better by making conscious decisions, and taking calculated risks with the right product that is vetted properly. They can become the destination that can be the jewel of the east coast – or not; it is our choice.

- BJ Baumann believed that the majority of the business owners (restauranters, retailers or hoteliers) is for growth and improvement. There is a question in everyone's mind that more facts are needed.

Dave was surprised at the amount of traffic just by virtue of that article and the emergent discussion about a sports facility. The NCAA wants site-neutral facilities. There are tracks in the middle of nowhere with no nearby hotels and restaurants, and they have the opportunity to bring families to Virginia Beach throughout the year and have things to do. When he saw 1900 athletes showing up 6 times a year bringing 10K people with them, that occupies at least 3500 hotel rooms, with healthy appetites, he knew it could be good for the city. They have pushed Council hard to get the facility up and moving as quickly as they have, and only recently had a design meeting with engineers and other professionals did they get the orientation ready to be able to present it today. Dave believes that you have to go big if you want to be dominant in the tourism industry.

Pier Project Presentation – RJ Nutter

RJ is proud that the Pier project could combine with the other two projects to make the single largest investment at the oceanfront since the 1980's. He is also proud of the private investment that is part of the project.

He shows venues across the United States that have used their waterfronts to provide public amenities and iconic destinations.

RJ's presentation includes plans to replace the wooden pier with a concrete pier with a mixed-use destination, to include restaurants, entertainment and possibly a hotel and timeshare project. There are plans to develop a new pedestrian connector in alignment with 15th Street and relocate the pier, slightly north. The City would move the 14th Street stub

street to create a new City Park and Pier Gateway. The parties investing in the project include four generations of ownership and a national vacation ownership developer.

The options for providing future development included offering a land swap in moving the 14th Street connector to 15th Street, the option for the city to add public parking, having free pier access and fishing, and creating a satellite venue for the Aquarium as well as an exhibit to highlight the area's surfing history.

RJ Nutter reviewed the public/private investment summary, and the projected annual tax revenue at approx. \$6.9M for the City of Virginia Beach.

After presenting the project to the public and other interest groups, the next steps would be to receive City Council approvals, and optimally begin construction in the fall of 2018, beginning with the pier and parking amenities.

QUESTIONS/DISCUSSION

There was discussion on GAP financing for the project, height restriction discussions with the military for entertainment, cannibalization of existing businesses, and impact studies.

- RJ reviewed the total amount of the GAP financing for Russell Lyons.
- Sam Reid asked if they have had discussions with the USN and Oceana about the height of the ferris wheel and buildings, and RJ replied that they did have discussions with the FAA for the Dome site, and there were no objections with the plans for it at that site. The pier project is not too far from the Dome site location.
- Phil Boyer asked if they are estimating doing \$400M in restaurant sales for only the two restaurants on the pier and RJ replied that also includes any restaurants in the hotels, not just the two on the pier.

Phil's concern was cannibalization, and RJ replied that when they assisted with other projects, such as 34th Street and then added the Hilton Garden Inn, they saw no cannibalization of the other properties' restaurants or hotels; in fact, they saw increased sales. They are not trying to divide the pie that is there; they are trying to grow the pie. RJ believes that those spots will become attractions that will draw people to the oceanfront.

- Kristina Chastain asked if there have been any steps taken to have an economic impact study on this specific project in relation to the other projects, and RJ replies that they have not. They have not experienced displacement with the restaurants that this developer has today.
- John Hawa asked why the sales tax on related retail sales projected for the project read an amount of zero, and RJ replied that because they are not yet sure of the right mix there, they chose not to add any numbers. They also do not know whether any monies will come out of the existing facilities, so they have remained conservative on providing that estimate.

RJ also points out that they have no revenue for parking, either. The city wanted to be able to operate and manage the parking facility, and they have no issue with that.

Public Comment

- Richard Maddox points out that the City's vision for the resort area has changed over the last 15 years, and he is excited about the development potential. His concerns are also about displacement and he agrees that the Dome site and the Pier Project need to be reviewed together. He wants to make sure that the numbers work and sees no harm in taking another couple of months to study that. In order to increase the hotel room supply by 50% it could take generations to do that unless they have some corresponding plan.

- Mike Standing was also in favor of the pier project, but the level of restaurant and retail development

seems to be dramatic and questions have been asked about why we have not done a study. He thinks the Dome site is a fantastic project that can do wonderful things for the entire resort.

Mike Standing did not agree that displacement has not occurred with the current developers' properties; they have not experienced this. He says that they have experienced displacement, mentioning Chix and Catch 31.

He says that they are going to add 80% restaurant space and 3 ½% hotel space with this project. They will bring locals down for a beer and a ride on the ferris wheel, but he has concerns about the restaurants west of the resort, and the vacuum effect. He asks what study said that this has to be a restaurant development. It is a fishing pier.

Linwood Branch addressed the hotel question, saying that it is not the number of hotel rooms, it's the number of occupied hotel rooms. We are under the national average and is even about 7% less than Town Center. They have a lot of capacity to fill, and they need attractions to do that. He does not mind adding rooms, but they have the inventory; they need to fill it.

- One meeting attendee asked that if this restaurant is built at the waterline, if other restaurants can be built at the waterline and RJ replies that it cannot be done by any other restaurants because they would not be on a pier.
- RK Kowalewicz, a prior owner of a surf shop at the oceanfront for 30 years, said that he frequents the restaurants in the area and he knows that they are down. Building this new attraction is going to compete with the private sector. He referenced unpaid debt belonging to the City, and asked who will pay that back if these projects do not work.
- Chris Savvides echoed the comments made about the rush to complete the projects, and the financial aspect of it. As the pier is developed, he thinks they can do better for an aesthetically pleasing pier. He has been on the oceanfront for 60 years and hopes for something that can better capture Coastal Virginia and capture the Tidewater essence.
- Tim Barrow, involved with the Commission for many years, stated that the pier was always part of their imaging from the beginning. The idea of a pier being an attraction for visitors as well as an eastward extension of our water quality was really the key component of it. He would be concerned that the pier was seen as a competitor to the activities that were here. The initial idea included a series of kiosks that would be open to any businesses in the area to have their presence, maybe on an annual contract, to be on that pier to represent either retail or restaurant examples. If it is to be successful, it needs to be a public investment for public purposes. He is concerned about the direction that this has gone. One baseline might be that one restaurant that has the unique feature of being the restaurant on the pier, i.e. Ocean Eddie's. A compromise might be to say that this pier will have no more restaurant presence than the current presence there; he has questions about the numbers. It might mitigate the competitive presence that might be there.
- Another meeting attendee asked how wide the structure is and RJ replied that it is about 220 feet wide.

Kristina Chastain concluded the presentation portion and returns to RAC business, thanking the meeting attendees and allowing time for those that wish to leave before continuing the meeting.

There was further RAC discussion on the organization and thoughts on the Pier, and Phil Boyer believed that a feasibility study needs to be done; an economic study. He recommended that the RAC recommend to City Council and the developer of the pier project that an economic feasibility study be done, and that they slow down this process. The motion was seconded.

Bryan Cuffee abstained due to his personal interest in Gold Key/PHR located at 300 32nd Street in Virginia Beach VA 23451. Preston Midgett and BJ Baumann abstain due to possible personal interest with the project located at 15th Street and Atlantic Avenue.

After discussion, Nancy Creech asked for the motion to be restated and Robin Hart read that the RAC wanted an independent comprehensive economic feasibility study on the pier to include numbers in order to make a better decision including retail, restaurant and hotel information.

Kristina asks for a second on the motion. Sam seconded. **Motion carried that RAC send a letter to Council requesting an independent comprehensive economic feasibility study on the pier to include numbers in order to make a better decision including retail, restaurant and hotel information.** There were three abstentions.

Chairman's Report

Sylvia Strickland reported for the Joint Oceanfront Committee (JOC) comprised of Human Rights Commission (HRC) and RAC members for discussion about Week 17/College Beach Weekend. She refers to the draft recommendations that reviewed by JOC members. She asks the RAC's review and approval to forward them for final approval by the HRC and then sent to John Uhrin for his consideration.

After discussion and clarification of the recommendations, a motion was made by Sylvia to support the committee interim report, seconded by Billy Almond. **A motion was carried unanimously to support the JOC interim report.**

BJ Baumann told the Commissioners that if they are planning to attend a group observation Friday and Saturday nights of that weekend of April 27-April 28, to coordinate with Mike Eason and Robin Hart.

Russell Lyons offered a hotel room where everyone can gather. Preston Midgett offered his business parking lot for people to gather.

Sylvia says that the HRC will attempt to invite other community leaders to come down and observe. They will have a survey after the event, and Sylvia will be able to report after the weekend.

Mike Eason has been working with Captain Ronan and a parking pass for parking locations. More to follow after he meets with Rob Fries.

Committee Reports

Due to time, the six subcommittee reports were deferred to the April 5, 2018 RAC meeting:

Resort Investment Committee (RIC)
Transportation, Parking, Pedestrian Committee (TPPC)
Planning & Design Review Committee (PDRC)
Oceanfront Enhancement Committee (OEC)
Oceanfront Strategic Growth Area Committee (OSGAC)
G.R.E.E.N. Report (G.R.E.E.N.)

Staff Report – Mike Eason

Mike Eason says that about five years ago, an entertainment troupe, Cirquesa, was issued a permit to operate at the Rudee Loop. It was a 1,000-seat tent that had two performances an evening and included matinees on the weekends, and ran for about six weeks.

The same group wants to return with a smaller show, a 300-seat venue, hopefully on the same site, for two weeks in late July or early August for a trial run. They have a new show and are conducting trial runs, and last ran in Orlando, with sold-out shows.

We would charge a rental fee and admissions tax. No city resources used.

BJ verifies that there were no issues when they were here last.

Mike asks the Commission's mood to have them back this year.

BJ Baumann makes the motion to have them return for this year, Billy Almond and Bobby Melatti seconded. **Motion carried to allow the Cirquesa troupe to return for a second appearance at the oceanfront this year.**

Old Business

None

New Business

None

Meeting adjourned at 5:32p.m.