

Economic Development - Departmental Performance Report

Economic Development						
The mission of the Department of Economic Development is to develop, implement and maintain programs that facilitate the creation of a diversified, continually expanding dynamic economy through the development of and investment in new, targeted businesses and enhance existing businesses. This will lead to the creation of quality jobs, higher wages, and lower tax rates, as well as encouraging the retention and expansion activities and enhancing the overall quality of life in Virginia Beach.						
Objective/Performance Measure	Unit	Annual Target	Actual 2008	Actual 2009	Est. 2010	Proj. FY 2011
Customer						
Create New Capital Investment						
Value of New Capital Investment	\$	183,750	240,500	183,750	183,750	140,000
Create New Employment Opportunities						
New Employment Opportunities	#	1,200.0	1,513.0	1,474.0	1,200.0	1,500.0
Per Capita Income	\$	47,246	44,534	45,870	47,246	49,305
Expand Existing Target Industries						
Existing Companies Expanded	#	50.0	37.0	54.0	50.0	25.0
Existing Women and Minority Firms Expanded	#	2.0	0.0	0.0	2.0	1.0
Locate New Target Industries						
New Companies Located	#	25.0	29.0	54.0	25.0	24.0
New Women and Minority Firms Located	#	3.0	0.0	0.0	3.0	3.0
Number of Company Prospects	#	400.0	422.0	422.0	400.0	300.0
Number of Target Industry Prospects	#	400.0	422.0	451.0	400.0	450.0
Learning & Growth						
Improve Professional Development						
Hours of IT Training Per Employee	#	3.0	0.0	0.0	3.0	3.0

Major Changes

The Economic Development Department FY 2010-11 operating budget, including the general fund, Central Business District South Tax Increment Financing Fund (TIF), and the Town Center Special Service District Fund (SSD) was reduced by \$344,467, or 3.5%, and one position less than the previous year.

Change	Impact
Elimination of the Business Expansion/Outreach Program including one position.	<ul style="list-style-type: none">• Possible loss of \$7.5 million in new capital investments, up to 375 new jobs, and up to 50% reduction in expansion of existing companies.

Additional information about program reductions is available in the Requested But Not Funded listing in the Resource Management Plan document.

Departmental Overview

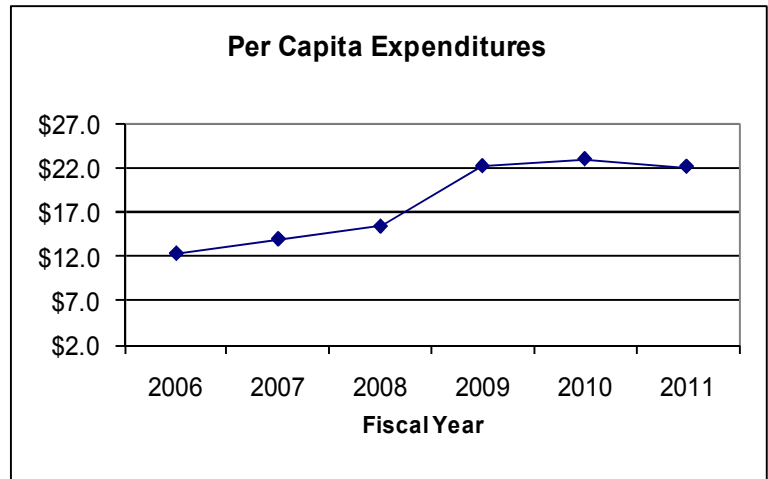
The department encourages and assists in the retention and expansion of existing businesses and international trade opportunities. Specific outcomes of the Economic Development Program are: 1) a growing local economy, 2) economic opportunity and prosperity for residents, and 3) revenue growth to fund City services. This department is primarily funded by general City revenues. It also reflects the Town Center project accounting, which includes the tax increment financing district and a special services district.

- **Staff Support to the Virginia Beach Development Authority (VBDA)** - Appointed by the City Council, with the goal of facilitating the expansion of the tax base through increased business investment. The VBDA facilitates business/industry location and retention by acquiring, developing and reselling land, and issuing Industrial Revenue Bonds. The VBDA also administers the Economic Development Investment Program (EDIP) capital project (CIP 9-141), which provides a dedicated funding stream (12 cents of the 65 cents cigarette tax) to fund the provision of offsite utility improvements/upgrades, road improvements, traffic signal improvements, regional storm water facilities, and site preparation for projects that expand the tax base. To qualify for use of EDIP funds, a company must meet certain criteria, which enhance the economic development of the City.
- **Minority Business Program** - Data indicates that the City does not have a large supply of minority owned businesses. During the August 2004 City Council retreat, they established strengthening participation by minority owned businesses as a top priority. Small businesses are responsible for the creation of many jobs in Virginia Beach's economy, and most of the women owned and minority businesses are small businesses. Nurturing these businesses can help create jobs and expand the City's tax base. By providing some business development services such as referrals, "one stop" services, and incentives, minority owned businesses will be encouraged to develop in or relocate to Virginia Beach.
- **Workforce Development** - Works with our community to focus resources on the development of a qualified workforce, matching the needs of employers and potential employees.
- **Central Business District-South Tax Increment Financing (TIF) Fund** - Established by City Council on November 23, 1999, as a mechanism to fund all or part of public facilities and infrastructure, and to promote development in the Pembroke area of the City. With a TIF, real estate revenues above a base amount can be used to fund improvements within the TIF area.
- **Town Center Special Service District (SSD) Fund** - Established by City Council on May 14, 2002. In accordance with the Town Center Development Agreement, this district was created in FY 2002-03 to provide annual operations and maintenance costs associated with the core parking facilities as well as security, street sweeping, pressure washing sidewalks, landscaping, and refuse collection at public waste receptacles within the Town Center core area. The rate was established at 57 cents annually based on estimated operations and maintenance costs. This rate has changed as other projects near completion and based on the level of maintenance desired by the property owners. In FY 2007-08, the rate was lowered to 50 cents. The FY 2008-09 budget lowered the rate to 45 cents. Rates will be adjusted based on costs and current funding capacity. Currently, seven blocks (3, 4, 5, 8, 10, 11, and 12) of the Town Center core area are

in the special district, and the district will expand as other blocks are developed. It should be noted that only property owners within the designated special tax district area are subject to paying the associated increased tax rate.

Trends and Issues

- The 45% increase in FY 2008-09 is due to several items. First, \$500,000 provides for implementing activities associated with the City Council’s adoption of the 2009 Comprehensive Plan in the Strategic Growth Areas (SGA). In conjunction with this, there was \$3,000,000 per year programmed in Capital Improvement Project 9-081 Strategic Growth Area Program, to coordinate actions between contractual project management and consulting expertise involving relocation, legal expertise, infrastructure needs, and land acquisition in the strategic growth areas. In FY 2009-10, funding for the Strategic Growth Area was moved from the operating budget to the capital project and the responsibilities for coordinating the work in the Strategic Growth Areas was transferred to the Strategic Growth Area Office (see the Non-Departmental section under Quality Organization).



- Due to reduced funding levels, the budgeted amount for advertising, publicity, and promotional literature (\$339,554) is 5.9% lower.
- The economic downturn has delayed construction in the Town Center District. This has resulted in a \$186,817 reduction in the Central Business District-South TIF, and a \$110,755 reduction in the Town Center SSD budgeted amounts compared to the previous year.

Council Amendment

On May 11, 2010, City Council voted to add \$100,000 to replace revenues lost due to the State’s assuming the sale of industrial revenue bonds. In the past, the Virginia Beach Development Authority issued industrial revenue bonds for businesses and received commissions as a result. Since the State expanded its capacity to issue industrial bonds, this has greatly reduced issuances by the City.

Economic Development - Departmental Resource Summary

	FY 2009 Actual	FY 2010 Adjusted	FY 2011 Adopted	Variance from FY 2010
<u>Program Summary</u>				
<u>002 General Fund</u>				
<u>Expenditures</u>				
Director of Economic Development	2,656,922	2,045,444	2,098,549	53,105
Total Expenditures	<u>2,656,922</u>	<u>2,045,444</u>	<u>2,098,549</u>	<u>53,105</u>
<u>Revenues</u>				
Director of Economic Development	53,744	0	0	0
Total Revenues	<u>53,744</u>	<u>0</u>	<u>0</u>	<u>0</u>
General City Support	<u>2,603,178</u>	<u>2,045,444</u>	<u>2,098,549</u>	<u>53,105</u>
<u>169 Central Business District-South TIF (Twn Cntr) Fd</u>				
<u>Expenditures</u>				
Central Business District South TIF	4,744,906	0	0	0
Reserve for Contingencies	0	119,880	119,919	39
Transfer to Other Funds for Debt Service	5,296,567	5,681,054	5,614,117	(66,937)
Total Expenditures	<u>10,041,473</u>	<u>5,800,934</u>	<u>5,734,036</u>	<u>(66,898)</u>
<u>Revenues</u>				
Central Business District South TIF	53,332	0	0	0
Transfer to Other Funds for Debt Service	9,988,141	5,800,934	5,734,036	(66,898)
Total Revenues	<u>10,041,473</u>	<u>5,800,934</u>	<u>5,734,036</u>	<u>(66,898)</u>
General City Support	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>174 Town Center Special Service District</u>				
<u>Expenditures</u>				
Town Center Parking Operations	1,340,878	1,811,331	1,700,576	(110,755)
Reserve for Contingencies	0	283,564	283,564	0
Total Expenditures	<u>1,340,878</u>	<u>2,094,895</u>	<u>1,984,140</u>	<u>(110,755)</u>
<u>Revenues</u>				
Town Center Parking Operations	1,273,942	1,811,331	1,700,576	(110,755)
Reserve for Contingencies	272,971	283,564	283,564	0
Total Revenues	<u>1,546,913</u>	<u>2,094,895</u>	<u>1,984,140</u>	<u>(110,755)</u>
General City Support	<u>(206,035)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Department Expenditure	14,039,273	9,941,273	9,816,725	(124,548)
Total Department Revenue	11,642,130	7,895,829	7,718,176	(177,653)
Total General City Support	<u>2,397,143</u>	<u>2,045,444</u>	<u>2,098,549</u>	<u>53,105</u>

Position Summary by Program

<u>002 General Fund</u>				
Director of Economic Development	17.00	16.00	15.00	-1.00
Total	<u>17.00</u>	<u>16.00</u>	<u>15.00</u>	<u>-1.00</u>
Total Position Summary	<u>17.00</u>	<u>16.00</u>	<u>15.00</u>	<u>-1.00</u>