

COVER SHEET INFORMATION

A Bold Partnership Providing Year-round Recreation
Destinations + Economic Vitality + Safe Community
Case Study Title

City of Virginia Beach, Virginia

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**Alliance for Innovation Case Study
2011 Transforming Local Government Conference**

**Collaborations and Partnerships:
City of Virginia Beach, Hometown Sports Management, LLC and Virginia Beach
Field House, LLC**

*“A Bold Partnership Providing Year-round Recreation Destinations + Economic Vitality +
Safe Community”*

Background Synopsis:

In 1998, the Sportsplex (the first stadium constructed for professional soccer in the country) was developed by the City of Virginia Beach in Princess Anne Commons – a unique suburban area with a mix of educational, health care, entertainment and athletic villages planned in an integrated and complementary fashion. In 2001, the city constructed the United States Field Hockey National Training Center (NTC) immediately adjacent to the Sportsplex. Both facilities were operated year round by the city's Department of Parks and Recreation staff.

Unfortunately, neither team was able to generate positive competitive records nor the financial outcomes expected. In early 2007, the professional soccer team disbanded and the women's national field hockey team joined the men's team in California to reduce operating costs. This left the city with two specialized sporting facilities without primary tenants, over \$400,000 in annual net operating expenses and a growing list of unfunded capital renovations. A change in operations management needed to be considered in order to decrease the city's subsidy and improve utilization of these facilities.

In early 2006, on a parallel path, the city's Department of Parks and Recreation commissioned a market analysis to determine if a field house facility would be a good fit for property abutting the Sportsplex. The study, which was completed in late 2006 by Brailsford & Dunlavey, affirmed the Hampton Roads market was ripe for the development of an indoor field house and that such a facility would partially alleviate the shortfall of athletic fields necessary to support the growing number of year-round youth and adult teams in Virginia Beach.

Due to the lack of city funding available to construct such a project and as recommended in the study, the department coordinated a Request for Interest (RFI) process in May 2007 to identify potential developers/operators to not only build and operate an indoor field house but also manage the day-to-day operations of the Sportsplex and NTC facilities. After prequalifying several potential development groups, the city asked for further clarification on their proposals and interviewed the top two respondents in early 2008.

Princess Anne Athletic Development, LLC (PAAD) was selected for providing the best overall development and management concepts. Their proposal included construction of a 175,000 s.f. field house on 12.7 acres to the north of the Sportsplex, an option for constructing six lighted, artificial turf fields on 23.6 acres adjoining the field house,

management of both the Sportsplex and NTC with over \$2.5 million in improvements to these facilities and associated infrastructure and, an option to construct up to 100,000 s.f. in retail space on 7.6 acres to the west of the NTC.

Unfortunately, just as the contract negotiations were beginning, the effects of the recession impacted the willingness and ability of regional banks/investors to fully finance the development/management deal. This forced the PAAD group to break out into two different operating entities responsible for distinct portions of the original deal. Hometown Sports Management, LLC (HSM) became the group responsible for management of the Sportsplex and NTC, construction of over \$1 million in facility upgrades and infrastructure enhancements as well as holding the option for the 100,000 s.f. retail component. Virginia Beach Field House, LLC (VBFH) was now the group responsible for construction of the field house and over \$1.5 million in infrastructure enhancements as well as holding the option for the six lighted, artificial turf fields.

The contract with HSM was finalized in late 2008. The primary terms of the contract included a 16-year management agreement at the Sportsplex and NTC with HSM responsible for all operating expenses including repair/renovation requirements of less than \$5,000 per occurrence. This resulted in annualized operational savings of \$417,000 for the city. The city agreed to redirect these savings to pay for capital renovations as negotiated and prioritized annually with HSM. HSM also received a 5-year land lease option to build up to 100,000 s.f. of commercial retail space west of the NTC. A nominal rent would be charged for the land lease if executed. Upon completion of the retail complex, a performance incentive equal to the assessed real estate taxes of the building would be paid to HSM over 10 years. The city would receive additional tax revenues and a 5% revenue share over certain gross revenue threshold amounts from the Sportsplex, NTC and retail development leases.

Construction of the multiple renovations and upgrades to the facilities began in earnest in early 2009. This included installation of an artificial turf field, upgrades to the sponsor suites, press boxes and concession facilities and, creation of a fan zone at the Sportsplex. Improvements at the NTC included installation of a semi-permanent concession area and parking upgrades. Finalized in August 2009, these projects have been met with favorable feedback from all user groups and were completed at no cost to taxpayers.

After just over a year of operational oversight at the Sportsplex and NTC, HSM and the city are pleased with early business returns. Use of these facilities by local, regional and national entities has increased ten-fold and resulted in multiple positive outcomes including:

- Increased opportunity for sports-related tourism
- Reduced city operating expenses
- Funding of deferred capital projects
- Improvements to city infrastructure at no cost to taxpayers
- Increased tax revenues
- Support of the master plan goals of the Princess Anne Commons Athletic Village

In 2009, with the field house design and associated infrastructure improvement plans finalized, VBFH was awarded a land lease in the heart of the Princess Anne Commons Athletic Village. The primary terms of the contract with VBFH included an initial 20-year land lease with the option for two 10-year extensions on 12.7 acres for the development of a 175,000 s.f. field house. A nominal rent would be charged for the leased acreage. VBFH would undertake over \$1.5 million in infrastructure upgrades to the Sportsplex parking lots and associated lighting and landscaping. An annual performance grant would be provided by the city to VBFH for 10 years equating to the real estate taxes paid on the facility. VBFH also received a 3-year land lease option to build the six artificial turf fields on 23.6 acres. A nominal rent would be charged for the land lease if executed. The city would receive new tax revenues as well as a 5% revenue share over certain gross revenue threshold amounts from the operation of the field house and the turf field complex (if constructed).

As the contract negotiations were being finalized with VBFH, the city identified the need for a large shelter that could withstand a Category Two Hurricane to serve persons with special needs (elderly, individuals needing medical care, etc). At the time, the city had 12 shelters available to withstand a Category One Hurricane (74-96 mph sustained winds). Of these, only one was able to withstand a low level Category Two Hurricane (96-110 mph sustained winds). This sheltering capability was inadequate for a population of approximately 437,000.

Unfortunately, none of the shelters were designed to accommodate citizens with special needs. With the field house in the middle of design, city leadership approached VBFH to gauge their interest and ability to upgrade the structural capacity of the building to withstand wind loads and resist wind borne debris impacts of a Category Two Hurricane. The VBFH agreed to not only upgrade the façade and internal infrastructure of the facility but also brokered an agreement whereby field house staff would assist in the operation of the building in the event of the emergency, with the city reimbursing VBFH for time, materials and use of the building. The city identified just under \$500,000 to fund the one-time building upgrades necessary to meet the Category Two sheltering standards. A Memorandum of Understanding was developed to undertake the facility enhancements and provide for support to the building and its occupants by VBFH staff during an emergency.

As of August 2010, the Virginia Beach Field House and associated infrastructure improvements are 90% complete and scheduled to open on September 11, 2010. By no coincidence, the facility will be opening for public use and enjoyment right at the peak of the Eastern Seaboard's hurricane season; a season predicted to be the busiest since the many destructive storms of 2005.

Multiple positive outcomes are projected from the construction of the field house and the partnership with VBFH including:

- Construction of a community recreation amenity that would not happen otherwise
- Improvements to city infrastructure at no cost to taxpayers

- Advancement of the master plan goals of the Princess Anne Commons Athletic Village
- Increased opportunities for sports-related tourism
- Help in meeting documented athletic facility needs of the community
- Increase the city's tax base
- Provision of needed medical sheltering facility

In short, the collaboration of HSM, VBFH and the City of Virginia Beach has resulted in multiple unique partnerships providing for year-round recreation destinations, positive economic development as well as a critical public safety infrastructure. The presentation components of these partnerships are outlined and attached in compliance with the Alliance for Innovation's Case Study criteria.

Innovation/Creativity:

- **How did the program/project/service, etc. improve the organization?**
 - **Were new technologies used? If yes, what methods and/or applications did you implement?**
 - **Was a private consultant used? If yes, describe their involvement; and identify the consultant and/or firm, including contact information.**
1. City operating costs at underutilized specialty athletic facilities were reduced and capital project funding created to ensure necessary renovations.
 2. Facility and infrastructure upgrades provided by the private sector will remain with the city at the end of the lease term.
 3. Documented community needs were built on leased public land at no cost to the taxpayer.
 4. Achieved sheltering capabilities for those with special needs during local emergencies at nominal taxpayer expense.
 5. Increased city tax revenues over the long-term.
 6. Initial feasibility study was undertaken by facilities planning and program management industry experts, Brailsford and Dunlavey of Washington, DC, who evaluated facility needs for Virginia Beach and the Hampton Roads region. Their corporate offices are located at 1140 Connecticut Avenue, NW, Suite 400, Washington, DC 20036.

Outcomes Achieved:

- **What customer/community needs and expectations were identified and fulfilled?**
 - **Has service delivery been enhanced?**
 - **Did the initiative improve access to your government? If yes, how?**
 - **Has the health of the community improved as a result? If yes, how?**
1. The new field house and Sportsplex facilities will provide indoor artificial turf and sport court flooring for year-round play in underserved sports market segments (football, soccer, lacrosse, volleyball, etc.).
 2. Installation of artificial turf at the Sportsplex allows for increased community use by multiple sports groups year-round.
 3. The new and renovated facilities enhance sports marketing initiatives of the city's Convention and Visitors Bureau and should increase "heads in beds."
 4. The partnership and associated improvements have increased the community's awareness and use of the Princess Anne Commons Athletic Village.
 5. Community safety will be improved due to increased access to year-round athletic opportunities as well as the addition of storm sheltering capabilities for individuals with specialized medical needs.

Applicable Results and Real World Practicality:

- **What practical applications could you share if selected?**
 - **How applicable is the project/program/service to other local governments?**
 - **What results/outcomes will you be able to share?**
 - **Please include any performance measures if applicable**
1. The feasibility study was important for providing a benchmark of foundational information regarding market need and potential partnership opportunities.
 2. When developing a public/private partnership there is a great need for patience, flexibility and fairness in order to develop a mutually beneficial relationship.
 3. It is imperative to be able to develop metrics by which to evaluate financial decisions.
 4. The locality may need to consider the provision of financial incentives early in the partnership in order to gain the benefit of long-term revenue sharing and tax increases.
 5. This case study is very applicable to localities that have property available for but inadequate funding to develop facilities to meet documented community needs.
 6. Results to be shared include: a timeline of activities leading to deal execution; parameters of the case study partnerships with a summary of deal terms; improvements being undertaken by the private sector; financial parameters and the benefits accrued from the partnership; visuals of the renovated and new facilities and potential for additional development options; metrics to date resulting from increased utilization of renovated facilities.

Case Study Presentation: The case study presentation will be comprised of a PowerPoint presentation, including video segments, providing a synopsis of:

- Intent of the project/program/service
- Anticipated and actual outcomes
- Costs and/or savings, if any
- Identification of innovative characteristics
- Obstacles and results achieved
- Any new issues/problems encountered as a result of the partnerships

In addition, hand-out materials will be provided with key information about the partnership(s) which may be applied to their respective localities.