

Talks heat up on downtown Norfolk conference center

Editor's note: An earlier version of this story misstated the balance available in the city's public amenities fund.

NORFOLK

A Waterside Live deal that has seemed all but complete for months may now happen in tandem with a hotel-conference center project developed by Bruce Thompson of Virginia Beach.

When a letter of intent was signed in mid-November for Waterside, City Manager Marcus Jones appeared close to a final agreement with Baltimore-based The Cordish Cos. for a dramatic \$28 million makeover. As those negotiations have dragged on, however, the planning for a long-awaited hotel-conference center has picked up.

The council went into closed session for an hour and a half Tuesday to discuss the disposition of two publicly held properties downtown. Sources said a majority of the time was spent discussing the hotel-conference center project, at Main and Granby streets, and the city's public amenities fund, which would pay for a significant portion of it. Waterside also was discussed.

Thompson, the proposed developer of the hotel and conference center, was eager to announce the project in November, according to email that The Virginian-Pilot obtained through a Freedom of Information Act request. That announcement did not happen.

Thompson, CEO of Gold Key PHR Hotels and Resorts, is out of the country and unable to respond to inquiries, according to Laura Nguyen, his executive assistant. He has led several developments in Virginia Beach, most recently a public-private, mixed-use project called 31 Ocean. Gold Key also built the Hilton Virginia Beach Oceanfront, which opened in 2005, through a public-private partnership.

When asked whether the City Council would vote on the hotel-conference center, Jones said through spokeswoman Lori Crouch that "city staff will not discuss real estate matters until council action is required."

Mayor Paul Fraim said that if a deal is reached, he would "expect the City Council to affirm a decision of a previous council," but that he doesn't know when a vote might happen.

This makes the city's fourth attempt in a decade to build a hotel-conference center through a public-private partnership. Because of that, city officials said, they want an air-tight deal in place before they make any announcements.

"I want it firm," Councilman Barclay C. Winn said.

The parameters for a deal are in place. The council approved an agreement in 2005 and then amended it, most recently in 2009.

For the past 10 years, a tax on meals and hotel stays has generated revenue for a conference center or basketball arena that officials hope would attract more visitors to the city. It also has paid for smaller projects, such as improvements at Scope.

There is \$19.7 million in the public amenities fund available for the conference center, Crouch said Friday.

About \$5.5 million in new revenue is expected to go into the fund this year, and the annual revenue would cover the debt service for the project. Jones has said that is enough to launch the hotel and conference center with no additional cost to taxpayers.

Early estimates show that the city could spend \$52 million to build a conference center and \$19 million on a parking

deck, while the developer's cost for the hotel would be more than \$60 million, according to a source familiar with the project.

The vision for the development is in line with earlier agreements that would have brought Norfolk a high-end hotel and restaurant, a 600-space parking deck, and the midsize conference space.

Previously, the city was also willing to pay a developer a \$7.5 million performance grant and \$750,000 for recruiting an upscale restaurant.

About \$16 million has been spent on the project, according to a previous Pilot report. A portion of that was used to acquire property, including three historic buildings that have been demolished. Currently, this is the site of an urban park called The Plot.

City officials see a symbiotic relationship between Waterside Live and the hotel-conference center. Several on the council said they expected both deals to be wrapped up by the spring.

"Waterside will not survive without the conference center, and the conference center will not survive without Waterside," Councilman Andy Protogyrou said. "It's a relationship that allows them to feed off each other."

The letter of intent for Waterside created a framework for a 50-year lease agreement with Cordish, which says it can turn Waterside into a regional entertainment destination and create 1,000 jobs for Norfolk.

Under the proposed agreement, Cordish would recoup up to 80 percent of its \$28 million investment over 15 years by sharing tax revenue with the city.

Jones said in November that the final agreement could be signed by the end of the year. This week, Jones said through Crouch that "there is not a deadline to complete the Cordish agreement. We will announce once the agreement is finalized on both sides."

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Source URL (retrieved on 02/06/2013 - 10:41): <http://hamptonroads.com/2013/02/talks-heat-downtown-norfolk-conference-center>