

CEDA NOMINATION FORM

INTRODUCTION

The 2013 VEDA Community Economic Development Awards (CEDA) will be presented during VEDA's Spring Conference in Charlottesville, March 28-29, 2013. One winner can be selected from each of the 5 population categories. These selections will be based on the most significant contributions to economic and community development in the nominees' respective communities.

AWARD CATEGORIES

The CEDA may be given to one community from each of the following five population categories: (population will be based on the most recent published decennial census)

- I. Population less than 5,000
- II. Population of 5,001 to 15,000
- III. **Population of 15,001 to 40,000**
- IV. Population of 40,001 to 100,000
- V. Population of over 100,000

For the purpose of this award, a "community" shall be defined as any unincorporated town or city, incorporated town or city, county/parish, formally established multi-jurisdictional region, metropolitan statistical area, or state. The "community" should reflect work responsibility of the VEDA member submitting the entry.

A maximum of five awards will be given, one in each of the population categories listed above. Each project has to fall under one or more of the four areas mention in this document under "Purpose."

NOMINATION

NAME OF COMMUNITY City of Fredericksburg

CHIEF OPERATING OFFICER Beverly R. Cameron, City Manager

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COMMUNITY POPULATION 26,000

APPLICATION SUBMITTED BY Karen W. Hedelt

TITLE Director of Economic Development and Tourism

PHONE 540-372-1216 EMAIL khedelt@fredericksburgva.gov

SUBMITTED FOR: (CHECK BELOW ALL THAT APPLY)

- Business Retention/Expansion
- Business Attraction
- X **Community Development**
- Community Involvement

SUMMARY REVIEW

Please attach a brief description of the economic development efforts and accomplishments (projects and programs). Within this description, address the awards criteria of innovativeness, transferability, community commitment, measured objectives and secondary benefits. The nomination can be no longer than four conventionally formatted 8.5" x 11" pages. Also please submit up to 5 digital photographs related to the community program/project to veda@associationbuilders.com. These photos need not be a part of the nomination form.

The Virginia CEDA winner(s) will be announced and recognized during the CEDA luncheon at the VEDA Spring Conference in Charlottesville, March 28-29, 2013. The 2013 Virginia CEDA winners' nomination(s) will also be sent to SEDC by Virginia's SEDC State Director to compete with other southern states' winners. SEDC winners will be recognized later in 2013.

VEDA Member Submitting Form Karen W. Hedelt

Name Karen W. Hedelt, Director of Economic Development and Tourism, City of Fredericksburg

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City, State, Zip Fredericksburg, VA 22401

Phone 540-372-1216 Fax 540-372-6587

Email khedelt@fredericksburgva.gov

Submit to:

VIRGINIA ECONOMIC DEVELOPERS ASSOCIATION

1340 North Great Neck Road, #1272-128

Virginia Beach, Virginia 23454

757-412-2664 Fax: 866-873-3690

veda@associationbuilders.com

All Nominations Must Be Received By February 15, 2013

City of Fredericksburg, Virginia CEDA Nomination, 2013

Overview

Fredericksburg, population 26,000, is well known for its colonial, Revolutionary and Civil War history, its 40-block National Historic District and the highly-rated University of Mary Washington. The UMW main campus is located in the center of Fredericksburg. Recognizing the need for expanded student housing and enhanced retail and service offerings within walking distance, in 2007 the UMW Foundation purchased the 22-acre shopping center formerly known as Park-n-Shop, located directly across U.S. Rt. 1 from the campus. Since then, the UMW Foundation, working closely with the city, has begun redeveloping the 1960's-era shopping center into Fredericksburg's first mixed use development, [Eagle Village](#).

Phase I of Eagle Village, representing an investment of \$115 million, opened in 2010 and contains the 624-bed [Eagle Landing](#) premium student apartments, a 560-space parking deck, 31,000 square feet of ground-level retail space and 34,500 square feet of Class "A" office space. Phase II, now under construction by the Foundation, is the \$15 million, five-story, 93-room Hyatt Place-Fredericksburg hotel. The Eagle Village hotel is an example of creative financing enabled by the city's Tourism Zone program, the new Virginia Tourism Development Financing Program and the entrepreneurial strength of the UMW Foundation.

Project Description and Financing

UMW and the city had long identified the need for a hotel within walking distance of the campus and the nearby 437-bed Mary Washington Hospital (no relation to UMW). Since 2010, the UMW Foundation had been actively pursuing a hotel in Eagle Village and seeking financing for the project. At the same time, the city expanded its Tourism Zone tax incentive program to include the area of Eagle Village. Early in 2011, the city approved a \$310,000 Tourism Zone performance grant for the hotel's financing, with payout over a number of years upon opening.

The 2011 General Assembly adopted [Section 58.1-3851.1](#) of Code of Virginia which established the [Virginia Tourism Development Financing Program](#), administered by the Virginia Tourism Corporation. It allows approved tourism development projects to temporarily retain a portion of state and local sales tax revenues generated from the project, combined with a matching contribution from the developer, to provide gap financing for up to 20 percent of the project's total cost. The city worked over the ensuing year with the UMW Foundation and VTC staff to qualify the hotel for this gap financing mechanism and leverage the city's \$310,000 performance grant into a combined \$620,000 city/state funding assistance package. On June 20, 2012, Governor McDonnell announced the Eagle Village hotel as the state's first Tourism Development Financing Program project. This enabled the UMW Foundation to complete its financing commitment with a local bank and recruit the Hyatt Place flag for the hotel.

Governor McDonnell had this to say in the announcement: “In 2011, we passed legislation creating the Tourism Development Financing Program to help increase tourism and new business in Virginia. Tourism is a multi-billion industry in Virginia that supports hundreds of thousands of jobs in the state. The project announced today in Fredericksburg is the first to be approved as part of this new program. The new hotel and mixed-use development will allow for more tourism in the city, and will bring greater economic growth and opportunity to the region.”

Innovativeness

The Virginia Tourism Development Financing Program is an innovative tool to support local government efforts working with private developers to help close the financing packages for desired tourism projects. It was crucial to closing the Eagle Village hotel financing and securing the Hyatt Place brand.

Fredericksburg already had three of the four elements in place that were required to access the state’s financing program for the hotel, including the [Eagle Village Tourism Zone](#), a [Tourism Development Plan](#) and a performance agreement to return \$310,000 in local sales taxes generated by the project. All that was left was to go through the VTC application process to get approval for the \$310,000 state sales tax match. VTC was very supportive and helpful throughout the approval process.

Fredericksburg hopes to use the program for other qualified projects that help grow the city’s tourism industry, including a long-planned hotel adjoining the privately-owned, 116,000-square-foot Fredericksburg Expo & Conference Center.

Transferability

Tourism Zones, established by [Section 58.1-3851](#) of the Code of Virginia, and the Virginia Tourism Development Financing Program are available to all cities, towns and counties throughout the state. Tourism Zones are easily established and can be tailored to local economic development priorities. VTC provides a template for the local Tourism Development Plan, which greatly facilitates local development of the plan. Once these elements are in place, the local government is in a position to identify specific priority projects to be aided, establish the amount of local sales tax to be returned to the developer’s project and process the application through VTC, which can be completed in a matter of a few months. Both programs provide for local flexibility in defining the types of eligible tourism development projects, which can lodging, theatres, museums, commercial recreation, entertainment venues, convention and conference centers, major retail and more.

Community Commitment and Leverage

The Eagle Village hotel is an example of a city/state/private partnership utilizing a portion of new tax revenues generated by a desired project to close the gap in its private financing. The last 20 percent of a project's financing is often very challenging, especially for hospitality industry developments.

For an investment of \$310,000 in performance grants, the city will have a new building valued at \$15 million added to the real estate tax rolls. Long-term, revenues to the city from all taxes (lodging, sales, meals, BPOL, business personal property and real estate) are estimated to be \$325,000 per year. From the state's standpoint, its investment of \$310,000 in return of sales taxes to the project over several years will result in sales tax revenues over the long term of approximately \$125,000 annually.

Measured Objectives

The \$15 million hotel project contains 66,500 square feet, including the 93 studios and suites, a heated indoor pool, 1,500 square feet of conference space and 4,000 square feet of retail space.

The 14-month construction project is generating 100 jobs. The hotel will support 55 full-time jobs. As mentioned above, the added tax base to the city is expected to be approximately \$325,000 annually.

Secondary Benefits

The hotel is a crucial ingredient of making Eagle Village a complete mixed use development with activity throughout the day and night.

In 2011, the University dedicated the 52,000-square-foot Anderson Center on the campus directly across from Eagle Village and accessible by a covered pedestrian bridge spanning U.S. Rt.1. The Anderson Center hosts athletic events, convocations, concerts and year-round special and community events. The walkable proximity of the hotel will enhance the growing usage of the Anderson Center and benefit the University's athletics program in general, especially visiting teams and family members.

When Eagle Village, Phase I was constructed, it included a connector road and pedestrian trail over the short distance to the 437-bed, 85-acre Mary Washington Hospital campus. The hotel will meet the need for overnight accommodations for the many family members, visiting doctors and others needing to be close to the hospital.

Summary

The Eagle Village hotel will enhance the vitality of Fredericksburg's first mixed use development and will benefit visitors to the adjacent university and hospital. The innovative and flexible local/state financing mechanism used in the hotel's gap financing is one that can benefit all Virginia municipalities' tourism development efforts.



Eagle Village Hotel – Hyatt Place – Fredericksburg – Opening Fall 2013



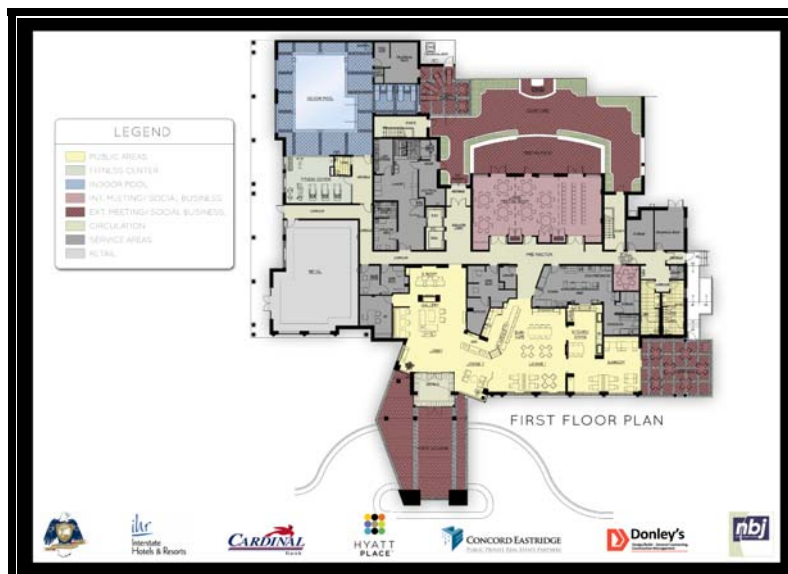
Eagle Village Mixed Use Development – Phase I – Opened 2010



Hyatt Place – Fredericksburg – Groundbreaking – September 2012



Hyatt Place – Fredericksburg – Construction – February 2013



Hyatt Place – Fredericksburg – Site Plan