



# City of Hampton

22 Lincoln Street  
Hampton, VA 23669  
www.hampton.gov

## Council Approved Minutes - Final City Council Special Session

*Mayor Donnie R. Tuck*  
*Vice Mayor Jimmy Gray*  
*Councilmember Eleanor Weston Brown*  
*Councilmember Steven L. Brown*  
*Councilmember Linda D. Curtis*  
*Councilmember W.H. "Billy" Hobbs*  
*Councilmember Chris Snead*

*STAFF: Mary Bunting, City Manager*  
*Cheran Cordell Ivery, City Attorney*  
*Katherine K. Glass, CMC, Clerk of Council*

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**Wednesday, January 9, 2019**

**10:00 AM**

**Veterans Conference  
Room, Ruppert L.  
Sargent Building AND  
Lawson Conference  
Room, 8th Floor,  
Hampton City Hall**

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### CALL TO ORDER

Due to a minor technical issue, the meeting began a bit late with Mayor Tuck calling it to order at 10:07 a.m. All members of the City Council were present.

Additional staff present were: Mary Bunting, City Manager; Cheran Ivery, City Attorney; and Katherine Glass, Clerk of Council. Also present were Assistant City Managers Brian DeProfio and Steve Bond; Bruce Sturk, Director of Federal Facilities; Jennifer Green, Deputy Clerk; Robin McCormick and Leon Robertson of Marketing and Outreach; Chuck Rigney, Steve Lynch, and Susan Borland of Economic Development; Terry O'Neill of Community Development; and Andy Foley and Randy Bagoly of PEG TV.

In addition to the guest presenters, the following guests were present: Tom O' Grady, Business Development Director, Clancy & Theys Construction Company; Lisa Vernon Sparks, Daily Press reporter; and Steve Mallon, Director of the Downtown Hampton Development Partnership.

**Present** 7 - Councilmember Eleanor Weston Brown, Councilmember Steven L. Brown, Councilmember Linda D. Curtis, Vice Mayor Jimmy Gray, Councilmember Billy Hobbs, Councilmember Chris Snead, and Mayor Donnie R. Tuck

**DONNIE R. TUCK PRESIDED**

## **AGENDA**

1. [19-0025](#) Presentation on Commercial and Industrial Development Trends in Hampton

**Attachments:** [Presentation](#)

Mayor Tuck stated that approximately a year and a half ago, there was a presentation on the residential and commercial real estate market given at one of his Mayor's Business Roundtables. This is an update to that presentation. He introduced Mr. Jay Joseph, Senior Vice President of Office Sales and Leasing for Harvey Lindsay Commercial Real Estate, and Mr. Clay Culbreth, Senior Vice President of Industrial Properties for Cushman and Wakefield Thalhimer.

Ms. Bunting noted that the Mayor's Roundtable presentation went over well, and provided a lot of economic development insights. It was thought that an updated version would be helpful for Council as they begin strategic planning. She noted that this work had been done pro bono as a civic commitment. She thanked the members of the business community who were present.

Mr. Joseph provided a presentation to Council.

In reference to multifamily dwellings, Mr. Joseph noted that there have been two major apartment complexes built in the past five years, the Marcella Apartments on Executive Drive and Pinnacle Apartments on the H20 site. Other apartment projects are working their way through development.

Mayor Tuck noted that people often ask why Hampton allows so many apartment complexes but based on the data, Hampton has absorbed the new construction very well. Mr. Joseph noted that it is important to offer multiple housing choices. He stated that upscale, amenity rich apartments appeal to young professionals who are choosing to rent, not buy. There is always a resistance to apartment complexes, because they are considered "tax losers" in the sense that they generate a greater demand for services than they generate in taxes. However, in an urban area, you have to have a healthy mix of apartments and homes.

Councilwoman Brown noted that the Trail Creek Apartments are townhome apartments. She asked if there was a preference for townhomes over flats. Mr. Joseph stated that these are lower density, so although residents love townhomes, they don't provide as much housing. The issue for developers is yield, how many units can be built on an acreage.

In reference to the Hampton Roads office market, Mr. Joseph noted that in the fourth quarter of 2016, the Bank of America building in Norfolk was taken out of the office inventory and converted to residential.

Mr. Joseph noted that the office market in Hampton is the weakest segment of commercial real estate. There have been more buildings torn down than built, and vacancy rates are high. The last private sector office building built in Hampton in the last five years was in the first quarter of 2014. The Old Point National Bank building in downtown Hampton was an institutional pride of ownership building, not a profit-driven development. The last time an office building was built by the private sector for profit was 2009 in the Peninsula Town Center. In 2016, the Langley Federal Credit Union headquarters, several buildings at Riverdale, and Hampton Professional Park on Executive Drive were all torn down. Those were older, obsolete office products, demolished to make room for new product. While the sites are being recycled successfully, they are not being recycled with new office product.

Mr. Joseph noted that the Air Force and National Institute of Aerospace (NIA) buildings were recently sold for much less than they were in 2006. The Air Force lease got to the end of its term, and there was tremendous uncertainty as to whether or not the Air Force would stay in the building. He believes that this is the lowest it will go, and new activity at Langley Air Force Base will see returning demand for offsite Air Force office spaces.

Mr. Joseph noted that NetCenter has never quite fulfilled its promise. He noted that if Sears closes, it can be combined with the NetCenter to really finish the project.

Mr. Joseph noted that although the property at 400 Butler Farm Road sold for less in 2018 than it did in 2000, it could have been worse without the WPS Health Solutions lease. He noted that Hampton is very deep in call centers.

In reference to industrial development in Hampton Roads, Mr. Joseph noted that a lot of the investment capital for industrial, particularly distribution space, has gone to "hotter" markets than Hampton Roads, such as Richmond, Charlotte, and Atlanta.

Mr. Culbreth noted that the industrial market for Hampton Roads is approximately 110 million square feet, which is more than Richmond. The City of Hampton is

approximately 7 million square feet. The vacancy rate is to the point that the City is out of product. Rental rates start to rise to justify new development. The City is getting there, but developers need to have property to develop.

Mr. Culbreth stated that there were no major industrial leases done in Hampton in 2018. Last year, he personally did 18 leases in the City of Hampton, 15 of which were below 2000 square feet.

Mr. Joseph noted that the one new industrial project built in the last five years in Hampton is the FedEx Building. The Huntington-Ingalls lease also occurred in 2015. Mr. Culbreth stated that Huntington-Ingalls took two buildings at about 225,000 square feet each. They had a vision at the time that is now coming to fruition: a potential for a two aircraft carrier order. This area is extremely devoid of product to support those suppliers and the shipyard to facilitate that order.

Mr. Culbreth corrected his earlier statement and noted that there was a major lease with Tecnico, which is a Chesapeake-based government contractor. They were in two facilities in Suffolk, and Hampton was able to provide one building that was well-priced to meet their needs. The rental rate was extremely low because that space had been on the market for a long time.

Mr. Culbreth noted that the two sales were investor sales. There are two types of buyers: investors and owner-occupant. He focuses mainly on owner-occupant sales for those small companies that are outgrowing their spaces. His company did five owner-occupant sales out of 270 buildings. There are only four industrial buildings for sale in Hampton, and only seven available for lease.

Mr. Joseph noted that there is a national market for credit-worthy leases under long-term lease to these companies. The FedEx Building was sold for \$130 per square foot. The Air Force and NIA buildings were sold for \$63 per square foot, and they are substantially more expensive to replace and reproduce, while the FedEx Building is essentially a big box with air in it. He noted that the FedEx Building deal was almost not achieved because there were some environmental issues with the site next door. The Economic Development team salvaged it.

Mr. Joseph stated that the retail market is full of "creative destruction." There are always tenants closing and new concepts opening because the world changes. He noted that the Macy's building was closed and then taken out of the retail inventory in 2017, which caused a blip in an otherwise healthy retail market.

Mr. Joseph noted that the reason places such as the CVS Pharmacy and the Wawa sold for much more than the Hampton Plaza Shopping Center is because of the

single-tenant net lease investment market. National investors come in, buy the property, put it in a portfolio and forget about it, collecting rent from a national credit tenant for the next 10-20 years without any issues.

Mr. Joseph noted that the Tabani Group recognizes this phenomena. They have started to sell Peninsula Town Center in pieces. If these sales are successful, they will create recorded transactions at high values.

Councilwoman Snead asked if what the Peninsula Town Center is doing is a bad thing. Mr. Joseph stated that separating out these parcels is only bad because it complicates future redevelopment. From a value point of view, the sum of these pieces will be a lot higher than the current whole.

Mr. Joseph noted that retail is not an economic development strategy. The retail “creative destruction” is necessary and important for the City, but it is not possible to create wealth by putting in new retail. There are only so many grocery dollars to spend. Wealth is created by bringing in new industrial and office jobs.

City Manager Bunting asked if the oversupply in office product is because the City has an older supply. Mr. Joseph noted that Newport News has four different properties that are being developed; their supply is new and they are taking tenants from Hampton. Ms. Bunting noted that several tenants have left the Harbor Center, and the vacancy has led to the space deteriorating. She asked if it was a product issue, or are the companies being incentivized to move elsewhere. Mr. Joseph stated that these are fundamental real estate economic development questions. The exercise the City went through in competing for the Ferguson project was a good one. Hampton’s proposal for the Hampton Roads Center North area had several positives that were better than Newport News. Ultimately, Ferguson chose Newport News because they had a more walkable, livable environment that they felt would attract the young professionals they need to hire.

Mr. Joseph noted that leafy, green office-only office parks have been labeled “old school”; people are now looking for a complete mixed-use environment. He believes the City should continue to treat Hampton Roads Center North as a mixed-use development area.

Mr. Culbreth noted that there is an office/warehouse company in Langley that wants to expand. They are seeing a lack of a total environment for their millennial hires. These young professionals want to live within walking distance of their office and restaurants.

Mayor Tuck noted that during the Hampton Roads Planning District Committee

meetings, they discuss the fact that there are only seven mega-sites, and Hampton has one of them. He asked why no one is willing to build a speculation building with the promise of a two carrier order at the shipyard. Mr. Joseph noted that shovel-ready sites are important. A city can be competitive when they have as many components in place as possible. Developers will choose a site that has the least amount of steps from construction to occupancy.

Mr. Culbreth noted that Center Point in Suffolk made a site ready to put in a 300,000 square foot building in six months if needed, by adding all the infrastructure necessary instead of waiting for a deal. He noted that you can chase elephants or you can chase rabbits. He chooses to chase rabbits, because he needs to eat every day. He stated that the City needs to nurture what it has and help out those companies that want to grow. He believes that Hampton is one of the friendliest places on the Peninsula.

Councilman Brown asked if the City should be looking more at zoning laws and building codes to encourage investments. Mr. Joseph noted that the City's first role is always infrastructure. He stated that getting Newport News to finish the Commander Shepard extension would help both cities. He stated that Hampton has to be an attractive place to live to encourage leaders to move their companies here. He noted that the corridor improvement plans make a significant difference over time. He believes Hampton is on the right track.

Mr. Culbreth noted that there is a lack of product for retail. The City has a wealth of land that is not being used that could help develop industrial companies. He listed several properties the City has in its stock that it could sell to industrial companies immediately. He stated that the City should have a list of all their unused properties owned by the City, the Economic Development Authority (EDA), and the Hampton Redevelopment and Housing Authority (HRHA) in one easy list with prices.

Ms. Bunting noted that there are legal requirements the City has to follow regarding properties they have control over. City Attorney Cheran Ivery stated that she would love everything to be as simple as Mr. Culbreth describes, but the reality is that it is not always that simple. If there are ways for the City to make things simpler while staying within the law, the City would like to do it.

Councilwoman Brown noted both the EDA and the HRHA separately have tried to develop a list of all the properties they own and their worth. That information could be consolidated with the City's properties.

Councilwoman Brown believes that the expansion of the port is an opportunity for Hampton. There is also an emerging wind energy market, and there is an

opportunity to manufacture those components in Hampton by the citizens here who know how to build ships.

Councilwoman Brown noted that there are transportation challenges. She sees Hampton as central in the region; the center of Hampton Roads and the center of the eastern seaboard. This area could be a transportation hub for commerce, and a central place to live, work, and play. The new Hampton Roads Bridge Tunnel (HRBT) expansion may or may not be good for the City. She asked if there are infrastructure projects the City could be thinking about similar to the Commander Shepard expansion. Mr. Joseph noted that there is a congestion issue in Phoebus with people getting off Interstate 64 (I64) to get around traffic from the HRBT. Developers are going to be turned off from Fort Monroe because of this. Councilwoman Curtis noted that Council has discussed that exact issue, and there is also an issue with Settlers Landing Road for the same reason.

Mr. Culbreth noted that there is not an area for port expansion in Hampton, but the shipyard in Newport News is at the City's front door. The Aircraft Carrier Industrial Base Coalition (ACBIC) is a group of companies that are the sole suppliers to the shipyard, they all need warehouse space, and the City can piggyback on that opportunity. He stated that he has never heard complaints from industrial companies about congestion.

Councilwoman Snead noted that the office parks in the Magruder Corridor are looking to add apartments and retail. She asked what else the City could do to make sure it is set for the future. She asked if staff should be looking at what is left and putting together a plan. Mr. Joseph stated that any plan put together needs to fit the area to support the businesses in the corridor, and incompatible uses need to be avoided.

Vice Mayor Gray stated that although there is a congestion problem now, he is optimistic because there is a solution for the transportation network that is five to six years out from coming to fruition. With the improvements to I64, the ease of moving between Hampton and Richmond has greatly improved. He asked if the location of Hampton being close to two major interstates in the region, in addition to the improvements being made to HRBT and I64, is a major selling point for industrial development. Mr. Culbreth stated that yes it is because Hampton is right at the intersection of I64 and Interstate 664 (I664). However, Hampton is land-constrained. There is so much land in Suffolk that is zoned for industrial and serviced by existing infrastructure. Thirty-five percent of all containers coming into Virginia ports leave by train, so that reduces dramatically the amount of containers on the roads. He also noted that a majority of the ports are on the Southside. Just as many people want to be on the other side of HRBT to be close to US58 to go west, as want to be on this

side to go north. Mr. Culbreth stated that the City needs to focus on facilitating the growth of the shipyard.

Mayor Tuck stated that this has been enlightening and gives the City a way to move forward. He thanked Mr. Joseph and Mr. Culbreth.

Presented by Jay R. Joseph, Senior Vice President of Office Sales and Leasing for Harvey Lindsay Commercial Real Estate and Clay Culbreth, Senior Vice President of Industrial Properties, Chusman and Wakefield Thalhimer.

**MEETING WILL RECESS AT APPROXIMATELY NOON AND MOVE TO LAWSON CONFERENCE ROOM OF CITY HALL**

The meeting recessed at 11:19 a.m. and moved to the Lawson Conference Room of City Hall. It reconvened at 11:50 a.m.

**Closed Session**

2. [19-0009](#) Closed session pursuant to Virginia Code Sections 2.2-3711.A.1, .3, .5, and .7 to discuss appointments to the Hampton Employees Retirement System board and to discuss the City Manager, City Attorney, and Clerk of Council; to discuss or consider the acquisition of real property for a public purpose, or the disposition of publicly held real property in the areas of Coliseum Central where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the city; to discuss a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community; and to consult with legal counsel pertaining to actual litigation, where such consultation in an open meeting would adversely affect the negotiating or litigating posture of the city.

A motion was made by Councilmember Billy Hobbs and seconded by Councilmember Linda Curtis, that this Closed Session - Motion be approved. The motion carried by the following vote:

**Aye:** 7 - Councilmember Weston Brown, Councilmember Brown, Councilmember Curtis, Vice Mayor Gray, Councilmember Hobbs, Councilmember Snead and Mayor Tuck

A brief recess was taken from 1:27 to 1:38 p.m.

**Certification**

3. [19-0023](#) Resolution Certifying Closed Session

At 2:58 p.m., a motion was made by Councilmember Billy Hobbs seconded by Councilmember Chris Snead, that this Closed Session - Certification be . The motion carried by the following vote:

**Aye:** 7 - Councilmember Weston Brown, Councilmember Brown, Councilmember Curtis, Vice Mayor Gray, Councilmember Hobbs, Councilmember Snead and Mayor Tuck

**ADJOURNMENT**

The meeting adjourned at 2:58 p.m.

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Donnie R. Tuck  
Mayor

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Katherine K. Glass, CMC  
Clerk of Council

Date approved by Council \_\_\_\_\_