

Pembroke Square Redevelopment

Kathy Warren, Director, Planning and Community Development

City Council Briefing, June 18, 2024



CITY OF
**VIRGINIA
BEACH**

DISCLOSURES

- **Developer: Pembroke Square Associates, LLC**
 - Shenandale Associates, LLC, Vincent R. Olivieri, Manager
 - Marc Associates, LLC, John E. Olivieri, Manager or Michael V. Olivieri, Manager
 - Emilio Olivieri Family Company No. 1, LLC, John E. Olivieri, Manager
 - Blue Ridge Associates of Virginia, LLC, Vincent A. Napolitano, Operating Manager
 - Vincent A. Napolitano, Frederick J. Napolitano II and John C. Napolitano
- **Builder: Thomas Builders, SB Ballard**
- **A&E: Cox Kliewer, ODA Architecture, Kahler Slater**
- **Legal: Freiden, Seery, Nuchols and Hahn**
- **Financing: Towne Bank**

Presentation Overview

- History of Pembroke Mall
- Timeline for Pembroke Square Redevelopment
- Proposed Redevelopment Plan
- 2022/2024 Project Cost Comparison
- Fiscal Impact Analysis
- Next Steps

Pembroke Mall History

- In March 1965, construction began on Pembroke Mall.
- In 1966, 21 of the mall's first stores opened.
- In 1981, Pembroke Mall underwent its first expansion.
- By the mid-1990s, Pembroke Mall started to lose tenants, primarily to newer, larger, and better malls in the area such as Lynnhaven Mall and MacArthur Center.
- In 2003, the mall's management began strategizing for a redevelopment plan.

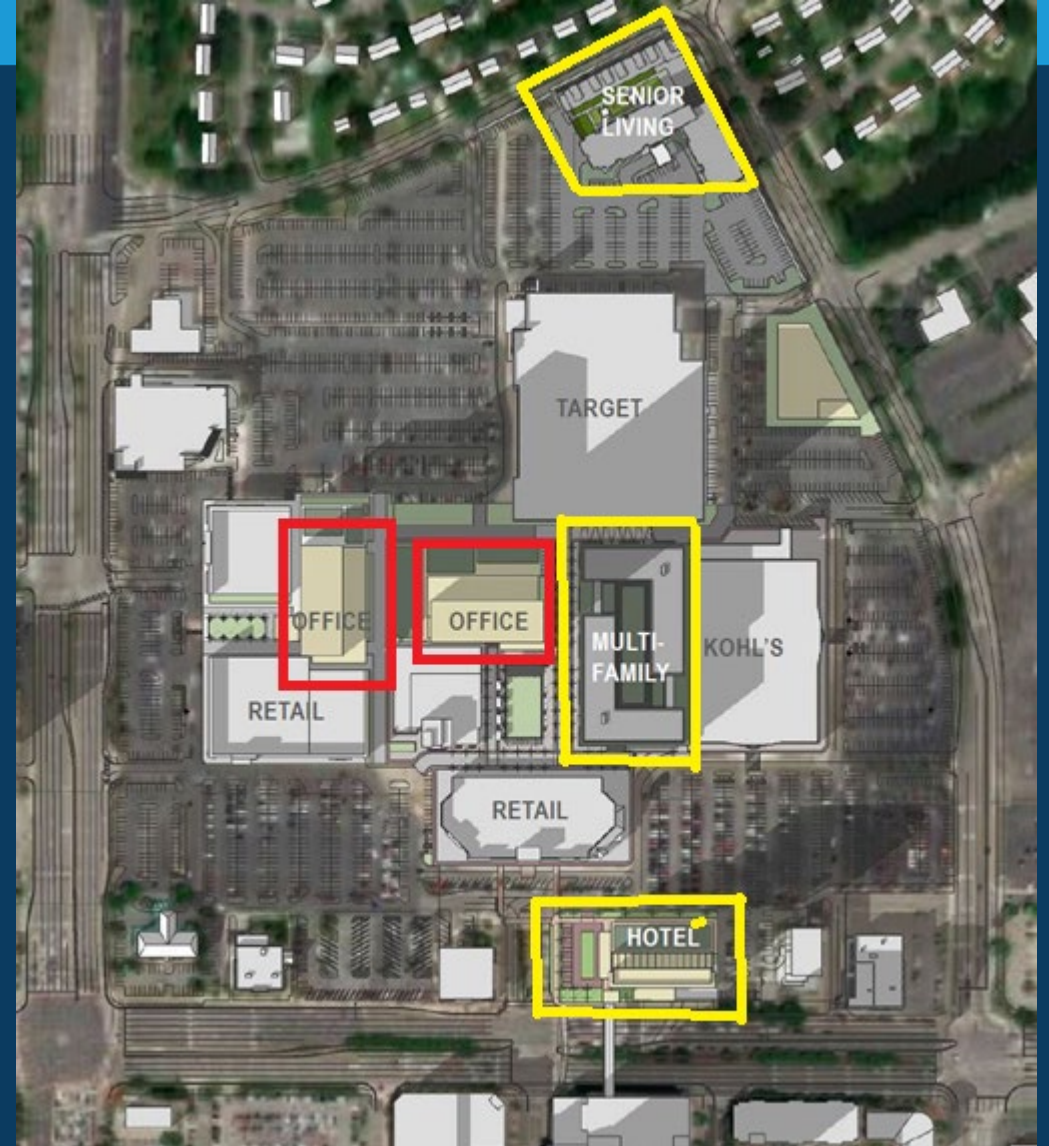
Pembroke Mall History Continued

- In 2015, Sears Holdings spun off 235 of its properties, including the Sears at Pembroke Mall, into Seritage Growth Properties.
- In 2018, it was announced that Sears would be closing.
- In 2020, Stein Mart closed.
- In December 2021, the mall announced that the 48 remaining tenants must vacate by the end of January 2022, as part of a \$200 million redevelopment plan.
- In July 2022, Pembroke Mall was rebranded to Pembroke Square – Mixed-Use Project to include residential, retail, restaurants and hotel.

Pembroke Square Redevelopment

- February 2022 – Developer requested cost-participation for public parking as part of the Pembroke Mall Redevelopment Plan
- April 2022 – City Council approved Resolution to approve Term Sheet for the Redevelopment of Pembroke Mall
- December 2022 – Aviva senior housing breaks ground
- April 2022 - December 2023 – Developer revised development plan
- Fall 2023 – Demolition of central area of mall (former Stein Mart) and outparcel (former Suntrust building)
- March 2024 – City Council Closed Session briefing on revised Term Sheet
- June/July 2024 – Public Briefing and City Council to consider Cost-Participation for not to exceed \$22.35 M for public parking

Transition from Mall to Mixed-Use Community



Three Phases of Development

- Phase I – Senior Living
- Phase II – Multi-Family Development with Parking Deck
- Phase III – Hotel Development with Parking Deck

Anticipated Future Phases

- Two Office Towers estimated at \$240M Total Development Cost



Phase I



Phase I – Senior Living (Aviva)

153 units
\$64.3M

Start	Dec 2022 <i>(Under Construction)</i>
Complete	Oct 2024

Aviva Senior Living



Phase II

Phase II – Multifamily

272 Units

611-Space Parking Garage

\$69M

Start 4th Qtr. 2025

Complete 4th Qtr. 2027



PEMBROKE APTS.
Virginia Beach VA
07.09.2021

PRIMARY FACADE

All grades, areas, and quantities are approximate and will change as the design is further refined.

MITCHELL / MATTHEWS
ARCHITECTS & PLANNERS
434.979.7550 © 2021

SK-80

Phase III



Phase III - Hotel

156 Rooms

134-Space Parking Garage
\$30M

Start 1st Qtr. 2025
Complete 4th Qtr. 2026

Proposal Comparison

Phase	Original Proposal Feb. 2022	Cost	New Proposal March 2024	Cost
Phase I – Senior Development	158 Units	\$50M	153 units	\$64.3M
Phase II – Multifamily Development	329 Units	\$66.6M	272 Units	\$69M
Phase III – Hotel	209 Rooms	\$45.8M	156 Rooms	\$30M
Total Development Cost		\$162.4M		\$163.3M
City Cost-Participation for Parking	Phase II 582 Spaces Phase III 209 Spaces	\$17.5M \$6.3M	Phase II 611 Spaces Phase III 134 Spaces	\$18.3M \$4.02M
Total City Cost Participation	Total Spaces 791	\$23.8M	Total Spaces 745	\$22.35M

Estimated Fiscal Impact – Assumptions

Parking Garages:

- Two parking garages - total 745 parking spaces
- Cost per parking space - \$30,000/space + \$2,750/space carrying costs
- General Fund pays debt service associated with total issuance of \$24.4M Bonds (\$22.35 M Not to Exceed cost-participation for garage construction)

Revenue from the project anticipated to begin in FY 2026

- Fiscal Impact includes all projected Real Estate General Fund Revenue to occur from development
- To ensure revenues remain within the General Fund, dedication of the Real Estate revenue equivalent to the revenue generated would need to occur within the General Fund

Establishment of a Special Service District (SSD)

- \$0.45 to support Debt Service for design and developer construction gap at \$5,000 per space (\$5.5M)
- Garage maintenance would be \$275 per space

Estimated Fiscal Impact – General Fund

(Dedicating Real Estate Tax Equivalent)

• 20-year cumulative revenue	\$48,476,540
• 20-Year cumulative expenses	\$33,182,300
• Estimated Net Revenue	\$15,294,240
• Net Present Value of Revenue	\$7,513,822

For Consideration

- Cost-Participate for \$30,000/space for a not to exceed amount of \$22.35M for the construction and an additional \$2,750/space carrying cost:
745 spaces @ \$32,750/space = \$24.4M
- Developer shortfall of \$4M in construction costs and \$1.5M design cost to be paid for from newly established SSD @ \$.45

Next Steps

- City Council may consider cost-participating in the Pembroke Square redevelopment project by paying a not to exceed amount of \$22.35M for two public parking garages with a total of 745 spaces.
- If City Council is amenable, an ordinance could be added to the July 2, 2024, City Council agenda for consideration.

QUESTIONS?