



2020 Annual Report
Fiscal Year July 1, 2019 – June 30, 2020

December 8, 2020

CEDA Annual Report

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The Charlottesville Economic Development Authority (CEDA)

A Brief History

The Industrial Development Authority of the City of Charlottesville was created by ordinance of the City Council on July 19, 1976, pursuant to provisions of the Industrial Development and Revenue Bond Act (Title 15.2, Chapter 49, Section 15.2-4900 *et seq.*, of the Code of Virginia, 1950, as amended.) The name was changed to Economic Development Authority of the City of Charlottesville by approval of the Board on July 10, 2007 and by City Council on September 4, 2007. A board of seven directors, appointed by City Council, governs the Authority. As of June 30, 2020, the Authority had financed 64 separate projects, issuing debt totaling \$342,900,000. The bonds, notes, and other obligations of the Authority are payable solely from, and secured by, revenues derived from leases and contracts on the lands, buildings, and equipment financed. The City has no obligation for any indebtedness of the Authority.

The Charlottesville Economic Development Authority (CEDA) was established to promote economic development in the community, to expand the local tax base, and to encourage more job opportunities for our citizens. Composed of realtors, developers, attorneys and certified public accountants, among others, the CEDA board represents a cross-section of citizens skilled in successful development and redevelopment practices. CEDA uses its bond authority to support real estate projects approved by the City Council. CEDA pursues special projects in conjunction with the private sector that further the accomplishment of its goals. CEDA may acquire, own, lease or dispose of property in order to promote economic development.

Recent Projects

In the mid 1980's, the Authority decided to become proactive in development in the Charlottesville area. It purchased a 10.5-acre, industrially zoned parcel, cleared and subdivided it, and offered it for sale to the private sector. The resulting development, known as Carlton Business Park, has since been sold out. Approximately \$11 million in new construction has been completed, including a new \$7 million publishing plant for the Lexis Law Publishers. In addition to the dollar return on investment, there has been a significant increase in the assessed value of the property. The property is now assessed at over \$12 million dollars.

The second large-scale undertaking by CEDA was the purchase of a 17-acre site from CSX Transportation for \$1.6 million in 1987. Residential construction began in December 1989, and the first major commercial project was completed in 1992. This first commercial project on former CSX land was the \$10 million headquarters building for the Lexis Law Publishing Company constructed on 3.5 acres on this site. As of July 2003, all former CSX properties owned by CEDA had been sold. The dollar value of the properties sold was \$2.45 million and represents a 47.6% return on investment. In addition to the dollar return on investment, there has been a significant increase in the assessed value of the property. It is now assessed at over \$40 million dollars.

In 2003, CEDA began a project that involved the acquisition and subsequent lease of the former National Ground Intelligence Center from the federal government and a \$2,500,000 loan to the tenant for upfit of the facility. The tenant, an existing local technology company, has leased the building to expand and consolidate its operations as a national headquarters. CEDA will receive an annual income of \$240,000 from the tenant which is more than sufficient to meet its obligation to any major system repairs and repay the loan. In addition, a long-term lease of the building, presently not on the tax rolls, will result in collections of real estate taxes of \$25,000 each year. Obvious benefits of the program include the retention and expansion of a growing local business, occupancy and renovation of the building in a timely fashion and the spin-off revenues from retail sales and BPOL taxes. In addition, 330 plus quality jobs will be added and/or retained in the City. The CEDA loan from the City to facilitate this project has been repaid in full.

CEDA was involved in a unique public private partnership to develop the new Charlottesville Pavilion. The City maintains ownership of the property and all improvements, while CEDA manages a 30-year lease with the operator. CEDA also participated in the financing of the project through two loans totaling \$3.4 million dollars. These loans, as well as a percentage of ticket sales dedicated to maintenance of the facility, are being repaid to CEDA on an annual basis. The 3,500 seat venue serves as a focal point for entertainment and regularly draws large crowds to Downtown Charlottesville. The CEDA loan from the City to facilitate this project has been repaid in full.

In November 2008, the Authority entered into agreements with the City of Charlottesville and the Jefferson School Community Partnership to help facilitate the redevelopment of the Jefferson School into a community asset. The agreement authorizes the Authority to reimburse the JSCP up to \$5,764,000 towards the costs associated with the renovation project. In 2011, this agreement was amended to allow the funds to go to the Jefferson School Foundation. This agreement was fulfilled during 2012 as all funds were depleted.

The Authority entered into agreements in August 2009 with the City and Meadowbrook Creek, LLC for the construction of road improvements for Phase 1 of Hillsdale Drive. CEDA oversaw the distribution of \$2.0 million dollars on this project, which was completed in June 2011.

In August 2010, the Authority entered into a performance agreement with Great Eastern Management Company for the purpose of inducing significant capital investment and job creation in the City. The project, known as Waterhouse, included a \$27 million dollar capital investment and created 400 jobs downtown. The performance agreement was completed in 2019.

In June 2011, the Authority entered into a performance agreement with 459 Locust Charlottesville Owner, LLC for the purpose of inducing significant capital investment and job creation in the City at the site of the former Martha Jefferson Hospital site. In addition, the Authority committed \$200,000 from its working cash to serve as an upfront local match to leverage a Governor's Opportunity Fund grant in the same amount. The Authority funds will be repaid upon the completion of the project and the commencement of the tax increment grant period. In August of 2012, this agreement was amended to allow the anchor tenant (CFA Institute), to purchase their portion of the property and develop it themselves as opposed to leasing space in the building. This Amendment formalizes this understanding and specifies how the grant will be disbursed under the new arrangement.

In April 2014, the Authority and the City entered into agreements with Coal Tower Associates, L.L.C. totaling \$356,525 for the purpose of completing streetscape improvements in conjunction with the City Walk development along Water Street. In addition, CEDA had previously agreed as part of the property sale agreement to fund the construction of a fence along this portion of Water Street extended. The fence was completed in 2015.

Also in 2014, the Authority provided matching funds for a Governors Agricultural & Forestry Industries Development grant on behalf of Relay Foods. The company which was founded and is headquartered in Charlottesville has committed to adding 25 employees and investing \$735,000 in their local facility over the next three years.

During the 2016 fiscal year, the Authority and the City of Charlottesville entered into a funding agreement with a developer to share the costs of undergrounding utilities for the Market Plaza project. The project will facilitate the development of Market Plaza as a major mixed-use building with residential units, office space, retail space, underground parking and plaza for the City Market. The City contributed \$1,250,000 to the Authority and the Authority will

facilitate the transfer to the developer with a development cost reimbursement agreement. The utility work was completed in 2017.

In FY17, the Authority received a request to exercise an option to purchase the property at 701 E. Water Street (known as the Lexis Nexis building) which had been under a ground lease from the Authority since 1991. The lease agreement included an option for the current lessee to purchase the property provided certain conditions were met. The authority approved a resolution at its October 13th meeting authorizing the chair to sign the necessary closing documents related to this transaction. The closing occurred on November 15, 2016. The ground lease had a provision for a security deposit in the form of a U.S. Treasury Bond in the amount of \$1 million dollars. Now that the ground lease is complete, and title to the property has transferred to the new owner, the security deposit has been returned to the authority. Since the original funds to purchase the property were provided by the City, the Authority approved a resolution to transfer the funds to the City.

In FY18, the Authority was briefed on the new state supported regional economic development effort known as the GO Virginia initiative. The state funds require local matching dollars and a number of local initiatives are preparing applications for consideration, which would likely involve requests for Authority support. In addition, the Authority commissioned HR & A Advisors to conduct a comprehensive Office and Retail Market Study for the city. In May, the Authority approved a loan modification to extend an additional \$500,000 in funds to assist with roof replacement at the Pavilion. The new roof should last 20 years and carry the facility through the term of the lease. Finally, the Authority issued a new tax-exempt bond to the Jefferson Scholars Foundation on October 4, 2018 for an amount of \$22,500,000.

In FY19, the Authority issued a re-advance of \$500,000 in funds to assist with the roof replacement at the Pavilion. The additional proceeds are to be repaid under the same terms and conditions of the current loan with Charlottesville Pavilion LLC. The new roof should last 20 years and carry the facility through the term of the lease. Also, the Authority approved GO Virginia matching fund contributions for the CvilleBioHub effort to grow the local biotechnology sector and the Catalyst Accelerator to grow scalable high growth companies in the region. These were the first two local projects to receive state support through the GO Virginia program.

The City serves as fiscal agent for CEDA and its records are audited on an annual basis by outside auditors. A separate audited financial report is issued annually.

Recent Activities for Fiscal Year 2020

- The Authority held seven meetings throughout the year including the annual meeting, which is required according to the By-Laws. The regular meetings were held on the second Tuesday of the month in the City Council Chambers at 4:00 p.m. Several meetings were held virtually due the COVID-19 pandemic and in conjunction with state and local ordinances to allow such format.
- The Authority continued to support the GO HIRE program, the Advancing Charlottesville Entrepreneurs (ACE) program and the Cville Match Program with budget allocations.
- In addition, the authority added \$50,000 to Business Equity Fund loan program pool of funds initiated by the City and managed by the Community Investment Collaborative. The initiative supports the City's Minority Business Program with low interest loans.
- The Lewis and Clark Exploratory Center (LCEC) loan of \$130,000 remains unresolved as discussions continue between LCEC and the County of Albemarle regarding loan forgiveness.
- The Authority approved GO Virginia matching fund contributions for the CvilleBioHub effort to grow the local biotechnology sector and the Catalyst Accelerator to grow scalable high growth companies in the region. The Authority also approved a contribution to help fund the regions first Defense Affairs Coordinator to be housed at the Chamber of Commerce.
- The Authority approved a resolution to support a Performance Agreement with Piedmont Housing Alliance to help facilitate the redevelopment of Friendship Court and preserve and grow affordable housing options in the City.
- At the onset of the COVID-19 pandemic, the Authority held an emergency meeting on March 31, 2020 and allocated \$350,000 towards existing and new programs to help alleviate the immediate challenges faced by City businesses.
- CEDA collected \$22,250 in administrative fees for outstanding bonds during fiscal year 2020.
- Staff engaged in detailed review of all existing bond holders to verify loan balances and determine the payment status of all outstanding tax-

exempt bond issues. As of June 30 2020, the aggregate balance of conduit debt was \$45,297,517.

- Dan Siegel, of Sands Anderson Marks and Miller, continued as Authority Counsel for the purpose of writing, reviewing and providing advice on bond issues and performance agreements.

Current Board Members and Officers

CEDA board members as of June 30, 2020:

Tara R. Boyd – Chair*, term expires 4/1/2020

Ethan A. Dunstan – Vice Chair*, term expires 3/30/2021

Jay O’Donnell – term expires 4/1/2023

Adrian Felts – term expires 3/30/2021

Paul Beyer – term expires 4/1/2020

Nicole Fernandez - term expires 4/1/2023

Ed Schmitz – term expires 4/1/2022

* Calendar year 2019

The Officers of CEDA include the following:

Chris Engel – Secretary

Jason Ness - Assistant Secretary

Chris Cullinan – Treasurer

Glen Pack – Assistant Treasurer

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE
(A Component Unit of the
City of Charlottesville, Virginia)**

FINANCIAL REPORT

June 30, 2020

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

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INTRODUCTORY SECTION

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020**

DIRECTORS

Tara R. Boyd – Chairman
Ethan A. Dunstan – Vice Chairman
Chris Cullinan – Treasurer
Chris Engel – Secretary
Paul Beyer
Edward J. Schmitz
Adrian Felts
Nicole Fernandez
Jay O’Donnell

OFFICIALS

Dr. Tarron Richardson City Manager
John C Blair II..... City Attorney
Chris Cullinan City Director of Finance
Chris Engel.....Economic Development Director

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board of Directors
Economic Development Authority of
the City of Charlottesville
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Economic Development Authority of the City of Charlottesville (the "Authority"), a discretely presented component unit of the City of Charlottesville, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Report on the Financial Statements (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of the City of Charlottesville, as of June 30, 2020, and its changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Authority's 2019 financial statements, on which, in our report dated November 20, 2019, we expressed an unmodified opinion. The 2019 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and information listed as supplementary schedule in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplementary schedule are the responsibility of management, and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 24, 2020

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHARLOTTESVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Charlottesville Economic Development Authority's (the "Authority") annual financial report presents our discussion and analysis of the financial performance during the fiscal years ended June 30, 2020 and 2019. A comparative analysis is presented. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights for Fiscal Year 2020

The Authority's total net position decreased by \$310,217 during fiscal year 2020. During the year, the Authority's operating revenues increased by \$10,616 and operating expenses increased by \$310,242. The increase in operating revenues reflects the net change in building upfit credits and bond fees. The increase in operating expenses was driven by additional expenses; funds of which were taken from reserves, to assist City businesses during the pandemic through four different programs. The non-operating revenues exceeded non-operating expenses by \$334,251.

Financial Highlights for Fiscal Year 2019

The Authority's total net position increased by \$66,167 during fiscal year 2019. During the year, the Authority's operating revenues increased by \$436 and operating expenses increased by \$172,230. The increase in operating revenues reflects the net change in building upfit credits and bond fees. The increase in operating expenses was driven by increased expenses of performance agreements, professional fees, and feasibility studies. The non-operating revenues exceeded non-operating expenses by \$411,009.

Authority Highlights

During fiscal year 2020, the Authority continued to manage the SNL building under terms of the agreement put in place in 2002. Rent payments continue and are collected and processed monthly. The Authority, in conjunction with the City Building Inspector and Fire Marshall, conducts an annual inspection of the facility to help ensure its proper maintenance and safety procedures, and that it meets all insurance requirements.

The Authority continued to manage the lease governing the operation of the Charlottesville Pavilion. Facilities Maintenance Fees and Ticket Surcharges generated from Pavilion events are processed monthly during the concert season and applied to the appropriate accounts. During the fiscal year the Authority agreed to a waive rent payment for a year due to the pandemic.

In 2010, the Authority entered into a performance agreement with Great Eastern Management Company for the purpose of inducing significant capital investment and job creation in the City, as described in Note 6. The agreement requires performance by the developer after which a portion of the incremental increase in real estate taxes is to be granted to the developer for a period of five years. On February 4, 2015, Waterhouse L.L.C. initiated the Performance Grant Reimbursement. The developer exceeded the requirements of the agreement which included a minimum real property value of \$20M and the creation of 215 jobs at an average salary of \$45,000. At the March 3, 2015 City Council meeting, the Council approved a resolution, in the amount of \$84,054 to direct the transfer of funds to the EDA. The performance agreement payment for fiscal year 2018 was \$117,602. The performance agreement was fulfilled in January 2019 and the final payment totaled \$117,905.

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ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHARLOTTESVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority Highlights (Continued)

On June 2, 2011, the Authority entered into a performance agreement with 459 Locust Charlottesville Owner, LLC for the purpose of inducing significant capital investment and job creation in the City at the site of the former Martha Jefferson Hospital. In 2012, the agreement was amended to include an additional development partner and owner. Once the agreement criteria have been met, the City will contribute an amount equal to 50% of the real estate tax increment created by the investment to the Authority for a period of ten years. The Authority will make a performance grant in the same amount distributed based on valuation to 459 Locust Charlottesville Owner, LLC and Cville Operations Hub, LLC for a period of ten years. The Authority's obligation to make such a grant is subject to appropriation of funding from the City. The performance agreement payments totaled \$242,183 during 2020.

Overview of the Financial Statements

The Authority is a component unit of the City of Charlottesville, Virginia. Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial support. Component units of the City are presented as a separate column in the government-wide financial statements of the City and as individual activities in the fund financial statements of the City. The Authority's operations are accounted for as business type activities in a proprietary fund. Proprietary funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. The measurement focus is upon determination of net income.

The Authority's financial section of the annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements and related notes.

Financial Analysis

The following table reflects the condensed net position of the Authority:

	2020	2019	2018
Current assets	\$ 2,535	\$ 2,795	\$ 3,141
Non-current assets	886	932	481
Total assets	<u>3,421</u>	<u>3,727</u>	<u>3,462</u>
Current liabilities	275	271	233
Non-current liabilities	-	-	-
Total liabilities	<u>275</u>	<u>271</u>	<u>233</u>
Unrestricted	3,146	3,456	3,389
Restricted	-	-	-
Total net position	<u>\$ 3,146</u>	<u>\$ 3,456</u>	<u>\$ 3,389</u>

Total net position (assets less liabilities) may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$3,145,482 at the close of fiscal year 2020. Assets exceeded liabilities by \$3,455,699 at the close of fiscal year 2019. The Authority's remaining net position may be used to satisfy the Authority's ongoing obligations to customers and creditors.

(Continued)

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHARLOTTESVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis (Continued)

The following table summarizes the changes in the Authority's net position:

	2020	2019	2018
Operating revenues:			
Bond fees	\$ 22	\$ 23	\$ 24
Rental income	898	886	885
Total operating revenue	<u>920</u>	<u>909</u>	<u>909</u>
Operating expenses:			
Economic development	100	100	100
Other operating expenses	1,464	1,154	982
Total operating expenses	<u>1,564</u>	<u>1,254</u>	<u>1,082</u>
Operating loss	<u>(644)</u>	<u>(345)</u>	<u>(173)</u>
Nonoperating revenues (expenses):			
Contributions from local and state governments	263	344	270
Investment income	71	68	51
Decrease in fair value of investment	-	-	-
Other nonoperating revenues	-	-	-
Other nonoperating expenses	-	-	-
Total operating revenues	<u>334</u>	<u>412</u>	<u>321</u>
Increase (decrease) in net position:	(310)	67	148
Total net position – beginning	<u>3,456</u>	<u>3,389</u>	<u>3,241</u>
Total net position – ending	<u>\$ 3,146</u>	<u>\$ 3,456</u>	<u>\$ 3,389</u>

The net position decreased in fiscal year 2020 by \$310,217 compared to an increase in fiscal year 2019 of \$66,167 and an increase in fiscal year 2018 of \$148,494.

(Continued)

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHARLOTTESVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

The Authority does not currently possess any capital assets.

The Authority does not currently have any debt outstanding.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, bondholders, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Engel, Director of Economic Development, at (434) 970-3110, c/o Office of Economic Development, P.O. Box 911, Charlottesville, Virginia 22902.

BASIC FINANCIAL STATEMENTS

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**STATEMENT OF NET POSITION
June 30, 2020**

	2020	(For Comparative Purposes Only) 2019
	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 2,212,362	\$ 2,416,702
Cash and cash equivalents, restricted (Note 2)	141,649	115,582
Notes receivable (Note 3)	180,776	262,710
Prepaid rent	16	17
	<u>2,534,803</u>	<u>2,795,011</u>
Total current assets		
NONCURRENT ASSETS		
Notes receivable (Note 3)	<u>886,140</u>	<u>931,913</u>
	<u>3,420,943</u>	<u>3,726,924</u>
Total assets		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,375	4,206
Accrued liabilities	1,437	1,437
Unearned revenue	-	20,000
Due to the City of Charlottesville (Note 3)	130,000	130,000
Customer deposits (Note 2)	65,895	65,895
Contractor escrow (maintenance fund) (Note 2)	75,754	49,687
	<u>275,461</u>	<u>271,225</u>
Total current liabilities		
NET POSITION		
Unrestricted	<u>3,145,482</u>	<u>3,455,699</u>
	<u>\$ 3,145,482</u>	<u>\$ 3,455,699</u>
Total net position		

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2020**

	<u>2020</u>	<u>(For Comparative Purposes Only) 2019</u>
OPERATING REVENUES		
Bond fees	\$ 22,500	\$ 23,250
Rental income (Note 5)	897,501	886,135
	<u>920,001</u>	<u>909,385</u>
OPERATING EXPENSES		
Economic development contributions and incentives	100,000	100,000
Rent incentives (Note 5)	657,501	646,035
Performance agreements (Note 6)	242,183	393,422
Professional services	10,115	9,405
Other operating expenses and contracts	554,670	105,365
	<u>1,564,469</u>	<u>1,254,227</u>
Operating loss	<u>(644,468)</u>	<u>(344,842)</u>
NONOPERATING REVENUES		
Contributions from local and state governments	263,183	343,422
Investment income	71,068	67,587
	<u>334,251</u>	<u>411,009</u>
Change in net position	(310,217)	66,167
Net position – beginning	<u>3,455,699</u>	<u>3,389,532</u>
Net position – ending	<u>\$ 3,145,482</u>	<u>\$ 3,455,699</u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**STATEMENT OF CASH FLOWS
Year Ended June 30, 2020**

	<u>2020</u>	<u>(For Comparative Purposes Only) 2019</u>
OPERATING ACTIVITIES		
Receipts from rental income and other income from the City	\$ 220,000	\$ 260,100
Receipts from bond fees	22,500	23,250
Economic development activities	(820,845)	(518,208)
Payments to suppliers	<u>(61,886)</u>	<u>(71,640)</u>
Net cash used in operating activities	<u>(640,231)</u>	<u>(306,498)</u>
NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from local and state governments	<u>263,183</u>	<u>343,422</u>
Net cash provided by non-capital and related financing activities	<u>263,183</u>	<u>343,422</u>
INVESTING ACTIVITIES		
Interest and other income	71,068	67,587
Advance to Charlottesville Pavilion	-	(500,000)
Payments received on notes receivables	<u>127,707</u>	<u>65,385</u>
Net cash provided by (used in) investing activities	<u>198,775</u>	<u>(367,028)</u>
Net decrease in cash and cash equivalents	(178,273)	(330,104)
CASH AND CASH EQUIVALENTS		
Beginning	<u>2,532,284</u>	<u>2,862,388</u>
Ending	<u>\$ 2,354,011</u>	<u>\$ 2,532,284</u>
RECONCILIATION TO EXHIBIT 1		
Cash and cash equivalents	\$ 2,212,362	\$ 2,416,702
Cash and cash equivalents, restricted	<u>141,649</u>	<u>115,582</u>
	<u>\$ 2,354,011</u>	<u>\$ 2,532,284</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (644,468)	\$ (344,842)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Change in:		
Prepaid rent	1	1
Accounts payable	(1,831)	(1,696)
Accrued liabilities	-	1,437
Unearned revenue	(20,000)	20,000
Contractor escrow	<u>26,067</u>	<u>18,602</u>
Net cash used in operating activities	<u>\$ (640,231)</u>	<u>\$ (306,498)</u>

The Notes to Financial Statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Economic Development Authority of the City of Charlottesville (the “Authority”) is a component unit of the City of Charlottesville, Virginia (the “City”). The Authority was established under the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et. seq.) of the *Code of Virginia* (1950, as amended). The Authority has the responsibility to promote industry and develop trade by inviting manufacturing, industrial, and commercial enterprises to locate or to remain in the City. The Authority’s financial statements are presented in a separate column, in the City’s Comprehensive Annual Financial Report, to emphasize that it is legally separate from the City and that it represents a functionally independent operation.

Measurement focus and basis of accounting

The Authority’s financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority arise from rental income. Operating expenses include contributions to other governments and other contractual services. All revenues and expenses not meeting this definition are reported as nonoperating. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first.

Cash and cash equivalents

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agents. For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit, regardless of maturity date, are grouped into cash and cash equivalents.

Comparative information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Authority’s financial statements for the prior year from which the summarized information was derived.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Customer deposits

Deposits consist of amounts received from lessees that may be used to offset future lease payments or any damages that may occur to the property during the lease term.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2. Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

At June 30, the carrying value of the demand deposits was \$2,354,011.

Reconciliation to Exhibit 1:

Cash and cash equivalents	\$ 2,212,362
Restricted cash	<u>141,649</u>
	<u>\$ 2,354,011</u>

The City serves as fiscal agent for the Authority. However, the Authority is not subject to the City's investment policy. The Authority does not have a formal investment policy that addresses credit risk, concentration of credit risk, or interest rate risk. However, state statutes limit and define allowable investments for public funds. At June 30, there were no investments.

Restricted cash, customer deposits, and contractor escrow payable

Restricted cash represents funds escrowed for a lease deposit on the SNL building, and facilities maintenance funds held in escrow for the Charlottesville Pavilion. As of June 30, the balance of restricted cash was \$141,649; of which \$65,895 pertains to the SNL deposit, and \$75,754 pertains to the facilities maintenance funds held in escrow.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 3. Notes Receivable

During fiscal year 2004, the Authority executed a promissory note with the Charlottesville Pavilion, as part of the Authority lease agreement with the Pavilion, in the amount of \$2.4 million for construction costs of the Amphitheater. The note is amortized over 20 years with periodic payments of principal and interest, at 3.70%, of \$85,442. The note is secured by a first lien on all the assets of the Charlottesville Pavilion, its fixtures, trade fixtures, and accounts receivable. The note is also guaranteed by R. Coran Capshaw, President of Charlottesville Pavilion LLC. On May 17, 2018, an allonge and modification of the promissory note was executed. During 2019, the Authority re-advanced \$500,000 for the replacement of the roof of the Amphitheater. The Authority agreed to extend the maturity date of the note to June 30, 2026. On May 1, 2020 a second allonge and modification of the promissory note was executed. The restrictions on large gatherings resulting from the COVID-19 pandemic had caused the borrower to cancel events at the Amphitheater. The two guaranteed payments for the period from January 1, 2020 to December 31 2020 have been waived and interest will accrue. The next guaranteed payment will be due June 30, 2021. The Authority agreed to extend the maturity date of the note from June 30, 2026 to June 30, 2027. No other modifications were made to the note. The balance of the note receivable was \$936,916 at June 30.

On April 30, 2013, the Authority executed a promissory note with the Lewis & Clark Exploratory Center in the amount of \$130,000 for the construction of their learning center at Darden Towe Park. Funding for this project was provided by the City upon approval from City Council. The note was originally due in full on October 30, 2013; however, the Authority extended the due date with the approval of City Council, to October 30, 2015. During the year ended June 30, 2016, the City Council agreed to forgive the loan contingent upon Albemarle County doing the same with their loan to this organization. At the date of issuance of this report, neither the County EDA nor the Board of Supervisors of the County have forgiven the loan. The balance of this note receivable was \$130,000 at June 30. A reimbursement payable to the City is currently recorded and will also be forgiven contingent on the actions of the County.

At June 30, management has not recorded any allowance against either one of the notes receivable.

Note 4. Conduit Debt

Periodically, the Authority issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$45,297,517.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 5. Rental Income

The following is a detailed listing of rental income:

SNL Financial (gross rent)	\$ 897,501
Charlottesville Pavilion	-
Total rental income	\$ 897,501

SNL Financial

In October 2001, the Authority executed a lease agreement with the City for the National Ground Intelligence Center (now referred to as the SNL building) for \$1 per year with a term of 35 years. Under the terms of the agreement, the Authority subleased the facility to SNL Financial for a minimum rent of \$20,000 per month. The agreement allows a series of rent credits to be exercised throughout the term, thereby extending the period for which the minimum rent amount is paid. Once all rent credits have been used, the rent recalibrates to a market based amount. Credits applied in the current year included a building management fee and building upfit credits totaling \$657,501. The sublease expires in March 2033. Total net rental income collected under this sublease amounted to \$240,000 for the year ended June 30.

Charlottesville Pavilion

In December 2003, the Authority executed a lease agreement with the City for the Amphitheater for \$1 per year with a term of 40 years. Under the terms of the agreement, the Authority subleased the Amphitheater to the Charlottesville Pavilion for a minimum rent of \$100 per year. The sublease is for five years and can be renewed in five-year increments; however, the lease cannot be terminated until the note receivable discussed in Note 3, from the Charlottesville Pavilion is paid in full. No rental income was collected under this sublease for the year ended June 30. Due to the COVID-19 pandemic, the Authority waived the rental income requirement for the year. This amount will be added to the end of the sublease.

Future minimum rentals, net of lease incentives, under the above leases are as follows at June 30, 2020:

Fiscal Year	
2021	\$ 240,100
2022	240,100
2023	240,100
2024	240,100
2025	240,100
2026-2030	1,200,500
2031-2033	720,400
	\$ 3,121,400

As certain lease provisions are met, such as rent credits and loan repayments, the rents will increase over time.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 6. Performance Agreements

On June 2, 2011, the Authority entered into a performance agreement with 459 Locust Charlottesville Owner, LLC for the purpose of inducing significant capital investment and job creation in the City at the site of the former Martha Jefferson Hospital. In 2012, the agreement was amended to include an additional development partner and owner. Once the agreement criteria have been met, the City will contribute an amount equal to 50% of the real estate tax increment created by the investment to the Authority for a period of ten years. The Authority will make a performance grant in the same amount distributed based on valuation to 459 Locust Charlottesville Owner, LLC and Cville Operations Hub, LLC for a period of ten years. The Authority's obligation to make such a grant is subject to appropriation of funding from the City. The performance agreement payments totaled \$242,183 during 2020.

Note 7. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Subsequent to year end, the City of Charlottesville, Virginia has allocated of \$1,440,000 of the City's CARES Act funding to be spent at the direction of the Authority. These CARES Act amounts are disbursed by the City at the Authority's recommendation.

Note 8. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, Fiduciary Activities**. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 8. New Accounting Standards (Continued)

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

SUPPLEMENTARY SCHEDULE

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTEVILLE**

**SCHEDULE OF CONDUIT DEBT OUTSTANDING
June 30, 2020**

<u>Name of Issue</u>	<u>Description of Facility</u>	<u>Date of Original Issue</u>	<u>Name of Trustee</u>	<u>Revenue Bonds Aggregate Amount at Issue Date</u>	<u>Aggregate Outstanding Payable at June 30, 2012</u>	<u>Aggregate Outstanding Payable at June 30, 2013</u>	<u>Aggregate Outstanding Payable at June 30, 2014</u>	<u>Aggregate Outstanding Payable at June 30, 2015</u>	<u>Aggregate Outstanding Payable at June 30, 2016</u>	<u>Aggregate Outstanding Payable at June 30, 2017</u>	<u>Aggregate Outstanding Payable at June 30, 2018</u>	<u>Aggregate Outstanding Payable at June 30, 2019</u>	<u>Aggregate Outstanding Payable at June 30, 2020</u>
Charlottesville Contemporary Arts	Performing Arts Center	12/11/2002	Virginia National Bank	\$ 2,375,000 (Total disbursed \$2,042,499)	\$ 358,500	\$ 323,000	\$ 287,500	\$ 252,000	\$ -	\$ -	\$ -	\$ -	\$ -
JABA	Acquisition, construction, and equipping of elderly care facility	12/01/1997	Wachovia	990,000	-	307,080	247,162	174,662	111,854	-	-	-	-
MACAA	Acquisition, renovation, and expansion of company headquarters	06/10/1993	First Virginia	850,000	322,296	285,287	236,040	193,383	142,195	94,185	45,415	-	-
Martha Jefferson House	Retirement community	11/07/2007	Union Bank & Trust	4,500,000 (Total disbursed \$4,055,854)	3,905,043	3,733,838	3,541,110	3,342,095	3,136,956	2,925,004	2,706,130	2,480,117	2,246,981
Learning Ally (recording for the blind and dyslexic)	Headquarters for State organization	12/21/2007	Union Bank & Trust	2,400,000 (Total disbursed \$2,160,000.26)	1,823,069	1,732,286	-	-	-	-	-	-	-
Seminole Square Project	Infrastructure improvements for shopping center	12/01/1993	SunTrust	8,850,000	4,995,000	4,690,000	-	-	-	-	-	-	-
St. Anne's-Belfield	Private educational facility	08/22/2013	SunTrust	15,000,000	-	-	15,000,000	15,000,000	14,717,358	14,328,552	13,925,637	13,508,100	13,075,411
UVA Foundation	Acquisition, construction, and equipping of various University buildings	12/19/2006	US Bank	165,900,000	39,615,000	38,735,000	34,710,000	33,884,375	33,018,750	32,113,125	13,690,125	7,742,125	7,475,125
WorkSource Enterprises	Acquisition, renovation of company headquarters	12/23/1997	Wachovia	1,088,550	223,558	188,477	152,114	114,419	75,353	34,850	-	-	-
Jefferson Scholars Foundation	Finance office building	10/01/2017	SunTrust	22,500,000	-	-	-	-	-	-	22,500,000	22,500,000	22,500,000
					<u>\$ 51,242,466</u>	<u>\$ 49,994,968</u>	<u>\$ 54,173,926</u>	<u>\$ 52,960,934</u>	<u>\$ 51,202,466</u>	<u>\$ 49,495,716</u>	<u>\$ 52,867,307</u>	<u>\$ 46,230,342</u>	<u>\$ 45,297,517</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the Board of Directors
Economic Development Authority of
the City of Charlottesville
Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the Economic Development Authority of the City of Charlottesville (the “Authority”), a discretely presented component unit of the City of Charlottesville, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which comprise the Authority’s basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 24, 2020

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**SUMMARY OF COMPLIANCE MATTERS
June 30, 2020**

As more fully described in the “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” we performed tests of the Authority’s compliance with certain provisions of the laws, regulations, contracts and grant agreements, and other matters shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local retirement Systems
Debt Provisions
Procurement Laws
Governor’s Opportunity Funds
Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE

Authority By-Laws

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF CHARLOTTESVILLE**

**SCHEDULE OF FINDINGS
June 30, 2020**

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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