Independent Financial Impact Analysis: Virginia Beach National Golf Club Redevelopment

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Executive Summary

The City of Virginia Beach's current financial evaluation of the proposed Dragas redevelopment at Virginia Beach National Golf Club predicts an $18 million positive return for the city over 20 years. However, an independent financial review reveals a key omission in the City's financial projections:

1. **Zero Accounting for Municipal Service Costs:** The City projects $3.4 million in annual property tax revenues from ~660 new housing units, but assumes **$0 in ongoing municipal costs** to provide city services (schools, police, fire, roads, stormwater) to the estimated 1,300 new residents.
2. **Asymmetric Risk vs. Reward:** The total cost for golf course redevelopment is $38 million. Public entities (City & VBDA) are contributing $19.8 million—more than 50% of the redevelopment cost—plus up to $7.9 million in infrastructure. Despite this heavy public investment, the private developer retains **100% of all future profits** generated by the golf club.

Key Finding: When municipal service delivery costs and direct public financial commitments are properly accounted for, the proposed development does not generate an $18 million surplus. Instead, it results in a **Net Present Value (NPV) loss of -$22 million to Virginia Beach taxpayers over 20 years**.

Key Flaw in the City's Presentation

The Cost of Serving 1,300 New Residents Is Omitted

Virginia Beach currently operates on an annual budget of $2.8 billion, spending approximately **$6,200 per resident** across the city.

- Adding 660 housing units brings approximately **1,300 new residents** (including an estimated 200 school-aged children) to the area.
- **A Conservative Benchmark:** For the projected incremental costs, Dr. Eleswarapu's model cuts the city's average per-capita spending rate in half to **$3,111 per person** ($4.0 million/year total in today's dollars).

- Omitting these operational expenditures presents an incomplete and inaccurate fiscal picture to taxpayers.

20-Year Financial Projections (in $ Millions)

The following financial model incorporates the **cost of city services** ($3,111/person, growing at 3% annually) and accounts for public financial commitments:

Financial Projections of Dragas Golf Club Redevelopment (in $ millions)

	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37-46
VB National Sale	$17.94										
City+VBDA Contribution to Redevelopment	-$19.76										
Infrastructure Costs	-$7.90										
VBDA Repair Costs Saved	$7.70										
Forgone cashflows to VBDA/City	-$0.30	-$0.30	-$0.32	-$0.33	-$0.34	-$0.35	-$0.36	-$0.37	-$0.38	-$0.39	-$3.60
Property Tax Revenues from Homes/Golf Club		$0.20	$1.00	$2.00	$2.50	$3.00	$3.40	$3.50	$3.60	$3.70	$34.12
Cost of City Services		-$0.24	-$1.18	-$2.42	-$3.12	-$3.86	-$4.78	-$4.92	-$5.07	-$5.22	-$48.10
Net Cashflows	**-$2.32**	**-$0.34**	**-$0.50**	**-$0.75**	**-$0.96**	**-$1.21**	**-$1.74**	**-$1.79**	**-$1.85**	**-$1.91**	**-$17.58**
Cumulative Cashflows (In Today's Dollars)		**-$2.65**	**-$3.10**	**-$3.76**	**-$4.56**	**-$5.53**	**-$6.87**	**-$8.18**	**-$9.48**	**-$10.77**	**-$22.09**

Assumptions: Cost of City Services for the 1300 additional people at $3,111 per person will be $4 million in today's dollars.
Tax revenues and Cost of City services will increase by 3% per year.

Recommendation to City Council

Given that independent financial analysis reveals a **20-year net cumulative deficit of $22.09 million**, City Leaders should:

1. **Defer any vote** on the disposition and redevelopment of Virginia Beach National Golf Club.
2. Commission a **comprehensive, neutral fiscal impact study** that accounts for both service delivery expenditures and public subsidies prior to taking action.
3. **Rework the agreement with Dragas Development**, and NOT give $20 million of taxpayers' money to the private golf developer. If the developer makes 100% of the profits, they don't need a subsidy from the City.