

# FY08 Southside Economic Development (Round 3)

## Staff Summaries and Recommendations

### April 2008

*The Commission received 13 applications for remaining unobligated FY08 balances of Southside Economic Development grant funds by the published deadline of February 1, 2008 (this is a third round in FY08). Three requests were later withdrawn and one replacement request submitted. The remaining requests would assist projects in seven counties and one city. A combination of restricted funds budgeted in FY08 and carryforward unrestricted funds from previous fiscal years is available. Balances available in each category and jurisdiction are broken out on the attached spreadsheet. All recommendations for award of restricted funds are subject to approval of the Commission's bond counsel.*

<b>Request #</b>	<b>Organization Name</b>	<b>Project Title</b>	<b>Request Amount</b>	<b>Staff Recommendation</b>
1589	Brunswick County IDA	I-85 Business Center Park Improvement Project	\$1,500,000	<b>\$826,730</b>
1579	Danville, City of	Old Belt #1 - Nanotechnology Products Manufacturing Center (Multi-tenant)	\$505,971	<b>defer to Committee</b>
1588	Dinwiddie County	Project EMJ	\$100,000	<b>\$100,000</b>
1586	Franklin County	Pigg RiverPark at Rocky Mount	\$200,000	<b>\$0</b>
1585	Blue Ridge Foundation (Franklin County)	The Crooked Road Heritage Stage at Ferrum	\$300,000	<b>\$0</b>
1584	Rocky Mount, Town of (Franklin County)	Franklin County - Rocky Mount Joint Industrial Park Phase I	\$421,000	<b>\$421,000</b>
1594	Greensville County	Greensville Mega OEM Site	\$189,404	<b>\$189,404</b>
1587	The Candidates, Inc. (Mecklenburg)	The Candidates	\$250,000	<b>\$0</b>
1578	South Hill, Town of (Mecklenburg)	(Industrial Sites) Wetlands and Stream Remediation Project	\$281,800	<b>\$281,800</b>
1581	Pittsylvania County	Berry Hill Road Industrial Project	\$3,548,925	<b>\$3,548,925</b>
1582	Prince Edward County	Prince Edward Business Park Development	\$193,510	<b>\$193,510</b>
<i>Total</i>			<b>\$7,490,610</b>	<b>\$5,561,369</b>

**Brunswick County Industrial Development Authority**  
***I-85 Business Center Park Improvement Project (#1589)***  
**\$1,500,000 requested**

Restricted funds are requested to complete work on a 33-acre site that will be created by developing two existing lots with a third parcel that is to be acquired using previous grants and developed using a combination of a previously-approved grant and the requested funds. An additional 100 acres contiguous to the park is also to be acquired at a cost of \$4,000-5,000 per acre. The applicant estimates the site(s) could accommodate up to 300,000 square feet of buildings with potential job creation of 300 and private investment of up to \$21 million.

Total project cost is \$1,600,000. Other funds include: \$100,000 Brunswick County (requested in 08-09 budget).

**Staff comments and recommendation: Previous TICR grants total \$1.4 million from FY02-05 for the acquisition and partial development of the I-85/Alberta Business Center Park, with remaining balances of just over one-half million dollars.** Applicant has reduced its request to focus on making the 33-acre site fully graded and served, and withdrawing the portion of the request that would assist in acquiring an additional 100 acres for park development. Completion of the 33-acre site at a cost of more than \$1.2 million would also be accomplished using the balance available from an FY06 grant. **Staff recommends award of \$826,730 for development of the 33-acre site contingent upon approval of \$100,000 in local matching funds.**

**Saint Paul's College (Brunswick County)**  
***Center for New Market Opportunities (#1550)***  
**WITHDRAWN BY APPLICANT**

**City of Danville**  
***Old Belt #1 - Nanotechnology Products Manufacturing Center (Multi-tenant) (#1579 restricted and #1580 unrestricted)***  
**\$505,971 requested**

Unrestricted and restricted funds requested to supplement recent Southside Economic Development and Special Projects grants for renovations to a former tobacco warehouse owned by City's Industrial Development Authority for expansion of an existing nanotechnology company and incubator use by prospective high tech businesses. The 48,000 square foot expansion is projected to foster the creation of 50-75 new high technology jobs and private capital investment of \$5-7 million in equipment and improvements. One-third of the space will accommodate expansion of the existing company, and the remaining space will be renovated and leased speculatively.

Total project cost is \$3,075,000 (note: recently revised to \$4.3 million). Other funds include: **\$1,667,710 TICR awards FY07-08**; \$197,996 City of Danville; \$125,000 City of Danville IDA; \$578,323 Danville Regional Foundation (pending).

**Staff comments and recommendation:** The request received FY07 Special Projects funding of \$909,735 and two FY08 Southside Economic Development awards totaling an additional \$757,975 (note: the third and most recent TICR award for this project in January 2008 was contingent on completion of total project financing). Estimated renovation costs have risen since this application was submitted, and now exceed \$4.3 million. City is seeking historic tax credits to expand the project's funding sources, and staff has suggested loan financing based on projected lease payments (an alternative if the Regional Foundation funding is not forthcoming). The requested amount would bring TICR's share of project financing to 49% of the increased project cost. Using the midpoints of the projected jobs and private investment, the total of approved and requested funds equates to more than \$36,000 per job (note the estimated average wage is \$70,000 with jobs currently affiliated with this project) and nearly a 3:1 ratio of private:TICR funds. Based on the Commission-approved condition on the last grant award (re: completed project financing) **Staff defers to the consensus of the Committee.**

## **Dinwiddie County**

### ***Dinwiddie Enterprise Center Phase I (#1548)***

**WITHDRAWN BY APPLICANT**

## **Dinwiddie County Economic Development**

### ***Project EMJ (#1588)***

**\$100,000 requested**

Restricted funds are requested for site preparation on 9+ County-owned acres near the interchange of I-85 and U.S. Route 1 that would be sold at below-assessed value to a California-based company for construction of a 68,000 square foot steel distribution center. The company is considering the site for a \$5.8 million investment in buildings and equipment. Sixteen new jobs would be created at salaries ranging from \$40,000 - \$90,000. **Project EMJ has been approved for TROF funds (\$65,000).**

Total project cost is \$165,000. Other funds include: **\$65,000 TICR TROF approved.**

**Staff comments and recommendation:** This request, when combined with the current TROF offer, represents a cost per job in excess of \$10,000, but a 35:1 leveraging of private:TICR funds. It would also put property back on tax rolls for first time in nearly two decades. **Staff recommends award of \$100,000 conditioned upon the company's purchase of the site and willingness to commit to job creation and investment targets in a TROF performance agreement.**

**Blue Ridge Foundation (Franklin County)**  
***The Crooked Road Heritage Stage at Ferrum (#1585)***  
**\$300,000 requested**

Restricted funds are requested by the nonprofit applicant to construct an outdoor amphitheater with seating for 500 or more on the campus of Ferrum College in western Franklin County. The amphitheater and stage will host an estimated six major cultural and college events annually, in addition to several smaller events and existing performance series including the Blue Ridge Folklore Festival, the Blue Ridge Dinner Theater, graduations and reunions. Funds are requested for site improvements and construction of stage, pavilion, restrooms, concessions, utilities, roads/parking, etc. The venue would be managed by the Blue Ridge Institute, in partnership with the College and Franklin County. Thirty-one full- and part-time seasonal jobs are anticipated to support the amphitheater and related lodging and commercial facilities.

Total project cost is \$494,063. Other funds include: \$169,063 Ferrum College & Blue Ridge Foundation; \$25,000 Franklin County.

**Staff comments and recommendation:** The facility would enhance the ability to offer programs related to the Crooked Road and Blue Ridge Institute (the latter is the state center for Blue Ridge folklore). However, detailed cost estimates, designs and a thorough economic impact study have not been completed. Absent that supporting evidence, it is difficult to quantify economic impact from tourist visitation, and to weigh the use of the facility as a tourism destination versus a college and community cultural amenity (a Low Priority of the Commission). **Staff recommends no award.**

**Franklin County**  
***Pigg River Park at Rocky Mount (#1586)***  
**\$200,000 requested**

Restricted funds are requested to construct three whitewater wave features in an existing park owned by the Town of Rocky Mount, while permitting processes continue for the larger project of removing a nearby obsolete power dam and restoring the natural flow of the river. Annual economic impact of the park (\$500,000) and resulting job creation (five) is based on a similar site in Wyoming and Virginia Tourism statistics. A **TICR Special Projects grant of \$60,000** in FY06 assisted with preliminary park planning and design.

Total project cost is \$275,000. Other funds include: \$75,000 Franklin County.

**Staff comments and recommendation:** The facility would enhance the County's ability to offer "blueway" water-based recreation for residents and visitors, which is a strategic focus for the County. However, a thorough economic impact study has not been completed, and this phase is a small portion of the envisioned project to remove a much larger dam downstream. Absent that supporting evidence, it is difficult to quantify economic impact from tourist visitation, and to weigh the use of the facility as a tourism destination versus a local recreational amenity (a Low Priority of the Commission). **Staff recommends no award.**

## **Town of Rocky Mount (Franklin County)**

### ***Franklin County – Rocky Mount Joint Industrial Park Phase II (#1584)***

**\$421,000 requested**

Restricted funds are requested to construct Phase 1 improvements (an access road and water/sewer lines) to serve a 69 acre rail-served industrial site acquired by the Town and known as the Cox property. **A TICR grant of \$330,240 was awarded in July 2006 for preliminary engineering and installation of rail access (engineering is ongoing and rail construction is pending).** The site is strongly endorsed by the regional economic development partnership as one of the top five rail-served sites in the region, and has been actively marketed by the railroad that serves the site. The Town and County intend to jointly market and develop the site but desire not to subdivide or grade the 1-3 potential pad sites until a specific occupant's needs are known (alternative lot layouts have been designed and will be offered to prospects). The applicant estimates that the site(s) could accommodate up to 400,000 square feet of new buildings with potential new employment of 700 jobs.

Total project cost is \$1,070,000. Other funds include: \$300,000 VDOT (anticipated); \$100,000 Town (pledges); \$100,000 Franklin County (pledged).

**Staff comments and recommendation:** The previous grant continues to be used for engineering of the property and design/construction of a railroad switch and track that has not yet been built. A transloading facility proposed in the original grant has been deleted due to low projected demand for the facility, but development of new rail-served industrial sites continues to be the focus of this expansion of the joint Town/County industrial park (both governments will both benefit from tax revenues from any future development). **Staff recommends an award of \$421,000 from restricted funds.**

## **Greensville County**

### ***Southside Virginia Education Center Phase I and Phase II (#1577)***

**WITHDRAWN BY APPLICANT**

## **Greensville County**

### ***Greensville Mega OEM Site (#1594)***

**\$189,404 requested**

This late-filed request (received March 21) replaces one submitted by the announced program deadline in response to prospect interest in this recently certified megasite. Restricted funds are requested to continue engineering studies and design for the 1,500-acre site that is under option by the County Industrial Development Authority. The site has recently been certified as a megasite by CSX railroad and its private consultants McCallum Sweeney, who have marketed the site to two prospects. **Earlier phases of preliminary engineering were assisted by an FY07 Special Projects grant to the County of \$286,942, as well as the Commission's regional automotive megasite study.** Specific work needed at this point to accelerate development of this site to timeframes acceptable to clients includes water and wastewater permitting, environmental assessment of wetlands and transportation survey/design. The site is being designed to accommodate an automotive assembly plant (Original Equipment Manufacturer). Recent OEM projects have routinely involved 2,000 direct new jobs and private investment of one billion

dollars. Annual payroll for a project of this magnitude would be \$140 million for jobs directly created by the OEM. Indirect job creation by suppliers is projected to result in 4,000 additional jobs with annual payroll of \$220 million.

Total project cost is \$195,000. Other funds include: \$5,596 County staff in-kind.

**Staff comments and recommendation:** This refocusing of the County's request for Southside Economic Development allocation was suggested by TCR staff, which has been briefed by the County and VEDP on engineering of the site to date and prospect interest. This additional work includes the most time-sensitive tasks to achieving a site development timeline that would be considered acceptable by an OEM. While land acquisition and construction of necessary infrastructure would cost tens of millions from an array of sources that are yet to be determined, this site has strong potential to generate the largest site-specific and regional outcomes in the Commission's service area to date. **Staff recommends award of \$189,404 from restricted funds.**

### **The Candidates Inc. (Mecklenburg County)**

#### ***The Candidates (#1587)***

**\$250,000 requested**

Restricted funds are requested by this private applicant to purchase and upgrade an existing property in downtown Clarksville to serve as a headquarters for this film production company. The building would house offices, production and post-production studios and storage space. The company states it has several film projects in development and plans to initiate a film festival in the region. The company also states it currently has ten employees and plans to hire 400 for film project(s). The applicant is currently incorporated in North Carolina (a related firm – Mint Julip Productions - is Texas-based), and indicates they have filed an application for nonprofit status in January 2008 with the IRS.

Total project cost is \$1,250,000. Other funds include: \$47,000 Mint Julip Productions (development and marketing); \$1,000,000 film production budget from other sources to be determined.

**Staff comments and recommendation:** The applicant has applied for an IRS nonprofit designation and states their intent to incorporate in Virginia, but the request as currently constituted would entail the award of public funds to a private for-profit out-of-state corporation. While there is some retention of existing jobs, it appears that no funds have been raised yet for the film production that would create 400 temporary jobs. It is unclear if the property in question is properly-zoned for this use (tax record states it is residentially-zoned) and whether the proposed acquisition price (\$200,000) is consistent with current assessment (\$98,000) and fair market value. Staff has also referred the applicant to the VA Film Office for assistance. **Staff recommends no award.**

### **Town of South Hill (Mecklenburg County)**

#### ***(Industrial Sites) Wetland and Stream Remediation (#1578)***

**\$281,800 requested**

Restricted funds are requested to construct wetlands on the 21.4 acre site of a former sewage lagoon. The constructed wetlands will serve as a required offset for existing wetlands that would be filled to create expanded industrial sites in three local business parks (Interstate, Hillcrest and Roanoke Regional). Hillcrest has a 2.48 acre wetland within its 120 acres. Interstate has 4.03 wetland acres in its remaining 160

acres, and Roanoke Regional has 12.5 wetland acres among its remaining 200 acres. The constructed wetland would have a recorded conservation easement and provide “credits” for developing 14.8 acres of the nineteen acres of existing park wetlands. Based on recent industrial development patterns in the county, it is estimated that the remaining 373 acres in these parks could become the site of nine companies employing more than 2,000 residents.

Total project cost is \$331,800. Other funds include: Town of South Hill - \$50,000 cash and \$40,000 in-kind land donation.

**Staff comments and recommendation: Commission awards to date to develop and serve the parks include \$1.2 million of SSED funds for park acquisition/development and \$3.5 million of SSED and Special Projects for wastewater systems. Interstate is currently occupied by several major employers, Roanoke Regional has one significant employer, and Hillcrest is vacant.** The planning district commission has provided detailed maps that show locations of wetlands that constrain development of multiple lots in the three parks. Applicant desires to use a wetland “banking” approach that would ensure available credits now, but retain the flexibility to grade lots later when specific prospects’ needs are known. **Staff recommends award of \$281,800 from restricted funds.**

## **Pittsylvania County**

### ***Berry Hill Road Industrial Project (#1581)***

**\$3,548,925 requested**

Restricted funds are requested to extend water and sewer service approximately 3.5 miles to a 1,300 acre site that has been purchased by a private company for industrial development in on Route 863 the southwest portion of the County. The company is considering an investment of \$40 million to establish a new operation on the site (50 jobs and annual payroll of \$1.2 million in a first phase, with a possible second phase that doubles the job creation and investment). An adjacent site of 2,000 acres could also be served by the improvements and is under option by the County for potential economic development. Water supply and sewer treatment will be provided by the City of Danville via the County Service Authority and a new waterline under construction from Henry County.

Total project cost is \$3,943,925. Other funds include: \$394,325 County funds approved.

**Staff comments and recommendation: A TROF offer for the 1,300-acre project has expired but the company has provided confidential written evidence of its ongoing intent to develop the project.** The cost per job exceeds \$88,700 for the first phase of the proposed project but would drop by half if an anticipated second phase is conducted, and would drop precipitously if the 2,000+ acres are developed by the County. Private investment is 10:1 ratio with TICR investment in first phase, and would rise significantly with later phases/development. **Staff recommends award of \$3,548,925 from restricted funds contingent upon County securing right of first refusal to purchase the 1,300-acre property if the company chooses to sell land served by these improvements.**

## **Prince Edward County**

### ***Prince Edward Business Park Development (#1582 restricted and #1583 unrestricted)*** **\$193,510 requested**

Restricted and unrestricted funds requested for infrastructure site preparation for three lots on 25 acres of undeveloped land in the Business Park. Funds would be used for construction of an access road, water/sewer, communications lines and clearing/grading of sites. The County and VEDP are working with two active prospects that would create 170-200 new jobs with private investment of \$4.5 million.

Total project cost is \$762,000 for Phase 1. Other funds include: \$507,490 from Prince Edward County for site preparation and \$61,000 approved by Prince Edward County IDA for engineering.

**Staff comments and recommendation: TICR awards to date for the Park include \$900,000 from SSED and TROF for build-out of a shell building that is now occupied by an employer. Request is well-matched by local funds (74% of project cost). Cost per projected job could be approximately \$1,000 with a 23:1 private:TICR investment ratio. Staff recommends award of \$193,150 from restricted funds. ■**