

FY11 Southwest Economic Development Staff Summaries & Recommendations – October 2010

The Committee tabled several proposals at its July meeting, and will revisit these and other proposals on October 4, 2010. Staff summaries, recommendations and project updates follow. The Committee has an available balance of \$6,571,111.

Req #	Organization Name	Project Title	Request Amount	Committee Recommendation (July)	Revised staff recommendation (Oct)
2110	Town of Honaker	Honaker Heritage Center Renovation Project	\$331,983	table	\$205,000
2108	Lee County Board of Supervisors	Stone Mountain Multi-use Trail - Phase II	\$299,830	table	\$299,830
2112	Town of Nickelsville	Nickelsville Community Multi-Use Medical Facility	\$680,000	\$0	table
2106	Tazewell County IDA	Pocahontas Trail System - Phase I	\$300,000	table	\$50,000
2120	University of Virginia's College at Wise	Southwest Virginia Dental School Strategic Blueprint	\$691,398	Reserve	Approved in Reserve @ \$325,000
2115	Virginia Coalfield Coalition	Installation of Fiber-Optic Infrastructure, Electronics, Towers and Data Backhaul Capacity for Project with Wireless providers in Southwest Virginia	\$7,676,000	table	\$2,500,000
2109	Wise County IDA	Wise County Utility Scale Solar Industry Project	\$2,500,000	table	table
2132	Wise County IDA	Carbonite Product and Coal Oil Liquids	\$1,500,000	Referred from R&D	\$1,500,000

Grand Totals		
Requested/Recommended (7 remaining items)	\$13,287,813	\$0
Balance available before/after recommendations	\$6,571,111	\$2,016,281

Town of Honaker
Honaker Heritage Center Renovation Project (#2110)
\$331,983 requested

Funds are requested for the renovation of the former First National Bank of Honaker building in downtown Honaker (Russell County). The building's first floor will be redeveloped into a cultural and natural heritage center and will serve as the anchor of the Town's recently completed Economic Restructuring and Downtown Revitalization Plan. The Plan for the Heritage Center also calls for the development of a distance learning classroom to be used by Southwest Virginia Community College for GED and other classes. A genealogy research room is planned, as well as craft demonstration space for local artisans. The Town will own the building and Honaker Community Museum, a 501(c)(3) nonprofit, will operate the Center.

Total project cost is \$562,889. Other funds include: \$104,856 – DHCD/CDBG for acquisition and exterior renovation of Old Bank Building (approved); \$99,000 – USDA for distance learning equipment/genealogy room equipment (application due Summer 2010). \$3,000 – Town of Honaker for utilities (committed); \$24,050 – Town of Honaker in-kind as demolition of interior of Old Bank Building (committed).

Staff comments and recommendation (July): This project was submitted last year and staff suggested it would be best accommodated by providing Reserve funds to match an ARC application that was later turned down. Local genealogy and historical museums are a lower funding priority (in favor of more significant nationally-recognized destinations), but the site also fits TICR priorities by being a local anchor destination for the Round the Mountain artisans network and for distance education uses (although specific outcome measurements are not provided). Based on the square footage dedicated to these priority uses, staff again suggests a Reserve proposal to match a future ARC request is the preferred approach to assisting this project. **Staff recommends proposal be resubmitted to Reserve Fund at the appropriate time.**

Staff update (October): The Committee tabled this proposal in July, and there have been no changes in project status since that time, aside from the USDA application being delayed to the new federal fiscal year (an application will be submitted in the coming months). Staff supports funding that is equivalent to the combined CDBG and USDA funding that is anticipated for the building, which is an amount that is somewhat commensurate with the use of space in the building that is consistent with Commission objectives and supportive of other Commission-supported projects such as Round the Mountain, Crooked Road, and Community College training. **Staff recommends award of \$205,000.**

Lee County Board of Supervisors
Stone Mountain Multi-use Trail - Phase II (#2108)
\$299,830 requested

Funds are requested for Phase II trail design and construction for the Stone Mountain Multi-use Trail. This Trail is a part of the larger Spearhead Trail System being developed in Southwest Virginia. Funding has already been secured for Phase I of the project which entails construction of a trailhead

and 9.92 miles of braided trail. The requested funds will construct an additional 24.14 miles and will make the system viable for off-highway vehicle enthusiasts. The proposed route will become the primary corridor to a network over 20 miles of existing trails into the Stone Mountain OHV trail systems for a total of more than 50 miles of available trails.

Total project cost is \$783,830. Other funds include: \$357,000 – VA Dept. of Conservation and Recreation for trailhead and Phase I Trail, 9.92 miles (allocated, pending environmental studies – Sept. 2010); \$44,625 – Lee County Board of Supervisors as VDCR 10% grant match; trailhead and Phase I Trail, 9.92 miles (committed); \$44,625 – Town of Pennington Gap as VDCR 10% grant match; trailhead and Phase I Trail, 9.92 miles (committed); \$18,875 – Lee County Board of Supervisors as VDCR 10% grant match; trailhead and Phase II Trail, 24.14 miles (committed); \$18,875 – Town of Pennington Gap as TICRC 5.6% Grant Match; Phase II Trail, 24.14 miles

Staff comments and recommendation: This is the first of two ATV trail proposals in this cycle (along with Tazewell County), both of which are related to the Southwest Regional Recreation Authority's Spearhead Trail and a pending trail implementation master planning and design proposal currently pending in Special Projects. While this proposal is substantially leveraged by DCR Phase 1 funds and presents a significant opportunity to begin generating the envisioned tourism impacts, it also indicates an additional 150 miles of trails may be developed later within Lee County, raising questions of the total trail development costs that can be anticipated in Lee and the other six participating counties. **Staff recommends proposal be tabled in order to complete the SRRA Implementation Plan.**

Staff update (October): Staff met with the County and SRRA staff regarding the relative ranking of this as a priority project in the overall Spearhead Trail concept, and is prepared to support this due to a high level of readiness for implementation (in combination with DCR-funded segments) and as a means of accelerating the earning of urgently-needed revenue for SRRA from the sale of rider permits. **Staff recommends award of \$299,830.**

Town of Nickelsville

Nickelsville Community Multi-Use Medical Facility (#2112)

\$680,000 requested

Funds are requested for renovation and equipment costs associated with the development of a Multi-Purpose Medical Facility in Nickelsville (Scott County). This Facility will provide several services for the Town including a pharmacy, dental, physical and occupational therapy, mental health counseling, and a wellness center. The facility will be managed by Clinch River Health Services.

Total project cost is \$1,415,000. Other funds include: \$700,000 – CDBG for purchase of facility and upfit of pharmacy area (application submitted 4/10); \$20,000 – TICRC for tech. assistance in developing plans for revitalization (approved); \$15,000 – CDBG as a planning grant (approved).

Staff comments and recommendation (July): The project's focus on healthcare to serve a single small locality is not without merit and need, but is not a good fit with TICR Strategic Plan or Economic Development program priorities (albeit some minimal job creation can be anticipated) and could set precedent for similar facilities in dozens of similar-sized communities across the

tobacco region. The Town's CDBG application to acquire the proposed site was declined this past month, and staff has suggested the Town should approach USDA regarding the potential for Rural Development Community Facilities funds. **Staff recommends no award.**

Staff update (October): The Town has been notified by DHCD that CDBG funding is now likely in the current year for purchase of the building, and the property owner appears to be willing to extend the option period. The Town has also initiated dialogue with USDA Rural Development about the possibility of obtaining up to \$99,000 of equipment grant funds, and with Mountain Empire Community College regarding the possibility of offering satellite education classes there. Projected positions and salaries have been provided (\$827,539 of salaries for 16+ positions), however, an operating budget to demonstrate sustainable revenues to cover annual operating costs is not yet available. **Staff recommends project be tabled to explore additional funding opportunities with Rural Development, ARC and educational partnerships with MECC.**

Tazewell County IDA ***Pocahontas Trail System - Phase I (#2106)*** **\$300,000 requested**

Funds are requested to design, develop and construction of a trail head for a motorized trail system located in northeast Tazewell County, one of the first sites developed as part of the Spearhead Trail System being developed in SW Virginia. The trailhead is the first phase of a two phase project. During the second phase trails will be designed and constructed.

Total project cost is \$533,000. Other funds include: \$40,000 – Tazewell County Parks & Recreation Facility Authority for layout and design (\$20,000 expended; \$20,000 committed); \$50,000 – Skewes Family Foundation for construction of Trail-Phase II (received); \$1,000-Town of Pocahontas for FY11 operational cost for SRRA (received); \$5,000 (\$1,000/yr for 5 yrs) – Town of Bluefield for FY11 operational cost for SRRA (committed).

Staff comments and recommendation (July): This is the second of two ATV trail proposals in this cycle (along with Lee County), both of which are related to the Southwest Regional Recreation Authority's Spearhead Trail and a pending trail implementation master planning and design proposal currently pending in Special Projects. While this also presents an opportunity to begin to generate trail visitation and visitor spending in a gateway county, attached planning documents indicate the potential for several additional trails and trailheads in the County, raising questions of the total trail development costs that can be anticipated in Tazewell and the other six participating counties. **Staff recommends proposal be tabled in order to complete the SRRA Implementation Plan.**

Staff update (October): Staff met with the County and SRRA staff regarding the readiness of this project relative to other Spearhead Trail priorities in Tazewell and other participating counties. The County has proposed that a 1-2 mile connector from downtown Pocahontas to existing trails in neighboring West Virginia could begin to generate ridership and related spending in Virginia, and would demonstrate fundraising success to a private foundation that has pledged additional funding to the Tazewell trail segments. **Staff recommends an award of \$50,000 to establish a connector from Pocahontas to existing trails in West Virginia.**

University of Virginia's College at Wise
Southwest Virginia Dental School Strategic Blueprint (#2120)
\$691,398 requested

Staff update (October): The request has been approved by the Commission's Reserve program as a dollar-for-dollar match of VACEDA funds in the amount of \$325,000. **No further action needed.**

Virginia Coalfield Coalition
Installation of Fiber-Optic Infrastructure, Electronics, Towers and Data Backhaul Capacity for Project with Wireless Providers in SW Virginia (#2115)
\$7,676,000 requested – reduced to \$2,500,000

Funds are requested by the nonprofit partnership of Planning Districts 1 and 2 to support a cell tower expansion project in seven southwest Virginia counties. This project will support an existing wireless provider's expansion project that requires new infrastructure to 38 existing and proposed tower sites. The provider currently has 16 tower sites with no fiber-optic capacity, 12 towers that were acquired through a buy out of another provider and 10 proposed sites. The need for the expansion is to enhance existing cellular telephone service and to provide cellular service where it is currently unavailable. The project also enables a national demonstration of 4G, Long Term Evolution Broadband service.

Total project cost is \$16,476,000. Other funds include: \$8,800,000 – private wireless provider to expand and enhance cellular and broadband data services.

Staff comments and recommendation (July): Applicant has requested proposal be tabled to allow additional time to negotiate backhaul pricing with the initial anchor tenant of the network. **Staff recommends proposal be tabled.**

Staff update (October): The Coalfield Coalition has reduced its request to \$2.5 million in the current fiscal year, as the first of three annual requests to the Commission, in order to begin deployment of fiber and tower construction. A Coalition proposal for pricing to carry backhaul traffic on the Lenowisco and Cumberland Plateau fiber networks for a wireless provider that would be an anchor user of the sites is in the final stages of negotiation. **Staff recommends award of \$2,500,000.**

Wise County IDA
Wise County Utility Scale Solar Industry Project (#2109)
\$2,500,000 requested

Funds are requested by the IDA to facilitate the design and construction of up to a 4 MW utility scale solar power plant in Wise County by Wise Solar Development LLC, of Wise Virginia. This company is a newly formed integrated solar development, engineering, procurement and

construction company that will develop and build utility scale solar power plants for investor owned utilities, electric cooperatives and publicly owned utilities in Virginia and the Appalachia region. Funds will be spent for the hiring and training of 21 workers and design and construction of a .5 MW generation plant (to be owned by the IDA) that will supplement power production by an anticipated privately-constructed 2.5-3.5 MW companion plant. \$300,000 will also be used for a working capital fund to assist with payroll and operating expenses. WSD LLC anticipates creating 6 FTE positions to continue to design and construct additional solar plants on post-mined land.

Total project cost is \$15,951,682. Other funds include: \$13,451,682 – investor owned utility to build 2.5-3.5 MW solar power plant (pending); \$250,000 in-kind equipment and services by vendors/contractors.

Staff comments and recommendation (July): A second solar project in Wise County is also pending in Special Projects, submitted by Lenowisco PDC in partnership with UVA-Wise and the Southwest VA Higher Education Center’s Clean Energy Center. Supplemental information indicates the anticipated utility’s commitment to build up to 3.5 MW is on hold due to a corporate acquisition. Consequently power purchase agreements are not yet secured. Staff has inquired with applicants regarding VCEDA or conventional financing options. Pending utility commitments for construction and power purchases **Staff recommends proposal be tabled.**

Staff update (October): Staff has met with the applicant and its private partner, and received updated project information that indicates some progress in securing private participation in project funding and engineering, and prospects for additional funding from the federal government and private sector entities. The applicant may propose partial funding (\$152,592) from Special Projects at this time to accomplish engineering needed to attract federal and/or utility investments. However, the aspect of this proposal that is most consistent with Commission objectives – the anticipated private capital investment of \$13 million by a utility in construction of the accompanying 3.5 mgw – remains uncommitted. There has also been no progress in bringing the two competing solar projects in Wise County to agreement on joining forces to develop a single demonstration project there. **Staff recommends project continue to be tabled while applicants pursue funding options and private investment.**

Wise County IDA

Carbonite Product and Coal Oil Liquids (#2132 – referred from R&D Committee)

\$1,500,000 requested

Funds are requested by the IDA “to rehabilitate a former coal load-out facility” owned by a private sector partner for a commercial scale production facility that would use already-patented (two) and patent pending (1) technology/processes for removing all mercury content from coal prior to firing in power plants and industrial boilers. The process has been tested in two demonstration plants, in conjunction with analysis by West Virginia University. Three large Southeastern U.S. utilities have “signed confidential agreements to ascertain more of the technological benefits of burning Carbonite” and a national petroleum refiner has tentatively agreed to purchase the coal oil by-product for further refining. The plant would initially process 100,000 tons of coal annually, with

potential to grow to 500,000 ton annual production. The applicant indicates that, in addition to an IDA property donation valued at \$6.5 million, private partners have committed \$18.5 million. Employment is estimated to result in 25 new jobs at the 25-acre site. **Staff comments and recommendation (July): Staff recommends that this application be referred to the Southwest Economic Development Committee and to TROF for consideration.**

Staff update (October): The substantial private capital investment (that is stated to be committed to this project) and new job creation are highly consistent with Commission objectives, and the project will have ready nearby sources for both suppliers of the coal and purchasers of the finished products. **Staff recommends award of \$1,500,000 contingent on commitment of all private funding and public permitting necessary to implement the project.**