

## FY14 Southwest Economic Development Summaries & Staff Recommendations – September 2013

*The Commission received 20 proposals for FY14 SWED funds in July, requesting nearly \$18 million, and an additional proposal was referred to the Committee from Special Projects on September 16th. A current balance of more than \$4.5 million is available. The Committee will meet September 25<sup>th</sup> in Bristol to make funding recommendations.*

<b>Req #</b>	<b>Organization Name</b>	<b>Project Title</b>	<b>Request Amount</b>	<b>Staff recommendation</b>
2741	Town of Abingdon	Wolf Hills Brewing Company Facility Expansion	\$500,000	<b>0</b>
2727	AYT Institute	AYT Institute Virginia	\$1,550,000	<b>0</b>
2732	The Barter Foundation, Inc.	Expanding the Production Capacity of Barter Theatre	\$947,250	<b>\$255,250</b>
2561	Town of Big Stone Gap	Big Stone Gap Visitors Center	\$433,260	<b>\$200,000</b>
2737	Bland County Economic Development Authority	Bland County Industrial Park Extension	\$2,700,000	<b>\$700,000</b>
2743	Buchanan County IDA	Southern Gap Development Project - Phase II Utilities	\$1,000,000	<b>0</b>
2740	Flanary Historical Site, Inc.	Flanary Historical Site Reconstruction	\$193,000	<b>0</b>
2735	City of Galax	Chestnut Creek School of the Arts Woodworking Studio	\$125,000	<b>\$125,000</b>
2729	Lee County IDA	Constitutional Oaks Access Road Development	\$1,250,000	<b>\$60,000</b>
2736	Lincoln Memorial University	The Large Animal Teaching and Research Center of the LMU College of Veterinary Medicine in Lee County Virginia	\$5,000,000	<b>table</b>
2728	Raven Theater and Coal Museum	Raven Theater and Coal Museum Restoration	\$250,000	<b>0</b>

2731	Rural Retreat Depot Foundation	Rural Retreat Depot Restoration - Phase One (Stabilization)	\$49,534	<b>\$49,534</b>
2730	Scott County Economic Development Authority	Riverside Development - Phase I	<del>\$1,569,800</del> \$1,045,403	<b>\$0</b>
2756	Scott County Industrial Development Authority	Secure Mountain/Sunbright Underground Technology Park	\$2,270,000 (referred from Special Projects)	<b>table</b>
2725	Scott County	Keith Memorial Park Lighting	\$189,000	<b>0</b>
2738	Smyth County Board of Supervisors	Exit 39 - Seven Mile Ford - Sewer Project	\$180,000	<b>0</b>
2733	Southwest Regional Recreation Authority	Adventure Playground of the East - Developing a Network of Sustainable & Profitable Trail Systems	\$300,000	<b>\$300,000</b>
2742	Southwest Virginia Higher Education Center Foundation	Compressed Natural Gas Public Fueling Station	<del>\$630,000</del> \$355,000	<b>0</b>
2734	St Mary's Health Wagon	Building the Cornerstone to Economic Development in Southwest Virginia	\$500,000	<b>0</b>
2739	Virginia's Heritage Music Trail - The Crooked Road	Expanding The Crooked Road Brand	\$208,000	<b>\$208,000</b>
2750	Virginia Department of Tourism	Big Stone Gap – Motion Picture	\$300,000	<b>\$200,000</b>

<b>Total (21 requests/recommendations)</b>	<b>\$19,345,447</b>	<b>\$2,097,784</b>
Balance available before/after recommendations	<b>\$4,537,572</b>	<b>\$2,439,788</b>

## Town of Abingdon

### *Wolf Hills Brewing Company Facility Expansion (#2741)*

**\$500,000 requested**

**Executive summary provided by applicant:** Wolf Hills has committed to its own investment in a property acquisition of \$625,000. A grant from the Tobacco Commission of \$500,000 would allow the purchase of a new brewhouse, additional equipment, infrastructure, and creation of jobs at the current and new properties. Quotes have been obtained from a manufacturing facility in Southside for this equipment. We discussed expansion with local grocery chains, including Food City, to carry Wolf Hills's beer in stores

in Virginia and Tennessee. Moreover, the visibility of the brand, including the logo prominently displaying Abingdon, Virginia, throughout Virginia and Tennessee will have the commensurate effect. Additional employees and infrastructure is needed in order to get the Wolf Hills product distributed into new territories, outside of the Knoxville to Richmond market. Working with Abingdon-based KVAAT Food Systems (Food City), Wolf Hills is proposing a bottling line which will be sold in Food City grocery stores. These endeavors require additional employees to run new equipment, such as fermentation and bottling apparatus. The equipment needed can be manufactured in Southside, VA (Henry County) and therefore make the entire project a Tobacco Commission region project.

Currently, the brewery is operating a tasting room production brewery at its 350 Park Street location. This expansion of infrastructure will allow Wolf Hills to more widely distribute its product and offer consumers a bottled product, as well. In addition, this expansion and proposed bottling facility will bring additional jobs to the Tobacco region. A new economic impact study shows America's beer industry contributes \$7.4 billion annually to Virginia's economy and is linked to 51,830 local jobs. The study shows that the industry generates nearly 51,830 jobs in Virginia -- accounting for \$2.2 billion in wages and benefits. The industry also contributed \$1.3 billion in the form of business, personal and consumption taxes in 2012.

**Staff comments and recommendation:** The proposal is matched more than dollar-for dollar by the company's proposed acquisition of the Abingdon property for \$650,000. While this expansion appears to be a logical growth opportunity for this regionally-successful private enterprise, the applicant has not provided evidence that the company has pursued conventional or government-supported small business financing. Fifteen new positions averaging \$20,000/year are listed as outcomes, as well as modest tourism outcomes from new visitors to the brewery's tasting room. These are presumably part-time positions, and job titles for the proposed jobs have been requested, as well as evidence of attempts to obtain loan financing. Any award must be predicated on a performance agreement to secure commitments to private capital investment and job creation, as well as public ownership of the requested brewery equipment. The Town also submitted a TROF request for \$500,000 that greatly exceeded the formula-generated amount and was declined in August. The project appears to be more appropriate for small business lending programs such as People Inc. and Virginia Community Capital. **Staff recommends no award.**

## **AYT Institute**

### ***AYT Institute Virginia (#2727)***

**\$1,550,000 requested**

**Executive summary provided by applicant:** AYT Institute will help train local tobacco farmers in the field of auto repairs and diagnostics such as; brakes and anti-lock brake systems; HVAC systems; steering and suspension systems including alignments; electrical & electronic component systems; engine repair & identification; transmission repair & rebuilding along with drive line systems; engine/drivability diagnostics and an introduction to hybrid vehicles allowing them to be employed in various local outlets of automotive service and be able start a career in automotive. They could go into automotive repair & diagnostics, parts sales & distribution, service writer, service manager or entrepreneur. With today's legislation, rules and taxes making it extremely inconvenient or cost prohibitive to smoke, the number of smokers and therefore the demand for tobacco continues to decrease. This decrease for demand creates a market that is less than profitable and more farmers are trying to find ways to supplement or replace their income. Without proper training or education they are having an extremely difficult time and are relying government programs more than ever. There is a very large shortage of trained technicians in Virginia and in the US in addition to a potential growth rate of 17%. Training the populace will allow them to find jobs in the automotive field

eliminating 2 problems in one move. They would begin to fill the void for automotive technicians left behind by the retiring technicians and would no longer need government programs to survive. Unlike a college diploma and no jobs to support it forcing them to leave the area to be able to utilize their training or the advanced manufacturing training, where again they would have to wait for the facilities to open and would have to continue on the government programs until they do or move elsewhere. This training would allow them to locate employment in and around their existing communities helping to keep the local economies going and would bring in more tax revenues as well. This compared to moving out of the area for employment due to lack of opportunity, would further lower the tax revenues or waiting for new manufacturing plants to open which would force them to continue to use government programs further depleting revenues.

**Staff comments and recommendation:** The Washington DC-based applicant appears to be incorporated as a for-profit entity. Staff has requested information regarding current and anticipated job openings within a reasonable commute for the program's graduates, as well as any attempts to coordinate this training with existing regional education institutions such as Wytheville Community College or local public schools. No responses have been received to date. The application's budget is unclear (e.g. \$1.55 million is requested and total project costs are listed as \$1.4 million, and matching funds are unclear). Additionally, it requests the majority (if not all) of first year costs to provide programs at no charge to students, but does not address operational sustainability in years two and beyond. **Staff recommends no award.**

## **The Barter Foundation, Inc.**

### ***Expanding the Production Capacity of Barter Theatre (#2732)***

**\$947,250 requested**

**Executive summary provided by applicant:** "Expanding the Production Capacity of Barter Theatre" seeks to address opportunities for sustainable growth Barter faces due to its success. In the last 20 years, attendance to Barter increased from 42,000 annual patrons to an average of 160,000 annual patrons. Barter Theatre's full-time employees grew from 6 to 131 in that time. Barter's growth has tested the limits of its current infrastructure; Barter recognizes it must upgrade facilities to engineer further growth and meet its organizational potential. Barter identified major facility improvements needed to meet this objective; renovation and expansion of the production building including Barter's shops and rehearsal spaces. Barter's production and workshop spaces are inadequate for day to day employee use; they are overly crowded and small so as to limit the number and abilities of Barter's production workers. Barter's rehearsal space is severely limited as well. Without renovation and expansion of these workspaces, Barter cannot expand any of its programming. The building was originally built as part of a school campus and is approaching its 100th year; this reality restricts the comfort and caliber of Barter's employees. Renovation and expansion of these spaces is the first step in increasing Barter's programming. This project will build a new building for Barter's workshop allowing for expansion of its costume shop to the entire first floor. The project will also add rehearsal halls to the production building. As a result, Barter will expand its programming allowing for the addition of 2 productions and 4 tours annually and expansion of Barter's youth programming, adding 15 initial positions at Barter with project completion. From 2010-2012 the Barter Player's company drew 77,112 patrons to Barter. The percentage of available tickets sold averaged 78%, with individual performances sold out, demonstrating a need for expansion. Barter does not have the capacity to add shows because there is no space to add rehearsals, or for the additional production personnel needed. The completion of this project will allow for this space and expansion. It is projected Barter will attract an additional 4,000 patrons in the first year of expansion, and grow steadily in subsequent years, drawing

184,270 visitors by 2018 who would inject over \$25 million into the local economy up from \$21 million in 2012. The increased spending from the additional visitors will result in a 26% increase in tax revenue for Southwest Virginia localities.

**Staff comments and recommendation:** The Commission has provided three grants previously to The Barter, totaling \$336,250. This proposal presents a scaled-down version of Barter's FY13 request, with a more appropriate focus on production facilities rather than employee housing that was a majority of last year's \$3.7 million request. The applicant states that the top priority within this request is construction of the new prop shop (a \$650,000 project, of which \$255,250 is requested of TICR), and rehearsal space additions (a \$1.2 million project) and that matching funds have been committed to complete these two elements. The proposal is matched more than dollar-for-dollar with \$1.2 million of cash pledges and in-kind services raised during the Barter's ongoing capital campaign. With employment of 228 and 160,000 visitors annually, Barter can measurably prove it is a significant employer and a primary destination for visitors to the region. Barter provided economic impact data summarized above, and the application indicates that increased production space could enable the hiring of four new positions and an increase in shows that would draw an additional 4,000 patrons in the first year. **Staff recommends award of \$255,250 for the prop shop construction project, to be matched at least dollar for dollar.**

## **Town of Big Stone Gap**

### ***Big Stone Gap Visitors Center (#2561 – tabled in FY13 cycle)***

**\$433,260 requested**

**Executive summary provided by applicant:** In early 2012, the Town of Big Stone Gap was able to acquire a piece of property in Downtown Big Stone Gap which had formerly been a gas / service station. The location of this property and building is excellent with relation to other Downtown Big Stone Gap attractions (see attachments). This location, and the on-going efforts to revitalize the Downtown Big Stone Gap area, were the reason behind this property being sought as a Visitors Center. Currently, the Town has no official building or site to welcome visitors to the town. This property will become a gateway for the Town to welcome visitors and direct them to the many Downtown attractions Big Stone Gap has to offer. Established on the banks of the Powell River, Big Stone Gap is perhaps better known for being on the "Trail of the Lonesome Pine". Hometown son, John Fox Jr., was the author of this best-selling novel-turned-play, and his life and work are well honored in Big Stone Gap. A strong sense of culture and success has continued to flourish in this rural mountain town, as a number of its native children have become nationally recognized for their writing, acting and athletic achievements. Due in part to this cultural heritage, Big Stone Gap has chiseled out a unique tourism niche. Several cultural destinations have been established in the area, drawing visitors to places such as the Trail of the Lonesome Pine outdoor drama, the Southwest Virginia Museum, and the John Fox Jr. Museum, just to name a few. These attractions will benefit from the creation of a Downtown Visitors Center as new and repeat visitors will be able to more efficiently plan and enjoy their time spent in Downtown Big Stone Gap. The proposed Visitors Center will focus on the following six functions:

- Guest Services - Parking, Restrooms and Snacks
- Orientation - Trip Planning
- Ticketing - Pre-purchase Single or Group tickets or Co-op Tickets
- Marketing - Recreation, Shopping, Dining
- Interpretation - City History: Past, Present and Future

- Programs - Festivals, Art Shows, Music Events, Yard Sales and Car Shows

In recent years the Town of Big Stone Gap has taken many forward steps in revitalizing itself into a modern tourist destination. In 2010 the Town was awarded a Community Development Block Grant to remove slum and blight from the Downtown area. That project is ongoing with good participation thus far and some improvements already complete. Also, the Town is taking steps to link its Greenbelt walking/biking trail around the Town. In conjunction with the Greenbelt, the Town has been working with the Town of Appalachia and Wise County on the development of the Powell River Trail Project which will link the two towns via an abandoned railroad corridor along the Powell River. This project is better than half funded through the Virginia Dept. of Transportation and is currently being designed. All of these factors show that the Town of Big Stone Gap is actively moving toward revitalizing itself into a Town that can be a successful destination for visitors. The Downtown Visitors Center is a logical next step in this process to enhance the visitor experience within Big Stone Gap.

**Staff comments and recommendation:** The project entails an interesting reuse of an old downtown service station that the Town recently purchased for \$165,000. This request was tabled by the SWED Committee in September 2012 to allow the Town additional time to pursue other matching fund opportunities. As submitted, the application proposed the minimum required match of 10% to come from local funds, although the Town previously spent \$160,000 of local funds to acquire the property. Revised information provided by the Town in August 2013 indicates a substantially lower renovation cost (\$253,875) and a \$50,000 local match toward renovation costs is listed, in addition to \$85,000 of VDOT and DHCD funds for streetscape improvements fronting the property, \$10,000 of DHCD funds for façade improvements to the building and a \$10,000 from the Town for improvements to utilities serving the property. Staff's questions for the Town have also centered on operating plans and committed operational funding, designation by Virginia Tourism Corp as a certified visitor center, anticipated outcomes etc. The Town has responded that an operational plan is being developed and the Town is committed to operate the center. Discussions with VTC have been ongoing. The center is expected to increase visitation by 10% above the current baseline of 60,000 visitors annually, including visitors drawn to the Trail of the Lonesome Pine outdoor drama, a Powell River trail system that is in development, and the setting of the anticipated motion picture based on the best-selling trilogy of Big Stone Gap novels by former resident Adriana Trigiani. There are emerging plans to use the facility as an event site as well. Virginia Tourism Corp staff verified they have been working with the Town to align the center with broader regional tourism efforts including Spearhead Trails, motorcycle and motorcoach campaigns and the Heart of Appalachia Tourism Authority, and to establish the center as a VTC certified site. While TICR should remain concerned about precedent of funding other local visitor centers in multiple communities, this project has benefitted from a year of securing additional matching funds and building regional marketing partnerships. **Staff recommends award of \$200,000 for construction/renovation costs.**

**Bland County Economic Development Authority**  
***Bland County Industrial Park Extension (#2737)***  
**\$2,700,000 requested**

**Executive summary provided by applicant:** The Bland County Economic Development Authority (BC EDA) seeks to promote the growth of commerce and industry in the County of Bland and Southwest Virginia by developing a thirty-eight (38) acre industrial site in Hicksville, Virginia. The proposed site is located off of I-77 / Exit 58, directly across from the current Bland County Industrial Park. The proposed

site also has great visibility from I- 77, located directly across from the I-77 Northbound Rest Area. The six existing industrial sites in Bland County range from two acres to approximately five acres. National Forest lands comprises one-third (1/3) of the property in the County of Bland. Due to the small population (6,738) and the limited amount of taxable property located in the County, fiscal challenges are insurmountable when trying to complete a project of this size. For example, based on the assessment of real estate in Bland County in 2012, a 1% increase to the real estate levy in the County of Bland would only garner approximately \$25,000 of additional revenue. The County has been working to identify sites for industrial development in the twenty to fifty acre range for the past two years. Engineering firms have been hired in the past two years to assist in the search and in determining the potential costs for development of those sites. In those attempts, multiple possibilities arose. Unfortunately, due to the rugged terrain and the lack of adequate public utilities at the various sites, all of the sites were deemed cost prohibitive to develop at this time. Only the proposed site was identified as feasible for development. The completion of this project would enable the County of Bland to have the developed properties needed for the future economic growth of the County. The development of this thirty-eight (38) acre site along with the existing smaller sites provide the means by which the economic prosperity of the citizens of the County of Bland, the region of Southwest Virginia, and the Tobacco Region.

**Staff comments and recommendation:** The proposal requests 67% of the available SWED budget for the current year. It seeks \$1.4 million for acquisition of 38 acres, an average cost of nearly \$37,000/acre for raw land. An independent appraisal of the land has been completed, and additional surveys and preliminary engineering have shown the property is actually closer to 50+ acres, although only 38 acres are developable. Road, water, sewer and power utilities are all adjacent to the site. However, existing utilities that cross the site will have to be relocated, as will an existing stream. The County reports it holds a two-year option to purchase the land. An additional \$1.3 million is requested for engineering and construction, as defined in the preliminary engineering report received on September 16th. Job and investment outcomes are not projected in the proposal (they remain confidential), although it is known the County and the regional @Corridor organization are working with an active industrial prospect on a significant employment and investment project. The proposed budget falls shy of the minimum required matching fund threshold (10% of project costs), with 9% of projects costs intended from VDOT access roads funds (\$78,344 request intended), Mt Rogers PDC (\$115,045, majority yet to be approved), AEP (\$25,000 application filed), and \$51,611 of local funds. A review of industrial sites in Bland listed by VEDP supports the applicant's statement that few sizable sites are available. Two privately-owned sites in the 35-43 acre range are listed, but both are unimproved and have some steep terrain. The Commission previously supported the creation of the County's Commerce Center (listed by VEDP as Bastian Industrial Park) with a SWED grant of \$200,000 in 2007 (that grant just recently closed). At the suggestion of TICR Staff, the County has contacted the federal EDA and ARC programs about potential funding support. Based on the known but still confidential parameters of this project's employment and investment potential **Staff recommends \$700,000 for 50% of land acquisition costs contingent on dollar for dollar (1:1) match, not to exceed the appraised value, and contingent on the prospect company committing to the site before the real estate is purchased.**

## **Buchanan County IDA**

### ***Southern Gap Development Project - Phase II Utilities (#2743)***

**\$1,000,000 requested**

**Executive summary provided by applicant:** This project provides water and sewer improvements, underground conduit for electrical and communications services, and road development to Phase II of the Southern Gap Development Project in Buchanan County. This project will provide utilities and access for the development of approximately 480 acres of commercial and industrial lands. The project provides the only mega site potential in the Virginia Coalfields and could support the creation of over 4,000 jobs. Tobacco Commission funding will be used for utilities only. Between 1990 and 2010, Buchanan County saw a 23.09 percent decrease in population. Projections for 2030 show further decline of 13 percent. Coupled with continued projected declines in coal mining, the County must promote industrial and business development that diversifies its economic base. This project, which is part of a larger mixed-use development, provides a unique opportunity for that needed economic diversification. The public-private approach with Paramount Coal Company is not only producing developable sites, it's also supporting the development of the Coalfields Expressway and U.S. Route 460. When completed, the Southern Gap Development Project will be even more marketable. The Master Plan for the Southern Gap Development Project was completed to support the County's desire for a live, work, play development that met desired community design elements. Overall, the Master Plan serves as a model for 21st century sustainable economic development by combining smart design and energy efficiency techniques with unique design and architectural details that set the Southern Gap development apart. The project is part of an overall regional effort in Southwest Virginia to restructure the local economies from a resource extraction base to IT, advanced manufacturing, higher education and asset-based development. This project involves the only current opportunity for development of a true mega-site in Virginia's Coalfields region. It builds on the success of the Phase I Office Park Development Project which provided 94 business lots and 38 residential lots. Sykes Enterprises is located in the Office Park and provides 300 IT jobs, and residential development has occurred and continues to progress. The continued process of providing necessary utilities and access road allows the County to begin marketing the sites for the desperately needed new jobs that new businesses and industries can bring.

**Staff comments and recommendation:** The Commission previously assisted this project with a \$400,000 SWED grant for property acquisition in 2007. The application states there are 480 acres of commercial and industrial land that will be developed in Phase 2, and lists target industries, but does not provide industrial site layouts. The project is highly-leveraged with proposed matching funds, shown as a \$3.6 million request that was approved by VACEDA on July 18, 2013, and an intended request for \$3 million of ARC access road funds. A preliminary engineering report has been provided that is the basis for the project costs estimates. The application states projected outcomes of 4,000 jobs and \$400 million private capital investment, but does not provide a detailed justification for those extraordinary outcomes. While the County's action to create rare developable sites in this mountainous terrain is commendable, the proposal does not indicate that sources such as Virginia Resources Authority or USDA have been approached for loan financing for the revenue-generating utilities requested in this proposal, and there is no stated urgency regarding active prospects that would appear to prevent the County from exploring loan options with VRA and other potential sources. VEDP website also lists an available 350 acre site currently. **Staff recommends no award.**

## **Flanary Historical Site, Inc.**

### ***Flanary Historical Site Reconstruction (#2740)***

**\$193,000 requested**

**Executive summary provided by applicant:** The Applicant proposes to preserve and reconstruct an 1830 two-story log and brick structure, situated in Dungannon, VA, once utilized as a courthouse, post office, tavern, residence and stopping point adjacent to the Osborne Ford Ferry. Replicating its historic uses, the refurbished structure will become a unique tourism site, and will serve as the initial phase in the full development of the eight-acre Flanary site, which also hosts historically significant Native American artifacts, unearthed during highway bridge construction in 1977. A singular opportunity exists to create a historically unique site, but local or private resources are not sufficient to take advantage of this opportunity. Utilization of the requested public investment and subsequent completion of the project will enable the Applicant to commence development of this historical asset. The Applicant has the opportunity to preserve and recreate a unique historical site, providing a significant complement to local and regional tourism efforts.

**Staff comments and recommendation:** The Commission previously supported this project with a \$20,000 SWED grant four years ago. That project completed its final reimbursement this July. The minimum required matching funds (\$21,000) are listed as the value of furnishings the project leader will provide to the finished site. Several issues identified at the time of the previous grant continue to challenge this project, including that the site is leased from a private owner, that the nonprofit applicant appears to have made little effort to secure other matching funds such as ARC, that the nonprofit has questionable capacity to operate the site for the long-term, that tourism outcomes are not identified but are apparently predicated largely on local school groups visiting the site, etc. While there are irrefutable historic aspects to this site, it does not appear to rise to the level of national or international recognition that could be expected to attract significant numbers of visitors from outside of Southwest Virginia. **Staff recommends no award.**

## **City of Galax**

### ***Chestnut Creek School of the Arts Woodworking Studio (#2735)***

**\$125,000 requested**

**Executive summary provided by applicant:** Chestnut Creek School of the Arts Woodworking Studio serves the Carroll-Galax-Grayson region as an economic development tool by bringing visitors to the region for weekend and weeklong classes. The Woodworking Studio will:

- contract with local artisans to teach classes;
- provide entrepreneurs access to specialized tools and equipment to grow their small businesses;
- provide training to STEM students in the Blue Ridge Crossroads Governor's Academy for Technical Education; and
- provide workforce development training.

The Galax-Grayson-Carroll region was especially hard hit by the decline of textiles and wood manufacturing. It needs jobs which cannot be outsourced. Students and workers must be educated and trained to meet new opportunities. Entrepreneurs must have facilities and equipment to grow new businesses. To broaden its economic base, the region began an art school as an economic development tool. In 2009, Chestnut Creek School of the Arts opened its doors in downtown Galax. Since then, the art school has had a dramatic impact upon the creation of new businesses and jobs, tourism and revenues generated from visitors. The expansion of Chestnut Creek School of the Arts to a new Woodworking Studio promises

to continue and enhance that upward track for job and business creation, economic development, revenues and tourism. More than \$780,000 in new investments will be leveraged from the private sector with the first two years. As well, the CCSA Woodworking Studio is a unique facility to enhance entrepreneurial activities with specialized tools and space and to develop a highly skilled, competitive workforce, and provide skills training and technical assistance to workers and STEM students. In two years after the construction, we will leverage \$780,000 in private investment; create 12 new jobs and 6 new businesses; produce \$650,000 increased visitor spending; and \$130,000 increase in local tax revenues from tourism. The Woodworking Studio will also contract with 18 artisan instructors and provide classes to 180 participants as well as skills trainings 40 workers and 40 STEM students within its first two years. Access to the Woodworking Studio will allow 8 entrepreneurs to grow their own businesses. 25 more hobbyists will enjoy studio time to develop their skills.

**Staff comments and recommendation:** This is a all-too-rare “last dollar” request wherein 86% of the funding for this project has been committed, including \$500,000 of ARC funds for construction and start-up operations (salaries, marketing etc), \$102,000 of local government funds for the site (the City of Galax owns the property where the 4,400 sq ft structure will be built); \$75,000 of private citizen cash contributions, and an all-but assured USDA-RBEG grant of \$75,000 for equipment. The facility has been professionally-designed, based on input from a 16 member advisory committee that includes representation from the regional furniture industry and well-known musicians/luthiers such as Wayne Henderson. TICR provided one grant of \$40,000 in 2004 that assisted in the planning to establish CCSA. CCSA has now been open for four years, and in that time it reports it has attracted 10,000 visitors, taught a hundred classes and has annual enrollment of 300 students. Highly-detailed multi-year operational plans address the Woodworking Center’s operations and national marketing efforts. While this project will only result in the creation of one full-time job it will employ several instructors, and the applicant has provided reasonable data on the additional economic impacts of new visitors to classes that typically attract highly-educated, higher income adults. CCSA is a foundation of the region’s cultural heritage tourism strategy that includes the world-rekknowned Galax Fiddlers Convention, the Blue Ridge Music Center (a TICR-funded project), the Rex Theater (a Crooked Road anchor venue), the Wayne Henderson Festival, multiple other events and venues, and nearly a dozen new arts-related businesses that state in attached letters that they opened as a direct result of CCSA. **Staff recommends award of \$125,000.**

## **Lee County IDA**

### ***Constitutional Oaks Access Road Development (#2729)***

**\$1,250,000 requested**

**Executive summary provided by applicant:** Development of access roadway from commercial entrances, across Martin's Creek to the existing shell building. Shell building is not accessible by a permanent road. Only a temporary, gravel construction path is available currently. The shell building is not fully marketable in its current state without the access roadway. The Constitutional Oaks Shell Building is the key economic development piece for Lee County. Lee County has seen significant job loss in the last 24 months from the downturn in mining, reduction at the hospital and closing of the KCG Call Center. Marketing the shell building and obtaining an occupant is the single largest economic development priority for Lee County.

**Staff comments and recommendation:** The engineer’s estimate for this project includes paving a parking and loading dock area, along with adding lightpoles, sidewalks and other site improvements. The road would be built from a recently completed commercial entrance off US Route 58 to the existing shell building.

Previous TCR grants to Lee IDA to acquire and construct the Park, shell building and entrance total \$2.75 million since 2001, with only minimal matching funds. A \$250,000 TVA road grant request is anticipated for this phase, along with \$50,000 of local funds, but the timeframe for having those funds committed to the project is not known. While there is some logic to having the road built out to make the property more marketable, as the IDA contends, there is a counterargument that with no active prospect at this time it is premature to build the road, parking, loading area etc without knowing the specific needs of a prospect. Some assistance with basic engineering costs at this time may be justified in order to shorten the timeline to have the property ready for occupancy when a prospect materializes. **Staff recommends award of \$60,000 for not more than 90% of basic road engineering.**

## **Lincoln Memorial University**

### ***The Large Animal Teaching and Research Center of the LMU College of Veterinary Medicine in Lee County Virginia (#2736)***

**\$5,000,000 requested**

**Executive summary provided by applicant:** Lincoln Memorial College of Veterinary Medicine will establish the Large Animal Teaching and Research Center in Lee County, which will exert a positive economic impact in the area. This regional center of excellence will impart degrees in the sciences, namely the DVM degree, and offer another avenue for the people of Southwest Virginia to gain admission to veterinary school. Furthermore, the experts at the center will provide diagnostic veterinary animal services to southwestern Virginia, research in veterinary medicine, and educational and service outreach to Appalachia, thereby bolstering agribusiness capacity of the region. Data from the US government, organized veterinary medicine, industry, and Bureau of Labor all project increased need for veterinarians in areas of food animal medicine, food security, government, public health, and research. Veterinarians contribute economically and socially into their rural communities. However, Southwest Virginia is currently underserved by veterinarians, and nearly half of the TIC counties rural veterinarians are within years of retirement. Furthermore, USDA and Virginia General Assembly named 7 counties in TIC region as critical Food Animal Veterinarian Shortage areas. Southwest Virginia is also underserved in animal related capacity building such as education, outreach, and animal disease diagnosis. LMU will build the LATRC in Lee County Virginia to serve as a crucible for identifying, recruiting, and educating students in large animal veterinary medicine, food security, and public health. The LATRC will seek to recruit students from the Appalachia, including TIC counties in Virginia, with the primary aim to graduate students with Veterinary Technology and DVM degrees. The LATRC will serve as a regional center of excellence in large animal teaching and research and provide animal disease diagnostic services, training facilities, outreach services, and expert consultation to the animal stakeholders of Southwest Virginia. The LATRC will serve as an economic engine for the region through construction, operations, service fees, jobs, research, and events. The LATRC will elevate the education levels of Southwest Virginia by imparting AS, BS, and DVM degrees. Upon graduation, the graduates from Virginia TIC counties are likely to return to their respective homes and not only meet the veterinary need, but furthermore, produce economic impact outlined in the Economic Impact Study attached in this application packet. The LATRC will bolster animal agribusiness by offering regional animal stakeholders a means for disease diagnosis, educational programs, accessible experts, and a training platform.

**Staff comments and recommendation:** This request obviously exceeds the available balance for the entire SWED program to serve all of Southwest VA in the FY14 year. The project is shown to be an overall \$16.5 million multi-building construction project comprising seven buildings and 54,300 sq ft of facilities located

on the 1,000 acre Lee County farm owned by LMU Board Chairman Pete DeBusk, but the current request includes only the minimum required matching funds of \$500,000 (shown as “in hand”) to renovate/expand/equip the “main building” (a \$5.7 million cost to construct) and necropsy/learning labs (\$2.3 million). The application specifically signals that two future requests of \$5 million each will be made to the Commission in each of the next two fiscal years (with similarly minimum matching funds) for subsequent building projects (an equine teaching center and research/diagnostic lab). The LATRC would employ a staff of 46, and while LMU students would take didactic and small animal classes at the LMU campus in Harrogate TN, the proposals states that all DVM students would take classes at LATRC. LMU has received a Letter of Reasonable Assurance from the American Veterinary Medical Association’s Council on Education, which is the step toward accreditation that allows LMU to begin recruiting DVM students. LMU proposes to hold 20 open spots for Virginia applicants in each class admitted, with priority on accepting students from the tobacco region. Staff has put LMU leadership in contact with several prospective funding agencies that could potentially serve as sources of dollar-for-dollar match that has been the precedent in funding other major educational projects recently, including King School of Medicine and Liberty University School of Medical and Health Sciences. Staff also discussed partial funding possibilities with LMU and determined that the competing demand for funds within the available SWED balance and a lack of committed matching funds at this time prohibits an award that would significantly defray the cost of the \$5.7 main building. **Staff recommends this request be tabled to allow the applicant to identify funding priorities and additional funding sources.**

## **Raven Theater and Coal Museum**

### ***Raven Theater and Coal Museum Restoration (#2728)***

**\$250,000 requested**

**Executive summary as provided by applicant:** Restoration/renovation of Raven Theater/Ice-cream parlor, building in Raven, VA. Built in 1936, the Raven Theater and ice-cream parlor operated until the mid 1980's. This business was the heart of the Raven community and drew customers from the surrounding area. Raven was often known as the gateway to Buchanan County and the mining industry provided a steady stream of customers. The Raven Theater & Coal Museum, Inc., group is working toward restoring this institution and providing a venue for community activities including regular showing of classic films, live gospel and blue grass music venues and community meeting/event facilities. This landmark building has been abandoned for several years and although the main structure is sound, there is a much needed to bring the building back to life. The Raven Theater & Coal Museum, Inc. was organized in response to community interest in reviving the Raven area and the renovation and restoration of this building is an integral part of those plans. The project has gained community and political support since its inception. The property has been donated to the Raven Theater & Coal Museum, Inc., by the owners, Donations to date have allowed work to begin on this project. This project will complete the renovation and restoration (including furniture and fixtures) of the Raven Theater and Ice Cream Parlor, which will provide an excellent venue for community activities as well as create a number of part-time jobs. The Raven area of Tazewell County has a colorful historic past, tied greatly to the area's mining industry. (Phase II of this project includes the construction of a Coal Museum adjacent to the Raven Theater (proposed to be paid for from proceeds of the Raven Theater project). At one time Tazewell County's population grew to more than 52,000, with the Raven area having nearly 3,000 residents. It is anticipated that this project proposed venues will increase tourism and provide economic growth to the area.

**Staff comments and recommendation:** This is the first TICR request from this newly-formed 501C3 nonprofit for this project in western Tazewell County. The property was donated to the nonprofit and some site cleanup and repairs have been started using volunteer labor and donations (the theater space on the back of the building has been re-roofed but the two-story front section that housed the ice cream parlor and a 2<sup>nd</sup> floor apartment has no roof or second floor and the entire property is a gutted shell). TICR funds would be used to replace the roof on the front section, the second floor, windows, interior walls, theater seats, theater screen and projection equipment. It would also be used to install HVAC, wiring, bathrooms, insulation, floor finishes, and restaurant furniture/equipment. The construction budget lacks an amount to purchase the 200 new seats. The operational budget that was provided relies on the ice cream parlor/restaurant to produce nearly 75% of the projected revenue, and lacks any budgeted funds for advertising/marketing which would be essential to promote movies, events and the restaurant. The application does not indicate that other potential funders have been approached, including USDA, DHCD/ARC and lenders. Outcomes are listed as nine new jobs (eight of which are seasonal part-time) and \$108,650 of private capital investment, all of which is also presented as matching funds but appears to have already been accomplished through work completed at the time of the application. This appears to be primarily a local community amenity akin to a community center, rather than a tourist destination with broad appeal to visitors from beyond the region. While there is little question the Raven community would benefit from this facility, this appears to be principally a community development project that is better suited for other funding agency programs than an economic development project that is aligned to TICR objectives. **Staff recommends no award.**

## **Rural Retreat Depot Foundation Inc.**

### ***Rural Retreat Depot Restoration - Phase One (Stabilization) (#2731)***

**\$49,534 requested**

**Executive summary provided by applicant:** The Rural Retreat Depot Foundation is an approved 501(c)(3) non-profit organization formed in August 2011 to acquire, restore, and manage the Depot in the town of Rural Retreat, VA, with over \$130,000 in donations raised to date. This Foundation believes it has great potential for public use, history of agriculture with a regional focus on cabbage and tobacco prominence, health education and tourism for the town of Rural Retreat. Renovation of the Depot will revitalize the downtown area of Rural Retreat, making it an attractive, synergistic addition to the many other historical restorations taking place in Southwest Virginia. The Rural Retreat Depot is sited at the very center of Rural Retreat and is quite visible to anyone passing through town. It was left abandoned for many years and is in a great state of disrepair. A Foundation was formed by local residents to preserve the Depot, and there are currently approximately 140 members. Phase One (Stabilization) of the restoration effort will halt the current deterioration of the Depot and allow the Foundation an opportunity to raise the remaining funds to complete the full restoration without worry of further structural damage through the coming winter. The Rural Retreat Depot is one of three remaining unique depots. Based on a local survey, the Depot will serve multiple purposes for the community, as well as serve to attract tourists to the area. The Depot restoration is a centerpiece of the Town of Rural Retreat's downtown revitalization.

**Staff comments and recommendation:** This is the first TICR request from this recently-formed 501C3 nonprofit for this project in the Wythe County community. The proposal states that complete renovation will be a \$1.7 million project, and additional grants applications are intended for DHCD, ARC, USDA, VDOT and private foundations. The site is envisioned as a venue for Crooked Road music performances, railroad historical events including lectures and excursions (the depot is prominent in several historic O.

Winston Link photos), a farmers market, visitor information center, trailhead and other community events targeting tourists. Improvements to stabilize the building with these funds include new roofing, gutters/downspouts, painting, fencing required by Norfolk Southern to separate users from the active NS tracks, and repairs to the foundation and framing. While minimum required matching funds are in hand and committed to the project (\$5,504) the Foundation has spent \$90,000 to date to acquire the depot, along with donated labor for cleanup, repairs and promotional efforts. While this project is to some extent a community facility similar to the Raven project described above, the Rural Retreat project is better aligned with regional tourism objectives such as rail and trail visitors, and benefits from proximity to I-81 and regional trail systems. **Staff recommends award of \$49,534.**

**Scott County Economic Development Authority**  
***Riverside Development - Phase I (#2730)***  
**~~\$1,569,800~~ requested - revised to \$1,045,403**

**Executive summary provided by applicant:** The Applicant proposes to construct the initial phase of the Riverside Development, situated adjacent to the Town of Weber City, Scott County, Virginia. The 93-acre Riverside property is envisioned as a multi-use development, to include office/flex, commercial, recreational and residential components. VTICRC funds requested herein will be applied to site grading, access road, utility extensions and related costs. Faced with depleted acreage at the regional industrial park at Duffield, the Scott County EDA has long recognized the significant economic development potential of this highly visible, strategically located property, situated on a heavily-traveled thoroughfare, immediately adjacent to metropolitan Kingsport, TN, and the greater Tri-Cities area, with full utilities and telecommunications infrastructure immediately accessible along U.S. 23. The EDA was finally able to acquire the property from private ownership in 2011, and looks to commence development of this advantageous site. With initial cost estimates for full build-out of the office/flex, commercial and mixed use (i.e., non-residential) portion of the Riverside Development standing in excess of \$5.3 million, the Scott County EDA recognizes the need for phased development. Phase I, proposed herein, will entail grading a readily accessible office/flex site, construction of an access road to this site, and extension of appropriate utility and communications infrastructure. These office/flex sites are designed to attract professional and technology uses, taking advantage of the area's high-end fiber capacity. In marketing the Riverside site, the Scott County EDA regularly works with various prospects, which typically represent a significant level of private investment and a considerable number of high-wage positions (a recent example has been \$10 million investment, 200-300 jobs, \$55,000 average wage). Based on these discussions, it is not unrealistic to foresee as many as 1,000 such jobs upon fuller build-out of the property. In a county where median household income is barely half that of state levels, the long-term economic impact of this development is significant.

**Staff comments and recommendation:** The Commission has approved two previous SWED grants for this project, including \$220,000 for master planning and preliminary engineering two years ago and \$524,397 for final engineering last year when a then-active prospect was considering the site. That prospect is no longer active and that latest grant (#2559) has allowed the EDA to start the final engineering process. Matching funds for this and the previous grants are the \$1 million acquisition cost spent by the EDA to purchase the property in 2011. Engineering was begun this Spring (a \$67,000 contract for survey and geotechnical is underway) and until additional design phases under the previous grant are completed, future phase development costs will not be known. Once final engineering is in hand, more reliable costs estimates to consider rough grading to allow a prospect to access the site would be a reasonable solution to make the site more marketable. Without an active prospect or final engineering it appears premature to begin

awarding money for utilities, which may qualify for VRA or USDA financing. The project also appears to be a candidate for ARC and/or VDOT access road funds that could provide better current leveraging for these requested activities. **Staff recommends no award.**

**Scott County Economic Development Authority**  
***Secure Mountain/Sunbright Underground Technology Park (#2756)***  
**\$2,270,000 requested (referred from Special Projects on 9/16/13)**

**Executive summary provided by applicant:** The Applicant looks to aid in site preparation for the development of a first-of-its-kind underground technology park. The park, to be developed in a former limestone mine located near the Town of Duffield in Scott County, will be capable of hosting multiple stand-alone data center buildings, supported by a common power, cooling and communications infrastructure. The former limestone mine at Sunbright offers roughly 22 acres (1 million square feet) of engineered underground space, with structural stability (rock); 6,000 tons of natural cooling (constant 52 degree temperature); a 10 million gallon stable, rechargeable water reservoir; ceiling heights in many areas averaging 30-40+ feet; and an existing series of unimproved circulation roads supporting access throughout the underground areas. Based on initial feasibility analysis, subsequent independent engineering feasibility, master planning and business model analysis, the private entity the EDA plans to assist proposes to develop an underground technology park in the former mine site, capable of hosting multiple freestanding or interconnected buildings housing data storage and support equipment. These buildings, either single- or multi-story, and ranging from several hundred to tens of thousands of square feet, will be supported by a common power, cooling and communications infrastructure. The site delivers significant advantages over comparable above ground technology parks, including security and operating efficiencies. The private entity foresees a multi-year build-out of the site. The entity has hosted more than 20 site visits during the past 18 months, with enthusiastic interest among potential clients. Thus far, two potential tenants have executed Letters of Intent to Occupy, one representing a classified federal government contract and the other a healthcare payment processing firm desiring occupancy in early 2014. Site development will result in 150 construction jobs, the owner expects to create 28 jobs at full capacity, and potential tenants represent many more, plus significant investment. This project represents an incredible opportunity with far-reaching impact.

**Staff comments and recommendation:** This request was submitted to the TICR Special Projects program in July and referred by that Committee to SWED on September 16<sup>th</sup> because the project did not the three-locality regional participation test that is required for Special Projects eligibility. The project was previously supported by a TICR Reserve grant of \$20,000 in 2010 to study the feasibility of establishing data centers operations in this former limestone mine. It presents a unique opportunity to leverage Commission investments in broadband adjacent to the site, and the unusual opportunity to develop high-ceilinged underground space that offers very high levels of security for data operations. The site also offers the potential to develop a 10.5 acre rail-served surface parcel, and discussions have been ongoing between the owners and EDA regarding possible scenarios to option or purchase the parcel for public use. TICR funds are requested to install power, lighting and communications infrastructure and construct a second entrance, road networks and site pads. Full buildout is anticipated to include 200,000 square feet of space, involving 28 security, maintenance and operations jobs, and private capital investment of up to \$40 million. However, the current proposal seeks 57% of the available Southwest budget for FY14 to benefit the private property owners. Matching funds are shown as \$3.7 million already expended by the owners to acquire, clean up and prepare the site. Partial funding consideration is an option (the property owners have indicated their highest

priority is the \$930,000 cost of creating a second entrance, followed by \$375,000 to install power and lighting), however it must be emphasized that strong performance and clawback measures must be built into the grant conditions, and that approach would still leave the property well short of the \$2.27 million of tasks needed to make it fully ready to attract data clients. The TROF program is also a viable source of funds (the owners state they have a letter of intent to occupy from a potential anchor tenant), with the appropriate job creation and private capital investment performance provisions, to assist this privately-owned project, in concert with other private and public funding sources that can complete the site preparation. **Staff recommends the request be tabled.**

## **Scott County**

### ***Keith Memorial Park Lighting (#2725)***

**\$189,000 requested**

**Executive summary provided by applicant:** The Applicant proposes to install lighting at the Keith Memorial Park in Nickelsville. The County-owned park, maintained by county staff and community volunteers, is presently utilized for high school and youth baseball, as well as other recreational, musical and community events. The lighting project will support expanded usage and opportunities, and will result in additional financial benefit to the Town and the County. Usage of the Keith Park is limited to daylight hours, limiting its viability as a visitor (and revenue) generator for the community and the county. The proposed lighting project will allow for expanded use of Keith Park for local and regional athletic, recreational and musical events. With expanded use of Keith Memorial Park, resultant increased visitation to the community will generate commercial and tax revenue benefits (spelled out in the attached Additional Project Description and "Economic Impact" document), as well as significantly improved quality of life for local and regional residents.

**Staff comments and recommendation:** This proposal was declined in the FY11 and FY13 Southwest Economic Development cycles as it was viewed primarily as a local recreation project and thereby a Low Funding Priority. Matching funds (\$44,160) are the in-kind value of current park funding and donated volunteer labor. The applicant-generated economic impact figures estimate an additional 8-12,000 visitors annually from youth and high baseball tournaments and music events, with additional outcomes based on attendance at music events in the Park. The outcomes also estimate a 50% increase in Town tax revenues as a result of the project, primarily from sales at local retailers, although independent verification is not provided. The outcome figures appear to be inflated, and there are no direct new jobs or private capital investment as a result of the project. The applicant appears to have made no progress with additional fundraising efforts since the earlier TICR requests, and it can be reasonably expected that a positive funding recommendation would result in multiple future request for improvements to local recreational facilities. **Staff recommends no award.**

## **Smyth County Board of Supervisors**

### ***Exit 39 - Seven Mile Ford - Sewer Project (#2738)***

**\$180,000 requested**

**Executive summary provided by applicant:** The proposed project will provide the engineering design, environmental assessment, and permitting necessary to be ready to go to construction on the extension of

public sewer to the south side of Exit 39 at Seven Mile Ford. This exit is one of only two interchanges out of seven in the county that can accommodate significant commercial development. The county loses significant tax revenue from out of state travelers who bypass the county because there is limited development at the interchanges. Without the extension of public sewer to this strategic commercial area, the county is prevented from generating this needed revenue. Interstate 81 traverses Smyth County with 7 interchanges, but there is extremely limited developable area at the interchanges due to terrain and other constraints. The southside of Exit 39 is likely the most suitable and is being actively marketed for sale, however there is no public sewer. In order to attract development, the County needs to provide sewer to this side of the interchange. The Comprehensive Plan has recognized this problem for many years and called for sewer at Exit 39 (a "strategic commercial site"). Smyth County loses significant tax dollars from out of state by not having developed interchanges. The proposed project will enable Smyth County to address this problem by providing funding for all pre-construction activities, including engineering, permitting, and environmental study. Smyth County and the Town of Chilhowie have discussed the critical need for this project and the County has recently committed to begin the process of establishing sewer service. This grant will allow the county to immediately proceed with the initial design. By having this initial phase completed, the County will be able to move ahead in a timely manner with construction of the sewer in the early part of 2014. This project is critical to the economic development of Smyth County because the county loses a significant amount of tax dollars from out of state travelers on I-81 that do not stop due to the lack of services. The retail sales per capita in Smyth County is about one-half of that of its adjoining Interstate neighbors. These are critical tax dollars needed to provide education funding and other county services, especially in light of revenue lost from business closures and downsizing in traditional manufacturing that the County has suffered (most recently the closing of Merillat Industries).

**Staff comments and recommendation:** The application states that with public sewer service two privately-owned properties totaling 149 acres at Interstate-81's Exit 39 would be developable – presumably for servicing the travel needs of visitors such as gas and food, although an industrial site is a possibility on one of the parcels (approx. 100-acres). The minimum required matching funds have been requested from Mt Rogers PDC. A Preliminary Engineering Report is the first deliverable in this project, and the County alternatively would break this request into a \$83,000 first phase of requested engineering and a \$97,000 second request. The property is being marketed for sale by the owner's realtors at nearly a \$6 million asking price for the total 149 acres (nearly \$40,000/acre). Until such time as a PER is completed that assesses the proposed utility and site development costs, along with any environmental/historical issues, it appears premature to fund final engineering. **Staff recommends no award.**

## **Southwest Regional Recreation Authority**

### ***Adventure Playground of the East - Developing a Network of Sustainable & Profitable Trail Systems (#2733)***

**\$300,000 requested**

**Executive summary provided by applicant:** Spearhead Trails is a multi-venue adventure tourism destination within the coalfield region of SWVA charged by the General Assembly to develop and manage a profitable "pay to play" system of multi-use trails spearheading job creation and entrepreneurial opportunities. Past TIC investments have allowed the organization to hire staff and develop a market study, business plan, and trails development strategy culminating with the successful opening of its first multi-use trail system near the town of St. Paul in June of 2013. Spearhead Trails has fulfilled its commitment to its investors and is now poised to achieve sustainability through regional expansion. With a successfully

operating trail system, and more systems on the horizon, Spearhead Trails must now compete within a marketplace where our competition outmatches us in terms of available staff and marketing dollars. The opportunity is simple and obvious. In the world of OHV trail systems and riders, there is still much more demand than supply. We can capitalize on this opportunity if we can bring Spearhead Trails' branding and marketing up to the nationally recognized level of our competition and if we have the staff necessary to manage multiple projects to rival trail miles available at other systems. Investment from the Tobacco Commission will be used to hire a marketing firm to develop a professional brand/marketing strategy and to execute the plan. Funds will also be used to hire additional field staff to expand our systems and become sustainable. This will be critical to our success given the current state of the marketplace, the position and strength of our competition, and the size and scope of other regional trail systems. Our current branding is in need of enhancement and we must add more trail miles as soon as possible in order to compete in a national marketplace. Spearhead Trails is already creating an environment that significantly increases demand for new businesses and expansion of existing businesses in the service and retail sectors including outfitters, food, lodging, fuel, convenience stores, ATV sales, parts, and accessories, thereby enabling entrepreneurs to thrive. This incentive is the impetus for economic developers to recruit related businesses to the region. Recently, the Virginia Coalfield Economic Development Authority, (VACEDA) added OHV related businesses to its recruitment list. Additionally, Spearhead Trails permit vendors in the town of St. Paul and throughout the region have already added product lines to capitalize on the nearby trail system.

**Staff comments and recommendation:** TICR grants to establish Spearhead total \$806,609 since 2008 with balances remaining of \$267,310 for start up personnel and operating expenses. The first section of trail opened in June and is already generating significant permit sales. The trails have been featured on the Outdoor Channel, and the requested marketing funds would roll out a comprehensive multi-media advertising campaign. Matching funds include recent grants of \$537,765 from VACEDA, and \$100,000 from ARC, making this a well-leveraged project at more than two-to-one match, not including anticipated permit fee revenues that are estimated at more than \$1 million over the next three years as new trail segments are opened in 2014. The proposal reasonably argues that need to complete additional trail segments in sites across SWVA over the next year requires additional staff and equipment. **Staff recommends award of \$300,000.**

### **Southwest Virginia Higher Education Center Foundation *Compressed Natural Gas Public Fueling Station (#2742)* **\$630,000 requested – revised to \$355,000****

**Executive summary provided by applicant:** The S.W. VA HEC FOUNDATION proposes to build a compressed natural gas public fueling station adjacent to the new Clean Energy R&D Center located at exit 7, Bristol, Virginia (Washington County). Currently there are no public fueling stations for CNG located within Southwest Virginia to serve the fueling needs for public and private vehicles. This project supports the mission of the Clean Energy R&D Center. Multiple companies and private individuals have converted their vehicles to a dual CNG & diesel gas fueling system. The Commonwealth has recently announced the date to convert state vehicles to CNG. Within 2 miles of this proposed project is a regional State Police Headquarters and a VDOT office. The site is also located at exit 7 off I-81 with ease of access for vehicles exiting from the interstate. Currently there are no public fueling stations for CNG within Southwest Virginia. This CNG fueling station will provide the public and private sector with 24 hour access for fueling. The fill rate will be equivalent to standard filling time at a gas pump. It will be the first public CNG fueling station within Southwest Virginia. The Foundation intends for the station to demonstrate, on a commercial-

scale, a new product line from past Commission beneficiary WireTough Cylinders, LLC. This product line consists of high-pressure natural gas storage cylinders for use at CNG stations. Many of the vehicles fueling at this station may be equipped with CNG fuel tanks from WireTough. Price of CNG is 2/3's less than gasoline. Without a fueling station, the cost savings alone would not warrant converting vehicles. A CNG station will provide individuals, companies, tourists and state vehicles the benefit of cost and environmental savings. The Foundation currently owns a registered trademark on the term "VAGAS" which is designed to highlight the production and use of natural gas within the Tobacco Region. An attachment to this application depicts an Interstate highway sign which the Foundation will talk to VDOT about installing on I-81 at exit 7.

**Staff comments and recommendation:** Supplemental information provided with the revised application provides evidence that a specific piece of property has been identified on an regional retailer's property near Interstate 81's Exit 7 in Bristol, which allows site acquisition to be removed from the budget to build out the facility. The revised construction budget requests \$330,000 for equipment. The partner organization (Clean Cities) that was initially contributing a \$70,000 gas compressor to the site is no longer part of the project. Outcomes are listed as "stimulat(ing) tourism ... and tax dollars from fuel sales" to tourists and government fleets. It also purports to "demonstrate on a commercial scale, a new product line from past Commission beneficiary Wire Tough Cylinders LLC" (an R&D grant beneficiary) although no evidence is provided to explain how this demonstration will occur and be documented. The application lacks a quantified assessment of the potential user base and the viability/sustainability of long-term operational costs, and definitive plans for site leasing, fuel supply, operations/maintenance, revenues etc. are not yet in place. No new jobs will be created and private capital investment is limited not indicated. The proposal therefore does not align well with SWED program objectives. **Staff recommends no award.**

## **St. Mary's Health Wagon**

### ***Building the Cornerstone to Economic Development in Southwest Virginia (#2734)***

**\$500,000 requested**

**Executive summary provided by applicant:** St. Mary's Health Wagon feels that quality health care is the key to economic development. Southwest Virginia is plagued by health care shortages, resulting in high incidences of chronic diseases and early death. Our project will provide a professional medical clinic building in Clintwood, VA. This building will replace the current stationary clinic in Clintwood, VA, which only houses two examination rooms. The new medical clinic building will house six examination rooms to provide quality primary health care to the underserved residents of Southwest Virginia. The six counties serviced by the Health Wagon are made up of small communities that are cut into the mountains of Appalachia. These small communities were built around the coal camps that once led these communities into prosperity. The coal camps have since cleared out, however, the communities remain. Typically, these communities lack access to any type of primary health care professional, and must drive over an hour to the nearest medical provider. All counties serviced by the Health Wagon are designated as Medically Underserved Areas, and four out of six counties are designated as Health Professional Shortage Areas. The proposed project will provide a safety net clinic in the heart of Dickenson County. The clinic area will provide easier access for the residents of Buchanan County, Dickenson County, and Russell County to obtain primary medical services in a clinical setting. Having a central location in Dickenson County will cut back on driving time, increase patient health care compliance, and improve overall health outcomes for the individuals of Southwest Virginia. Studies have shown that improved health creates a stronger workforce, ultimately resulting in improved economic status of the community. The proposed project will add to the

industrial development of Southwest Virginia, create potential jobs, stimulate the economy, and promote positive health outcomes. St. Mary's Health Wagon is the only free clinic servicing these localities. Poor health outcomes plague the region. Dickenson County is ranked 130 out of 133 counties in Virginia for poor health outcomes. This project will help to improve the health outcomes of the region; ultimately, decreasing preventable hospital stays, premature deaths, and improving morbidity and mortality rates.

**Staff comments and recommendation:** The proposal seeks funds to construct a 3,000 square foot medical/dental clinic on two acres of land in the Dickenson County Industrial Park that have been donated by the Dickenson County IDA. Matching funds would come from the land donation (\$50,000) and a grant request the applicant intends to submit to the Virginia Health Care Foundation. No detailed construction estimates are provided and the majority of matching funds are not yet committed. While there is no debate about the alarming healthcare statistics in the region, the shortage of medical services and the high rate of uninsured residents, this SWED request indicates three new jobs would be created, but with no private capital investment and no stated outcomes in terms of additional residents to be served by a new expanded facility. As such, it does not align with the SWED program's economic development outcome objectives, but is better aligned with the Special Projects program objective of expanding access to healthcare services for tobacco region residents (the applicant also has a pending request for \$137,500 in Special Projects to purchase a mobile health unit). **Staff recommends no award.**

## **The Crooked Road: Virginia's Heritage Music Trail**

### ***Expanding The Crooked Road Brand (#2739)***

**\$208,000 requested**

**Executive summary provided by applicant:** Expanding The Crooked Road Brand will provide opportunities for every community in Southwest Virginia to connect with The Crooked Road brand to help them increase visitation to their community. Southwest Virginia has 4 cities and over 50 towns and communities and many have multiple heritage music stories, artists, and venues that are key to attracting visitors. This project will allow those communities to work together to increase their understanding of their musical heritage, and benefit from visitors who want to learn about that heritage, hear the music and experience the living, breathing musical traditions of this region first-hand. In 2010, The Crooked Road service area expanded from a ten-county, three-city region to a 19-county, four-city region including adding coverage to six additional Tobacco Commission counties. The localities in the new areas are providing financial support and seek to capitalize upon this internationally recognized brand, which has clearly demonstrated economic impact in its original footprint. The proposed programming and infrastructure developments will deliver opportunity to those phased-in communities and measure how a broadened Crooked Road can create new revenue and jobs for an expanded area, and adding to the overall net impact of cultural heritage tourism. The Crooked Road proposes four specific components to build impact in new Tobacco Commission localities:

1. Develop a nine-day region-wide festival featuring traditional music, cultural, and natural assets, designed to draw international and national visitors to Crooked Road communities beginning in 2015
  2. Develop and install of wayside kiosks in new localities
  3. Develop and install Crooked Road informational touchscreens
  4. Perform an Economic Impact Assessment that evaluates the impact of The Crooked Road on the expansion communities and establishes standards for gauging impact of the regional festival.
- The wayside kiosks will help new localities document their musical heritage which is key to being part of the overall heritage music story and will enhance interest in the region's music. The touchscreens will provide

information about the entire region to potential visitors. The economic impact assessment will provide data to guide efforts to attract visitors to the region. The 9-day, region-wide event is an opportunity for all the communities to work together in creating a long-term means of increasing visitation with the goal of creating an annual event with significant economic impact on the region.

**Staff comments and recommendation:** TCR grants to date to establish The Crooked Road total \$1,195,697. This request is well-constructed to add wayside kiosks in tobacco region counties that have been added since 2010, and did not receive kiosks under earlier TCR grants. It also would add state-of-the-art touchscreen information stations at key visitor locations under airports, hotels, visitor centers and other locations across the entire TCR footprint. The creation of a region-wide nine-day TCR music with concerts in every participating locality could become a signature tourism event for Southwest Virginia generating visitation and spending in magnitudes at or above current events such as the Highlands Festival, FloydFest, Rhythm & Roots and other events that principally benefit only one community. Lastly, the economic impact assessment could be a cost-effective tool for taking a wider look at return on investment for the expanded TCR region, for specific venues/destinations, for visitor demographic segments and other aspects that will allow fine-tuning of event scheduling, advertising, and other TCR programs as TCR evolves toward a more self-sufficient operational model. Matching funds are not yet committed, and include intended applications to VA Tourism Corp (\$137,500), private entities for festival sponsorship (\$150,000), ARC for economic impact assessment (\$10,000) and TCR localities for local share of kiosks (\$24,000). **Staff recommends award of \$208,000 contingent on demonstrated commitment of dollar for dollar matching funds.**

## Virginia Tourism Authority

### *Big Stone Gap – Motion Picture (#2750)*

**\$300,000 requested**

**Executive summary provided by applicant:** Adrianna Trigiani will direct and produce a motion picture based on her best-selling novel Big Stone Gap. The Virginia Film Office is proposing to award \$600,000 from the Governor's Motion Picture Opportunity Fund as part of the financial package being offered to recruit the filming of Big Stone Gap to SW VA. We are requesting \$300,000 from the Tobacco Indemnification Fund to augment this package, and insure that this iconic Virginia story is filmed in Virginia. 44 other states now offer incentive packages to attract films. NC and GA in particular offer a no-cap tax credit of 25% to 30% of qualified expenditures, along with existing production infrastructure. Ms. Trigiani is dedicated to filming her movie in the actual location, subject to the economics making sense. In addition to the physical production bringing jobs and economic opportunity to the region, the tourism interest upon release of the film we feel will be significant. This movie is based on the best-selling book Big Stone Gap, and is set in Virginia.

**Staff comments and recommendation:** The Commission had a long-standing incentive offer of a like amount to attract this film project that is based on Ms. Trigiani's best-selling trilogy of novels to the Wise County community where the stories are set. That previous offer expired in 2012 and VTA now requests a similar offer be renewed. The project was announced by the Governor on September 19<sup>th</sup> to begin filming in Big Stone Gap in October 2013 and employ 200, with private investment of more than \$2.1 million in the production. As with the Governor's Motion Picture Opportunity Fund, TCR funds would be used "for above-the-line cast and crew salaries as well as building materials and educational supplies related to film production." The Commission approved a TROF award of \$300,000 in August, and VTC now seeks additional \$200,000 at the written request of the author's film production company. GMPOF incentives are

paid out after production is completed and based on actual final expenditures submitted by the production company. VTA will verify those expenditures prior to requesting disbursement of TCR funds. **Staff recommends award of an additional \$200,000 for this project from SWED funds, to be added to the previously approved TROF award, with these SWED funds to be provided after verification of completed production expenditures in Southwest Virginia.**