

## Southwest Economic Development Summaries and Staff Recommendations September 2015

*The Commission received 18 requests totaling more than \$14 million for FY2016 Southwest Economic Development funds. The current available balance is \$3.1 million. One additional project remains on the table from previous grant cycles, and is described in Other Business along with grant extension requests.*

<b>Req#</b>	<b>Organization</b>	<b>Project Title</b>	<b>Requested Amount</b>	<b>Staff recommendation</b>
3071	The Barter Foundation, Inc.	Expanding the Production Capacity of Barter Theatre, Phase 2	\$250,532	<b>\$250,532</b>
3074	Town of Big Stone Gap	Mutual Pharmacy Complex Redevelopment	\$500,000	<b>0</b>
3079	Birthplace of Country Music	Birthplace of Country Music Museum Expansion	\$1,000,000	<b>0</b>
3063	Bristol Historical Association	The Robert Preston House and Surveying Museum	\$90,909	<b>0</b>
3069	City of Bristol	Passenger Rail Expansion to Bristol, Virginia Regional Economic Development Study	\$250,000	<b>\$250,000</b>
3067	Carroll, Grayson, Galax Regional Industrial Facility	The Wired Road Connector Project	\$300,000	<b>VRA</b>
3073	The Edith Bolling Wilson Birthplace Foundation	Feasibility Study for Possible Organizational Consolidation of Wytheville's Historic Sites	\$17,000	<b>0</b>
3072	Lincoln Memorial University	Small Animal Clinical Skills Center of the LMU-CVM, Lee County	\$5,269,769	<b>0</b>
3077	Raven Theater And Coal Museum	Raven Theater & Coal Museum	\$250,000	<b>0</b>
3068	Round the Mountain: Southwest Virginia's Artisan Network	'Round the (Next) Mountain: New Markets Development Project	\$25,000	<b>\$25,000</b>
3075	Scott County Economic Development Authority	Scott County Technology Park Access Improvements Primary Data Center Site	\$146,500	<b>\$146,500</b>

3062	Scott County Telephone Cooperative	Scott County Telephone Cooperative FTTP Broadband Initiative-Dickenson and Wise Counties	\$864,842	<b>VRA</b>
3078	Smyth County Board of Supervisors	Smyth County's Back of the Dragon Overlook	\$184,000	<b>0</b>
3066	Smyth-Washington Regional Industrial Facilities Authority (SWIFA)	Mid Mountain Water System Improvements	\$500,000	<b>VRA</b>
3065	Southwest Regional Recreation Authority	Adventure Playground of the East: Maintaining Successful Startup Momentum	\$550,000	<b>\$450,000</b>
3076	Town of St. Paul	Willis Building Revitalization	\$540,000	<b>VRA</b>
3070	Virginia's Heritage Music Trail: The Crooked Road	The Crooked Road - Reaching New Audiences	\$443,333	<b>\$397,083</b>
3064	Wythe County	Appalachian Regional Exposition Center (AREC)	\$3,000,000	<b>0</b>

**Total (18 requests/6 recommendations)** **\$14,181,885** **\$1,519,115**

available balance before/after recommendations \$3,134,134 **\$1,615,019**

**The Barter Foundation, Inc.  
Expanding the Production Capacity of Barter Theatre, Phase 2 (3071)  
\$250,532 Requested**

**Executive Summary Provided by Applicant:** This project continues the physical plant expansion plan vital to Barter Theatre's growth and financial stability, and that of the local economy, by helping fund the renovation of Barter's costume shop. Located in a deteriorating century-old structure, the costume shop has been operating over capacity in poorly configured confines that could not be expanded due to other uses of the building. Barter cannot grow its product without added costume shop personnel. Once the properties shop--which has occupied space with the costume shop--relocates to its new facility under construction, Barter will have the opportunity to upgrade the costume shop.

**Staff Comments and Recommendation:** The Commission has provided four previous grants to The Barter totaling \$591,500 including an award in FY15 for the first phase on an ongoing facility improvement project. That grant provided \$255,250 for up to half the cost to construct a new prop shop for the theater. The project is expected to be complete soon and will leave approximately 2,700 square feet of vacant space available to expand and renovate the costume shop. It is this expansion and renovation for which the current request has been submitted. The increased capacities of the prop shop and the costume shop are necessary for the Theatre to expand their production and programming capacity, and the applicant has appropriately sequenced the renovations and phased

the multi-year funding requests to amounts that do not place excessive demand on the annual grant program resources. The Barter is a well established tourism organization and is a key element to the region's cultural heritage tourism initiative. In addition to being recognized as the state theatre of Virginia it is also the largest producing theatre in Virginia, the largest producing professional theater in the United States not located in an urban area, and one of the largest professional theatres in the Southeast, with only the Alliance Theatre in Atlanta being larger. The Barter is a significant economic driver in the region with the application stating that in 2012 the economic impact of direct, indirect and induced spending by the Theatre's patrons was over \$34 million. The application provided baseline data of 80,547 unique visitors annually excluding school groups and estimates that, over a 5 year period, the anticipated growth in attendance will be around 6% (5,400 additional unique visitors). While only 4 new direct jobs are projected as a result of this project it is important to note that with 314 employees the Barter is already one of the largest employers in the Town of Abingdon and Washington County. Matching funds of \$263,307 are committed from The Barter Foundation and were raised as part of their ongoing Bridge to the Future Capital Campaign. Staff considers Barter's expansion plans to be consistent with TRRC and Virginia Tourism strategic objectives, and complementary to the broader array of cultural tourism destinations assisted with TRRC funds. **Staff recommends an award of \$250,532 for no more than half the costs associated with expanding and renovating the costume shop.**

### **Big Stone Gap, Town of Mutual Pharmacy Complex Redevelopment (3074) \$500,000 Requested**

**Executive Summary Provided by Applicant:** The project entails the renovation of the former Mutual Pharmacy property -- a three-story masonry structure in downtown Big Stone Gap, Wise County, Virginia -- for mixed-use development, a vital property in the heart of the central business district. Renovation of the basement and first story will produce retail/commercial and dining space, while renovation of the upper story will result in six (6) apartment spaces. It is anticipated that 8 to 10 full time equivalent positions will be created with the project. The Big Stone Gap Redevelopment and Housing Authority signed a purchase agreement for the property on July 15th.

**Staff Comments and Recommendation:** Funds are requested for the renovation of the former Mutual Pharmacy for mixed use development including retail/ commercial and dining space and the creation of 6 apartments to be owned and maintained by the Big Stone Gap Redevelopment and Housing Authority. The Town seeks to capitalize on the use of the property as a movie set during the filming of the recently released "Big Stone Gap" motion picture, and hope that tourists visiting the area as a result of the movie will be drawn to the Mutual Complex for their dining and shopping needs. The downstairs space will be leased to private commercial parties and could result in 8 to 10 full time equivalent jobs with average salaries around \$15,000. A Preliminary Architectural Report, prepared by The Lane Group, shows the total renovation cost to be approximately \$1.2M. Funding for the project is committed from the Big Stone Gap RHA (\$210,000) and the Town (\$65,000) for the purchase of building and two adjacent parking lots. The project has received \$500,000 from ARC and intends to request \$237,275 from the DHCD Industrial Revitalization Fund. The use of the space for retail/commercial and housing uses falls within the TRRC's Low Funding Priorities in the Strategic Plan, and the operating budget projects that a net operating income of \$13,008 will be generated from property leases suggesting that debt financing from other sources is a viable option for this project (although TRRC debt financing for housing and retail is not an appropriate option).

TRRC funding has been more appropriately focused on the Town's new visitor center, which is located adjacent to the Mutual, and will serve as a starting point for visitors to the Town. **Staff recommends no further action on this proposal.**

## **Birthplace of Country Music**

### **Birthplace of Country Music Museum Expansion (3079)**

#### **\$1,000,000 Requested**

**Executive Summary Provided by Applicant:** The Birthplace of Country Music (BCM) is seeking funding for expansion of the Birthplace of Country Music Museum (Museum). BCM opened the Museum in August 2014 and acquired the adjoining building for future growth of the organization. We will relocate all BCM offices from Tennessee to Virginia, relocate special exhibit space that will enable us to increase rentals to outside groups, increase our educational space, archival space and radio station capacity through additional edit rooms and studio space which can also be used as a recording studio.

**Staff Comments and Recommendation:** The Birthplace of Country Music Museum which opened in August, 2014 seeks to expand their operations in to a building located adjacent to the current museum location. This building, which appraised for \$250,000 in 2013 was purchased by the BCMA in May, 2014 using \$300,000 provided by The Master's Table Foundation. Several previous grants totaling \$4,072,943 were awarded to the BCMA between 2004 and 2011 to assist with the planning, design, and construction of the Museum and exhibits. The current project is estimated to have a total cost of \$5,000,000 and will result in the relocation of all BCMA offices from Tennessee to Virginia as well as the relocation of special exhibit space enabling the creation of event space for rentals to outside groups. In addition, educational space and archival space will be increased and the capacity of the radio station will be expanded though additional edit rooms and studio space that will also serve as a recording studio. The application projects the creation of 6 new jobs (from a baseline of 20) related to the relocation of all staff from the current offices in Bristol, TN. It is estimated that 27,000 net new visitors will visit the museum during the first year resulting in \$297,000 of new revenue for the Museum, although how much of that growth can be directly attributed to this expansion is unclear. Additional funding is anticipated to be provided from many of the same sources used to complete the current Museum space. The Cities of Bristol VA and Bristol TN have each contributed \$125,000 for Architectural and Engineering work. Applications for Federal and State Historic Tax Credits have been filed and an application for New Market Tax Credits is intended. Although Staff recognizes the value of the additional space to the BCMA, it is hard to correlate that the proposed increase in visitation will be a direct result of this project and is not due to normal growth in popularity for a museum which has only been open for 1 year. Considering that the majority of matching funds are uncommitted at this time there does not appear to be a immediate need for this Committee to commit 35% of the FY16 budgeted funds. Staff suggests that the applicant continue to pursue the cited funding opportunities while completing A&E activities which will provide needed details concerning the actual cost to renovate the space. **Staff recommends no further action on this proposal.**

**Bristol Historical Association**  
**The Robert Preston House and Surveying Museum (3063)**  
**\$90,909 Requested**

**Executive Summary Provided by Applicant:** Create the Robert Preston House and Surveying Museum as a major tourist venue. House, on the National Register of Historic Places, is a fine example of high style frontier architecture. Surveyor Robert Preston was key in settlement of Southwest Virginia and Westward Expansion. Surveyors, with skills and easy acquisition of land were influential. Prominence of Preston makes the Preston House a key site on Virginia Wilderness Trail and Lewis and Clark Eastern Legacy Trail. Surveying Museum is a showcase for STEM skills and a unique tourist destination along heritage trails. Request is for presentation of House and Surveying Museum with retail opportunities.

**Staff Comments and Recommendation:** The Commission has supported this project with three previous awards totaling \$130,000 to assist with site acquisition and Phase 2 exterior renovation. The \$75,000 Phase 2 grant was awarded in 2012 and is nearly complete. The Bristol Historical Association has been successful in attracting support from new funding sources since the 2012 award and the current request would help complete the work needed to open the house to the public. An application was submitted in FY15 but was declined. Some elements of the project have changed during the past year including a broadened scope with a new identity as a Surveying Museum to offer STEM learning opportunities to local schools. The BHA will collaborate with the Surveying and Mapping Department at ETSU to offer these programs but no evidence was provided that an agreement with the University has been formalized. The surveying focus of the House's programming will honor the role that Robert Preston played as a surveyor during the settlement of the area and during the Westward Expansion. The Preston House is also affiliated with the Virginia Wilderness Trail and the Louis and Clark Eastern Legacy Trail although no formal partnership exists with either organization that would provide the influence and support necessary for the site to be a nationally significant tourism destination. Despite actively pursuing a greater partnership with the Wilderness Road the BHA has not been successful due in large part to the loose organizational structure of the Road. The operating plan appears weak showing a small operating budget and only one part time employee and \$8,000 annual revenue from ticket sales. Staffing for the Museum will be provided mainly through volunteers. The Bristol Historical Association is to be commended for their dedication to this project as well as their success in pursuing funding from multiple sources this project. Matching funds will be provided by a number of private foundations and benefactors. Unfortunately, without strong partnerships with other nationally significant tourism initiatives, this project falls dangerously close to being a local historical restoration project which is a "Low Priority" in the Commission's Strategic Plan. **Staff recommends no further action on this proposal.**

**Bristol, City of**  
**Passenger Rail Expansion to Bristol, Virginia Regional Economic**  
**Development Study (3069)**  
**\$250,000 Requested**

**Executive Summary Provided by Applicant:** The regional economic development study will assist the City in assessing the potential effect, benefits and costs of Amtrak passenger rail expansion to Bristol in support of regional business and tourism development. The study will ascertain the

economic impact to the region, ridership potential, rail improvements and infrastructure needs, traffic mitigation, and include stakeholder input from the State, other localities, Amtrak, and Norfolk Southern. Bristol will hire an economic development and transportation consulting firm to conduct the study which is estimated to cost \$500,000. Bristol is seeking \$250,000 from the Commission to cover half the costs associated with the study.

**Staff Comments and Recommendation:** Funds are requested to cover half of the costs to assess the feasibility of expanding Amtrak passenger rail service to Bristol. The study will update existing data produced for the 2012 Virginia Statewide Rail Plan which included this extension as Phase III of the US 29, US 460, and I-81 Passenger Service project, and a 2009 capacity study for proposed passenger train service from Alexandria to Roanoke and Bristol. Amtrak passenger service to Bristol was identified as an unfunded need in the Virginia Rail Resource Allocation Plan, but is proposed for funding in future years. The proposed study will provide direction for the City as they proceed with planning activities necessary to obtain the service. Already the City of Bristol has entered into a MOU with the Town of Marion and Smyth County to pursue the expansion of passenger rail service as an alliance. The Towns of Wytheville, Pulaski, Abingdon, Christiansburg, Blacksburg, and the City of Radford are expected to join the alliance. While the study itself will not generate any measurable economic impact, and transportation is generally a "Low Priority" per the Commission's strategic plan, there is a reasonable assumption that expanded passenger rail service will have a positive effect on the area's economy by facilitating ease of travel for both business travelers and tourists (e.g. the Bristol rail station, which received a TRRC grant more than a decade ago for renovations, sits just two blocks from the Birthplace of Country Music Museum). The passenger rail network is eventually envisioned to connect to Atlanta, Chicago and other southeastern and midwestern cities, opening the Bristol region to greater visitation by residents of those major metropolitan areas. Supplemental information provided by the applicant noted the project cost estimate and scope of work has been developed with input from Amtrak, Virginia Department of Rail and Public Transportation and Norfolk Southern, and is based on providing the data needed by those partners to move the project forward to construction funding phase as expeditiously as possible. The \$500,000 total project cost outlined in the application includes in-kind contributions from the City (\$28,000) for salary, supplies, travel, etc for senior staff to support work during the study. The City has committed an additional \$30,000 for contracted consultants to coordinate the RFQ/RFP process and to aid study partners in data collection. \$50,000 for the study will be requested from the City and applications will also be filed for USDA Rural Business Development (\$42,000) and ARC (\$100,000) grants. Staff recommends that any award for this project be limited to supporting no more than 50% of contracted expenses not to exceed \$250,000. **Staff recommends award of \$250,000 contingent on providing no more than 50% of contracted consulting services required to complete the proposed scope of work.**

## **Carroll, Grayson, Galax Regional Industrial Facility The Wired Road Connector Project (3067) \$300,000 Requested**

**Executive Summary Provided by Applicant:** The Carroll-Grayson-Galax Regional Telecommunications Network (The Wired Road) will provide world-class telecommunications services via fiber to the premises in key economic centers in Carroll and Grayson counties and the city of Galax. Much of this network has been completed to date through other projects funded by the Tobacco Commission, DHCD, and other funding sources (see attached map). This phase of the

regional project will consist of 4.25 miles of new fiber connecting the existing Galax fiber infrastructure with the existing Carroll county fiber infrastructure. This gap in the fiber backbone is the primary piece of the regional network.

**Staff Comments and Recommendation:** Supplemental information provided by the applicant indicates this proposed build (4.25 miles of 144 strand fiber, including engineering, ROW and permitting) would make service available to 95 residences along Airport Rd, and to 38 commercial/industrial/institutional businesses adjacent to the I-77 interchange at Exit 14 (including the Carroll County Industrial Park). The residences currently rely on dial-up, DSL and satellite, while the businesses are largely served, but would have an additional reliable service option. The applicant has estimated 30 businesses/institutions will sign up for service, but did not estimate the residential take rate. One of the significant benefits of the project will be the ability to interconnect with the Hillsville/Carroll County network that currently relies on wireless backhaul (which has been problematic) and provide a wired backhaul solution. That will reportedly enable greater usage of the network in terms of more subscribers using more bandwidth. As a publicly-owned revenue-generating system, the project aligns well with Commission objectives of providing greater connectivity to employers and residents, and appears to be a good candidate for credit analysis and a potential TRRC loan to accomplish this construction. **Staff recommends this project be sent to Virginia Resources Authority for credit analysis prior to a future TRRC decision on providing a loan or loan/grant package.**

## **The Edith Bolling Wilson Birthplace Foundation Feasibility Study for Possible Organizational Consolidation of Wytheville's Historic Sites (3073) \$17,000 Requested**

**Executive Summary Provided by Applicant:** The purpose of this grant is to support a planning and feasibility study determining the advantages of the operational and programmatic consolidation of historical and cultural assets located in Wytheville, Virginia. In its most recent comprehensive plan, Wytheville concluded that historic preservation remains a high priority because its significant historic assets constitute a legitimate tourist attraction. This study will investigate how consolidation could strengthen the capacity and capabilities of the combined group's mission; manage the assets in a way that they would work more effectively with government, public and private support, and potentially lessen public funding requirements in the future.

**Staff Comments and Recommendation:** This request from a Wytheville-based non-profit seeks funding to conduct a feasibility study considering the consolidation of the operating and programmatic functions of the eight historic sites located within the Town. Currently five of the eight sites are managed by the Town while the remaining three are managed by separate 501(C)3 organizations, including the applicant. The applicant suggests that this consolidation will result in greater operational and programmatic efficiencies for the sites as they are able to combine resources. While the Town did submit a letter of support committing \$5,000 to the project, it seems a feasibility study of this nature should be led by the Town in conjunction with all partner organizations, rather than by a single non-profit. No firm has been selected and the total project cost is based on an estimate of the applicant. The budget shows Commission funds paying 53% (\$17,000) of the cost of the study. Matching funds are proposed from the Town of Wytheville (\$5,000 committed) and the Wythe-Bland Foundation (\$10,000 application intended). The applicant

has committed \$6,000 of in-kind support to administer the grant award and proposed study. The application references a strategic planning process that is currently being conducted to assess regional historic and cultural assets, funded by Virginia Tourism Corp TIGER grant, and it seems logical that process should be completed prior to studying mergers of individual sites. **Staff recommends no further action on this proposal.**

## **Lincoln Memorial University Small Animal Clinical Skills Center of the LMU-CVM, Lee County (3072) \$5,269,769 Requested**

**Executive Summary Provided by Applicant:** Lincoln Memorial University-College of Veterinary Medicine, the 30th veterinary school in the USA, will establish the Small Animal Clinical Skills Center in Lee County, which will exert a positive economic impact in the area through construction, employment, events, and ongoing operations. This regional center of excellence will impart the Doctor of Veterinary Medicine degree, and offer another avenue for the people of Southwest and Southside Virginia to gain admission to veterinary school. Fully operational, over 400 students will learn daily on the campus. Furthermore, it will serve as a platform to build animal agricultural capacity in the region.

**Staff Comments and Recommendation:** The Commission previously supported this project with a \$3 million award in January, 2015. The Large Animal Center received \$1,144,421 in TRRC grants during its construction period. The current request was originally submitted out of cycle in June, 2015 and the applicant was asked to provide an updated application once the new online application was available in July. This request for \$5,269,769, if fully funded, would bring the total TRRC commitment for this project to \$8,269,769. Communication from LMU received during Staff's review of the application says that \$8,159,891.47 has been spent or encumbered to date. The facility opened for students in August and it is not clear what activities remain that could take place after the Commission meeting later this month. The Commission's General Funding Policies prohibit the reimbursement of expenses for activities that take place prior to the award date. The most recent budget shows matching funds as \$1,317,442 in-kind donation of land. The full value of this donation is shown elsewhere in the application as match for the Large Animal project. \$1.5 million ARC (\$500,000 already received), and \$2,690,716 for Site Work/ Construction Expenses were also listed as match in this budget which totals \$9,277,927.25 but does include the \$3 million award from January. The previous version of the budget that was submitted in July shows the total cost for the Small Animal project to be \$9,414,190 with the Commission contributing \$8,269,769 of this amount. While the information for matching funds vary between budgets it appears that the Commission is being asked to fund a total of \$8,269,769 which is close to 100% of the cost for the Small Animal facility. Although this is important to note, it should also be noted that TRRC contributed a relatively small portion of the cost to construct the Large Animal project which had a total project cost of approximately \$10.7 million. Although there is little doubt that this is a transformational project that will have a significant impact on Lee County and the region, the project is substantially complete and reimbursement of these expenses would violate the Commission's General Funding Policies regarding use of funds on project expenses incurred prior to the date of Commission approval. Additionally this project has requested more than twice the SWED Committee's FY16 available balance, and is not responsive to the call for proposals that was published by Staff and stated that "Requests which exceed the Program's available balance will not receive a staff recommendation." **Staff recommends no further action on this proposal.**

**Raven Theater And Coal Museum, Inc.**  
**Raven Theater & Coal Museum (3077)**  
**\$250,000 Requested**

**Executive Summary Provided by Applicant:** This grant application is to show the feasibility and soundness of using grant funding in the amount of \$250,000 to allow the Raven Theater & Coal Museum, Inc., a registered 501(c) 3 non-profit organization, to complete the renovation and restoration of the Raven Theater building (and other adjacent sites) located in the Raven community of Tazewell County. In addition, once completed, this project has the capability to generate sufficient revenues to allow the Raven Theater & Coal Museum, Inc. to be a self-sustained operation, providing much needed economic development and creating a number of jobs for the area.

**Staff Comments and Recommendation:** This is the second request from this 501C3 nonprofit for this project in western Tazewell County (a request last year was passed by in Committee). The property was donated to the nonprofit and some site cleanup and repairs have been completed using volunteer labor and donations. To date the applicant has invested \$167,800 to partially renovate the building including the installation of a new floor in the theater and ice cream parlor, installation of a new roof for the ice cream parlor, new floor trusses for the second floor, 200 theater seats have been purchased, all windows have been replaced, installation of new wiring and three-phase power, and a new awning and refurbished marquee have been installed. TRRC funds would be used to complete the renovation through the construction of new walls in the theater and ice cream parlor (including framing, electrical, insulation and plumbing), the purchase and installation of tile for all floors, the purchase and installation of HVAC, an enlarged stage area and new exits, the construction of new ADA restrooms, and the purchase of furniture and equipment for the ice cream parlor. The applicant does not indicate that other potential funders have been approached, including USDA or DHCD/ARC. While the business plan shows that the revenue generated will produce the ability to take on some debt it does not appear that any lenders have been considered. The application lists 10 new jobs with an anticipated rate of \$8.50 per hour and projects 9,000 visitors annually generating \$45,000 of revenue. No additional funds are shown to be used during the current project period meaning that this application does not meet the 1:1 match requirement. While the applicants states its intent to seek Affiliate status on The Crooked Road, 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 the applicant is to be commended for their efforts which have brought the project to this point it appears to be principally a community development project that is better suited for other funding agency programs and not an economic development project that is aligned to TRRC objectives. **The project failed to meet the Commission's 1:1 match requirement and is ineligible for consideration. Staff recommends no further action on this proposal.**

**Round the Mountain: Southwest Virginia's Artisan Network**  
**'Round the (Next) Mountain: New Markets Development Project (3068)**  
**\$25,000 Requested**

**Executive Summary Provided by Applicant:** 'Round the (Next) Mountain: New Markets Development Project will identify new paths to market for Southwest Virginia artisan businesses, helping artisans, craft venues, agritourism businesses and partners to sell more goods, increase profit

and collectively strengthen the brand of Southwest Virginia craft and foods. Building upon successful development of the Artisan Trails of Southwest Virginia system and the sales of more than \$897,000 in craft from the Heartwood shelves since 2011, this strategic effort will move area artisans into their next phase of business growth, expanding the industry and its impact for local communities.

**Staff Comments and Recommendation:** Previous grants to establish operations of the regional non-profit total approximately \$338,242. This latest request seeks to expand market opportunities and increase participation between the communities of the 19 county region with artisan members. Funds will be used to hire consultants focused on identifying the strategies for entering national wholesale markets for home furnishings and crafts as new distribution and sales outlets for RTM artisans. Artisan Trails 2.0 of Southwest Virginia will pilot a trail impact study to increase the relationships and economic impacts between communities and their artisans. Search Engine Optimization (SEO) will increase artisan's presence through Google and other search engines. Outcomes are estimated at 20 new jobs (artisans) after the first year, resulting in \$12,000 of increased revenue. Of the 19 counties that participate in RTM, two are not located within the TRRC region (Montgomery and Pulaski) and this is reflected in the project's budget. Of the total project cost of \$52,370, approximately 48% (\$25,000) is requested from the Commission with 52% to be covered from matching funds. A challenge grant of \$25,000 has been provided from DHCD (reflecting a 50/50 split of expenses with TRRC) and \$2,370 of private funds will be raised to cover costs not covered by the other grants. Although the DHCD challenge grant proposes a straight 50/50 split of expenses it may be necessary to modify this in order to ensure that Commission funds are only being used at a proportion justifiable to the 17 tobacco region counties. This is a minor issue and has been easily accommodated during the administration of past grants. This new focus for accessing national markets has the potential to attract significant new revenues to the regional artisans from buyers outside the tobacco region, and as such, aligns well with Commission objectives. **Staff recommends an award of \$25,000.**

## **Scott County Economic Development Authority Technology Park Access Improvements Primary Data Center Site (3075) \$146,500 Requested**

**Executive Summary Provided by Applicant:** Technology Trail Lane is a VDOT maintained road into the Scott County Regional Business and Technology Park in Duffield, VA, and the proposed road upgrade would connect to the current cul de sac at the Crooked Road Tech Center and end with a new cul-de-sac which would enhance the appeal of the sites and the park as a whole. There currently is only a gravel road to the primary data site, and with inclement weather conditions, it can sometimes be difficult to access. This will also show uniformity with the remainder of the park.

**Staff Comments and Recommendation:** Funds are requested to expand Technology Trail Lane from where it currently ends at the Crooked Road Tech Center to offer better access to the primary data center site in the Scott County Regional Business and Technology Park in Duffield. Currently a gravel road, which can be difficult to access in inclement weather conditions, is available. Expanding the VDOT maintained road will assist in marketing the data center site and will result in a 25% increase in prospect visits. An estimated 300 jobs paying an average of \$31.35 per hour could be supported at this location. Matching funds, though not yet committed, will be requested from the Scott County EDA (\$8,728) and from the Tennessee Valley Authority (\$166,867). **Staff**

recommends an award of \$146,000 to support no more than 50% of the total road construction costs.

### **Scott County Telephone Cooperative FTTP Broadband Initiative-Dickenson and Wise Counties (3062) \$864,842 Requested**

**Executive Summary Provided by Applicant:** Scott County Telephone Cooperative (SCTC) is proposing to build a Fiber-to-the-Premise (FTTP) Network that will pass 620(+) locations in Dickenson and Wise Counties in Virginia. SCTC will build approximately 54 miles of backbone fiber and 47 miles of distribution fiber in this network. This FTTP Project will be capable of 1 gig of bandwidth to each location served. The requested grant amount is \$864,842.00.

**Staff Comments and Recommendation:** USDA's Rural Utility Service announced a \$2.1M grant for this project on July 24th to build 54 miles of mainline fiber and 47 miles of distribution fiber. It does not appear that the federal grant requires matching funds, but these requested funds would allow SCTC to serve more premises. SCTC's application estimates a 50% take rate for the premises served, which would translate to 310 residences and 4 businesses taking service. There are 3 anchor institutions in the project area, of which 1 is expected to take service. The project aligns well with Commission objectives of providing broadband connectivity to unserved and underserved customers, although it primarily serves residential users and has little direct benefit for businesses and educational premises. It is well-matched with 75% of project costs coming from the federal grant and SCTC funds, but also seeks 30% of the funds available in this current application cycle. As a subscriber-owned cooperative implementing a revenue-generating project (e.g. 310 homes at the proposed subscriber rate of \$60/month is \$223k of revenue per year, not including VoIP product at \$45), this project appears to a candidate for credit analysis by Virginia Resources Authority prior to a future TRRC funding decision regarding a loan or loan/grant package. **Staff recommends this proposal be sent to Virginia Resources Authority for credit analysis prior to a future decision regarding a potential TRRC loan or loan/grant package.**

### **Smyth County Board of Supervisors Smyth County's Back of the Dragon Overlook (3078) \$184,000 Requested**

**Executive Summary Provided by Applicant:** The purpose of the Back of the Dragon Overlook is to attract additional tourists to Smyth County to support the local economy. Every year, over 15,000 motorcyclists and car enthusiasts visit the Back of the Dragon. The plan is to double that number in five years. Many of them stay at local hotels and B&Bs between two and five nights during their visit. Additionally, they dine at local restaurants and shop at local shops. This has a great impact on the local economy, and in Marion alone, the town has seen a 14.3% increase in their meals/lodging tax revenue.

**Staff Comments and Recommendation:** Commission funds are requested to cover 20% of the cost of engineering, permitting, design and construction of the Back of the Dragon Overlook in Smyth County. The Back of the Dragon is a popular route for motorcyclists and car enthusiasts with

an estimated 15,000 visitors annually. Despite this popularity it is very difficult to quantify what effect, if any, the proposed overlook would have to the local economy in and around the County. There were no estimated direct jobs created or any estimated direct revenue projected in the application as a result of the construction of the overlook. It appears to be an enhancement to the Back of the Dragon route with little evidence to support that additional visitation would occur due to its creation. The remaining 80% of of project costs will be sought through an application to VDOT though a timeline for submitting this application was not provided. **Due to the lack of direct economic impact as a result of this project Staff recommends no further action on this proposal.**

## **Smyth-Washington Regional Industrial Facilities Authority (SWIFA) Mid Mountain Water System Improvements (3066) \$500,000 Requested**

**Executive Summary Provided by Applicant:** The Two Phase Project will include construction of improvements which would result in a significant increase in the amount of water (100,000 gallons per day) that can be transferred from the Washington County Service Authority (WCSA) 12 MGD Water Treatment Plant to the Highlands Business Park owned by the Smyth Washington Industrial Facilities Authority (SWIFA). Phase 1 would include construction of over 8,000 linear feet of waterline and improvements for two pump stations.

**Staff Comments and Recommendation:** An application was submitted for this project in FY15 but was declined. Like the previous application the current application seeks funding for water system improvements that will serve the Highlands Business Park. Additional information provided in a 2011 PER notes that the improvements will also serve the Exit 22 Industrial Park, The Smyth County Mega Site, and thousands of residential, commercial, and industrial users in Washington and Smyth Counties. The request is part of a two phase project totaling \$2,398,520. Phase 1 of the improvements include the construction of over 8,000 linear feet of new waterline and appurtenances using \$1,187,155 of a \$10 million USDA RD loan. This loan is restricted for use to replace aging galvanized waterline and (reportedly) cannot be used for pump stations, tanks, etc. Commission funds will be used for Phase 2 improvements to the Lee Highway and Wise Pump Stations. The total cost for these improvements is \$1 million (\$892,500 construction cost and \$107,500 related expenses). The applicant plans to submit an application to ARC for 50% of this cost which will serve as the direct match to the TRRC request. The application notes that daily capacity of 100,000 gallons will be reserved for the Highlands Business Park and that the current daily capacity of 15,000 is not adequate to serve the needs of potential industries. The applicant cites the recent location of Qore Systems to the park and notes that the product produced by this industry is 98% water although it is unclear how much of the current capacity will be used. Information on the Highlands Park website ([www.highlandspark.com](http://www.highlandspark.com)) shows that the site is served with a 12" water line providing 1,500 gallons per minute at 80 psi. The total system capacity is shown to be 2.5 million gallons a day. Based on this information it is difficult to determine if the improvements to the pumps stations are necessary to serve the park or if the request amount aligns with the industrial usage of the system. The Commission's General Funding Policies require applicants for off-site utility infrastructure improvements to demonstrate that financing is not available from non-TRRC sources at the time of application. While the pump station improvements are not eligible under the terms of the USDA RD loan that is funding Phase 1 there is no mention that other potential lenders have been approached. This project may therefore be a potential candidate for the proposed VRA loan fund.

**Staff recommends the proposal be forwarded to Virginia Resources Authority for a credit analysis prior to a future decision on a TRRC loan or loan/grant package.**

**Southwest Regional Recreation Authority  
Adventure Playground of the East: Maintaining Successful Startup  
Momentum (3065)  
\$550,000 Requested**

**Executive Summary Provided by Applicant:** Investment from the Tobacco Commission has helped make Spearhead Trails one of the most successful startup initiatives in the region. In less than two years, our trail systems have created an infrastructure responsible for developing or expanding more than 20 new businesses, dozens of jobs, and over \$2 million of private investment. To maintain this initial success, we need more trail miles (product) to create a viable, self-sustaining destination. We have construction funding, but our short-term challenge is a need for resources and equipment to maintain the trails we have, while continuing our build-out to increase revenues and achieve sustainability.

**Staff Comments and Recommendation:** Since 2008 the Commission has provided \$1,541,609 for start up personnel and operating support to establish the Spearhead Trail System which has become a signature tourism initiative in Southwest Virginia. A total of three OHV trail systems have been opened since 2013. Mountain View, near the Town of St. Paul opened in June, 2013 and has resulted in significant economic impact for the Town as evidenced by a variety of factors including an increase in meals tax of \$20,000 in one fiscal year. Additionally over 5,000 rider permits have been sold and the Town of St. Paul and Wise County have reported that at least 10 businesses have been created or expanded as a result of the system. Reports show \$1.5 million of new private capital investment has been generated. Over \$500,000 of private capital investment has been documented in and around the Town of Pocahontas in Tazewell County since that system, The Original Pocahontas, opened in October, 2014. The third system, Coal Canyon, in Buchanan County opened in May, 2015. SRRA estimates that over 70 miles of additional trails will be opened by the end of 2015. The Stone Mountain trail in Lee County will soon be complete and the first equestrian-only trail in Scott County will also open this year. A 15 mile expansion of the Pocahontas trail, an additional 20 miles on Coal Canyon, a connection from St. Paul to Coeburn and possibly Dante, and new connectors from Coal Canyon into Grundy and Vansant are also planned. Despite several years of assistance for this project it is still considered to be in the multi-year "start up phase" which will likely continue as trail systems continue to be added. It's projected that the system needs a minimum of 400 miles to become sustainable. With the number of trail systems expected to open during the next year and beyond it is necessary for SRRA to increase their operational capacity to serve the needs of those systems that stretch from Lee County to Tazewell County, and manage the development of future trails. The FY16 request seeks funding for two new positions (Assistant Field Operations, and a part time Project Manager) for three years as well as 50% of existing staff salaries. Some of the existing staff are currently supported under previous TRRC grants but there does not appear to be any overlap between associated timeframes for using the funds. Nearly \$400,000 of the total request is projected to be used in year one of this three year project. Support for years two and three is limited to funding for the two new positions and a small amount each year (\$5,000) for fuel for vehicles. Additional equipment has also been requested. Grant funds will be used to purchase 2 additional OHVs, 2 permit vending machines, a bulldozer, excavator, and a vehicle for the field operations position. Funds are also requested for an economic impact study to measure the regional

effect of the system. Projected outcomes are listed as 5 new jobs with average salaries for \$35,000 and an additional \$180,000 of ticket sales from a baseline of \$20,000. Matching funds are listed from a variety of sources including ongoing VCEDA support for trail construction, allocated and expected funding from the Commonwealth, and support from the participating localities. Spearhead continues to be funded by localities (\$200k local investment in FY15) and now claims 30 private business partners serving as permit vendors. As the system continues to grow and approach self-sufficiency, success is accruing in terms of private business investment, ongoing local government support, and national media attention that all translate into increased visitation and economic activity across the region from trailriders. **Staff recommends an award of \$450,000 reflecting the exclusion of the year three salaries and the economic impact study.**

### **St. Paul, Town of Willis Building Revitalization (3076) \$540,000 Requested**

**Executive Summary Provided by Applicant:** The Willis Building revitalization will turn a vacant and dilapidated building in the heart of downtown St. Paul into an economically viable and sustainable project using a combination of mixed commercial uses. It will be anchored by a 33 room boutique hotel, retail spaces, and a restaurant. The design concept maximizes the available 23,790 SF of the building to produce the best “economic” model for the property. It includes a restaurant/dining room, outdoor dining venues, a rooftop deck and bar, 5 retail spaces and onsite parking. The project is a partnership between St. Paul and CBH St. Paul, LLC.

**Staff Comments and Recommendation:** Grant funds are requested to assist with the purchase of basic features, furnishings, and equipment for the Willis Building, located in downtown St. Paul Virginia. The project is a partnership between the Town and its private partner, CBH St. Paul, LLC and will result in the renovation of the 23,790 SF building for mixed commercial uses including a 33 room boutique hotel, 5 retail spaces, a restaurant/dining room, outdoor dining space, and a rooftop deck and bar. Additional funding for the project has been provided through grants from ARC (\$500,000) and the Industrial Revitalization Fund (\$600,000) and VCEDA has approved a \$1 million in loan funds. The Town of St. Paul will provide \$100,000 for site, drainage, and parking lot improvements. CBH St. Paul, LLC will apply for state and federal historic tax credits (\$1.6M) and contribute \$410,000 as investment into the project. The developer plans to secure \$1,388,400 from a private lender to finance construction and start up costs. With the success of the Mountain View ATV Trail project in addition to the housing needs for long-term temporary workers at the Virginia City Power Plant there appears to be unmet demand for additional accommodations in the Town. This need however, is likely to be seasonable and the developer acknowledges that the hotel market is largely unknown. Fifteen full time and 23 part time new jobs are predicted for the hotel in addition to jobs created by the retail tenants. While hotels by definition attract visitor spending to the region, which aligns with Commission objectives, the retail components of the space fall within the TRRC's list of "Low Funding Priorities" per the current Strategic Plan. Similar hotel projects in Bristol have been funded through the TROF program, and the project could potentially be eligible for VRA financing. This project is supported by several funding partners as part of the region's initiative to attract outdoor recreation and cultural heritage tourism. **Staff recommends the project be forwarded to Virginia Resources Authority for credit analysis prior to a future TRRC decision regarding loan or loan/grant assistance.**

## Virginia's Heritage Music Trail: The Crooked Road The Crooked Road - Reaching New Audiences (3070) \$443,333 Requested

**Executive Summary Provided by Applicant:** The Crooked Road is one of Southwest Virginia's most recognized brands. Reaching New Audiences seeks to build on that brand and increase the knowledge of, and interest in, The Crooked Road both inside and outside the region. The purpose of seeking greater recognition is to continue increasing visitation to the region, and to increase the quality of life that employers view as important to the long term viability of their businesses. The requested funding is intended to help build and solidify the Mountains of Music Homecoming (MoMH) event as well as support other critical Crooked Road marketing initiatives.

**Staff Comments and Recommendation:** Previous Commission support to The Crooked Road totals approximately \$1.4M. This request seeks support to continue The Crooked Road Music Festival for its second and third year. A portion of a FY14 award (\$208,000 total award) was used to support the first year of the festival which was held June 12-20, 2015. This event offered nightly events across the entire footprint of The Crooked Road and cross-promoted other cultural tourism sites and events in participating communities. While participation varied from event to event, the festival received significant regional, statewide and national media attention, and the applicant believes that the knowledge gained during the first year is essential to the future success during years two and three. TCR believes that continued support for years 2 and 3 will help to solidify the event and will use requested funding for marketing consulting services, marketing, and project coordination. A phone app will be development to help visitors and the event website will be updated to include lodging opportunities and other information. While some TRRC funds will be used for the 2017 festival the majority are focused on expenses leading up to the 2016 festival. Funds are also requested for street pole banners for participating localities and nine hand made fiddles to be used as a traveling display during the weeks leading up to the event then auctioned to support the nine major venues they will commemorate. Additionally grant funds will be used for the production of a compilation CD using recordings from the 2015 festival. CD's will also be produced for the 2016 and 2017 festivals. Activities not directly related to the festival including metal community signage and a print calendar which will serve as a source of revenue, major venue marketing assistance, and marketing assistance for TCR Youth Music Festival are also included in the request's budget. \$762,183 of matching funds are listed including funds from Virginia Tourism, National Endowment for the Arts, ARC, and private and local sources, although the majority are not yet committed at this time. No baseline figures were provided for the 2015 festival however the application estimates an increase of 10,000 new visitors as a result of this grant. The applicant submitted a revised budget that removes aspects of the original request that seemed less critical and impactful, and therefore of lesser interest to Commission staff (Youth Festival, fiddle exhibit, streetpole banners). **Staff recommends award of \$397,083, based on the revised budget which focuses primarily on the MoMH festival and the removal of expenses related to the fiddle exhibit, youth festival marketing and pole banners.**

**Wythe County**  
**Appalachian Regional Exposition Center (AREC) (3064)**  
**\$3,000,000 Requested**

**Executive Summary Provided by Applicant:** Situated in the heart of Southwest Virginia, the Appalachian Regional Exposition Center (AREC) will serve as the Commonwealth's premier civic center for localities west of Roanoke, providing +3,000 permanent seats and an additional 2,000 portable chairs for concerts and other entertainment events. In addition to a 200' x 300' arena, which will be used for a myriad of activities, including livestock shows, rodeos, indoor soccer, travel shows, motocross, concerts and dozens of other events, AREC will also include six outdoor soccer and youth football fields, a walking track, an outdoor horse ring, as well as classroom and training facilities.

**Staff Comments and Recommendation:** Several previous applications have been submitted in recent years for this project including an application in FY15 that was tabled. Since that application a new site has been identified, the third in the project's history, at exit 77 on I-81. The AREC will provide a venue for a variety of activities, including livestock shows, rodeos, indoor soccer, travel shows, motocross, concerts and dozens of other events. AREC will also include six outdoor soccer and youth football fields, a walking track, an outdoor horse ring, as well as classroom and training facilities. Many of the proposed uses can be characterized as "Low Priorities" under the Commission's Strategic Plan. Phase I will include the construction of the 3,000 seat arena, show grounds, outdoor soccer fields, and parking/support facilities. Matching funds are shown from Wythe County which has an option to purchase the selected site for a price of \$1.3 million. The application also lists \$1.7 million in infrastructure improvements provided to the site by the County. Communication with the applicant revealed that this work was done over the past 10 years to serve other commercial operations located at this Interstate exit. The timing of the work excludes its eligibility as match for a project that only selected the current site in recent months. The AREC has pledged \$513,250 to support the venue's first year of operations. Funding from the Wythe Bland Foundation (\$800,000) will be sought to build the outdoor soccer fields which will also serve as outdoor parking. \$300,000 of this amount may be used to fund A/E for the project. Given that no other funds are shown for the construction of the AREC and the timing and use of the project's matching funds makes them ineligible for consideration, it appears likely the Commission's 1:1 match requirement has not been met. Previous applications have shown potential funding from USDA but the current version does not list that source despite the project's apparent ability to incur some debt based on the information provided in the operating plan. The FY15 application did not show USDA funding but did list contributions from both the Virginia and Wythe County Farm Bureaus and these are also no longer shown to be available for the project. Staff has also suggested that an ARC application be considered but there is no evidence that a request has been or will be submitted. A construction budget was provided by the Wythe County Grants Coordinator but there is no justification for how those figures were determined. The timeline shows that a PER will be completed during Spring, 2016 presumably using funds from the Wythe-Bland Foundation. Once this information is available a more precise cost estimate will be available. The estimated cost to construct the AREC per the Grant Coordinator's information is \$2,951,580 which would almost certainly be funded exclusively with the TRRC funds requested in this application. This project's request for \$3 million exceeds the Committee's FY16 available balance. The applicant was advised of the published policy that applications exceeding the available balance will not receive a staff recommendation. Despite the AERC encountering the same problem with its FY15 application, resulting in a revision for a reduced amount of \$1 million, the applicant chose not to revise the FY16

request amount. For this reason, as well as the apparent failure to meet the 1:1 match requirement, **Staff recommends no further action on this proposal.**

## Other Business

### **Scott County EDA**

#### ***Secure Mountain/Sunbright Underground Technology Park (#2756)*** **\$1,810,000 requested (see staff comments re: previous partial award)**

**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:** This application was submitted to the FY14 Special Projects program and transferred to the SWED Committee. It was tabled in September 2013, and in January, 2014 received an award of \$300,000 from the SWED Committee to be combined with a \$160,000 TROF award. The balance of the request remained tabled for consideration in FY15. This project also benefited from a TICRC 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. TICRC 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. Matching funds are shown as \$3.7 million already expended by the owners to acquire, clean up and prepare the site. However, the proposal again seeks a majority of the current SWED budget to benefit private property owners, and any additional funding consideration should include additional performance measures – over and above the current TROF commitments - built into the grant

conditions. This project has already been served by the TROF program which is the Commission's appropriate avenue to assist privately owned projects. Alternatively, Staff has discussed the potential for awarding additional funds so that the County EDA can purchase developable surface acreage on the site from the private owners, to be marketed as publicly-controlled industrial site(s). However, at this time, the cost of the surface acreage and potential industrial uses by the EDA are not clearly known. **This proposal remains on the Committee's table.**

**The following grants have surpassed their original three year project period and previous time extensions, and require Committee action for further extensions:**

Grant #	Award Date	Current End Date	Organization	Project Title	Net Award	Avail Balance	Last Payment Date	Staff Recommendation
1642	7/31/08	5/31/15	Scott County Economic Development Authority	Daniel Boone Interpretive Center Exhibits	\$70,000	\$51,179	1/20/15	Extension thru May 31, 2016
2110	10/29/10	6/30/15	Honaker, Town of	Honaker Heritage Center Renovation Project	\$255,000	\$226,270	7/10/15	Extension thru January 31, 2016
2112	1/12/11	5/31/15	Nickelsville, Town of	Nickelsville Community Multi-Use Medical Facility	\$250,000	\$15,361	6/23/14	Extension thru January 31, 2016
2355	9/29/11	9/28/14	Scott County Telephone Cooperative	Sandy Ridge Regional Tobacco Commission FTTP Project	\$1,000,000	\$238,904	6/4/15	Extension thru January 31, 2016
2375	9/29/11	9/29/14	Settlers Museum Foundation	Settlers Museum of Southwest Virginia Enhancement Project -- Phase II	\$70,000	\$40,507	7/22/15	Extension thru January 31, 2016
2391	9/29/11	9/28/14	Bristol Virginia Utilities Authority	BVU Southwest Virginia Last Mile Fiber Expansion Project	\$1,800,000	\$10,470	12/16/14	No further extension
2440	9/29/11	9/28/14	Scott County Economic Development Authority	Buildout at Crooked Road Tech Center for Prospect	\$108,000	\$108,000	none	No further extension