

FY13 Special Projects - Megasite

Summaries & Staff Recommendations – December 2012

The Commission received four proposals by the October 31st deadline for the third of four annual rounds of the \$100 million Megasite program. The Commission budgeted \$21,870,526 for the FY13 Megasite program, and previously awarded a \$6 million grant to the Blue Ridge Crossroads Economic Development Authority for Wildwood Commerce Park, leaving an available balance of \$15,870,526 for these current proposals that are requesting \$19.8 million.

Req #	Organization Name	Project Title	Request Amount	Staff recommendation
2641	Danville-Pittsylvania Regional Industrial Facility Authority	Berry Hill Mega Park - Phase I Sanitary Sewer	\$4,908,240	Table
2642	Greensville County	Mid-Atlantic Advanced Manufacturing Center	\$6,108,000	\$6,108,000
2643	Smyth County Industrial Development Authority	Smyth County Megasite Project - Phase 3	\$2,351,000	\$626,000
2644	Sussex County	Route 626 (Beef Steak Road) Mega Site Project	\$6,415,000	\$3,940,200

Total (4 requests)	\$19,782,240	\$10,674,200
Balance available before/after recommendations	\$15,870,526	\$5,196,326

Danville-Pittsylvania Regional Industrial Facility Authority
Berry Hill Mega Park - Phase I Sanitary Sewer (#2641)
\$4,908,240 requested

Project description provided by applicant: The Tobacco Commission has recognized the need for regional industrial megasites that can accommodate large scale economic development projects to create a large number of jobs and bring significant private capital investment to the tobacco region. Projects of this type would typically need pad sites of at least 200 acres. The problem facing our area is a lack of large industrial sites that have the necessary infrastructure in place. In order to be marketable and certified, megasites must have large sites with full industrial infrastructure available. This project addresses that problem and need. This proposed project will bring the first phase of industrial sanitary sewer service to the Berry Hill Mega Park site. The most cost effective approach to providing sanitary sewer service to the Mega Park is to connect with the existing sewer system in the Town of Eden, North Carolina. The Town of Eden, with funding from the North Carolina Tobacco Commission, has nearly completed construction of the system on the NC side of the state line. This project will extend the forcemain system from the state line to the megapark and will include gravity sewer and a pump station.

There is currently limited availability of high capacity industrial sewer service in the County and no large scale sites available in either the County or the City. The master plan for this project determined that at full development there is the potential for the overall mega park to employ 11,446 people. With the completion of this Phase I Sanitary Sewer project, as well as the previously funded grading project, the Regional Authority will be able to market a 230 acre pad site with both public water and sewer available on-site, reasonably creating thousands of new jobs for the area.

Staff comments and recommendation: TICR grants to date for the Berry Hill site include \$8.9 million to the RIFA from the first two rounds of the Megasite program, as well as \$20 million to RIFA and the two localities from the Southside Economic Development program. Site certification by McCallum-Sweeney is still ongoing for this, the largest megasite in Virginia (3,500 acres). Staff has requested information on the ability of the RIFA and the two partner localities to use debt financing to construct these requested sewer improvements, per Commission policy. In order to allow adequate time to obtain an independent assessment **Staff recommends this request be tabled.**

Greensville County

Mid-Atlantic Advanced Manufacturing Center (#2642)

\$6,108,000 requested

Project description provided by applicant: Employment in the TransTech region is heavily dependent on now-tech manufacturing, the most struggling sector of the U.S. economy. As a result, our area is in a vulnerable economic position. With the recent closing of Georgia Pacific in Skippers and the Foundry in the City of Emporia and state correctional facilities in both Southampton and Brunswick County over the last several years the region has lost over 1,000 direct jobs. The Mid-Atlantic Advanced Manufacturing Center was selected and certified by McCallum Sweeney Consulting as the single best location for a mega-site in Virginia along the CSX main line rail. Since the certification the site has been visited by several international clients such as Toyota, Volkswagen, Rolls Royce, Caterpillar, and most recently a confidential client from the Ukraine known as Project Ogun. This interest has revealed the MAMaC site is an extremely viable site to develop the next transformational project in southern Virginia. The RIFA is being pro-active in building a site that a client can move on quickly. The project will sparkplug local economic development and transform the region by creating a site for a manufacturer to locate bringing an investment approaching one billion dollars and job opportunities in the thousands. A study performed by Chmura Economics and Analytics indicated an OEM would generate up to \$3.7 billion total impact, 1,433 temporary jobs during construction and \$3,297 permanent jobs. An advanced manufacturer could generate up to \$2.8 billion impact, 1,191 temporary jobs and 2,487 permanent jobs. Taxes paid to state and local agencies by a new plant and suppliers would possibly amount to \$460 million over 20 years.

Staff comments and recommendation: Previous TICR awards for MAMaC, the only CSX-certified megasite in Virginia, total \$12.3 million for land acquisition from the first two Megasite rounds, as well as \$521,346 from Southside Economic Development and Special Projects. The majority of proposed match is \$508,000 of VDOT Economic Development Access funds for road design engineering which were approved by Commonwealth Transportation Board on December 5th. A local commitment of \$116,000 for clearing/mulching a portion of the site has also been made by the County. This request will complete the third and final anticipated phase of land acquisition, adding 521 acres to the site, which will then total approximately 1,500 acres fronting on Interstate 95 adjacent to Exit 17. As stated above, the site is currently a finalist for a mega-project. **Staff recommends award of \$6,108,000.**

Smyth County Industrial Development Authority
Smyth County Megasite Project - Phase 3 (#2643)
\$2,351,000 requested

Project description provided by applicant: To address Smyth County's historically high unemployment problem (8.5% and 1,260 person unemployed), the County is actively pursuing new business locations, but is limited in available industrial sites. The decision was made last year to undertake the redevelopment of the existing rail-served Epoch site in Chilhowie. Although the site offers flat terrain, full utilities, and visibility from I-81, it suffers from the lack of adequate vehicular access with only one entrance to Highway 11. Most mega projects require sites with two separate points for truck and employee traffic. This problem was identified by site selection consultants that visited the site. This project will provide a Megasite that has already moved to the top of the VEDP marketing list. The existing site boasts 43 acres of immediately usable property with rail access and existing 34.5kV power availability. With the addition of the 10 acre Oakstone property, the overall megasite will be capable of supporting up to a 2,000,000 square foot facility or two 1,000,000 square foot facilities. This phase of the project will also fund the completion of the site infrastructure work that will include the addition of a second access to the property and utility upgrades. The proposed redevelopment of the Epoch site will provide a publicly-owned, rail-served, fully infrastructured site for Smyth County and the Town of Chilhowie to market to large industrial projects. It will provide up to 400 new jobs in the surrounding region and as much as \$250 million in private investment to the tax base of Smyth County and Chilhowie. The acquisition of additional adjoining land and the establishment of a second access road will enhance the attractiveness of the site to prospects. The resulting site would accommodate 1 million s.f. of building space, a significant impact to the region.

Staff comments and recommendation: TICR awards to date for the Smyth megasite total just over \$5 million, primarily to acquire and begin clearing the former Epoch Composites site in Chilhowie, adjacent to Interstate 81. The County's FY11 Megasite grant identified the flat, rail-served Epoch site as the best candidate site in the County for accommodating a mega-project, and VEDP is marketing this as one of Virginia's "Strategic Properties" for mega-projects. However, a half-million square foot complex of buildings that currently sits on the site has been marketed for years to prospects with no success, and after much consultation with VEDP and other parties, the IDA used its FY12 Megasite grant to purchase the site and award a bid to demolish and clear the 70-acre site. It has been estimated that the current 70 acres could accommodate a 1.7 million square foot structure, and the current request for additional funds would enable an additional 400,000 square feet by acquiring an additional 10 acres, as well as a second access road to the site via the acquisition of a 1.2 acre parcel and design/permitting/construction of a "flyover" over a Norfolk-Southern rail line into the site from Route 11. Staff notes that design/permitting of the second access will consume nearly a year of effort, and suggests the \$1.52 million cost of bridge construction/administration be delayed until next year's Megasite cycle or such time as a prospect can be assisted via the TROF program. The applicant is agreeable to this reduction of the request. Funds are also requested to renovate an on-site 500,000 gallon water storage tank and relocate/replace sewer lines within the site and under the Holston River to the Chilhowie wastewater treatment plant. Those utility expenses total \$280,000 for engineering and construction, and the County is willing to revise its request to seek only the engineering costs (\$70,000) and finance the construction costs at a future time. The revised budget now seeks \$300,000 for land acquisition (10 acres) and \$326,000 for engineering of the secondary access and water/sewer utilities. The required matching funds (\$70,000) were committed by the County to acquire the 1.2 acre parcel that provides access to Route 11 and would be the location of the proposed flyover. **Staff recommends award of \$626,000 for land acquisition, secondary access study expenses and water/sewer engineering.**

Sussex County

Route 626 (Beef Steak Road) Mega Site Project (#2644)

\$6,415,000 requested

Project description provided by applicant: Sussex County has no industrial property that is "shovel-ready" and has no buildings/structures available for industrial development. Sussex is the only locality in the Crater PDC that does not have a marketable shovel-ready industrial park of any size or scale. Sussex County has a high rate of unemployment and high rate of poverty when compared to other localities in the Crater PDC. Sussex County had an unemployment rate of 8.4% for August 2012 compared to 5.8% for the State. The 2010 Census indicates that the poverty rate in Sussex was 22.5% compared to 11.1 for the State. The development of a mega park suitable for large-scale economic development would help to increase job opportunities in Sussex County and through-out the greater region. The new jobs created would offer "livable wages" to Sussex County residents and other persons residing in surrounding communities that are currently living at or near poverty, thereby, reducing the poverty level in the County and in the region. Also, the development of a mega site for large-scale development would help to increase the local and the regional tax base as new firms build their facilities. Chmura Economics and Analytics performed an analysis of the potential economic impact of a manufacturing mega site on Sussex County and the region under three (3) different development scenarios. (1) A Tier 1 original equipment manufacturer (OEM) with an investment of \$1.0 billion could produce 1,755 temporary jobs during construction and 4,371 permanent jobs. (2) An advanced manufacturing facility with an investment of \$1.42 billion could produce 2,431 temporary jobs and 2,935 permanent jobs. (3) A large scale warehouse and distribution center with an investment of \$125 million could produce 214 temporary jobs and 1,308 permanent jobs.

Staff comments and recommendation: TICR awards to date for this megasite total \$4,457,930, primarily for the first phase of acquisition of 610 acres accomplished with the FY12 Megasite grant. This new proposal requests \$3 million to acquire an additional 372 acres in two parcels that are under option through October 2013, \$252,000 for preliminary engineering and environmental assessment of the new acreage, and \$3.15 million to clear and grub 500 acres. While some clearing of the site is recommended by VEDP to show the topography to prospects, the notion that clearing/grubbing at \$7,000/acre would approach the acquisition costs (\$9,000/acre) is a difficult concept to embrace. Staff has requested a revised amount for clearing/grubbing that would focus on 100-200 acres that would be the most likely placement of an initial large building pad. The County has provided a revised engineer's estimate of the cost to clear/grub three potential tracts of 160 - 260 acres within the site that are most likely to accommodate a large building footprint. A cost of \$750,000 was shown for the highest priority site of the 250-acre Peebles tract (\$3,000/acre). **Staff recommends award of \$3,940,200 for 90% of engineering, land acquisition and revised estimate of clearing/grubbing.**

OTHER BUSINESS

The following grantees seek extension for a fifth year on existing grants. Per Commission policy, the Committee that is the source of the grant funds must approve all extensions beyond the fourth anniversary of the award.

Institute for Advanced Learning & Research – Sustainable Energy Technology Center Building (SENTEC - #1670) – A Special Projects grant of \$8 million was awarded to IALR to construct SENTEC on July 31, 2008. Construction of SENTEC is complete and a ribbon cutting was held in April 2012. The initial construction activities did not include up-fits to the lab space on the 2nd floor of the building.

Through careful management of the grant funds, the primary construction activities were finished with a balance of \$190,894 remaining in the project account. IALR requests approval for additional time and use of the remaining balance for costs associated with up-fit of the lab space on the 2nd floor of the SENTEC building. A contractor estimate for furnishing, delivery, and installation of standard laboratory equipment was provided, and IALR states that work can be completed in a matter of months. **Staff recommends an extension to July 31, 2013 for up-fit of the 2nd floor labs.**

Region 2000 Research Institute – Region 2000 Nuclear Energy Research Center (#1663) – A Special Projects grant of \$7,692,400 was approved July 31, 2008 for construction of the Center for Advanced Engineering & Research building in Bedford County, which is now complete (a ribbon cutting was held in August 2011). A balance of \$224,497 remains in the project account. These funds are intended to be used for development of the Center for Safe and Secure Nuclear Energy (CSSNE) with its focus on next generation control room technology and to work with Virginia Tech to develop a wireless testbed to support development and commercialization of new wireless broadband technologies. CAER requests an extension so that the balance of available funds can be leveraged to obtain additional matching funds for equipment to support both the CSSNE and the testbed. Initial opportunities identified for securing matching funds were delayed and more time is needed. In November the U.S. Department of Energy announced that Babcock & Wilcox, an anchor tenant of the CAER building, will receive funding that will support accelerated development of its B&W mPower™ SMR technology through DOE's Small Modular Reactor (SMR) Licensing Technical Support Program. **Staff recommends an extension through July 31, 2013.**