

FY14 Special Projects - Megasite Summaries & Staff Recommendations – November 2013

The Commission received five proposals for FY14 Megasite grants by the announced due date of October 18th. The requests seek \$20.7 million dollars. The Commission budgeted \$12.5 million for this fourth year of the program in FY14, and carried-forward funds increase that to an available balance of \$12,788,086. The final funding round of \$12.5 million will be conducted in FY15 (assuming approval within the Commission's budget). The Special Projects Committee will meet on November 25 in Danville to consider these proposals and make funding recommendations to be acted on by the Commission on January 7th.

Req #	Organization Name	Project Title	Request Amount	Staff recommendation
2818	Blue Ridge Crossroads Economic Development Authority	Wildwood Commerce Park- Increasing Wastewater Capacity	\$3,862,500	\$962,500
2819	Danville-Pittsylvania Regional Industrial Facility Authority	Berry Hill Mega Park - Environmental Permitting	\$1,902,198	table
2820	Greensville County	Mid-Atlantic Advanced Manufacturing Center	\$4,556,211	\$4,489,211
2821	Martinsville-Henry County Economic Development Corporation	Commonwealth Crossing Business Centre Prospects Grant Request	\$7,000,000	\$6,500,000
2822	Sussex County	Route 626 (Beef Steak Road) Mega Site Project	\$3,430,980	\$836,375

Total (5 requests/4 recommendations)	\$20,751,889	\$12,788,086
Available balance before/after recommendations	\$12,788,086	0

Blue Ridge Crossroads Economic Development Authority *Wildwood Commerce Park- Increasing Wastewater Capacity (#2818)* \$3,862,500 requested

Executive summary provided by applicant: BRCEDA requests \$3,862,500 in Commission funds to increase the existing sanitary sewer capacity available to Wildwood Commerce Park from 114,000 GPD to 550,000 GPD. Funds would be used for the engineering and construction of sanitary sewer collection system upgrades. BRCEDA has identified food product processing as a suitable industry for Wildwood, which typically requires a minimum 500,000 GPD of sanitary sewer capacity. The target capacity has been determined following discussions with site selection consultants who have visited and assessed Wildwood. BRCEDA has identified food processing as one of five industry sectors for Wildwood. A food processing

facility would be the largest consumer of public water and wastewater services. Therefore, BRCEDA is planning utility upgrades to accommodate the greatest demand for these utilities. After consulting with Virginia's aCorridor, VEDP, and site selection consultants, the target capacity for each of these utilities is 500,000 GPD. Wildwood currently has an available water capacity of 1.3 M GPD but an existing sanitary sewer capacity of 114,000 GPD. Increasing the sewer capacity to 550,000 GPD will better position Wildwood for food processing company projects. Wildwood Commerce Park is fortunate to have water, sanitary sewer, fiber, natural gas, and access road infrastructure available to the site. By ensuring that these utilities have sufficient capacities to attract "megaprojects", the Tobacco Commission and BRCEDA are better positioning Wildwood to create a significant amount of jobs and private investment that would be transformational to the regional economic prosperity of Carroll, Grayson, and Galax.

Staff comments and recommendation: BRCEDA, a regional industrial facilities authority operated for revenue-sharing purposes by Carroll, Galax and Grayson, has received \$11.4 million of TICR funds to acquire and develop Wildwood, which now entails 270+ acres under public ownership adjacent to Interstate 77's Exit 19. Graded pads exist (118 acres) and natural gas is being extended to the site in 2014 using a portion of the FY13 Megaproject grant and local matching funds. BRCEDA's engineers have indicated that this sewer upgrade could be broken into two phases, with the first phase providing engineering and construction that would increase capacity to 300,000 gpd at a cost of \$962,500. BRCEDA proposes that matching funds come from the annual debt service on a \$5.3 million loan it took to acquire the initial acreage in 2011. Twenty months of debt service equals \$594,280 of matching funds during this sewer construction period. This request, particularly if phased, appears appropriate to make the site ready for the targeted industries (food processing etc.) being recruited to the site by VEDP, @Corridor and BRCEDA. **Staff recommends award of \$962,500.**

Danville-Pittsylvania Regional Industrial Facility Authority ***Berry Hill Mega Park - Environmental Permitting (#2819)*** **\$1,902,198 requested**

Executive summary provided by applicant: This Application involves environmental permitting activities necessary for the development of the Berry Hill Mega Park. The U.S. Army Corps of Engineers permit has been submitted for this project. Based on Agency comments and COE guidelines, a revised permit is required. The revisions will include additional archeological surveys, new engineering site analysis and exhibits, and additional wetland delineation and survey. The application also addresses additional wetland delineation and survey work that has already been completed by our engineer as a part of the permit application process, based on significant changes in COE policy, and an effort to stay on schedule. The Tobacco Commission has recognized the need for regional industrial megaprojects 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 typically need pad sites of at least 200 acres and these large sites need to be permitted and graded in order to be most marketable. The environmental permitting process has become increasingly costly, time consuming and complicated. Recent changes in the permitting process for this project require additional environmental and cultural contract services. A permit application has been submitted to the COE for this project and comments were received in May 2013. In their comments, the COE raised the issue of "speculative development". In order to address these comments a substantial revision to the original permit application is required. Additional wetland delineation and survey is required. A Phase II archeological survey and limited Phase III survey must be completed for the revised

application. A revised and refocused Purpose and Need section will require additional avoidance analysis and new engineering exhibits. The application also addresses wetland study costs that far exceeded pre-application estimates. This project is intended to complete the additional environmental permitting activities necessary to obtain a permit from the VA DEQ and the COE. An approved permit will allow the regional authority to move forward with currently funded projects to grade a 200 acre pad site and complete sanitary sewer service to the first phase of the Berry Hill Mega Park. This park has the potential to be one of the largest on the east coast, previous studies have determined there is an ultimate potential to employ over 10,000 persons and involve private investment of over \$800 million.

Staff comments and recommendation: The Commission has provided \$13.8 million of Megasite funds as well as \$11 million of Southside Economic Development allocation to the two localities for the Berry Hill project, which is the largest megasite in Virginia (3,500 acres). The three Megasite grants totaling \$13.8 million for sewer construction, connector road, natural gas transmission line, electrical infrastructure and grading a 230 acre pad on Lot 4 are all on hold until the Army Corps of Engineers and Virginia DEQ issue wetland permits, which have been applied for but have not been issued due to the agencies' concerns that the Park is being speculatively developed. Portions of those previous grants could potentially be repurposed for the additional wetland engineering requested herein, but the applicant is agreeable to tabling this request until positive progress is achieved with the regulating agencies and/or an active prospect is identified that would obviate the speculative development concerns (the RIFA board approved a resolution on November 14th agreeing to the tabling of this proposal). **Staff recommends this request be tabled and addressed in the FY15 Megasite funding round and/or the Southside Economic Development program within which the two localities have available allocation of nearly \$3 million.**

Greensville County

Mid-Atlantic Advanced Manufacturing Center (#2820)

\$4,556,211 requested

Executive summary provided by applicant: Greensville County, along with the City of Emporia and the County of Mecklenburg, has created a Regional Industrial Facilities Authority to develop a 1,600 acre industrial mega-site to be marketed specifically for an Original Equipment Manufacturer or Advanced Manufacturing Facility. The Tobacco Commission has assisted the RIFA with grant awards to acquire the land in the project area. The FY 14 request includes the construction of Otterdam Road, clearing/mulching of additional acreage, marketing materials and a study of off-site wetland mitigation. Employment in the Virginia Growth Alliance region is heavily dependent on low-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 Jarratt as well as Skippers, Wheeling Corrugated, the Foundry in the City of Emporia over the last several years the region has lost over hundreds of 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 spark plug local economic development and transform the region by creating a site for a manufacturer to locate bringing an investment approaching one billion dollars and thousands of job opportunities. 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: TICR grants to date to acquire and develop the MAMaC property include \$18.4 from Megasites and \$594,930 from Southside and Special Projects. Land acquisition is now complete (see www.mamacva.com for site details). VDOT announced a Revenue Sharing grant in July 2013 of \$3.3 million for widening Otterdam Road (approx. 22,000 feet). That grant requires dollar-for-dollar match and will serve as matching funds to this request. Engineering of the road widening, also funded by a VDOT grant, is expected to be complete in November 2013 and bid in December. Funds in this round are requested for Otterdam Road ROW acquisition and construction (\$4.1 million), land clearance (\$290,000 for 250 additional acres and minor grading of previously-cleared), an updated master plan (\$25,000), a wetlands mitigation study (\$30,900) and to purchase a tractor and bushhog to keep the cleared acreage free of vegetation (\$67,000). The tractor and bushhog equipment is a lesser priority for seasonal work that can be contracted to local businesses. **Staff recommends award of \$4,489,211 (excluding the tractor and equipment).**

Martinsville-Henry County Economic Development Corporation ***Commonwealth Crossing Business Centre Prospects Grant Request (#2821)*** **\$7,000,000 requested**

Executive summary provided by applicant: The purpose of this grant request is to secure a permit from the Army Corps of Engineers (ACOE) by bringing Project Atlantis and Project Mercury to fruition at the Commonwealth Crossing Business Centre (CCBC) Megasite. Martinsville-Henry County and the Commonwealth of Virginia missed out on the Automotive expansion in the Southern United States due to lack of Megasites and trained labor. Over the past thirty years, more than 44,000 jobs and \$18 billion has been invested in automotive facilities - but none in Virginia. Consistent with TICR goals and Boston Consulting Group (BCG) findings, M-HC and the Commonwealth will compete for 15,000 new advanced manufacturing jobs within 20 years. Projects Atlantis & Mercury would greatly enhance the permitting process at Commonwealth Crossing allowing the Tobacco Region to be competitive in future Advanced Manufacturing opportunities. The M-HCEDC requests \$2.5M for Project Atlantis, and an additional \$4.5M for Project Mercury. These funds are essential to the permit issuance by VA DEQ/ACOE, which is required before grading can begin. If the permit is not obtained, more than \$16M of committed funding for CCBC will not benefit the Tobacco Region. The Tobacco Commission commitment is required now to remove the ACOE's remaining hurdle. Martinsville-Henry County's current unemployment rate is 10.1%, with 2,841 area residents out of work. On average, M-HC has had the highest unemployment in the Commonwealth for the past four years. The M-HCEDC will continue to work to attract new job opportunities for our citizens. One of the primary opportunities to recruit new industry and subsequently, new jobs to the area is through the expanded advanced manufacturing 'shovel-ready' sites at Commonwealth Crossing. Unless CCBC is permitted, it is unlikely any Megasite will be permitted within the Tobacco Footprint due to the 'Speculative' nature of the projects as determined by the ACOE.

Staff comments and recommendation: Martinsville-Henry has received two Megasite grants totaling \$7.4 million as well as a Reserve grant of \$1.7 million to develop Commonwealth Crossing. According to the

proposal, Project Atlantis funds are requested to accommodate a 100,000 square foot manufacturing and training facility on Lot 1 for an unnamed prospect. TICR and private foundation funds (\$2.5 million each) will grade the site and construct the building. TICR staff has requested our funds be dedicated to site preparation costs and the matching funds to construction of the building, so as to not to establish a precedent for awarding Megasite grants for building construction. The matching funder is reportedly agreeable to this allocation of project funds. Project Mercury funds are requested to grade 160 acres with a 63-acre building pad on Lot 4 to accommodate a one million square foot building for another unnamed prospect. MHEDC requests \$4.5 million toward the total \$6.5 million site cost for Project Mercury (building costs are not included, which will be invested by the prospect). However the subsequent commitment of private matching funds of \$2.5 million for Mercury will allow the request for TICR funds to be reduced by \$500,000 to achieve the \$6.5 million project cost that has been provided by an engineering firm. The Army Corps published a public notice in August seeking comments on the Commonwealth Crossing wetland permit application, and while it states that no endangered species or historic resources have been found on the site, there is substantial stream and wetland mitigation that will have to be permitted in order to develop the site. The applicant indicates the Army Corps leadership has expressed positive support for the required wetland permits, given the two active prospects, and the matching funds of \$5 million have been committed to accomplish this work, contingent on approval of TICR funds. Award of these funds and successful recruitment of the prospects could result in the first significant breakthrough on wetland permitting for the TICR-supported megasites. **Staff recommends award of \$6,500,000.**

Sussex County

Route 626 (Beef Steak Road) Mega Site Project (#2822)

\$3,430,980 requested

Executive summary provided by applicant: Sussex County is requesting funds to assist in the acquisition of four (4) additional parcels of land totaling approximately 346 acres (to be added to approximately 982 acres already purchased by the County) to further expand the County's existing megasite. Also, funds will be used to secure professional engineering services for the completion of property surveys (land boundary and aerial topography), phase I environmental site assessment, wetland delineation and confirmation, a formal jurisdiction determination (Rapanos Forms if required by COE) a cultural resource management report, preliminary geotechnical analysis, master planning update and a preliminary engineering report update. Sussex County has no industrial property that is "shovel-ready" and has no vacant buildings/structures available for industrial development. Sussex is the only locality in the Crater Planning District that does not have a marketable shovel-ready industrial park of any size or scale. Sussex County has a high rate of unemployment and a high rate of poverty when compared with other localities in the Crater Planning District. Sussex County had an unemployment rate of 8.0% for August of 2013 compared to 5.8% for Virginia. The 2010 Census indicated the poverty rate in Sussex County 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 provide "livable wages" to Sussex County residents and other persons residing in areas within a one-hour commuting distance 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 park for large-scale development would help to increase both the local and regional tax base as new firms build their facilities and other improvements. Chmura Economics and Analytics performed an analysis of the potential impact of a manufacturing mega site in 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; and (3) A large scale warehouse and distribution center with an investment of \$125 million could produce 215 temporary jobs and 1,308 permanent jobs.

Staff comments and recommendation: Sussex has received three Megasite grants totaling just under \$8.6 million for land acquisition (nearly 1,000 acres are now under public ownership), engineering and land clearance. The application states that \$3.4 million is requested in this cycle for additional land acquisition, but that amount includes \$400,000 from a previous Megasite grant, which makes this a request for \$3,030,980 of new Megasite funds. The \$400,000 from FY13 Megasite grant #2644 was budgeted for land clearance but the County's engineering firm has advised that land clearance at this time may expand the defined wetland areas, and should be delayed until an active prospect is identified. The grant proposal states the County will provide matching funds at the required 10 percent of project costs (\$381,220). While there is not an active prospect for the Sussex megapark, the request is strongly-supported by VEDP, the Virginia's Gateway Region Economic Development Alliance, and neighboring localities. The proposal is based on the concept of "squaring off" the megapark property by obtaining four parcels immediately to the east of the publicly-controlled acreage, which would effectively allow more and larger rectangular pads to be built in areas that are somewhat less affected by wetland issues. This concept could be partially accomplished at less cost under two alternative funding scenarios by: (1) acquiring two parcels totaling 132 acres at an estimated cost of just less than \$1.4 million, or (2) acquiring those two parcels plus an adjacent 50-acre parcel, totaling 182 acres at a cost of \$1.9 million. Given the constraints of the Megasite program budget this year, TICR staff suggests the Committee consider supporting the acquisition of 132 additional acres, plus the requested engineering (\$179,200), which would bring total project cost in this phase to \$1,564,990. The balance available after the recommendations above is \$836,375, which when combined with the repurposed \$400,000 would fund 79% of the reduced project, thereby requiring 21% match by the County (\$328,615). This amount appears achievable for the County given that it proffered match of \$381,220 in the original proposal. There is also an available Southside Economic Development balance of \$195,114 that could be dedicated to this land acquisition (assuming approval by that Committee, and that the applicant meets the required ten percent matching funds). **Staff recommends award of \$836,375 for engineering and acquisition of an additional 132 acres, and the repurposing of \$400,000 from the FY13 Megasite grant #2644 to the proposed land acquisition.**