

Special Projects Committee

December 14, 2010

In addition to Megasite proposals, the Committee will discuss two proposed items of business on December 14, one is a new proposal invited by the Commission (CCAM #2275) and the second is a request to re-purpose the use of an FY05 Grant #921.

New Business

Commonwealth Center for Advanced Manufacturing (CCAM)

CCAM: A Workforce Training and Economic Development Partnership with TICRC (#2275)

\$4,052,113 requested

The Executive Committee voted October 27 to move \$4 million from unbudgeted corpus invasion funds to the Special Projects Committee, and to invite CCAM to submit a grant proposal that would be considered in Special Projects with those shifted funds (that invited proposal was received November 18, 2010). CCAM, which is a Virginia non-stock corporation that is seeking federal IRS 501(c)(3) nonprofit status, currently has a three-member board with representatives from UVA, VA Tech and Rolls-Royce. CCAM will be an applied research facility operating in a facility owned by the University of Virginia Foundation and leased to CCAM. The Center will focus on “surface engineering and manufacturing systems, technologies that are critical to aerospace, energy, semiconductor, chemical, shipbuilding and other industries.” The proposal requests: 1) \$2.5 million toward the estimated \$14 million dollar cost to construct the CCAM facility adjacent to the Rolls-Royce manufacturing facility in Prince George County VA.; and 2) \$1.5 million over a three year period for salaries, supplies, contractual services and equipment needed to employ a workforce training expert and an economic development officer “specifically focused on the tobacco region” who will report to the CCAM Executive Director and whose tasks will be to work with tobacco region industry, education and economic development partners to help implement advanced manufacturing training programs and bring supply chain and other opportunities to the tobacco region. The initial efforts for these two staff members will be to work with the Southern Virginia Regional Alliance (an economic development marketing coalition representing Halifax, Martinsville/Henry, Danville/Pittsylvania and Patrick) and the Virginia Coalfields Economic Development Authority to: convene an industry-guided task force that includes community colleges and workforce training centers; lead that group through a strategic planning process that results in a comprehensive action plan for recruiting advanced manufacturing companies to the tobacco region; assess current workforce training capabilities and future needs; recommend and implement curriculum modifications; and identify needed training equipment and resources for workforce centers.

Total project cost is \$15,522,113. Other funds include: \$11.5 million ARRA bond issuance by UVA Foundation for CCAM construction (allocation approved by Commonwealth for issuance by 12.31.10); \$3.9 million US Dept of Commerce EDA for site construction

(application submitted in May 2010); \$600,000 for 20-acre land transfer by Rolls-Royce for site (donated and complete); \$250,000 Prince George County for site prep (in planning stage); \$150,000 VA Tech start-up operating funds (committed); \$150,000 UVA start-up operating funds (committed).

Staff comments and recommendation: This invited proposal requests funds for a facility to be constructed outside the tobacco region “in exchange for a commitment by CCAM to ... assist the region in recruiting companies to those jurisdictions served by the Tobacco Commission.” Construction of CCAM will fulfill a commitment by the Commonwealth to attract Rolls-Royce’s \$500 million, 500-job jet engine component manufacturing facility to Prince George. Rolls-Royce, in turn, will be provided up to \$5 million of state incentive funds if it is able to attract to the Commonwealth \$50 million of new investments and 300 new jobs from its suppliers (Indianapolis is cited as an example of RR’s ability to attract significant supply chain investment within a day’s drive of its manufacturing facilities). CCAM intends to directly employ 100 individuals with a \$7.8 million payroll, and achieve sustainability through federal grant opportunities and by charging member fees to the expected 30 companies the project leaders envision working with (five global manufacturers have signed on as members to date, including Rolls, Canon and Northrup Grumman Shipbuilding). The UVA Foundation has ARRA bonding capacity of up to \$15 million for this project, and TICR funds (in addition to federal EDA funds, if the latter are forthcoming) will reduce the debt incurred to construct the facility, and thereby reduce operating costs for CCAM, which will lease the facility from UVAF at a rate equal to debt service and operating costs. The application states “a financial model has been developed and thoroughly vetted by many public and corporate entities, providing confidence that this will be a going concern for many years.” It is stated that regular periodic reports will be provided to TICR. Examples of CCAM efforts that are readily expandable to tobacco region educational institutions are industry-developed career studies certificates with nationally-recognized certifications, associates degree programs in applied sciences, 2+2 engineering degrees (the TICR-supported Engineers PRODUCED in Virginia), dual enrollment in advanced manufacturing for high school juniors and seniors, and summer programs in STEM and advanced manufacturing for middle school youth. The many workforce training and higher education centers funded across the tobacco region by TICR to date provide a wealth of locations to begin offering these training programs immediately upon development. Concerns noted by staff are that only 20% of the \$360,000 requested for travel by the two individuals over three years is clearly dedicated to tobacco region travel, and there is no discussion of funding for “desirable training equipment and resources for the existing (workforce) training centers” (presumably those will result in future funding requests to TICR). The proposal has the simultaneous aspects of requesting funds to build a facility outside our footprint (contrary to Commission policies) and an intent to help steer employment, private investment and training programs to our footprint (highly consistent with TICR Strategic Plan). Nonetheless this invited proposal is the culmination of efforts by the Commission’s Chairman, Vice Chairman and Executive Director in partnership with VEDP, the Governor’s office and Rolls-Royce to attract tangible benefits of this out-of-footprint megaproject to the tobacco region localities and residents. **Staff recommends award of \$4 million.**

Old Business

William King Regional Arts Center – request to re-purpose Grant #921 *Cultural Campus Expansion Project (FY05 - \$500,000) for William King Museum Downtown Abingdon Relocation – Phase I*

The applicant requests authorization to redirect the use remaining balance of funds (\$445,050) granted in 2005 for the Cultural Campus Expansion Project. The Committee voted in July 2010 to allow the grant to be extended an additional year to allow the WKRAC Board to explore relocation. The museum board voted this summer to pursue relocation, and consequently the applicant no longer wishes to pursue improvements to the Museum's current location. The new plan is to relocate to a downtown Abingdon location adjacent to the Barter Theater and within walking distance of other arts organizations and shops. Funds previously awarded to expand the current museum and construct a complex of artisan's studios are now requested for use in Phase One– Preconstruction Planning and Design which will take place during 2011. A 20,000 square foot building is planned for a site on Main Street owned by Barter Theatre and to be leased to William King. Once a final site concept is approved, additional project development will produce a schematic design and construction documents necessary to begin Phase Two: Building Construction which is scheduled to begin in 2012. Phase Three, move-in, will begin in late 2013/early 2014 with a grand re-opening planned for May, 2014. The total construction cost is estimated to be approximately \$6.8 million.

Total project cost \$575,000. Other sources of funds: \$50,000 Town of Abingdon, \$25,000 individuals, WKRAC Board.

Staff comments & recommendation: The museum has provided a revised application that explains the rationale for leaving the current site that has been improved to museum-quality standards using TICR funds totaling \$480,000. The reasoning for relocation includes better site visibility on Main Street, better site accessibility (the current site is on a hilltop with narrow roads leading to it), and opportunities to partner with Barter Theatre and other downtown arts organizations on collaborative programming. The revised proposal states that the current site is being marketed by a realtor for potential commercial or institutional uses. The \$575,000 planning and design phase cost appears to be a rule-of-thumb 10% calculation on the estimated construction cost of 20,000 square feet at \$250/sq.ft. with a 15% contingency added. Staff has requested additional detail on cost of specific planning steps, use of proceeds from sale of current site, confirmation of commitments for new site availability and construction funding, etc. The revised proposal also presents a multi-year anticipated operating budget, based on current visitation of 90,000 annually. **Staff recommends the re-purposing of the balance of Grant #921 (\$445,050) for the requested planning and design uses, as described in the revised application, contingent on completion of a business plan for the new museum and completion of a signed memorandum with Barter Theatre regarding proposed terms of use of the site prior to release of TICR funds. ■**