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9 **Southside Economic Development Committee**

10 Wednesday, November 9, 2005

11 5:00 p.m.

12
13 The Inn at Virginia Tech
14 Drillfield Conference Room
15 Blacksburg, Virginia
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18 **APPEARANCES:**

19 Mr. Thomas W. Arthur, Chairman
20 The Honorable Frank M. Ruff, Vice Chairman
21 Michael J. Schewel, Secretary of Commerce and Trade
22 The Honorable Kathy J. Byron
23 The Honorable Thomas C. Wright, Jr.
24 Mr. Clarence D. Bryant, III
25 Mr. L. Jackson Hite
26 Mr. Scott Harwood, Sr.
27 The Honorable Harrison A. Moody
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30 **COMMISSION STAFF:**

31 Mr. Ned Stephenson, Acting Executive Director
32 Mr. Timothy Pfohl, Grants Program Administration Manager
33 Ms. Britt Nelson, Grants Coordinator, Southside Virginia
34 Ms. Stephanie Wass, Director of Finance
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37 **OFFICE OF THE ATTORNEY GENERAL**

38 Frank N. Ferguson, Deputy Attorney General, Counsel for the
39 Commission
40 Ms. Stephanie Hamlett, Special Counsel to the Attorney General
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43 **MR. ARTHUR:** I want to call this meeting to order and
44 thank you all for coming out a day early. This called meeting came about due to some

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4914 Fitzhugh Avenue, Suite 203
Richmond, Virginia 23230
Tel. No. (804) 355-4335

1 conversations we had earlier, and also at the same time a couple of requests that were not
2 acted on because of some problems, and people said some things needed to be cleared up,
3 and we were going to hold a meeting anyway, and it was time-sensitive. So we invited
4 them to come ahead and make a presentation.

5 Ned, would you call the roll?

6 MR. STEPHENSON: Mr. Bryant?

7 MR. BRYANT: Here.

8 MR. STEPHENSON: Delegate Byron?

9 DELEGATE BYRON: Here.

10 MR. STEPHENSON: Mr. Day?

11 MR. DAY: (No response.)

12 MR. STEPHENSON: Mr. Harwood?

13 MR. HARWOOD: Here.

14 MR. STEPHENSON: Mr. Hite?

15 MR. HITE: Here.

16 MR. STEPHENSON: Delegate Hogan?

17 DELEGATE HOGAN: (No response.)

18 MR. STEPHENSON: Mr. Moody?

19 MR. MOODY: Here.

20 MR. STEPHENSON: Mr. Owen?

21 MR. OWEN: (No response.)

22 MR. STEPHENSON: Secretary Schewel?

23 SECRETARY SCHEWEL: Here.

24 MR. STEPHENSON: Delegate Wright?

25 DELEGATE WRIGHT: Here.

26 MR. STEPHENSON: Vice Chairman Ruff?

27 SENATOR RUFF: Here.

28 MR. STEPHENSON: Chairman Arthur?

29 MR. ARTHUR: Here.

30 MR. STEPHENSON: You have a quorum, Mr. Chairman.

31 MR. ARTHUR: Thank you, Ned.

32 Do I have a motion for the approval of the October 26th Meeting Minutes?

33 It's been moved and seconded, all in favor signify by saying aye? (Ayes.) Opposed, like
34 sign? (No response.)

35 We're going to move right into this, because I think we can finish this
36 pretty quickly. As you all recall, in the last meeting in Halifax we tabled several of
37 Halifax County's requests at the request of Delegate Hogan. Since then they have come
38 back with the fact that they have a time-sensitive request on part of it. The one for
39 \$545,407.00 was to purchase land. That land purchase is the time-sensitive aspect on it.

40 Staff reviewed it and recommended a full award of
41 \$545,407.00. Do we have any discussion?

42 MR. HITE: I'd move adoption.

43 DELEGATE WRIGHT: Second.

1 MR. ARTHUR: It's been moved and seconded to adopt the
2 recommendation. Any discussion?

3 SECRETARY SCHEWEL: It looks to me like the
4 Authority acquired the land with this grant and other funds, they in turn are going to sell
5 that to respective companies. So that our money then turns around and gets paid to the
6 county as part of the purchase price and sales price. Essentially, what happens is that our
7 money is moved from our pocket to the IDA's pocket, then to the County IDA's pocket.
8 Then it's just available to the general IDA to use in the future, and that concerns me.
9 Basically, we're giving money to the IDA for whatever they want to do with it in the
10 future after this is paid off.

11 MR. ARTHUR: Any other comments?

12 SENATOR RUFF: Mr. Chairman, is there any way this
13 could be directed back to the Commission? Kind of following up on what the Secretary
14 said, what options do we have?

15 MR. PFOHL: Mr. Chairman, our understanding of this
16 project, in addition to the acquisition, the County has a need to subdivide the property
17 and create an industrial access road and extend utilities into the site. There are going to
18 be some additional costs that the County will have to take on in order to make the site
19 marketable. Beyond that, the County's Economic Development Director is here, and Mr.
20 Eades can perhaps address that.

21 MR. EADES: The intention is to procure this land, and we
22 have a prospect for a portion of it, and we intend to build a 200,000 square foot building
23 and lease it to them with additional funds that we will borrow. So we have a bird in the
24 hand, so to speak, for this part of the project.

25 MR. ARTHUR: As I understood the Secretary, you're
26 going to sell it?

27 MR. EADES: No, we're going to develop it, develop a
28 building, at least the first project coming on line, and we'll lease it to them.

29 MR. PFOHL: The industrial site.

30 SECRETARY SCHEWEL: This may be just an
31 unfortunate word, the County estimates the site will accommodate 150 jobs and resold, so
32 it's assuming that the site will be resold.

33 MR. EADES: A portion of it may, or all of it may in the
34 future. The current project, or the intention for the current prospect is to build a building
35 on this land and lease it to them. This project will consume about half of the 42 acres,
36 which will leave about 25 to 23 acres remaining to be sold or developed in another
37 project.

38 SECRETARY SCHEWEL: I guess the underlying
39 question, or this is really a general question I don't mean to hang on you. What this
40 amounts to is you get a \$545,00.00 loan, and it can be used for whatever you want to use
41 it for. We wouldn't do that, and we wouldn't give that kind of grant in Economic
42 Development. If we give the IDA money to buy land and they turn around and buy the
43 land and then resell it to a company and then take the money they have got from the
44 company and put it in their treasury, we've essentially given them money, and they can do

1 or use it anyway they want to, and it's just been delayed by this step of purchase and
2 resale of the land.

3 I'm trying to figure out, and it sounds to me like what we're
4 saying in this particular case, is some of the land is intended to be leased and another
5 portion of the land will be held. You don't know how long that other 42 acres will be held
6 for, because you don't have a prospect right now. It might be one month or might be one
7 decade, for all you know, in terms of when it's going to happen.

8 MR. EADES: We're lacking industrial land capacity in the
9 County, and we're trying to acquire it to take advantage of the current and future
10 opportunities.

11 MR. HITE: Tim, could you address the concerns that the
12 Secretary has raised about the repayment?

13 MR. PFOHL: I don't see why it couldn't be, or at whatever
14 point the county sells the property and gains some proceeds from it that they return it to
15 the Commission. The Secretary pointed out that they don't know what month or what
16 year or what decade it would be, but it certainly could be set up that way and in fact put
17 that in the documents, although we're not set up to do that.

18 MR. ARTHUR: I don't see us in the lending business,
19 because we've got a project here that we've got a bird in the hand. Verbiage could be put
20 into this that if and when it's sold that the money doesn't go to the IDA but comes back to
21 the Tobacco Commission if it's sold.

22 MR. PFOHL: Some other State grant programs deal with
23 this kind of situation. If the County gains proceeds from the sale, then it could be
24 designated for a certain purpose, like economic
25 development, community development or some other set of uses that would
26 make it acceptable to the Commission. That's the Commission's call.

27 MR. HITE: I'd like to make a motion to include some kind
28 of payback mechanism setup that would come back to the Commission if this happened.

29 MS. HAMLETT: What's the source of the funds?

30 MR. PFOHL: Unsecuritized.

31 MR. ARTHUR: There's a substitute motion to amend it to
32 cover proper verbiage that the money in the event of a sale come back to the
33 Commission.

34 DELEGATE WRIGHT: Would it come back to the
35 Commission, or would it be part of their Economic Development appropriation?

36 MR. ARTHUR: If it's Economic Development it would
37 come back into their pot of Economic Development.

38 DELEGATE WRIGHT: Come back to the Commission,
39 but it would still be set aside.

40 MR. ARTHUR: Yes, set aside for Halifax. I thought that
41 was understood, it wouldn't come back to the general pot, but it would come back to
42 Halifax Southside money.

1 SENATOR RUFF: Could I clarify the motion? What your
2 motion said is that if it goes for any purpose other than Economic Development, the
3 community, whatever, that this would take effect?

4 MR. HITE: My motion is that the proceeds from the
5 property or the sale would be returned to the allocation of the Commission.

6 SENATOR RUFF: What was the disclaimer you were
7 saying that comes out of Richmond sometimes?

8 MR. PFOHL: Some of the other State grant making
9 agencies will say that if a locality has received grant funds to purchase or improve
10 property they retain some of those funds through the sale or revenue and that those
11 proceeds be dedicated by the locality for specific uses, such as Economic Development.
12 That's one means of doing that.

13 MR. STEPHENSON: Point of clarification on the motion.
14 If there is a sale, I assume that does not include if there is a lease when in fact the lease is
15 the present value of the sale, to get around that.

16 SECRETARY SCHEWEL: I'm simply saying, and it seems
17 to me that if they sell it, and since we wouldn't have granted them the money in the first
18 place, I would suggest that if they sell it that the proceeds, after paying expenses the
19 proceeds come back to the Tobacco Commission and return to their allocation so it can be
20 used again.

21 DELEGATE WRIGHT: That's my understanding.

22 MR. ARTHUR: That's the way I thought it would be, and I
23 would agree with the Secretary.

24 All right, we have a motion. Do you want to leave the motion as it is or
25 withdraw it?

26 MR. HITE: The motion I would make is reflected in the
27 comments that the Secretary made, Tim reworking the agreement.

28 MR. ARTHUR: Would someone state that for the record so
29 it's clear?

30 SECRETARY SCHEWEL: That we approve this
31 \$545,407.00 grant, and that if the IDA sells the property or any part of it, that we repay to
32 the Commission our grant and reallocate it to the County's portion of Economic
33 Development funds.

34 MR. ARTHUR: Did everyone hear the motion?

35 DELEGATE WRIGHT: Should the word leasing be added
36 to that?

37 MR. HARWOOD: I would second the amended motion.

38 MR. ARTHUR: There is a second, any further discussion?
39 All in favor signify by saying aye? (Ayes.) Opposed, like sign? (No response.)

40 SENATOR RUFF: Mr. Chairman, I don't know if I need to
41 make a motion, but I think we ought to have some mechanism like that on any of these
42 things.

43 MR. ARTHUR: It would have to be part of our general
44 operating procedure.

1 SENATOR RUFF: Do you want a motion now or later?

2 MR. ARTHUR: That would be a change to the way we
3 operate.

4 MR. PFOHL: The Long Range Plan has a page of general
5 funding policies that we can look at in incorporating that.

6 MR. ARTHUR: I don't believe we have the authority to
7 change that; the Executive Committee could.

8 MR. STEPHENSON: Am I correct in saying that this item
9 with Halifax is not unique to this action? We've had others before.

10 MR. PFOHL: In rare cases where this type of clause has
11 been added to the grant.

12 MR. STEPHENSON: But our pot of grant money, it makes
13 sense that we do it across the board.

14 SENATOR RUFF: We need to have a uniform policy
15 instead of hit and miss.

16 MR. ARTHUR: Yes. How do we go about doing that? I
17 don't think a motion here in this sub-committee would do it.

18 SENATOR RUFF: Mr. Chairman, I'd make a motion that
19 you as the Chairman take this to the Executive Committee and ask that the Staff have
20 some language prepared for that.

21 MR. HARWOOD: I'll second the motion.

22 MR. ARTHUR: The motion has been made and seconded,
23 any further discussion? All in favor signify by saying aye? (Ayes.) Opposed, like sign?
24 (No response.)

25 All right, the next one we've got is Lunenburg County, the Town of
26 Kenbridge. Nothing has changed on this recommendation sheet from the last time I saw
27 it. I'm going to ask Tim to give us an update on it.

28 MR. PFOHL: Thank you, Mr. Chairman. Much work and
29 conversation has occurred since the last Committee meeting on October 26th regarding
30 this project. As you recall, there are many uses for this building, which was a former
31 high school, being renovated under the
32 Public/Private Education and Infrastructure Act, historic tax credits and
33 various financing mechanisms.

34 There are three components of the uses that Staff has had conversations
35 with the County and the Town of Kenbridge and indicated we would be most supportive
36 of a VEC workforce training facility, a small business incubator, community college
37 educational facility within the building.

38 This project initially received some funding from this Committee about a
39 year ago in the amount of \$200,000.00. That award was based in large part on the
40 development of those three components.

41 When this request was submitted September 1, Staff reviewed it and had
42 conversations with the Town of Kenbridge and felt that adequate progress had not been
43 made at that time for planning and implementation of these components. In the last
44 month or so I think I can say that progress has been made on all three components. We've

1 had conversations with the County Economic Development Director, who is here today
2 and can speak to this, the small business incubator people, we've had conversations with
3 Southside Community College, and they have offered substantial assistance on the
4 community college training piece.

5 The Virginia Employment Commission has faxed a letter to us as of
6 yesterday that indicated both the South Hill and Farmville offices, which serve
7 Lunenburg County, were very interested in providing services out of this building.

8 SECRETARY SCHEWEL: VEC, I don't know where
9 they're going to get the money to do that. Did they say where they're going to get the
10 money to do it?

11 MR. PFOHL: No, they did not. That's probably the most
12 preliminary of the indications of support that we have received, the three pieces.

13 SECRETARY SCHEWEL: I don't think you can count on
14 them at all, because VEC has closed three or four offices already this year because of the
15 lack of funding. Unless they move something from somewhere else, which I don't think
16 is going to happen, they don't have enough money to operate the offices that they do have
17 now. You'll have to provide clarifying information on this.

18 MR. PFOHL: Our understanding is that they would be
19 providing free space by the services, our assumption is that they would staff certain
20 services in Lunenburg and then are given the facilities to work from periodically based on
21 information from the County Economic Development. I don't want to put him on the
22 spot, but he could add to that. I don't want to speak for VEC. I believe that's the last
23 unclear piece of the puzzle right now.

24 MR. ARTHUR: Where does the Staff stand on this
25 recommendation?

26 MR. PFOHL: Based on the recommendations, and I should
27 also point out one other thing. We've been told these three components would constitute
28 18 percent of the square footage in the building. When you look at what's considered
29 leaseable or usable square footage in the building it recalculates to about 28 percent.
30 That's an aspect that the Staff raised concern about, and we're being asked really to put in
31 about 30 percent of the project cost in this building where only 18 percent is dedicated to
32 the use that we would support. That's been addressed through that recalculation of the
33 usable square footage.

34 MR. ARTHUR: Have you verified any of that?

35 MR. PFOHL: Ms. Hawthorne has calculated that and
36 provided some updated figures based on conversations we had regarding what former
37 classrooms were used for an incubator and what is used for education and VEC.

38 DELEGATE WRIGHT: At the last meeting you may recall
39 that there was a discussion, and I asked this be postponed for further opportunity to
40 gather information and further work. Since then I think the Staff concerns have been
41 addressed. I move we fully fund this project.

42 MR. ARTHUR: There's a motion. Is there a second?

43 SENATOR RUFF: I'll second it.

1 MR. ARTHUR: There's a motion and a second to fully
2 fund this project. Any further discussion?
3 SECRETARY SCHEWEL: I ask this because my budget
4 has already been cut. There's not likely to be ongoing funding from the State, so you're
5 not relying a hundred percent on the State.
6 MR. ARTHUR: The motion has been made and seconded,
7 any further discussion?
8 MR. BRYANT: Mr. Chairman.
9 MR. ARTHUR: Mr. Bryant.
10 MR. BRYANT: Tim, are you recommending full
11 funding on this project?
12 MR. PFOHL: We're substantially recommending
13 --
14 MR. BRYANT: -- That's not what I asked.
15 MR. PFOHL: We're substantially more comfortable that
16 full funding will be a reasonable recommendation.
17 DELEGATE WRIGHT: Call the question.
18 MR. ARTHUR: The question has been called. All in favor
19 of full funding for this project, signify by saying aye? (Ayes.) Opposed, like sign? (No.)
20 Hearing only one, the motion passes.
21 All right, Patrick County, Motorsports Museum and Hall of Fame.
22 Establishment of initial exhibits and first Hall of Fame induction. I've been informed that
23 Patrick County does not yet have a 501C3 status. Does anyone want to address that?
24 MR. SLATE: Mr. Chairman, we have contacted our
25 Congressman to assist us in this matter, and we've been in touch with the IRS, and they
26 have confirmed we do have that status. The red tape is now holding up our confirmation.
27 We have sent them a letter telling them of this deadline, and that's where we stand at the
28 moment.
29 MR. PFOHL: Mr. Chairman, for the record, that's Harold
30 "Chip" Slate, who is the project leader for the application.
31 MR. ARTHUR: Thank you. I would like to inform the
32 Committee that I visited this location today on the way up here. What I saw was
33 approximately 400 square feet of open space with one car sitting in the middle, which
34 was the Wood Brothers' car, and nothing else. It's located directly behind the Wood
35 Brothers' garages and their own memorabilia museum. It's physically attached to Patrick
36 Henry Community College extension. The Chamber of Commerce uses what little office
37 space there is there now. I have a hard time myself after having been there today,
38 ordinarily I wouldn't be saying all this, but I have a hard time, as I was there today in this
39 facility, seeing it as a museum. That's all I've got to say about it.
40 Is there any more discussion? It's within their allocation that they're
41 asking for, and they essentially have been assured they have a 501C3 but don't have it in
42 hand. Does anyone else have a comment?
43 DELEGATE WRIGHT: Can we hear from Staff, Mr.
44 Chairman?

1 MR. PFOHL: We've had conversations and have
2 exchanged correspondence with Mr. Slate on behalf of that location. We typically require
3 a copy of the IRS 501C3 determination letter with the applications, and as you heard,
4 they have not received it yet.

5 Our conversation centered on if that was in hand what would be the
6 appropriate type of funding to offer. Staff would recommend that if an award is made it
7 be limited to permanent fixed assets for the site, as opposed to operating expenses. In the
8 absence of that C3 determination, I don't think we are authorized to release funds for this
9 applicant.

10 The alternative would be that June 1st is the next application round for
11 Southside Economic Development, and this is the amount for the Patrick County
12 allocation, and this will still be on the table next June. I would offer that as an alternative
13 for the Committee.

14 MR. ARTHUR: We could in fact authorize spending with
15 receipt of the 501C3 confirmation. I assume they are now removing staff salaries and
16 travel expenses and all this kind of thing out of the request?

17 MR. PFOHL: Mr. Slate indicated their main priority would
18 be display cases and murals. They have not officially said they would remove that from
19 the request.

20 SENATOR RUFF: Mr. Chairman, this proposal is on the
21 table, is that correct?

22 MR. ARTHUR: Yes, sir.

23 SENATOR RUFF: If no action occurs it could be
24 considered at the January meeting?

25 MR. ARTHUR: Yes, sir. Do I hear a motion? Hearing
26 none, it will be tabled.

27 What we will recall as a reallocation for Danville. Danville was awarded
28 some time ago a sum of money for special wiring at the Institute, and they didn't use it
29 all. In fact, approximately 69,000 of it was not used, and they wanted to turn it back and
30 have it added to their allocation this year for Cane Creek, a 25 million dollar project. It's
31 already been done for Pittsylvania County. Pittsylvania County got their 69,000 and
32 turned it back in some time in September, and it was reallocated and awarded for the
33 Cane Creek project at our last meeting. Danville is asking the same thing be done with
34 their portion.

35 SENATOR RUFF: So moved.

36 MR. BRYANT: I'll second it.

37 MR. ARTHUR: The motion has been made and seconded,
38 all in favor say aye? (Ayes.) Opposed, like sign? (No response.)

39 Do we have any public comment? Hearing none, do I have a motion we
40 adjourn? So moved, and we're adjourned.

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42 PROCEEDINGS CONCLUDED.
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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Virginia Tobacco Indemnification and Community Revitalization Commission Southside Economic Development Committee Meeting when held on Wednesday, November 9, 2005 at 5:00 p.m. at the Inn at Virginia Tech, Drillfield Conference Room, Blacksburg, Virginia.**

I further certify this is a true and accurate transcript to the best of my ability to hear and understand the proceedings.

Given under my hand this 15th day of November, 2005.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.