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**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Southside Economic Development Committee Meeting

Monday, January 8, 2007
3:00 p.m.

General Assembly Building, House Room C
Richmond, Virginia

1 **APPEARANCES:**

2 Mr. Thomas W. Arthur, Chairman

3 The Honorable Kathy J. Byron, Vice Chairman

4 Mr. Clarence D. Bryant, III

5 Mr. Bernie K. Day

6 The Honorable Patrick Gottschalk, Secretary of the Department of

7 Commerce and Trade

8 Mr. L. Jackson Hite

9 The Honorable Clarke N. Hogan

10 The Honorable Harrison A. Moody

11 Ms. Connie Nyholm

12 The Honorable Edward Owens

13 The Honorable Frank M. Ruff

14 The Honorable Thomas C. Wright, Jr.

15

16 COMMISSION STAFF:

17 Mr. Neal Noyes, Executive Director

18 Mr. Ned Stephenson, Director of Strategic Investments

19 Mr. Timothy Pfohl, Grants Program Administration Manager

20 Ms. Britt Nelson, Grants Coordinator, Southside Virginia

21 Ms. Stephanie Wass, Director of Finance

22

23 OFFICE OF THE ATTORNEY GENERAL:

24 Mr. Frank N. Ferguson, Deputy Attorney General, Counsel to the

25 Commission

1 MR. ARTHUR: I'll call the meeting of the
2 Southside Economic Development Committee to order. Thank you all for
3 coming.

4 Neal, would you call the roll?

5 MR. NOYES: Mr. Arthur?

6 MR. ARTHUR: Here.

7 MR. NOYES: Mr. Bryant?

8 MR. BRYANT: Here.

9 MR. NOYES: Delegate Byron?

10 DELEGATE BYRON: Here.

11 MR. NOYES: Mr. Day?

12 MR. DAY: Here.

13 MR. NOYES: Secretary Gottschalk?

14 SECRETARY GOTTSCHALK: Here.

15 MR. NOYES: Mr. Harwood?

16 MR. HARWOOD: (No response.)

17 MR. NOYES: Mr. Hite?

18 MR. HITE: Here.

19 MR. NOYES: Delegate Hogan?

20 DELEGATE HOGAN: Here.

21 MR. NOYES: Mr. Moody?

22 MR. MOODY: Here.

23 MR. NOYES: Ms. Nyholm?

24 MS. NYHOLM: Here.

25 MR. NOYES: Mr. Owens?

1 MR. OWENS: Here.

2 MR. NOYES: Senator Ruff?

3 SENATOR RUFF: Here.

4 MR. NOYES: Delegate Wright?

5 DELEGATE WRIGHT: Here.

6 MR. NOYES: Mr. Chairman, we have a quorum.

7 MR. ARTHUR: Do I have a motion to approve

8 the Minutes of the last meeting? I assume you all have a copy of the

9 Minutes of the meeting.

10 MR. HITE: So moved.

11 DELEGATE WRIGHT: Second.

12 MR. ARTHUR: It's been moved and seconded,

13 any discussion? All in favor say aye? (Ayes.) Opposed, like sign? (No

14 response.) The Minutes are approved.

15 Let's move along to the presentation of the grants. Tim Pfohl.

16 MR. PFOHL: Thank you, sir. Good afternoon,

17 everyone.

18 On November 1 we received a half-dozen proposals in what we
19 are calling the second round of the Southside Economic Development
20 Committee cycle for FY07. I hope you note in your package that you
21 received by mail that one of the proposals went from Dinwiddie County to
22 the Industrial Commerce Park, Phase IV, and that has been withdrawn by the
23 applicant, and the remaining five proposals are before you today. These are
24 from existing balances, with one notable exception. The Lunenburg
25 proposal is asking for a future allocation. You've got a packet that

1 summarizes the projects, and I'll be happy to describe what the Staff saw
2 when we took a look at those, or if you just want to jump in, we have the
3 representatives from most of the applicants who are here today, but not all.

4 Do you want me to give a brief description, Mr. Chairman?

5 MR. ARTHUR: If you will, we only have three or
6 four, and you can do that.

7 MR. PFOHL: In the text document you have
8 revised 12-22-06 that reflects the withdrawal by Dinwiddie County on the
9 Phase IV Commerce Park project.

10 The second proposal from Dinwiddie is a request for
11 unrestricted funds to secure purchase options for parcels totaling 353 acres
12 in eastern Dinwiddie. There are a number of site attributes that are listed in
13 the description there. The Staff notes that the county is one that is listed by
14 the Commission on Local Government as having Below Average Fiscal
15 Stress, and the proposed match is five percent of the project funds. The
16 Staff is recommending an award of 100,000 with a 20 percent local match
17 requirement.

18 Are there any questions? I don't see anyone from the county
19 here today.

20 MR. ARTHUR: Would you all like to discuss
21 these as we go?

22 DELEGATE WRIGHT: Let's move them in a
23 block, Mr. Chairman.

24 MR. ARTHUR: All of them?

25 DELEGATE WRIGHT: If that's your will.

1 MR. ARTHUR: I think we ought to hear these,
2 since there are only about three of them. We can approve this one, if there is
3 no discussion.

4 DELEGATE WRIGHT: I move we accept the
5 Staff recommendation.

6 MR. OWENS: Second.

7 MR. ARTHUR: It's been moved and seconded we
8 accept the Staff's recommendation on Dinwiddie County. Any further
9 discussion, or anybody want to have something to say about it? Hearing
10 none, all in favor say aye? (Ayes.) Opposed? (No response.) Dinwiddie
11 County passes.

12 MR. PFOHL: Although Dinwiddie County has
13 withdrawn that, they do have a balance of existing funds for a previous grant
14 award for the Commerce Park. We'll work with them to adjust priorities for
15 site development and get that park closer to actual occupancy.

16 Jumping to page two, the Lunenburg County proposal,
17 Purchase of Industrial Real Estate for Future Industrial Development. That
18 request is 550,000. We note the current balance that the county has
19 available for projects is \$9,942, and that subtraction shows they'd have a
20 request for future allocations of \$540,058. The proposal is to purchase three
21 unused industrial parcels totaling approximately 44 acres along Route 138.
22 Those parcels have been vacant for about seven years. The county is
23 currently working with an active prospect who has shown great interest in
24 that site. I would note that, based on recent years' budget to Southside
25 Economic Development and Education formula, that \$540,000 of a future

1 request would be addressed in one year basically of the county's allocation.
2 There is an upcoming FY08 grant cycle in which those funds might be
3 available, depending on how the budget process unfolds this spring. That
4 would be a June 1 application and a July 2007 Commission action. So
5 basically this is in effect a six or seven month request for future allocation if
6 we continue on our recent path with the Southside formulary.

7 The county has also indicated this is a project that is TROF
8 eligible and they will work with Staff to see what type of TROF funds might
9 be available for the project. Given that the prospect has expressed interest in
10 a lease-purchase arrangement so there will be a flow of funds back to the
11 county from the purchase of this site, the Staff is suggesting that any funds
12 that the county recaptures on this project through the lease-purchase would
13 be dedicated to Economic Development purposes, and hopefully that would
14 address some better matches of local funds on some future projects.

15 MR. OWENS: How is that monitoring report, how
16 do you monitor how much money they give back? Is that an annual report to
17 the Commission to make sure that it is happening, or how does that work?

18 MR. PFOHL: All grants have annual reporting
19 requirements. In this case we would track this particular project and make
20 sure that if there is a condition attached to any project that is tracked,
21 conditions are met.

22 DELEGATE BYRON: Would those Economic
23 Development purposes be consistent with Tobacco Commission missions?

24 MR. PFOHL: It may or may not, depending on
25 how the Tobacco Commission defines Economic Development. It may or

1 may not be a direct parallel to what the Commission's interest would be.

2 MR. ARTHUR: Would we not define that?

3 MR. PFOHL: What Staff has suggested in recent
4 projects is that projects that meet the VEDP requirements for TROF
5 eligibility would be one potential way to work, the criteria. We could say
6 that any project that is primarily an export-related project, 51 percent of the
7 goods and services leaving the tobacco region might be one criterion that we
8 could use, projects of that nature coming to the county that funds could be
9 used for those. It could be more generally applied to economic development
10 marketing, site development, or a wide range of things. We're probably
11 getting into some gray area in the aspect of economic development that we
12 might consider high priorities, such as some things the Commission
13 approves on the low priority list.

14 MR. ARTHUR: Any further questions?

15 MR. DAY: What is the price of the property?

16 MR. PFOHL: This request reflects agreeing on the
17 tentative sale price.

18 MR. DAY: The 550?

19 MR. PFOHL: Yes, that's what we've been told.
20 The county's Economic Development director is here and can speak to that.

21 MR. DAY: Just to follow up on the previous
22 question, if the county buys this, they can do down the road anything they
23 want to; they could plant soybeans on it if they wanted to.

24 MR. PFOHL: It's zoned industrial right now, and
25 previously it's been in industrial use. I think that probably would be an

1 under- utilization of the land, but it's not growing anything except weeds
2 right now.

3 MR. BRYANT: Mr. Chairman, I have a question.
4 Are there any structures on the land?

5 MR. PFOHL: Yes, there are some existing
6 structures; those are from the previous user. Some of the structures have
7 deteriorated to the point where they were torn down, but there are some
8 structures still on the site. Two hundred thousand square feet of metal and
9 brick and block building and thirty thousand square feet of a covered
10 concrete pad, presumably has open sides on it.

11 MR. NOYES: I just want to answer the question
12 about what the Staff does to assure that the funds may be used for Economic
13 Development. The answer is there is no established protocol at this time.
14 We simply use the language.

15 MR. ARTHUR: Any other questions?

16 MR. DAY: Mr. Chairman, I do have one question.
17 Is there water and sewer adjacent or on this property?

18 MS. HAWTHORNE: No, sir.

19 MR. DAY: No water and sewer?

20 MS. HAWTHORNE: It's not needed by the
21 prospect.

22 MR. DAY: Is there a gas line or a railroad?

23 MS. HAWTHORNE: No.

24 MR. DAY: Is there a highway by it?

25 MS. HAWTHORNE: On 138, which is exactly 15

1 miles to Route 85, and it's a straight shot.

2 MR. OWENS: Mr. Chairman, there is no water
3 and sewer on it now and the prospect doesn't need water and sewer?

4 MS. HAWTHORNE: They can operate with the
5 well and septic.

6 DELEGATE WRIGHT: Mr. Chairman, I might
7 add something. Lunenburg County is a rural county. The prospect we have
8 is a live prospect and ready to do business and satisfied with the site. That's
9 something that's needed in Lunenburg County, and we haven't had very
10 many prospects recently. This is a very good prospect.

11 MR. ARTHUR: Did you say we're only spending
12 probably about six months?

13 MR. PFOHL: If we stay on the allocating that
14 we've used in the past couple of years.

15 MR. ARTHUR: On the current allocation?

16 MR. PFOHL: And if this Committee is funded at a
17 level consistent with the way we have been funded, there is over 550,000
18 available.

19 MR. ARTHUR: Any further questions?

20 MR. HITE: What was the previous use of the
21 property?

22 MS. HAWTHORNE: This was the Imperial
23 Briquette or the charcoal plant in Lunenburg County, which was bought out
24 by Royal Oaks and has been closed for almost eight years now.

25 To answer the question of the water, the Town of Kenbridge's

1 water line is only eight-tenths of a mile away. We've talked to the Town of
2 Kenbridge about working with us to extend that line in the future. The
3 prospect, however, right now is located in a very rural area in West Virginia
4 and has operated with the well and septic there. He has asked if we could
5 get water there pretty quickly because it would improve his insurance rates
6 and everything else and sprinkler systems and things like that. Right now he
7 is planning to put in a water storage tank to handle the sprinkler system and
8 everything. Water is only eight-tenths of a mile away.

9 MR. HITE: If he comes from West Virginia it
10 must be heaven.

11 DELEGATE WRIGHT: Mr. Chairman, I move
12 that we accept the Staff recommendation.

13 MR. OWENS: Second.

14 MR. ARTHUR: A motion is made and seconded
15 that we approve the Staff recommendation on Lunenburg County's request.

16 MR. DAY: Mr. Chairman, I'd point out to the
17 Committee, and I know you all can do the math, but we're paying about
18 \$13,000 and change for these jobs.

19 MR. ARTHUR: Any further discussion? Hearing
20 none, all in favor signify by saying aye? (Ayes.) All opposed like sign?

21 MR. DAY: No.

22 MR. ARTHUR: Let the record show that.
23 Lunenburg County passes.

24 MR. PFOHL: The bottom of page two has
25 Pittsylvania County's request for the Cane Creek Centre, Water System

1 Improvements, Phase II, and a request for \$1,598,801. That is to construct
2 16,500 linear feet of 12-inch and 16-inch water lines and connect four
3 existing water storage tanks, creating a closed loop system for fire
4 suppression and industrial uses. This is a request that has a ten percent
5 match by the applicant. This is also going to provide sufficient supply for
6 the remaining parcels in the Cane Creek Centre. The plats that we have seen
7 for Cane Creek Centre have 11 industrial parcels. On the first two that are
8 occupied there is already a commitment through TROF and others to create
9 1300 jobs and \$300 million of private investment. There are nine more
10 parcels to go in Cane Creek, depending on how big a piece of land some of
11 the future prospects buy.

12 So Staff is recommending the award, which would be from
13 restricted funds. There are sufficient available dollars to accomplish this.

14 MR. ARTHUR: Any discussion? Do I have a
15 motion?

16 MR. OWENS: Mr. Chairman, I move approval.

17 DELEGATE WRIGHT: Second.

18 MR. ARTHUR: The motion is made and seconded
19 to approve the Pittsylvania County request for Cane Creek. Hearing no
20 further discussion, all in favor signify by saying aye? (Ayes.) All opposed?
21 (No response.) Pittsylvania County passes.

22 MR. PFOHL: On page three the second
23 Pittsylvania County request is for preliminary engineering on Route 58
24 East/VIR Industrial Tract. It's an 800-acre tract of industrially-zoned land
25 along Route 58 and the Pittsylvania/Halifax county line right across from the

1 Virginia International Raceway. There are a number of possible uses of the
2 land, industrial first and foremost.

3 We've received a letter from the property owner indicating that
4 he is interested in working with the county for industrial and economic
5 development. Bond counsel has looked at this and said that barring
6 incurring site control and given that there are a variety of potential uses,
7 including retail, to advantage of some of that road frontage, that bond
8 counsel was not confident that this would be a fully eligible use of the
9 restricted funds that come from the securitization process. While it appears
10 to be a very good development property, Staff is recommending no award at
11 this time. We have suggested that if conversations with regard to making
12 this a regional industrial site come to fruition that this could be resubmitted
13 to the Special Projects Committee by meeting their regional participation
14 requirements, and that is a committee that has an unrestricted funds balance,
15 so this type of preliminary work could be done with unrestricted funds at
16 some future point.

17 MR. ARTHUR: Any discussion?

18 MR. BRYANT: I have a question. Tim, could
19 anything be done to move into compliance using restricted funds? You're
20 saying you cannot use restricted funds to fund the project, correct?

21 MR. PFOHL: There is a small exception.

22 MR. BRYANT: That's what I want.

23 MR. PFOHL: The door is open with a very small
24 crack. As you may recall from some of our previous discussions, there is an
25 exception or exemption within the securitization process, five percent of the

1 funds that were received in our securitization, those kinds of projects don't,
2 don't have to be fully compliant with all of the criteria of the restrictions.
3 This potentially could be funded from that exception. We also have a
4 possibility of going to Special Projects if this does become a regional
5 development. So we have a couple of possibilities.

6 MR. ARTHUR: Anyone else? Do I have a
7 motion? Dan.

8 MR. SLEEPER: What we're doing is we're
9 actually working with, starting out with the recommendation for us to try to
10 get another industrial park on 58 East, particularly dealing with Danville and
11 Halifax and work towards support for VIR. We have so much here with the
12 cyber park and 58 with the water and sewer we put in. The issue overall that
13 came to us is the fact that we've done six parks and getting into the six parks
14 and working pretty heavily on three of the six parks that we have. Buying
15 the land and options, doing engineering and finding out it's probably not the
16 best we could have done down the road to get a little more. This is such a
17 large site that we thought we'd ask if we could do this engineering before we
18 get involved in buying the land and locking it up.

19 We have two options under the Virginia State Code for
20 private/public partnerships, which is one of the ways we're trying to work
21 toward, rather than buying all this land, which is what we've been doing in
22 the cyber park and the regional park. That was the intent, to have this
23 partnership and get a study done so we could come back to you and maybe
24 be something more unique. Maybe we could say there are 2,000 jobs in this
25 project, but it's going to be a partnership, but we won't have to pay for all of

1 that, and that's what we're trying to do with that amount of money.

2 MS. NYHOLM: Not to be the last one to know,
3 but which land is this?

4 MR. SLEEPER: It's an 800-acre tract that is
5 directly across from VIR, and it runs back up towards Danville. Cloverdale
6 Lumber Company runs all the way over to 62. It's all owned under one
7 corporation. It's a huge tract. That was part of our intent, trying to find new
8 access from 58 to VIR.

9 MR. BRYANT: Would this benefit Halifax
10 County?

11 MR. SLEEPER: Yes. Maybe VDOT.

12 MS. NYHOLM: I'm familiar with the land, it's got
13 a lot of topographical challenges. It's got a lot of hills and dales.

14 MR. ARTHUR: Dan, since we're possibly looking
15 at doing a little bit of reorganization, is there anything about this that's time-
16 sensitive between now and July?

17 MR. SLEEPER: No, sir. It would take us almost
18 that long to begin to try to figure out who is going to study it.

19 MR. ARTHUR: I understood that, but I wanted to
20 hear you say that.

21 MR. SLEEPER: Yes.

22 MR. ARTHUR: With that situation and the way
23 we are organized right now, bond counsel says it might not work unless we
24 go into a one-time deal through that crack in the door that Tim mentioned.
25 We don't want to do it unless it's absolutely necessary. I would think that

1 since it's not time-sensitive on the land, then we've got a good chance of
2 doing this in July. I don't think there's a thing wrong with the project,
3 because it gives direct access off a major highway into VIR. That would
4 absolutely put VIR on the NASCAR track, as well as everything else. I
5 think, personally, if we wait until July we can get a better deal.

6 Do I hear a motion?

7 DELEGATE WRIGHT: I move we accept the
8 Staff's recommendation.

9 MR. OWENS: I'll second the motion.

10 MR. ARTHUR: The motion has been made and
11 seconded that we accept the Staff's recommendation. Any further
12 discussion? Hearing none, all in favor signify by saying aye? (Ayes.)
13 Opposed, like sign? (No response.) All right, it passes.

14 Our last project is the bottom of page three, the Town of Gretna
15 is requesting \$60,000.

16 MS. NYHOLM: I abstained from that vote.

17 MR. ARTHUR: Let the record reflect that Ms.
18 Nyholm abstained.

19 Go ahead.

20 MR. PFOHL: The Town of Gretna is requesting
21 \$60,000 for the Southside Virginia Interpretive Trail, a request for a
22 Pittsylvania County allocation to perform preliminary engineering studies
23 and begin acquisition of right-of-way for a hiking and biking trail on a
24 former rail line. When the proposal came in, the appearance was that
25 construction costs may ultimately exceed \$500,000, and that's a project that

1 would be very much eligible for the VDOT Transportation Enhancement
2 Program. We got information from the applicants last week that at this point
3 they feel like there are potentially 150 parcels of land that may need to be
4 dealt with, 16 road crossings and four river and stream crossings. I think
5 that validated Staff's concerns that their request would only begin to do the
6 engineering process and would not get us as far as we need to go in the land
7 acquisition process. Based on that, Staff is recommending no award at this
8 time.

9 MR. ARTHUR: Do I hear a recommendation to
10 accept Staff's recommendation?

11 MR. OWENS: So moved.

12 DELEGATE BYRON: Second.

13 MR. ARTHUR: The motion has been made and
14 seconded. Anyone that wants to discuss it? All in favor signify by saying
15 aye? (Ayes.) All opposed like sign? (No response.) Hearing none, that
16 fails.

17 The next Committee meeting is set for July the 11th.

18 MR. NOYES: Mr. Chairman, the next meeting is
19 scheduled for July 11th; however, you may wish to meet in advance of the
20 April 26th full Commission meeting for discussion about possible changes
21 to the current Southside allocation formula. If so, I'd recommend April 25th.
22 We don't need a decision today, at this point it's just to alert you that that is
23 something you may wish to do.

24 MR. ARTHUR: That will be my swan song. All
25 right.

1 Any public comment? Anyone care to say anything? Hearing
2 none, do I hear a motion to adjourn? The motion is made, we're adjourned.

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PROCEEDINGS CONCLUDED.

CERTIFICATE OF THE COURT REPORTER

CRANE-SNEAD & ASSOCIATES, INC.

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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 Monday, January 8, 2007 at 3:00 p.m. at the General Assembly Building, House Room C, Richmond, 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 day of January, 2007.

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

My Commission Expires: October 31, 2010.