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**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Southside Economic Development Committee

Monday, January 7, 2008
1:00 p.m.

Conference Room 3
Patrick Henry Building
Richmond, Virginia

1 **APPEARANCES:**

2 The Honorable Edward Owens, Chairman

3 The Honorable Barnie K. Day, Vice Chairman

4 Mr. Clarence D. Bryant, III

5 Mr. Patrick Gottschalk, Secretary of Commerce and Trade

6 Mr. L. Jackson Hite

7 The Honorable Clarke N. Hogan

8 The Honorable Danny Marshall

9 The Honorable Harrison A. Moody

10 Ms. Connie Lee Green Nyholm

11 The Honorable Thomas C. Wright, Jr.

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13 COMMISSION STAFF:

14 Mr. Neal Noyes, Executive Director

15 Mr. Ned Stephenson, Deputy Director

16 Mr. Timothy J. Pfohl, Grants Program Administration Manager

17 Ms. Stephanie Wass, Director of Finance

18 Ms. Britt Nelson, Grants Coordinator - Southside Virginia

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20 OFFICE OF THE ATTORNEY GENERAL

21 Francis N. Ferguson, Deputy Attorney General, Counsel to the Commission

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1 MR. OWENS: It's close enough to 1:00, and I'll
2 call to order the Southside Economic Development Committee meeting.

3 I'll ask Mr. Noyes to have the roll call.

4 MR. NOYES: Mr. Bryant?

5 MR. BRYANT: Here.

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: (No response.)

8 MR. NOYES: Secretary Gottschalk?

9 SECRETARY GOTTSCHALK: Here.

10 MR. NOYES: Mr. Harwood?

11 MR. HARWOOD: (No response.)

12 MR. NOYES: Mr. Hite?

13 MR. HITE: Here.

14 MR. NOYES: Delegate Hogan?

15 DELEGATE HOGAN: Here.

16 MR. NOYES: Delegate Marshall?

17 DELEGATE MARSHALL: Here.

18 MR. NOYES: Mr. Moody?

19 MR. MOODY: Here.

20 MR. NOYES: Ms. Nyholm?

21 MS. NYHOLM: Here.

22 MR. NOYES: Delegate Wright?

23 DELEGATE WRIGHT: Here.

24 MR. NOYES: Mr. Day?

25 MR. DAY: Here.

1 MR. NOYES: Mr. Owens?

2 MR. OWENS: Here.

3 MR. NOYES: You have a quorum, Mr. Chairman.

4 MR. OWENS: The minutes of the previous
5 meeting aren't available.

6 At this time we'll have a discussion of the pending grant
7 proposals. We had a previous grant that was sent back to get some more
8 work done on it. Mr. Pfohl, would you speak to that?

9 MR. PFOHL: Good afternoon. Your Committee
10 met December 18th and acted on one of three proposals that were received
11 for the often-referenced \$3 million of money that was left after the debt
12 requirement for the Institute and Riverstone. The Committee voted on
13 December 18th to recommend one of those proposals, the Institute for
14 Advanced Learning and Research and VIPER Motorsports Equipment
15 Purchase. That leaves a balance of just over \$1.99 million out of those
16 funds.

17 On December 18th, you tabled a proposal from Virginia Tech to
18 create a Model Simulation Center at Riverstone in Halifax County. That
19 proposal was originally submitted for just under 1.89 million, and the
20 applicant has advised us they think they can get the Center up and running
21 for under 1.2 million. There is a description of that project there, and I'll go
22 through that if you want to hear that again.

23 Then, there is another proposal that if you choose you can
24 consider today, and that is from the City of Danville for Project Silver, and
25 we can get to that later on. It's another request for \$3 million of funds.

1 Mr. Chairman, if you would like me to describe either one of
2 those proposals or start off with the simulation tabled in December, I'll be
3 happy to do that, or attempt to describe it for you.

4 MR. OWENS: Are there any questions on the
5 simulation project?

6 MR. PFOHL: We had quite a bit of dialogue with
7 the applicant over the last couple of months, and as recently as a couple of
8 weeks ago. We have received their final revisions to the business plan, and
9 it does now address several issues that were discussed and not incorporated
10 in that plan when the Committee met in mid-December. Those are
11 operational and management issues with regard to budget and staffing and
12 their policies for use of the equipment, their sources of revenues as they go
13 into their operational mode. I think the Staff is satisfied they put together a
14 pretty solid business plan with revenue projections. Now it's at a point
15 where only implementation will tell us how successful it will be.

16 MR. HITE: Mr. Chairman, at our meeting there
17 was a question in my mind, and maybe the Commission's, as to who would
18 own the equipment and where would it be, now and forever?

19 MR. PFOHL: This is one of the topics that we had
20 a conversation with the applicant as well as the potential landlord, which is
21 the Halifax Industrial Development Authority. The applicant would prefer
22 that the equipment be owned by Virginia Tech. They cite that there are
23 issues of liability and warranty protection because of the technical nature of
24 the equipment, and they would prefer to retain ownership of that.

25 The Halifax IDA has expressed concern and has expressed a

1 willingness to own the equipment, as they do with some of the motorsports
2 and the VIPER equipment. I think their primary concern is that the
3 equipment stay at Riverstone. You'll see in the Staff recommendation that
4 was suggested that the equipment not leave Southside without approval of
5 the full Commission. I guess an alternative would suggest to you that other
6 options would be to say that the equipment has to continue to reside at
7 Riverstone unless approved by the full Commission. That's the decision still
8 to be made today, if you so choose.

9 DELEGATE WRIGHT: Mr. Chairman, I think
10 that was a good remedy to solve the problem. The wording on the second
11 page of the Staff recommendation says that the equipment be retained and
12 used in the tobacco region unless specifically authorized by the Commission.
13 So we do retain the authority over the equipment, even though it's at the
14 hands of Virginia Tech.

15 MR. HITE: If it's not at Riverstone, where else
16 would it be?

17 MR. PFOHL: Any number of potential places.
18 The Institute in Danville comes to mind, or the Higher Ed Center. There is a
19 Virginia Tech simulation facility at Ft. Pickett, and that's another location.

20 MR. OWENS: So it wouldn't be moved out of
21 Southside.

22 MR. PFOHL: That's the will of the Committee.

23 SECRETARY GOTTSCHALK: I don't want to
24 play the role of a lawyer here, but if you just say the tobacco region, close to
25 the tobacco region, I think we want to say something about limited to

1 Southside.

2 MR. FERGUSON: Mr. Chairman, if the sub-
3 committee approves this grant, that might be appropriate.

4 DELEGATE WRIGHT: I agree, Mr. Chairman,
5 and I make that as a motion.

6 MR. OWENS: It's been moved and properly
7 seconded that we, first of all we want to get it clear. Is this approving it, or
8 are you just making -- to approve it is to make sure that it stays in Southside,
9 correct?

10 DELEGATE WRIGHT: First, we should probably
11 pass the motion and make it clear that it remain in Southside. Then, another
12 motion if necessary --

13 MR. OWENS: -- We just want to make sure. Do
14 you want to make a motion to approve it with those stipulations?

15 DELEGATE WRIGHT: Yes.

16 DELEGATE HOGAN: Second.

17 MR. OWENS: It's been moved and properly
18 seconded that we approve this project with the stipulation that it stay, the
19 equipment stays in Southside Virginia. Any discussion?

20 MR. HITE: Let's make a motion to leave it in
21 Riverstone unless this Commission approves to move it; that way we'd have
22 more control over it. It will still stay in Southside.

23 DELEGATE MARSHALL: Halifax County.
24 Southside Virginia is a large area.

25 MR. OWENS: Do you want to amend the motion

1 that it stay at Riverstone?

2 MR. HITE: That probably would hit the nail on
3 the head.

4 MR. FERGUSON: Mr. Chairman, Delegate
5 Marshall's suggestion may be the better one, only because leases change. It
6 is a Halifax initiative that the grant be, or more specifically if they move
7 their offices to another building or something, it may be over restrictive to
8 do that, but to remain in Halifax County and not be moved without
9 agreement of the Commission might be better.

10 DELEGATE WRIGHT: As long as the
11 Commission does have the right and the authority to move it within the
12 tobacco region or Southside, narrow it down in Halifax, that's fine with me.

13 DELEGATE HOGAN: I'll second that.

14 MR. OWENS: It's been moved and properly
15 seconded, any discussion? All those in favor signify by saying aye? (Ayes.)
16 Those opposed? (No response.) That passes, and we'll recommend it to the
17 Commission.

18 MR. PFOHL: The City of Danville has submitted
19 a proposal that is number 1567, and this is known as Project Silver,
20 requesting \$800,000 to attract an active economic development prospect that
21 the Commonwealth is courting to a site in Danville. The Commission has
22 been approached for Opportunity Fund money and has approved \$900,000
23 from the Opportunity Fund in addition to a variety of state and local,
24 including the Governor's Opportunity Fund and Enterprise Zone. The
25 Commission has received a request for the \$800,000 from the Southside

1 Economic Development funds, and the City is asking specifically that you
2 consider this today, that \$3 million. After the recommendation for the
3 Virginia Tech simulation project, we have available just over \$794 out of
4 three million.

5 MR. OWENS: Seven hundred ninety-four
6 thousand?

7 MR. PFOHL: Yes.

8 DELEGATE MARSHALL: Mr. Chairman, I have
9 a motion. I'll put it on the floor. I move that the Southside Economic
10 Development Committee recommend that the Commission award \$794,168
11 to the City of Danville to build a world class manufacturing center to
12 diversify Southside Virginia, application 1408. Further, that the funding for
13 this award be from monies available to the Committee and not subject to the
14 allocation.

15 MR. BRYANT: Second.

16 DELEGATE HOGAN: I don't want to get away
17 from the project. I don't know if this is the appropriate time to have this
18 conversation. At the last several meetings we had \$17 million we were
19 holding back, and we released that to do a bunch of jobs in Danville, and the
20 former Chairman Mr. Arthur had these projects in Danville, and they needed
21 to be done. With all that said what it is, and now less than a month later
22 we're back here to do something that frankly I feel Danville should do in the
23 allocation. It seems to me that at some point we've had a discussion about
24 let's spend all the money we've got, and if we need some more, get some
25 more out of other folks. That's something maybe we should talk about now

1 rather than later. That doesn't seem fair to me to the rest of Southside. I
2 don't want to get in the way of this project, and I don't know the first thing
3 about it, and I'm all for it, but I'd like to see folks do a little bit better job of
4 thinking about what they've got coming down the pike and making better
5 plans for the resources that are available, not just coming back to the
6 Commission over and over and over again. Out of a three or four million
7 dollar allotment you ought to be able to handle this. I don't know where the
8 folks from Danville are. I don't want to be rude to my new friend, Danny
9 Marshall.

10 MR. MOODY: I would tend to agree with
11 Delegate Hogan. I think it's a good project, and I support it, but the way it's
12 being done it's like a pot of money that nobody else really has an opportunity
13 to put in an application for. It kind of came on at the last minute. I think
14 that's kind of like the idea of the plan I put in before. Everybody has the
15 allocation, and then you have a pot of money that we draw from for bigger
16 projects. Kind of done at the last minute, and I have a problem with that.

17 SECRETARY GOTTSCHALK: I can speak to the
18 project. First of all it has strong support from the Governor and strong
19 support from myself. It's one of the better projects we're going to see come
20 this year. Hopefully, we'll have better projects, but this is certainly one of
21 the best projects. This is a follow-on project and work that's been done.
22 This is a follow-on supplier, if you will, to the IKEA Project. Certainly it's
23 the point that business begets business. To fulfill a strategy we would like to
24 employ in Southside, bring as much business as you can, and that brings
25 more business. We feel really good about this project. The timing of the

1 original request was not expected, obviously. I think it's just negotiations
2 back and forth between the company and the state that has gotten us to
3 where we are. It's not something we're particularly happy about, but we
4 needed to do it to get the deal done. I would urge the Committee to look
5 favorably upon this, because it's a great project for us.

6 DELEGATE HOGAN: With all due respect, I
7 have no problem with the project. I understand all of that, and that's not my
8 point at all. My point is that out of an allocation it seems to me to be much
9 more reasonable to Danville to set some priorities where the money is going.
10 If this 800 is really important for the project, and I don't doubt that it is, let
11 it be instead of something else that they came in for a few weeks ago and not
12 in addition to. It seems to me it would be fair to ask them to set some
13 priorities, make the allocations the original way and not just keep hitting the
14 issue that Mr. Moody spoke to. That doesn't do the project a bit of harm, it
15 just says set some priorities.

16 MR. DAY: Mr. Chairman, it would seem to me a
17 couple of things. Number one, if we have something that the Secretary
18 describes as one of the best projects that we're going to see and they don't
19 come for a make or break component, then they're not doing the job they
20 ought to do.

21 Number two, I don't see penalizing a good proposal based on
22 the strength of time coincidence, if that makes any sense. I wish to hell we
23 had this project up in Patrick County. I guess we all wish we had it in our
24 neighborhood. I basically subscribe to the bird-in-hand rule of economics.
25 This seems to me to be a bird-in-hand.

1 SECRETARY GOTTSCHALK: If we get this
2 money.

3 MR. DAY: Is this a make or break on this deal?

4 SECRETARY GOTTSCHALK: I would have to
5 characterize it as yes, it is. It will be, and it will be a problem if we don't.
6 Yes, it's money that we need.

7 DELEGATE HOGAN: I think at the end of the
8 day we'll fund this project, but with what money. It's not are we going to
9 fund it or not, that's my point.

10 MR. DAY: I see what you're saying. In the
11 abstract what we probably ought to do is to take this money and put it back
12 in the corpus, because that was the origin of the money.

13 DELEGATE HOGAN: What I'm saying is that we
14 ought to fund this project. We had to fund this ABB Project in Halifax, \$6
15 million. We got some of that money from Special Projects. We put together
16 a bunch of allotments in Halifax to make that deal work. I was appreciative
17 of other members of the Commission for doing that. I'm not going to vote
18 against the project, and I would hope everybody would vote for it. All I'm
19 saying is ask Danville or tell Danville that we will allow them to redirect
20 their allocation to cover this. If that means there are some things they can't
21 do that have already been approved, I think we can work with them to get
22 that done. I think in the past and in this case and in every case localities
23 ought to plan to say yes, we have projects. We've done things in Halifax like
24 hold a million dollars because we didn't know, there were two or three things
25 that might happen, and we wanted to make sure we had the money to do it. I

1 think it's a mistake, especially with the amount of money we've got rolling
2 around, not to demand that all of these communities, not just Danville or
3 Halifax but every single one, plan with the resources they have in front of
4 them, because if we don't do that, then I think we can expect this kind of last
5 minute, oh, I've got this project and need another million dollars, and we'll
6 be doing that a lot. I'm interested in the best interests of the Commission,
7 that's all I'm saying.

8 MS. NYHOLM: Talking about what Bernie said, a
9 bird-in-hand economic development, if we weren't constrained by a
10 formulary and we were working only with the best projects and return on
11 investment and what is going to create really good jobs and with what we
12 need to invest to create more community-wide resources, we'd be making
13 this investment without discussion.

14 MR. DAY: Mr. Chairman, I think one point we
15 need to recognize. It's hard to see the future. If you get a pretty good project
16 in front of you, do you wait for a better one down the road or next week, or
17 do you go with these things as they present themselves?

18 MS. NYHOLM: If they're worthy and if there's a
19 good return.

20 DELEGATE WRIGHT: In response to what
21 Connie is saying, I like the appropriation system just the way it is now.
22 They're able to use 800,000, and there are many communities couldn't get
23 money in their communities for much-needed works if there wasn't some
24 sort of appropriation. At the last meeting I brought up the fact that I didn't
25 agree with the way the \$3 million came back to the Tobacco Commission

1 and the Economic Development Committee without the other communities
2 knowing about it. I agree with Clarke, and I think they should be available
3 for everyone, but I don't see how we can take this 800,000 out of the monies
4 that other communities haven't had an opportunity to put in a proposal for. I
5 think the proposal ought to be passed, but I do agree with what Clarke said.

6 DELEGATE HOGAN: In response to Mr. Day's
7 comments and Connie's, yes, if we had an allocation formula and you looked
8 at every project on the merits and prioritize things, that would be fine, but
9 that's not the situation we have. We have an allocation system. I think as
10 long as you have an allocation system you have to consider what
11 communities do with their allocations. It can't be you spend that allocation
12 however you want to, we're not going to ask you too many questions about
13 it, or if you get anything in addition that's really good, we'll fund that, too. I
14 don't think that's the partnership that we want to encourage. If we say we
15 approve this project out of funds already allocated to the City of Danville
16 and leave it up to Staff to be able to work out which project they fund and
17 which project they don't fund, it won't do any harm to this project, and then
18 we can have this discussion about this allocation down the road. That seems
19 to me to be the way to do it, and I don't see any harm in doing that.

20 MR. HITE: I'd like to support the Secretary's
21 position and just call for the vote.

22 MR. BRYANT: Mr. Chairman, I've got one thing
23 I'd like to say. I wonder why the Committee has not had heartburn over the
24 other projects that allow the communities to share in those, and then we
25 come to this one, there's a different attitude.

1 MR. OWENS: A couple of things, the
2 Commission is here so we can have these discussions, and that allows some
3 flexibility when a good project comes up. That's the purpose of the
4 Commission itself. Secondly, doing it the way you talked about, forcing us
5 back in the allocation, we can have a discussion on the allocation. The third
6 part of this is if you've got a project, it's like a person who has an old car,
7 you've got money in the bank to buy the car, you can either walk or get the
8 car. This money is money that was saved because we paid off two projects
9 in Danville and Halifax; that's where the money came from. It was made
10 clear in the last meeting that's where the money came from.

11 MR. HITE: I make a motion we call for the
12 question.

13 MR. OWENS: All those in favor of Delegate
14 Marshall's motion, does the Staff recommend this?

15 MR. NOYES: The Staff doesn't have a
16 recommendation.

17 MR. OWENS: On Delegate Marshall's motion, all
18 those in favor say aye? (Ayes.) Those opposed? One abstention.

19 MR. DAY: Mr. Chairman, not to re-plow old
20 ground, but I do want to note for the record that we just set a precedent that
21 may benefit some flexibility in some other counties. When I get a project
22 like this up in my neck of the woods, I'll be down here breaking arms and
23 legs, saying you did it for Danville.

24 DELEGATE HOGAN: I'd ask, Mr. Chairman, put
25 on our next agenda, abolishment of the formula. If we're going to abolish

1 the formula, we need to vote on it. We're not going to do it piecemeal. I
2 warn people that without some really careful work, and there is a lot of
3 change-over on the Commission. I'm next to C. D., and I've been on it as
4 long as anybody else here. We've always worked together very nicely.
5 There are a lot of new faces here, and there are going to be some more.
6 We're getting ready to put a big pot of money in play with some people who
7 don't know each other very well. I may suggest to you that there may be
8 parts of this that you're not going to enjoy. We ought to do some very
9 careful thinking about this before we do it. I think if we're going to abolish
10 the formula, which is where this conversation is going, it's going to affect
11 what we've done. So, we ought to go ahead and do it; it can't be apples or
12 oranges, it's got to be one or the other.

13 DELEGATE WRIGHT: I would add that on
14 several occasions over the past several years there has been talk about
15 abolishing the formula, and it never has passed. It's always been voted
16 down. I've got resolutions from the board of supervisors in various localities
17 from all across the Southside tobacco region asking to have it stay like it is.
18 The small localities don't have the expertise to make some of the
19 applications, and the demand, and they still look forward to using the
20 allocation system. It's very important to those communities. On this last
21 matter I abstained, and I didn't vote as well.

22 MR. OWENS: Two abstentions.

23 MS. NYHOLM: On the last meeting, C. D. came
24 up with a compromise, or halfway point I guess it was, reduce the allocation
25 and formula and the remainder Special Project funds, if you will.

1 MR. DAY: I think Clarke is right, and we've
2 tiptoed and played footsies around this issue since I've been on the
3 Commission, which is not to say anything you put in place today you're
4 forever bound to. It seems to me we ought to have that discussion.

5 MR. OWENS: I've served on two committees that
6 decided if we're going to get away from the allocations. Every time it was
7 brought up we voted it down, to continue the allocations. If we want to
8 bring it back up in April, that's fine.

9 DELEGATE HOGAN: I'm just saying I'd vote
10 against it, because if we're going to stack these projects up on a priority basis
11 on merit, I think we ought to do it. I can tell you it's not going to be any fun,
12 because right now we have a system that basically says, okay, locality, we're
13 not quite sure about this project. If that's the best you've been able to come
14 up with, we'll let you do it. That's what we've done. If we're not going to do
15 that, we'll stack all these projects up on merit, and we'll vote on them on
16 merit, and that's going to be really difficult. The larger communities who
17 have the flexibility or the freedom that the formula has provided, I suspect,
18 will be the people that will be the least happy if that formula goes away, not
19 the little communities. They'll have a chance on merit. The larger
20 communities that have been able to get what they want by virtue of being
21 large all of a sudden won't get that, and I'm okay with that. I'm just saying if
22 you're going to do projects on merit and not on allocation, then let's do them.

23 DELEGATE WRIGHT: The beauty part of the
24 allocation, using my county as an example, there are two towns in the
25 county, and they work as a team, and they go with the best proposal. If one

1 has the best proposal they would get it, and the next one, even if they had the
2 money, they would do it next time. The Tobacco Commission encouraged
3 localities to do that and work together. That's what they've done. We've
4 talked about this many times, and it's been voted down, and I've had
5 resolutions, and each community has been opposed to that.

6 MR. BRYANT: I don't think we need to discuss it
7 today.

8 MR. OWENS: We can put it on the agenda for the
9 April meeting. All right.

10 Any public comment?

11 MR. GWALTNEY: Let me take a moment to
12 thank you for assisting us with this big project. It's a major project for us.
13 One of the things I would say that is a result of your discussion is that had
14 we had to go somewhere else, we would have to drop projects that we're
15 already building with the tobacco money. This is not one that we didn't
16 think out. This is one that the project, through the process of working with
17 the company, parameters changed, some not that the company could not
18 control. It did take a long time in negotiating, actually things changed
19 drastically. So we were able to, as the report will indicate, able to go out and
20 get significant private money to place in this; because we were trying to go
21 wherever we could to put up additional money, we also came to the
22 Commission. As you get into these projects they change drastically before
23 they're finally signed off on. We would have lost the project had it not been
24 for this particular allocation. Thank you very much for that consideration.

25 MR. OWENS: Anyone else? Do I have a motion

1 to adjourn? We're adjourned.

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3 PROCEEDINGS CONCLUDED.

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24 CERTIFICATE OF THE COURT REPORTER

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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 7, 2008 at 1:00 p.m. in Conference Room 3, Patrick Henry Building, 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 7th day of February, 2008.

Medford W. Howard

Registered Professional Reporter

Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2010.