

1 **VIRGINIA TOBACCO INDEMNIFICATION**
2 **AND COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219

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9 **Southside Economic Development Committee Meeting**

10 Wednesday, May 18, 2011

11 11:00 a.m.

12
13 The Inn at Virginia Tech and Skelton Conference Center
14 Blacksburg, Virginia

1 **APPEARANCES:**

2 The Honorable Edward Owens, Chairman
3 The Honorable Thomas C. Wright, Jr., Vice Chairman
4 The Honorable Kathy J. Byron
5 Mr. John Cannon
6 Mr. David R. Cundiff
7 The Honorable Daniel W. Marshall, III
8 The Honorable Donald Merricks
9 The Honorable Harrison A. Moody
10 Ms. Connie Greene Nyholm
11 The Honorable W. Roscoe Reynolds
12 The Honorable Frank M. Ruff

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14 COMMISSION STAFF:

15 Mr. Neal Noyes, Executive Director
16 Mr. Ned Stephenson, Deputy Director
17 Mr. Timothy S. Pfohl, Grants Program Administration Manager
18 Ms. Stephanie S. Kim, Director of Finance
19 Ms. Stephanie S. Allman, Program Administrator

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21 COUNSEL FOR THE COMMISSION

22 Mr. Francis N. Ferguson, Esquire

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1 MR. OWENS: I'll call the Southside Economic
2 Development Committee meeting to order. Neal, would you
3 call the roll, please?

4 MR. NOYES: Delegate Byron?

5 DELEGATE BYRON: Here.

6 MR. NOYES: Mr. Cannon?

7 MR. CANNON: Here.

8 MR. NOYES: Deputy Secretary Carter?

9 MS. CARTER: (No response.)

10 MR. NOYES: Mr. Cundiff?

11 MR. CUNDIFF: Here.

12 MR. NOYES: Mr. Harwood?

13 MR. HARWOOD: (No response.)

14 MR. NOYES: Delegate Marshall?

15 DELEGATE MARSHALL: Here.

16 MR. NOYES: Delegate Merricks?

17 DELEGATE MERRICKS: Here.

18 MR. NOYES: Mr. Moody?

19 MR. MOODY: Here.

20 MR. NOYES: Ms. Nyholm?

21 MS. NYHOLM: Here.

22 MR. NOYES: Mr. Owens?

23 MR. OWENS: Here.

24 MR. NOYES: Senator Reynolds?

25 SENATOR REYNOLDS: Here.

1 MR. NOYES: Senator Ruff?

2 SENATOR RUFF: Here.

3 MR. NOYES: Delegate Wright?

4 DELEGATE WRIGHT: Here.

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

6 MR. OWENS: Can we have approval of the Minutes
7 of 1-11-11, which are on the website? Do I have a motion?
8 It's been moved and seconded. All in favor say aye? (Ayes.)
9 Opposed? (No response.) The Minutes are approved.

10 All right. Now, I'll call on Stephanie Allman to come
11 forward.

12 MS. ALLMAN: I'm going to speak about our on-line
13 grant applications, and this is just for housekeeping purposes.
14 We have the on-line applications coming in, and those are
15 posted on the front page of the website, the right-hand corner.
16 That's the front page of the Tobacco Commission website in
17 the right-hand corner, and that will benefit both the
18 Commission and the grantees for using it. When you establish
19 an account, you can work from the Internet on any
20 applications you want to share with others and being able to
21 upload documents that you have directly to our grant
22 database.

23 MR. OWENS: Thank you. Now we'll have Tim Pfohl
24 review the grant applications. If anyone wants to speak to
25 these grant applications as we go through, then they can come

1 forward.

2 MR. PFOHL: Thank you. Good morning, everyone.
3 I'll try to use this microphone so you can hear me. Sarah
4 Capps, our Southside grant administrator, isn't with us today,
5 and she's attending the Virginia Industrial Development
6 Authority Institute in Staunton for some training we had set
7 up for her a few months ago. Unfortunately, it conflicts with
8 our meeting today. She had a significant role in helping to
9 develop the Staff recommendations.

10 We received 15 applications for the second round of
11 Fiscal Year '11 for the Southside Economic Development grant
12 program. Staff recommendations were sent to you last week,
13 and in addition to discussing those 15 proposals today, we
14 have two old previous grants and some requests for changing
15 and use of funds. Those are listed on Page 2 of your handout.
16 We'll get to those at the end of the program. There is also one
17 new request that your Committee is being asked to consider
18 today.

19 Mr. Chairman, I'll be happy to describe the proposals, if
20 you would like. I'll do my best to keep it brief, or if you want
21 to move into them one-by-one, we can certainly do that as
22 well.

23 MR. OWENS: Just keep it brief. If anybody wants
24 to pull out one of these from the block, we can do that.

25 MR. PFOHL: Let's start with some brief summaries.

1 In Brunswick County, the Town of Lawrenceville, there is a
2 request for \$72,000 for a Preliminary Engineering Report from
3 the town's water and wastewater system. The area that will be
4 studied is the county's Interstate 81 Business Park, a new
5 regional jail that's under construction, and Southside
6 Community College in Alberta. They're going to be looking at
7 some issues, including upgrading the size of the water lines
8 that serve the area or creating a water storage facility, as well
9 as some other needs so that they can accommodate a high-
10 volume water user at the I-85 Business Park, as well as
11 accommodate expansion of the regional jail which is
12 anticipated in the next few years. Staff is recommending full
13 funding of \$72,000 for that water and sewer expansion.

14 In Charlotte County the Town of Keysville is requesting
15 \$1.2 million and change for Drinking Water System
16 Improvements. They're requesting to build 16,000 feet of 12-
17 inch water line that would connect to the existing water line
18 and create a large loop that would allow better and more
19 reliable fire protection and water pressure in the Heartland
20 Regional Business Park. Studies have shown that the
21 hydrants in the Heartland Park are not providing an adequate
22 flow of water, and there is some concern there; by connecting
23 the two lines that already exist, that would create a loop that
24 would allow better movement of water so the system doesn't
25 have to be flushed because water isn't being used. The

1 request came to us for 16,000 feet of water line at \$1.2 million,
2 very well matched by the Virginia Department of Health, which
3 is providing funding for some other improvements in the town.

4 There was an initial proposal prior to this by the town
5 engineers that would have built a shorter connector, about
6 8,000 square feet, to run along the 360 bypass at the entrance
7 of the Heartland Park. The shorter loop was estimated to cost
8 just under \$650,000. The first resolution authorizing the
9 application from the town was authorizing a request for
10 \$647,200. Staff is supporting that lesser amount of \$647,200
11 for that shorter loop path contingent on executing an
12 agreement between the town and the county which owns the
13 water storage tank in the county industrial park which would
14 connect to this system. We're suggesting that condition be
15 executed and the agreement between the town and the county
16 to tie the proposed water line into the existing county-owned
17 water facilities.

18 There is a representative from the town here if he wishes
19 to speak. We can explain the reduced funding
20 recommendation, or if you would like to hear from him, that
21 would be fine.

22 MR. OWENS: Does anyone want to speak to that?
23 All right.

24 MR. PFOHL: Also in Charlotte County the town is
25 requesting \$300,000 for the Heartland Park Electricity

1 Engineering Study, which is based on a written quote from
2 Dominion Power of \$300,000 to design a transmission line
3 extension and substation construction in the Heartland
4 Regional Park. There is an active prospect that is proposing to
5 require 144 acres in the Heartland for a data storage facility
6 that would be built in phases and require 25 megawatts of
7 electric supply. We've seen documentation of Dominion's
8 estimate for \$300,000, and given that the Commission's policy
9 is to provide no more than 90 percent of project costs and the
10 county has proffered 10 percent matching funds, we did the
11 math, and that recommendation comes out to \$270,000
12 Commission funding. That is the Staff recommendation. Our
13 understanding of the policy is that if that transmission line
14 and substation is ever built by Dominion Power, they would
15 reimburse the county for those engineering costs. So we're
16 suggesting as a condition if it at such time as those facilities
17 are built in the county and the county is reimbursed, that
18 \$270,000 be returned to the Charlotte County allocation.

19 Also, in Charlotte County, and from the county itself, is a
20 proposal for \$100,000 Appomattox River Manufacturing
21 Expansion Project. The existing Appomattox River furniture
22 components factory in downtown Keysville was built over
23 several decades and was a textile plant and built in several
24 phases. The structure is suffering from age and some
25 deterioration. Last month an Indiana-based company

1 announced that it will assume the operations of Appomattox
2 River Manufacturing and retain 50 jobs, adding 150 jobs over
3 the next three years. There was a \$300,000 TROF award as
4 part of that announcement. Improving the exterior of the ARM
5 building is a condition of Genesis Products agreeing to this
6 project, and the Staff is supporting \$100,000 for
7 improvements to the building, including some demolition and
8 replacing walls where that demolition takes place. We're
9 suggesting as a condition on this that the \$100,000 be added
10 to the performance terms of that existing TROF award, which
11 is Number 2299.

12 MR. NOYES: I will point out to the Committee that
13 our \$100,000 is matched by another \$100,000 for the same
14 improvements; those funds are committed.

15 MR. PFOHL: Moving on to Cumberland County,
16 Cumberland Industrial Authority, and they're requesting
17 \$87,673 for the Cumberland Business Industrial Park -
18 Wetland Permitting and Water Supply Plan. There are two
19 keys to this one, and there is an environmental assessment
20 that is needed in order to obtain a wetland permit which is
21 needed in order to construct an access road in the county's
22 70-acre industrial park.

23 The second piece of the request is a study of options to
24 extend the county's existing public water service a mile or so
25 to the park, which is currently served by wells. I'd point out

1 that previous Commission grants of \$238,000-plus have
2 helped fund that town's water system, as well as significant
3 grants from the Agribusiness Committee and Special Projects
4 programs to assist the first occupant of the park, which is
5 under construction, the AG-Renewable Resources and their
6 anaerobic methane digester, and that's a \$7.5 million project.
7 That project is under construction in the park. The activities
8 all seem to be necessary in order to occupy further
9 development in the park, and the Staff is recommending a full
10 award of \$87,673 for the Cumberland IDA.

11 There are two proposals in Franklin County. The first
12 one is the Town of Rocky Mount requesting \$812,500 for the
13 Rocky Mount-Franklin County Industrial Park Phase II Rough
14 Grading & Drainage. You'll see here there is a balance of just
15 over \$490,000 available for Franklin County in this round, so
16 the Town of Rocky Mount has asked for more money than is
17 available to them at this point. This is a project that is very
18 consistent with Commission objectives that's been supported
19 in the past with grants from this Committee for engineering
20 and access road construction. We reached out to the town to
21 try to get an understanding if partial funding of \$490,000
22 would help them accomplish some of the things that they hope
23 to accomplish, and we haven't heard back from the town.
24 There is a matching fund from the federal economic
25 development still pending. We don't know the status of those.

1 We've asked for more information on the status of this and the
2 County of Franklin's commitment of \$150,000 toward this
3 project. So we're recommending that the application be tabled
4 until additional funds are available in the FY12 Southside
5 cycle.

6 MR. CUNDIFF: Speaking for the town
7 administrator, just before I came up today, the town would
8 like to have the \$490,000. It would help them in this phase.
9 The county is seeking different avenues for some grants. This
10 is an effort for our industrial park, and I'd appreciate that
11 \$490,027 out of the allocation for the Town of Rocky Mount,
12 and if I may I'll speak to 2308.

13 MR. OWENS: Let him describe it, and then we'll
14 hear from you.

15 MR. PFOHL: The second proposal from Franklin
16 County is the Town of Boones Mill, which is requesting
17 490,000. It's a typo on the Staff report. The town has recently
18 acquired a former modular home manufacturing plant, and
19 they'll be placing the town offices in there, but their request is
20 actually for three activities. One is it will complete a feasibility
21 and master plan for the remainder of the property, which has
22 several former industrial buildings on it and some
23 undeveloped land. Secondly, to demolish unstable buildings
24 that are attached to adjacent buildings, that demolition would
25 occur. And, thirdly, to renovate 8300 square feet of office and

1 industrial space to house a current prospect that is planning
2 to lease the space, and they'll establish a spring water bottling
3 operation.

4 The Staff has had numerous conversations with the Town
5 of Boones Mill, and we're supportive of the \$15,000 requested
6 for the master planning of the property. The town is working
7 with the VEDP and Norfolk Southern Railroad and the
8 Roanoke Regional Partnership in assessing the site's industrial
9 development potential and marketing it for industrial
10 development. We suggest to the town some small amount of
11 funding to complete a business plan and feasibility, and the
12 water bottling water operation will be the logical next step.
13 The town is currently dumping several million gallons each
14 month of very high quality spring water to be used in this
15 operation. They do have an entrepreneur that has expressed
16 interest in establishing this operation on the property. The
17 town has also received some bids for the demolition work, so
18 Staff is recommending an award of \$100,000 to complete the
19 site master plan and the feasibility and business plan for the
20 bottling operation, and to fund the demolition costs.

21 MR. CUNDIFF: 2308, within the last few days we
22 have been made aware, I think, of coming to the table with the
23 county speaking with them on some of the projects they want
24 to do and partner with them. They also have a gentlemen's
25 agreement between Ferrum College and the town and county.

1 I think it would be better if we had some more
2 communications with the Boones Mill side, then come to the
3 table with the county and work together and then come back
4 to the Tobacco Commission.

5 MR. OWENS: Anyone here from Franklin County?
6 All right. Go ahead.

7 MR. PFOHL: Moving on to Lunenburg County.
8 They have requested \$630,000 for Equipment for Project
9 Safety. This is a job-creating private project which was
10 announced by the Governor in the last week or so. Forty-six
11 jobs would be created for a product that will make fuel storage
12 tanks. This is a process that is licensed in the U.S. and sold
13 by this company. Their private investment in real estate and
14 equipment is \$5.9 million. The county is proposing a three-
15 year lease-to-purchase for the requested equipment fund, and
16 given the private investment and job creation that we know
17 has already been announced, the Staff is recommending a full
18 award of \$630,000 contingent on the County IDA retaining
19 ownership of the equipment until such time as the company
20 completes the purchase of the equipment, at which time the
21 county must return to the Commission and the Lunenburg
22 Southside allocation the proceeds from the sale of the
23 equipment.

24 MR. OWENS: Any questions?

25 MR. PFOHL: In Mecklenburg County the county

1 has requested \$400,482 for the Route 92 Water Improvement
2 Project. Members who have been with the Committee for a few
3 years may remember that in FY08 a million-dollar grant was
4 awarded to construct a water line along Route 92 between
5 Chase City and Boydton for what was then a proposed ethanol
6 plant on adjacent property. Subsequently last summer
7 Microsoft announced their location in Boydton, and
8 subsequent engineering after Microsoft's announcement
9 showed they needed a backup water supply which the
10 requested funds would help provide in the form of a ground
11 storage reservoir for water. That's 670,000 gallons per day,
12 which would satisfy Microsoft's current phase of construction
13 and their hope for an anticipated subsequent expansion on
14 the Boydton property. Substantial other funding is committed
15 to this, including federal EDA, Virginia Department of Housing
16 and Community Development, and local funding of more than
17 \$875,000 on this project.

18 Staff is recommending a full award of \$400,482.

19 MR. NOYES: Other funding has been approved?

20 MR. PFOHL: Yes, EDA was approved in 2008, and
21 VHCD was approved within a year or so of that when we made
22 our million-dollar commitment for the water construction. A
23 ground storage tank was not anticipated in the project, and
24 the Microsoft announcement made that a central part of that.

25 In Pittsylvania County we have four proposals. The first

1 is the Gretna Little Theatre for the Gretna Center for the Arts
2 Building Renovations, a request of \$209,000. This is a non-
3 profit arts organization established in 2008. They acquired a
4 three-story warehouse building on Main Street in downtown
5 Gretna last year for \$30,000. Overall they anticipate a million-
6 dollar project to renovate this property for a variety of uses.
7 This would be for theater rehearsals and storage and artists
8 and rented spaces, performances, art classes and shows,
9 receptions and other events. Phase 1 is repairs and
10 renovations, including roof, foundation and so forth.

11 The Staff in reviewing the proposal noted a quote that
12 says "particular uses of the renovated space are undefined at
13 this early stage of development." We note that all matching
14 funds are pending, future operating funds are not quantified,
15 outcomes are not quantified, and the ability of this three-year-
16 old non-profit arts origination to raise funds for the overall one
17 million dollar project is not clear. That's a huge challenge for
18 the Little Theatre.

19 We also note that it's not the primary performance
20 standard of the Little Theatre, which uses stage shows at the
21 Gretna Theatre in downtown. Ultimately, we'd point out that
22 the performing arts and visual artists and providing art
23 education for school-aged children is not an economic
24 development strategy, and thereby not a particular good fit for
25 the economic development program. We're recommending no

1 award. I feel like a Grinch with that message.

2 The Town of Hurt is requesting \$80,000 for Drinking
3 Water Booster Pumping Station Modernization, including new
4 automatic controls, a dialer, pump and motor. The town says
5 these improvements will allow the system to function more
6 reliably and better serve potential users.

7 The Staff is of the opinion this would prove to be normal
8 operational equipment up-grade, and it could be funded from
9 operating, maintenance and replacement reserves. It wasn't
10 clear what effect these improvements would have on the
11 former Klopman Mill site, for which Pittsylvania has already
12 secured from the Commission nearly \$900,000 for sewer
13 improvements. The Staff has reached out to the county with
14 regard to the \$886,000 grant. When that is bid, the responses
15 will probably be bid this fall. If there is an opportunity for
16 some change orders that the county would reach out to the
17 Town of Hurt to see what priority activities could be
18 accommodated under that previous grant, 2199. I believe the
19 county is open to that dialogue.

20 Pittsylvania County is an applicant for the Ringgold East
21 Industrial Park - Development Ready Sites, and requesting
22 more than 2.4 million. The county was with us previously to
23 develop smaller parcels in this park, and they're now back to
24 us with a request for design and site development which would
25 create two parcels. One of them is 30 ½ acres, and the other

1 one is a 13-acre pad, including a natural gas line extension
2 and stormwater facilities. Several of the utilities that are listed
3 are all located at the outer edges of the park. There is a
4 70,000- square-foot shell building, and a current prospect is
5 trying to arrange financing to start an operation. The county
6 states the demand is for larger parcels, not the smaller parcels
7 that were previously approved by the Committee. Their
8 estimate is that three 100,000 square foot buildings are to be
9 located on these two parcels with an estimated job creation of
10 250 to 300 jobs, estimated private investment of 20 million.

11 The request is consistent with Commission priorities, and
12 these are marketed by VEDP and in an Enterprise Zone, and
13 it's got good proximity to Route 58, rail, and the adjacent Cane
14 Creek Centre. Staff is recommending an award of \$2,429,431,
15 which we shaved about 35,000 off that so we wouldn't
16 overspend the allocation that's available for Pittsylvania.
17 We're pointing out that there is a \$210,000 contingency in the
18 budget for this proposal. So the 35,000 or so that we're
19 shaving would come out of the contingency.

20 The fourth proposal from Pittsylvania is in the Town of
21 Chatham, the Chatham Water Treatment Plant Improvements,
22 a request for \$489,872 for engineering and construction funds
23 for improvements to the Town of Chatham's water treatment
24 plant and to increase the reliability and safety of the treatment
25 process. They are a major supplier of water in central

1 Pittsylvania County. The water treatment plant currently
2 operates well below its permitted capacity, and they've suffered
3 two major shutdowns in 2008 because of equipment and line
4 failures, and that impacted the residents and nine industrial
5 users. Industrial and commercial accounts make up 75
6 percent of the usage. These businesses employ 850 people. A
7 new 300-acre industrial park, Cherrystone, is under
8 development in the water treatment plant's service area with
9 projected employment of another 700 jobs and investment of
10 \$460 million. The town has proffered a 17 percent match from
11 its reserve fund, and the town carries substantial water
12 system debt through 2033 and currently operates on a very
13 small annual surplus. The proposal includes several letters
14 from area employers whose operations have been impacted by
15 the system shutdowns in 2008. We feel that these
16 improvements are critical to keeping and creating jobs in
17 central Virginia. The Staff is recommending a full award of
18 \$489,872.

19 The Town of Gretna, Piedmont BioProducts Gretna
20 Bioenergy Process Optimization is requesting \$490,000. This
21 would be to continue optimizing the fast pyrolysis process that
22 is being developed at Piedmont BioProducts demonstration site
23 in Gretna to convert perennial cellulosic plant feedstocks such
24 as miscanthus into value-added petroleum replacement
25 products, including bio-oil, syngas and carbon char. I think

1 most of the Commission members are familiar with this
2 project and its operation. These improvements will include an
3 addition of a hot gas filter and that equipment for this process.
4 These improvements will lead to development of the
5 Piedmont's first commercial bio-refinery to be located in the
6 Gretna Industrial Park. The Commission, through the Special
7 Projects and Agribusiness grants program, has supported this
8 project to the tune of \$1.7 million thus far.

9 The Staff wants to point out that the issue of providing
10 equipment funds to a private for-profit have not been
11 adequately addressed in the three previous grants, and we're
12 suggesting we can handle that here today with a clause that
13 would recommend that any future disposal of equipment
14 owned by Piedmont BioProducts by sale or lease or whatever
15 and the relocation of such equipment outside the tobacco
16 region would be subject to written approval from the
17 Commission. We recommend full funding.

18 MR. OWENS: So you're recommending what?

19 MR. PFOHL: Staff recommends full award of
20 \$490,000 contingent on Piedmont BioProducts seeking written
21 Commission approval before disposing by sale or lease, and so
22 forth, Tobacco Commission funded equipment and physical
23 assets or relocating such equipment and assets outside
24 Virginia's tobacco region.

25 The next one is Sussex County requesting \$552,293 for

1 the Route 602 (Cabin Point Road) Industrial Park. This
2 involves site development of Phase 1 of the proposed industrial
3 park at U.S. 460 and Route 602, and the county did acquire
4 this several years ago. The 156-acre property was obtained by
5 the county in 2006 for the development as the first county-
6 owned industrial site in Sussex. It's in close proximity to the
7 Rolls-Royce facility in Prince George, as well as having direct
8 access to Route 360. It's been marketed by VEDP and
9 Virginia's Gateway Region as a manufacturing site. It also has
10 access to the Port of Virginia via Route 460. Funds would
11 assist in clearing and rough grading a 20-acre site and
12 constructing 1100 feet of 16-inch water line, 700-foot
13 wastewater line and stormwater facilities within the property.
14 The water and sewage facilities would then be turned over to
15 the Sussex Service Authority for ownership and operation and
16 maintenance. The county does not have a public utilities
17 department.

18 We previously supported this with \$50,000 for assisted
19 engineering of this site. We note that the Sussex mega site
20 funded by Special Projects is located across 460 adjacent to
21 the site. Staff is recommending full award of \$552,293.

22 MR. NOYES: There has been considerable
23 discussion, members of the Committee, about improvements
24 throughout 460, not building water and sewer lines only to
25 have them torn up in a couple of years. Is that going forward?

1 MR. PFOHL: The planning director is here from the
2 county, and he can speak to that. The routes for the new 460
3 are removed from the existing 460, and the water and sewer
4 lines would be in the existing road's right-of-way. I believe
5 that's where most of those are right now, so those would be
6 extending those that are in existence on the 460 right-of-way.

7 DELEGATE MARSHALL: Back to project 2310, the
8 Gretna Theatre. I think there is someone here who would like
9 to address that.

10 MR. PFOHL: If you'd like to address one of these,
11 please feel free. Step up here and use the microphone so the
12 reporter can get your name.

13 MS. SHUMAKER: I'm Ms. Shumaker. I'm currently
14 president of the Gretna Little Theatre, and then next month I
15 become the director. I look at the reason for not granting us
16 any funds, and I certainly can understand why Staff would
17 have made those considerations. This is the first grant we
18 have applied for, and we're still in the learning mode. Since
19 we made this application with a deadline of April 1st, we've
20 been looking at language, et cetera. It's come to our attention
21 that we have a draft of a business plan yet to be implemented.
22 We've also learned much about how to write a grant since
23 we've made this particular application. In particular, we're
24 trying to look at what the different foundations are looking for
25 before they make an award. We recognize that there are some

1 areas in our application that were not quite what they should
2 have been. As far as economic development in the area of
3 Gretna and central Pittsylvania County, we're expecting that
4 most of the work on the building will be done as much as
5 possible by local workmen. We have an architectural firm that
6 is now working with us to help us understand the complexity
7 of what we want to take place with the building. I'm trying to
8 think what I need to address; if anyone has any questions, I
9 will attempt to clarify them.

10 DELEGATE WRIGHT: I want to say I appreciate
11 your remarks and understand them. I understand what
12 you're trying to do for the future here. Maybe we can help you
13 later.

14 MS. SHUMAKER: I can guarantee you we'll be back
15 in October. Anyone else?

16 DELEGATE MERRICKS: Is there any way we can
17 give them some assistance to this group to help them with the
18 process? I'm an arts guy myself, and I've done community
19 theater before, and we need something to have a draw for
20 people to come to the area for culture things and arts. So I
21 think we need to provide some assistance to this group. I
22 know this is non-profit. I just think like everyone else we need
23 to give them some assistance that would be helpful to them.

24 MR. OWENS: The group can contact Staff and work
25 with them and help them get something together as far as

1 their application; that may be beneficial.

2 MS. SHUMAKER: Thank you, very much.

3 MR. OWENS: Thank you.

4 DELEGATE MARSHALL: Application 2308 for the
5 Town of Boones Mill. Did I hear Mr. Cundiff say he was going
6 to pull that? That would give an extra hundred thousand
7 allocation to the County of Franklin?

8 MR. FRITH: I'm the town manager of Boones Mill.
9 This hundred thousand we're looking to get is very important
10 to the Town of Boones Mill. We wanted to purchase a 62-acre
11 property in the Town of Boones Mill, and it used to be a
12 modular homes site. They went out of business, and we had
13 somebody that was going to purchase the property. We had a
14 difficult time purchasing the place. We really need this
15 money, the hundred thousand, for a jump start. Mr. Cundiff
16 mentioned something about a gentlemen's agreement. The
17 town did not have a gentlemen's agreement. The town
18 administrator has recommended for this grant.

19 So, again, I appreciate anything that you could do to help
20 us get a jump start to get this industrial park under way. I
21 appreciate your time.

22 MR. NOYES: Are all the other funds for Rocky
23 Mount, are they approved for that project?

24 MR. PFOHL: There was a letter attached to the
25 proposal from the town manager of Rocky Mount, \$150,000 to

1 the project. Our questions to the town included a
2 commitment from the county for this proposal of 150,000, a
3 county contribution. I understand the local governments are
4 going through the budget process, but we haven't received an
5 answer on that yet. We haven't received confirmation that the
6 EDA funding is available. There are several pieces of this
7 puzzle that still need to come together.

8 MR. NOYES: That is in part the reason for the
9 recommendation to table it?

10 MR. PFOHL: Another question for the town was
11 what amount of grading could you accomplish with \$490,000,
12 or does it make sense to grade this project in two phases. We
13 haven't received a response yet from the town.

14 MR. OWENS: Any questions on that? Would you
15 like to do these in a block, and we can entertain a motion to
16 pull out any?

17 DELEGATE MARSHALL: I would ask that 2311 be
18 pulled from the block. I need to abstain from that.

19 MR. CUNDIFF: I feel like we should pull 2308.

20 MR. OWENS: Any others? Do I have a motion to
21 approve the Staff's recommendations, other than those that
22 are pulled out of the block? I've got a motion and a second
23 that we approve the Staff's recommendations in a block, other
24 than 2311 and 2308. All in favor say aye? (Ayes.) Opposed?
25 (No response.)

1 Now we'll take up 2311.

2 MR. FERGUSON: And that motion was to approve
3 all the projects that the Staff recommended, other than 2308
4 and 2311, Mr. Chairman?

5 MR. OWENS: That's correct. Now we'll take up
6 2311.

7 DELEGATE MARSHALL: I'm abstaining from 2311.

8 MR. OWENS: There is a motion and a second. All
9 those in favor say aye? (Ayes.) Opposed? (No response.)

10 DELEGATE MARSHALL: I'll abstain.

11 MR. OWENS: Do I hear a motion on 2308?

12 MR. CUNDIFF: To let the town come back, you're
13 going to table it and let them come back?

14 MR. OWENS: Yes, we can certainly do that. Do I
15 hear a motion? It's been moved and seconded. Any
16 discussion?

17 DELEGATE WRIGHT: I hope the town and the
18 county can get together and agree on something, and they
19 should be in a better position.

20 MR. PFOHL: Sarah Capps has set up a meeting
21 with the Town of Boones Mill for the second week in June.

22 MR. OWENS: Then they'll go back on the agenda
23 again?

24 MR. PFOHL: Yes.

25 MR. OWENS: Any other discussion? All those in

1 favor of tabling 2308 say aye? (Ayes.) Opposed? (No
2 response.)

3 Other business?

4 MR. PFOHL: Mr. Chairman, we have two previous
5 grants that were recommended by the Committee and
6 approved by the Commission that are seeking some change of
7 the use of their funds. The first one is Pittsylvania County,
8 Berry Hill Road Industrial Project, Number 1581, for more
9 than \$3.5 million in Fiscal Year '08 for water and sewer
10 construction to serve a brick mining and manufacturing
11 operation that was considering a site on Berry Hill Road. That
12 project did not materialize, and the property has become part
13 of the Berry Hill mega site. The county has awarded a \$1.7
14 million contract to construct a water line. They're essentially
15 requesting a million-dollar balance of the funds originally
16 budgeted for construction now be authorized for use in
17 providing additional engineering for the mega site. They're
18 asking for some amount or an unspecified amount of time
19 extension. The Executive Director is authorized to allow an
20 extension for a fourth year. The county has said the
21 additional funds or the million dollars for sewer and
22 engineering would complete the sewer and engineering for the
23 Berry Hill mega site property in its entirety.

24 Staff points out that the Commission has awarded more
25 than 17.7 million for the Berry Hill mega site to date, including

1 some recent mega site program funding that was used for
2 engineering electric infrastructure access road improvements.
3 The county is here to speak to that. The Staff will defer to the
4 Committee's will on that.

5 MR. NOYES: Before we hear from the county, do
6 you have a figure on how much money the Commission has
7 invested in engineering relative to Berry Hill?

8 MR. PFOHL: The \$17.7 million includes a
9 substantial amount of land acquisition as well as some
10 engineering. I don't have the figure for the total engineering
11 costs committed to Berry Hill at this point. The assistant
12 administrator from the county may have that figure for you.

13 MR. SIDES: My name is Greg Sides. I'm the
14 assistant county administrator for Pittsylvania County. That
15 money was for preliminary engineering, electric design and
16 right-of-way for natural gas and also for the connector road.
17 That particular project did not include water and sewer. The
18 county is responsible for the water and sewer engineering. In
19 the last Southside Economic Development round we received
20 funding to complete the engineering for the water system. If
21 we're allowed to shift this money within the existing project,
22 and we're just asking to re-allocate, we'd be able to complete
23 all of the sewage to the mega park, which is two of the key
24 parts as far as certifying the mega site. We have to certify it by
25 the end of this year, and as part of that we need to be able to

1 show that this is fully engineered with water and sewer.

2 I'll also point out we're working with the city, and this
3 project originally started out for a different purpose, but it's
4 always focused on water and sewer related to the Berry Hill
5 site. Once we did the preliminary engineering for the brick
6 company, it became obvious that it was not going to be
7 engineering feasible to run the sewer back to the City of
8 Danville. Therefore, it required re-engineering, the City of
9 Eden, North Carolina. If we're allowed to do this and redirect
10 this engineering line, we would redesign the system all the way
11 to North Carolina and tie in with the Eden system. Eden has
12 already been working with the Foundation, and they've
13 obtained funding to construct the North Carolina portion to
14 the Virginia line. We've been working closely with them on
15 this project.

16 I just want to point out this is a project, the money is
17 already there, and we thought we'd build a sewer line, and it
18 turns out that was not the proper approach on this project,
19 and we're going to engineer the entire system. The county has
20 put in over 400,000, 433,000 of local money at this point. It's
21 consistent with our strategy of getting this park certified.
22 Based on the shifting of the priorities of funding this project,
23 once we complete this engineering we'll still have remaining
24 monies in the grant, and we won't be using the entire fund.
25 We do anticipate de-obligating those remaining funds, which

1 would be in the neighborhood of 600,000.

2 MR. NOYES: Do I understand correctly that the
3 county has invested in cash 433,000?

4 MR. SIDES: Correct, 433,000 for engineering.

5 MR. NOYES: Against what this Committee agreed
6 with the roughly five million for engineering from the Tobacco
7 Commission.

8 MR. SIDES: This particular grant, three and a half.

9 MR. NOYES: I'm talking about overall, including
10 the mega site funds from last year, all programs over a period
11 of time. It sounds to me like the Commission is in for about
12 five million for engineering; in addition to that you're in for
13 400 and some thousand.

14 MR. SIDES: The 400 is on this particular project. I
15 don't know off the top of my head what our local match is on
16 the other projects, 10 percent of each project. On this
17 particular project, our local match in the application was
18 394,000. We've gone beyond our local commitment on this
19 particular project.

20 MR. OWENS: What's the total cost of engineering
21 for the entire project?

22 MR. SIDES: That wasn't part of this application. I
23 don't have that figure for you, the overall park for, sewer
24 engineering for the overall mega park is approximately
25 \$900,000. We've got a separate contract for water

1 engineering, and that's a completely different grant. Then the
2 City of Danville has done an application for electric and
3 natural gas engineering, and that's a separate project. Each
4 one of these goes through the RFP public procurement
5 process; we did an RFP for the engineering on this particular
6 project both the water and sewer. What we're looking at now
7 is, after going through that procurement process in obtaining
8 this engineering information, we're looking at spending our
9 time, or we're going to amend our time track and do the same
10 engineering but a different scope. This will complete the sewer
11 engineering design for the entire mega park. The water
12 engineering is done under a different grant.

13 MR. NOYES: At what point are we going to start
14 building?

15 MR. SIDES: The current strategy is we're going to
16 engineer everything to the point of ready to install or start
17 construction of the infrastructure. We're looking for a firm
18 that will commit to the site before we start the bidding and
19 putting in infrastructure. We're looking for the private
20 investment to go along with this, to go with the public
21 investment.

22 DELEGATE MARSHALL: This is the fifth largest
23 site; we're talking about 4,000-plus acres. I think it might be
24 one of the largest sites in Virginia, close to 4,000 acres.

25 MR. SIDES: We're looking at road improvements in

1 the neighborhood of \$40 million that are not addressed in
2 these applications. This whole process is under way, and this
3 will be one of the missing pieces that will be able to show.

4 DELEGATE MARSHALL: Mr. Chairman, I have a
5 motion that we accept the request to allocate the million
6 dollars.

7 MR. SIDES: We are looking for a one-year time
8 extension.

9 MR. OWENS: It's been moved and seconded. Any
10 discussion?

11 SENATOR RUFF: It sounds to me, and just so we're
12 a hundred percent clear, they're going to achieve a 10 percent
13 match? I think it's been alluded to, but there is nothing in
14 writing. I'd request that the motion be amended to say
15 conditional that it does not exceed 90 percent of the costs, and
16 that way we know for sure, if you would accept that.

17 DELEGATE MARSHALL: Absolutely. I would
18 accept that amendment, and I think it's a given that's correct.

19 MR. OWENS: All right. Any other discussion?

20 DELEGATE WRIGHT: The only thing I would add,
21 and I would make a comment, this would be the final request
22 for an engineering study?

23 MR. NOYES: I didn't understand that the additional
24 request to get more engineering might not be done or might
25 not come before the Committee for other aspects of the park. I

1 think this just completes the sewer. We're in for five million
2 now, then construction activity.

3 MS. NYHOLM: Having done some building of this
4 type and with this grant, by making it incremental --

5 DELEGATE WRIGHT: -- By making the motion a
6 clarification --

7 MS. NYHOLM: -- I've done building like this before,
8 but I wouldn't want in here if this grant, by making it
9 incremental.

10 MR. OWENS: Any other discussion? All in favor
11 say aye? (Ayes.) Opposed? (No response.)

12 MR. PFOHL: The second existing grant where there
13 is a request for change of the use of funds is a grant awarded
14 in Fiscal Year 09 to Mecklenburg County Industrial
15 Development Authority, Grant Number 1779. There is also a
16 3.5 million grant for a site acquisition, development of
17 property in Clarksville for further development of a data
18 center, adjacent to the data center that currently occupies the
19 former Russell Stover plant. The funds have been used
20 already to acquire the site, a million, and for some additional
21 engineering like a quarter million dollars, and that was for
22 engineering, further site development, including grading and
23 utility, and those have been bid. The bids came in under the
24 projected amount by some \$900,000. The county is
25 requesting the 935,000 surplus, if you will, for unobligated

1 grant funds that \$747,000 and change be used for a sewer
2 system that has been identified in the preliminary engineering
3 report, and that will be improvements to a pump station to
4 service the Kinderton property, and that will involve the sewer
5 line extension.

6 DELEGATE BYRON: Just to clarify, what
7 distinguishes between these kinds of changes and what you'd
8 get on another application?

9 MR. PFOHL: That's a good point, and I probably
10 should have pointed it out in the Pittsylvania one as well.
11 While there is no hard and fast rule, a percentage of the
12 budget change requires Committee action. Staff has been
13 using a rule of thumb of 20 percent shifting budgeted funds to
14 different activities constituted somewhere in the neighborhood
15 of what was beginning to look like material changes to the
16 project. Both of these requests seek to move more than 20
17 percent of the original budget. That's why the Staff brought it
18 to you today.

19 The county in this case would argue that sewer system
20 improvements were part of the original budget to serve the
21 Kinderton property and subsequent engineering has identified
22 this particular substation, the Routes 15 and 58 pump
23 station, as one that serves the Kinderton property as well as
24 some other adjacent areas in town and needs improvement in
25 order to provide services to the data center located in

1 Kinderton. That would be a high-volume water user. Probably
2 the county administrator could explain it better than I could
3 and address your questions.

4 DELEGATE BYRON: Why don't we just have a re-
5 application, because if there is a time frame change the Staff
6 can give a full recommendation as well. In this case you're not
7 really giving a recommendation.

8 MR. PFOHL: We're still gathering information as
9 late as this morning from the county on this. The county
10 made the request, and Staff didn't feel like we were authorized
11 to approve it administratively. Your options today would be to
12 recommend it to the Commission or suggest the county
13 reapply.

14 MR. NOYES: That's their reason and the reason we
15 have the request from the county as the grantee to re-purpose
16 funds. I wasn't really prepared to get into it. If the Committee
17 needs to hear more of it, you can recommend a new
18 application round and de-obligate the funds and then come
19 back. We're not recommending that. It's clearly consistent
20 with the intent of the original application. It's too big of an
21 amount of money for the Staff to be making that decision
22 without the Committee knowing about it.

23 DELEGATE BYRON: Well, the fact is there are three
24 of them today, and we aren't getting the necessary
25 information, maybe. So at some point maybe we have to make

1 a decision to let it go or bring it out, or reapply. Maybe it's a
2 change that they should reapply.

3 MR. NOYES: That's a valid point. The request does
4 not receive the same vetting as a new application would get.

5 MR. CARTER: I'm the Mecklenburg County
6 administrator. What the county is requesting, and the reason
7 why we're coming here before you today, we requested
8 \$747,000-plus to re-allocate out of 935,723, and the town met
9 last night, and they provided a \$75,000 match on this
10 amount; they have 10 percent on that. The remaining monies
11 will still be used as a contingency on the existing Kinderton
12 property. That's a pump station and serves also the data
13 center. Then they're talking about a 15-acre -- the existing
14 pump station will not take these loads, and we're proposing to
15 reallocate this money with a 10 percent match, the 747,000-
16 plus dollars.

17 SENATOR RUFF: Mr. Chairman, the original
18 amount we submitted a request for, was that based on
19 engineering studies, not the cost to do these other things?

20 MR. CARTER: Yes. The reason why we allocated it
21 back is that we have an extension on one of the bids, June
22 9th, and at that point in time no longer will the price be the
23 same. The extension was for 60 days. I'm not sure in October
24 or November what the price will be then.

25 SENATOR RUFF: I guess the point I'm making, the

1 cost of construction right now is down, and it's very
2 competitive. If we can move this forward quickly enough, I
3 think we can save quite a bit.

4 MR. OWENS: Any more questions?

5 DELEGATE WRIGHT: I think there have been some
6 good questions asked. I'm going to move to approve this.

7 SENATOR RUFF: I'll second it.

8 MR. OWENS: It's been moved and seconded. Any
9 further discussion? All in favor say aye? (Ayes.) Opposed?
10 (No response.)

11 Now we have new business.

12 MR. PFOHL: The City of Danville in the first round

13 --

14 MR. NOYES: -- There were discussions yesterday;
15 we're not going to be using reserve funds, they're not available.

16 MR. PFOHL: In your first round of FY11 Southside
17 Economic Development Committee you approved a grant of 1.6
18 million for the City of Danville to establish a center for high
19 performance computing. This would entail the purchase of a
20 \$3 million supercomputer, which reportedly would be the first
21 supercomputer of this size outside of a federal agency through
22 the university environment. The proposed site is the former
23 Dan River Textile building. The city is working with a non-
24 profit partner, Noblis, Incorporated, and the manufacturer of
25 the computer is Cray. The approval in October of the 1.6

1 million very clearly signaled the city would be back for the
2 balance of the construction funds needed, a balance of \$1.4
3 million that they received from their FY12 allocation. The
4 problem has come because Cray will not start the construction
5 of a \$3 million supercomputer until all construction funding to
6 purchase the computer is committed to the project. We met
7 with the City of Danville and Noblis, and we initially suggested
8 that we potentially front some reserve funds to have that
9 reimbursed from the Southside Economic Development
10 allocation. At this point the 1.4 million won't be needed until
11 the final payment on delivery of the computer. Cray wants to
12 see that the funds are committed. I think the request from the
13 City is the Committee consider approving the FY12 allocation,
14 which will be available after July 1 of this year, and potentially
15 some FY13 allocations if needed for that 1.4 million second
16 piece of funding for the supercomputer.

17 That's the proposal in front of you today. At your seat is
18 a full summary of the previous \$1.6 million award. You have
19 some additional description of that project that you saw back
20 in October to approve the 1.6 million.

21 MR. NOYES: None of us are excited about spending
22 forward. We made a big effort a few years ago to stop that
23 activity. We're really looking here at 35 days. We'll be
24 approving the budget next week. I'm going to speak in favor of
25 this, and one reason is that there is an active prospect that

1 VEDP and Staff are working with that will require a
2 supercomputer capacity, and it's a very large project. This is a
3 material factor in a decision by a business to locate in
4 Southside Virginia. We're talking 35 days. Although I don't
5 like to spend forward, I'd urge the Committee to go forward on
6 this.

7 SENATOR REYNOLDS : I'd move to grant the
8 request.

9 DELEGATE MARSHALL: Second.

10 MR. OWENS: Its been moved and seconded. Any
11 further discussion?

12 SENATOR RUFF: Danville will have more than --

13 MR. NOYES: -- They will not have the full 1.4 by
14 the first. Staff is going to look and make sure that the 10
15 percent that we require may be a shortfall, and that would be
16 a carryforward to 2013. We'll be floating that for as much as
17 year, yes.

18 MR. OWENS: No money will be disbursed until --

19 MR. PFOHL: -- Six months would be the best
20 estimate.

21 MR. NOYES: We're not going to be spending the
22 money, the spendforward money until it's actually in place.

23 DELEGATE MERRICKS: I would hope they would
24 have to have some guarantee.

25 MR. NOYES: They'll receive a letter indicating the

1 Committee has made its decision, and I take it that would be
2 sufficient for them to go forward.

3 MR. PFOHL: Delegate Merricks, we have received a
4 revised application for this, and we have an application on file,
5 a new application proposal Number 2328. It's a Commission
6 grant of \$1.4 million for project 2328. There would be our
7 usual grant agreement and so forth.

8 MR. OWENS: All right. Any further discussion? All
9 those in favor say aye? (Ayes.) Opposed? (No response.)

10 MR. PFOHL: With the concurrence of Committee
11 Chairman, Staff has suggested Friday, October 14, 2011 as
12 the next application deadline; that's the application due date
13 for the Fiscal Year 2012 Southside Economic Development
14 program. The budget for FY12 will be approved, as Neal said,
15 next week at the Full Commission meeting. So the application
16 deadline of October 14th, we're hoping to have those
17 applications on-line, although we understand some applicants
18 may not have adequate computer connectivity. We'll keep a
19 paper option and fall back to that for those that need it, but
20 we're hoping that we'll see on-line applications. Those will be
21 heard by your Committee in mid-December and will go to the
22 January Commission meeting for final approval.

23 MR. NOYES: For those who aren't going to be here
24 for the Education meeting this afternoon, please sign your
25 vouchers, and that's it.

1 MR. OWENS: Is there any public comment? All
2 right, seeing none or hearing none, then I'll accept a motion to
3 adjourn. Thank you. We're adjourned.

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PROCEEDINGS CONCLUDED.

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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 Wednesday, May 18, 2011 at 11:00**

1 **a.m. at The Inn at Virginia Tech and Skelton Conference**
2 **Center, Blacksburg, Virginia.**

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

6 Given under my hand this _____ day of June,
7 2011.

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Medford W. Howard

13

Registered Professional Reporter

14

Notary Public for the State of Virginia at Large

15

16 My Commission Expires: October 31, 2010.

17 Notary Registration No. 224566