

1 The Honorable Thomas C. Wright, Jr., Vice Chairman

2 The Honorable Kathy J. Byron

3 Mr. John R. Cannon

4 The Honorable Daniel W. Marshall, III

5 Ms. Connie Greene Nyholm

6 The Honorable William Stanley

7 The Honorable Gary D. Walker

8 Mr. Donald W. Merricks (by phone)

9

10 COMMISSION STAFF:

11 Mr. Timothy S. Pfohl – Interim Executive Director & Grants

12 Program Administration Director

13 Mr. Ned Stephenson – Deputy Executive Director

14 Ms. Sarah K. Capps – Grants Program Administrator,

15 Southside Virginia

16 Ms. Stephanie Kim – Budget Director

17 Ms. Stacey Richardson – Executive Assistant

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25 DELEGATE WRIGHT: Welcome everyone,

26 I thank you all for coming. First I'll ask Tim Pfohl to call the

1 roll.

2 MR. PFOHL: Just a note on the
3 composition of the Committee. At this point, we have two
4 Commissioners including former Chairman Mr. Owens who
5 retired from the Committee, so the Committee is now
6 comprised of ten members and the presiding officer is Vice
7 Chairman Delegate Wright. Delegate Byron?

8 DELEGATE BYRON: Here.

9 MR. PFOHL: Mr. Cannon?

10 MR. CANNON: Here.

11 MR. PFOHL: Secretary Jones?

12 SECRETARY JONES: (No response.)

13 MR. PFOHL: Mr. Cundiff? Are you with
14 us on the phone?

15 MR. CUNDIFF: (No response.)

16 MR. PFOHL: He's not on the phone yet.
17 Delegate Marshall?

18 DELEGATE MARSHALL: Here.

19 MR. PFOHL: Mr. Merricks?

20 MR. MERRICKS: Here. (by phone)

21 MR. PFOHL: Ms. Nyholm?

22 MS. NYHOLM: Here.

23 MR. PFOHL: Senator Ruff?

24 SENATOR RUFF: (No response.)

25 MR. PFOHL: Senator Stanley?

26 SENATOR STANLEY: Here.

1 MR. PFOHL: Mr. Walker?

2 MR. WALKER: Here.

3 MR. PFOHL: Delegate Wright?

4 DELEGATE WRIGHT: Here.

5 MR. PFOHL: You have a quorum, sir.

6 DELEGATE WRIGHT: Thank you. I'll call
7 for the approval of the minutes published on the website. We
8 have a motion and a second, all those in favor of approving the
9 minutes say aye. (Ayes.) Opposed? (No response.) The
10 minutes are approved. Appreciate everyone making an effort
11 to be down here. What we have today is an out of sight
12 application from Charlotte County to address an urgent
13 economic project. What they're seeking is \$930,000 from their
14 current allocation. That's for a shell building acquisition and
15 43 acres of land. The staff has recommended approving it. So
16 at this time, I'll turn it over to Tim to make any comments or
17 answer any questions.

18 MR. PFOHL: Sarah and I are simply
19 prepared to give you more information on the staff report. The
20 county is working with a prospect that is being confirmed by
21 VED and looking at Charlotte County and that's the only
22 county in Virginia that they're looking at right now. They
23 looked at a building in Charlotte that's very interesting and
24 committing to the creation of more than a hundred jobs, at
25 least initially. Two and a half million private capital
26 investment. The County IDA understands that this grant will

1 not be approved until the full Commission meets on May 22nd
2 but they're hoping for a favorable recommendation from this
3 Committee today so that they can convey to the prospect that
4 steps are under way to acquire this building and get it under
5 the County IDA ownership so it can be made available to the
6 prospect under a lease/purchase situation.

7 Right now the building is privately owned
8 and the county has worked with the current owner to do an
9 owner financed lease situation of the property. So until we get
10 to the Commission meeting in May the county would own the
11 building financed by the current owner. So after presumably
12 approval in May, then the county would take full title to the
13 building and provide it to the prospect under the lease
14 purchase agreement. So the recommendation from the staff is
15 of nearly \$1.8 million that's available in the Charlotte
16 allocation and there's a request for \$930,000 be approved
17 contingent on the IDA committing to return to the Commission
18 any net proceeds from the sale of the building to its private
19 owner at a future date. That keeps us in line with our grant
20 agreement that says that grantees that own assets funded by
21 the Commission cannot sell or otherwise dispose of those
22 assets without Commission approval. Knowing that the
23 county's objective is to eventually sell the building to its
24 current prospect, staff is making this recommendation with
25 conditions specifically set. So that at the time of sale, whether
26 it's three to five years out, those funds come back to the

1 county allocation and can be used for another project.

2 DELEGATE WRIGHT: Any questions?

3 DELEGATE MARSHALL: Tim had just
4 walked through what skin the Tobacco Commission has.
5 Today we have before us that request for \$930,000?

6 MR. PFOHL: Correct.

7 DELEGATE MARSHALL: So TROF is
8 proposing to do 375?

9 MR. PFOHL: Correct.

10 DELEGATE MARSHALL: And come back
11 to us again and ask Special Projects for a grant?

12 MR. PFOHL: Mr. Clark, would you like to
13 address that future request?

14 MR. CLARK: We had to come up with a
15 local allocation.

16 MS. CAPP: The TROF and the GOF
17 funds will be utilized for this, that will come off the top figure.

18 MR. CLARK: All the money from the
19 Commission funds and that will be for the real estate.

20 THE COURT REPORTER: Can you speak
21 up please?

22 DELEGATE MARSHALL: First of all, the
23 General Assembly is long and we do this and we try to pick
24 everything apart so just bear with me during this part of the
25 process. In this meeting room, we do it all the time. So this
26 building is 50,000 square feet?

1 DELEGATE WRIGHT: Mr. Clark, would
2 you come forward and state your name.

3 MR. CLARK: My name is Russell Clark
4 and I'm County Administrator for Charlotte County, Secretary
5 to the IDA.

6 DELEGATE MARSHALL: Again, we have
7 approved 375 from TROF for this project. Now today we're
8 asked for \$930,000. Then we're going to be asked for 2.1 in
9 Special Projects sometime later this year.

10 MR. CLARK: We'll probably be asking for
11 the remainder of our local allocation first. Then we're going to
12 apply for the TROF money as well as any other money that we
13 have to to bring it to \$2.2 million or whatever that figure is. I
14 can't be totally specific about it. We're trying to get money
15 from a couple of other sources. To answer your question,
16 when we total this up at the end and we have to have this
17 commitment to improve this real estate to lease purchase it for
18 the client. The remaining amount of money that we can't get
19 anywhere else, we'll be requesting that from the Commission.

20 Now, this client has a real strong balance
21 sheet and they're in business in two other states now. We're
22 pretty certain about their commitment to purchase this and
23 then the money will all be returned to the Commission at a
24 future date. At the end, our allocation and we can hopefully
25 use it for future development.

26 DELEGATE MARSHALL: Would you say

1 that again?

2 MR. CLARK: We're agreeing that the
3 money in our local allocation can be used for the purchase of
4 real estate, the sale of the real estate will come back to the
5 Commission into our allocation.

6 DELEGATE MARSHALL: Tim, how does
7 that work?

8 MR. PFOHL: If the county is successful
9 with this application to gain control of the existing building,
10 they're anticipating doing a lease purchase with the prospect.
11 So at some point, three or five years out the prospect can
12 exercise that and purchase the building from the county and
13 at this point the county is agreeable to return the proceeds of
14 that sale back to the allocation.

15 DELEGATE MARSHALL: So this would
16 actually be a loan.

17 DELEGATE WRIGHT: Senator Stanley?

18 SENATOR STANLEY: Is there any
19 limitation on the lease purchase in terms of time, some of
20 these lease purchases can go on for a long period of time. Has
21 the Commission contemplated this condition to get the money
22 back if it's purchased? Is there a limitation on when the
23 money would come back, twenty, thirty years, and then we'll
24 all be gone here.

25 MR. CLARK: We're negotiating the
26 agreement now. The maximum is ten years, or it's actually five

1 years renewable for five. The second five years is at \$2.50 a
2 square foot and they pay us at that point \$600,000 in cash
3 and \$2.50 per square foot for the remaining five years. And
4 that's one option. At the end of the ten year period, they have
5 to buy it for \$2.5 million and that's what we've gotten so far.
6 They have an option to purchase it at the end of five years and
7 the price is the same, so.

8 SENATOR STANLEY: Is there any
9 security instrument protecting the Commission on its
10 investment?

11 MR. PFOHL: Ned, do you want to answer
12 that?

13 MR. STEPHENSON: That's a good
14 question. Historically, the Commission has not taken recorded
15 liens on Commission-funded assets. We have a lot of promises
16 from time to time that money will be returned but we have not
17 recorded liens on that. I think recorded liens for the
18 Commission would be a policy decision because it would put
19 the Commission into the shoes of becoming a lending
20 institution and loan administration goes with it and we need to
21 think hard about whether we want to do that.

22 SENATOR STANLEY: So there'd be a
23 contractual agreement?

24 DELEGATE MARSHALL: And that would
25 be –

26 MR. CLARK: So that would be an

1 agreement with the county.

2 MR. STEPHENSON: Right. We regard
3 those in the lending tree trade as moral, it would be written,
4 there's a moral obligation.

5 SENATOR STANLEY: I noticed that
6 Virginia is the final selection but also North Carolina and New
7 York are in the running. Does that enter into the negotiation
8 position? Are you asking or are you more competitive or do
9 you feel comfortable that you're at the top of the list and you've
10 got the best shot and you think you're on the next one?

11 MR. CLARK: No, we have a letter of
12 commitment from the president of the company and we're
13 speaking with him tomorrow afternoon to sort of finalize the
14 proposal to make sure that all the conditions are understood.

15 DELEGATE MARSHALL: I have two other
16 questions. I notice there's 46 acres of land. Would the
17 company that's coming into this 50,000 square foot building,
18 when they occupy that building and the land, are they going to
19 subdivide that land and sell it or develop the land for others?

20 MR. CLARK: That's a good question. As
21 a matter of fact, one parcel we've already got a commitment on
22 to another company. I don't want to take the whole afternoon
23 to discuss this but we've got a company from Florida that's
24 purchased the assets of the rail yard repair facility and they're
25 expanding that with, there will be a hundred jobs and this
26 company is going to hire 110 employees and a lot of those are

1 going to be female employees and they're providing health
2 insurance not only to the females but to the children and also
3 provide a very nice retirement plan, which keeps the turnover
4 down, a very high end product. So we're really excited about it
5 plus we've got the aquaculture product going in. When it
6 starts raining, it keeps pouring.

7 DELEGATE MARSHALL: We've put
8 exclusions on here so if the deal doesn't come we don't give the
9 money. This thing isn't inked until May when we meet for the
10 full Commission meeting. By May will you know if they're
11 coming or not?

12 MR. CLARK: Oh, yes.

13 MR. PFOHL: There's two aspects, you're
14 correct this wouldn't be finalized until the Commission meets
15 to approve this in May. Secondly, we're not trying to restrain
16 the county to this prospect and this building. The county has
17 indicated they have other companies looking at that site. The
18 objective with this request is to get county control of the
19 building.

20 DELEGATE MARSHALL: If this cabinet
21 company doesn't come, do you still want to move forward with
22 buying the building?

23 MR. CLARK: The president of the rail
24 piece said I'd sure like to have that building for a fabrication
25 shop and there's interest in it. We had really planned to come
26 and ask you to allow us to use our local allocation to buy and

1 subdivide the rest of the real estate and do all the things we
2 planned on doing. The client has come along so fast that we
3 had to disclose that part, so you're exactly right, Phase II if it
4 doesn't go through, we don't need the money. We do need to
5 buy the building.

6 MS. NYHOLM: Could you walk us
7 through Phase I and II, I'm reading it's 930 now and then in
8 Phase II it's 2.1 from the county to be used toward a total
9 expansion cost of \$2,257,000 is that right?

10 MR. CLARK: That can't be defined
11 specifically to be that number at this point in our negotiations
12 and if you'll approve the purchase of the 46 acres and the
13 existing shell building, that's part of the cost of, part of the
14 Phase II cost is an upgrade of that additional 50,000 square
15 feet for the company, which is going to cost. The engineering
16 and the bidding of construction hasn't been done. We're using
17 an estimate that we received from the construction company
18 that built the building we're buying today.

19 DELEGATE WRIGHT: Any further
20 questions? All right. I think there's been some very good
21 questions asked. I think it's been thoroughly explained. I
22 think this will be a tremendous benefit not only to Charlotte
23 County but to surrounding counties and this will draw people
24 from other jurisdictions. So at this time, do we have a motion?

25 MR. CANNON: I so move.

26 MR. WALKER: I'll second it.

1 DELEGATE WRIGHT: We've got a motion
2 and a second to approve the staff recommendation. Any
3 further discussion? All those in favor of the motion say aye.
4 (Ayes.) Opposed? (No response.) The motion carries and the
5 staff recommendations are accepted. I thank you all for your
6 time today. Thank you all very much. Now, is there any
7 public comment? All right. If not, then 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 Thursday, February 27, 2014 at 4:30 p.m. at the General Assembly Building, 7th Floor West Conference Room, Richmond, Virginia 23219.**

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

1 Given under my hand this 4th day of March,
2 2014

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Medford W. Howard

6

Registered Professional Reporter

7

Notary Public for the State of Virginia at Large

8

9 My Commission Expires: October 31, 2014.

10 Notary Registration Number: 224566