



*Approved October 29, 2002*

**MINUTES**

Southwest Economic Development Committee

Virginia Tobacco Indemnification & Community Revitalization Commission

September 23, 2002

Abingdon, Virginia

*Senator Wampler called the meeting to order at 5:00 p.m. and asked for a call of the roll.*

**Present**

Mr. Fields

Mr. Grinstead

Delegate Johnson

Mr. Montgomery

Senator Puckett

Senator Wampler

**Senator Wampler** began with comments regarding the meeting. He stated that there would be no votes taken at this meeting. There will be a discussion on strategic planning at the meeting.

**Mr. Currin** stated that this is an update to the Long Range Plan Task force meeting upcoming at the end of September. **Senator Wampler** stated there are two objectives. One objective is that the Long Range Plan Task Force is comprised of citizens, members, and Tobacco Commission members. It is heavy on theory and very light on practical exercise. The Long Range Plan Task Force planning is to try to find ways to revitalize the economies. Dr. **Tom Morris** in Southwest is a Co-chair and **Charlie Majors** is the Co-chair from Southside. The second objective is to have a clear plan on how we need to spend the money if we securitize the money. He provided a blue print or path to work from to close the gap if they decide to securitize the funds. Also the committee will go into executive session to discuss certain economic development projects.

**Senator Wampler** asked **Mr. Currin** if he had any more comments for the committee. **Mr. Currin** stated that he wanted to ask the committee to review the itinerary for the upcoming Long Range Plan Task Force meeting. **Senator Wampler** introduced **Ron Flanary**, who will discuss potential leveraging of other dollars for the Commission with the Virginia Coalfield Economic Development Authority.

**Ron Flanary** made a presentation to the Committee (attached). He discussed potential Virginia Coalfield EDA initiatives with the Tobacco Commission. He also discussed the counties that the VA Coalfield EDA supported and the projects that the EDA were working on.

**Senator Wampler** stated that Lee County had two projects that were to be focused on. The Tobacco Commission will provide \$500,000 to the site acquisition in Lee County. The leverage will come from Pennington Gap (Park Redevelopment). The Tobacco Commission will spend \$165,000 and the Coalfield EDA will spend \$333,000. That is the idea of a 2-1 match.

**Ron Flanary** spoke about capital improvements on Wilderness Road and Natural Tunnel and other facilities.

**Senator Wampler** stated he didn't have a recommendation on where the committee will go from here and that there is an appropriate role for the Tobacco Commission to play in leveraging dollars for attractions for site development. Wilderness Road state park is growing, but still have a ways to go. The friends of the park organization is great, but drawing visitors off Route 75 is a big challenge, and also with Breaks Park. What is the appropriate role for the Tobacco Commission to spend dollars in those areas? Is that something that we are not ready to report to the Executive Committee or the Long Range Plan Task Force or something that we are still studying?

**Ronnie Montgomery** stated that the committee should take about and make some recommendations. He also stated that Natural Tunnel area and Wilderness Road areas have no facilities for RV/Camper hookups with water, sewer, and electrical. If you had those facilities in those areas, then tourism would come.

**Mr. Currin** ask **Ron Flanary** about the bond package for Southwest.

**Mr. Flanary** stated that he didn't know about the bond package for Southwest. He also that he would get a list of projects on the bond package for legislators.

**Sen. Wampler** stated that it does give them the quantum leap, but the strategic plan is not there.

**Mr. Flanary** stated that there are a number of entrepreneurial projects available, like Lenowisco with the Duffield project.

**Sen. Wampler** provided a review of **Ron Flanary's** presentation by stating that Lee County: Proposed that the TICRC paid for the site acquisition at the new park and the EDA with split with the Commission on a 2-1 ratio with Coalfield Authority being the heavier donor in the Pennington Gap project that cost \$500,000. He asked **Mr. Flanary** Did the Duffield Development Corporation in Scott County own the land for the project? **Mr. Flanary** replied that they own what is left of the land, but they are in the process of using the money that the Commission approved originally. **Sen. Wampler** stated that there was a price tag of 2.2 million for the project and with a 2-1 ratio with the same match available with Coalfield authority and the Duffield Development Corporation. The next project was Claypool Hill. They are still in the preliminary engineering stages of the project trying to identify the site. They are trying to find a location in Tazewell area to develop a site, but they are still in the study phase right now. **Sen. Wampler** stated that the Coalfield authority may put up a \$1 million dollars and the Tobacco

Commission may be able to put up \$1 million dollars, and if that is possible there will be funds available for small business to have access to.

Mr. Flanary stated that if a fiber optic network is built with high bandwidth, with an incentive plan they are offering, then it would attract businesses to the area. **Sen. Wampler** stated that the last item in Ron's presentation was tourism development. He asked for ideas from the committee about this item. **Ronnie Montgomery** talked about the signs that were placed on Wilderness Rd in Kingsport to Cumberland Gap for to promote tourism. **Sen. Puckett** stated that revitalizing the area for tourism is very important and is willing to use tobacco money along with the Virginia Coalfield Economic Development Authority to promote tourism.

**Paul Grinstead** spoke about the presentation that was made at the last meeting about tourism and the web pages. **Sen. Wampler** asked **Rachel Fowlkes** about the challenges in web design with tourism? **Dr. Fowlkes** stated that the main challenge is that employees don't have access to a computer and some businesses do not have web pages set up.

**Ron Flanary** stated that the Coalfield Authority recognized the Barter Theatre and stated that it would be nice to put some money into that project. In the second phase, they would like to do landscaping in the technology park some work at the hotel.

**Del. Kilgore** stated that he agreed with **Sen. Puckett** about development of tourism, but he also stated that once we go down that road of tourism that state funding may be cut off because this little state funding now on tourism and the cost to the Tobacco Commission would be costly. **Sen. Wampler** stated that in the next 30 days, before the next Commission meeting, the committee could ask the Planning District Committees to present options of assessment of major attractions on a regional basis on how the committee could provide a long term view of investment and partnerships could be developed. **Fred Fields** stated that the Planning District Committee could give direction you want for those projects. He stated that his area has a lot to offer in the area of tourism, but the word is not getting out.

**Mr. Montgomery** wanted to expand on tourism. He stated that they are overlooking tourism in the area. He spoke about an article about Asheville NC, which was in the newspaper. He stated the article stated that the area is getting full up and the land is getting expensive to buy. He also stated that people who were moving into those areas needed to move into the areas of Southwest VA for cheaper land. Retirees and people who are looking for second homes would be interested in the area.

**Sen. Wampler** asked **Ron Flanary** and **Tom Taylor** to put together a blueprint on how we should move forward with these ideas. Also he asked the Southwest Blue Ridge Highlands and also the Coalfield Travel Association to put to the big picture with the major attractions that brings added value.

**Christie Parker** stated that the Blue Ridge Travel Association and also the Coalfield Travel Association is not the only group in the market, she also stated that is one more organization that administers a loan pool for destination development.

**Sen. Wampler** asked **Ron Flanary** would he work with the organization and **Mr. Flanary** replied yes.

**Sen. Wampler** stated that **Rob Goldsmith**, from **People Inc.** was in attendance to present a PowerPoint presentation to show how he has administer capital to small business and also the success with small businesses and also what his company may do to help us with the project.

**Rob Goldsmith** introduced himself and spoke about People Inc. and their mission. He also presented a PowerPoint presentation to the committee in reference to economic development (see attached).

**Sen. Wampler** wanted to know the timeline of the project. **Mr. Goldsmith** replied that the cost was 4.2 million dollars and in loans. In the past 12 years several loans have been made. Mostly in the past 8 years the loan were for small business. Most of the loans that were made were to start-ups. The target was people with low to moderate income. There was an 8% default rate on the loans. The organization has a continuous relationship with the lendee. **Sen. Wampler** asked was most of the business not bankable. **Mr. Goldsmith** stated that the most of the business were not bankable. He also stated that they have a committee that reviews the loans. Most of the businesses are startups with little or no collateral and most banks won't finance start-ups.

**Sen. Wampler** asked if there a particular challenge with the Small Business Administration if the eligibility for funds were below the low to moderate income. **Mr. Goldsmith** stated that loans are restricted that are issued from the SBA. **Sen. Wampler** also asked was there a limit for the maximum amount that they would loan per project. **Mr. Goldsmith** stated that it is only dictated by the loan sources they have had so far. Most of the loans that were made were in the \$200k range. For private loans, the limit is \$35K. The organization has been getting into equity development projects. They just funded a project for \$50,000 and also leveraged \$1.7 million of equity financing for the project. Most of the people that they fund are referrals from banks that didn't fund the project. The requirement for a loan is to provide a sound business plan. Also they provide sound training classes for future applicants for loans. **Sen. Wampler** asked how many loans were not funded because of limited capital? Most of the loans that come through their organization are for \$35,000 or less. Funding for more money for projects is not available to grant recipients. **Sen. Wampler** asked with if they add an extra \$1 or \$2 million dollars, would the money lay dormant in the account. **Mr. Goldsmith** stated that more loans would get approved if extra capital were available. **Sen. Wampler** asked **Mr. Goldsmith** to put together a summary of what People Inc. would do with an extra \$2million and also what micro-business would benefit and also hoe any jobs would be created.

**Mr. Goldsmith** asked **Sen. Wampler** about the problem with putting money in an equity fund.

**Sen. Wampler** stated the Commission could put the money in the equity fund, but the last venture that the Commission explored failed. He asked the Committee if this project was worth exploring? **Del. Kilgore** stated that it was worth exploring the option.

**Del. Johnson** asked how the interest rate with People Inc. compares with a bank? **Mr.**

**Goldsmith** stated that the interest rate is higher then a bank for micro enterprise loans. He stated that the loans they handle are for people who have been turned down by other lending

institutions. He also stated that they are 2 points higher than a bank. **Sen. Wampler** stated that if the Commission provided money to them to administer loans, then the rates would be flexible. **Mr. Goldsmith** stated yes. Mr. Montgomery asked **Mr. Goldsmith** what was their total capital. **Mr. Goldsmith** stated that \$1.5 million is on hand. They have \$2.4 million in active loans. The micro interest loans are about \$500,000 and 9<sup>th</sup> district loans are \$1.8 million. **Mr. Montgomery** asked what are the total assets of? **Mr. Goldsmith** stated after the SBA grants and block grants were paid off, their assets are like \$30k.

**Sen. Wampler** asked **Mr. Goldsmith** for a wrap up on his presentation. **Mr. Goldsmith** stated that his organization wanted to establish a fund to make loans up to \$100,000 for projects that have not been able to address.

**Sen. Wampler** stated to **Mr. Goldsmith** that the committee needs a summary of what his organization would do with an additional \$2million in funding and also what projects could be funded from the \$35,000 range up to \$100,000 range with the additional capital from the Commission, and also a financial report from his organization.

**Sen. Wampler** asked **Rachel Fowlkes** could she present on the export initiative with existing business. If the committee chooses to fund this initiative, and take it to the full Commission for funding, it would be paid out of the Southwest Economic Development Committee. **Del. Kilgore** asked thought after the last Executive Committee meeting that the money would be taken out of Southwest, not Southside. **Sen. Wampler** stated that the money would come out of Southwest.

**Dr. Fowlkes** stated the proposal that was presented to the Executive Committee had Southside included in it, but for the purpose of time constraints, Southwest Virginia is only included, plus she didn't know if Southside was aware of this proposal. She also wanted to capitalize on the ARC funding with the export initiative. This project involves existing business to find export markets in Mexico, particularly Mexico with the ARC trip to Mexico coming up. With just Southwest involve the cost would be \$155,000 for 1 year and \$307,000 for two years. It involves a paid staff person with VEDP. The trip to Mexico is partnering businesses with distributors in Mexico, to have them to sell their products and services in Mexico. **Dr. Fowlkes** stated in the handout, it is an executive summary of the projects. **Del. Kilgore** asked is this project worth going forth with it. **Sen. Puckett** stated that the possibilities are great with the export initiative project and is worth going forth with it, even if Southside doesn't want to go the project. **Sen. Wampler** asked **Sen. Puckett** should they pursue this project? **Sen. Puckett** stated yes.

**Dr. Fowlkes** stated that she is interested in anyone participating in the project. **Sen. Wampler** asked about a virtual trade visit to Mexico. **Dr. Fowlkes** stated that this would be wonderful because they have the technology in the embassy for businesses to market their products in Mexico. **Sen. Wampler** stated that this project would be moved to the agenda for the meeting on October 29<sup>th</sup> meeting of the Southwest Economic Development Committee in Abingdon.

**Sen. Wampler** presented a PowerPoint presentation. (See attached.)

**Del. Johnson** asked if \$1.75 million in TROF funding was enough? **Sen. Wampler** stated that the state should participate in deal closings and the Commission would also participate in deal closing. **Del. Johnson** asked was tourism included in those dollars? **Sen. Wampler** stated that this is a 2-year plan and that tourism not included yet in this plan.

**Sen. Wampler** asked the committee to give him the authority to make this presentation the Long Range Plan Task Force? With no objection, the committee gave **Sen. Wampler** the authority to present this information as a general guideline to present to the Long Range Plan Task Force.

*Delegate Kilgore made a motion to adjourn the meeting and go into closed executive session.*

*Motion seconded*

*All in favor by aye vote*

*None opposed*

*Motion accepted.*

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Meeting moved into closed session.

*Delegate Kilgore moved to reconvene into an open meeting and the open meeting was reconvened. The Certification of Closed Meeting was read (Certification text attached) and a roll call vote was taken on the certification (roll call vote attached).*

*Certification seconded*

*All in favor by Roll Call vote*

*None Opposed*

*Mr. Hurley was absent*

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Meeting adjourned at 7:00 pm.

Submitted by **Carthan F. Currin, III**

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Executive Director of the Commission