

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 **Special Projects Committee Meeting**

10 Thursday, May 2, 2013

11 11:00 A.M.

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13 Hotel Roanoke & Conference Center
14 Roanoke, Virginia
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1 **APPEARANCES:**

2 The Honorable Daniel W. Marshall, III, Chairman

3 Ms. Connie Green Nyholm, Vice Chairman

4 The Honorable Kathy J. Byron

5 Mr. John R. Cannon

6 The Honorable Charles W. Carrico, Sr.

7 Ms. Mary Rae Carter, Deputy Secretary

8 Rural Economic Development

9 Ms. Sandra F. Moss

10 Dr. David S. Redwine, DVM

11 Ms. Beth D. Rhinehart

12 The Honorable Ralph K. Smith

13 The Honorable Gary D. Walker

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15 COMMISSION STAFF:

16 Mr. Neal E. Noyes – Executive Director

17 Mr. Ned Stephenson – Deputy Executive Director

18 Mr. Timothy Pfohl – Grants Program Administration Director

19 Ms. Sarah Capps - Grants Program Administrator,

20 Southside Virginia

21 Ms. Sara G. Williams – Grants Program Administrator,

22 Southwest Virginia

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1 DELEGATE MARSHALL: Good morning
2 everyone, welcome to our meeting and I'll ask Neal to call the
3 roll.

4 MR. NOYES: Mr. Bernard?

5 MR. BERNARD: (no response)

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. NOYES: Mr. Cannon?

9 MR. CANNON: Here.

10 MR. NOYES: Senator Carrico?

11 SENATOR CARRICO: Here.

12 MR. NOYES: Deputy Secretary Carter?

13 DEPUTY SECRETARY CARTER: Here.

14 MR. NOYES: Delegate Marshall?

15 DELEGATE MARSHALL: Here.

16 MR. NOYES: Ms. Moss?

17 MS. MOSS: Here.

18 MR. NOYES: Ms. Nyholm?

19 MS. NYHOLM: Here.

20 MR. NOYES: Dr. Redwine?

21 DR. REDWINE: Here.

22 MR. NOYES: Ms. Rhinehart?

23 MS. RHINEHART: Here.

24 MR. NOYES: Senator Smith?

25 SENATOR SMITH: Here.

1 MR. NOYES: Mr. Spears won't be with us
2 today. Mr. Walker?

3 MR. WALKER: Here.

4 MR. NOYES: Mr. Chairman, you have a
5 quorum.

6 DELEGATE MARSHALL: All right, the
7 approval of the 12/18 minutes, which are on the website. Any
8 corrections or additions?

9 SENATOR CARRICO: So moved.

10 DELEGATE MARSHALL: It's been moved
11 and seconded that the minutes be approved. All those in favor
12 say aye. (Ayes.) Opposed? (No response.) The minutes are
13 approved. All right, I think Tim you're up on the agenda.

14 MR. PFOHL: Thank you, Mr. Chairman.
15 We have two new requests for Special Project funds. And this
16 falls in the Special Projects budget line that you have this year
17 to deal with healthcare and regional economic development
18 projects. Your Committee currently has a balance just over
19 \$1.9 million and unfortunately we have \$2.2 million of
20 requests. I'll go through them very quickly. And this should
21 be fairly familiar to you.

22 The first is from Mid-Atlantic Broadband
23 Cooperative proposal number 2705. This is for the final piece
24 of the Tobacco Commission's incentive package to establish
25 the Cancer Knowledge Action Network in the tobacco

1 warehouse district of Danville using the Cray supercomputer
2 that the Commission funded a couple of years ago. Mid-
3 Atlantic is asking for \$2 million at this time and that would
4 complete the financing package that started with an award of
5 \$1 million from your Committee in the last funding cycle. A
6 2.5 Southside Economic Development grant earlier this year, a
7 \$1 million repurposing of a Southside Economic Development
8 grant to MBC. The staff would certainly like to see that we
9 could complete this. The overall \$6.5 million package in order
10 to ensure the leveraging of the \$27 million commitment from
11 the Soon-Shiong Institute, which is the partner that will
12 operate the center. However, we were bound to not
13 recommending more money than you have available to you.
14 So, we recommend a published award of \$1.7 million for
15 equipment to be owned by MBC with the balance to be
16 requested from FY14 funds. Neal has some ideas about how
17 to transfer some existing non-obligated money that we could
18 complete this financing package with a \$2 million award and
19 wouldn't have to go through another funding cycle and yet
20 another grant proposal from MBC.

21 MR. NOYES: Yes, come on down Tad.

22 MR. DERISO: Thank you, Mr. Chairman.

23 As a quick update we are rapidly finalizing a grant agreement
24 between Mid-Atlantic Broadband and the TFF Institute.
25 That's the billion dollar California foundation that is providing

1 exciting project.

2 We expect to make some announcements
3 very shortly.

4 DELEGATE MARSHALL: Can you tell us
5 why Danville for this project as opposed to the whole world? I
6 think it's from this Committee or this Commission that we
7 invested in Mid-Atlantic Broadband years ago and then this
8 supercomputer and those two pieces were not there or if they
9 weren't there this project wouldn't be there.

10 MR. DERISO: That's right. If we didn't
11 have those investments in our fiber-optic network and the
12 capacity plus the Cray supercomputer, that was a very big
13 draw and having that piece of technology. I still, to this date,
14 don't think that those are available outside of the federal
15 laboratory or the military. That and obviously the support of
16 the Tobacco Commission and being able to provide some
17 incentives to bring that company here to bear, and it's pretty
18 exciting to see that and that's why we're excited.

19 MR. NOYES: Tad, the Gaithersburg
20 based companies are where?

21 MR. DERISO: They're in Rockville,
22 Maryland.

23 MR. NOYES: Are they going to relocate
24 operations to Danville?

25 MR. DERISO: This is a part of what

1 we've talked about on this cluster strategy. They have a need
2 to do this sequencing today and they outsource this to other
3 companies around the country. They're an independent entity
4 and they have an investment from various organizations but
5 as they go forward and grow their business, they have twenty
6 employees right now doing work for a hundred. And they're
7 going to need someplace to be able to bid on the contract for
8 sequencing services but have the lab work done in a cost
9 effective way. Doing business in Maryland and doing business
10 in southern Virginia and I think that will be the formula to
11 bring some additional resources down here.

12 DELEGATE MARSHALL: Any questions?

13 SENATOR SMITH: This is more curiosity
14 than anything else. With the advances in technology, how
15 long with the supercomputer remain a supercomputer in this
16 day and age. Is it possible to update it with additional
17 technology as it becomes available?

18 MR. DERISO: Sure. A great question.
19 The computer itself really doesn't go out of date but it's the
20 software that goes on that to help read these applications.
21 The Cray itself probably won't be obsolete for another eight to
22 ten years. As technology advances what happens is you don't
23 have to take the entire computer away, but you would take
24 components of the computer. To make a long story short,
25 they have a little device that does 128 connections today. Two

1 years from now that device might be doing 256 connections.
2 You might have to replace that little piece; that's your
3 upgrade. Similar to how the Commission funded our project
4 back in 2004 and we haven't had to remove any equipment
5 out of our building. We simply take little pieces of the
6 electronics out and replace them with new ones. That's a way
7 to keep updated.

8 DELEGATE MARSHALL: Any other
9 questions? All right, thank you. All right, Neal?

10 MR. NOYES: Yes, Mr. Chairman. Tim
11 alluded to the availability of some funds and we do have an
12 undesignated line item, which will have to be approved by the
13 Executive Committee. There is a budget amendment prepared
14 for consideration by the Executive Committee this afternoon
15 that would add \$300,000 from that undesignated line item to
16 the Special Projects Committee should you decide to award
17 the full \$2 million.

18 DELEGATE MARSHALL: Do we have any
19 questions about Neal's recommendation. With the proper
20 motion if we were to accept both of these staff
21 recommendations and then make a motion to accept the
22 \$300,000 and add that to request number 2705 upon
23 agreement of the Executive Committee.

24 MR. NOYES: The Executive Committee
25 and then the full Board on the 23rd, that's correct Mr.

1 Chairman.

2 DELEGATE MARSHALL: Do we have any
3 questions on application number 2708? What we need to do
4 is vote on these. Are there any questions on either one of
5 these 2705 or 2708. Do I have a motion on 2705?

6 SENATOR CARRICO: I so move.

7 DELEGATE MARSHALL: Let's make sure
8 we understand the motion. The motion is to accept the staff
9 recommendation for \$1.7 million for application 2705.

10 MR. NOYES: That's correct.

11 DELEGATE MARSHALL: We have a
12 motion and a second. All those in favor say aye. (Ayes.)
13 Opposed? (No response.)

14 MR. WALKER: Mr. Chairman, I need to
15 abstain on 2705.

16 DELEGATE MARSHALL: All right. Now,
17 we're on 2708.

18 MR. PFOHL: This should be another
19 project that is hopefully familiar to you. Two years ago the
20 Commission through the reserve program, which no longer
21 exists but was a very effective and robust program a couple of
22 years ago, that Committee made an award of \$200,000 to the
23 Future of the Piedmont Foundation to help establish the
24 Southern Virginia Regional Alliance, which is a regional
25 organization created through the encouragement of Lieutenant

1 Governor Bolling and funding from the Commission, VEDP
2 and localities participating in that. Localities specifically that
3 are members of SVRA, Danville, Halifax, Henry, Martinsville,
4 Patrick and Pittsylvania. The SVRA has been functioning with
5 a \$300,000 annual budget to market the region and generate
6 leads for the localities that are participants. SVRA is near the
7 ending of their initial funding and is requesting \$200,000 from
8 us to cover a two- year period. They're proposing a 2-1 match
9 so the total project cost over two years would be \$600,000.
10 The request includes several letters from local governments
11 and foundations that are committed to providing matching
12 funds contingent on the Tobacco Commission grant award.
13 The staff recommendation is an award of \$200,000 contingent
14 on commitment of equal or greater matching funds. I
15 apologize, I shouldn't have said greater, that's a little bit too
16 much open ended and multiple choice. If I could amend the
17 staff recommendation to \$200,000 contingent on commitment
18 of equal matching funds to give SVRA some scale back the
19 budget if needed, if some of their fundraising falls short of the
20 total \$600,000 project.

21 MR. WALKER: Mr. Chairman, we have
22 some people here.

23 MR. CANNON: I'd like to hear what
24 they've been doing.

25 MS. COCKRON: Thank you. First of all,

1 we're very committed to the Southern Virginia Regional
2 Alliance years ago. This organization will run out of funds on
3 June the 15th. We're in the process now of looking for stable
4 funding for the next two years. This will take about six
5 months of the initial period to establish. Since we've been
6 operating, the region has posted three large events and 29
7 participants from across the country and have a large asset
8 such as Riverstone and the Institute sites all along our
9 footprint. And we've also held 55 different events and these
10 are regional events throughout the footprint. We have
11 generated roughly 38 projects. What these funds do is and
12 this helps us with our marketing strategy and we have a team
13 from Ernst and Young coming in next week and to generate
14 leads in the footprint.

15 DELEGATE MARSHALL: Any questions?

16 MR. WALKER: Mr. Chairman, this sister
17 organization Virginia Growth Alliance that the Commission
18 also funded. My question is, is this going to be an ongoing
19 thing or at some point are they going to stand on their own?

20 DELEGATE MARSHALL: We talked
21 about that.

22 MS. COCKRON: Our goal in being two
23 years old, we appreciate the funding but we are going after
24 other funding. At this point, we weren't in a position to do
25 that yet.

1 DELEGATE MARSHALL: Any other
2 questions.

3 MS. COCKRON: I just want to thank you
4 and I'll be happy to report to you as much or as little as you
5 would like to give you an update.

6 DELEGATE MARSHALL: All right. This
7 recommendation is contingent of you getting equal funding
8 from other sources. All right, what's the Committee's
9 pleasure?

10 MS. NYHOLM: I'd like to move that we
11 accept the staff's recommendation.

12 DELEGATE MARSHALL: I have a motion
13 to accept the staff's recommendation on 2708, do I have
14 second? We have a motion and a second, all those in favor
15 say aye. (Ayes.) Opposed? Do we have one?

16 MR. NOYES: Let the record reflect
17 Deputy Secretary Carter has recused herself.

18 DELEGATE MARSHALL: 2641.

19 MR. PFOHL: Shifting gears a little bit,
20 you'll recall that your Committee is also charged with making
21 recommendations to the full Commission. In the Megasite
22 Program and in the last Megasite round and at a previous
23 Commission meeting, a request was tabled from Danville
24 Pittsylvania Regional Industrial Facility Authority for the Berry
25 Hill Megapark, Phase I Sanitary Sewer proposal 2641 and a

1 request for \$4,908,240. It was tabled when your Committee
2 met in December/January timeframe and to request that RIFA
3 go back to funding agencies and assess the ability to perform
4 this construction work through debt financing. The applicant
5 did make a concerted effort and had lengthy discussions
6 with Virginia Resources Authority in which it was declined for
7 reasons that we can go into but won't at this time unless you
8 want to. The RIFA did provide information from their CPA and
9 Davenport Company, which is a public financing firm, which
10 showed that local debt burdens are substantial and to secure
11 additional debt to complete this speculative project without
12 the assurance of a user generating a systematic revenue at a
13 known time would be a significant hardship.

14 Just to give you a brief update, water
15 services installed to what would be the largest lot in Berry Hill
16 and this would provide the sewer coming out of North Carolina
17 co-funded by the Golden Leaf Foundation in Carolina
18 providing water service from Eden, North Carolina. So it's a
19 joint state effort. The staff recommends at this time an award
20 of \$4,908,240 from the Megasite program budget, which has
21 more than \$5.1 million in it at the time. So there is sufficient
22 funding to approve this request. That's what staff would
23 recommend to you today.

24 DELEGATE MARSHALL: I see Greg Sides
25 here.

1 DEPUTY SECRETARY CARTER: I do
2 have a question for Mr. Sides.

3 MR. SIDES: Yes, ma'am.

4 DEPUTY SECRETARY CARTER: Has this
5 site been certified?

6 MR. SIDES: It's in the certification
7 process. We've done extensive work and everything now
8 relates to the permitting process. We had to get some
9 guarantees, I guess, that the park is certified. So that's really
10 the only thing that's outstanding.

11 DEPUTY SECRETARY CARTER: Has that
12 been confirmed?

13 MR. SIDES: Yes, I think everybody
14 knows the difficulty we've had confirming it but at this time we
15 have passed certain criteria. We haven't got official response
16 back from the Corps but it's all in the works.

17 DEPUTY SECRETARY CARTER: So once
18 the permitting is allowed, it will be certified?

19 MR. SIDES: Well, yes, it is. There's a
20 couple of items on this but the permitting we're doing with the
21 Corps is large-scale overall and it includes any impact
22 associated with sewer projects. If it looks like that permitting
23 process seems to drag, we do have the ability to go back to
24 them and say we'll pull that up, just the minor services. We
25 could move forward today with the grant without getting the

1 full permit.

2 DEPUTY SECRETARY CARTER: Thank
3 you.

4 DELEGATE MARSHALL: Any other
5 questions? All right, what's your pleasure?

6 MS. NYHOLM: I move we accept the
7 staff's recommendation for \$4,908,240.

8 DELEGATE MARSHALL: We have a
9 motion and is there a second? All right. All those in favor say
10 aye. (Ayes.) Opposed? (No response.) All right, we have one
11 other little piece of business. I guess the motion would be as
12 to the \$300,000 to go to project number 2705 upon the
13 approval of the Executive Committee and the full Commission.

14 MR. NOYES: This is for MBC. Any
15 questions about that?

16 DELEGATE MARSHALL: Any questions
17 about that? Do I have a motion?

18 MS. NYHOLM: So moved.

19 DELEGATE MARSHALL: We have a
20 motion and a second. All right, all those in favor say aye.
21 (Ayes.) Opposed? (No response.)

22 MR. NOYES: Let the record reflect Mr.
23 Walker no.

24 MR. PFOHL: In the other business
25 category on page six, the Megasite award that you made

1 earlier in this fiscal year, Blue Ridge Crossroads Economic
2 Development Authority for Wilwood Commerce Park, site
3 acquisition and utility development. There was a \$6 million
4 award with the condition that the prospect that was named at
5 that time and looking at the Wilwood Commerce Park had to
6 commit to that site in order for BRCEDA to use the \$6 million
7 to acquire some adjacent property that's already been graded
8 and has water and utilities on it and a stormwater retention
9 basin. That would accomplish a combined 150 acre site.
10 There's confidentiality involved in this one and the project has
11 not been announced yet. As we all know in these projects,
12 they don't always land in Virginia and sometimes they
13 unfortunately go somewhere else. And in the event that
14 occurs, BRCEDA is requesting relief from that position and
15 that specific stated prospect that the time of the grant
16 approval and not be required to commit to that site in order so
17 they could go ahead with site acquisition and create that
18 publicly controlled 150 acre graded site.

19 MR. NOYES: Mr. Chairman, a couple of
20 comments. The only reason there was a contingency plan is
21 that BRCEDA applied out of cycle. Otherwise the contingency
22 wouldn't have been there. The second point I would like to
23 make is developing a Megasite has already graded pad and at
24 some point they're going to have to be acquired for a large
25 customer, so I would encourage you to allow BRCEDA to go

1 forward absent the condition.

2 DELEGATE MARSHALL: Questions or
3 comments?

4 SENATOR CARRICO: I move we go
5 forward.

6 SENATOR SMITH: Second.

7 DELEGATE MARSHALL: I've got a
8 motion and a second. All those in favor of approval say aye.
9 (Ayes.) Opposed? (No response.) We've got some extensions
10 to do.

11 MR. PFOHL: Mr. Chairman, pages seven
12 through 25 of your packet updates from each of the Megasites
13 that have been funded through the three cycles to date. We
14 ask that each one of the grantees provide a brief summary of
15 the status of progress on some of their projects. The first
16 page, page seven is a graphic that we use in our annual report
17 and marketing material that show these Megasite properties
18 distributed across the Tobacco Region. We have a very brief
19 summary we provided for your information purposes. We
20 don't intend to read you eighteen pages of updates today
21 unless you'd like to hear about any of the sites specifically.
22 But in almost all cases, we have made significant strides in
23 three years to gain public control of all of these sites and we've
24 made significant progress in providing utilities to serve the
25 sites that will provide fast track development timelines for any

1 prospects that need to select a site and can be open for
2 operations within a year or so. We have a summary of the use
3 of the funds as well as some of the marketing material that's
4 already been published for some of these sites. So you can
5 see how they're being marketed to the world.

6 I call your attention to page ten and this
7 is a letter from Blue Ridge Crossroads Economic Development
8 Authority regarding a previous Megasite grant number 2266
9 and that was a \$3.8 million award. Through a bidding
10 process \$1.9 million of engineering services and what they had
11 in their budget and that was secured for a \$1 million and
12 they're asking now that the \$905,000 within that grant be
13 reallocated from contractual services to property and
14 improvements. Utilities are being built into the site and an
15 entrance road is being provided to the site as well as some
16 other improvements. Because of the size as a percentage of
17 the overall budget, about 25% of the grant award, this is
18 something the staff would be more comfortable if the
19 Committee would approve a change of budget at this time as
20 opposed to doing that administratively. The staff would
21 recommend that BRCEDA would be allowed to repurpose
22 \$905,000 within grant 2266 from contractual services to
23 property and improvement. The BRCEDA director is here if
24 you'd like to hear some more on how they would use those
25 funds.

1 DELEGATE MARSHALL: Does the
2 Committee have any questions?

3 DELEGATE BYRON: Just a general
4 question. When we realize that the money is going to be
5 spent, when we reallocate money, my question really is, is this
6 new services that was not included in the original budget?

7 MR. NOYES: New improvements related
8 to the Megasite. It's not going to be used for some other
9 project. If it's a new application or typically the Executive
10 Director has the discretion up to a certain amount and if it's a
11 line item, it's not a brand new element like a construction line
12 item or we could do it administratively as Tim mentioned.
13 This is a large amount of money and it exceeds the or exceeds
14 my comfort zone and I think it should come before the
15 Committee. I think the Committee should be aware and today
16 perhaps there's somebody here from BRCEDA that would like
17 to speak.

18 MR. MCFADDEN: Good morning. My
19 name is Ken McFadden, the Regional Director. Speaking to
20 the question regarding the, we have procured engineering, a
21 preliminary engineering report that was the basis for the grant
22 request. After a very thorough overview of all the costs
23 including all construction, the Chairman and we looked at all
24 the engineering, the contractual services including engineering
25 and all costs associated and all services.

1 DELEGATE MARSHALL: The question is
2 your original \$1.9 million from your original proposal as
3 submitted to us, where are you going to get the \$900,000?

4 MR. MCFADDEN: We'll have to regroup
5 and find a way to finish the construction. I would say
6 procurement is not as much as it appears to be but the
7 concern is with the process and the process being provided by
8 the engineering firm.

9 DELEGATE MARSHALL: What's your
10 timeframe as opposed to or if we didn't approve this today
11 you'd have to come back with another application.

12 MR. MCFADDEN: We would and we are
13 prepared for construction; we haven't completed a contract for
14 final construction but we have bid it and we haven't signed a
15 contract yet.

16 DELEGATE MARSHALL: And how soon
17 would construction start?

18 MR. MCFADDEN: Construction can start
19 this month and water and sewer can start later this summer.

20 DELEGATE MARSHALL: Any questions?

21 SENATOR CARRICO: The approval has
22 already been made for 1.9, it's just the reapplication?

23 MR. NOYES: To a line item that is open-
24 ended. The scope is the same, it's just a sort of where do we
25 do that scope.

1 SENATOR CARRICO: Then I make a
2 motion that we approve the reallocation.

3 DELEGATE MARSHALL: We have a
4 motion to reallocate the \$905,000 on application 2266. We
5 have a second. All those in favor say aye. (Ayes.) Opposed?
6 (No response.) Anything else?

7 MR. PFOHL: That's all we have for you
8 today.

9 DELEGATE MARSHALL: Any public
10 comment? Any questions? All right. No comment and we're
11 early so we'll be adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

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 Special Projects Committee meeting when held on Thursday, May 2, 2013 at 11:00 a.m. at the Hotel Roanoke & Conference Center in Roanoke, 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 14th day of May, 2013.

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

My Commission Expires: October 31, 2014.
Notary Registration Number: 224566