

**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Southwest Economic Development Committee Meeting

Thursday, May 21, 2015

8:30 o'clock a.m.

New College Institute
Martinsville, Virginia

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1 APPEARANCES:

2 Dr. David S. Redwine, DVM, Committee Chairman
3 The Honorable Charles W. Carrico, Sr., Vice Chairman
4 Ms. Rebecca Coleman
5 Mary Rae Carter
6 Special Advisor for Rural Partnerships
7 The Honorable Maurice Jones
8 Secretary of Commerce and Trade (*via phone*)
9 Mr. H. Ronnie Montgomery
10 The Honorable Will Morefield
11 The Honorable Ralph K. Smith
12 Mr. Richard Sutherland

13

14 COMMISSION STAFF:

15 Mr. Timothy S. Pfohl, Interim Executive Director/
16 Grants Program Administration Director
17 Mr. Ned Stephenson, Deputy Executive Director
18 Ms. Stephanie S. Kim, Budget Director
19 Ms. Sara G. Williams, Grants Program Administrator -
20 Southwest Virginia
21 Ms. Jessica Stamper, Grants Assistant
22 Southwest Virginia
23 Ms. Carolyn Bringman, Performance Data Analyst
24 Ms. Suzette Patterson, Grants Office Manager
25 Ms. Stacey Richardson, Executive Assistant

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COUNSEL FOR THE COMMISSION:
Ms. Elizabeth Myers
Assistant Attorney General
Richmond, Virginia

1 May 21, 2015

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DR. REDWINE: Good morning. At this time, we will call to order the Southwest Economic Development Committee of the Virginia Tobacco Commission, and we appreciate your being here this morning for this meeting that was called fairly recently.

7

We're on a time schedule, but we do want to take care, whatever time it takes, to get the business done, so we'll move ahead.

10

Mr. Pfohl, if you would call roll, please.

11

MR. PFOHL: Yes, sir. Senator Carrico.

12

SENATOR CARRICO: Here.

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MR. PFOHL: Ms. Coleman.

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MS. COLEMAN: Here.

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MR. PFOHL: Ms. Carter.

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MS. CARTER: Here.

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MR. PFOHL: Mr. Montgomery.

18

MR. MONTGOMERY: Present.

19

MR. PFOHL: Delegate Morefield.

20

DELEGATE MOREFIELD: Here.

21

MR. PFOHL: Dr. Redwine.

22

DR. REDWINE: Here.

23

MR. PFOHL: Senator Smith.

24

SENATOR SMITH: Here.

25

MR. PFOHL: Mr. Sutherland.

1 MR. SUTHERLAND: Here.

2 MR. PFOHL: You have a quorum, Mr. Chairman.

3 DR. REDWINE: Thank you very much. I'd like to take
4 30 seconds, if I could, in this Committee, to say that this is the
5 last time I'll call this Committee to order. I've spent eight years
6 on this Commission, and I've learned a lot, and I appreciate
7 everything the Commission has done to educate me. And I'll be
8 sad to move on. It's been a privilege to serve the
9 Commonwealth and see all these projects accomplished.

10 I want to thank Tim and Ned, and previously Neal
11 Noyes for mentoring me and helping this Committee be
12 functional, the rest of the staff, they don't get recognized nearly
13 enough for all the things that go on behind the scenes. We could
14 not look like we know what we're doing nearly as well if it was
15 not for the work that they do all year long leading up to these
16 meetings.

17 Chairman Kilgore is responsible for me being on this
18 Commission, and I want to thank him and the advice he's given
19 me through the years. And the Committee members, they have
20 changed many times, but everyone that's on this Committee has
21 dedicated themselves to all these projects and have taken them
22 very seriously and given everything they have. Our mission was
23 to revitalize Southwest Virginia, and I think you can look back
24 and see that we've accomplished much of our mission, and that
25 Southwest Virginia is a better place to live because of the

1 Commission.

2 I want to end by welcoming Evan Feinman as our new
3 Executive Director, and I just want to challenge you and ask you
4 to really get to know Southwest Virginia, it's a long way
5 sometimes down there, but there's a lot of good folks and a lot of
6 hard-working people.

7 And this Commission has done a great deal of work
8 down there and there's a lot more to be done. So, just because
9 we're a little ways down the road, don't hesitate to come down if
10 I could ever be of help to you in the future, I'll be happy to.
11 That's all I wanted to say, but I've enjoyed it, and I appreciate
12 everything the Commission has done.

13 You've been supplied online with the minutes from our
14 previously meeting in January, and you've had a chance to go
15 over those. Are there any changes or additions to the minutes as
16 written? Hearing none, I'll entertain a motion to approve the
17 minutes. We have a motion and a second to approve the
18 minutes. Any discussion? All in favor, signify by saying aye.
19 (Ayes). Opposed? (No response). All right. The minutes are
20 carried.

21 We have one item listed on our agenda today that we
22 will begin with. The Heartwood Foundation proposal, and I'll turn
23 that over to Mr. Pfohl to discuss. And then, of course, we want
24 to hear from the group that's here to represent Heartwood, and
25 I'm sure the Committee will have questions for you, sir.

1 We begin, Mr. Pfohl.

2 MR. PFOHL: Thank you, Mr. Chairman. About ten
3 days ago, the Commission received a grant application that we'd
4 been expecting in conversations about for many, many months.
5 It was a request that was, as I would described it, invited by the
6 Commission leadership, including our Chairman, Secretary Jones,
7 in partnership with other sister State agencies, including Housing
8 and Community Development. The request comes from the
9 Southwest Virginia Cultural Heritage Foundation for a project
10 entitled Heartwood Re-engineering. Without getting into too
11 much of a history, the Commission was the principal funder of
12 the Heartwood Artisan Gateway Center located in Abingdon on
13 property of the Virginia Highlands Community College campus.

14 This was a multi-agency effort over the last decade to
15 build an artisan gateway center, and not just to be a visitor
16 center for people getting off Interstate 81, but it's a center
17 designed to direct travelers and visitors to Virginia and to all of
18 the counties of Southwest Virginia where artisans and musicians
19 are performing and producing products for sale.

20 Heartwood is a fabulous facility and the Commission
21 has held receptions in there previously. Unfortunately, it has
22 been, it is proven challenging to sustain the operations of this
23 very magnificent, significant, and expensive facility. We have
24 had a couple of grant applications over the years that would be
25 efforts to support the operational funding for Heartwood. This

1 current request would serve as a one-year form of assistance for
2 the operations for Heartwood. The request is for \$600,000 for
3 operational costs for the Heartwood staff and operational
4 expenses and equipment, supplies, materials, and marketing,
5 and so forth. It would fulfill a million dollar operating budget for
6 the fiscal year coming up July 1st.

7 The staff is in somewhat of an unusual situation, and I
8 think it needs to be pointed out for the record that the Southwest
9 Committee held its round taking applications in July, 2014, and
10 meeting in September of 2014. There were several proposals
11 that were tabled at that point and remained on the table for the
12 balance of what the Committee has available.

13 This new proposal is in front of you today requesting
14 \$896,000 that the Committee has available in its current budget.
15 The staff has requested, and this has been a very short ten days
16 since we received this additional historical data on the operating
17 budgets for Heartwood. That information shows that since
18 opening in the 2011 and 2012 year when the initial operating
19 year budget was just shy of \$1.5 million, that substantial efforts
20 have been made to cut down on operating expenses at
21 Heartwood so that they could maintain operations and not be in a
22 debt situation, a deficit situation. Operating budgets in the last
23 couple of years have been shown to be consistent with
24 \$1,075,000 figure that you see is the total project costs and the
25 year's operating expenses.

1 So, as I said, staff is in a little bit of a difficult
2 situation, because I think we need to be equitable and fair to all
3 of our applicants that came in, in the grant cycle last fall, but
4 were tabled and are still hopeful of consideration. Those projects
5 could be considered in the funding round as to this coming July,
6 but we have to balance that against the fact that the Commission
7 has a \$11 million or \$12 million investment in this Heartwood
8 facility, that by terms of the title deed of the property, if this
9 facility closes, it reverts to Virginia Highlands Community
10 College. And as I've said half-jokingly, probably more seriously,
11 and if this closes, it reverts to Virginia Highlands, we will have
12 paid \$11 million or \$12 million for probably the finest students
13 that are on any community college campus in Virginia. That's
14 not the purpose that we made, that's substantial investment five
15 years ago.

16 The staff does not have a recommendation on a
17 project that's received out of cycle such as this, particularly
18 complicated by the fact that there are other projects that came in
19 on time and were tabled for consideration. We do want to make
20 that very serious implication of this funding decision known to
21 the Committee today.

22 DELEGATE KILGORE: I've had numerous
23 conversations and numerous meetings at the Heartwood facility,
24 and Secretary Jones and I have had numerous conversations this
25 year during the budget process in the General Assembly, has

1 been signed by the Governor, and there was some money put
2 into the project but not enough this year to carry forward, and
3 that's why this is in front of us. In speaking to the secretary, we
4 believe that this, the next budget cycle, this needs to be put in
5 the tourism area of the budget, and now it's under Housing and
6 Community Development, and that's been an issue with some of
7 the appropriators in the House and Senate and really didn't
8 belong there because it is a tourism, should be under tourism,
9 and I've talked to Rita McKenny (sp.) about putting that over
10 there, and she, would be okay with that.

11 But, you know, Heartwood, for those of you who are
12 newer to the Committee, that this investment started when
13 Senator Wampler shared this project, and then Governor Warner,
14 during that era, made a decision at that time that we wanted to
15 bring all the tourism and all these opportunities, whether that be
16 Crooked Road artisans and all those in one spot, and then go out
17 to the coalfields and throughout other parts of Southwest
18 Virginia, east and west, and that was the planning at that time.
19 Especially the food area, a lot of, especially cut a lot of that out.
20 And we've got our budget down to about five or six hundred
21 thousand dollars as far as a reduction.

22 We've got a lot of things going on. We've got the
23 Crooked Road has a big Mountain Music Homecoming coming up,
24 we've had all these venues across all of Southwest Virginia, really
25 excited about it.

1 I just wanted to give you some background. I've
2 advised, and I think the secretary has advised, and whatever we
3 do here, it's just for one year, and there's no promises. But what
4 we're doing now is a one-year ask, and that's it.

5 SENATOR CARRICO: I want to reiterate what
6 Delegate Kilgore said. I think it's important that we know that
7 this facility serves 19 counties and three cities to help them
8 promote their tourism economy and what they have all invested
9 in this facility and what we have invested in the state, including
10 the Tobacco Commission.

11 I think it's important right now that we be able to give
12 them operating costs to get them through this year, so that we
13 can adjust and work on it next year through a state tourism
14 budget.

15 DR. REDWINE: Thank you, sir. I think probably, I
16 know that there's going to be members who want information
17 and questions answered, before we start though, I would, I think
18 it's a good time to let the folks from Heartwood come up,
19 whoever wants to, and give us a brief summary of your proposal
20 as far as the state of things at Heartwood and then entertain
21 questions.

22 MR. CHRISTENSEN: My name is Todd Christensen,
23 and I am the Executive Director of Southwest Virginia Cultural
24 Heritage Foundation. I'm also an employee of the Department of
25 Housing and Community Development. I want to thank the

1 Committee for this meeting and taking this proposal and coming
2 together after such a short timeframe, so I really want to thank
3 the staff. They have been extremely helpful to us. They've also
4 been asking hard questions, and I don't blame them. I've
5 managed grant programs my whole career, and this is not easy,
6 but this is absolutely critical.

7 One thing I want this Committee to know, the
8 Southwest Virginia Committee. The Southwest Virginia Cultural
9 Heritage Foundation and that Southwest Virginia has become
10 more and more an area that everybody wants to be in. In fact,
11 there's folks that are outside this 19-county area that are very
12 interested in what we're doing. This is due to programs like the
13 Crooked Road, 'Round the Mountain, the Artisan Network. We
14 have an extremely successful outdoor recreation initiative called
15 Appalachian Spring, which has tied together eight major
16 recreational assets, the Blue Ridge Parkway and the New River to
17 the interstate parks, and Cumberland Gap and everything in
18 between, and the Appalachian Trail and Mount Rogers. These
19 things are all only possible because there's a central idea of a
20 place called Southwest Virginia, and Heartwood is the showplace
21 for that area. It's more than just a building.

22 As far as the operational deficit, if you've been to
23 Heartwood, over a third of this space is exhibitory about
24 Southwest Virginia and a place for us to demonstrate our music
25 and our art. It's not just a business that can't run in the black.

1 The whole place was designed to be pretty much a showplace as
2 it was to be a commercial operation. The Crooked Road just
3 since last year has had 36 events at Heartwood. As was
4 mentioned by Delegate Kilgore, we're getting ready to host the
5 biggest major music event probably in Virginia, which is a nine-
6 day music festival, called Mountains of Music, and Heartwood is
7 certainly the capital of that, and the real shrine is the Carter fold,
8 which is the place where all of that will be kicked off.

9 Last September, we had the very first outdoor expo
10 for Southwest Virginia and the first year 68 exhibitors and there
11 were over a thousand participants on the front lawn and in and
12 out throughout the building. We've had numerous artisan events
13 there, and it's consistently used as a meeting place for folks in
14 Southwest Virginia and not just for government, but for
15 corporations, and is a great place for people to bring folks in from
16 out of the region and show them everything that our region has
17 to offer.

18 The operation that was mentioned, we haven't been
19 just blind, we have worked very, very hard with our commercial
20 side, our private sector commercial, and they operate over 200
21 business facilities, and we've worked very, very hard with them
22 to fine-tune our operation and to get our costs as far under
23 control as possible, but still being able to carry out our mission.
24 It's really important that folks understand that Heartwood is
25 about 19 counties culture and natural asset and people, and it's a

1 mission that has to be supported.

2 The operations showcase the arts. We have local
3 food, local music, and one place where everybody can go. About
4 a year ago, we started an initiative with our operational
5 manager. The operational manager and I with our partners in
6 our community started an initiative called Heartwood 360. We
7 looked at every bit of Heartwood from what you see from the
8 interstate to what you see coming up the Boulevard, to the
9 campus center, what you see when you turn into Heartwood.

10 Currently, we are about ready to go under
11 construction for a festival park on the front lawn of Heartwood,
12 which was greatly assisted by the Tobacco Commission. That will
13 make Heartwood even more of a showplace. We'll be able to
14 have various festivals and exhibitory outside and inside as a
15 showcase for Southwest Virginia.

16 The last thing I want to say before we get into
17 crunching numbers, which I'm willing to do. This is absolutely
18 critical. This request is critical for our ability to operate past this
19 September, and we really need your support. We would not be
20 asking and asking with this sense of urgency if it wasn't
21 absolutely critical for this mission.

22 DR. REDWINE: Thank you, Mr. Christensen.

23 Members of the Committee, you've seen the project
24 and your notes with some questions and some answers, and
25 they're all here today, so if there's questions, now is the time to

1 ask them.

2 Yes, sir, Senator Smith.

3 SENATOR SMITH: The first question I have is there's
4 36 events last year, can you tell me the total number of
5 attendees?

6 MR. CHRISTENSEN: That's pretty hard, because some
7 of them are outside. I'd say that, and I don't have the exact
8 numbers in front of me right now, but we typically get several
9 hundred at the festival, and we have music from all over the
10 region. Those will vary from 40 folks to 200 folks, depending on
11 how many parents and grandparents and so forth come in. But if
12 I have to give a number, I could fairly well guess at about 5,000.

13 SENATOR SMITH: With projected revenue from food
14 and beverage retail, 648,000, and that comes out to about
15 \$18,000 per event.

16 MR. CHRISTENSEN: Yes, sir. Those are the musical
17 events that the Crooked Road organization specifically has put on
18 at Heartwood. We've had 46,000 visitors in the past year. As I
19 mentioned, we had over 1,000 at our outdoor expo, which is
20 expected to be repeated annually in September.

21 We also have the first and continuing Southwest
22 Virginia Wine Festival where we showcase 15 wineries in our
23 region. Last Friday, we hosted a brewery conference, and we
24 had 150 folks come to that from around the region. We have
25 numerous events other than just the Crooked Road events.

1 DR. REDWINE: Thank you, sir. Ms. Coleman.

2 MS. COLEMAN: Outside the projects and the mission
3 that you have, was it anticipated that ongoing subsidy for
4 operation just be for an indefinite period of time?

5 MR. CHRISTENSEN: I would say that in the beginning
6 we had a firm do the numbers, and the numbers that they
7 projected have proved to be unrealistic. We were hoping by the
8 third or fourth year to be cash flowing, but, again, we didn't
9 consider the fact that a large part of our spaces, you don't go
10 into Walmart and you don't see a third of its space dedicated to
11 something like we have because if they did, they'd probably go
12 out of business. And we have that much in our area.

13 If we have food, and the whole idea of Heartwood in
14 the beginning was to attract people going through the region on
15 Interstate 81 and other places to stop in, as Delegate Kilgore
16 said, to, how to find out, is how I find out a rabbit hole, like in
17 Alice in Wonderland, and you find out, you walk in there and you
18 find out you're in this place called Southwest Virginia that you
19 never even knew about because it's not branded yet. And then
20 you see all these things and you're just amazed at how
21 interesting and exotic and cultural and rich the place is. Our
22 hope is that, and this happens all the time, that people will come
23 back on a vacation, and it's happened in Draper and it's
24 happened in Floyd and it's happened in Galax, it's happened in
25 Marion, it's happened in Norton, the people come.

1 And just to give an example, in Draper, I'll tell you a
2 story about a couple from Charlotte. They own a printing
3 business there. They bought an old mercantile there, they've
4 been vacationing at the New River for a bunch of years, they
5 built a cabin, and then they built some more cabins around, and
6 they bought the mercantile, they put a million dollars in it to
7 renovate it. After seeing Heartwood, very similar. We've got the
8 music, the crafts, the outdoor recreation, and it's extremely
9 successful. That family now has the whole the community
10 revitalized there and they came here as vacationers. That's
11 typically how, and I can name you other success stories.

12 But I can tell you there's up in Giles County, brought
13 a nano technology company to Giles County. There's Crenshaw,
14 an employer, who wanted to live in that particular place because
15 of the beauty of Southwest Virginia. Crenshaw, and that was 50
16 jobs that were created. And these are non-tourism jobs.

17 Now, at this time, we are consistently, it's not
18 uncommon to walk in and encounter somebody from Germany or
19 England or Australia that are here because they heard about
20 Southwest Virginia through the Crooked Road and they've come
21 to Heartwood to learn about the rest of Southwest Virginia. I
22 really think that in the early stages some folks thought we were
23 building a retail center and restaurant.

24 MS. COLEMAN: My question is --

25 THE COURT REPORTER: Could you please speak up.

1 MS. COLEMAN: As far as the operation, I think there's
2 acknowledgement in the opening comments year after year and
3 ongoing operational subsidies, so the question becomes where is
4 the place for that subsidy to come from, is it this Commission,
5 the Commission one time, or one more time, one more time,
6 where will that situation end up or is it ongoing? If so, who
7 would that be?

8 DELEGATE KILGORE: I would say it is ongoing, but
9 I'd also say at this point, the State is a possibility. Right now, we
10 need to help them out, but I don't think it is the Tobacco
11 Commission's responsibility, it's a bigger issue than the Tobacco
12 Commission.

13 SECRETARY CARTER: Mr. Chairman.

14 DR. REDWINE: Secretary Carter.

15 SECRETARY CARTER: Representing Secretary Jones.
16 He believes very firmly that this needs to be funded one year and
17 one year only. And that there needs to be measures taken or
18 accomplishments throughout the year moving forward and let
19 them work on things to make themselves more profitable and
20 that it should be shown to the Tobacco Commission, what they
21 can do.

22 DELEGATE KILGORE: I would say the original budget
23 request this year eight hundred and fifty-eight seventy-five, and
24 got cut in half like everybody else and -- tried as hard as he
25 could. I do think we are seeing a bit more growth now.

1 MR. CHRISTENSEN: I might add that, again, I am an
2 employee of the Department of Housing and Community
3 Development, and prior to this, I was Deputy Director of
4 Community Development. I came here for this project, and I
5 was responsible for the development of Heartwood, along with
6 other people.

7 I will also mention that Heartwood was an ad hoc
8 relationship, and all the things we do from Crooked Road to
9 spring are huge collaborations among state, local government,
10 private sector, nonprofit. There's hundreds of partners in all
11 these things. And when we put Heartwood together, no one
12 really owned it. It was an idea. And the Cultural Heritage
13 Foundation was formed to make that idea happen.

14 As far as the feasibility studies and the budget, I don't
15 believe that I ever thought knowing how exactly, but I'm not
16 sure you could take a similar facility throughout the state that
17 you're going to find that they're self-supporting. The Barter
18 Theater sees thousands and thousands of people in it, that is not
19 self-supporting.

20 I will say this though we are scrupulous in
21 documenting the economic development benefits and outcomes
22 of this whole project. These outcomes for tourism in Southwest
23 Virginia are undeniable. Since the beginning of the Crooked
24 Road, there's been about a 50 percent increase in the tourism to
25 our region. We're looking at businesses that are attracted here.

1 Since the Appalachian Spring Initiative started two years ago,
2 there are 18 new businesses. There are businesses on the
3 Clinch River that take more than 2,000 people on the Clinch
4 River that went from zero to 2,000 folks, centered with Saint
5 Paul. There's been business after business that Heartwood is the
6 center for the Outdoor Expo. That's the center for people to
7 come and meet and plan these things, to work together in
8 collaboration. I'm glad to supply anyone who is interested the
9 documentation of our economic development or economic
10 evaluation for your review.

11 SECRETARY CARTER: Todd, and I remember, correct
12 me if I'm wrong, I remember when Heartwood opened, one thing
13 that was extremely disappointing and I think maybe a little bit of
14 a shock to the organization is that you were not able to be found
15 on the interstate, similar to like Tamarack has in West Virginia.
16 Have you done any type of a study to get a feel for how many
17 people pull off the interstate if you had signs?

18 MR. CHRISTENSEN: We have not done any such a
19 study, and, again, we should have more specifics, but I'll say
20 this, being in the meetings to develop Heartwood, everyone was
21 under the impression that we would have signs like they do in
22 West Virginia for Tamarack or even signs like they have in
23 Kentucky or the art center we used as a model. They have not
24 as many, but 35 miles away or so is a great big sign with a logo
25 about crafts and food and they also have designated it as a

1 welcome center, so they have additional signs.

2 Tamarack, I came down from Charleston, I think I
3 counted like 18 signs. We just assumed we'd have the sign. And
4 the folks that did the feasibility study are now looking at
5 Tamarack to just assume we have signs. And we were hoping
6 that we could get some and some help from VDOT. By their own
7 rules and turning it over to a private company, they cannot do
8 signage through their existing protocol.

9 SECRETARY CARTER: The Tobacco Commission has
10 put a considerable amount of money into this project and we
11 want to see it be successful. I would like to recommend that our
12 new Executive Director and our board that considering the
13 amount of money that the Tobacco Commission has put into this
14 project, it appears to me that one of the major marketing pieces
15 to letting the world to know about Heartwood is not having signs,
16 and that is a problem. And I would like to recommend that the
17 Tobacco Commission support the Executive Director working with
18 our state and VDOT and our Federal government to do
19 everything we can possibly do to get that signage up.

20 SENATOR CARRICO: If I could just comment on that.
21 I know there's been conversations with VDOT about signage,
22 Virginia is a little bit different than South Carolina and West
23 Virginia, can't do signage just like South of the Border where
24 there's a sign every 15 feet. So, there has to be a strategic plan
25 of how you place these signs and there's got to be an

1 engineering study done to place signs on Federal highways. It
2 doesn't just happen overnight. I know the former engineer that
3 was there, the district overseer, was working to do that.

4 DELEGATE KILGORE: You probably need to get with
5 Senator Warner, because I know Senator Warner was very
6 supportive, and you might be able to open some doors through
7 the Federal Highway folks and try to work through that
8 bureaucracy.

9 MR. FEINMAN: I can do that. And, you know, we also
10 have some pretty good relationships through VDOT and the
11 Transportation Secretary. In short term, may be able to get a
12 bunch of additional signs on State-controlled roads much more
13 quickly and we can make that representation.

14 DR. REDWINE: Mr. Christensen, has any effort at all
15 been done to work toward or investigate working with
16 Tennessee? I know you've got your 15 miles from the border. If
17 you could even get signage in that tri-city area on 81 in the
18 Tennessee region, that would give those folks 20 minutes to
19 decide if they want to stop or not. I live four miles from the line,
20 and Tennessee, whether it be good or bad, is more lax on just
21 about everything than Virginia. If that's not been done, I would
22 suggest that somebody make a few phone calls and see about
23 the signage down across the line, because that's close enough to
24 you, I think, to help some.

25 MR. CHRISTENSEN: We have invested in billboards. I

1 believe there was one in Tennessee. I think there are about four
2 thousand a month, which we no longer have that kind of money
3 to spend on that. When Heartwood was being designed
4 originally, we were trying to pull people off of 81, and in order to
5 pull them off of 81, and if they're going to learn about Southwest
6 Virginia, they had to learn about Heartwood, and the only way
7 someone traveling through this region on the interstate is going
8 to know about Heartwood is if like Tamarack. If they see
9 something about 30 or 40 miles out that gets their attention and
10 when we talk about the crafts of Virginia and the food, it'll get
11 their attention.

12 In Tennessee, we probably would have to purchase
13 some billboards, I would think. There's also a problem in
14 Washington County and Bristol, because they have very stringent
15 billboard regulations.

16 DR. REDWINE: So, funding comes into play there and
17 you haven't been able to do that in Tennessee?

18 MR. CHRISTENSEN: We've had one billboard in
19 Tennessee. It's not the problem with the billboards, it's the
20 money. We're having a hard enough time, they're going to have
21 to assume, well, what about Virginia, but I think we need to work
22 with Virginia. I've spoken to Senator Warner on this issue, as
23 well, and he feels that we need to have a meeting with the
24 Federal Highway, folks in VDOT at the same time, in order to talk
25 about this and our requests and what the legalities are, and any

1 statutory requirements.

2 DR. REDWINE: Thank you. Other questions?

3 MS. COLEMAN: I'm still not really clear on how you
4 arrive, May of 2015, with \$600,000 operating until September,
5 how is this going to work?

6 MR. CHRISTENSEN: We've been trying to get into the
7 State budget for a couple of years now, and we were very
8 dependent in the previous year on that, and a really bad year for
9 such a request to be made, we got zero. We really have been
10 working on reserves since we've been open mainly. Also, out of
11 that million dollars, I might add, a part of that goes towards the
12 operation of the Cultural Heritage Foundation, our marketing
13 director, and myself and my assistant, working mainly on the
14 community development project. To get through the last year,
15 the only way we've done it is to borrow against our building
16 replacement reserve, now, people incorporated, and other things.
17 But we cannot borrow from the reserve anymore.

18 Once you take out \$300,000 for the Cultural Heritage
19 Foundation, \$175,000. I will say we've worked very hard, and
20 we have a proposal right now to our finance committee to again
21 make another serious adjustment in the operation of the guest
22 services. Part of the problem that we have is that we need to
23 have food for people coming off the interstate and buses.

24 If we staff for 80 people to come in and two buses
25 come in, Southwest Virginia, on the internet, and we don't have

1 enough people there, and so we have to have enough staff to
2 handle that, at least respond appropriately from a hospitality
3 point of view. We've had 126 events between January 1 and
4 June 30th of this year. We also do things like weddings and
5 proms and those type of things and other large corporate events.
6 We have to have not just sandwiches for someone that's in a bus
7 and just needs something to eat, but we also, if we have an
8 event which is really showcasing our region at Heartwood, in
9 other words, we have to show really good hospitality.

10 We've also had an excellent chef. Now, it looks like
11 we're going to lose him because of the uncertainty of the job. He
12 is a highly respected chef. If we can't deliver on that, then a lot
13 of what we've had for special events will just go elsewhere.

14 SENATOR CARRICO: I was going to make a motion
15 that if it's the proper time.

16 MR. PFOHL: I just want to say for the record say I
17 referred to personnel and marketing and operating expenses and
18 so forth, but the specific request to the Commission is to
19 underwrite about two-thirds of the cost the facility operator, GSI.
20 And so our funds would go to purposes for which the Cultural
21 Heritage Foundation is contractually obligated with.

22 SENATOR SMITH: Mr. Chairman, I have a question.
23 Is there a business plan that was put in place? Obviously we do
24 not have a good business plan, but if you talk to the community
25 college where, I guess, your grounds are on, about any

1 partnerships? That's because the numbers you've given me, and
2 your total budget, and not about what we're about to give you,
3 \$1.8 million is \$360 per visitor. That's a pretty expensive visit
4 for whoever, whether it's private donors or whether it's the
5 Commonwealth in some form or another.

6 I think certainly somebody needs to push for an
7 improved business plan to continue to go forward. If it's going to
8 be, should it not survive, that part of the community college,
9 well, obviously, it must have some value to them. So, why not
10 start working today to see what value it is to them, to start
11 covering some of these things. I'm flabbergasted that we would
12 continue to spend this money for results without demanding to
13 get some improvement.

14 DR. REDWINE: Thank you, Senator Smith. We've
15 done this before. There could always be an amendment or an
16 addition or a cause in a motion to ask for a business plan to be
17 presented within six months or a year for the Commission to see
18 what their plan is for moving ahead. I know, I want to get to
19 Senator Carrico, because he asked for a moment just a second
20 ago. I think we need to move ahead, and we've heard a lot. I'll
21 say as far as operations, maybe as far as procedure, the
22 Commission is typically not an operations fund. We cannot afford
23 to operate every facility that we fund to get constructed.
24 However, we also, we strive not to be a one hundred percent
25 construction fund. We like to finish things that other people

1 start, other people have money in, and then we like to come
2 along and be able to make your dream come true.

3 The debate today is that we have ten and a half
4 million dollars on the ground down there and we have a promise
5 or an indication that other funding will come along. And what I
6 see we're being asked for today is a bridge to get to that other
7 funding. I would suggest based on what I've heard from the
8 Committee, and I won't be here then, but a second request a
9 year from now for a similar amount of money would be very
10 difficult to obtain. That's as clear as I can make it. I get to work
11 between now and next year trying to, with the legislature and
12 with tourism in Richmond and trying to find some money,
13 because I don't think this happens twice.

14 Senator Carrico.

15 SENATOR CARRICO: I'm going to make a motion, and
16 I'll try to include all of this in this motion. I would move that we
17 appropriate a one-time appropriation, \$600,000 to Heartwood or
18 to whoever it goes to, or GSI, with the understanding that it is a
19 one-time appropriation, and that the Director or the newly
20 appointed Director work with the Federal agencies and the State,
21 to work out this signage issue that has plagued this center for
22 some time, and for some comfort for some people on this
23 Committee that a business plan be submitted.

24 DR. REDWINE: We have that motion. Do I have a
25 second?

1 SECRETARY CARTER: Second.

2 DR. REDWINE: We have a motion and a second. Any
3 other discussion?

4 MS. COLEMAN: One more question. Is there any
5 potential for any of this money to come from any other source,
6 no private investment, no private benefactors?

7 MR. CHRISTENSEN: We've tried very hard, and part
8 of the problem that we have is that we are looking at the state.
9 There are \$18 million invested in Heartwood, and the Tobacco
10 Commission was the investor, and the Commonwealth of Virginia
11 and the localities and others have also, have an investment. And
12 we've had the support of the Town of Abingdon, and they
13 provided some staffing. We have put together a finance
14 committee who will work with us on a business plan, and that's a
15 very well respected group of people and an experienced group,
16 who understand public and private entities. So, we'll work with
17 them to get a business plan together.

18 DR. REDWINE: We have a motion and a second. I'll
19 begin by asking for a normal vote. And if there seems to be a
20 need, we can go back to roll call vote, but we're talking again
21 with a normal vote. All in favor of the motion as stated by
22 Senator Carrico, and seconded, and signify by saying aye.
23 (Ayes). Opposed? (No response). All right.

24 Sir, you're on your way for a year.

25 MR. CHRISTENSEN: Thank you very much.

1 SENATOR CARRICO: Mr. Chairman, I know this is not
2 on the agenda, but for purposes of discussion, we tabled a
3 project that Wythe County had that there's been some changes
4 in the development of, and they're here today to discuss with us
5 what the changes were.

6 Just to give you a little bit of background. The last
7 time we heard this project, they had some options on a piece of
8 property for an agriculture expo center where the old outlet mall
9 was at I-77 and I-81. This Commission tabled that project
10 because they had no idea of when the property was going to be
11 purchased. Then we basically tabled it and told them that they
12 needed to come back whenever they had the property secured
13 and so forth.

14 Those developments have taken place over the last
15 month. There was a new venue that was discovered. They're
16 here today to discuss that, because I think after July 1, events
17 will be moving pretty quickly and we'll see this project back
18 before us pretty soon. If the Committee will indulge them, I'd
19 like to let them speak about that project.

20 DR. REDWINE: All right. Is this considered with the
21 County Ag. Expo?

22 UNIDENTIFIED: It's a joint project with Wythe County
23 and the Appalachian Ag. Expo.

24 DR. REDWINE: If you could introduce yourself.

25 MR. REEVES: Yes, sir. I'm Tim Reeves, I'm Chairman

1 of the Wythe County Board of Supervisors. What I plan to give
2 you an update on is that the County purchased 95 acres along
3 Interstate 81 and I-77 on the overlap for the Appalachian Ag.
4 Expo Center.

5 We have an option we would be purchasing this land
6 July 1st, and we're moving forward. It has, already has on the
7 property 30-some acres pre-graded, and we already have the
8 infrastructure in place and the County has invested in the
9 purchase of the land. We're looking at anywhere from three to
10 five million dollars the County will have invested in this.

11 SENATOR CARRICO: Mr. Chairman, Mr. Reeves, can
12 you tell the Committee again exactly what your plans are for the
13 expo and why it is so important for the Wythe County area to try
14 to do this?

15 MR. REEVES: Yes, Senator Carrico. I'm going to let
16 Mr. Miller speak to that, and he's the Extension Agent for the
17 County, and he's more involved in the planning on it. He'll
18 explain to you exactly what we've got planned.

19 MR. MILLER: It's a pleasure to be with you this
20 morning. I'm Matthew Miller, and I work for the Cooperative
21 Extension. I'm a Wythe County resident, and I'm a board
22 member for the AAEC, and I'm a parent of three.

23 This process, Senator Carrico, has been very much
24 like child-rearing. Those of you that are familiar with the concept
25 that it takes a village to raise a child will know at times our

1 village wasn't big enough. We do owe the staff quite a bit of
2 gratitude for the grants before the Ag. Committee and the staff
3 has been good to help us to really clarify a vision and a mission
4 for the Appalachian Agriculture Exposition Center. We've come
5 before you for economic development help.

6 We heard discussion in here a minute ago when
7 Chairman Redwine talked about the good work you guys have
8 done in Southwest Virginia. I heard somebody say what it is to
9 be branded Southwest Virginia, and what you guys said on this
10 Committee, you already know that answer, because if you're
11 branded Southwest Virginia, it's in your blood.

12 This process really started ten years ago. A very
13 small group of active participants that have looked at creating an
14 exposition center and it's agriculture in its infancy, it's much
15 bigger than that. What we'd like to see and we have two
16 feasibility studies, one from Virginia Tech and one from UVA and
17 our cash flow analysis. We're working now with the County in a
18 partnership with our board of supervisors. Mr. Hale is here, a
19 member of that board, and there's been a discussion to move to
20 a joint authority to allow this center to function to cash flow.

21 We want to reap the benefit of the 70,000 cars that
22 pass that facility or soon what will be that facility every day. So,
23 those of you that travel I-81 know that 70,000 cars pass through
24 that section of interstate every day. We don't want to pull them
25 off the interstate randomly like there was discussion in here

1 earlier, we want to have events for them have on their schedule,
2 we want a GPS direction in their car, we want them to come to
3 Wythe County in Southwest Virginia for a purpose. So, our
4 events will be planned and will be scheduled, and there'll be
5 everything under the sun at this facility.

6 Our facility, we've looked at what a household would
7 generate and what the drive time is to Wythe County and you
8 guys are fully aware of what the percentage of the population is
9 in the United States, to spend a couple of tanks of gas to Wythe
10 County. We're excited about the economic impact, which is your
11 mission and our goal, and what this facility can mean not only for
12 Wythe County but for Southwest Virginia.

13 It will definitely have an agricultural focus, and that's
14 a big part of Southwest Virginia, certainly a big part of Wythe
15 County, whether that's sales, shows, horse show events, we'll be
16 much bigger than that. We want to have the ability to put
17 35,000 people in the seats under roof, and we've already got a
18 partnership committed with our community college. If the facility
19 stood today, that's where Wythe County's, graduation would
20 have been.

21 So, the groundwork has been done, we're looking for
22 you as a village to help us raise this child. And obviously we
23 didn't crawl very well and at times we skidded, but we feel like
24 we're walking, we're about ready to run, and we're looking for
25 your help. The County partnership now is much stronger, and in

1 December we had a fundraiser and we had 200 to 300 people
2 that generated \$60,000 in donations and pledges in one night
3 because the community consensus is so strong for this structure.
4 We feel like we've got a great cash flow model and we don't feel
5 like we'll have to be back multiple times once we're up and
6 moving.

7 The Chairman of our AAEC is here, Mr. Muncy is here.
8 This has been an eight-year process minimum, and we've almost
9 had some homeruns. We've got some great ideas, we've been
10 robbed of a few homeruns at the last minute. But what you see
11 before you as far as this 99 acres, where it sits at 81 and 77,
12 those of you that know Southwest Virginia, which is the bulk of
13 you in this room, know the visibility of that location and the
14 accessibility of that location, how essential that is to so many
15 counties, just as our neighbors. We feel like it's going to be a big
16 jump-off point for a lot of other activities. Much of that would be
17 tourism-based.

18 We don't feel like we've got to pull cars every day.
19 We would want an event already planned. We want you coming
20 there with a purpose, and part of the model also has in it a
21 visitor's component. So, once you are there because you came
22 to see a concert or a home-garden show or artisan show, there's
23 an opportunity that you're there, you can learn more about
24 Southwest Virginia. So, there will be a visitor's center or a
25 heritage center incorporated into this structure. We don't expect

1 that to pull you off the interstate, but we want you to come and
2 spend your money with a purpose.

3 So, that's our goal. What questions do you have for
4 our chairman, our board members, they're here for me, and
5 we're excited the partnership we could have. We apologize, we
6 should have been at the January meeting, and it was our mistake
7 not to be there. But we're excited about a partnership we can
8 have with the Tobacco Commission and what we all can
9 accomplish together in Wythe County and for Southwest Virginia.

10 SENATOR CARRICO: Matthew, can you tell us where
11 the closest venue of this type is and what success have they
12 had?

13 MR. MILLER: Sure, I think if you look at, to be
14 honest, we don't feel like we've got a competitor, Senator. We
15 feel like we're an entity unto ourselves. If you'll look at the
16 closest competition in size and if you look at our model, it would
17 be Morristown, Tennessee, which is I think Exit 4 right before
18 Interstate 81 becomes Interstate 40, just outside of Knoxville.
19 So, for us, that's a two-and-a-half, three-hour drive at a
20 minimum.

21 The next closest thing may be Lexington and the
22 Horse Center, but obviously those of you that know the history of
23 that center, know that it's been geared obviously in its name,
24 much more with one focus. We won't have just one focus.
25 Beyond that, you'd probably have to go to Charleston, West

1 Virginia or Greensboro.

2 Greensboro Coliseum would be our next closest
3 competitor. So, really within a three-hour radius, we don't feel
4 like we've got anybody that could come compete with us. And
5 then from a regional focus, we don't feel like anybody could
6 touch us, and when you consider that 81/77 corridor and drive
7 times, two to three hours, touches a huge percentage of the
8 population. Six to eight hours touches 80 percent of the U.S.
9 population. So, within eight hours, you can be at our site, come
10 and spend lots of money, and help Southwest Virginia, help the
11 local economy, and then we'd like to send those people off.

12 DR. REDWINE: Thank you very much. That's exciting
13 and it sounds like you've got some pieces in place that makes it a
14 strong project.

15 MR. MILLER: We would encourage any input from this
16 body prior to going into July what you would like to see from us
17 to make this obviously as strong as it can be. This development
18 with the land is obviously very new, it's also very prevalent. Our
19 county stepped up and this land is going to be purchased, that
20 95 acres is there, and we want it to be the expo site. It's very
21 centrally located.

22 So, any input that you guys would feel like you could
23 give us, we look forward to meeting before you soon and working
24 with your staff in making this reality.

25 MR. PFOHL: Sara and I would be very happy to meet

1 with the team and hear about the updates so that we could
2 prepare to present this again. This is one of the projects that
3 was tabled last September and it'll be on the Committee's
4 agenda this fall, and we'll be happy to meet with you.

5 MR. MILLER: That sounds good, thank you.

6 DR. REDWINE: Thank you, Matthew.

7 Two of the things that historically we look at is, one,
8 being a regional facility, and we like something that serves a
9 great big area and many, much of the Tobacco Region and helps
10 the entire area, which I know you've already got.

11 The second thing would be a multi-purpose facility. If
12 you guys could brainstorm about the many different things you
13 can do with an arena and all the actual uses that you could
14 incorporate into that and put it in an application would make it,
15 I'm sure, stronger.

16 MR. MILLER: I hate that you won't be on in the
17 future, but we're going to build it like you just mentioned, and
18 the structure would be multi-purpose. We've already got
19 commitments from a regional soccer group that would like to
20 make this venue for a soccer event center for three states.
21 We've got commitments from lots of multi-purpose non-
22 agriculture groups that want to be in that arena. So, we'd like to
23 partner with anybody and we're open arms, will help any tourism
24 activity that was on in that category. But you're exactly right,
25 this needs to be as multi-purpose, and that's been our purpose

1 for some time, as it can be. We want as many events every day
2 as we can have.

3 DR. REDWINE: Thank you all. As you heard, our
4 funds are limited until July 1st, and then we begin a new budget
5 cycle. But we would encourage you to hit the ground with some
6 momentum, and we look forward, or they, they look forward to
7 seeing you in the fall, Mr. Miller, we'll let you come back. Thank
8 you very much.

9 MR. MILLER: Thank you, guys, have a great day.

10 DR. REDWINE: Thank you. All right. I need to open
11 the floor for public comments if there is any before we close or
12 take a brief break before the Commission. Any public comment?
13 Hearing none.

14 I know we probably missed some of the tours. What
15 time is it?

16 MS. RICHARDSON: We're going to postpone now until
17 after the Commission meeting.

18 DR. REDWINE: Okay. The tours of the facility here
19 will be after the Commission meeting. So, we are 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, Southwest Economic Development Committee Meeting**, when held on Thursday, May 21, 2015, at 8:30 o'clock a.m., at the New College Institute, Martinsville, 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 _____ day of June, 2015.

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

MY COMMISSION EXPIRES: October 31, 2018.