



AGENDA

INCENTIVES AND LOANS COMMITTEE

Peaks of Otter Lodge

85554 Blue Ridge Parkway, Bedford, VA

Wednesday, September 22, 2021

9:30 A.M.

In accordance with §2.2-3708.2.D.2 of the Code of Virginia, the public may witness this meeting electronically via a computer, phone or other electronic device by following the below link:

<https://virginiatobaccocommission.my.webex.com/virginiatobaccocommission.my/j.php?MTID=m4d406acea73aed98454a83a113c6e4bf>

Only audio and the chat box feature will be utilized for the electronic meeting no video will be available. The meeting may be accessed via telephone by dialing: 1-408-418-9388 (toll) and utilize the access code: 132 663 7916 and password: 84875737.

If you experience problems calling in, please call Mr. David Bringman at 804-894-9659 or email at: dbringman@revitalizeva.org

| | |
|---|--|
| Welcome and Call to Order | <i>The Honorable Lashrecse Aird, Chair</i> |
| Call of the Roll | <i>Evan Feinman, Executive Director</i> |
| Approval of the <u>5/27/21</u> Minutes | <i>(published on website)</i> |
| Public Comments | |
| Project Solomon | <i>Andy Sorrell, Deputy Director</i> |
| Confidential Project Discussion | <i>Closed Session</i> |
| Extensions & Modifications | <i>Andy Sorrell, Deputy Director</i> |
| CBL Program Award Approvals | <i>Evan Feinman, Executive Director</i> |
| Other Business | <i>Evan Feinman, Executive Director</i> |
| Public Comments | |
| Adjournment | |

Incentives & Loans Committee

September 22, 2021

The Incentives and Loans Committee is meeting on Wednesday, September 22nd at 9:30 a.m. to consider in open session one TROF incentive approval, one request for grant/loan repayment forbearance, four requests for performance extensions or other project modifications. One confidential project will be discussed in closed session. All committee recommendations to the Commission will occur in open session. The following provide staff overview and comment on all the projects mentioned above.

TROF PROJECT APPROVAL

1. Danville- Pittsylvania RIFA

Project Solomon, (#3912)

Approval of 1.529M TROF Grant & Loan Incentive.

Staff Overview & Comment: Staff provided a revised TROF estimate for this Project on July 12, 2021. The application was received by the Commission the week of August 16th. The Project was announced on August 26th. The short-time between submittal of the application and project announcement did not permit a meeting of the Committee to approve incentive amount (because it was over \$ 1 million). Therefore after reviewing the project's performance parameters and timing with Committee leadership, and providing other Committee members several days to provide feedback on the project, the Committee tentatively approved the project pending with the official approval by the Committee at their fall meeting occurring retroactively. The performance parameters remain the same as were provided to the Committee the week of August 16th and are as follows:

- \$295 Million capital investment with 375 new jobs at an average annual salary of \$41,668 from Tyson Foods, a leading producer of food protein to be provided over a 3 year performance period.
- The Company desires to locate on Lot 9 in the Cane Creek Industrial Park (which is located in Pittsylvania County and in an industrial park whose revenue is shared by both Danville and Pittsylvania).
- The prevailing average wage for the locality at the time of the estimate was \$37,934.
- This company is considered locations in North Carolina, South Carolina, Tennessee and Virginia. The region's trained workforce in automation and robotics helped attract the Company to the area.
- Based on the performance parameters, a total incentive in the amount of \$1,529,000 in being offered - \$707,000 would be provided as a TROF grant and \$822,000 as a 0% interest, 5-year repayable TROF loan. The TROF grant portion is subject to revenue sharing with between the Commission and the localities party to the RIFA.

Staff recommends the Committee approve a TROF grant award in the amount of \$707,000 and a TROF loan award in the amount of \$822,000 for a total TROF incentive amount of \$1,529,000 subject to verification of the facts, availability of funds and approval by the Commission.

FORBEARANCE PERIOD & INTEREST WAIVER

2. Appomattox County EDA

Innovatio Sealing Technologies, (#3340)

Request for Forbearance on TROF Grant & Loan Repayments until 1/1/2023.

Staff Overview & Comment: This TROF incentive was approved in September 2017 and provided to the Appomattox County Economic Development Authority (the “EDA”) for the benefit of Innovatio Sealing Technologies, LLC (the “Company”). In return for a grant incentive of \$80,000 and a loan incentive of \$40,000, the Company promised to provide 28 new jobs with a quarterly payroll of \$250,642.00. The private taxable investment was for \$2,120,000. The performance period was 3 years and ended on June 30, 2020. Both the grant and loan incentive were fully disbursed to the EDA in February 2018 prior to performance.

To date, the Commission has been unable to verify any new jobs and has verified an investment of \$224,491 in taxable capital assets. In order to earn any of the grant or loan amount, the Company must first meet the minimum investment requirement of \$1,000,000. Since this has not occurred, the Company has not earned any of the grant or loan incentive and all of the grant and the remaining loan balance (plus interest) is subject to repayment to the Commission.

The Company had made regular loan payments towards their loan balance having repaid a total of \$28,000 of the original \$40,000 loan. The loan balance remains at \$12,000 to be repaid to the Commission. The Company is up-to-date on its TROF loan payments with the last regularly scheduled payment in the amount of \$4,000 being received on August 26, 2021. Since the performance period for this project is over, the loan agreement requires that the balance of the loan (\$12,000) plus 5% interest (\$600) (in total \$12,600) be repaid within 30 days from notification from the Commission.

In June 2021, the Company suffered a fire their facility which damaged the building and equipment within it. Since the performance period for this project had already ended the year before the fire occurred (June 30, 2020) the fire did not impact the Company during the performance period and therefore did not qualify as an “Event of Force Majeure.” Additionally, the Company recently purchased another facility in the county and desire a performance extension in order to meet the performance objectives at the new facility. Staff does not feel an performance extension is warranted for a facility moving to a new facility. Completing the construction and up fit of a new building would be a new project – not one suitable for an extension of the current grant and loan performance agreements. Staff recommends that the County and the Company work with the Commission to develop a suitable repayment agreement for the grant and remaining balance of the loan amount.

Given the impact the fire (and the pandemic) has likely had on the Company's operation, staff recommends a forbearance period on both the outstanding loan balance of \$12,000 and the

repayment of the \$80,000 grant amount. Additionally, due to the extenuating circumstances of the fire, staff further recommends waiving the 5% added interest on the loan balance. In total the repayment amount would be \$92,000 (\$80,000 of the grant and the \$12,000 remaining loan balance). Staff recommends a repayment plan subject to the following terms:

- Combined (grant and loan) \$92,000 is due to the Commission (the "Amount Due").
- 14-month forbearance period (September 1, 2021 - January 1, 2023) on the Amount Due during which no interest or penalty fees shall be added.
- On or before January 1, 2023, \$18,400 shall be paid to the Commission. Thereafter annually for four years on or before January 1, 2024, 2025, 2026 and 2027 a payment in the amount of \$18,400 shall be paid the Commission until the balance is fully repaid. There shall be no penalty for repaying the full balance before it is due.

Staff recommends approval of the forbearance period from September 1, 2021 – January 1, 2023 and waiving the 5% added interest on the remaining loan balance. In total, the Company or County will repay the Commission \$92,000 according to the repayment terms listed in the staff report above.

EXTENSIONS AND MODIFICATIONS

3. Bedford County, Virginia

Innerspec Technologies, Inc. (#3044)

Request for a Performance Extension through December 31, 2021.

Staff Overview & Comment: This Tobacco Region Opportunity Fund (TROF) grant was awarded to Bedford County (the "County") and Innerspec Technologies Inc. (the Company) in March 2015 in the amount of \$20,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 3/31/2018 and was administratively extended for an additional year through 3/31/2019. The executed performance agreement required the company to employ 3 persons with an aggregate payroll of \$50,250. The taxable asset obligation during the performance period was \$3,900,000.

As noted in the attached letter from the Company (Attachment A), the Company has invested considerable assets into Bedford County and Lynchburg, totaling \$4.1 million. However, as noted in the letter, some of those investments occurred in the city of Lynchburg which are not eligible to be counted for this project. To date, the increase in taxable assets verified by the Bedford Commissioner of Revenue totals \$908,781.00 which is under the minimum investment required before any of the grant is earned.

Over the summer and fall of 2021 the Company is and will be investing significantly in additional taxable capital investment at their Bedford County facility. In order to allow the Company additional time to more fully achieve their performance, staff supports a final performance extension through the end of 2021.

Staff recommends a final performance extension through December 31, 2021.

4. Henry County, Virginia
RTI Martinsville, Inc. (#3177)

Request for a Final Performance Extension through March 31, 2021.

Staff Overview & Comment: This Tobacco Region Opportunity Fund (TROF) grant was awarded to the Henry County (the “County”) and RTI Martinsville, Inc. (the Company) in March 2016 in the amount of \$80,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 3/31/2019 and was administratively extended for an additional year through 3/31/2021. The executed performance agreement required the company to employ 15 persons with an aggregate payroll of \$148,200. The taxable asset obligation during the performance period was \$8,596,000.

Currently the Company has met over 100% of their employment goal and 42% of their capital investment goal. The Company and County believes the Company will be able to fully achieve their performance goals if granted a final performance extension through the end of March 2021. After reviewing the letter (Attachment B) from the County, staff supports a performance extension to allow the Company to more fully achieve their performance objectives.

Staff recommends approval of final performance extension through March 31, 2021.

5. Henry County, Virginia
NovaTech USA, Inc. (#3245)

Request for a Performance Extension through September 30, 2021

Staff Overview & Comment: This Tobacco Region Opportunity Fund (TROF) grant was awarded to the Henry County (the “County”) and Novatech USA Inc. (the Company) in September 2016 in the amount of \$130,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 9/30/2019. The executed performance agreement required the company to employ 50 persons with an aggregate payroll of \$359,050. The taxable asset obligation during the performance period was \$3,000,000.

The Company has met 52% of their employment goal and over 100% of their capital investment goal. The Company recently acquired another company and will be adding another production line in Martinsville. Also, in part due to the pandemic, the Company’s ability to achieve its performance metrics slowed – however, both the Company and locality feel a performance extension through the end of September 2021 will permit the Company to more fully achieve their performance objectives. After reviewing the information from the Company (Attachment C) and speaking with the locality, staff recommends a final performance extension through the end of September 2021.

Staff recommends approval of final performance extension through September 30, 2021.

6. Town of Saint Paul, Virginia IDA
Willis, LLC (a.k.a. Western Front Hotel) (#3375)

Request for a Performance Extension through September 30, 2022.

Staff Overview & Comment: This Tobacco Region Opportunity Fund (TROF) grant was awarded to the Town of St. Paul and St. Paul Industrial Development Authority (the “IDA”), a.k.a Western

Front Hotel, in September 2017 in the amount of \$85,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 9/30/2020 and was administratively extended for an additional year through 9/30/2021. The executed performance agreement required the company to employ 22 persons with an aggregate payroll of \$137,280.00. The taxable asset obligation during the performance period was \$6,396,615.00.

Currently, the Company has achieved 30% of the employment obligation and nearly at 50% of the taxable asset performance. As with many other hotels, the pandemic has impacted the tourism and hospitality industries significantly. Therefore, the Company with support from the Town, has requested a performance extension through the end of September 2022. After reviewing the letter from the Town (Attachment D) and speaking with Town staff, staff believes the Company will be able to more fully achieve their performance objectives if granted the extension and therefore supports the extension request.

Staff recommends approval of a performance extension through September 30, 2022.

CONFIDENTIAL PROJECT

7. Wythe County JIDA

Project Palm

Project Eligible for Prospect Incentive Fund

Staff Overview & Comment: Staff has received a Tobacco Region Opportunity Fund (TROF) incentive estimate request for a regionally transformative project proposed to be located within Wythe County. Specific details of Project Palm will be discussed in closed session, but the overall performance parameters and possible incentive offering are as follows:

Project Palm:

- Proposed 3-year performance period providing 1,044 new jobs at an average annual salary of \$37,321 and a private taxable capital investment of \$446 million;
- TROF grant incentive estimate of \$1,022,000 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- **Total incentive of \$1,022,000.**

The average annual salary being provided is slightly above the prevailing average for Wythe County (\$37,102). Given the size of the project in terms of jobs and capital investment, Project Palm is a candidate for the Prospect Incentive Fund should additional funding be needed above the incentive estimate. The Project was not interested in a loan therefore only the grant portion has been offered. The grant incentive portion that may be offered will be subject to revenue sharing with the Commission.

Staff recommends the TROF incentive amount as provided by the TROF estimator, a TROF grant incentive of \$1,022,000 subject to revenue sharing and to verification of the facts, availability of funds and approval by the Commission.



COUNTY OF BEDFORD, VIRGINIA

COUNTY ADMINISTRATION BUILDING
122 EAST MAIN STREET, SUITE 202
BEDFORD, VIRGINIA 24523

OFFICE OF ECONOMIC DEVELOPMENT

3044

June 21, 2021

The Honorable Edward Owens, Chairman
Tobacco Region Revitalization Commission
701 E. Franklin Street, Ste. 501
Richmond, VA 23219

A

Dear Mr. Owens,

We have learned that the Tobacco Region Revitalization Commission (TRRC) wants Innerspec to pay back the full \$20,000 grant it was awarded in 2015. We are writing to urge you to look at what the company has accomplished over the last few years and after reviewing the following information, it is our hope you will proceed to close-out the loan without having Innerspec pay back anything.

In August 2015, Innerspec Technologies received a \$20,000 Tobacco Region Opportunity Fund (TROF) grant from the TRRC for locating to Bedford County and purchasing a \$1.1 million facility. Additionally, the company committed to investing \$3 million in machinery and tools and locating 33 full time jobs, plus adding 3 new jobs in three years at its new Bedford County operations. The Bedford County EDA also provided a \$25,000 incentive to assist in the expansion.

It is important to note that the company committed to the \$3 million investment in equipment based on taxes paid in Lynchburg for equipment including machinery and tools, furniture, and fixtures, and all its inventory. However, Bedford County does not tax inventory. Therefore, the \$3 million was an inflated number by more than \$1.6 million which none of us knew at the time.

In November 2018, the Tobacco Commission extended the grant until March 31, 2019 to allow the company to get its employment numbers up to a total of 36 employees (which they did not have at the time) or there would be a small clawback of \$3,000.

It is now 2021 and the company recently announced a new expansion by adding a 10,000 sq. ft. non-destructive testing facility that will be finished in the next few weeks. According to Frank Weinmeister, Director of Operations, this newest expansion will add employees bringing the total to 38 people with an average salary of \$77,000. The new expansion includes a \$1 million building and \$1 million in machinery and tools, over the next three years.

The EDA successfully closed out its original incentive with the company and agreed to provide a small cash incentive for the 2021 expansion, too. With that, we respectively ask the Commission to close out this \$20,000 TROF from 2015 given the new investments taking place now. Though the company did not meet the original timeline schedule, it has certainly made up for the lack of inventory by adding new taxable assets.

COUNTY OF BEDFORD, VIRGINIA

ECONOMIC DEVELOPMENT AUTHORITY

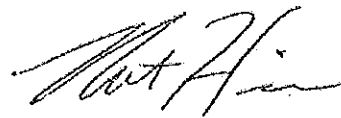
Page 2

Thank you for the consideration of this request and all you have done to support Bedford County as we strive to bring new jobs and investment to the region.

Regards,



Traci Blido
Director, Bedford County Economic Development



Robert Hiss
Bedford County Administrator

cc:

Mr. Evan Feinman

Mrs. Sarah Capps

County of Henry

P.O. BOX 7
KINGS MOUNTAIN ROAD
COLLINSVILLE, VIRGINIA 24078-0007
www.henrycountyva.gov



TIM HALL
County Administrator

DALE WAGONER
Deputy County Administrator

Board of Supervisors

JIM ADAMS
CHAIRMAN
Blackberry District

RYAN ZEHR
Ridgeway District

T.J. "TOMMY" SLAUGHTER
Reed Creek District

Telephone (276) 634-4601

Board of Supervisors

DEBRA PARSONS BUCHANAN
VICE-CHAIRMAN
Horsepasture District

JOSEPH A. BRYANT
Collinsville District

J. DAVID MARTIN
Iriswood District

Fax (276) 634-4781

July 8, 2021

David Bringman
Tobacco Region Revitalization Commission
710 E. Franklin Street, Suite 501
Richmond, VA 23219

Mr. Bringman:

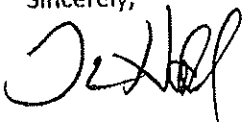
Henry County respectfully requests a 5th-year extension of the May 4, 2016 performance agreement for Howmet Aerospace (formerly RTI Martinsville or Alcoa).

The performance agreement stipulates the hiring of 15 employees and a capital investment of \$8,596,000. The County is confident that the company has met the employment and wage targets. However, the company does need additional time to reach the capital investment obligation.

As with so many other companies, the pandemic stagnated the growth of Howmet's Martinsville facility. This company is largely dependent on travel patterns, which declined on a global level. There was both a direct impact to the company and indirect impacts on its suppliers. As the world recovers, we believe the commercial travel industry will strengthen and improve the company's progress towards the targets.

Howmet Aerospace is an essential part of our corporate landscape in Henry County and we fully expect the company to continue its growth here. We are hopeful that the Commonwealth will agree to extend the performance agreement date.

Please feel free to contact me with questions.

Sincerely,

Tim Hall
County Administrator



Martinsville Operations
101 RTI Way
Martinsville, VA 24112
276.634.2200

July 7, 2021

David Bringman
Tobacco Region Revitalization Commission
710 East Franklin Street Suite 501
Richmond, Virginia 23219

Mr. Bringman,


On behalf of our RTI Martinsville Inc. subsidiary, Howmet Aerospace would respectfully request the Tobacco Regional Revitalization Commission approve a 5th year option for Tobacco Region Opportunity Fund (TORF) Grant 3177 during the Commission's fall meeting.

In 2016, RTI Martinsville Inc. received this grant valued at \$80,000 for a capex investment to expand the facility's titanium forging and grinding capacity and create 15 jobs. Howmet has met and exceeded our jobs and wages commitments but remains below the tax assessed value of our capex investment target.

Over the past 18 months, the COVID-19 pandemic has caused a global decline in commercial air travel, leading to substantial decrease in build rates for commercial aircraft at leading OEMs with repercussions for numerous associated aerospace suppliers that are customers of Howmet Aerospace. An additional year should allow us to improve our performance related to this TROF grant as we begin to see recovery from the impacts of the pandemic and continue to invest in the facility's capabilities.

Howmet Aerospace is proud of its Martinsville operations which provide high-paying, high-skilled aerospace jobs in Henry County. We look forward to continuing to grow in partnership with community stakeholders and very much appreciate the Commission's consideration of our request.

Regards,


Jeremy Belloir
Plant Manager
Martinsville Operations

Grant Extension Application

3245

Novatech wants to obtain a extension to meet the grant conditions for the following reasons:

- The year-to-date 2021 (January- April) results are promising, Novatech observed a strong first portion of the year which is usually slower due to business seasonality. Management expects results to persist for the remaining portion of 2021.
- On May 18, 2021 Novatech acquired Energi Patio Doors division in Terrebonne (Montreal, Quebec) and management intends to transfer approximately 5M in sales of one US customer located in Ohio to the Martinsville plan.
- Management has created a strategic plan for the Martinsville factory to better serve the US market. By doing so, a significant portion of the Beauceville (Quebec) production for two customers (Thomsoncreek and Maning) will be transferred to Martinsville.

C

To conclude, top management has adjusted its strategy since the opening of Martinsville factory in 2017 and is monitoring the growth closely. An aggressive 5-year plan has been developed and management is confident in its investment.

Below is the 5-year forecast for the Martinsville location:

**Information is presented in Canadian Dollars.*

| | 5 year Forecast | | | | | Actual 2021 (Jan-April) |
|--------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | |
| Qté doors | 4 509 | 17 000 | 20 000 | 24 000 | 29 000 | |
| Average Sale price | 1 019 | 753 | 736 | 721 | 708 | |
| Maximum Capacity | 29 000 | 29 000 | 29 000 | 29 000 | 29 000 | 29 000 |
| Gross Sales | 4 593 973 | 12 796 000 | 14 728 000 | 17 304 000 | 20 524 000 | 1 990 306 |
| Sales discount | (45 940) | (110 814) | (127 546) | (149 854) | (177 740) | (16 872) |
| Transport | (380 183) | (985 292) | (1 134 056) | (1 332 408) | (1 580 348) | (149 053) |
| Volume Rebates | (33 523) | (215 162) | (247 648) | (290 963) | (345 107) | (26 061) |
| Net Sales | 4 134 327 | 11 484 732 | 13 218 750 | 15 530 775 | 18 420 806 | 1 798 320 |

Employee data (March 29, 2020-March 27, 2021):

The employment requirements for the TROF grant was that Novatech USA employ at least 50 employees with a quarterly payroll of at least 354 640\$. As displayed below, COVID-19 had a significant impact on the business and after this period there is a steady increase in number of employees. For the remaining of the 2021 year, the forecasts for employee level are 35 to 45 and an additional increase is expected for 2022.

| | Pay Periods | Nombre de Org Level 5 | Somme de Earnings Totals | | Total Payroll | Average # employees | |
|-------|----------------------|-----------------------|--------------------------|----------------|---------------|---------------------|--|
| COVID | 2020-08 | 16 | 21 601 | Q2 | 115 657 | 13 | |
| | 2020-09 | 10 | 21 974 | | | | |
| | 2020-10 | 10 | 21 237 | | | | |
| | 2020-11 | 14 | 23 543 | | | | |
| | 2020-12 | 17 | 27 302 | | | | |
| | 2020-13 | 18 | 31 291 | | | | |
| | 2020-14 | 22 | 33 512 | Q3 | 281 732 | 23 | |
| | 2020-15 | 21 | 33 228 | | | | |
| | 2020-16 | 19 | 30 736 | | | | |
| | 2020-17 | 23 | 33 222 | | | | |
| | 2020-18 | 27 | 41 752 | | | | |
| | 2020-19 | 26 | 38 990 | | | | |
| | 2020-20 | 25 | 39 002 | Q4 | 222 712 | 25 | |
| | 2020-21 | 25 | 38 827 | | | | |
| | 2020-22 | 25 | 37 991 | | | | |
| | 2020-23 | 26 | 35 152 | | | | |
| | 2020-24 | 25 | 33 833 | | | | |
| | 2020-25 | 25 | 38 467 | | | | |
| | 2020-26 | 25 | 38 442 | Q1 | 257 452 | 25 | |
| | 2021-1 | 25 | 36 672 | | | | |
| | 2021-2 | 25 | 37 865 | | | | |
| | 2021-3 | 25 | 38 165 | | | | |
| | 2021-4 | 25 | 36 454 | | | | |
| | 2021-5 | 25 | 35 770 | | | | |
| | 2021-6 | 24 | 38 048 | | | | |
| | 2021-7 | 24 | 34 479 | | | | |
| | Total général | | 572 | 877 553 | | | |

Current year comparative of COVID-19 months of prior year

| Pay Periods 2021 | Number of Employees | Total Hours | Total Earnings |
|----------------------|---------------------|--------------|----------------|
| 03/28 to 04/10 | 25 | 1 573 | 36 039 |
| 04/11 to 04/24 | 27 | 1 535 | 36 819 |
| 04/25 to 05/08 | 25 | 1 704 | 28 513 |
| Total général | 77 | 4 812 | 101 372 |

St. Paul Industrial Development Authority

P.O. Box 1262
St. Paul, Virginia 24283

3375

D

August 19, 2021

David Bringman
Database and Performance Metrics Manager
Tobacco Region Revitalization Commission
701 East Franklin Street, Suite 501
Richmond, VA 23219

Re: Willis Building Project/Western Front Hotel
Project #3375

Dear Mr. Bringman:

The St. Paul Industrial Development Authority would like to request a minimum one year extension to meet the performance metrics on the above named project. We have requested all outstanding reports from the developer and will forward them on to you as soon as received.

The hotel and restaurant have done well so far this summer, however COVID-19 issues have impacted our numbers since March, 2020, with the hotel being closed for several months and the restaurant even longer. We are hopeful that all of our business can remain in operation from this point forward.

In advance, I thank you and the Tobacco Commission for consideration of this request.

Sincerely,



Robert G. Harrison, Chairman
St. Paul Industrial Development Authority