

TOBACCO REGION REVITALIZATION COMMISSION

INCENTIVES & LOANS COMMITTEE MEETING

Friday, January 7, 2022

9:00 A.M.

LOCATION

Richmond Marriott

500 East Broad Street

Richmond, Virginia 23219

1 APPEARANCES: (Some appearances masked)
2
3 Edward Owens, Chair
4 Delegate Terry Kilgore
5 Sec. Brian Ball
6 Edward Blevins
7 Gretchen Clark
8 T. Jordan Miles
9 Senator Joe Morrissey
10 Delegate Sam Rasoul
11 Senator Frank Ruff, Jr.
12 Evan Feinman, Executive Director
13 Andy Sorrell, Deputy Director
14 (Commission Staff Members)
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1 ROLL CALL

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3 CHAIR OWENS: Call to order.

4 DELEGATE KILGORE: The first order of
5 business is approval of the 9/22/21 minutes. Do I
6 have a motion on the approval.

7 UNIDENTIFIED SPEAKER: So move.

8 UNIDENTIFIED SPEAKER: Second.

9 DELEGATE KILGORE: I have a motion
10 and a second.

11 All those in favor say aye.

12 (Affirmative response.)

13 Opposed?

14 (No response.)

15 DELEGATE KILGORE: Motion carries.

16 Any public comments at this time?

17 (No response).

18 DELEGATE KILGORE: I'm going to turn
19 it over to Andy, our deputy director. I don't see
20 Andy. He's over there. This is such a big room.

21 MR. SORRELL: Good morning, everyone.

22 First up, we have up we have a fair
23 number of extensions and modifications for your
24 consideration.

25 First project we have is Grayson

1 County Economic Development Authority and McAllister
2 Mills, Project Number 3002. This is a Request for a
3 Performance Extension.

4 This was a grant awarded in 2015 for
5 \$110,000. It was fully disbursed. Their performance
6 ended back in 2019, and they had promised about 16
7 people with wages just over \$33,000 and assets just
8 over \$1,000,000.

9 They basically fully met their
10 private taxable capital investment requirement, and
11 they provided seven of the new jobs at salary lower
12 than what was promised. So they requested a final
13 performance extension through June 30th, 2020. Yes,
14 that time period has already ended, but we have the
15 ability to look at the performance data from the
16 Virginia Employment Commission to know that, if there
17 performance was extended, it would allow them to
18 improve upon the number of jobs provided.

19 So rather than two jobs, as your
20 staff report notes, they would be eligible for six.

21 MR. FEINMAN: And for members of the
22 committee who are fairly new and may not be aware, we
23 get our data on a lagging basis. We can't be right up
24 to speed.

25 MR. SORRELL: Thank you, Evan.

1 That's correct. It's a -- We've had a delay of
2 several, six to nine months recently with our
3 performance data that we get from the Virginia
4 Employment commission.

5 So basically, with this project, they
6 requested a final performance extension through June
7 30th that will allow the Company to earn a little bit
8 more, just over \$19,000 of the grant devoted to, a
9 portion of the grant devoted to employment. They
10 would have to have repayment of about just under
11 \$36,000 that they could work with them to develop a
12 repayment plan to work. So this is -- The staff has a
13 recommendation for a final performance extension for
14 grant #3002 through June 30, 2020. As noted
15 yesterday, this is a final.

16 DELEGATE KILGORE: Any questions on
17 that?

18 (No response).

19 DELEGATE KILGORE: Next.

20 MR. SORRELL: All right. Our next
21 project is with Wise County IDA. This is a Project
22 #3049. This is NorrisBuilt Fabrication. This was a
23 grant that was awarded in 2015. Fully disbursed in
24 the amount of \$75,000. Performance period for this
25 one ended back in June of 2018. They had employed 15

1 people at a wage of \$30,000, and performance of
2 capital investment was \$1,500,000.

3 They met 75 percent of the taxable
4 investment obligation, and they have fully earned the
5 employment obligation.

6 Other \$1,100,000 has been invested so
7 far with their capital investment. So there is a 25
8 percent of the capital investment portion of the grant
9 that they haven't earned. It is just under \$10,000.

10 A final performance extension
11 through, again, June 30th, 2020, 5th year performance,
12 would permit the Company to include addition capital
13 investments in 2019 and 2020, which would allow them
14 to fully execute their performance obligations for
15 this particular grant, and thereby forgoing any need
16 for repayment of portions not earned.

17 Because the Company has made
18 significant progress in achieving the capital
19 investment goal, and it has fully earned the
20 employment portion, staff recommends that a final
21 performance extension be granted through June 30th,
22 2020.

23 DELEGATE KILGORE: Any questions on
24 that?

25 (No response).

1 DELEGATE KILGORE: Thank you.

2 MR. SORRELL: Another project from
3 Wise County IDA, this is for DP Facilities, Project
4 #3266. This is a multipart request. It was a grant
5 that was awarded, fully disbursed in 2017 in the
6 amount of \$350,000. The performance period ended in
7 2019, and 40 jobs were promised at a wage of \$40,000,
8 with a capital investment of \$32,000,000.

9 Through the performance period that
10 ended, 78 percent of the capital investment was
11 achieved, and 29 percent of the job obligation was
12 achieved. In total, this was a project that had
13 earned basically \$186,563 of the \$350,000 grant.

14 As you can see in the staff report,
15 and then also in the letters from the county, this
16 particular project had requested a performance
17 extension for one year, through December 31st, 2020.
18 That is one that can be granted administratively by
19 staff support here. So that one is not in front of
20 the Commission.

21 What is requested by the Company is
22 consideration given to include capital investment that
23 had been made in the base year project 2016.

24 The Company notes, as noted in the
25 staff report and in the letter, that a significant

1 portion of the capital investment for the project
2 occurred in the calendar year 2016.

3 The performance agreement that we
4 have with the County and the Company clearly states
5 that only assets own or leased by the company during
6 the 36 month period following the base year shall be
7 counted.

8 So in accordance with the performance
9 agreement, we are not permitted to count the
10 investments that were made within that base year,
11 according to the performance agreement.

12 So this is Section 6 of the
13 Performance Agreement, specifically. So since the
14 base year is 2016, and only assets following the base
15 year are allowed to be included, we cannot include the
16 2016 as investments in that year.

17 Now, the Company and the Locality
18 contend that there was a delay in the project from
19 when it was awarded and when they began making their
20 investment s.

21 Staff will note that there was not
22 until a, from the Commission standpoint, when the
23 project was approved and awarded. That occurred
24 between when the project was first received and
25 actually awarded. I think it was January 26th, 2017,

1 and then it was awarded March 6th. Note it was pretty
2 quick.

3 The staff does understand and concurs
4 that the project, the funds, or the capital
5 investments made in 2016 were part of the project that
6 the Commission was incenting. However, the time to
7 consider the modifications to the period of
8 performance was before the agreement was executed,
9 which occurred in March of 2017.

10 And if the capital investment had
11 been adjusted prior to it being executed, then the
12 award would have been reduced. So there wouldn't have
13 been a need for fallback or a repayment.

14 DELEGATE KILGORE: So if it had been
15 existing before the agreement was signed, there
16 wouldn't be a --

17 MR. FEINMAN: In essence,
18 Mr. Chairman, we routinely give people more time in
19 the future to accomplish their goals.

20 What this grantee would like us to do
21 is go back in time from before our agreement and let
22 them count stuff they had already done.

23 Counting things the Company has
24 already done is no longer an incentive. It is simply
25 a gift. And you know, what we -- These are adults who

1 are doing a multimillion dollar project, and have
2 their own attorneys, and signed the contract, said,
3 yes. We are going to investment a certain amount of
4 time after the money after this date. We're going to
5 hire a certain number of people after this date.

6 We are happy to give them more time
7 to get that done, but we can't go back in time and
8 start counting stuff they had already done.

9 DELEGATE KILGORE: Yes. That's what
10 I was asking. Thanks for the clarification.

11 MR. SORRELL: So that would explain
12 that well. Bottom line, staff doesn't recommend
13 modifying the base year as requested by the Company
14 and Locality.

15 What staff had mentioned is flexible
16 on is the terms of a repayment agreement. We can even
17 consider, you know, forbearance, if it was a burden on
18 the Company to repay that, or as things are coming out
19 of the pandemic. So you know, that is something that
20 staff --

21 DELEGATE KILGORE: So what do we need
22 to do today, extend the --

23 MR. SORRELL: There is no action
24 require on this one, if you follow that
25 recommendation.

1 DELEGATE KILGORE: Okay.

2 MR. FEINMAN: Mr. Chairman, if
3 somebody believes the staff is in error, we'll lay out
4 why we did what we did, and let y'all decide if we are
5 wrong.

6 DELEGATE KILGORE: We are not closing
7 the door on them to come back and ask for a
8 forbearance at some later meeting.

9 MR. SORRELL: That's correct.

10 DELEGATE KILGORE: That may be Andy
11 work with the county and see about repayment or
12 whatever, and then we can come back and address it in
13 some way today. That would be what I would suggest.

14 MR. SORRELL: Certainly. Certainly.
15 And that is definitely what staff will do.

16 Our next project is Henry County,
17 Performance Livestock & Feed Company. Project #3171.
18 This was a grant awarded in 2016. It's been fully
19 disbursed for \$170,000. The performance period ended
20 back in March of 2020, with 32 jobs promised with wage
21 of \$26,000, and taxable asset was \$3,800,000.

22 They fully met their capital
23 investment obligation, which has allowed them to earn
24 the portion of the grant that was devoted to that of
25 50 percent. However, they haven't met the jobs

1 portion. And so what they have asked and requested is
2 a final performance extension, which would be through
3 March 31st of 2022.

4 They indicated that they had a delay
5 in beginning the project. They had hoped the rail
6 line serving the site would have been adequate to
7 serve their need. They found that it needed
8 significant modifications that delayed their ability
9 to get started, to bring in raw materials and ramp-up
10 production.

11 Those rail improvements have been
12 completed now, and they are planning to increase
13 employment. And so, by doing a performance extension
14 through March 31st of 2022, this will permit them to
15 complete or nearly complete their obligation reducing
16 or eliminating any repayment requirement that might be
17 necessary.

18 Staff's recommendation is a final
19 performance extension through March 31st, 2022.

20 DELEGATE KILGORE: Any questions on
21 that one?

22 (No response)

23 DELEGATE KILGORE: All right.

24 MR. SORRELL: Moving along, we have
25 our fifth project that we're discussing. This is the

1 City of Martinsville. Virginia Mirror Corporation,
2 Project #3398, another request for a performance
3 extension. This was a grant awarded in 2018 that was
4 fully disbursed in the amount of \$35,000. The
5 performance ended this past December, and they
6 promised nine jobs at average wage of just over
7 \$26,000, \$3,700,000 was promised in capital
8 investment.

9 They fully met their capital
10 investment obligation, and they are continuing to
11 struggle to meet the employment obligation, in part,
12 with the tight labor market, and its impact on their
13 functional operating area of the business.

14 The Company is currently actively
15 recruiting for 12 positions, in fact, if filled, would
16 allow them to more than meet the employment
17 obligations for this particular project. Given that
18 their active recruitment, process of recruiting, and
19 that the Company does have means to meet their
20 performance obligations, if an extension is granted.
21 Staff recommends a final performance extension for
22 this project through December 31st of 2022.

23 DELEGATE KILGORE: Okay.

24 MR. SORRELL: Again, all of these
25 projects also have letters in the packets justifying

1 the reasons for the extension from the Locality or the
2 Company.

3 DELEGATE KILGORE: They are right
4 behind the staff's explanation.

5 MR. SORRELL: Correct.

6 The next project is -- The next
7 projects are a little bit complicated, but I will try
8 to summarize them as best I can. The bottom line is
9 these are projects where funds were disbursed to the
10 Brunswick County IDA & Other Regional Entities for the
11 TRANSCO/Williams Pipeline Co. and Dominion Power or a
12 gas power plant in Brunswick County.

13 This was over a period of three years
14 in the 2012 to 2015 time frame where three grants that
15 were disbursed in that time period got fully
16 disbursed, and the total amount was \$30,000,000. So
17 \$10,000,000, \$10,000,000, \$10,000,000.

18 This was a capital investment only
19 project, and that was, the intended funds were
20 provided for a new natural gas power plant constructed
21 by Dominion Power in Brunswick County, as well as the
22 natural gas pipeline that was supporting them. That
23 was built by TRANSCO or Transcontinental Gas Pipe
24 Line, now known as Williams, also known as Carrier in
25 the performance agreement.

1 The performance period for this was
2 2012 through 2017. And they were obligated, the
3 Company was obligated to invest \$800 million in the
4 power plant, and the Carrier, TRANSCO, was obligated
5 to invest \$200 million in the pipeline and associated
6 facilities.

7 As I mentioned, there was no
8 employment obligation for this particular project.

9 The Company constructed the power
10 plant within the performance period and fully met
11 their taxable capital asset obligation for that
12 portion of it, the \$800 million. They, in fact, did
13 more than did that with that particular one.

14 Carrier was to invest \$200 million in
15 the pipeline. After we, staff, spent the better part
16 of this year chasing down all the information related
17 to the capital investment, related to these three
18 particular projects, and were able to confirm \$153
19 million of that \$200 million that was originally
20 promised had been spent on items that we count towards
21 capital investments.

22 Now, the project, Carrier did spend
23 more than \$200 million in actual funds, but not all of
24 that was taxable or related to capital asset
25 obligations, things like labor, damage, architectural

1 and engineering fees, and things of that nature.

2 So they met basically 77 percent o
3 what they were obligated to do.

4 Now, the Carrier did provide staff
5 with additional information showing the investments
6 over the life of the project. Like I mentioned, it is
7 well over \$200 million spent, but as I mentioned, not
8 all of that is taxable.

9 They did provide additional
10 information, which you will see in your packet, that
11 they noted that, unlike other projects, as an
12 infrastructure project, gas pipeline, the assessed
13 value of this pipeline has continued to rise. So
14 since this project ended in 2017, the assessed value
15 was at \$153 million. It is now at \$253 million. It
16 has continue to add value, increase in value since
17 then. Of course, that is after the performance period
18 for this particular project. It is just to show that
19 the project has continued to increase in value.

20 Staff is requesting the Commission
21 consider that, since this pipeline was constructed and
22 is providing the benefits that they said they would
23 provide, that the Commission forgo its ability to
24 pursue a repayment option for the portion that they
25 didn't hit, and that the project be closed.

1 These are projects that have been
2 long outstanding, and if the Commission was to pursue
3 a repayment for the portion not earned, it would end
4 up being like \$460 thousand dollars. However, this is
5 providing the service that they said they would
6 provide. And I think that, from a staff perspective,
7 they have met the obligations that they said. Even
8 though, you know, they anticipated that to be \$200
9 million to construct that pipeline, I think that, you
10 know, by providing them the opportunity to close these
11 projects out with the capital investment they did
12 provide, that would be a fair route to go.

13 Happy to answer any questions.

14 MR. FEINMAN: Mr. Chairman, I just
15 want to commend Andy and David Brickman, first of all,
16 for when they are not sitting in front of the current,
17 they go back in time for all of our previous projects.
18 This is one we really had to finally close the books
19 on.

20 As Andy said, you know, we paid these
21 folks to build the pipeline. They built the pipeline.
22 And actually while they, within the specific time
23 period, they did not meet their capital investment,
24 unlike almost every other thing that we incent on the
25 capital investment side, they are paying more in taxes

1 than they were on it in the beginning. So the net
2 expected value is actually higher than we believed it
3 would be, by today, that we believed it would be at
4 the time of the incentive.

5 From our perspective, it would just
6 be needlessly cumulative to attempt to claw back. We
7 would also wind up, from a practical standpoint, it
8 would wind up keeping Liz and her colleagues busy for
9 quite some time.

10 DELEGATE KILGORE: Well, sounds like
11 we have a good outcome here.

12 Any other comments or questions?

13 (No response)

14 DELEGATE KILGORE: Andy?

15 MR. SORRELL: All right. We have one
16 more project to discuss in open session, and then we
17 will have a closed session item.

18 The last project requesting an
19 extension is one in Pittsylvania County. This is
20 Panacea BioMatx, Project #3376. This is a request for
21 a performance extension as well.

22 This was a grant that was awarded in
23 2017 and disbursed in arrears. The Commission
24 retained all of its funds. The grant was \$415,000.
25 The performance period ended in December of 2020, and

1 employment of 70 persons with wages of \$55,000. The
2 taxable asset obligation was \$5.6 million.

3 They have only met seven percent of
4 their taxable asset obligation. They have only able
5 to earn two of the new jobs that they said they would
6 provide.

7 Since the capital investment is less
8 that \$1,000,000, then that is what the minimum
9 investment is required. Currently no other grant is
10 earned.

11 So if we were to close it today, they
12 would earn none of the \$450,000, and it would just be
13 de-obligated. This is not a situation where there is
14 a repayment.

15 However, the Company and the Locality
16 had indicated that the impacts from the pandemic had
17 significantly delayed the Company's plans to construct
18 their facilities and commercialize their product.

19 Additionally, they had lower than
20 expected sales, which have also impacted their
21 commercialization plans.

22 The Company does request a
23 performance extension through June 30th of 2023, which
24 they feel will permit them to achieve a modest growth,
25 which would allow them to, allow them to meet the

1 minimum investment requirement, and then earn a
2 portion of the grant that they perform.

3 If they are able to earn that, you
4 know, it is not going to be a tremendous amount, but
5 it would be an amount that, you know, they would earn
6 based on the performance they are able to achieve.
7 Given the impact that the pandemic has had on the
8 Company's performance, and as noted in the letter from
9 the Locality and Company, staff does support a final
10 performance extension through June 30, 2023, so that
11 the company can meet its minimum investment
12 requirement and earn a portion of the grant that we
13 currently retain for them.

14 DELEGATE KILGORE: All right. Any
15 comment from any member on any of the extension or
16 modifications?

17 (No response)

18 DELEGATE KILGORE: Do I have a motion
19 in block that we approve the extensions and
20 modifications as referenced by the staff?

21 MS. CLARK: I do.

22 DELEGATE: We need to take one out of
23 the block.

24 MS. CLARK: 3171

25 DELEGATE KILGORE: 3171, out of the

1 block. Henry County. Take that one out of the block.

2 Other than that, do I have a motion
3 on the block?

4 MR. MILES: I move, Mr. Chairman,
5 except for #3171.

6 DELEGATE KILGORE: Second?

7 DELEGATE RASOUL: Second.

8 DELEGATE KILGORE: All those in favor
9 say aye.

10 (Affirmative response.)

11 DELEGATE KILGORE: Opposed?

12 (No response.)

13 DELEGATE KILGORE: That motion
14 carries.

15 Do I have a motion on Henry County,
16 3171, modification through March 31st, final
17 performance extension through March 31st of 2022.

18 UNIDENTIFIED SPEAKER so moved.

19 DELEGATE KILGORE: Second?

20 UNIDENTIFIED SPEAKER: Second.

21 DELEGATE KILGORE: All those in favor
22 say aye.

23 (Affirmative response.)

24 DELEGATE KILGORE: Abstain?

25 MS. CLARK: (Indicates.)

1 DELEGATE KILGORE: Abstain, one.

2 Now I think it is time to go into
3 closed session. That is correct, Andy?

4 MR. SORRELL: Yes.

5 DELEGATE KILGORE: Who has the
6 motion?

7 DELEGATE RASOUL: Mr. Chairman, I
8 move that we go into closed meeting in accordance with
9 the Freedom of Information Act.

10 The purpose of this closed session is
11 to discuss a perspective business or industry for the
12 expansion of a business or industry where no previous
13 announcement has been made for the business's or
14 industry interest in locating or expanding its
15 facility in the community.

16 The subject of this closed session is
17 for the discussion of a Tobacco Region Opportunity
18 Fund Incentive and a Community Business Lending
19 Program Loan for Project settlement.

20 The applicable exemption from open
21 meeting requirement under the Freedom of Information
22 Act.

23 MR. MILES: Second that.

24 DELEGATE KILGORE: All those in favor
25 of going into closed session pursuant to the code

1 section that Mr. Rasoul so quoted, say aye.

2 (Affirmative response.)

3 DELEGATE KILGORE: Opposed?

4 (No response.)

5 DELEGATE KILGORE: Motion carries.

6

7 (CLOSED SESSION)

8

9 NOTE: Whereupon the meeting

10 continues in OPEN session.

11

12 DELEGATE RASOUL: I have a motion. I

13 move that we vote on and record our certification

14 that, to the best of each member's knowledge, only

15 public business matters lawfully exempted from the

16 open meeting requirements under this Chapter, and only

17 such public business matters as were identified in the

18 motion by which the closed meeting, or convened, or

19 heard, discussed, or considered in the closed meeting.

20 MR. MILES: Second.

21 DELEGATE KILGORE: Evan, call the

22 roll.

23 (Roll Call).

24 MR. FEINMAN: Motion carries.

25 DELEGATE KILGORE: Do we have any

1 other business, Evan?

2 MR. FEINMAN: We do not,
3 Mr. Chairman.

4 DELEGATE KILGORE: Any public
5 comments?

6 (No response).

7 DELEGATE KILGORE: Do I have a motion
8 that this meeting adjourn?

9 UNIDENTIFIED SPEAKER: So move.

10 UNIDENTIFIED SPEAKER: Second.

11 DELEGATE KILGORE: Motion and second.

12 Meeting adjourned. All those in favor, say aye.

13 (Affirmative response.)

14 DELEGATE KILGORE: Opposed?

15 (No response.)

16 DELEGATE KILGORE: Meeting adjourned.

17 CONCLUDED AT 9:53 A.M.

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1 CERTIFICATE OF COURT REPORTER

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5 I, Sheryl S. Rainey, hereby certify that I,
6 Sheryl Rainey, was the Court Reporter and Notary
7 Public for the State of Virginia, at Large, do hereby
8 certify that I was the Court Reporter who took down
9 and transcribed the proceedings of the Tobacco Region
10 Revitalization Commission, Incentives & Loans
11 Committee Meeting, when held on Friday, January 7,
12 2022, at 9:00 a.m.

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

16 Given under my hand this 3rd day of February,
17 2022.

18

19

20

21 Sheryl S. Rainey

22 Court Reporter

23

24 My Commission Expires: April 30, 2022
#260655

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