

SOUTHWEST VIRGINIA COMMITTEE



AGENDA

SOUTHWEST VIRGINIA COMMITTEE

The Sessions Hotel
833 State Street, Bristol, VA 24201
Wednesday, May 11, 2022
1:30 P.M.

In accordance with §2.2-3708.2.D.2 of the Code of Virginia, the public may witness and participate in this meeting remotely (only audio participation will be utilized). **The meeting number is: 2630 485 7439 and the password is: 56978797.** If participating via phone, dial: **1-408-418-9388 (toll)** utilizing the above meeting number and passcode. If joining remotely, utilize the following link:

<https://virginiatobaccocommission.my.webex.com/virginiatobaccocommission.my/j.php?MTID=m926386995f30aae6963c1aade6df44f1>

If you experience problems calling in or transmission, please call: 804-894-9652 or email at JButler@revitalizeva.org. Any person needing accommodations in order to participate in the meeting should contact Ms. Joyce Knight, at 804-894-9651 at least (5) five days prior to the meeting, so that suitable arrangements can be made. In accordance with §30-179 of the Code of Virginia, the public may provide comment on their experience with this electronic meeting format. A copy of the comment form may be found here: http://foiacouncil.dls.virginia.gov/sample%20letters/reporting_reqs.htm.

Welcome and Call to Order

The Honorable Will Morefield, Chair

Call of the Roll

Andy Sorrell, Deputy Director

Approval of the 1/6/22 Minutes

(published on website)

Public Comments

FY 22 Funding Applications

Sara Williams, Southwest Regional Director

Extensions & Modifications

Sara Williams, Southwest Regional Director

Other Business

Andy Sorrell, Deputy Director

Public Comments

Adjournment

**FY22 Southwest Virginia Program
Staff Summaries and Recommendations
March 15, 2022**

The Commission received ten applications by the March 15, 2022 application deadline of the FY22 Southwest Virginia Program. The applications are grouped below by investment category. The Southwest Virginia Committee will act on these applications at its meeting scheduled for May 11, 2022 at 1:30 p.m.

| Req # | Organization | Project Title | Request Amount | Staff Rec. |
|--|---|---|-----------------------|--------------------------|
| 3966 | Abingdon Feeder Cattle Association | Improving Genetics, Health, and Management of Small Ruminants in SWVA | \$428,400 | \$215,000 |
| 3970 | Grayson County | Sheep Wool Baler | \$2,500 | \$2,500 |
| Site and Infrastructure | | | | |
| 3968 | Floyd County EDA | Planning Expansion of the Floyd Innovation Center | \$20,000 | \$20,000 |
| 3971 | Historic Pocahontas, Inc. | Engineering Study of Pocahontas Fuel Building and Dr Ballard Building | \$50,000 | \$50,000 |
| 3974 | Russell County Industrial Development Authority | ACME Building Renovations | \$189,000 | Refer to VRA (\$189,000) |
| 3972 | Joint IDA of Wythe County, VA | Extension of Rail in Progress Park | \$800,000 | \$800,000 |
| Regional Economic Development Marketing initiatives | | | | |
| 3973 | Mount Rogers Development Partnership | Mount Rogers Regional Partnership: Talent & Industry Attraction Program | \$300,000 | \$300,000 |
| Tourism | | | | |

| | | | | |
|----------------------------|-------------------------------|---|--------------------|--------------------|
| 3967 | Town of Big Stone Gap | Regional Outdoor Recreation, Connecting Appalachia, Big Stone Gap, Norton, and Scott County | \$300,000 | \$300,000 |
| 3969 | Friends of Southwest Virginia | Southwest Virginia Regional Marketing Campaign | \$140,000 | \$140,000 |
| 3975 | Sunset Holler, Inc. | Southern Gap Amphitheater Project - Construction Documents & Construction | \$500,000 | Table |
| TOTAL (10 requests) | | | \$2,729,900 | \$2,016,500 |

Agribusiness

Abingdon Feeder Cattle Association (#3966)

Improving Genetics, Health, and Management of Small Ruminants in SWVA \$428,400.00 Requested

Project Summary: TRRC funds will be used for cost share for small ruminant producers in the entire SW region to assist with genetic improvements to herds as well as equipment and facility needs required for effective herd management. Improving the genetic quality and health of flocks and herds is important because small ruminants are susceptible to parasites, diseases, and predators. Purchasing genetically superior breeding stock will result in less animal losses, reduced production costs, increased productivity, and generally healthier flocks. The majority of grant funds (\$428,400) will be used for producer cost share payments. A small amount (\$8,400) is allocated for administrative expenses such as printing, postage, and tax form preparation. Grant funds will reimburse 33% of eligible costs up to a \$3,000 limit.

Matching Funds: A minimum of \$1,272,727 of matching funds will be provided by the program participants.

Project Outputs: This request will support approximately 140 producers. This figure assumes that each participant receives the maximum allowable cost share payment. These participants will increase their net farm income by at least \$1,312 per year. Exact income figures are difficult to predict since participant operations will vary in size.

Staff Comments: Although TRRC has supported two previous cost share programs to assist small ruminant producers in the SW region, a substantial need remains. Small ruminants are a less popular

source of livestock revenue for area farmers however there is a great deal of potential to increase the impact of small ruminant production for producers.

Of the nine applications submitted to the current SWVA Program round, three (including this project), relate to small ruminants. This is evidence that production of small ruminants is a viable agricultural venture for the region. Those projects relate to wool and milk production however meat from small ruminants is the most popular source of sales revenue and offers great potential for growth. The application notes that demand for lamb meat is projected to continue to increase. The demand for lamb is currently double the domestic supply.

A concern was raised during Staff's review of this project related to the lack of a minimum herd size required for participation. Clarification from the applicant revealed that only a small percentage of regional farmers exclusively raise small ruminants. The majority are also involved in other agriculture ventures such as beef cattle or may be raising one type of small ruminant but wish to diversify by addition another. By adding a requirement to the program's guidelines requiring that USDA/FSA numbers be provided at time of application, assurance can be given that participants are operating working farms rather than hobby operations.

Although the program will serve producers of various sizes, all have the potential to greatly improve the quality of their operations. In particular the purchase of genetically superior animals, especially males, will result in herd improvements during the first generation. These animals will have a greater resistance to parasites and generally will live a healthier life. Ultimately there will be less animal losses, reduced production costs and increased productivity which will allow producers to develop their small ruminant herds/ flocks into more profitable components of overall farm operations.

Because previous small ruminant cost share programs have utilized only a portion of the funding approved for the projects Staff believes that a smaller award is adequate to gauge the interest of participants. Should demand for proposed program exceed the approved funding, a future application may be submitted to continue the project through a second round.

Financial Viability Assessment: This project will serve a need in SWVA for working farmers to continue to improve the quality of the small ruminant herds and their on-farm income. With the requirements of a FSA farm number, participants will be known to be working farmers which is the target for the program. Because previous small ruminant cost-share programs have returned funding, it is prudent to reduce the award amount requested to determine if demand exists for an additional application round.

Staff Recommendation: Staff recommends a grant award of \$215,000 with no more than 2% of the total award to be allocated for administration.

Grayson County
Sheep Wool Baler (#3970)
\$2,500.00 Requested

Project Summary: Funding is requested to support the purchase of a new wool baler to serve regional wool producers. Buyers require that wool be sorted by color, graded, baled, and packed for

transport in bulk. Most producers do not produce enough wool to meet the required 18 ton minimum per load. Grayson County serves as a collection point for regional producers who wish to sell their wool. The current wool baler is in need of replacement and the purchase of new equipment will allow both existing and additional producers to be served. The total cost of the baler is expected to be between \$25,000 and \$30,000.

Matching Funds: An application is planned to AFID (\$20K) to support the majority of the cost of the baler. Additional support totaling \$5,500 will be provided by Grayson County and the New River Valley Sheep and Goat Club. The NRV Sheep and Goat Club will also contribute \$2,000 for supplies related to the operation and maintenance of the baler.

Project Outputs: Approximately 66 region based producers will utilize the baler each year. The opportunity to sell baled wool results in an average price increase of \$.30 per pound.

Staff Comments: This is a modest request to help develop new market opportunities for region wool producers. Because most buyers require wool to be baled it is necessary that producers have access to baling equipment. Housing the equipment at a central location allows the location to serve as a regional aggregation point where smaller producers can pool supply to achieve buyer's minimum load requirements. Without the ability to aggregate supply most wool producers would be unable to see their product to a commercial buyer.

Financial Viability Assessment: As staff previously notes, this modest request replaces a worn baler than is used by not just one county but the region. Support for the project is coming from the county and a local organization showing the need and commitment to the project. An AFID grant has been requested to fund a majority of the project and it is important to ensure Commission funds are only awarded if the applicant is first successful in securing the AFID funds.

Staff Recommendation: Staff recommends a grant award of \$2,500 contingent upon successful receipt of the intended AFID grant.

Sites and Infrastructure

Floyd County EDA

Planning Expansion of the Floyd Innovation Center (#3968)

\$20,000.00 Requested

Project Summary: Funding is requested for 50% of the cost of engineering and architectural design work exploring the expansion of the Floyd Innovation Center. The Center, completed in 2014, serves as a primary location for entrepreneurship and traded business development in Floyd County. In addition to serving as a business incubator for newly created businesses it also offers space for trainings and other events. The facility is currently full and does not have space to accommodate growth of the existing businesses or to add new companies to the building. An expansion is required to allow continued growth opportunities for current and future tenants.

Commission funds will be used to provide an assessment of space needs, conceptual renderings including floor plans that optimize the remaining land at the site, and cost estimates.

Matching Funds: An application has been filed with the Appalachian Regional Commission to fund the remainder of the A&E work (\$20,000), and related legal and advertising (\$1,000). An additional \$1,000 was also requested for admin support. Floyd County will contribute in-kind services valued at \$2,000, to the project representing staff time.

Project Outputs: A Preliminary Architectural Report will be completed for the expansion project. The project will be designed to accommodate 4 additional businesses employing a total of 36 people.

Staff Comments: The Floyd Innovation Center is a \$2.3M facility completed in 2014. The Commission provided approximately 50% of this amount. The County, US EDA and the Appalachian Regional Commission contributed the remainder. The Center has been very successful in recruiting tenants and growing the businesses that locate there. Since 2014, ten business have “graduated” from the Innovation Center. These businesses represent a variety of industries including premium natural products producer, online education, and high tech businesses focused on app development and 3-D design. Thirty-six people are employed at the Innovation Center with the average full time wage being over \$68,000 per year which is more than double the local average of \$32,032. Three of the Center’s 4 tenants are growing and need more space.

There is a shortage of available space for businesses in Floyd County and the Town of Floyd. There is a need for multiple types of space including small scale production, flex, and office space. A building is currently under development in the Floyd Commerce Park to provide additional space for light industrial work which is generally not suitable for the Innovation Center due to the noise generated. Additionally three shovel-ready mini-sites of approximately 2 acres each are under development. Unfortunately none of the projects can accommodate the needs of the types of businesses served by the Innovation Center. Demand for space in Floyd continues to exceed the supply. The planning project proposed in this application is a critical first step to determine an appropriate expansion plan for the Innovation Center.

It is likely that the Commission, along with other funders including US EDA and ARC, will be asked to provide assistance for the construction phase of the expansion project. At that time it may be appropriate for TRRC to consider offering a loan for the project since it will be revenue generating. The planning phase does not result in any increased revenue for the Center and is appropriate for grant funding.

Financial Viability Assessment: As noted by staff, this project requests funding for determining if an expansion of the Floyd Innovation center is warranted. While the county has been successful in locating tenants in the center, it would also be ideal that such business incubator tenants are able to graduate and move to larger facilities so that space becomes available for other new businesses.. Given that other available spaces are not suitable for the current needs of tenants it does appear to be worth determining the feasibility of expanding the center (Provided the additional ARC grant is approved for the remainder of the A&E work). Any future Commission funding that relates to construction is more appropriate as a loan because the project will then be revenue generating.

Staff Recommendation: Staff recommends a grant award of \$20,000.

Historic Pocahontas (#3971)

Engineering Study of Pocahontas Fuel Building and Dr. Ballard Building \$50,000.00 Requested

Project Summary: Commission funds will be used to conduct preliminary engineering work for two buildings in downtown Pocahontas. There are several vacant buildings in the downtown area that require rehabilitation to provide space for new businesses. This project will focus on the Pocahontas Fuel Building and Dr. Ballard's Building. The project is part of a larger downtown revitalization effort which began several years ago.

Matching Funds: A Community Development Block Grant application (\$50,000) is intended. An approximately \$50,000 award has been approved by the Thompson Foundation and is available to replace the roof on the Ballard building. Another \$50,000 award is pending with another private foundation and will assist with engineering and improvements for the Fuel building.

Project Outputs: A Preliminary Engineering Report will be produced.

Staff Comments: Pocahontas is located close to the West Virginia border and is a key community for Spearhead Trails. The popularity of the Original Pocahontas (OP) trail resulted in the development of campgrounds in the area however there are few other amenities available to serve these visitors. The rehabilitation and repurposing of the buildings named in this application could provide space for these businesses. A PER is an important first step in the ultimate redevelopment of these sites. The PER will determine the condition, and estimated cost of renovation. This information will guide decisions for potential future uses.

TRRC staff visited Pocahontas on May 2 to meet with the applicant, Mayor, and representatives from the Cumberland Plateau PDC to learn more about the revitalization efforts underway for the Town. A MOU between Historic Pocahontas and the Town of Pocahontas is now in place and documents a new commitment between the two parties to work together on revitalization efforts. The intended CDBG planning grant application, if approved, will be used to update a CDBG funded Downtown Revitalization Master Plan completed in 2010. Both the Ballard Building and the Fuel Building were listed in the original Master Plan however revitalization efforts stalled for several years. During the past decade the condition of many downtown properties has continued to decline and, unfortunately, some are now beyond repair. The PER is a vital first step towards the ultimate rehabilitation and revitalization of a truly unique small downtown in the SW region. The influx of visitors as a result of Pocahontas's prime location on both SWVA's Spearhead Trails and West Virginia's Hatfield McCoy trail systems require the development of amenities to serve these tourists.

Financial Viability Assessment: This is a modest project has the potential for having a meaningful and lasting impact on the revitalization of a small downtown area. Staff completed a site visit of the project on May 2 and learned that MOU is in place between the Town and the applicant, which is a key step to ensure the viability of this project. Matching CDBG funds are likely as are funds from a private foundation. The viability of this project is likely given the support of both public and private funders.

Staff Recommendation: Staff recommends a \$50,000 grant award to support the development of preliminary engineering reports for the Ballard and Fuel buildings. Any funds not needed for PER work may, with the approval of the Executive Director, be repurposed for other planning or rehabilitation work on either building.

Russell County Industrial Development Authority
ACME Building Renovations (#3974)
\$189,000.00 Requested

Project Summary: Funding is requested to assist with the renovation of a recently acquired industrial property in Russell County. The former ACME building has been vacant for approximately 15 years. This facility will be leased to Bates Family Farms, a local producer of goat milk products, to allow expansion of their production capabilities. The company's current manufacturing facility, also located in Russell County, does not provide adequate space to utilize all the milk the Farm is producing. In addition to the lotions and wholesale milk that are presently sold, the business plans to add a creamery within five years to produce goat milk and cheeses. The IDA hopes to have the building available for Bates in fall 2022 with all renovations complete by July 2023.

Matching Funds: Two loans have been provided from VCEDA for this project. The first (\$500,000), awarded in summer 2021, was used to purchase the building and to begin renovations. The second loan (\$200,000), closed in March 2022, will be used for renovations. In consideration of the ongoing renovation work taking place at the facility, the applicant has asked that TRRC consider matching funds spent from the date of application (March 15, 2022). Because the project will be recommended for loan funding the date of match is not an issue.

Project Outputs: The former ACME building will be renovated and prepared for occupancy by Bates Family Farm. The expansion opportunities realized as a result of moving to the new facility will allow Bates to increase annual revenue by \$1.1M. Over the next four years the company will also create 30+ additional jobs.

Staff Comments: Russell County has been successful in acquiring and renovating vacant industrial properties to meet an immediate need for additional manufacturing sites in the county. This facility, the former ACME building, has been acquired to serve a single, County based, manufacturer. Bates Family Farms will execute a 10 year lease to purchase arrangement with the IDA. Although a draft of the IDA's standard lease agreement was provided during review of this project the exact terms of the arrangement with Bates is unknown.

Copies of the VCEDA loan documents were provided with the application. The documents indicate that VCEDA will maintain a first lien position. Without precise information about the lease agreement with Bates, or the payment schedule for the VCEDA loans, it is not possible to determine if the IDA has the ability to take on additional debt for the project or how VCEDA's position as the first lienholder might affect TRRC's ability to enforce its requirements governing asset management. What is clear is that this is a project that will immediately generate lease revenue from the single tenant for which the facility is intended. With this in mind, Staff must follow TRRC's requirement that all revenue generating projects be referred to VRA for consideration of

loan funds. The applicant understands this requirement and asked that a TRRC loan be structured along similar terms that align with the VCEDA funding (0% for 10 years).

Financial Viability Assessment: As a revenue generating project, the most financially prudent award from the Commission would be a loan. Such a loan would require security before disbursement. Other funding partners are also offering loans which is an indication that the project will have the necessary revenue to service loan debt.

Staff Recommendation: Staff recommends this project be referred to the VRA Revolving Loan Program for consideration of a 0% interest loan to be payable over a ten year period.

Joint IDA of Wythe County, VA *Extension of Rail in Progress Park (#3972)* \$800,000.00 Requested

Project Summary: This request will assist with necessary infrastructure improvements to serve Lot 24 in Progress Park which is the location of the recent Blue Star NBR and the Blue Star AGI industrial announcements. Required infrastructure improvements to accommodate the Blue Star project total approximately \$32M. This application focuses on the extension of a rail line to serve the Blue Star site. The total cost of this extension is estimated to be \$1.6M.

Matching Funds: Matching funds will be provided from the Virginia Rail Access Funds program (\$450,000). Local funds will be used for the remainder of the cost of the rail (\$350,000).

Project Outputs: The project will support the construction of a 3000 foot rail spur. An additional 3100 rail cars will use the spur each year. The Lot 24 site will support 1044 new jobs with average salaries of \$37,321. New private capital investment at the site will be \$446M. Over a five year period these figures will increase to 2,400+ jobs and \$714M

Staff Comments: Previous Commission investments in the development of Progress Park total \$4.15M of grant support with the majority of this (\$3.65M) directly related to Lot 24. An additional \$1M TROF grant was provided for the Blue Star projects. The IDA will utilize the TROF award for other required infrastructure improvements such as the expansion of the wastewater treatment plant. In May, 2022 TRRC offered a \$500,000 0% interest loan to assist with the extension of wastewater service to the property. The wastewater system was determined to be revenue generating which necessitated a loan recommendation. The loan offer remains on the table and a decision from the County to accept or decline the offer is expected soon.

The Blue Star project is stated to be the second largest industrial announcement in Virginia over the past 20 years and the largest in Southwest Virginia in a generation. The vertically integrated manufacturing campus established as a result of Blue Star NBR and Blue Star AGI's decision to locate to Wythe County will create thousands of jobs and hundreds of millions of capital investment within a short, five year, period. The nearly immediate impact to the region will be enormous. The IDA is to be commended for successfully landing this project and for the commitment it has shown to providing the infrastructure required to serve Lot 24.

The rail extension, which is critical to the Blue Star development, will be owned by the County. Despite the large volume of cars (3100) which will utilize the rail spur each year, there is no revenue generated as a result. The project meets TRRC's requirement for onsite infrastructure which can be supported through grant assistance.

Financial Viability Assessment: The return on investment for this project to Virginia, the southwest Virginia region and to Wythe County exceed the previous incentives as this additional request – a capital investment of 714 million and 2,400 jobs over 5 years. While funding the rail spur is not revenue generating and therefore not appropriate for a loan, infrastructure improvements like this, make the property more suitable and marketable should the project not happen for some reason. Matching funding from the Va. Rail Access Program and local partners also support the viability of this project.

Staff Recommendation: Staff recommends a grant award of \$800,000.

Regional Economic Development Marketing Initiatives

Mount Rogers Development Partnership (#3973)

Mount Rogers Regional Partnership: Talent & Industry Attraction Program \$300,000.00 Requested

Project Summary: Funding is requested for a regional marketing campaign focused on the attraction of both new industries as well as the workforce necessary to fill existing and future job openings. The industrial marketing component of the request is a continuation of TRRC support funding provided over the past several years to assist tobacco region Regional Marketing Organizations (RMOs) with industrial recruitment activities. The talent attraction component of the request is a new effort which complements three new positions, all paid with matching funds, that will be added to the Mount Rogers Development Partnership team. The newly created Marketing Manager and Talent Solutions Manager positions will develop the finer details of the marketing plan while TRRC funds will be used over a three year period for contractual services to implement the plan. The primary components of the plan are expected to include the development of new marketing content with the intent of highlighting employers, occupations, regional assets, infrastructure, and livability. Additionally a digital and social media campaign to spotlight regional and personal opportunities (e.g. TRRC talent attraction program) will be implemented. Additionally, MRDP will continue to engage with lead generation firms, VEDP, and others to carry out investment attraction

Matching Funds: The Counties of Wythe, Smyth, Grayson, Carroll, and Bland as well as the City of Galax will contribute local funds totaling \$378,732 to the project. The Twin County Community Foundation will provide \$255,000 over three years to support a new Marketing and Communications Manager and the Wythe Bland Foundation will provide an equal amount to support a Talent Solutions Manager position. A recent GOVA award will provide \$90,000 to fund the Talent Solutions Coordinator position for a two year period.

Project Outputs: A regional marketing campaign will be implemented focused on both industrial and workforce recruitment. The outcomes provided for this application focused only on the industrial recruitment component. This information indicates that 70 prospects will have initial contact with MRDP staff. Of those 15 will request additional data and 5 will then visit the region. Ultimately 2 prospects will locate in the region. No outcomes were provided for the workforce recruitment component of the project.

Staff Comments: For several years, TRRC has provided support to Regional Marketing Organizations to assist with the cost of lead generation and industrial recruitment activities. In addition to providing continued support for those activities, the current project will expand regional marketing to include the recruitment of a workforce required to meet current and anticipated workforce needs. The application documented that, between the 2010 and 2020 census, the region lost approximately 4,000 people. When combined with other factors such as the low labor force participation rate and the aging demographic of remaining citizens, the success of future industrial recruitment and retention efforts is largely dependent on the development of a qualified workforce. The recent announcement of the BlueStar project in Wythe County (projected to 2,400+ jobs within 5 years) is only one example of the critical need for workforce recruitment and development in the SWVA region.

The project is a well-coordinated regional marketing effort involving local governments, K-12 and post-secondary educational institutions, and industry partners. All required matching funds are in place to fund the newly created positions which are currently being advertised. Once these employees are in place they will immediately begin to develop and implement regional marketing plans utilizing the Commission funding requested in this application. Commission funds are the “last dollars” required to implement this innovative and necessary regional project.

Financial Viability Assessment: This marketing effort is targeted to key industries identified by Southwest Virginia localities. With matching funds already in place from six localities as well as a private partner, there is evidence of significant local “skin the game” for this project. By focusing on industrial and workforce recruitment this project has the potential for generating much more public revenue than is expended for this project just one or two successfully recruited business.

Staff Recommendation: Staff recommends a grant award of \$300,000.

Tourism

Town of Big Stone Gap (#3967)

Regional Outdoor Recreation, Connecting Appalachia, Big Stone Gap, Norton, and Scott Co

\$300,000.00 Requested

Project Summary: Commission funds are requested to assist with the development of campsites in three locations in Wise and Scott Counties. These sites will serve visitors to the Big Cherry Reservoir, Flag Rock Recreation Area, High Knob Recreation Area and Observation Tower, Devils

Bathtub and the Jefferson National Forest. The total project will result in the development of a minimum of 35 new campsites 18 of which will be developed using TRRC funds. The Flag Rock Recreation Area (\$100k) will add one cabin and one yurt to its existing campground. Scott County Little Stoney Park, adjacent to the Devil's Bathtub Trailhead, will construct 8 new primitive campsite pads (\$90k). Little Stoney will also require upgrades to electric/ water service and to the existing campground (\$25K) and construction of a gravel road for the drive-in campsite loop road (\$15k). At the Big Cherry Reservoir, TRRC funds will be used to add 8 new campsite pads (\$40k) with safari tents (\$70k).

Matching Funds: A \$2M application has been submitted to the Virginia Energy (formerly DMME) AMLER grant program. A decision is anticipated in mid-May. Matching funds will be used for development of additional campsites and to provide furnishings for all cabins, yurts, and tents proposed for the total project. Campsite amenities and a General Store/ bathhouse to serve Big Cherry will also be paid for with AMLER funds.

Project Outputs: Commission funds will be used to develop 18 of the total 35 new camping sites proposed for this project. The variety of lodging accommodations is expected to attract 1,600 new visitors to the region and result in \$90,000 of additional revenue.

Staff Comments: Development of SWVA as a recognized outdoor recreation destination has been underway for several years. A missing piece to this effort has been the addition of overnight lodging capacity which is in very limited supply in this part of the SWVA region. A moderate number of privately owned campgrounds and short term rentals have been established however the demand continues to exceed supply in particular for campsites within immediate or close proximity to the attractions served by this project. This well-developed solution provides additional overnight camping sites at three separate locations that serve several, interconnected, outdoor recreation sites in two counties and one city.

This program requires that applications submitted for tourism support document a potential to recruit visitors from national and international markets. As a result of the years long effort to brand SWVA as a premier destination for outdoor recreation this requirement has been met. The proposed projects are referenced in both the Virginia Outdoor Plan and the High Knob Recreational Initiative Master Plan as "priority projects". Additionally the HKRI Master Plan documents a mission to establish a regional identity through the development of the High Knob region as a destination for visitors through an interconnected system of outdoor recreation activities resulting in new business development opportunities through tourism. The alignment of this project with regional and statewide tourism goals provides confidence in the potential to realize these outcomes.

A minor concern is that the matching fund required to complete the majority of the project have not been approved. A decision is expected in Mid-may however a Commission award should be contingent upon the receipt of adequate matching funds to complete the full project as described in the application.

Financial Viability Assessment: Outdoor recreation is an economic driver in Southwest Virginia. This project will provide much needed overnight lodging accommodations to serve the growing need and demand as identified in the High Knob Regional Initiative Master Plan submitted with the application. The plan also shows local goals are well-aligned with state and regional outdoor

recreation goals. While the direct outputs for this project are low, this project supports the overall regional and state goals for outdoor recreation as evidenced by the pending matching funds from Virginia Energy. Provided these funds are secured, this project remains viable and supported by local, regional and state partners.

Staff Recommendation: Staff recommends a grant award of \$300,000 contingent upon documentation of the availability of a minimum of \$2M matching funds sufficient to complete the project as described.

Friends of Southwest Virginia **Southwest Virginia Regional Marketing Campaign (#3969)** **\$140,000.00 Requested**

Project Summary: The funds requested in this application will be used to develop updated marketing assets (videography and photography) to enhance regional marketing efforts. The assets created, including video b-roll, 30 second video, and photography, will be shared with regional tourism partners and venues for their individual marketing efforts. Commission funds have been allocated to support a small portion of the Director of Marketing position over an 18 month period (\$15,000), videography and photography production, advertising and public relations campaign and marketing collateral ((\$50,000) and related planning (\$10,000).

Matching Funds: Matching funds will be provided by the Appalachian Regional Commission (\$100,000) for staffing and for program development focused on interstate collaborations. An application has been filed with the Virginia Tourism Corporation (\$20,000) to be used for video and photography production and for ad placements. The applicant will provide \$78,000 of in-kind support for the project. This amount exceeds TRRC's 25% limit (in this case \$35,000) however the match from ARC and VTC, if entirely eligible as "cash" is sufficient to meet the Commission's 1:1 match requirement.

Project Outputs: The applicant anticipates a 32% increase in overall visitation to the region by the end of 2023. These visitors will result in increased occupancy tax revenue of \$146,870,000 per year increased meals tax revenue to \$174,930,000 per year increased Total Visitor Expenditures to \$632,350,000 per year.

Staff Comments: The Southwest Virginia Brand, created in 2015, is a partnership of tourism and marketing entities across the region. With the goal of marketing the numerous localities and associated tourism venues and assets across SWVA under a single, recognizable, brand the initial objectives of the campaign have been achieved. A logo, website, social media handles, brand position, brand statement and product descriptions have been developed. A campaign theme- Southwest Virginia: Visit a Different Side of Virginia – has been launched. The support requested in the current application will build on these efforts and result in the creation of marketing assets that can be used by not only the applicant but other regional tourism partners and venues.

The marketing campaign will target new and existing markets. Existing markets include Asheville, Boone, Knoxville, Richmond, VA and Tri-Cities TN/VA. These markets minimally address TRRC's requirements for tourism projects which must show potential to recruit visitors from national and

international markets. This objective is better addressed by the expanded markets named in the application. These include new regional markets such as Charlotte, Nashville, and Pittsburg, among others. Of greater interest are the national target markets of Atlanta, Chicago, New York, and Washington DC. The campaign will partner with Virginia Tourism Corporation to recruit visitors from international markets such as London and Toronto.

During review of this application staff struggled to determine if the activities, particularly those paid with matching funds, were new expenses or represented established costs which may already be included in the organization's operating budget. This differentiation is important because it determines if the matching funds may be classified as "cash" or are more appropriate for "in-kind" based on TRRC's definition and guidelines governing the use of in-kind match for projects. In kind contributions may not exceed 25% of an application's total match requirement. While staff is supportive of this project and its potential to attract new visitors to the SWVA region, a positive recommendation must reflect the need for additional discussion with the applicant to define the classification of matching funds and to reflect a focus on new activities.

Financial Viability Assessment: As with most marketing efforts, a lot of financial resources are required, with fewer directly measurable outcomes being generated to determine if more public revenue is generated than is expended. Because this project is campaign-themed and not just specific to the applicant it ensures that the marketing assets can also be used by other regional tourism partners not just one applicant. To ensure risk is more evenly spread among funding partners, confirming adequate matching funds from project partners is important for ensuring this project is financially viable. Provided match from ARC and Va. Tourism meet match requirements, staff is comfortable that risk is shared among project partners.

Staff Recommendation: Staff recommends a \$140,000 grant award contingent upon the Executive Director's approval of a final budget reflecting adequate cash match, focused on new activities, to meet TRRC's 1:1 match requirement. In kind match may be allowed up to the Commission's 25% limit.

Sunset Holler, Inc. (#3975)

Southern Gap Amphitheater Project - Construction Documents & Construction

\$500,000.00 Requested

Project Summary: The funds requested in this application will assist the development of a commercial-grade amphitheater at Southern Gap in Buchanan County, Virginia. The amphitheater will host a variety of events including live music performances, film screenings, sports events, etc. with a maximum capacity of 4,000 attendees. Commission funds will be used for the purchase of a Stageline SL320 stage (\$450,000) and for amphitheater construction (\$50,000). Upon completion, a professional operator and manager with industry experience will be engaged.

Matching Funds: Construction of the amphitheater will require over \$5,000,000 of matching funds. Only a small portion of the total funding has been committed to the project and a substantial balance remains to be raised. Recent awards from the Thomson Charitable Foundation (\$200,000), the McGlothlin Foundation (\$50,000), the Ratcliff Foundation (\$20,000), and an anonymous donor

(\$30,000) will be used to develop construction documents for the project. Applications are pending with the Appalachian Regional Commission (\$700,000), US EDA (\$3,949,280), and Virginia Energy AMLER (\$1,000,000).

Project Outputs: The completed project will result in the development of an amphitheater with a maximum capacity of 4,000 attendees; eight new jobs with average salaries of \$54,165; annual revenue from ticket sales resulting in approximately \$1,500,000 based on 64,000 attendees.

Staff Comments: The Commission provided a \$57,000 award in 2019 through the Southwest Economic Development Program to support 50% of the cost of the Initial Design Phase. While this phase was sufficient to develop construction estimates, the final design of the facility has not been completed. Final A&E to develop construction documents is estimated to cost approximately \$389,000. A \$500,000 request for construction assistance was declined in January 2021 due, in part, to the need to have construction documents complete to better determine the actual cost for construction. The applicant has made significant progress with raising funds for this stage of the project however the construction documents have not been developed.

Another concern with the January 2021 request was the significant amount of funding needed to fully meet the estimated construction cost of the project. At that time TRRC was asked to commit the first \$500K of a \$5M+ total need. Because TRRC requires that all matching funds be available within one year of the award the application was determined to be premature. The current application has identified three major funders to assist with the construction cost. Applications are pending will each however no decisions have been made. Should one or all of these applications be declined, a significant funding gap will remain which is unlikely to be met during TRRC's required one year deadline. An additional point of consideration is that this facility will ultimately be operated as a revenue generating enterprise. This classification indicates that the project is likely most appropriate for loan support. The Commission operates under a strict requirement for revenue generating projects and the project as described appears to meet the criteria for loan support. Should the project be successful in obtaining the approximately \$5.6M+ of outstanding grant requests it is likely it could accommodate a reasonable amount of debt without a negative impact.

Once again, the project appears to be slightly premature. Commission staff remains of the opinion that final construction documents should be developed to provide a more accurate cost estimate for the project. This information, along with the decisions of the three major funders, will provide more information required for Staff to consider the suitability of recommending Commission support, and its appropriate form (grant or loan), for the project.

Financial Viability Assessment: A project of this size entails a good deal of risk especially before the majority of funding needed as been raised or committed. As was the case in the prior request to the Commission in early 2021, the construction documents are incomplete therefore not permitting staff to evaluate the total project costs. This project will be more viable when additional funders have been secured which also will indicate their support and belief in its overall viability. If such funding is secured, as a revenue generating project, this project would be more appropriate for a loan.

Staff Recommendation: Staff recommends this request be tabled until decisions from all pending applications are available.