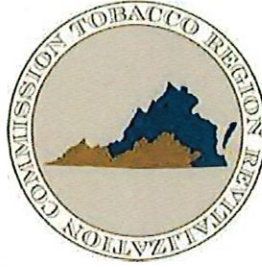


**INCENTIVES AND LOANS
COMMITTEE**



▪ *In-Person Meeting* ▪

AGENDA

INCENTIVES & LOANS COMMITTEE

The Inn at Blackstone
707 Fourth Street
Blackstone, VA
Thursday, October 12, 2023
9:00 A.M.

The public may remotely participate in this meeting by accessing the following dial-in numbers: 1-434-230-0065 (toll) and enter conference ID: 742 579 325#.

The Commission will not change the method by which it chooses to meet without providing a new meeting notice that is in accordance with the Va. Freedom of Information Act. If problems are experienced calling in, please contact: **Hannah Franke-Fuller** at (804)-894-9659 or hfranke-fuller@revitalizeva.org or **Joyce Knight** at (804) 894-9651.

Welcome and Call to Order	<i>The Honorable Daniel "Danny" Marshall, Chair</i>
Call of the Roll	<i>The Honorable James Campos, Acting Executive Director</i>
Approval of the <u>7/20/23</u> Minutes	<i>(published on website)</i>
Public Comment	
Extensions & Modifications	<i>Mr. Jordan Butler, TROF Program Manager</i>
Berry Hill Megasite	<i>Mr. Jordan Butler, TROF Program Manager</i>
Other Business	<i>Mr. Stephen Versen, Deputy Director</i>
Adjournment	

Incentives & Loans Committee

October 12, 2023

The Incentives and Loans Committee is meeting on October 12, 2023 at 9:00 am to consider project modifications of existing projects and consider a request related to the Southern Virginia Mega Site at Berry Hill. The following summaries provide staff overview and comment on the projects mentioned above.

1. Joint Industrial Development Authority of Wythe County

Blue Star NBR, LLC. (#3892)

Request for an Approval Extension.

Staff Overview and Comments: This is a Tobacco Region Opportunity Fund (TROF) grant award for \$1,022,000 that was awarded in September 2021 to the Joint Industrial Development Authority of Wythe County (the “JIDA”) and Blue Star NBR, LLC (the “Company”). The grant was provided in return for the Company providing 1,044 new jobs at a promised average salary of \$37,211 and a taxable capital investment of \$446 million in Wythe County. The approval letter and draft performance agreement were sent to the JIDA in January 2022 and were not returned to the Commission for execution. The unexecuted performance agreement, which required disbursement prior to performance, had a three-year performance period beginning September 22, 2021. It became clear that the project would require more time to potentially get off the ground and so the Commission approved several modifications at its spring meeting in May of this year. Those modifications included:

- **TROF #3892 award approval was extended to July 20, 2023;**
- **Revised performance agreement prepared including award amended to post-performance disbursement; and**
- **With a revised award date of May 18, 2023 permitting a revised performance period for 3 years from this date – May 18, 2026.**

Following the Commission’s May meeting staff prepared and sent to the locality on June 15, 2023 an updated performance agreement reflecting the change to post-performance disbursement as well as the revised award date and project performance period. Staff received the signed performance agreement on September 7th, well after the approval period ending July 20, 2023 that the Commission had specified. Counsel has advised Commission staff that they cannot accept the agreement due to the document not being signed by the specified approval period end date. JIDA Staff submitted a letter October 3, 2023 (See Attachment # on Pg. # in your books) providing a project update and requesting that “the Commission extend the date by which the agreement approved in May must be signed to November 30, 2023.”

Staff recommends that the grant agreement signed by the company and locality, received by the Commission on September 7th, be accepted and staff directed to execute the agreement.

2. Pittsylvania County & The City of Danville

Southern Virginia Mega Site at Berry Hill

Request for Loan, Contingent Upon Successful Attraction of Major Tenant for Berry Hill

Staff Overview and Comments: In July of this year the Incentives & Loans Committee met to consider a request from the City of Danville and Pittsylvania County (the “Localities”) related to the need for a new and improved gas gate at the Berry Hill Mega Site. At the time the localities, as well as the Southern Virginia Regional Alliance, expressed that they had a prospect considering the site but that increased access to natural gas was a major need. The localities noted that this is a need that had been expressed not only by the prospect then considering the site but also by many prospects who have considered the site in the past and they anticipate that this will continue to be a major need for prospects moving forward. Given that information the Committee approved an up to \$25 million Community & Business Lending loan for an expanded and improved gas gate at Berry Hill, contingent upon a firm commitment that a project will occur at Berry Hill along with a number of other conditions as detailed in the final adopted motion.

Since that time the localities have expressed to staff their desire to have this potential loan approved by the Commission as a whole. Unfortunately, the prospect considering the site when the loan was initially discussed and approved by the Incentives & Loans Committee in July did not work out. On the advice of counsel staff made the decision to bring this item before the Committee again for two reasons:

1. The loan is now being discussed in the context of Berry Hill landing any project rather than the specific project that was discussed in July and
2. Staff desires to add a sunset clause of 3 years to the conditions of the loan such that if the site has not received a firm commitment that a project will locate at Berry Hill and executed a loan agreement within that period the localities would need to approach the Commission again to have the period renewed or extended.

Staff has discussed these matters with the localities and all are in agreement that this course of action will accomplish the goal of ensuring that the gas supply/gas gate will no longer be an obstacle as Berry Hill attempts to attract the regionally transformative project it has been prepared for over many years.

Staff recommends the approval of the Community & Business Lending loan as detailed below and subject to the conditions listed below:

Up to \$25,000,000 Community & Business Lending Program Loan shall be made available to the Danville-Pittsylvania Regional Industrial Facility Authority to expand and improve the gas gate that is to be designed and constructed for the long-term needs of Berry Hill for

both volume and delivery pressure along with financing costs-of-issuance. Loan amount will be finalized after construction cost determination and shall not exceed \$25 million.

The CBL Loan shall be subject to the following conditions:

- The Regional Industrial Facility Authority shall have 3 years from the date of Commission approval of the loan to secure firm commitment that a project will occur at Berry Hill and execute a loan agreement. After the 3 year period the localities/RIFA may petition the Commission for an extension(s) to this period.
- Loan closing and disbursement of funds requires the completion of credit review by VRA with a positive outcome.
- Fixed interest rate with repayments commencing after construction completion at a term agreeable to all parties not to exceed design life.
- Disbursement of loan funds requires a firm commitment that a Project will occur at the proposed site.
- Loan funds will be disbursed to the DPRIFA for the benefit of a gas company.
- The gas company will repay DPRIFA from revenues derived from the gas line usage.
- Loan shall be further secured by a moral obligation of the City of Danville and Pittsylvania County which may be removed after gas line revenue adequacy is established and confirmed by VRA.
- Provided the Loan closes successfully and loan funds are disbursed, up to \$1.2 million of the Loan amount shall be made available for reimbursement to the DPRIFA for design and engineering costs expended prior to the loan's closing. Should the loan not close, these costs shall not be reimbursable to the DPRIFA.
- Among other loan terms as approved by the Commission's Executive Director, the Commission will consider the following:
 - Interest accrues on disbursed amounts only.
 - Flexible payment structure based on anticipated revenue. This is not intended to be a forgivable loan.

Staff further recommends that the Commission direct staff to look into federal and state incentive programs to support the \$25 million equipping costs for the natural gas infrastructure, in addition to the up to \$25,000,000 CBL loan.

3. Grayson County Economic Development Authority

Oak Hall Industries (#2999)

Performance Period Extension & Request for Modification of Agreement Terms/Relief from Clawback

Staff Overview and Comments: This is a Tobacco Region Opportunity Fund (TROF) grant for \$385,000 That was awarded to the Grayson County Economic Development Authority (The "EDA") and Oak Hall Industries (The "Company"). The original performance period was December 2014 through December 2017. The award was disbursed prior to performance and the company promised to create 100 jobs at an average annual salary of \$22,880 as well as private taxable investment of \$1.2 million. At its May 2021 meeting the Commission approved a final

performance extension through June 30, 2022 for a total performance period of 7.5 years for the project.

Staff finds that the company has met 100% of its private taxable investment obligation and has so earned that half of the grant.

The company has not met its obligations under the agreement related to jobs and wages. Currently, the company has provided 46 jobs but the wages fall short of those promised. When a company does not meet the quarterly aggregate payroll promised, the Commission reduces the qualifying employees (jobs created) in proportion to the shortfall in quarterly aggregate payroll. When this method is applied to the current project the result is that the company has produced 15 jobs meaning \$163,625 of the jobs and wages portion of the grant is currently unearned and required to be returned to the Commission.

The locality and company have approached staff requesting an extension of the performance period, to include additional jobs, as well as relief from the clawback provision in the agreement. Both the company and locality have submitted letters (See Attachments ## on Pgs. ## in your books) related to this request. Both the company and locality make note of the challenges posed by COVID, that retaining employees has been difficult and that the clawback would present a financial hardship for the company. Additionally, the company has noted that it is willing to solidify its presence in the community with a five-year extension of their lease in return for forgiveness of the \$163,625 clawback amount.

Staff does not believe it is appropriate to make a recommendation in this case but notes that the locality and company have been responsive, accessible, and open regarding the status of the project and the challenges it has faced.

October 2, 2023

Mr. Stephen Versen, Deputy Director
Mr. Jordan Butler, TROF Manager
Virginia Tobacco Region Revitalization Commission
701 E. Franklin Street, Suite 501
Richmond, VA 23219

Via Email with attachments

Re: Update on Blue Star Project

Gentlemen:

It was a pleasure speaking with you both on Monday day regarding the Blue Star project in Wythe County. I am happy to provide a brief update on the project's posture and path forward.

- 1.) Blue Star NBR constructed a nitrile butadiene rubber facility in Progress Park on Lot 24 in Wythe County. It contains a cutting-edge, world-class chemical facility with all necessary equipment to make tens of thousands of tons of NBR.
- 2.) The first contractual period ended on May 31, 2023, with the federal government signing off on Phase 1 of the project as of that date.
- 3.) Blue Star, VEDP, Wythe County, the Town of Wytheville, and the Joint IDA of Wythe County all penned letters requesting support from our federal elected officials to help break loose funding to kickstart the operation of the NBR plant as well as to support construction of the first glove facility. That had been promised through the Development Finance Corp.
- 4.) A team from Wythe County, the Town of Wytheville, VEDP, and the Joint IDA met in Washington, DC, with our entire Congressional delegation on September 20, 2023.
- 5.) A team from the company and the Joint IDA met with an official from the White House Office of Public Engagement on August 21, 2023.

Right now, it is the hope of all partners that the anticipated and promised funding comes through to support the next phase of this critical, vertically integrated project. For your reference, I'm including the letter we sent to Sen. Warner, Sen. Kaine, and Rep. Griffith, as well as a story from Cardinal News that ran several weeks ago that details the project thus far.

I do have a request of the Commission, however. At the May 2023 Commission meeting, our previous TROF award for the Blue Star project was amended so that payout of the grant would be post-performance as well as altering the performance period to match up with the current project timeline. The Commission also extended the approval period to get the agreement signed. Regrettably and due in part to all the activity referenced above, this contractual document was ultimately signed by the company and locality beyond the specified date of July 20th. Therefore, I am requesting that the Commission accept the submitted agreement and execute it as it accurately reflects the will of the signers and, further, such a change would not alter any element of the agreement. I appreciate your consideration in this matter and thank you for this efficient recommendation.

Ultimately, the Joint IDA and our partners locally and beyond stand behind this project as we have since it was announced to great fanfare in 2021. We appreciate the Commission's ongoing interest in and support for it, as well.

We look forward to discussing this with you soon.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'David Manley', written in a cursive style.

David Manley
Executive Director



August 3, 2023

The Honorable Mark R. Warner
United States Senate
703 Hart Senate Office Building
Washington, DC 20510

VIA FEDEX PRIORITY OVERNIGHT AND EMAIL

The Honorable Timothy M. Kaine
United States Senate
231 Russell Senate Office Building
Washington, DC 20510

The Honorable H. Morgan Griffith
United States House of Representatives
2202 Rayburn House Office Building
Washington, DC 20515

Re: Blue Star project in Wythe County

Dear Senator Warner, Senator Kaine, and Congressman Griffith:

I am writing regarding the progress of the Blue Star project in Wythe County and to formally seek your assistance in helping complete the project.

On October 4, 2021, Governor Ralph Northam led the chorus of excited accolades from federal, state, and local officials in the announcement of a \$714 million, 2400+ job project in Southwest Virginia to address the domestic manufacturing of personal protective equipment (PPE). The project was hailed as a "game changer" and as the largest creation of jobs in over a generation. The transformative nature of the project was not overstated, as economic projections indicated that the economic growth would reverse the population decline felt in Wythe County from the previous census.

For decades, the production of most PPE moved offshore, largely to China, Malaysia, and Thailand. The COVID pandemic exposed a significant vulnerability in our supply chain which is directly tied to national security and to public health. The supply chain disruptions that were felt globally exacerbated the anxiety of an already nervous public and clinically unprepared society. Moreover, China's market share has *expanded* since the pandemic, going from 8% of domestic glove sales to nearly 40% through dumping product, according to industry sources. Leveling this playing field by supporting domestic manufacture of PPE (in this case nitrile gloves) supports key national security and public health goals, but also allows our American businesses to better compete for sales in the worldwide marketplace.

On May 31 of this year, Blue Star NBR completed the primary construction objectives of its nitrile butadiene rubber (NBR) facility in Progress Park near Wytheville in Wythe County, which met the contractual requirements between the company and the federal government, engaged via a Commercial Solutions Opening (CSO). Today, on Lot 24 in Progress Park, you will find an impressive, technologically advanced facility that can produce 90,000 metric tons of NBR when activated.

It is also worth noting that significant site and infrastructure improvements were made as part of this project by the company and by partners including extension of rail, water and wastewater projects, and natural gas system upgrades to name a few.

It is my assessment that the company met its commitment to build this facility as agreed. Additional communications with US Department of Health and Human Services preparedness officials further induced the project principals to expand the initial scope of production and to establish the glove manufacturing that Americans and the whole western world so desperately need.

Leadership at the state and local levels have expected additional phases of the project to activate as the timeline progressed and as benchmarks were met based on intent shared by preparedness officials at HHS. With collaboration and the support of partners including the Commonwealth of Virginia, Wythe County, and the Town of Wytheville, Blue Star NBR met its first major benchmark of the HHS CSO project in a timely fashion. A brand new NBR facility stands in Progress Park on what was one of the most desirable industrial parcels in the western half of Virginia.

The next step for the Blue Star project is to, first, activate the NBR facility and operate it, which would allow for up to 90,000 metric tons of NBR to be produced. This availability of the key ingredient is one of the most important PPE needs and is also a game changer in the marketplace. It is transformative in terms of both our domestic health care needs and for national security. Addressing domestic manufacturing of PPE on its own is a worthwhile goal but given the unrest that affects global markets and the potential for another public health crisis, it is a critical shortcoming that we owe to ourselves as a nation to address. Our recent COVID experience should tell us all we need to know about preparedness going forward.

Simultaneous with the operation of the NBR plant, the initial glove facility should be constructed and brought online to follow through on the vision of the first vertically integrated campus of its type in the world.

The communities and people of Southwest Virginia have taken note of this economic development news and follow-through is expected. For a region that has been economically beaten up in recent decades, the blow resulting from not following through with the Blue Star project would yield deep and lasting injury. As public entities, our credibility sometimes takes shots because of the reputation of the government being unresponsive to public needs and, further, being poor at execution. Should we (as the public sector) step away from our pressing commitments to national security and public health and fail to see this project launched successfully, we will have earned the reputation of being ineffective. Deservedly.

There is a path forward and a solution to the problem posed by the pause in the Blue Star project. Each of you has an undeniable affection for our part of the Commonwealth and we have all benefited from your collective leadership in Richmond and in Washington. We are asking you to help us move this project to completion.

Wythe County and the Town of Wytheville have each made significant investments into systems serving Progress Park and serving Blue Star. Public investments in the tens of millions of dollars are underway, committed, and planned. The people of our communities deserve to have their investments realized. The will to support this project has been and remains strong. Should the project not reach its potential, problematic decisions and fiscal challenges will face our local elected officials and those they represent.

The Commonwealth of Virginia and other partners in the public sector have also devoted millions to this project's success. Orphaning these efforts will have an undesirable chilling effect and damage our economic development prospects in the long term. The people of Wythe County and of Southwest Virginia have seen economic development bring a better quality of life to our region and we have another opportunity to advance that ideal instead of walking away.

I am writing to request renewed and concerted effort to fund the next phase of this project thereby addressing critical national needs while also supporting economic growth in our Commonwealth. Local government and economic development administrative leadership would like to meet with you gentlemen collectively or individually to discuss next steps and opportunities to fund and complete this effort should your schedules allow. We are happy to meet here, in Washington, or wherever is agreeable.

Thank you for your steadfast representation of and advocacy for the people of Virginia.

Very truly yours,



David Manley
Executive Director

CC via email: Jason El Koubi, Virginia Economic Development Partnership CEO
Stephen Bear, Wythe County Administrator
Brian Freeman, Wytheville Town Manager

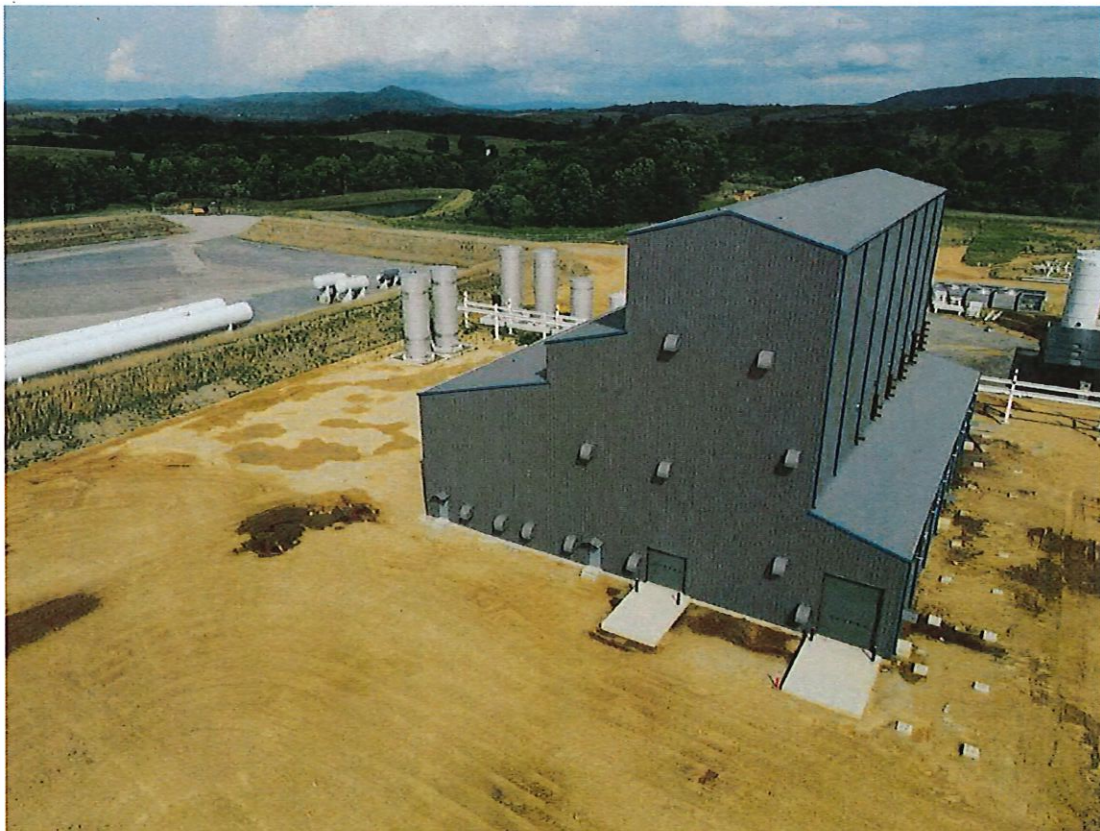


Glove factory set to bring 2,500 jobs to Wythe County on hold with funding uncertain

Blue Star NBR's CEO says a federal loan package the company was counting on to finish building its rubber glove-manufacturing facilities fell through. Now the firm needs \$230 million to get its operation up and running.

by **Matt Busse**

August 31, 2023





The Blue Star NBR complex in Wythe County is expected to bring 2,500 manufacturing jobs to the region, but it's unclear where the company will find the money to get the operation up and running. Photo courtesy of Blue Star NBR.

It was heralded as “transformational” and “a game-changer” — “the largest job creation commitment Southwest Virginia has seen in a generation,” and part of a national goal to reshore manufacturing of critical supplies after COVID-19 disrupted global supply chains.

But nearly two years after then-Gov. Ralph Northam announced in October 2021 that a manufacturer of rubber gloves would bring 2,500 jobs to Wythe County, the project is stalled as it remains unclear how Blue Star NBR will get the money it needs to finish building its facilities and begin operations.

The company expected to use a pandemic-related federal loan package to finish the project, but after a series of delays and, ultimately, the expiration of the associated federal agency's loan-making authority, that money didn't come through, said Blue Star NBR CEO Scott Maier.

The price tag to get Blue Star up and running now stands at \$230 million.

“Everyone's ready to go. We're ready to go. We just need to figure out how can the government unlock the funding to get it done,” Maier said.

The Blue Star project was divided into two phases.

The first was to build a factory capable of producing 90,000 tons annually of nitrile butadiene rubber, or NBR, which is used to make rubber gloves such as those ubiquitous in doctors' offices and hospitals. That's enough NBR to produce six to 12 billion gloves, depending on the type and thickness of the glove.

That phase was completed in May and was funded by \$123 million from the U.S. Department of Defense, which issued the contract in partnership with the U.S. Department of Health and Human Services.

The second phase includes building a plant to produce the rubber gloves, hiring the necessary staff for both factories and getting them up and running.



By producing both the gloves and the raw material needed to make them, the Blue Star project is designed to help safeguard the U.S. against supply chain disruption and price fluctuations.

Maier said the company anticipated paying for that second phase with a loan package from the U.S. International Development Finance Corporation, or DFC.

The DFC is a federal agency that typically finances overseas economic development, but in May 2020 then-President Donald Trump issued an executive order authorizing the agency's CEO to loan money to domestic companies that produce "strategic resources needed to respond to the COVID-19 outbreak."

The executive order put a two-year time limit on that loan-making authority.

In October 2020, DFC chose Blue Star to receive financing to build facilities to produce NBR and nitrile gloves, Maier said.

In November 2020, he said, DFC instructed Blue Star to apply for funding through the Department of Defense and told Blue Star that DFC would make up any shortfall not covered by that funding.

But, Maier said, DFC delayed processing Blue Star's loan request, asked for a revised budget after Blue Star was awarded the Defense Department contract, and then, at the end of 2021, told Blue Star that DFC's loan-making authority would expire before it could finalize the financing package.

DFC officials did not respond to a request for comment.

A U.S. Government Accountability Office study published in November 2021 noted that as of mid-October of that year, DFC had received 178 applications under the Defense Production Act loan program authorized by Trump's executive order but had completed no loans.

The GAO said it undertook the study because "members of Congress have expressed concern about DFC's ability to manage DPA activities along with its international development mission."

In a response published with the study, DFC acting CEO Dev Jagadesan wrote that the agency's role in financing domestic, rather than international, loans was "unprecedented" and that most of



the authority over budgeting and project eligibility actually lay with the Department of Defense and the Department of Health and Human Services.

Now, Maier said, potential paths forward to secure the funding that Blue Star needs could involve Congress or the Biden administration directing Health and Human Services to reallocate money toward the project or designating money for the project in an upcoming continuing resolution, which is the federal government's short-term funding bill.

One factor that could complicate efforts is that debt-ceiling negotiations earlier this year to avoid the federal government defaulting on its obligations led to officials pulling back about \$27 billion in unspent funding that had been allocated to federal agencies to fight the COVID-19 pandemic.

The offices of U.S. Sen. Mark Warner, D-Virginia; U.S. Sen. Tim Kaine, D-Virginia; and U.S. Rep. Morgan Griffith, R-Salem, said in a joint statement in response to a Cardinal News inquiry that "upon learning of the issues with the development of the Blue Star plant," the three elected officials "teamed up in a bipartisan push to urge the Biden Administration and the company to come to an agreement to get the plant on track for completion."

"They are disappointed that an agreement was not reached. They will continue to look for ways to work across the aisle to support domestic manufacturing and job growth in Southwest Virginia," the statement said.

The lawmakers will meet with local officials soon to look for solutions, Kaine spokesperson Mia Fisher said in an email.

In a statement to Cardinal News, Virginia Economic Development Partnership President and CEO Jason El Koubi said, "We remain hopeful that the federal government will provide Blue Star with the funding to enable the operation of its state-of-the-art NBR plant and proceed with the glove manufacturing plant as planned, and stand ready to support this transformational project that represents 2,500 new jobs for Southwest Virginia."

Maier said Blue Star has also been exploring private financing options, but "it is not a viable option right now."

"In order to either service debt or provide an equity return the NBR facility needs to sell its entire 90,000 metric ton capacity to U.S. glove manufacturers and have long-term contracts for that capacity. Right now, there is only production up and running that requires about 17,000 metric tons of NBR," Maier said.



Maier said Blue Star has also been in touch with the U.S. Export-Import Bank — the federal government’s credit agency that assists in financing U.S. exports and which also recently launched a new program supporting domestic manufacturing — but he said that without a diverse set of purchase agreements from government and industry in place, the project contains too much risk for the bank to underwrite.

When the Blue Star project was publicly announced in October 2021, Northam praised its role in bringing the manufacturing of important personal protective equipment, or PPE, back to the United States from Asia. Most nitrile rubber gloves are made in China, Malaysia or Thailand.

At the time of the announcement, Blue Star was still working with DFC to finalize the financing, Maier said.

“Everyone was confident it was going to close,” he said. “We were dealing with an agency of the federal government. ... We got to the point where we had mapped out a closing timeline, and we even got to the point where the DFC told us to basically send a retainer in for their attorneys. My background’s private equity, and when you start paying the attorneys, you’re pretty much at the finish line.”

Maier said once the operation is running, Blue Star plans to expand over five years to the point where it has about 150 employees at the NBR plant and about 400 at each of six glove-making plants producing billions of gloves annually, reaching the figure of 2,500 jobs.

Blue Star’s [careers website](#) advertises positions such as maintenance technicians who can earn \$64,000 a year, or managers who can earn \$84,000. Maier said he anticipates entry-level jobs paying around \$18 an hour with benefits. The median household income in Wythe County is \$52,726.

With the announcement of the 2,500 pending jobs also came the news that Virginia had committed \$8.5 million to upgrade water and sewer infrastructure at Wythe County’s Progress Park, and the Virginia Tobacco Region Revitalization Commission had approved another \$1 million for additional public infrastructure for the project.

“As a community, we fully support the project and especially its goals of reshoring PPE manufacturing, capital investment and job creation in rural Southwest Virginia,” said David Manley, executive director of the Wythe County Joint Industrial Development Authority.

OAK HALL

CAP & GOWN

July 18, 2023

Mr. Jordan Butler
Public Relations Director & Tobacco Region Opportunity Fund Manager
Virginia Tobacco Region Revitalization Commission
701 E. Franklin St, Ste 501
Richmond VA 23219

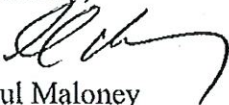
I am writing on behalf of Oak Hall Cap & Gown ("Oak Hall") regarding the Grant Repayment Agreement set forth by the Tobacco Region Revitalization Commission (the "Commission"). We have been notified that \$163,146.14 of the grant is unearned. It is my understanding that the expectation is for Oak Hall to repay this amount over a five-year period.

As you can see from the enclosed list, there were many endeavors Oak Hall explored in an attempt to increase the workforce at the Independence facility. Since we opened in 2015, we have hired over 300 employees. Unfortunately, during this time, employment terminated for 240 of those employees for various reasons resulting in a current workforce of 60. We did not lay off any employees from this facility (or as a company in general) since we opened in 2015, and even became an essential business making masks for Johns Hopkins once COVID began to keep our employees working. Throughout the years, we have worked with every employee to make him or her successful, with terminations either being the employee's choice, or misconduct so egregious that it could not be overlooked.

Given the employment struggles that we have faced since opening the facility, we would appreciate consideration to reduce the amount owed by Oak Hall. Even over the five-year period, the payback amount would create a financial hardship for the company. As explained, we have never turned someone away and have given everyone a chance at employment with our company. We have recently seen progress on the employment front as just within the past two months we have added approximately 15 employees. We would also like to solidify our presence in Independence with a five-year extension in consideration for forgiveness of this amount. By signing this five-year extension to our lease, we would not only continue to contribute to the Town of Independence's economy through real estate and personal property taxes, but we will also be able to continue providing employment to those currently in our facility, while also continuing to increase our workforce.

Thank you for your consideration.

Sincerely,



Paul Maloney
President, Oak Hall Cap & Gown

Efforts to Increase the Workforce

• **Oak Hall Job Fairs**

- When the plant was initially opened in 2015, we scheduled an on-site job fair
- We conducted a follow-up job fair in 2018 looking to hire 20 employees. The marketing for the event included:
 - Ad in Gazette (3 ads run)
 - Radio spots- (between 25 – 30 spots run)
 - Indeed posting
 - Ad in the Declaration
 - Flyers dispersed around several local agencies
 - Notifications to employment offices in VA and NC
 - Notifications on various Facebook pages

The results of the second job fair in 2018 were that only 13 people attended. Of those 13, ten were offered positions and only seven accepted positions.

• **Hiring and retention practices in general**

Oak Hall has always been willing to train employees who would like to work for our company. We never enacted a hiring freeze and rarely refused people seeking employment. Job postings were regularly done on Indeed and we erected a “Now Hiring” sign next to our Oak Hall sign in front of the building. We immediately interview and test walk-ins to see which position would suit them best. Due to the nature of our business being sewing, we are always patient with new employees learning the trade. We suspended our attendance policy in an effort to retain employees. We also suspended production metrics, hoping to give new employees ample time to succeed in their new position.

• **Impact from Covid**

As with most companies, Covid wreaked havoc on our workforce. Oak Hall never shut down during the pandemic as we entered into a contract with Johns Hopkins medical facilities to produce personal protection equipment for their medical frontline since during this time there was a shortage. We lost employees due to them fearing contraction of Covid, their ability to take advantage of government programs (including unemployment), as well as Virginia’s Covid mandate on employers, which was the first and one of the strictest in the nation.

• **Employee Referral Program**

In 2021 Oak Hall started an Employee Referral Program rewarding employees for referring friends and relatives to be hired. A referral that was hired immediately gave the employee \$100, with \$500 being given after three months, and \$500 each given to both parties.

- **United Way's Ignite Program**

Oak Hall explored this program, but we were unable to use these services due to them looking for high school internships. We were apprehensive of having anyone under the age of 18 in our manufacturing facility with our use of needles.

- **Department of Aging and Rehabilitative Services**

A tour was given to a representative in hopes that four students graduating from high school at the time with mild disabilities going straight into the workforce would be interested in applying.

- **Various Job Fairs**

- Cross Roads Institute Job Fairs
- Wytheville Community College Career Fair
- Core Health and Fitness (plant shutdown and we interviewed their employees)

- **Communication with VEC in Galax and Employment Commission in Sparta, NC**

Oak Hall has been in constant contact with unemployment agencies, letting them know of open positions within the factory.

RECEIVED

JUL 25 2023



Mitchell L. Smith
Deputy County Administrator
Grayson County

Phone (276) 773-2471
Fax: (276) 773-3673

129 Davis Street
P.O. Box 217
Independence, Virginia 24348

July 20, 2023

Mr. Jordan Butler
Public Relations Director & Tobacco Region Opportunity Fund Manager
Virginia Tobacco Region Revitalization Commission
701 E. Franklin St, Ste.501
Richmond, VA 23219

Dear Jordan,

I am writing this letter to the Tobacco Commission on behalf of Oak Hall Cap & Gown. The County of Grayson is very appreciative of the support the Commission has given to the County and our industries throughout the years. Your support has improved the quality of life for the citizens in our County here in Southwest Virginia.

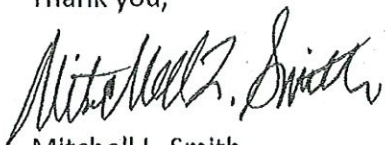
Your support was instrumental in bringing this industry to our community and the agreement to extend the performance agreement was extremely generous.

We have met with the Oak Hall management team and informed them of the unearned portion of the \$163,146.14 grant. In recent months Oak Hall has had some success with hiring more employees. We would like to see the momentum continue and ask that the Commission consider their request to reduce the claw back amount. Given the obstacles they faced during this grant cycle and their willingness to sign an extension to lease the building and continue employment for five years, Grayson County would support forgiveness of the claw back if possible. If not, then would like to request that the recently added employees be considered to reduce the amount.

In summary, Oak Hall Cap & Gown is playing a major role in the economic revitalization of the County of Grayson and the Town of Independence. While we recognize their financial obligation to the Commission and the county, we are elated they want to extend the lease agreement for five years if this can be resolved.

Any consideration given to this request will be greatly appreciated and we thank you for all you do for the County of Grayson and our citizens.

Thank you,

A handwritten signature in black ink, appearing to read "Mitchell L. Smith". The signature is written in a cursive style with a large initial "M".

Mitchell L. Smith
Deputy County Administrator