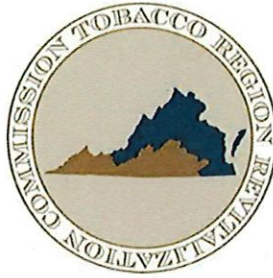


**STRATEGIC PLANNING
COMMITTEE**



▪ *In-Person Meeting* ▪

AGENDA
STRATEGIC PLANNING COMMITTEE

The Inn at Blackstone
707 Fourth Street
Blackstone, VA
Thursday, October 12, 2023
10:30 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 Leslie "Les" Adams, Vice Chair</i>
Call of the Roll	<i>The Honorable James Campos, Acting Executive Director</i>
Approval of the <u>5/18/23</u> Minutes	<i>(published on website)</i>
Public Comment	
Discussion of Revised Strategic Plan	<i>Mr. Stephen Versen, Deputy Director</i>
Other Business	<i>Mr. Stephen Versen, Deputy Director</i>
Adjournment	



A Strategic Plan for the
Tobacco Region Revitalization Commission
2023-2025

Proposed October 2023

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Mission

The Tobacco Region Revitalization Commission is created as a body corporate and a political subdivision of the Commonwealth and as such shall have, and is vested with, all of the politic and corporate powers as are set forth in this chapter. The Commission is established for the purposes of determining the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund and causing distribution of such moneys for the purposes provided in this chapter, including using moneys in the Fund to ... revitalize tobacco-dependent communities.²

Section 3.2-3101, Code of Virginia³

Vision

In today's environment – where markets are largely global and employment is increasingly knowledge-based – the Commission seeks to accelerate regional transformation, giving citizens expansive opportunities for education and employment, and providing communities the benefits of economic stability, diversification, and enhanced prosperity. In particular, the Commission seeks to meet the region's specific challenges related to a historic dependence on tobacco production, textile and furniture manufacturing, and coal production.⁴

As a result, the Commission also recognizes that investments should reflect and directly advance local, regional and state priorities as established by elected and appointed officials, representatives from institutions of higher education, and other community leaders. The Commission views economic development as a partnership and will - as often as practicable - seek input from regional stakeholders to ensure its priorities align with those of the region.

The Commission's work is grounded in an objective and quantifiable economic base analysis. In general, directly productive industries, and the workforce training and development which supports them, do more to further this goal and should be favored over an increase in service industries primarily serving local markets.

Finally, the Commission must focus on ensuring the maximum impact of its expenditures, both as they relate to creating economic growth and as they relate to maintaining the Commission's fiscal sustainability as a critical source of capital to the region the Commission serves.

Priorities

The Commission must continue to adapt to meet the challenges of reduced budgets and a changing economic landscape over the next decade and beyond, if it is to continue being a catalyst for growth and increased prosperity across Southern and Southwest Virginia.

² The statute also contains a section referring to the Commission's mission to indemnify tobacco farmers through direct payments. That portion of the mission was deemed completed and is omitted here for clarity.

³ The full section of the code can be accessed at: <http://law.lis.virginia.gov/vacode/title3.2/chapter31/section3.2-3101/>

⁴ The most updated survey economic data (and links to regional and MSA data) are available from the Bureau of Labor Statistics, accessible at: <http://www.bls.gov/eag/eag.va.htm>

Specifically, this means that the Commission will continue to be more efficient in the way it conducts business, seek to create new funding avenues through the creation of an outside nonprofit, and make the best use of staff expertise and regional marketing initiatives.

Ultimately, the Commission will transition into an organization engaged in increasing access to capital and continuing its workforce and infrastructure missions through targeted grants made from interest on the corpus, recovery of security interests, and other development activities such as receipt of grants and donations.

Funding & Strategic Priorities

The Commission receives numerous applications each year and must determine how to allocate its limited annual budgets to best serve the needs of the Tobacco Region. This will become even more important as the Commission enters its third decade with a diminished corpus and reduced earnings on that corpus. While the Commission will retain the ability to fund large scale, regionally transformative projects at a high level, individual grant awards will be lower than in prior years and the requirements to acquire funding will be higher.

The three mechanisms that inform staff recommendations and Commission decisions regarding which projects to fund, whether by loan or grant, are: 1) our Key Funding Priorities, which describe the sorts of project categories that will receive preference over all others, 2) our Committee Structure and Program Outcomes and Goals metrics; and 3) our General Funding Policies, which describe specific policies related to uses of funds and project finance rules.

Notably, the Commission's work aligns with five out of the six strategies outlined in the Governor's Comprehensive Economic Development plan, "Compete to Win." These strategies include:

1. **Refine Industry Segmentation:** The Commission's programs enhance Southern and Southwest Virginia's ability to generate industry growth in economic sectors that make sense for each region's unique geography, economic assets, cultural values, and populations.
2. **Unleash a Talented Workforce:** The Commission's investments in competitive education projects and workforce financial aid for career and technical education at regional community colleges produce a labor force trained for employer-demanded skill sets utilizing state of the art facilities and equipment.
3. **Accelerate Site and Infrastructure Development:** Throughout its history, the Commission has committed to investing in the establishment and continued improvement of numerous industrial parks and sites across the region.
4. **Break Down Barriers:** The funding provided by the Commission amplifies resources for economic and workforce development in the regions, thereby removing obstacles to industry attraction and talent development.
5. **Drive Innovation:** The Commission's projects are often centered around partnerships between business, academic institutions, local and regional economic development organizations, and the regional populations to drive innovative approaches to entrepreneurship and business development.

The ongoing work of the Commission, powered by the Governor's aggressive vision for economic development, provide an opportunity to play a new and more potent role in leading and accelerating the region's economic transformation.

Key Funding Priorities

The Commission has narrowed its focus to areas in which it can make the highest impact while remaining a strong steward of its resources. In no particular order of preference, the Commission's funding priorities shall include:

- 1. Education and workforce development:** As the national and global economies increase focus on human capital, the Commission must continue to support the region's efforts to address economic competitiveness factors and ensure employers can hire top-flight talent. This will remain a focus for the Commission as we believe it presents opportunity for high return on investment and supports long-term economic growth.

Funding will be awarded in two main categories:

- a.** Competitive education grant-making, in which the Commission provides capital to post-secondary institutions for the creation of new programs or to expand existing, in-demand programs.
 - b.** Workforce financial aid, in which the Commission reduces the cost of credential or degree attainment at the region's community colleges and higher education centers.
- 2. Agribusiness:** Agriculture and forestry are Virginia's first and third largest industries, respectively. These industries play an even more central role in the economic vitality of the Tobacco Region, making the Commission's support of agribusiness especially important. The purpose of the Commission's Agribusiness funding strategy is to expand on the region's current strengths in agriculture and forestry, while developing new sectors that build on existing assets. In recognition of the many partners providing valuable financial, marketing and technical assistance to these industries, the Commission's Agribusiness program will focus on coordination and collaboration with these entities to maximize their combined impact in the region. Priority will be given to projects creating and expanding the infrastructure and systems that offer the region's producers new and improved market opportunities that are sustainable and build on the region's strengths.
- 3. Energy:** Access to affordable, reliable, renewable, and clean energy resources is an increasingly important location factor for industry. Therefore, it is crucial that the Commission expand its focus on ensuring the region's industrial sites can offer prospective companies ready access to sufficient energy resources and infrastructure, and support development of new energy generation, innovation, and storage projects in ways that further elevate the region's attractiveness to industry.

4. **TROF:** The purpose of the Tobacco Region Opportunity Fund (TROF) is to offer localities in the footprint an economic development tool for winning competitive economic development projects. The TROF Program will provide performance-based grants and loans to localities in the footprint to assist in the creation of new jobs and investment, whether through new business attraction or existing business expansion. Grants and loans, awarded at the Commission's discretion, are evaluated in a manner consistent with the goals of the Commission and amounts are awarded commensurate with the project's impact on the community and/or region in which the project is locating. Evaluation of award amounts are consistent throughout the region and based on the following criteria: prevailing wage rates, number of new jobs, taxable capital investment, industry type, and the possibility of related economic multiplier effect.

Incremental improvements to the TROF program have been made over time and these should continue. The program should remain discretionary, reserved for projects the staff are persuaded are truly competitive, and which might not develop absent TROF funds. Projects eligible for TROF funding must enjoy the support of economic development staff in the locality and region, and the Commission's regional marketing team (when they have been involved). TROF will be reserved for projects in traded sectors that promise to increase the locality's prevailing wage and significant preference should be given to projects that enjoy the support of sister state agency programs like the Commonwealth Opportunity Fund, Agriculture and Forestry Industries Development (AFID) grants, or similar programs.

5. **Industrial and business infrastructure:** Footprint localities (and the Commonwealth as a whole) continue to have a shortage of available and desirable locations in which to place industrial and business facilities. This shortage of both building stock and infrastructure assets puts the region at a competitive disadvantage when competing with other states to attract top employers along with the jobs and investment they bring. The Commission will continue to make grants and loans to support the creation and improvement of industrial sites, business locations, shell buildings, and telecommunications infrastructure to close this gap and ensure that localities within the Commission footprint can compete successfully for projects. Priority will be given to projects that improve the readiness of sites already under development within the region, as opposed to the acquisition and development of new sites.
6. **Business District Redevelopment:** The rural towns in the Tobacco Region serve as important community focal points and economic centers. Due to changing transportation and economic patterns, these rural communities have faced acute challenges that are often reflected in extremely low-to-medium household incomes, lack of well-paying job opportunities, high rates of out-commuting by the workforce and high building vacancy rates. Priority will be given to projects that would catalyze re-development and investment in properties serving multiple commercial and/or entrepreneurial business interests. This may include support for business development centers, shared professional offices and/or small-scale production space.

- 7. Community Assets and Opportunities:** Many rural areas in the Tobacco Region are fortunate to have natural resources and cultural assets with the potential to develop into tourist destinations. Generally, tourism projects rank lower in priority but the Commission will consider projects more favorably when they are regional in nature and/or required for matching substantial investment by other funders.

Strategic Priorities

Along with changes in funding priorities it is necessary to make changes to the way in which the Commission conducts business and seek out ways to utilize existing resources more effectively.

Committee Structure

The Commission has five standing committees, with the option to create new committees on an ad-hoc basis for special purposes. All committees meet at the call of their respective committee chairpersons.

Most committees evaluate grant and loan proposals from eligible applicants, as specified by each Request for Proposal. These committees make recommendations to the overall Commission as to what projects should be funded and in what amounts. Some committees are operational in nature and recommend policy or process changes to the Commission. The overall purpose and objectives of each committee is described below.

1. **Executive** - The Executive Committee is the Commission's rulemaking and administrative committee. The chair and vice-chair of the Commission serve as the chair and vice-chair of this committee.
2. **Southern Virginia Committee** - The Southern Virginia Committee hears proposals from applicants for grants or loans to support economic development in Southern Virginia. Previously allocated funds will continue to be assigned to specific counties, but future program funds will be available to all southern counties, cities, towns and nonprofits within the region.
3. **Southwest Virginia Committee** - The Southwest Virginia Committee hears proposals from applicants for grants or loans to support economic development in Southwest Virginia. Program funds are available to all southwest counties, cities, towns and nonprofits within the region, without regard to any specific tobacco-related local data, historic or current.
4. **Education** - The Education Committee hears proposals for grants or loans for competitive education funding as well as financial aid support at community colleges and higher education centers throughout the footprint.

5. Incentives and Loans – This committee will oversee both TROF and Community and Business lending policy and awards.
6. Such ad-hoc committees as may be necessary to accomplish specific tasks. A good example is the strategic planning committee tasked with the production of this report. As programs are established to meet the new Energy funding priority and the renewed focus on Agribusiness, separate committees, either permanent or ad hoc, to review recommendations to these programs may be established, or they may be reviewed by the Southern Virginia and Southwest committees. Decisions on appropriate committee assignments for these applications will be made by the Executive Committee,

Improved Fiscal Management

The Commission's efforts toward sustainability have slowed the decline in Commission finances, but they have not stopped it. It is imperative that the Commission take further steps to reduce and reverse the decline in Commission assets and ensure that the Commission will remain a viable and impactful entity for change until the communities the Commission serves are at least as economically successful as the Commonwealth as a whole.

Sustainability: During, and upon completion of the transition to sustainability, the Commission will only reduce its overall financial position in instances of truly game-changing economic development opportunities, meaning facilities with many hundreds or thousands of jobs at or above the prevailing wage and investment in excess of \$250 million. Otherwise, the Commission's focus on sustainability will require that, moving forward, the Commission only grant from earnings on the Commission's corpus, interest on existing loans, and assets created by the new development team. In the next iteration of the Commission's strategic planning process, this fiscal transition will be evaluated, and the Strategic Planning Committee will recommend continuing, pausing, or reversing this transition based on documented financial changes.

Asset management. The Commission's grant agreements require that any grantee deliver, to the Commission, a security interest in any real, tangible, or intellectual property that is purchased with non-TROF grant funds. For many years these assets existed and would occasionally be transferred to the private sector and trigger a clawback, but there has only recently been a systematic approach to cataloguing our property and recording our interest in that property. This means that the Commission is the partial owner of millions of dollars of land, buildings, and high-value equipment across the footprint. Moving forward, the Commission will complete the cataloguing of this portfolio of equipment and real property that has already begun in the field offices and record right to reimbursement notices against all assets over a specific value. Once properly catalogued and right to reimbursement notices have been recorded, the Commission will also explore potential uses of this portfolio and determine if it represents something that could be leveraged to support future activities.

Fund development. (See: Commission Foundation) A transition to better fiscal management means that the Commission has the potential to grow in the years ahead and improve its financial position. However, the Commission also does work that could be supported by charitable contributions and grants from other entities, which would take further pressure off of the current corpus. This entity would be a new vehicle for bringing funding to support Commission projects.

To facilitate this move to outside funding, the Commission plans to create a non-governmental nonprofit to oversee the acquisition and allocation of funds for the purpose of grant making. This will require the hiring of development staff who will seek grants from the government and charitable foundations as well as individual contributions from donors that care about the success of Commission-supported communities.

Nonprofit Foundation

Much of the work the Commission undertakes in its largest budget area, education, which includes workforce development and talent attraction, is eminently eligible for funding via other grant-makers and donors. It makes good fiscal sense for the Commission to pursue the creation of an outside nonprofit, which should, once it has built up a portfolio of donors and grants, be able to fund the Commission's education and talent attraction work without requiring significant inputs from the Commission's corpus.

Bring in outside funds. By creating a foundation or nonprofit that resembles those operated by the Foundation for Healthy Youth or any Virginia public university, the Commission will have a vehicle to receive funds from other organizations and individuals. This nonprofit foundation will seek both private and public sector grants as a means of continuing to fund Commission programs, particularly in energy, education and economic revitalization.

Management. This outside entity will be managed by a board composed primarily of current members and staff of the Commission in an effort to prevent any divide between the two organizations. The Executive Committee will initially appoint the membership of the board of the nonprofit, and those members will serve two-year terms with the opportunity for multiple reappointments.

Initial funding and staff. The Commission will make the initial investment in this nonprofit for the purposes of hiring a development staffer who will work out of the Richmond office. It will be the job of this staffer to seek grant and donation opportunities that align with the goals of the Commission's energy, education and economic revitalization programs and pursue those opportunities.

Investing in the Regions

Regional Marketing and Development Efforts. The Commission will implement measures to assess the value and productivity of its regional marketing efforts and continue to engage partners to support funding to expand promotion of economic development opportunities in its geographical footprint.

Program Outcomes and Goals

Each programmatic committee of the Commission does its work in pursuit of specific “project outputs,” each of which supports one or more of the “targeted outcomes,” the long-term goals of the program. Below, each committee’s work is broken out into one or more logic models that display the specific outputs supporting each programmatic goal. It is the goal of Commission staff to evaluate projects, both before awards are given and in follow-up, on how well they meet the clear metrics laid out in project outputs when grants or loans are awarded. For more detail on specific metrics, please contact Commission staff.

Inputs, Activities and Participants

Broadly, TRRC has five different programs, each with one or more investment strategies. Each program and strategy has specific outputs, or deliverables from the project, which target specific outcomes in the region. Below is a comprehensive representation of the Inputs, Activities and Participants, though some may vary by program.



Investment Strategies, Project Outputs, and Targeted Outcomes

Investment Strategies

- Investment Strategies are the "tracks" selected by the grant applicant.
- Each investment strategy has a specific set of associated outputs and outcome(s).

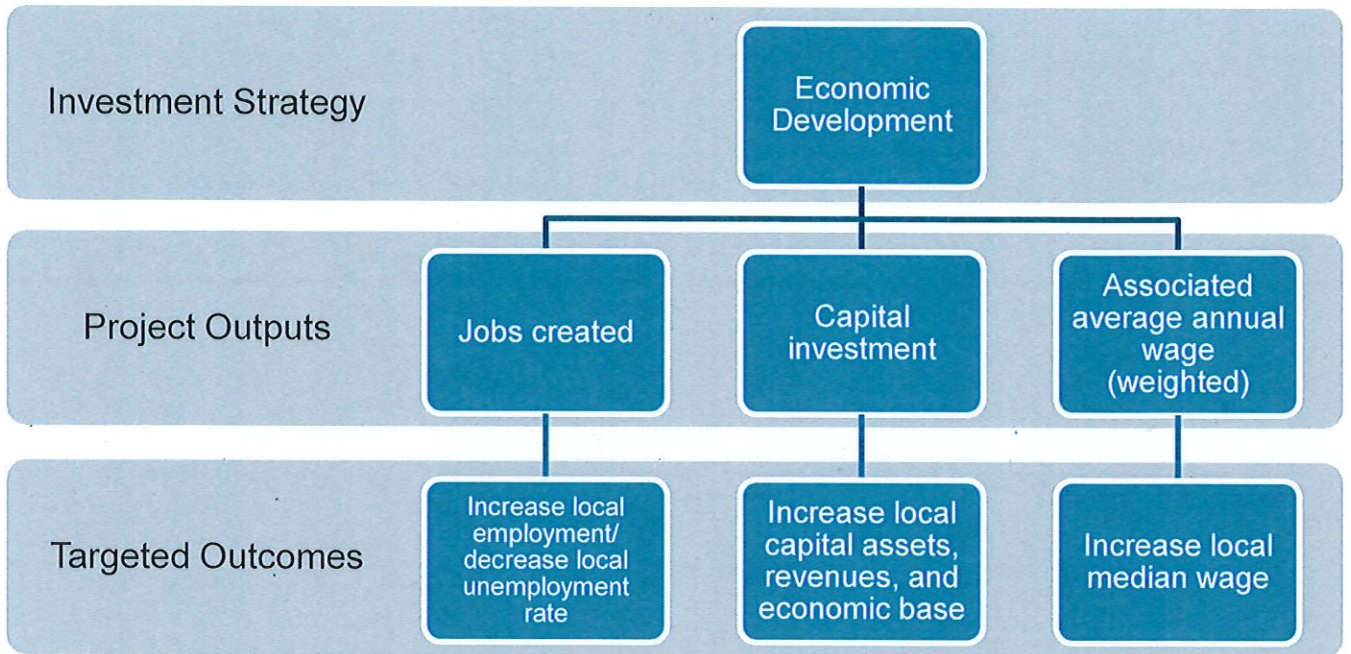
Project Outputs

- Outputs are the legally-binding, contractual obligations specified in the grant agreement.
- Outputs may vary by program, by investment strategy, or they may be the same.
- Outputs are synonymous with "deliverables."
- *Outputs are projected, anticipated, or estimated in the application, and updated with actuals during and at the close of the project*
- For a more intuitive reference, TRRC refers to outputs as "project outputs."

Targeted Outcomes

- Outcomes are the measures being targeted by the program.
- Outcomes are difficult to directly target on a project basis
 - For example, it is unreasonable to put as an output in the grant agreement that a project must decrease the unemployment rate in the locality which it is based.
 - Instead, the output is to create new jobs, which should have a positive effect on decreasing the unemployment rate.
- For a more intuitive reference, TRRC refers to outcomes as "targeted outcomes."

TOBACCO REGION OPPORTUNITY FUND (TROF) LOGIC MODEL

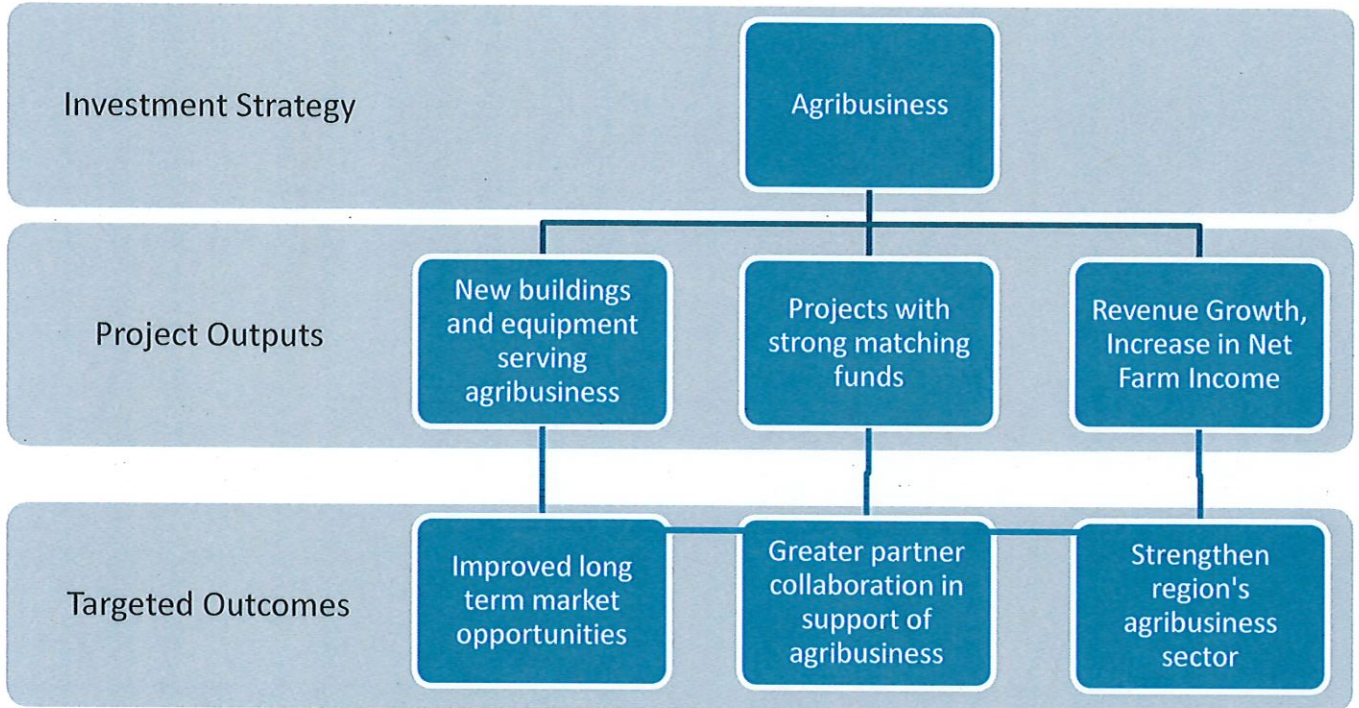


SOUTHERN & SOUTHWEST VIRGINIA ECONOMIC DEVELOPMENT PROGRAM LOGIC MODEL

Agribusiness

Agriculture and forestry are the dominant industries in the Commission footprint. The Commission strives to strengthen these industry sectors in the region through investments in agribusiness projects that:

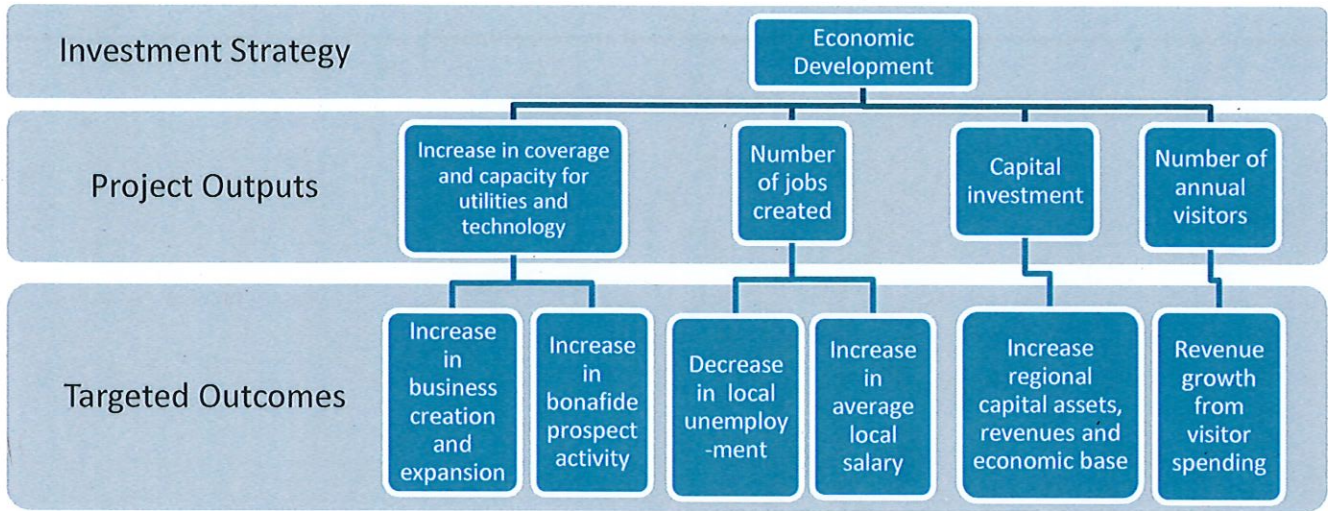
- Offer the TRRC a strong return on its investment in supporting agribusiness.
- Have strong support and involvement of the private sector.
- Create infrastructure offering long-term benefit to the region's producers.
- Have a high likelihood of success in achieving promised deliverables.



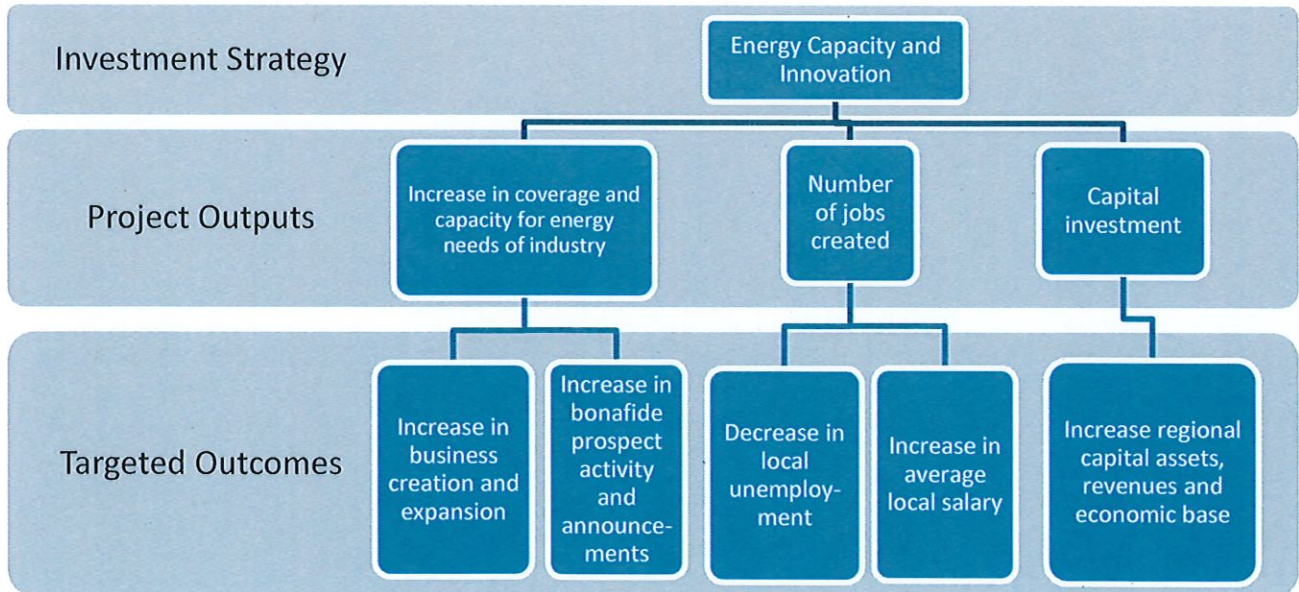
Economic Development

The Commission supports investment to increase capacity for economic development opportunities within the region through the following types of projects:

- Physical infrastructure improvements (industrial site development, shell buildings, water/sewer, energy generation, capacity, and infrastructure)
- Regional asset development
- Technology infrastructure and connectivity improvements



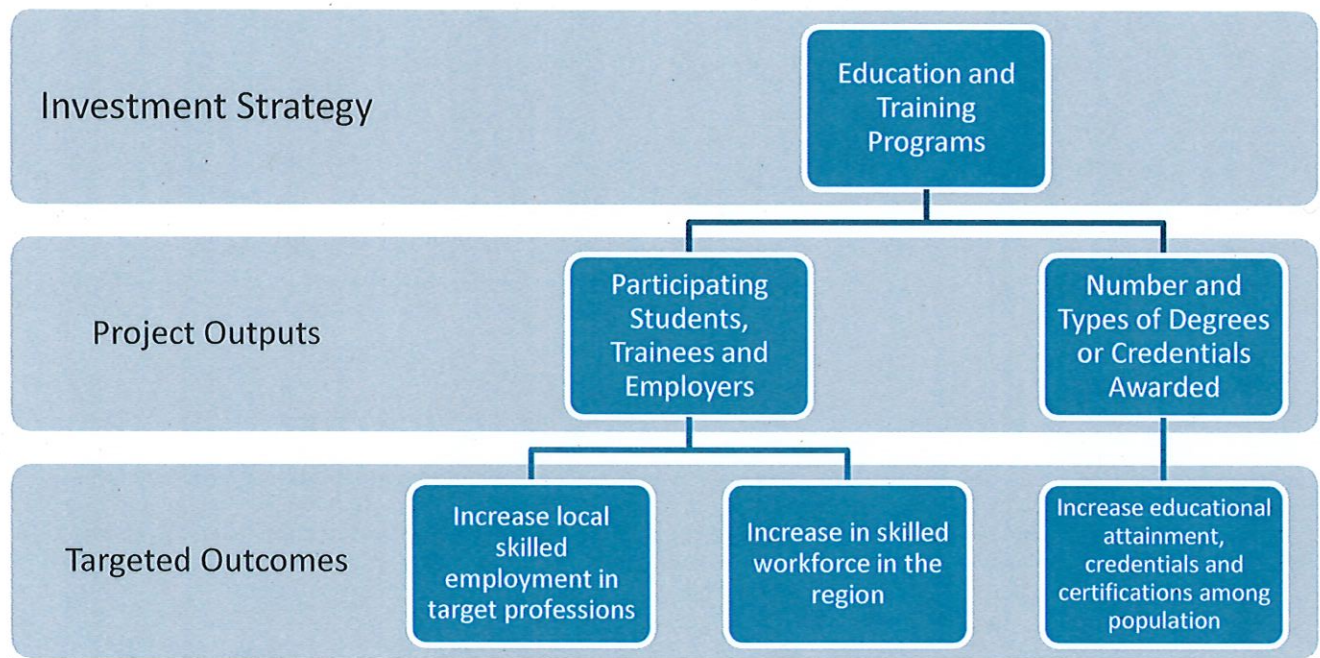
Energy Capacity and Innovation Fund



EDUCATION PROGRAM LOGIC MODEL

Through its education programs, the Commission seeks to prepare citizens for new-economy employment opportunities through workforce development, higher education scholarship and loan programs for the two regions and competitive grants to community colleges and other post-secondary educational entities. These types of projects include:

- Advanced Manufacturing Workforce Training Programs
- High School Equivalency (GED) Programs
- Post-Secondary Programs, with a focus on STEM-H
- Workforce Training Programs
- Community College Financial Aid



Operations

This section describes the internal operations of the Commission. Five areas are covered: Program Design, Meeting Schedule, Loan Fund Operational Description and Organization Chart.

Program Design. Each program has specific outputs and outcomes that are directly tied to the goals of each program. The duration of these goals can vary between programs.

- Outputs are specific deliverables required from a project by an awarded applicant (or grantee) to satisfy the obligations of the grant agreement.
- Outcomes are the measures a program targets for effecting change.

A small but important distinction is that unlike outputs, outcomes cannot be targeted directly. Program specific outputs vary because program-specific outcomes vary. Project success is judged on delivered outputs, while program success is judged on effected outcomes.⁵

Every applicant to a program must clearly articulate and demonstrate how the specific project relates to the goals of the program, what outputs shall be delivered, when such outputs are delivered, and the anticipated effect of these outputs on the outcomes targeted by the program.

Commission staff review and score submitted applications and prepare a report containing background information, an evaluation of the financial viability of the proposed projects, a recommendation on each application, and distribute the report to the appropriate committee for review in advance of the next committee meeting. Staff are neither members of the Commission nor members of any committee, but are available before, during, and after committee meetings to answer questions from applicants or members or the public.

If an applicant is awarded a grant, a grant agreement must be signed between the Commission as the grantor, the awarded applicant as the grantee, and the final recipient of the grant funds. Depending on the outputs of a project, the deliverables in the grant agreement may vary within or between programs. Grant agreements are legally enforceable contractual obligations between the signed parties. **Every grant agreement contains clauses that provide legal remedies, including in certain cases a clawback provision, which may be exercised in the event of any unapproved use or misuse of Commission funds, and/or outputs specified in the signed grant agreement not being met by a specified point in time.**

The grantee responds to interim assessments (surveys) on progress made toward achieving the obligated outputs. Interim assessments are program specific. The assessments are intended to provide the Commission with useful quantitative data on the progress of the project toward completion. The Commission or Commission staff may, at any time, request additional information from grantees.

⁵ In practice, it is often difficult to judge a program's success on effected outcomes because of other exogenous effects on that same outcome (e.g. lowering the unemployment rate). Examining the realized outputs of a program over time is another way to judge program success. However, this approach provides no information on the outcomes the program was intentionally and specifically designed to effect.

A final assessment is done once a project is completed within the duration specified in the grant agreement. A project is considered complete when the obligated outputs are met or exceeded, or when the obligated outputs either have not or will not be met. In the event of the latter, a clawback may be initiated by the Commission. **Under no circumstances will a final disbursement of funds be made to any grantee before Commission staff have received, reviewed, and validated the final assessment from the grantee.**

A project is closed once all documentation is received by the Commission and all obligations are considered satisfied.

Meeting Schedule. The Commission meets three times each year, as described below, with committees meeting as needed in the interim and before each full Commission meeting:

1. The Commission's winter meeting shall be held in January, prior to the convening of the General Assembly.
2. The Commission's spring meeting shall be held in May or early June.
3. The Commission's fall meeting shall be held in September or early October.

Any additional meetings may be called at the request of the chair, but the Commission has a goal of accomplishing its annual business during its three regular meetings. Should a major unforeseen event occur, meetings may be rescheduled at the discretion of the Commission's chair.

With the passage of HB444 (regarding electronic meetings by public bodies) into law during the 2022 General Assembly session, the Commission will evaluate the incorporation of meeting via electronic means for some functions such as called meetings outside of the regular meeting schedule.

Revolving Loan Fund – Operational Description. The Tobacco Commission was authorized during the 2015 session of the General Assembly to set up a revolving loan fund in partnership with the Virginia Resources Authority (VRA).⁶

This loan fund is the preferred funding option for any grant applications in support of projects that are likely to generate sufficient recurring revenue to service loans. This fund is distinct from the Commission's business and community lending portfolio.

When grant or loan requests are made by localities, they are routed to the relevant committee, and evaluated by Commission staff. Commission staff recommend to the committee that the applicant receive no award, receive a grant in some amount, or be reviewed for a loan up to some amount. Should the relevant committee, and then the full Commission, choose to extend a loan, the applicant will be directed to VRA for a creditworthiness evaluation. Upon completion of that evaluation, a loan will be extended from the revolving loan fund in an amount equal to the lesser of the applicants'

⁶ The full statute and details can be found in the Virginia Code at § 3.2-3112 et seq.

creditworthiness or their loan offer from the Commission. Upon notice from VRA that a loan will be extended, the amount of the loan will be deducted from the relevant committee budget and transferred to VRA. In future years, when the revolving loan fund has adequate resources from repayments, its funds will be allocated for the use of various committees during the budget process.

When loan requests are made directly by businesses, Commission staff, in partnership with VRA, shall determine the eligibility of the applicant business for a loan. If the applicant is eligible and Commission staff support the making of a loan, VRA staff shall extend a loan directly to the relevant business, and Commission staff shall take any measures necessary to secure pledged collateral or other security necessary to protect the taxpayers.

Appendix A:

