

Virginia Tobacco Region Revitalization Commission
In-Person Executive Committee Meeting
701 East Franklin Street, Suite 501, 5th Floor, Richmond, VA 23219
Tuesday, April 16, 2024
2:00 P.M.

PRESENT

Delegate James Morefield
Delegate Terry Kilgore
Delegate Tom Garrett
The Honorable Frank Ruff
Edward Blevins
Amanda Cox

PRESENT REMOTELY

Delegate Danny Marshall
Buddy Shelton

ABSENT

Senator Louise Lucas

COMMISSION STAFF

Jordan Butler
James Campos
Sarah Capps
Hannah Franke-Fuller
Vicki Humphreys
Stephanie Kim
Roz Stein
Stephen Versen

GUESTS

Bryan Horn, Director, Virginia Department of Housing & Community Development
Nicole Riley, Senior Vice President of Policy, Virginia Economic Development Partnership
Abigail Wescott, Managing Director, External Affairs, Virginia Economic Development Partnership

The Executive Committee meeting was called to order by Vice-Chair, Delegate Morefield at 2:02 PM.

Delegate Morefield: We can do roll call.

Mr. Campos: Mr. Blevins. Here. Miss Cox. Here. Delegate Kilgore. Here. Senator Lucas, Senator Lucas.
(No response.) Delegate Marshall. Here. Mr. Shelton. Here. Chair, we have a quorum.

Morefield: Next, on to the approval of the January 9th minutes.

Delegate Kilgore: Chairman, I'll make a motion that we approve the January 9, 2024 minutes.

Morefield: OK, we have a motion to approve. All in favor, say aye? Aye.

ALL: Aye.

Morefield: All opposed. (No response.) Now on to the public comment. Do we have any members of the public wishing to comment? (No response.) There are no members of the public who want to make a

comment. Now on to an economic development housing incentive pilot project introduction from Director James Campos.

Campos: Thank you. What I'm going to do is open up with a few words on a summary of what we're wanting to do, and then I'm going to hand it over to (DHCD) Director Bryan Horn for further explanation, as well as a Deputy Director, Stephen Versen. Basically in a quick nutshell, we've had several conversations in the past about how we can develop new initiatives and then grow the economic development footprints within Tobacco, and housing has always been an issue and has always come up in the past in one degree or the other since I've been on board, but always some conversations about how the Tobacco Commission doesn't really involve itself with housing. But in this particular case, there is a clear and present need of what I call the first mile to help these developers come to a point where we can actually develop workforce development homes in these areas. I think this will spur economic development. I think it's within our mission and is really within our obligation, I believe, to provide opportunities such as this. I talked to Director Horn about this, and his abilities are a little different than ours, obviously, and he has certain constraints, and we talked about a way in which we can help alleviate those constraints and help provide a platform in which we can actually have real opportunities to develop homes in both Southside and Southwest. So we came up with a thought speak on this, and I have shared with some of you already some of my thoughts on how we can actually roll this out. But what I want to do here is provide opportunity for Director Horn to explain on his side how this would look like, and of course Stephen Versen, as well, on how it would impact Tobacco and what we can actually do to progress this opportunity throughout the tobacco region. So, Director Horn, if you could please provide some thoughts.

Director Horn: Thank you all for giving me opportunity to come by and visit with you. One of the things that the Secretary's leadership made very clear early is to erode silos, just because we happened to do certain things with blinkers on and not look beyond those. And this is out of that spirit. James came and we've been having several chats about how economic development encourages housing and housing encourages economic development, and the best way to explain it is an example. There are opportunities that, if a business comes to an area, new or to expand their operations, it could create additional housing demands. And from the concept of infrastructure, I personally feel like I can argue that housing itself is infrastructure for business because it's a necessary component in terms of having a place for people to go when they're not working at the business, is just as necessary as water, sewer, electric. Now what I see in terms of an opportunity here for Tobacco as far as their economic infrastructure focus, it's a recognition that there's a housing element involved regardless, and if presented with the right type of project that would have some additional needs on the infrastructure side, and that infrastructure doesn't necessarily have to only serve housing. Things like water and sewer lines will serve everybody who taps into it. But that this new program, this pilot, would be an idea that we would take a look at these infrastructure opportunities, with an idea of seeing how that relates to how the housing would help reinforce and support the economic development project that's going on. And also do it, frankly, outside of some of the restrictions that we have.

So, when you hear workforce, there's your economic development connection, in my mind, and when you also hear workforce, and the Secretary is probably sick of me using the term AMI by now, but in any housing policy, in terms of financing, the area median income is key. And what the area median income is, it is the middle, literally the middle income point of a census area. And availability and eligibility of federal and state housing finance opportunities, like community development block grants, HUD programs, in Virginia the Virginia Housing Trust Fund, are all key as to whether the households who would be the recipient of the benefit of the lower price, whether it would be rent or purchase, whether they fall within a certain percentage range of that area median income. All those programs are capped at 80%. A lot of them are focused, including Virginia Housing Development Authority, as tax credits on even lower

percentages of area median income as a way of a measure of eligibility for these low to moderate incomes. So if we have an opportunity to help support developments that aren't necessarily going to be limited in eligibility to the 80% bracket but can go above that, then we're doing something we really don't have right now at the state level. There are a couple of programs here and there; the Virginia Housing Development Authority has recently started expanding their homeowner eligibility for home loans, but that's for first-time homebuyers. It's an area of the market that the market has left. You've heard the term "missing middle," but I challenge you to find a builder that's building 1,500-square-foot homes these days, or homes at a quarter-of-a-million dollar price point which, when I got to Richmond, that was a really pricey house. Now you can't find it, and it's those levels that we would think would support the workers at the businesses we're trying to bring in because, ultimately, the business won't come if the workers aren't here, and the workers have to have some place to go when they're done working. It sounds simplistic, but it fits into this overall recognition that housing and economic are intertwined and support each other. And that's, in working with James in our discussions, that's what I've come away with as to what this pilot could be. There's going to be some meat to work out. There will be some guidelines and some details to work out, but as far as an idea, it's an idea that I agree with James that is worth exploring and certainly worth considering. So with that, I've said my piece.

Campos: Thank you. Stephen?

Mr. Versen: Great. Thank you all for laying out the broader case where housing is, this is what economic developers increasingly talk about. It's in some cases driving decisions by companies to not locate certain areas because there's not housing for those workers there. So, Director Campos challenged staff to come up with a program, and we were going to put \$1.5M to \$2M to do something with housing. What could that look like? And working with Vicki Humphries and some of the team at DHCD who also are working on this, we came up with this pilot structure, this goes off the idea of pairing economic development projects with housing, the thought that localities typically aren't going out of the way to create lower income housing, workforce housing, but maybe when you've got an economic prospect on the line, you can get greater traction locally for that type of development. And, at the same time, the employers could be a really important part of making these housing projects work. So what we've put together here for your consideration is a housing incentive that, like an economic development incentive, is tied to a new economic development project, either a new or expanding company, a larger company, and it has a few minimum thresholds where we've put a maximum of, say, \$35,000 per housing unit that the Commission funds, look to require maybe a 2-to-1 match for our funds, and then has requirements for some best practices that we think would be effective: 1. Targeting that missing middle that Director Horn talked about, the 80 to 100 percent, 20% AMI just because the market's not providing that. And then also looking to encourage the other partners in this, the locality and the company, to adopt some best practices as well, asking the locality to develop a housing plan, to maybe up-zone some parcels to make this denser development more possible, to potentially enter into a tax financing district where this area maybe taxes at a slightly higher rate to help pay for the infrastructure that goes on — there's a lot of innovative things localities are doing to promote housing. And then working with the company and asking them to potentially look at supporting these housing developments by either providing a savings match to employees who are participating in these projects to help them maybe buy the home, or if they're going to be living in this particular area, to help offset the cost of the rent to where it doesn't burden them with housing costs — it's usually 30%. Or even provide transportation to and from this housing. And the idea here is that we know that housing is a big, expensive proposition, and the Commission just doesn't have the funding to really invest in it heavily. But can we take our funding and the flexibility we have to start a conversation with the other key partners to come up with solutions around this really important need? I see this in line with the Commission in the past, which was one of the first entities to really invest in industrial parks before the state did it; now they're doing that. And the same thing with broadband infrastructure, and they came behind us. And maybe this could be another way for us to test the waters

and encourage others to get behind what seems to be an important issue. So what we want to do today is to present the idea to the Committee, and if you thought it was worth exploring, we could come back, continue to work with DHCD and others to come up with a more robust program, have guidelines that incorporate those best practices and also the preference of what the Committee would like.

Campos: And just to end real quick, this is meant to be an enhancer and ability that we can actually spur this development that's really needed in these regional areas, and I think that, because of our flexibility, we have that real option at Tobacco to do so. And I think it's something that we can really gain some traction on and hopefully there could be more policies like this. But we think we have a good set before us and we're hoping that the Commission agrees.

Delegate Kilgore: So, Bryan, question: When you spoke, you didn't say anything about rental, but when Stephen spoke, he used the word rental one time. Is this restricted to single-family housing with the intent of people buying them, or is this a more dynamic thing because a lot of folks moving into an area don't know really much about the area, and they want a little time to decide if this is where they want to be or on the other side of the river.

Versen: This short document we have here, it applies to both home ownership and rental properties. So it could support both. And it could be multifamily duplexes. It encourages denser development to help with affordability, but doesn't necessarily restrict single family homes, but it encourages denser, more affordable houses, is what's proposed here.

Senator Ruff: You've probably heard me talk about this at a rural meeting, but we have a real problem in most of our rural counties with teachers coming in. When they don't get the job in the elite places, they come to the rural communities. They don't have any connection there. Unless they want to try to buy a house on the beginning salary, it doesn't work unless they go to Section 8 housing. It doesn't work, and so a lot of times they have to live outside the county just to be able to do it. Could any of this be manipulated to make it more workable for those teachers that are coming in, that we want to become stable parts of the community? But if they're not happy in Section 8 housing, they ain't staying.

Versen: I would just say, with what's presented here, that is possible. And I agree with you, that rental housing seems to be a really important part of the need, particularly for people starting out at these companies, moving to places, rental is a great way to get them in. And I think from an employer's perspective, if I was an employer supporting the housing development, I might be more interested in supporting a rental housing development where my workers receive a benefit from staying there and continuing to work for me.

Ruff: Where schools are not new, you know.

Campos: Senator Ruff, we want to be as adaptable as possible. We want to provide a wide range of options with this. So these ideas are great, and we're still in the structure of trying to provide the best platform.

Morefield: And to add to Senator Ruff's comments, with this being a pilot project, I don't think we want to be too restrictive. If you look here, you've got some ideas on minimum qualifications. I think that if we restricted the eligibility to the major business facility jobs tax credit, we're tying ourselves too much with like VEDP and some of the economic development agencies. We've seen projects throughout Southwest Virginia and I'm sure in Southside Virginia that there are a lot of good projects, but wouldn't necessarily meet the major jobs tax credit. And so we may be tying our hands.

Delegate Marshall: Question. So I and Director Horn serve on something called the Virginia Housing Commission. And so Stephen, they're in the same building that you're in. In fact, they're having a meeting right now, and so they have a research person named Jessica. Elizabeth Palin is the is the

Director of that, so you might want to just go upstairs and talk to them a little bit. But we hired on the Housing Commission a research person, and she deals only in housing, so that is a resource for you.

All right, let me get back to my backyard, Danville and Pittsylvania County. Last year at this time, it was announced that we had 1,000 jobs announced that we didn't have houses for. And so what the City of Danville did in Pittsylvania County and almost regionally, they did a housing summit in '23 and in '22. And since then, we have, here in Danville and Pittsylvania County, we have five developers who have come in to want to build housing. Small projects—one project out of west of Danville is a shopping center, multifamily, single family, etc. The problem, all the developers tell me, they've got the money to build the houses. They don't have the infrastructure costs for the water, the sewer, the natural gas, and the fiber getting it from point A to their spot. The City of Danville doesn't have the money to up-front the money and Pittsylvania County doesn't either. So I think that the developer is buying the land, the developer is going to build the houses, but the infrastructure cost is a hold up here in my backyard. And, like you said before, that could be something that it could almost be a loan that we could loan, Tobacco Commission could loan them the money and we charge extra for the water, sewer, and etcetera, and then we could get paid back over a period of time. Thank you.

Versen: Great. So, to summarize the feedback we received so far. This initially, this is put forward to, is tied specifically to an economic development project, almost as part of the incentive package we're bringing. But what I'm hearing is that maybe it doesn't need to be that specific tied to a specific project, but for the projects to be able to work with teacher housing instead of just the new employee housing and with a greater focus on providing the infrastructure and maybe it could be a loan versus a grant.

Morefield: But leave enough flexibility.

Versen: You know, we absolutely can work that into a revised proposal. The question is: How does the Committee feel about this direction, the development of the pilot, and do you want us to proceed with that development?

Kilgore: I think it's a great opportunity that, the only thing we've got to be aware of, and Director Horn can answer this a lot better than me, we want to make sure that we are meeting whatever guidelines we have to meet for the money as the money goes out the door because, of course, we won't be able to build housing for people who are making what House of Delegates members make, for high income folks, you're not going to provide that housing. And you're right, the 1,500 to 2,500 square-foot housing, we don't have enough of that. And of course, that's a lot cheaper in Southwest for \$250,000. I think we can get one for less than \$250,000, don't you all?

Mr. Blevins: Maybe. They've gone up.

Kilgore: Just be mindful of the fact that we want to keep it to where we are eligible for the money from working with DHCD.

Ms. Cox: I like tying it to an economic development project, but as Delegate Morefield said, maybe it's just not that specific, or maybe if you do a score sheet, that scores higher.

Morefield: Or maybe once it establishes a score, let the staff make the determination of whether they recommend it or not recommend it.

Marshall: You know, economic development, again, back in my backyard, Tyson opened up a facility this year, and I think they got about 300 employees. That's a whole lot different than soon, as Secretary Merrick lands that big fish at Berry Hill, and we're talking about 2,000 employees. Of course, it takes a little bit longer to build a building for 2,000 employees than it does one for 400 employees. So I think we need to be a little bit flexible in this, as far as the developer, the one out near Berry Hill is ready to start moving. If we could get the water/sewer to them. So they are ready to put up their sign, their name on the note to borrow the money to start building this, but only if we got the water/sewer available to them.

Morefield: I think the general consensus is, as long as it's tied to an economic development project, but it's housing related, that we keep it as flexible as possible.

Versen: We'll continue work and come up with the revised proposal and bring this back to the executive committee. Would Incentive and Loans (Committee) be an appropriate place for this to live?

Kilgore: My thought is we'd like to get this out on the street as soon as possible, so whatever we can do to streamline it would be fine with me. Just to try to get it moving. Because there's a lot of demand out there, and we're losing projects right now because, when they look at the housing opportunities and say, "We don't have any place for our employees to live."

Cox: Can it be ready for the May meeting and approval and roll-out?

Campos: That's what we're looking at.

Marshall: One other thing please. Under the incentive structure, the next-to-last bullet point, it says, "New employees must be within 30-minute drive." I think it needs to be a little bit more than that; maybe it needs to be an hour drive. We have people driving an hour now.

Kilgore: You might want to do that. Each of my each of my localities, except Clintwood, are exactly 45 minutes from Gate City.

Morefield: It takes me almost 4 hours from one end of the district to the other. It's about the same distance it takes the drive to Richmond.

Marshall: We might just want to take that off. If you build it, they will come, and hopefully they will. We might want to just take that off, and let the employer and the employee decide how far he wants to drive. We might have to put some charging stations in there so they can charge their electric cars as they're going.

Versen: Thank you for that feedback. Staff will proceed with that guidance.

Morefield: Any other questions? (*None*) Now, onto Personnel, and I would like to go into closed session for that. I move that we convene a closed meeting in accordance with the Virginia Freedom of Information Act. The purpose of this meeting is to discuss a personnel matter. The subject of this meeting is to discuss the position of Acting Executive Director. The applicable exemption from open meeting requirements under the Freedom of Act 2.23711.A.1. Do I have a motion?

Cox: I'll move.

Morefield: Question for Counsel: With the remote participants, how do we address closed session?

Liz Myers: Is there anyone online who would need to exit?

Hannah Franke-Fuller: I was planning to remove them from the meeting and have them call back immediately and wait in the lobby until closed session ends.

Morefield: For the members of the Executive Committee, stay logged in, and we will log everyone else out. And if you don't mind, we'd like just the members of the Executive Committee to stay.

****CLOSED SESSION****

Morefield: As far as the members we've got online, we've got Delegate Marshall and Mr. Shelton. Are you there?

Shelton: Yes.

Marshall: Yes.

Kilgore: Mr. Chairman, I move that we vote and record our certification that, to the best of each Member's knowledge, only public business matters lawfully exempted from open meeting requirements under this chapter and only public business matters that were identified, namely personnel, in the motion by which the closed meeting was convened was heard and discussed or considered in the closed meeting.

Morefield: We have a motion.

Versen: *Conducts roll call vote.*

All respond "yes."

Campos: A quick update here. I had Jerry come on and provide a quick update on energy initiatives and activities throughout the footprint.

Jerry Silva: Thank you, James. Commissioners, I just wanted to give you a quick update. We ran the RFP for the Energy and Ingenuity Fund back in January. We received 17 applications. Of those applications we wined it down to eight proposals that we asked to move forward, and, of those eight proposals, we're waiting to see what comes back in response to the questions we've asked the different applicants. In fact, a couple of them have expressed that they're going to wait until the next round because of just the types of questions that I had asked them to provide. In fact, a couple of them have expressed that they're going to wait till the next round because of just the types of questions that I had asked them to provide. The good news is, we do have some quality applicants, and more of that will be presented during the full Commission. The other thing that came out of this that I thought I'd share is, in rolling the program out, we realized some opportunities that we can utilize with additional stakeholder engagement and possibly more social media exposure. So I'll be sharing more of that in the weeks to come as I prepare a plan for us to consider in all future RFPs that will be rolled out. This way you hear more directly from me as to the initiatives we're rolling out and how to actually go after other industries that are looking to relocate into tobacco footprint. So that's the latest I have. I have worked with the applicants on actually pursuing additional funding with Department of Energy. Vicki and I had a meeting with them yesterday on one of those applicants and provided him potentially other funding mechanisms to offset what we may consider as one of our funding considerations for one applicant. Delegate Marshall, you have your hand up.

Marshall: Yes, I do. What committee is going to hear these applications?

Campos: This Executive Committee never really chose which one it's going to go to.

Marshall: Does this need to be a stand-alone or can it be Incentives and Loans?

Campos: We talked about stand-alone, but that was still in discussion last time we met, and it's yet for this Executive Committee to decide where it's going to go.

Kilgore: Mr. Chairman, it might be good for you to appoint a stand-alone committee to consider because it doesn't really necessarily fit with economic development issues, but it might be something for you to think about between now and the May meeting. Does anybody disagree with that?

Blevins: Mr. Chairman, I think that a stand-alone would probably be more efficient.

Morefield: Are there any show of hands of anyone who might be interested in serving on that committee?

Del. Marshall and Ms. Cox raise their hands.

Morefield: Over the next several days, I'll consult with the staff of the Tobacco Commission and will reach out to individual members to see who may be interested in serving on that committee.

Marshall: For this new stand-alone committee for this energy update, can we get some people from outside who have energy expertise or do we want to keep it in the membership of the board?

Kilgore: The board's going to have to vote to approve them, but to get expertise, I think that's okay. Just to bring folks in to help, would be fine, I think we could do that.

Myers: Yes, they certainly couldn't be voting members on any committee.

Kilgore: They could come in and help us review applicants to see if they economically if it makes sense.

Morefield: I think the more feedback we can get from anyone, if they have expertise in that area, then the better off we are.

Marshall: If you go back a few years when we had the R&D committee, we had put together a group of brainiacs to review these proposals, and I sat in on a couple of those a couple times. Those were people from outside, off the board.

Morefield: We we've got some time from now until the May meeting to maybe give the staff time to determine what direction we could take for the board to adopt and taking recommendations from outside experts, if everyone is in agreement with that.

Versen: So the direction we're heading here is, let's consider forming an energy-specific committee comprised of Commission members with assistance from energy experts to provide guidance on that. We'll come up with what that could look like and present that to the Executive Committee or to the Commission itself at the next meeting.

Morefield: We're not meeting again until the May meeting so I couldn't.

Stephanie Kim: We don't actually have an Executive Committee meeting scheduled for the May meetings. We could squeeze it in somewhere.

Versen: We could maybe even do it remotely given the time constraints of those meetings. We could do it prior to that week.

Morefield: Liz, can we do that remotely?

Myers: Yes. You can do 25% of the meetings (remotely). Beginning on July 1, that's increased to 50%. Look forward to an email from me on that, Stephen.

Kim: Is that by Committee or all the meetings together?

Myers: The general consensus, which has never been upheld by a court or FOIA council, is that committees are individual entities. Committee can have up to 25% of their meetings fully remote, over the course of the year.

Morefield: If everyone is in agreement, we'll just hold a virtual meeting before the full Commission meeting. Any more questions for Jerry? Or Director Campos?

Kilgore: Be thinking of folks you want to put on there to help us, though, so we're not in that meeting trying to think of people. Amanda (Cox), maybe you could help us.

Cox: Maybe Jerry could share some of the focus areas of the application.

Silva: Happy to share. If we're going to look for additional specialists, experts, the area as a whole is running out of electricity. And so you want somebody on the generation side. You want to look at solar, but what the impacts of solar are. So if you're going to look at something, somebody that understands, the energy grid would be of help because it gives a global perspective on all these renewables that areas and cities and counties may be looking at. Another one that you may want to consider is how you want to look at infrastructure and what I call load centers and where all the large energy areas are within the tobacco footprint. I've been doing a pretty good job of trying to collect that information, so I'll share some of that with you during the committee and share with you how there are opportunities to expand beyond this footprint of bringing other energy sources that are looking to expand, whether it's battery storage,

hydrogen hubs, and looking at the green energy component of that. Any of those areas and people in the co-op, because you do have co-ops within the tobacco footprint, and those are excellent types of resources in areas of expertise.

Cox: Jerry, somebody that focuses on RTO, you're saying, for the generation piece?

Silva: Well, with the generation piece, you're looking at everything. You're looking at the independent power producers that are maybe feeding certain systems, and you're looking at the utilities that are feeding part of the system. You got to look at the whole system as a whole.

Cox: But when you're talking about the grid and what we have low capacity, like regional transmission or things like that would be...

Silva: You're looking at the whole system as a whole, which includes not only the utilities, the independent IOUs, the investment-owned utilities, but also the independents as well, as to how they feed the systems. So you're looking at all the balancing of power as one component. You're looking at what the impacts of renewables are in certain areas that can handle it and others can't.

Campos: We may have to look at identifying someone who can help with understanding the load capacity needs for data centers and AI.

Kilgore: Somebody reached out to me about that. We're trying to find sites that are on the PJM. They have to have sites on the PJM, which takes out a lot of Wise County and Lee County because they're not, because of the PJM situation. So we need to be looking at things like that over what the load is.

Cox: That's what I was talking about, RTOs. Regional transmission.

Campos: And someone who obviously understands sites. Such as the great things that we are going to be doing at Berry Hill soon.

Silva: So when someone wants to discuss infrastructure, I'm happy to discuss that. If somebody wants to talk grid resiliency, they'll understand the technical aspects of grid resiliency and everything that goes into that and grid reliability.

Marshall: Delegate Morefield, can I add something? How many bills did we see this past session out of Northern Virginia trying to limit and slow down data centers in Northern Virginia? I think that needs to be a strategy. What could our game plan be to try to have the infrastructure here so we can attract some of those to our part of the state?

Kilgore: I can tell you, Danny, the Governor is already on board on that. He's already reaching out to a lot of the data center community and saying that they can come to Southwest and South side. I got a few people, but we want them there.

Marshall: Not a lot of jobs, but a lot of pay and a lot of tax base.

Morefield: No further questions. Now we'll go on to the VSBFA updates with Director Campos.

Campos: I'm going to start this off and then Stephen will also provide some insight on this. So as you probably know, there was a time when I first came on board January 6th of 2023, when we were talking about not continuing the loan program as is because we had no true back-of-the-house infrastructure at Tobacco. We got together not too long ago with Joe Shearin in Commerce and Trade, and we came up with a structure in which they do the underwriting, they do all the credit checks, they do the back-of-the-house, which now allows us to actually lend money at a very competitive rate that doesn't exist right now. The lowest you can get for a commercial loan at the moment is 8, 8.25, maybe, and we can do a lot better with our funds. But we cannot compete against the local banks, either, and do things in coordination and in combination with the banks that will lower their interest rates take a second on these loans, but there's a lot of neat things which we could do. But again, this is for the purpose of both providing monies back to

the Commission, but also provide that opportunity that otherwise wouldn't exist in this marketplace. Right now the loans are very high. It stifles business development; it stifles growth in general. If we can provide these loans at this rate, I think we can do a lot of good within the tobacco regions. So that's where it came from. I pushed for this and Stephen came along and worked on this really hard. And we got a good plan going forward with Joe Shearin. So that's the genesis of this, but again, it's about economic development, and it's about providing these opportunities that don't exist at the moment because of the high interest rates.

Versen: I want to provide a brief update of some good news that this program is real, an MOU between our organization and VSBFA has been signed by the Director, so it's an official ongoing program. And just on Friday, we awarded the very first loan from this program to Grayson Natural Meats in Independence, Virginia. They make meat sticks, and they have the contract to supply the military with meat sticks. So any US soldier anywhere in the world that opens up an MRE with a meat stick in it, it's come from Independence, Virginia. Because there's been a real surge in demand for meat sticks because of activities going on around the world, and there's been a real surge in beef prices, and a great cash flow need for the organization. One of the reasons this loan fund was set up was to provide this type of working capital to these types of businesses that are going to benefit in our regions, both through jobs and investment, but also through supporting our producers. So we worked close with VSBFA went through the full lending process and were able to, on their recommendation, award a loan of \$600,000 to support their working capital needs. We're very, very pleased and got a lot of really positive feedback from both the VSBFA and the company, so it's also a great start.

Campos: And just for everyone's edification, real quick, and Commissioner Blevins, you and I talked about in the last Commission hearing and all of us probably one point. It's right now a beta test of sort. We have 10 million, but altogether we have 34 million. So hopefully this works really well. And again, this is about creating that opportunity for both the localities, but also for the Commission.

Morefield: One thing that we discussed prior meeting was the complexity of applicants applying through VRA, and then, once they're awarded a loan, the cost incurred is very costly for them. I've had several reach out to me that have applied and been awarded loans from the Tobacco Commission, but just the cost to maintain those loans is extremely expensive. And so I think this is moving in the right direction. I'm just curious about the turn-around time from the time they applied until they were made the recommendation to make the award. How quick was that?

Versen: Ten days. What I have found so exciting is the turn-around time from when we identified the need from this company to the time that we have a program to support them was six months. And, having spent a career in state economic development, I've never seen something move so fast, and it makes me so glad to be working with the Commission, to be able to do these really good things in a time-frame that matters for our businesses.

Campos: And I'll throw a caveat in this, it's something I spoke about to a few of you, and that is: right now, these are focused on larger 500-plus, but we can do more micro approach where sometimes banks are not going to touch 50,000 or less, and we're able to do that and really make a difference. It's about making a difference in these localities, and that's something that we're going to explore as well.

Versen: So in addition to this one loan, we're making good progress on a second loan. I talked with VSBFA's loan rep today. We're working with the Brunswick County IDA. As you know the Commission and VDACS and local organizations supported the development of a produce processing facility in Brunswick County to help Old Dominion Organic Growers. The project has been hung up because it was priced out before COVID and now costs four times as much. And they've gotten more grant funds, but it's still a little short, in fact about \$2 million short, and have had trouble, because of the structure of it, getting that loan. But it looks we're looking forward to having a recommendation from VSBFA for a \$2,000,000 loan to

support the Brunswick County IDA to allow them to move forward with that. The farmers who would be benefiting using that facility have essentially agreed to have a lease to pay that extra note, and our fund will be secured by the building and the assets, so it seems like a really good opportunity for us to support them.

Campos: I'll add on one more thing. This is not even including the combination of what we can do with the new foundation and how we can migrate the opportunities, but also with matching funds from the federal government as well, especially the Department of Energy at the moment, four-to-one matching funds. So we're really looking at some innovative ways to bring more money to the regions.

Versen: One more thing about the poultry co-op. There was a good article in the Richmond Times-Dispatch about the former Tysons growers now getting into the free range egg business, able to keep farming. The Commission supported them in a really important way at our last meeting, and we and VSBFA have been in discussions with First Citizens Bank, who's the lender for the co-op, potentially being able to provide some additional lending assistance for that organization. So anyway it seems to be a really effective tool to help support a lot of companies operating in the footprint doing good things. I was wanting to share those positive updates. I did have a question for the Committee.

I wanted your guidance on a situation. There is a large meat processor in Lynchburg, Seven Hills Meats, and they buy cattle from all over Virginia. Like a lot of these large cattle processors, they are dealing with cash-flow issues because the farmer wants to get paid now and Kroger doesn't want to pay for 120 days. And they would be interested in pursuing a loan. So the question is: Would the Commission potentially be supportive of a loan to a company in Lynchburg, outside the footprint, with the caveat requirement that all the funds are used to buy cattle from the Tobacco Commission footprint?

Delegate Garrett: I'm not officially on the Executive Committee, but I feel like it's a slippery slope, given that money is fungible. I'm sympathetic to the circumstance that Seven Hills Meats finds themselves in, but if it's Seven Hills Meats today, who in Fairfax will it be tomorrow?

Stephen: We would approve each one.

Garrett: But money is fungible, right? So I can always say, well, all of this money's going to buy cattle from inside the footprint. I don't like the precedent and that's it. I'm done.

Kilgore: There's been a lot of people looking at our money to see how they can spend it outside the footprint, and we've been very protective of not spending outside the footprint. And I understand the situation, and they probably do buy most of their cattle from Campbell County or Appomattox or the area. , I'm sure they don't buy them from Lynchburg.

Blevins: I would comment, Mr. Chair, I think it would be virtually impossible to monitor the sourcing of those cattle.

Versen: Okay, that's the feedback I needed. Thank you.

Shelton: On a note on that, if you remember about a year to a year and a half ago, we did pass out of the Southern Committee a program to help up-front cost share, basically giving them a boost, and the Buckingham Group sponsored it. I also sit on the Virginia Cattle Industry Board, which the new \$0.50-per-head state assessment on each head of cattle sold. They came to that for the match basically to get that program off the ground, and by statute of what we were enabled from the Code of what that assessment was, we weren't even allowed basically to vote on it or consider it because, when it went back to that deal, the issues of the policing and the monitoring, and it was a situation that, instead of being a reimbursement, it was going to have to be cost up-front, and then somebody had to monitor to make sure it was right coming back. And Seven Hills, they're trying to do a good job over there, but that's a slippery slope. I would say from the general cattle industry in Virginia, that's probably something we don't need to step in.

Versen: That's it for that update.

Morefield: Now we will go into closed session for a special project discussion. We have a motion and staff can stay in on this. Before you make that motion, I would like to go ahead and appoint Delegate Garrett as Vice-Chairman of the Southern Virginia Committee and a member of the Executive Committee, and I would like to appoint Senator Ruff as Vice-Chairman of the Strategic Planning Committee and a member of the Executive Committee.

Cox: Chairman, I move that we go into a closed session meeting in accordance with the Virginia Freedom of Information Act. The purpose of this closed session is to discuss a prospective business or industry, or the expansion of an existing business or industry, where no previous announcement has been made of the business's or industry's interest in locating or expanding its facilities in the community. The subject of this closed session is for the Executive Community to be briefed on an economic development project considering locating in the region. The applicable exemption from open meeting requirements and the Freedom of Information Act is 2.2-3711 A39.

Morefield: WE have a motion to go into closed session. All in favor, say "aye."

All said "aye."

****CLOSED SESSION****

Cox: I move that we vote on and record our certification that, to the best of each member's knowledge, only public business matters lawfully exempted from open meeting requirements, and only such public business matters as were identified in the motion by which the closed meeting was convened, were heard, discussed, or considered in the closed meeting.

Versen: *Conducts roll call vote.*

All respond "aye."

Morefield: So we're now out of closed session and now on to a foundation creation update from Stephanie.

Kim: The subcommittee that was appointed, which is made up of Delegate Kilgore, Gretchen Clark, and Delegate Marshall, has put together as of this morning a slate of trustees that will be included in the articles of incorporation, which are in your packet. We have sent out the draft bylaws and the articles of incorporation and included in those articles on the second page is a list of the recommendations of that subcommittee for who will be the initial nine trustees of the Foundation of the Advancement of Southern and Southwest Virginia. The recommendation is that the ex officio member designee will be Delegate Marshall, the ex officio staff designee would be the Executive Director James Campos, and then the additional people would be Don Merricks, Shannon Blevins, Becky Coleman, Ed Owens, Jeff Haley, Butch Hamlet, and Amanda Pillion. The Commission delegated authority to this Committee to approve the documents and the trustees. And once you approve these, these will go to legal counsel. They will start by the filings to get the articles of incorporation filed and the foundation established.

Kilgore: We had legal counsel present, and we went back and forth on a lot of issues as it relates to membership and terms and that nature. So we did have three or four discussions. I want to thank that Stephanie and Stephen keeping the pressure on all of us to do what we're supposed to do, so we really appreciate that. But it is a good opportunity for us to be able to go out and raise other dollars to help our region. But it's hard to find people who want to commit to this time. The ones that are on one year are the ones that have said, "Hey, let's let let's do it one year and then we'll see if we (*inaudible*)."

Morefield: We brought this up before. We can always say this will never happen, but never say never because it has happened. In the event the foundation were to go rogue, what recourse does the Commission have?

Kim: We are not putting money into that organization unless they, say if the foundation received a grant and applied for matching funds from the Commission, they would be obligated, just like all of our grantees, by a legal grant agreement about what they have to do to meet the requirements of the Commission, to not have the money clawed back. So that's the Commission's control over the foundation. Any money that it decides to give, the Commission has control over that and can enforce those legal grant agreements. That is correct that you can't control the Board of Trustees. After this initial appointment, the foundation will appoint its own board. We went back and forth with legal counsel about control. We have to ensure that the foundation, a quorum of the foundation, is not controlled by the majority of majority of the Commission. So that came down to two people, which would be one Commission designee and one staff designee. So at this point, Commission staff would be staffing that foundation, so hopefully there wouldn't be a real way for them to go rogue.

Kilgore: We tried to put people on there who had some knowledge of the Tobacco Commission or, like Ed Owens, he was here a long time, and Don Merricks was here for a while. We had the same questions.

Morefield: There are plenty of examples of foundations going rogue. And , it might be fine now. But in 10 years, it could be a different situation. And so what I don't want to see is us providing large lump sums of money to the foundation where they're able to accumulate significant sums of Tobacco Commission money and then endowments and so forth, and then all of a sudden, they're not considering our advice and so forth. So I think if we could do it, if we fund them on a project by project basis.

Kim: That's how it's currently set up to be a private nonprofit, you can apply for funds from the Commission, just like any other nonprofit.

Morefield: And then once they apply for them, we can either approve or deny our portion of the funding.

Ruff: No offense to this group, but supposing Senator Pillion is one of those that's selected by the Rules Committee to serve on the Tobacco Commission.

Myers: Senator Ruff, is your concern that there is a husband and spouse (*i.e., if Senator Pillion was on the Commission and Amanda Pillion was on the Foundation Board*)?

Ruff: Yes.

Myers: There certainly is an appearance there.

Kilgore: If that happens, then I think Amanda (Pillion) would withdraw, and we would just put somebody else on here.

Ruff: That (appointment) would happen before our full board meeting.

Kim: We have a potential back-up. So if this is approved by you, we would tell legal counsel to go forth and start filing. This does not actually need to go to the Commission. It is the executive Committee that has been delegated authority to approve the documents, so if you want us to wait until we have senate appointments.

Ruff: I think, since they'll come out this week, it's probably a good idea.

Kim: OK, we can do that.

Ruff: Another point is that, and I'm sure that these were boilerplate proposals, but it said that the meetings of that board of trustees could be inside or outside the Commonwealth of Virginia. I see no value in us sending people to the Bahamas so they can meet.

Kim: I know we had said that they could meet virtually. The plan was to meet four times a year, three of which would be virtual meetings. So I guess you could be anywhere.

Ruff: It's on Page 3. It says, "within or without." Just to take out the "or without."

Kim: This is for the bylaws.

Garrett: That wouldn't prohibit the member from being off site and the virtual meeting. It would just mean that the genesis of the meeting, the origin location was inside the Commonwealth.

Kim: Otherwise, we would need a motion that we would hold these until the Senate appointments, and if we need to change this slate, I think the Executive Committee is planning another meeting, right? We have approved, I think it was initially \$1,000, which was basically the start-up of the legal fees and the filings and the grant writer contract.

Morefield: We have a motion.

Cox: Chairman, I move that the Executive Committee approve the Articles of Incorporation, Bylaws, and slate of initial trustees developed by Commissioners Clark, Kilgore, and Marshall, as presented today, as amended.

Morefield: We have a motion to approve as amended. Second? (*Garrett nods.*) All in favor, say aye. (*All respond "aye."*) Opposed? (*None*)

Myers: They mentioned legal counsel. That is counsel doing work for setting up the foundation. That is not counsel to the Commission.

Kim: The counsel for the creation of the foundation will be paid by the foundation.

Morefield: Now on to the proposed fiscal year 2025 budget. Stephanie?

Kim: I just wanted to give you some background information about historical our net awards have been over the last five years. This year through quarter three is a little higher and that is that \$25 million loan that we approved. Maybe this meeting. So if that materializes, that will go back in the pot and be available. And the next thing you can see the cash disbursements, they have been going down, and that is mostly because our grants have been going down, and they take three to five years to disburse. So it just follows along, as our grants go down our reimbursements will go down. For total assets, so you can have an idea of what we have in the endowment and the fund and then loans receivable, if you recall, last year we did not invade the corpus at all, so it maintained at the same amount. We have an endowment book value of \$122,000,000 and the fund is at \$223 million. We do have some loans receivable, about 10.4 million. And you can see from this pie chart of the amount that's in the fund, not including the endowment, and we have restricted funds and unrestricted funds. Those that are obligated, and then you have some that are unobligated. So these are generally sitting in the various funds, programs that we offer and that are available for funding. We are about to do the May meeting where we will make some awards, so some of those will go down. That's an earnings from Treasury from March 2023 to February 2024; they have not finalized the interest earnings for end of February, but it is estimated to be about \$4.3 million that will be transferred to the Commission before the end of the fiscal year and is used to fund our FY25 budget. And the general account earns a little bit of interest, \$173,000. So in the endowment, our current book value balance is \$122.1 million. We're recommending in this budget to invade the corpus 15%, although we're suggesting not necessarily budgeting the full 15%. So this is basically an accounting entry where you move it from endowment to fund; it stays at the Treasury, it stays invested, and basically we will allocate a portion of that to the FY25 budget and have the rest in reserve, so that if some big project were to come along, we can access it because we are restricted to 15% corpus invasion in a given year. So we'll take the 15% out and not allocate all of it. And the interest earnings accrued through February 2024 will be transferred out this coming June. So the proposed FY25 budget, sources of funds

are \$16.8 million. We're taking some of that from the corpus invasion with \$2.8 million in carry forward. Generally speaking, those are where things were de-obligated and cost codes we no longer have like special projects if there's a grant project that gets de-obligated. And then we're also proposing transferring \$3.5 million from the lending program fund balance to also fund some of the programs. And the use of funds: \$12 million – we're suggesting half for each region for economic revitalization; \$2.2 million for workforce financial aid; \$2 million for the economic development housing pilot project that we discussed earlier; and \$1.5 million for agribusiness. Even though we have always been awarding for agribusiness, with the focus now on the agribusiness program, we wanted to separate it out again so that we could specifically see the agribusiness funding. And if you notice, there's no competitive education funding proposed here; that is because we're about to de-obligate about \$4.4 million in competitive education from the loan forgiveness work incentive funds that we had funded a number of years ago. It's been winding down, and now actually we had a back-end payment for the loan forgiveness program, (if they) came back to work, we would give them a payment at the end. But all of those people have graduated, offer letters expired, so now we're taking that balance, and we'll move it back into education, so there will be funding for education. I don't know if you wanted to mention about the economic revitalization funding we're doing differently this year.

Morefield: I apologize. On the education we had mentioned a while back, potentially looking at, right now there's a need for large animal veterinarians, not only in Southwest but in Southern Virginia. And so would we be able to incorporate that in the agribusiness, or could we do that through the Southwest and Southern committees?

Kim: Hopefully any of the above. It could probably fit into education; it could fit into Southwest. I think you'd probably work with Vicki in determining where's the most appropriate place to apply

Morefield: There's a study passed during this session to review the need for them, but sometimes you don't really need a study.

Kim: Are they offering scholarships for people to go to vet school?

Morefield: We need to figure out if what type of program the Commission we could offer to help attract large animal veterinarians. There's a dire need for them, and I think if we could go ahead and establish some program.

Versen: I was at that meeting Monday. The study is a two-year study. We had an initial conversation with Martha Moore from Farm Bureau about one idea where there seem to be an interest in a central facility where people could bring the animals to. One of the things that discourages a lot of large animal vets from getting, one of the reasons they leave the industry is the hours and having to travel so much, and for a centralized facility, potentially a cooperative, that's working together from a centralized facility to serve that area...

Garrett: Is there any way to set up parameters for: you will practice this percentage of this type of veterinary practice for this many years for a loan forgiveness program. It's not a two-year-from-now need; it's a yesterday need.

Morefield: It's right now, and I could see a scenario where a centralized area for larger operations that, like he said, you've got to have the doctors going on the farm. We could look at a loan forgiveness program, but if you really want to attract those, especially the younger veterinarians, to an area that they typically may not be attracted to, maybe in the form of direct consent of payments would be attractive. Because there are programs all around the country that offer loan forgiveness programs. But if you're a doctor that's been practicing for a while and you're 30 years old, and you're looking at moving, and the incentive program may not be an issue; a loan incentive may not be an option for you, but if we could provide some financial incentive that may attract them to the area.

Cox: We talked about the talent attraction program...

Kim: Vicki has been working with the new Workforce Development Agency who is also looking at talent attraction across the state. So we haven't proposed anything because we're working in tandem with them, and they haven't put anything together yet. It could be similar to our previous talent attraction program where if you come to the area of the tobacco region, and you work as a large animal vet, we would pay you some incentive to do that for each year that you worked, or something like that.

Morefield: And you could partner with the localities. We have some localities right now, they're looking at pilot projects for housing where if you work in one profession or another and you move here, we'll provided housing. That could be an additional incentive for large animal veterinarians.

Ruff: It's a good noble thought. Back when we were talking about doctors for people. When you start talking about getting into the money game, the richer communities can buy them away from us at the drop of a hat. So you may get them to come and stay for a couple of years, but then Chesterfield County is going to hire somebody away just because

Morefield: Well, maybe we put a minimum time-frame on their commitment. I don't think we can compete on the medical side as far as physicians dealing with people. , you've got OBGYNs in California that are making \$700,000 or \$800,000 a year, and where we've got our OBGYNs in Southwest that are on call 24/7 making \$220,000 to \$250,000 a year. But I think in the realm of veterinary medicine and the need, and we still have a number of larger and small cattle operations in the area, and now we have the meat processing facility that's opening up in Tazewell. And so that's going to provide greater access for local farmers as well. So I think if we wait two years for the results of this study, that's going to be too late.

Blevins: Chairman, I would add that I think quality of life is as much an obstacle for large animal vets because in the rural areas, because they work 24/7. Maybe a central approach could serve a purpose to help eliminate some of that, to allow them to have a more balanced work and family life.

Versen: They said 75% of them the business after five years.

Blevins: They're worn out. If you're eating peanut butter crackers and drinking a Pepsi and on the road 20 hours a day, your body won't stand that but so long.

Shelton: I just want to add and, Ed, just to follow up on what you're saying. When you really get out and you look at what's coming out of Virginia Tech and then I'm not really familiar with what's coming out of Lincoln Memorial, the numbers they're putting out and whatnot, but we're really not seeing an overall shortage in the incentive for kids to go to veterinary school. But it's an age gap in this large animal thing, and it goes back to what Ed's talking about in the lifestyle. If you draw a line at somewhere around 50 years old, a percentage older than that, you got a fair amount that are doing large animal practice, but it's very slim in that younger class because they've just figured out it's a much easier lifestyle. It's a much more scheduled lifestyle, and it's probably a little more lucrative to just work on cats and dogs. What we're seeing though is it's a great career, no doubt about this doctor status, but a lot of these kids are coming out and going straight to work and they're not they're not making a huge amount of money. You get in these rural areas, and you have an established clinic of someone that has put down roots, they have a family, that's the reason they're staying in these rural areas. But the vet is getting close to retirement age, so everything is slowing down. I think giving the established veterinarians with the established clinics incentive to subsidize hiring these younger people might be the way to draw them in, to go with somewhere. I think if you want to get them in, instead of just trying to bring people in cold, you need to work with some of these established clinics in these rural agricultural areas. But give them some incentive to up the ante and to hire some of these younger folks and basically apprentice them into this large animal career with enough pay to entice them.

Morefield: We have another member who has to go to a meeting, and after that member leaves, we won't have a voting quorum but if no one else has any other comments or any questions.

Garrett: I think that was an excellent idea and one that I don't want to lose as the meeting shuts down.

Versen: I think there was a thought that having the funding identified would make sure it would be a priority, but what do we do if a good project comes through in agribusiness that is in excess of that? Would it be possible to move that back into the Southern and Southwest where the amount awarded could be change based on the project coming forward?

Kim: I don't think that the large vet thing needs to be determined right now. Agribusiness is still agribusiness, separate line item. We can decide where it goes later.

Morefield: We've got some time to figure that out. I think the Tobacco Commission is probably the only organization within the in the state that could address this head on sooner than later.

Kim: The administrative budget is \$2.64 million; currently the administrative budget is funding 75% of the Executive Director salary. It increased due to the Southwest Higher Ed loan administrative costs being moved into administration and that's the main increases. So if we're doing something different with the Executive Director salary, it's not reflected in this budget. And then the only other difference is, you can see the program areas. What we're suggesting for the FY25 budget and the carry forward, you can see how much is available, the ones with asterisks are ones that will have awards made in May. And so the motions that we need from you, or recommendations to the full Commission to approve either an MOU with the Secretary of Commerce and Trade or funding for the Executive Director or whatever we're doing there, and then approve a corpus invasion of 15% in the current year to fund the next year's budget and to adopt the FY25 budget as presented or as amended.

Morefield: So do I have a motion to accept all these?

Kim: I need specifics on what we're funding. Are we funding what's in the budget now, which is 75% of the Executive Director's salary?

Morefield: If I'm not mistaken, the Full Commission doesn't necessarily have to take the recommendation of the Executive Committee. So we could move forward on what staff is suggesting today and at the meeting in May if there needs to be any amendment, we can make that amendment.

Ruff: I move that all three of those recommendations be approved as presented today.

Cox: Second.

Morefield: We have a motion to approve and a second. All in favor say aye.

All respond "aye."

Morefield: All opposed. (None) OK.

Versen: The upcoming meetings, we've got one coming up this fall, and we wanted to get a date and location approved by the Commission, so we can plan appropriately for it. September is the traditional time, and the third week is often when it has been done. The fall meeting has been held in the Southside. Sarah Capps has suggested Martinsville. The best date for the January meeting is January 7-8, 2025. This will be held in Richmond. We will plan a 25th anniversary celebration for this meeting. We would like to set 2025 meeting dates in advance; we'll propose some dates at the May meetings.

Staff will follow up with Commissioners on the best dates for September.

Other Business

Versen: Because one of the things we've been talking about here is undertaking a more robust strategic planning process for this upcoming plan, I have had a couple of initial conversations with Virginia Tech's

Office of Economic Development and Planning that does this type of work. I'm going to be getting an initial proposal, and I will probably be meeting with him Thursday, finding the coming weeks for what that could look like, and I was hoping, once the strategic Planning Committee was formed, we could begin the process of talking about what the plan would encompass. So that's an FYI to all of you all wanted to add on to everyone.

Campos: I wanted to add on, as you all know, we're going to meet soon, next month. We chose Lee County. We've never been there in the existence of Tobacco, and next time, we're going hopefully to choose a location on the Southside that we've also never been to. I want to make sure that we're reaching out to our stakeholders and constituency correctly, and I want to make sure that we're adhering to the spirit of why this Commission originally started and getting out to all those particular nooks and crannies of other regions. So we're going to go out there. It'll be a little windshield time for some folks coming from Richmond, but I'm looking forward to it personally and I'm looking forward to hearing all the great ideas and getting some funds on the streets and hopefully passing some new initiatives. But thank you. And also onto Stephen's comments about the strategic plan. This is something that Andrew and I talked about when I first came on board, and we wanted to make sure we had a full complement of staff involved, everyone here involved, Senator Ruff, and do something that is very proactive and moving forward with the Commission.

Versen: We are undergoing an email migration here. Stephanie Kim has been leading the effort of moving away from VITA. There will be significant cost savings over the years resulting from this change.

Morefield: No further questions. Thank you all. Meeting adjourned.