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TOBACCO REGION REVITALIZATION COMMISSION

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

TROF COMMITTEE MEETING

Wednesday, January 3, 2018
9:00 o'clock a.m.

Homewood Suites
Richmond, Virginia 23219

CRANE-SNEAD & ASSOCIATES, INC.
4914 Fitzhugh Avenue, Suite 203
Richmond, Virginia 23230
Tel No. (804) 355-4335
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1 APPEARANCES:

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3 THE TROF COMMITTEE:

4 The Honorable Frank M. Ruff, Vice Chairman

5 The Honorable Daniel W. Marshall, III

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7 COMMISSION STAFF:

8 Mr. Evan Feinman, Executive Director

9 Mr. Christopher E. Piper, Deputy Director

10 Mr. Timothy S. Pfohl, Grants Program Administration Director

11 Ms. Stephanie S. Kim, Director of Finance

12 Ms. Sarah K. Capps, Grants Program Administrator -

13 Southside Virginia

14 Ms. Stacey Richardson, Administrative Supervisor

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16 COUNSEL FOR THE COMMISSION:

17 Ms. Elizabeth B. Myers, Assistant Attorney General

18 Richmond, Virginia 23219

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1 January 3, 2018

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3 SENATOR RUFF: I'll call the meeting to order. Would
4 you call the roll, Mr. Feinman.

5 MR. FEINMAN: Delegate Kilgore. (No response).
6 Delegate Marshall.

7 DELEGATE MARSHALL: Here.

8 MR. FEINMAN: Senator Ruff.

9 SENATOR RUFF: Here.

10 MR. FEINMAN: You have the smallest quorum that
11 could be had.

12 Do we have a motion to approve the minutes?

13 SENATOR RUFF: So moved.

14 DELEGATE MARSHALL: Second.

15 MR. FEINMAN: The minutes are approved.

16 SENATOR RUFF: All right, Chris, do you want to lead
17 the discussion?

18 MR. PIPER: Yes, sir, thank you. We've had some
19 minor changes to the policy, and that should be in front of you.
20 At the bottom of the very first page, where we talk about the
21 references to loans that will expire on June 30, 2017 or did,
22 therefore, allowing the loans for TROF to continue indefinitely.

23 Then if you move to the third page, and at the bottom
24 of your copy. Last year, the Executive Committee approved the
25 Executive Director overriding the million-dollar requirement for

1 private capital investment. We decided to pull that requirement
2 out entirely. Then there's some minor changes to the second
3 bullet there. And the big one, and the third one is a big change.
4 And originally the Commission had allowed TROFs up to 150
5 percent of the calculated award amount, and this allowed a
6 company or a locality to request a TROF. The award would be,
7 let's say, \$50,000, and they could also incentivize that loan grant
8 up to \$25,000, a 150 percent of the total award, and the
9 \$25,000 would be a loan.

10 We have found that the Loan Program has been very
11 successful when it comes to the TROF. We have in just the last
12 year since we approved the agreement that we put in place we
13 had six successful TROF loans go through. Companies are
14 excited and localities are excited about the use of it.

15 So, we wanted to suggest something up to a 100
16 percent, and that means if a grant calculated award was
17 \$50,000, we would grant a loan for up to \$50,000 to incentivize
18 that grant.

19 The last bullet point is we find that we do not want to
20 disallow in a single year to a single locality.

21 Moving on to page 3. This addresses a concern
22 Delegate Marshall brought up a few months ago regarding TROFs
23 being awarded to folks that are not bringing in new capital, as
24 well, to the region. We thought we would address that by saying
25 a priority is given to projects which bring in new inflows of capital

1 into the region. Examples of projects which may not be
2 considered for an award include, but are not limited to, retail,
3 sales, food service, and car washes. We believe that should
4 cover it, but we're open to suggestions and discussions. And
5 that's all of the changes we had to the policy at this time.

6 DELEGATE MARSHALL: Car washes or car dealers.

7 MR. PIPER: My assumption was that retail covers the
8 car washes and car dealerships. If we need to be more specific
9 we can to include car dealerships, but we wanted to give a full
10 round of flavor of the service and other options that would come
11 in. We tend to agree that any chance we approve a TROF for
12 bringing in new inflow of funds or capital is where the priority is.

13 SENATOR RUFF: One of the issues that's kind of a red
14 flag to me is medical services. We are underserved in a lot of
15 cases, but the question is getting into medical care and create
16 competition for that. The question is if you're getting medical
17 care from one place and you create competition for that place,
18 you can't enhance the economy, did you look at that?

19 DELEGATE MARSHALL: We had two of them that
20 came before us that was a red flag, and one was a car dealership
21 that moved from one side of the county to the other side of the
22 county. Different localities might do that, but it brings in some
23 new cash flow into that area. One was a medical facility, I think
24 that was a laser eye care center. So, the question is how much
25 new capital does that bring in, but I hear what you're saying,

1 Frank.

2 My thought is, Frank, maybe we need to have some
3 type of percentage there, how much is cash flow that's generated
4 locally and how much cash flow, parts, and services that they
5 would sell outside of an MSA that could be brought back into that
6 locality.

7 MR. PIPER: Currently, we had prior to calculating the
8 incentive award for their next, so we looked into any areas that
9 bring in new wind flows of capital, like manufacturing or
10 distributors and things of that nature, something like medical
11 services. A medical facility that is a care to patient, the incentive
12 would be quite a bit less. We did a manufacturing facility, and
13 you know we looked at an eye care center. One was \$50,000,
14 and the eye care was \$35,000. In that case, we're incentivizing
15 a new inflow of capital at a higher rate than we are others. I
16 think with this new policy, we would probably wouldn't accept a
17 medical care facility of that kind because it's not bringing in the
18 new capital.

19 MR. FEINMAN: Those sort of projects coming in an
20 unanticipated outcome of our threshold for TROF. Previously, we
21 had to say no to a couple of pretty good small manufacturers
22 where they didn't hit their minimum numbers, so we said all
23 right, pull that out so we can get the new good projects in. So,
24 what happened, there was some other stuff.

25 Now, with the updates, this language approved by the

1 Committee on your page 3 there, that should be enough for staff
2 to point to and say and we've heard the view of the Committee
3 and that would give us something to hang our hat on at least in
4 saying we can't do a TROF for that sort of project.

5 SENATOR RUFF: Not to beat a dead horse, but if you
6 look at North Carolina, for example, an orthopedic group, and if
7 you go on the website here and here and they're not staffing
8 those in each case, but what they're doing is that they moving,
9 like they'll send somebody from Raleigh to Oxford one or two
10 days a week. My concern is we're not really gaining true income
11 that way, just shipping other people for a couple of days.

12 DELEGATE MARSHALL: Frank, in that case, the
13 customer, I would think, would be in that geographic area.
14 Somebody is not traveling from West Virginia. Would you agree
15 that the majority of those customers are local?

16 SENATOR RUFF: They are, and I think we ought to try
17 to help medical if we can and we might have a loan option.

18 DELEGATE MARSHALL: Just as an aside, the COPN bill
19 is somewhat of a hindrance to this all along. There's a local dock
20 in my area, and the house chair said that he wants to receive in
21 2018 standalone COPN bills. I think COPN has been part of the
22 problem in reducing the competition. Free enterprise might
23 work.

24 MR. FEINMAN: If the Committee is interested, one
25 option before you is to say TROF grants and loans will be

1 available to high priority businesses, whereas only TROF loans
2 would be available to low priority businesses. Let's say the car
3 dealer or the eye doctor and if somebody wanted to open up a
4 huge retail store, we'll offer you a low interest loan, that's it. So,
5 they have some capital, but we get all that money back.

6 SENATOR RUFF: I don't know about the retail end of
7 it. Medicine, I see is a little bit different because of Medicaid and
8 Medicare drives so much, and then you take in doctors and
9 healthcare providers and the rural communities are always in the
10 process of recruiting, always the cost has got to be considered.

11 MR. MARSHALL: The hospital that closed in Patrick, if
12 somebody just buys that hospital, I think Lee County has
13 purchased, but I'm not sure about Patrick. Don't you think we're
14 going to see a TROF request from them, and that could be a big
15 number?

16 MR. FEINMAN: It could be, but the question there,
17 Senator Ruff, is to the extent you've got Medicare and Medicaid
18 population using those services, that's a fairly broad capital
19 inflow of federal dollars coming in, and that affects the doctors
20 and hospital administrators, and that stays in the region. We're
21 happy to take guidance from you all. I think right now that's a
22 new avenue for capital inflow.

23 MS. CAPPS: Patrick County was identified as 250
24 based on the previous numbers.

25 SENATOR RUFF: Would you repeat that?

1 MS. CAPPS: Patrick County, we provided the
2 Economic Development Office with an estimate for a TROF using
3 the employment numbers from the previous hospital, and as I
4 recall, the TROF estimate was around \$230,000 or maybe
5 \$250,000.

6 DELEGATE MARSHALL: When did they request that?

7 MS. CAPPS: Three months ago.

8 MR. FEINMAN: Presumably they're shopping.

9 SENATOR RUFF: To me, that would seem a
10 reasonable situation because without that, the community will be
11 hurting and money will be going south to Carolina, and I think
12 that's a reasonable situation.

13 DELEGATE MARSHALL: Especially for Economic
14 Development, and if you take the hospital out, that's going to
15 reflect the quality of life for businesses and manufacturers and
16 whatever else is there, and the workers have to have healthcare.

17 Now, when you do the TROF, you have to have so
18 many employees and do that over three years. Maybe we should
19 extend the healthcare, do a longer time, like maybe five years.

20 MR. FEINMAN: They can always come back to the
21 Executive Director for a one-year extension and second to the
22 Commission for approval or this Committee. We found that
23 people having this milestone, particularly at 18 months, we
24 haven't had many complaints that our time period is too short.

25 DELEGATE MARSHALL: I was just trying to make it a

1 little bit longer concerning the incentive.

2 SENATOR RUFF: Do you know where the dividing line
3 is?

4 MR. FEINMAN: Let me take a crack at it, Mr.
5 Chairman, and perhaps find some language that we can use to
6 put into this paragraph. The priority needs to be on projects that
7 bring in new inflows of capital to include healthcare projects that
8 are of community-wide economic significance, but not to include
9 projects like retail, food service, et cetera. Does that capture the
10 sense of the Committee?

11 DELEGATE MARSHALL: I think so, email it to us and
12 we'll bring it up in the Executive Committee.

13 SENATOR RUFF: You could add after medical proven
14 need, something like that. I think there's a difference between
15 hospital and service and the community optional operational use.

16 MR. PIPER: Of course, we will continue that prior to
17 awarding final approval. We'll send you a copy so you can look it
18 over. It's a great benefit to us to have your comments prior to
19 approval, and we'll continue to fine tune this thing.

20 SENATOR RUFF: Did the -- commit to anybody living
21 in the community, or was that not a question?

22 MR. PIPER: This was a local ophthalmologist that had
23 moved into the area and committed to hiring nine or twelve
24 people. There was not an ophthalmologist within 60 miles.
25 There was an eye doctor in the area, but when it came to

1 surgery, they were sending people way out of town.

2 MR. FEINMAN: For all of our TROFs there has to be to
3 stay in local employment.

4 MR. PIPER: At the end of the three years, checked
5 with VEC and insure we have full-time employment looking at the
6 numbers that they had promised.

7 SENATOR RUFF: Well, he had already moved here, so
8 he couldn't include himself. Was he anticipating moving?

9 MR. PIPER: My understanding was that he was
10 moving into the area and purchasing a building and renting out
11 part of that building, and then the idea was to hire people that
12 would have employment from the area, bringing in some new
13 jobs.

14 DELEGATE MARSHALL: Let's go back to the doctor
15 himself. When he puts his salary in there for the TROF estimate,
16 it's a lot different than a receptionist out front. For three years if
17 he's not living in the area, that number will come way down.

18 MR. PIPER: Yes, and we're also checking the average
19 wage. It just doesn't include the number of jobs. Twelve jobs at
20 \$50,000 a year, and deliver twelve jobs at \$10,000 a year, we're
21 going to have a problem that would allow us to begin a clawback.

22 DELEGATE MARSHALL: If the doctor is not living in
23 the community, or if he's living in the community next door, then
24 when you go back to VEC, you get data for that community
25 where that facility is located.

1 MR. PIPER: That's correct. We don't know where the
2 employees are living.

3 DELEGATE MARSHALL: You're looking at the
4 aggregate payroll.

5 MR. PIPER: That is correct, these are aggregate
6 numbers.

7 Now, you'll see next week we did have questions
8 about a clawback and we looked at payroll data more specifically
9 and we requested more data to see if we could reduce the
10 amount of clawback to give us an extra opportunity. When you
11 look at the payroll, the majority of people who met the average
12 wage requirement lived in Minnesota, North Carolina, Texas,
13 immediately threw them out, and that wasn't going to work for
14 us.

15 When it comes to the normal course of checking on
16 the performance measures, we check the VEC data and if we
17 don't have information on the exact employees where they're
18 residing.

19 DELEGATE MARSHALL: You know we rely on the
20 North Carolina line. It's pretty easy for someone that lives south
21 of us and pay their taxes there and not here.

22 MR. FEINMAN: I think we've known for a long time
23 that projects we support along the border are going to employ
24 North Carolinians and vice versa. And if you accept the TROF
25 award, you can only hire Virginia people. We've just got to

1 assume that comes out in the wash.

2 SENATOR RUFF: You might want to have a
3 conversation we're trying to factor in where the employees will
4 be coming from and if it's a job in Alexandria, the assumption is
5 that folks will live there. So, you might ask how that's
6 calculated.

7 MR. FEINMAN: We'll try to get this and put before you
8 at our next meeting, the Virginia wage calculation to go with that
9 sheet.

10 SENATOR RUFF: I think moving forward you need to
11 take the best data you can.

12 MR. FEINMAN: We'll do that.

13 MR. PIPER: We can look at the, it's easy to set up and
14 understand where the localities are that would be most affected
15 and figure out how they're handling it.

16 DELEGATE MARSHALL: Do we have a motion on this?
17 Do I make the motion and second it?

18 MS. MYERS: The bylaws have been amended that the
19 Chairman can vote regardless, but I will confirm that.

20 MR. PIPER: I might make a suggestion we have some
21 amendments to this policy we need to bring up before the
22 Executive Committee anyway. I can make changes and send it
23 around to you all for comments and have it ready to go for the
24 Executive Committee and further discussion if necessary.

25 SENATOR RUFF: Let's do that.

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All right, anything else to take up?

MR. FEINMAN: We wanted to make sure you were on board with the loan policy.

SENATOR RUFF: Anyone in the public wish to address the Committee? Hearing none, then we're adjourned.

PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Virginia Region Revitalization Commission, TROF Committee Meeting**, when held on Wednesday, January 3, 2018, at 9:00 o'clock a.m., at the Homewood Suites, Richmond, Virginia 23219.

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

Given under my hand this 15th day of January, 2018.

Medford W. Howard
CCR

MY COMMISSION EXPIRES: October 31, 2018.