

INCENTIVES AND LOANS COMMITTEE



·In-Person Meeting·

AGENDA

INCENTIVES & LOANS COMMITTEE

Inn at Wise, 110 E. Main Street, Wise, Virginia 24293

Tuesday, May 21, 2024

1:00 P.M.

If participating in the meeting by phone, dial: **1-332-249-0607** and enter access code: **887372082#**.

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 Virginia Freedom of Information Act. If you experience problems calling in, please contact: **Hannah Franke-Fuller** at (804) 894-9659 or hfranke-fuller@revitalizeva.org or **Roz Stein** at (804) 894-9651.

Welcome and Call to Order

The Honorable Daniel “Danny” Marshall, Chair

Call of the Roll

The Honorable James Campos, Executive Director

Approval of the 1/9/2024 Minutes
(published on website)

The Honorable Daniel “Danny” Marshall, Chair

Public Comment

TROF Extensions and Modifications

Mr. Jordan Butler, TROF Program Manager

VSBF A Loan Program Update

Mr. Stephen Versen, Deputy Director

Pending VSBF A & CBL Loan Requests

Closed Session

Discussion and Decision on Loan Requests

Mr. Stephen Versen, Deputy Director

Economic Development Housing Incentive Pilot Program

The Honorable James Campos, Executive Director

Other Business

The Honorable James Campos, Executive Director

Adjournment

Incentives & Loans Committee

May 21, 2024

The Incentives and Loans Committee is meeting on May 21, 2024 at 1:00 pm to consider a request for modifications to an existing project. The following summary provides staff overview and comment on the project mentioned below.

1. Henry County

RTI Martinsville, Inc. (3177)

Request to Accept Reported Value vs. Assessed Value of Capital Assets

Staff Overview and Comments: This project includes a Tobacco Region Opportunity Fund (TROF) grant for \$80,000 that was awarded to Henry County (the “Locality”) and RTI Martinsville, Inc. (the “Company”). The performance period was March 2016 through March 2019 and was subsequently extended through March 2021. The performance agreement required the Company to employ 15 individuals with an average annual wage of \$39,520 and provide new private taxable investment of \$8,596,000. The grant was disbursed pre-performance. The Company has exceeded the employment obligation, delivering 35 jobs, well over the promised 15.

As noted in the executed performance agreement, the Commission requires “The Company’s achievement toward meeting its taxable asset obligation ***shall be based on asset values assessed by the COR for the Locality...***” (*Emphasis added*).

Using the above methodology, the Company has met 42% of the private taxable capital investment obligation by providing capital investment assessed at approximately \$3.59 million.

As noted in the attached letter (Attachment A), the Locality has requested the Commission consider using the original reported costs of Machinery & Tools (M&T) and Personal Property (PP) rather than the assessed values as the locality applies an assessment ratio that significantly reduces the assessed value. As noted above, the performance agreement requires the Commission to utilize assessed values of capital investment as reported by the Commissioner of Revenue in writing. If the Commission were to consider utilizing the original reported costs of the M&T and PP, the Company’s total capital investment would increase significantly and allow the Company to earn a greater portion of the grant devoted to capital investment (upon submittal of appropriate receipts and invoices needed to verify reported capital expenditures).

The Commission has recently approved several similar requests for acceptance of reported costs vs. assessed costs of capital expenditures.

Staff recommends that the performance agreement for TROF project #3177 be modified to permit the acceptance of reported costs (as evidenced by receipts of capital purchases) of M&T and TPP towards the Company’s taxable asset obligation as verified in writing by the local Commissioner of Revenue.

2. VSBFA Loan Program Update & Pending Requests

At its January 2024 meeting, the Commission directed the creation of a new lending program partnership with the Virginia Small Business Financing Authority and approved that \$10M from the Commission’s existing loan fund be committed to support this program. The first request for funding, a \$600,000 working capital loan to Grayson Natural Farms in Independence, was approved by Incentives and Loan Committee in early April. As of mid-May, the loan is closed and the funds transferred to the company, and immediately put to use to purchase ingredients needed to produce meat sticks for sale to the US military. Since then, two other applications and staff recommendations have been submitted to the Committee. Below is a summary of loan requests and status:

| Borrower(s): | Use of Funds | Amount: | Loan Term* | Interest Rate | VSBFA Recommendation | Status |
|-----------------------|---|-------------|------------|---------------|----------------------|-----------------------------------|
| Grayson Natural Farms | working capital for meat stick production | \$600,000 | 5 years | 5.5% | Approve | Closed, all funds released |
| Roses Creek Farm, LLC | new hydroponic greenhouse | \$2,300,000 | 10 years | 5% | Decline | Pending, awaiting decision by I&L |
| Brunswick County IDA | construct produce processing facility | \$2,000,000 | 10 years | 5% | Approve | Pending, awaiting decision by I&L |

* All loans amortized over 25 years

Interest in the program remains strong, and the program is poised to become an important economic development tool for the Commission.

Staff recommends to decline the Roses Creek Farm request and approve the Brunswick County IDA request.

3. Economic Development Housing Incentive Pilot Program

At the direction of Director Campos, staff developed an economic development housing pilot program in early April and presented it to the Executive Committee for feedback at its meeting on April 16, 2024. The program seeks to deploy modest Commission funding alongside the energy brought about by a major economic development project to bring together the locality, the employer, and the state’s housing community to develop and implement an innovative workforce housing solution that incentivizes the company’s commitment to the Commonwealth. Developed with feedback from staff of Virginia Housing and the Virginia Department of Housing and Community Development, the program’s goal is to make the Commission’s footprint more attractive to economic development by directly addressing a major concern of expanding employers: insufficient housing for their workforce. The program overview, which incorporates feedback from the Executive Committee, is attached to this report. If this overview and implementation plan are approved by the I&L Committee and the Commission, staff intends to roll out the program beginning July 1, 2024.

Implementation plan:

Staff intends to implement the program as a pilot, being flexible in how projects are developed, evaluated, and ultimately recommended for funding. The goal is to learn from this process and

evaluate the outcomes to inform the eventual development of more traditional, structured documents for application, project development, evaluation, and implementation. The following illustrates the process staff will follow to implement each element of the pilot:

Application: Project proposals will be received through either a pre-application submitted through our website or through introduction by an economic development organization, such as VEDP. The proposal will be assessed, considering whether it includes an eligible housing project with realistic and meaningful participation identified for its development from an economic development prospect, local government, members of the state housing community, and housing project developer. If the proposal seems promising, the applicant will be invited to develop a complete application.

Project Development: One of the key players involved in the project, preferably someone from the state's housing community, will be selected as the staff's point of contact for the housing project. They will serve as the de facto project manager for the grant, working with all parties to develop a project that implements the program's goals. This individual will regularly update Commission staff on progress and seek feedback on how well the project is conforming to the goals of the program.

Evaluation: Once all the major pieces of the project are in place, a decision on Commission funding needs to be finalized in order for the project to proceed. The applicant will compile a project narrative, budget, timeline, scope of work, and other relevant supporting documentation for review by staff. Once staff believes the project is ready for review and approval by the Commission, the application materials will be shared with members of the I&L Committee for evaluation. The Committee will decide, based in part on staff's recommendation, whether or not to recommend the project to the Commission for funding.

Implementation: Once the project is approved by the Commission, staff will develop a grant agreement for the project to ensure the project complies with the program outline, our rules, and best practices, including pay for performance. Each grant agreement will differ regarding the specifics of the project and will have the provisions needed to protect the Commission's interests in the project. For example, if funds are awarded to spend up front for the infrastructure needed for a future workforce housing development, the agreement may require that a lien be placed on those assets until the workforce housing units are built.

Overall, we welcome any suggestions you have. If requested, we can brief you on each application as it comes in and get your feedback on projects until we have a good sense of what we are going to get and can develop more narrow guidelines.

March 26, 2024



Stephen Versen
Tobacco Region Revitalization Commission
701 E. Franklin St., Ste. 501
Richmond, Virginia 23219

Dear Stephen,

I am writing concerning the 2016 TROF Grant agreement for RTI-Martinsville, Inc.

It is my understanding that while the employment target has been successfully reached, there is discrepancy regarding the capital investment made since 2016 because of significant depreciation. This depreciation calculated to purchases severely impacted the perceived value of the investment, resulting in a misleading assessment of the company's compliance with grant guidelines.

Henry County is formally requesting the Commission to use the reported cost of equipment which more accurately reflects the actual investment made by RTI. We believe that this adjustment is crucial to provide a true representation of RTI's commitment to the grant's requirements.

Should you have any questions, please let me know. Henry County appreciates our positive working relationship in the past and we look forward to continuing it into the future.

Sincerely,

Dale Wagoner
County Administrator

April 29, 2024

Jordan Butler
Virginia Tobacco Region Revitalization Commission
701 E. Franklin Street
Richmond, VA 23219

Dear Commission,

I am writing this request to formally ask the Commission to consider calculating investments made by RTI-Martinsville by using the actual value and purchase price of the investments instead of the depreciated assessed value. These purchases were made during the 2016/2017/2018 time period in meeting the requirements for receiving the \$80,000 grant from the Tobacco Region Opportunity Fund.

During this 3-year period, RTI purchased and installed approximately \$8,900,000 in capital investment in Martinsville including the following:

1. Two Natural Gas Furnaces (2016)
2. Furnace Critical Spare Parts (2016)
3. Grinder Building Expansion (2017)
4. Additional Grinder (2017)
5. Baghouse for Grinder (2017)
6. Fire Suppression System (2017)
7. Lighting, Concrete Pad, Fencing, Cameras (2017)
8. Other items needed (2017-2018)

*Air Compressor, cooling racks, hoppers, crane, paving, curbing

Please let us know if you have any questions.

Thank you,



Tim Chitwood
Plant Manager
Howmet Aerospace, Martinsville VA.

Economic Development Workforce Housing Incentive Pilot Program

Total allocations: \$2 million, Maximum award: \$1 million

Purpose: Enhance the appeal of the Tobacco Region for major economic development projects by incentivizing localities and employers to develop affordable housing options for the new employees.

Incentive structure:

- Applications are made by political subdivisions of the Commonwealth on behalf of the housing developer, which may be for-profit or non-profit.
- Applications are received and evaluated on a rolling basis.
- Funds require a minimum three-to-one match and generally follow existing Tobacco Commission funding policies.
- The maximum incentive award is \$35,000 per unit with funds spent on site development, infrastructure, or direct housing construction costs.
- Units can be for rent or for sale.

Minimum qualifications for award:

- Award must be tied to an economic development project in the Tobacco Region.
- Recipient locality must have a workforce housing plan in place or commit to creating a plan that meets the needs of the incoming employer.
- The new housing development must, at least in part, target middle-income households (generally 80 -120% of Area Median Income) and meet affordability requirements (i.e. housing budget is generally 30% of income).
- The new units should be densely constructed, such as multifamily and duplexes, so as to improve affordability.
- Applicant must show a demand for housing and explain how the new jobs will impact that demand; applicant must also show proof of funding gap with completed pro-forma that shows demonstrated utilization of different funding sources.

Stronger proposals will include:

Employer participation in the housing project, such as:

- Savings match for employees to help build up their ability to purchase the unit
- Monthly housing payment-matching program to help employees keep housing costs below 30% of their total household income
- Direct financial investment by the employer into the new housing units
- Employer-provided or -subsidized transportation to and from work for residents of the new units

Innovative and meaningful support from the locality for new workforce housing, such as:

- Establishment of a Tax Increment District to help pay for the infrastructure on which the new workforce housing will be built

- The rezoning and up-zoning of parcels that are in easy commuting distance from the employer to allow for more dense and affordable housing construction
- Making significant steps in implementing the locality's workforce housing plan
- Meaningful public investment in the project, such as cash, land donation, infrastructure improvements, waived fees

Involvement from multiple partners leveraging one another's investment into the effort, such as:

- The participation of key state and Federal housing resource organizations such as Virginia Housing, Department of Housing and Community Development, and HUD
- The participation of local and regional housing organizations, including non-profits and community development organizations
- Being eligible for financing from Virginia Housing
- Achieving other community development goals, such as being mixed-use, being located in a revitalization zone, or redeveloping an historic structure
- Building on previous efforts to improve housing in the region (e.g., CIG planning grants, inclusionary zoning, zoning/policy analysis and changes to promote housing) and featuring meaningful public engagement and regional collaboration