

INCENTIVES AND LOANS COMMITTEE



-In-Person Meeting -

A G E N D A

INCENTIVES & LOANS COMMITTEE

**Hilton Downtown Richmond
Miller-Rhoads-Gerhart Rooms
501 East Broad Street, Richmond, VA 23219**

**Monday, January 6, 2025
2:45 P.M.**

If participating in the meeting by phone, dial: **1-332-249-0607** and enter **access code: 328 396 15#**.

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	<i>The Honorable Terry Kilgore, Vice-Chair</i>
Call of the Roll	<i>The Honorable James Campos, Executive Director</i>
Approval of the <u>9/25/2024</u> Minutes (published on website)	<i>The Honorable Terry Kilgore, Vice-Chair</i>
Public Comment	
Economic Development Housing Incentive Pilot Program Updates	<i>The Honorable James Campos, Executive Director Mr. Stephen Versen, Deputy Director</i>
VSBF A Loan Program Update	<i>The Honorable James Campos, Executive Director Mr. Stephen Versen, Deputy Director</i>
Pending Projects and Loan Negotiations	<i>Closed Session</i>
Other Business	<i>The Honorable James Campos, Executive Director</i>
Adjournment	

Incentives & Loans Committee

January 6, 2025

The Incentives and Loans Committee is meeting on January 6, 2025 at 2:45 pm to consider actions and updates on Committee-created programs. The following summary provides staff overview and comments on each item.

1. Economic Development Workforce Housing Incentive Pilot Program

Created at the Commission's Spring Meeting, our new Economic Development Workforce Housing Incentive Pilot Program has received strong interest and been promoted widely, including through an Op-Ed in Cardinal News by Delegate Marshall, a new brochure, and through presentations at the Southern Virginia Housing Conference and before the Virginia Housing Commission's Local Land Use and Community Living Workgroup. Interest in the program thus far has primarily been from affordable housing developments looking to fill a funding gap, or for large scale, single-family developments trying to overcome a major infrastructure expense. None so far have met the program's minimum criteria, especially the requirement that the housing project be linked to an economic development project. However, two major announcements by Governor Youngkin should energize interest in the program.

At the Governor's Housing Conference in November, a major new workforce housing program from Virginia Housing was announced that will provide \$15M annually for the next five years for the development of workforce housing. Additionally, Governor Youngkin is requiring recipients of Virginia Business Ready Sites Program funding to have a workforce housing plan in place. Taken together, staff expects these events will lead a renewed focus on workforce housing from local economic development professionals, who will then be looking for a program like ours to help bring a deal together. Commission staff continues to work closely with Chris McNamara of Virginia Housing, who is overseeing their new program, to develop suitable projects in the footprint.

To better align our program with Virginia Housing's Workforce Housing Investment Program, staff is recommending two minor changes to our program's guidelines. The first is to increase the allowable per unit subsidy for an individual unit from the current \$35,000 to \$50,000. This matches the per unit amount in Virginia Housing's program for double-distressed communities, which is the status of the majority in the footprint. The second change is expanding the upper limit of income eligibility for these workforce units from the current 120% of Area Median Income (AMI) to 150% of AMI, which matches Virginia Housing's income limit in essentially all of the footprint.

Making these adjustments gives staff greater flexibility to bring prospective projects to fruition and will also more closely align our program with the much larger Virginia Housing program, whose substantial financing assets and project development expertise will be needed to help these challenging workforce housing projects get off the ground. Staff is also hopeful that the Commission's program, combined with a number of major economic development project announcements in the region, will position the Commission's footprint localities to receive an outsized share of this new state funding for workforce housing.

Staff recommends adjusting the guidelines of the Commission's new Economic Development Workforce Housing Incentive Pilot Program by increasing the maximum

per-unit incentive to \$50,000 and changing the income level target for these new units to generally be between 80 and 150% of Area Median Income.

2. VSBFA Loan Program Update

At its January 2024 meeting, the Commission approved the creation of a new lending program partnership with the Virginia Small Business Financing Authority and approved \$10M from the Commission's existing loan fund to support this program. Three loan requests have been submitted and underwritten by VSBFA since the Fall Commission meeting. 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	Company working to secure needed equity for deal
Brunswick County IDA	Construct produce processing facility	\$2,000,000	10 years	5%	Approve	Awaiting final construction pricing before moving to close
IALR	Purchase Kyocera Building in Cyber Park	\$5,900,000	10 years	5%	Decline	Strong commercially lending options available
Harris Ranch, Inc.	Purchase building and equipment for hay processing	\$1,000,000	10 years	5.5%	Decline	I&L decision pending, denial recommended
City of Danville	Battery storage project for City utility	\$750,000	10 years	5.5%	Approve	Awaiting I&L OK, staff recommends approval
Town of Richlands	Install 5MW gas turbine to supply town electricity	\$2,000,000	10 years	5.5%	Approve	Awaiting I&L OK, staff recommends approval

The two loans recommended for funding by VSBFA were both also recommended for grants of equal size from the Commission's Energy Ingenuity Fund at the Fall meeting. The first two pages of VSBFA's credit memo for both projects, where loan purpose is summarized and loan terms detailed, are attached to this report.

Staff recommends approval of the \$750,000 loan request for the City of Danville and \$2,000,000 loan request for the Town of Richlands.

Date:	11/8/2024
RLM:	Linda Tackett
Approver(s):	Ray Sanchez
VS BFA - Loan Program Type:	EDLF (Tobacco Commission)
Borrower(s):	City of Danville, Virginia
Guarantor(s):	N/A
Recommendation:	Recommend approve based on the City’s liquidity of \$304.17MM FYE 2023 and unrestricted assets of \$132.66MM, long-standing history of paying as agreed, with several projects, and continued upward trend of revenue growth YOY.

PROPOSED LOAN PURPOSE

The City of Danville, Virginia has solicited the **Tobacco Region Revitalization Commission (TRRC)** for a loan in the amount of **\$750,000**. Proceeds of the loan will be used to finance the construction and installation costs of a battery energy storage system located at 900 Mount Cross Road, Danville, Virginia 24540. The city is collaborating with Lightshift Energy in developing their second battery energy storage system (BESS) and are seeking a low-cost fixed rate loan from the TRRC to drive down the costs of the project and deliver even greater savings to Danville Utilities’ customers. The BESS project, like the first, will be used to reduce peak system demand for Danville Utilities and reduce their wholesale power costs.

Danville is in the AEP transmission zone of the PJM interconnection, a regional transmission organization that manages the flow of electricity in 13 states and the District of Columbia and pays transmission charges based on their measured electric demand during the single annual AEP zonal coincident peak event. They also pay capacity charges based on their load during the five-summer coincident peak load events in the PJM region. The project is estimated to generate more than \$28 million in net savings to Danville and its customers by charging during off peak hours and avoiding costly peak demand premiums. The project will also enhance reliability and protect vulnerable citizens during outages and severe weather by offering grid hardening and power quality benefits and by reducing strain on the grid during peak electricity demand.

Health and climate benefits will be realized when charging the battery during off-peak hours when emission rates on the grid are low and discharging during peak hours when emission rates are high which reduces carbon and other harmful emissions.

Economic Development Impact: 13 Full Time Jobs

The project is a mission fit for TRRC by supporting the retention of one existing job and the creation of **12 new jobs** with an average wage rate of at least **\$75 per hour**; total capital investment into the Commonwealth of Virginia is anticipated to be \$12,589,000.

Development, construction, and maintenance of the project will also lead to local economic development through increased revenue at local businesses and increasing sales tax proceeds.

Sources and Uses:

Sources:		Uses:	
TRRC Loan (administered by VSBFA)	\$750,000	Building Costs	\$2,627,000
TRRC Grant	\$750,000	Equipment Costs	\$8,808,000
City of Danville Equity	\$750,000	Contingency/Other	\$1,154,000
Contingency/Other	\$10,339,000		
Total:	\$12,589,000		\$12,589,000

PROPOSED LOAN DETAILS

Loan Amount:	\$750,000
Loan Term (months):	10 years (120 months)
Loan Amortization (months):	Same
Loan Payment Type:	P & I
Interest Rate:	5.5% Fixed
Risk Rating:	4
Loan Fees:	Not applicable (The TRRC currently does not charge a fee.)

Date:	11/19/2024
RLM:	Linda Tackett
Approver(s):	Ray Sanchez
VS BFA - Loan Program Type:	EDLF (Tobacco Commission)
Borrower(s):	Town of Richlands, Virginia
Guarantor(s):	N/A
Recommendation:	Recommending approval base on business DSC of 2.10x FYE 6/30/2023, Strong unrestricted liquidity of \$7.16MM FYE 2023 and investments of \$437M, and the Town has been operating since 1922

PROPOSED LOAN PURPOSE

The Town of Richlands, Virginia has applied with the Tobacco Revitalization Region Commission (TRRC) for an Economic Development Loan (EDLF) in the amount of **\$2.0MM**. The EDLF Program is underwritten and administered through the Virginia Small Business Financing Authority (VS BFA). Proceeds will be used as part of a **\$14.0MM** initiative to install a 5-Megawatt Solar Mercury 50 natural gas-fired turbine and generator, which will facilitate the Town’s century-long history of providing electricity to its citizens.

Since 1922, Richlands has supplied its residents with electricity, but today, it faces mounting challenges from its reliance on purchased power from distant generation sources. The Town currently pays about \$0.06 per kilowatt-hour for electricity, but transmission costs through American Electric Power’s (AEP) lines add up to another \$0.06, effectively doubling the price. Without action, residents face rate increases of up to \$0.05 per kilowatt-hour over the next three to four years.

The natural gas generator project offers a compelling solution. By generating electricity locally at \$0.06 per kilowatt-hour without transmission fees, the Town can reduce rates by \$0.01 – 0.02 per kilowatt-hour over the next several years. This translates to significant savings for residents – a typical household using 2000 kilowatt-hours monthly could save up to \$1,500 annually compared to projected rate increases under the current system.

Beyond residential benefits, the project positions Richlands as an attractive destination for business investment. The ability to offer below-market electricity rates as economic development incentives creates a powerful tool for attracting industry. Large power users could realize substantial savings - for every penny reduction in rates, businesses save \$120 per 1000 kilowatt-hours consumed. A manufacturing facility using 2MW of power could save \$20,000 or more annually, making Richlands highly competitive for industrial recruitment.

The selected Solar Mercury 50 system represents state-of-the-art technology, achieving 36-40% efficiency while maintaining lower emissions than traditional fossil fuel generation. Its advanced control systems enable precise monitoring and maintenance, ensuring reliable operation. The generator will be installed at 2301-2399 Jewel Ridge Road, Richlands, Virginia, a strategic location with access to an open-source pipeline that allows competitive gas purchasing from multiple suppliers.

With the RFP process completed and a generator supplier selected, the Town is now conducting final technical studies and environmental reviews. Construction is expected to take 18 months once initiated. The project represents more than just infrastructure – it’s an investment in Richlands’ future that will enhance grid resilience, increase energy independence, and create a foundation for sustained economic growth in Southwest, Virginia.

By generating power locally and eliminating excessive transmission costs, this project will help the Town of Richlands continue its long tradition of providing reliable, affordable electricity while creating new opportunities for community growth and prosperity. This forward-thinking initiative demonstrates Richlands’ commitment to innovative solutions that benefit both current residents and future generations.

This request will be supported by a Moral Obligation from the Town of Richlands, Virginia.

Project Sources and Uses:

Sources:		Uses:	
Tobacco Commission Loan (administered by VSBFA)	\$2,000,000	Purchase and Install 5MW Solar Mercury 50 natural gas-fired turbine and generator	\$14,000,000
Tobacco Commission Grant	\$2,000,000		
AMLER Grant (Abandoned Mine Land Economic Revitalization Program)	\$2,000,000		
Town of Richlands Cash Equity - revenue Bond financing for the project	\$8,000,000		
Total	\$14,000,000		\$14,000,000

PROPOSED LOAN DETAILS	
Loan Amount:	\$2,000,000
Loan Term (months):	10 years or 120 months
Loan Amortization (months):	20 years or 240 months
Loan Payment Type:	P & I
Interest Rate:	5.5% Fixed
Risk Rating:	4
Loan Fees:	Not applicable.