



**MEETING MINUTES
BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**Bedford County Administration Building Board Room
122 E. Main Street
Bedford, VA 24523
June 2, 2016
5:30 p.m.**

Economic Development Authority:

:Present:

Dennis Novitzke - Dist. 1; Mickey Johnson, Vice-Chairman - Dist. 2; Wyatt Walton, Chairman - Dist. 3; Jim Lusk - Dist. 5; Kelly Harmony - Dist. 6; Kristy Milton - Dist. 7

:Absent: Matthew Braud - Dist. 4

:Staff Present: Traci Blido – EDA Secretary; Carl Boggess – County Administrator; Susan Crawford – Director of Fiscal Management; Sheldon Cash - Director of Public Works

:Staff Absent: Jessica Hupp – Transcriber

:Guests: Charlie Kolakowski – Town Manager; Dawn Dehart - Virginia Community Capital; Carolyn Howard - Draper Aden Associates

(1) APPROVAL OF AGENDA

Mr. Walton asked for approval and/or amendments to the Authority's June 2, 2016 agenda.

Mr. Lusk moved, seconded by Mr. Novitzke, to approve the June 2, 2016 EDA agenda, as presented.

Voting yes: Mr. Novitzke, Mr. Walton, Mr. Lusk, Mrs. Harmony, Mr. Johnson, Mrs. Milton

Voting no: None

Adopted Unanimously

(2) APPROVAL OF MEETING MINUTES – May 16, 2016

Mr. Walton asked for approval and/or amendments to the Authority's May 16, 2016 meeting minutes. Mrs. Milton stated she was listed as seconding a motion under closed session, but she was not in attendance.

Mr. Lusk moved, seconded by Mr. Braud, to approve the May 16, 2016 meeting minutes, as amended.

Voting yes: Mr. Novitzke, Mr. Walton, Mr. Lusk, Mrs. Harmony, Mr. Johnson, Mrs. Milton

Voting no: None
Adopted Unanimously

(3) REPORTS

A. Economic Development Director's Report

Mrs. Blido reported she had a great visit with a UK prospect that came to visit other local industries such as CAER, SE&M, Innerspec, NovaTech and AREVA. The prospect was looking to see if his company might be a good fit and why other companies have located to Bedford County. He said he liked what he heard and he plans to come back in August for a second visit.

Mrs. Blido stated the following two days after the UK prospect visit, Megan Lucas of the Lynchburg Regional Business Alliance hosted site selectors on a familiarization tour of the region. They spent time with economic development directors and were briefed on each locality's business parks and workforce data. The three-day visit culminated with a helicopter tour of the region and its business parks.

Mrs. Blido reported that the Tobacco Commission meetings went well and that the Southside Economic Development Committee approved the County's request to assist the International Critical Infrastructure Security Institute (ICISI.) The ICISI plans to lease space from the CAER and to provide the physical infrastructure needed to establish the most advanced cyber physical research environment in the world for nuclear energy. She added that the CEO is in the process of looking for a house in the county right now.

Mrs. Blido thanked Kristy and Kelly for attending the VIDA training in Staunton adding that all EDA members have now completed the training. Mrs. Milton said she felt it was very enlightening to see how other EDA's operate and to interact with other people from across the state.

Mrs. Blido reported that the Governor authorized a broadband survey in order to get people to give feedback about whether they have Internet coverage or not, and whether they are satisfied with the coverage. Mrs. Blido looked at the map last night, and it looks like people in Bedford are really responding. The survey site is RUonline.virginia.gov.

Mrs. Blido stated that the Tobacco Commission recently made a change worth mentioning on how companies qualify for TROF grants. In the past, if their formula didn't show an incentive of more than \$50,000, a business would not qualify for any amount. Now, the minimum incentive amount can be as low as \$10,000, which was changed to help smaller entrepreneurial businesses.

Mr. Lusk asked about the Lynchburg Regional Business Alliance investor update on June 15. Mrs. Blido stated she would recommend the EDA attending if they're available to see what our funds to the Alliance are going towards. Mr. Boggess stated that economic development will be the June 13 work session topic for the Board and that Megan Lucas will be coming to update them, if the EDA members would like to attend that as well.

B. Monthly Financial Report

Mrs. Blido reviewed the monthly financial report with the EDA. Mr. Boggess stated that he spoke with CVCC's new VP last week, Lewis Bryant, and they had a good meeting. Mr. Boggess explained the lease rate must increase, but until the lease is renegotiated, they will pay on a month-to-month basis starting in July. Kristy asked if they could take over their own utilities or maintenance. Mr. Boggess stated he doesn't believe that is possible as a state entity.

C. Monthly Accounts Payable Report – Bills that have been paid

Mrs. Blido reviewed the accounts payable report with the EDA. Mr. Walton asked what MBC shared costs were for. Mrs. Blido stated she thinks Ms. Hupp may have incorrectly coded it and it should be paid under the county, rather than the EDA. Mr. Johnson asked about the Zero Interest Loan bill amount. Mrs. Blido explained that Main Street only received \$20,000 instead of the \$25,000 they asked for, so the EDA's contribution was minimized to \$10,000 instead of \$12,500.

D. Existing Business Report

Mrs. Blido stated that Ms. Hupp included an excellent report in their packet, which mentions her thanks to those who attended the Business Appreciation Event. They estimated over 125 people were in attendance.

(4) TOWN OF BEDFORD

A. Consideration of Main Street request

Mrs. Blido stated that she believes before the EDA speaks with a group like Frazier Associates, the EDA needs to know what the county needs are. Staff suggested responding to the request and saying that we appreciate the offer, but we need to have some questions answered about the county's long-term needs before proceeding. Mrs. Milton stated she believes Main Street just wants to be a part of the planning process, and to offer services that are available through Frazier before we run off and do something permanent. Mr. Boggess stated that buildings will become a focal point in the next couple months for the County, and the prioritization of buildings will be discussed at upcoming meetings. The EDA provided the consensus needed for staff to respond to the letter.

Mr. Kolakowski stated they would be holding a planning meeting to get input from the business community for comprehensive planning and business needs. Mrs. Milton asked about the Town's IDA. Charlie stated the Town has always had an IDA, but they are not active unless called upon to make a decision. They are to work in conjunction with the County's EDA. They are working on getting new members now because the Town hopes to use them as the mechanism to apply for grants for building improvements, and to give cash grants within the Enterprise Zone with money coming in from increased meals tax, since Town Council cannot do that. Mrs. Blido stated she will still bring Town and County businesses to the EDA, and she will continue to work with Charlie, as they will likely use IDA funds as an extra layer for Town business expansion incentives.

B. Brewery documents review

Mr. Skelley stated there are many parts to the EDA transaction, but he will start with the three initial documents included in the packet, which are the Contract of Sale, Performance Agreement, and Commercial Lease. The EDA will end up purchasing the building from Dave's company for \$1, which will be leased back to him for a period of 10 years, during which the EDA will act as a conduit for the IRF grant and VCC loan. The initial phase is signing the contract for property over to the EDA.

The lease document provides an escalation of the rent because the terms of the loan agreement have to change at the five-year mark. Mr. Skelley stated from the time the contract is executed, all documentation will have to be in place such as environmental survey. Phase one of the environmental has been completed, but VCC will require phase two to be completed as well.

Mr. Skelley stated the performance agreement governs that Mr. McCormack will be doing all the rehabilitation of the property, installing the brew equipment, and so on. Mr. Johnson asked if the "additional funds" listed in the performance agreement have been identified. Mr. Skelley stated nothing at this moment. The EDA stated they were not comfortable working as a conduit for any additional funding identified by the tenant, outside of the \$700,000 loan.

Mr. Lusk asked if the Town's Enterprise Zone works for the listed tax abatement. Mr. Skelley stated he has a request in with the Attorney General because as it stands, there is a statute that says the county can cover tax abatement in an Enterprise Zone, but he wants to get the Attorney General's opinion to see if the County could offer incentives through the pre-existing Enterprise Zone in the Town. This would require an ordinance to be passed that the commissioner approves.

As far as tenant obligations, the EDA would like to see some sort of dollar amount or investment requirement that would include the grant, loan, and tax credits. They think the funding sources should be reflected in the document. Mrs. DeHart stated that \$275,000 of Dave's own money is being put towards the \$1.9 million project. The other sources are the \$700,000 loan, \$400,000 bridge loan for tax credits funded to Dave, and the \$600,000 grant. The project total of \$1.9 million does include the equipment. The hard construction costs are around \$991,000, soft costs like certification are around \$237,000, and the equipment cost roughly \$200,000. Dave's personal investment is funding the equipment. The \$1.9 million project budget includes everything, from start to turnkey finish. The EDA could include the numbers in the performance agreement and they must be consistent with the IRF application.

Mr. Skelley moved onto the commercial lease. The base rent is \$3,694 per month, and the loan payment is \$3,681 for five years, in order to cover the interest on the loan. The loan is amortized over 30 years, based on a 10-year balloon. There is about 12 months worth of interest built into the lease and they chose to be conservative because Dave thinks its going to be 9-12 month build out. When the certificate of occupancy is issued, Dave's lease payments kick in. The lease payments are based on principle and interest and they inflated the project dollar amount slightly to make sure there was contingency money. Whatever the EDA doesn't use, they just lower the loan amount.

Mr. Walton asked at the end of 10 years if this \$600,000 loan will not be paid off. Mr. Skelley said that is correct, based off on the loan amortization schedule of 30 years. Mr. Skelley stated he can change the wording so that Dave is required to take on the debt and ownership of the brewery after 10 years.

Mr. Johnson moved, seconded by Mrs. Milton, to authorize the chairman to execute the brewery performance agreement, contract, and lease, subject to the amendments discussed.

Voting yes: Mr. Walton, Mr. Lusk, Mrs. Harmony, Mr. Johnson, Mrs. Milton

Voting no: Mr. Novitzke

Adopted: 5-1

Mrs. DeHart stated that the EDA is currently outside of the window of the commitment period, which expired May 7. Dave has to confirm the commitment letter as well. Mrs. DeHart asked if the motion they just voted on extends to the commitment letter, pursuant to the above amendments. From a financing perspective, VCC doesn't invest energy in closing a loan before the commitment letter has been signed, because if it falls through they've spent time on something that didn't move forward. In addition, VCC can't ask for the appraisal before the signing of the commitment letter.

Upon signing the commitment letter, the EDA will pay the first half of a commitment fee of \$2,625, and pay the second \$2,625 upon closing in September which locks in the rate. The appraisal is pre-paid for \$3,100. Environmental phase 1 has already been completed but has to be reviewed. Overall, the out of pocket for pre-closing is roughly \$7,000. In 90 days, when Dave has gotten approval from the Department of Historic Tax Credits, then legal fees will have to be paid. Dave is bearing his own legal expense, roughly another \$15,000, for settlement costs which can be reimbursed through the loan proceeds.

Unfortunately, you can never know what legal fees will be, but they did their best to roll those costs into the loan. All fees will get paid from the \$700,000 loan proceeds. This is also why there's a contingency in the budget because you can't always predict every cost. Mr. Skelley stated that any deal over \$500,000 is required by law to have a payment performance bond. He will look into adding this to the contract.

Mr. Lusk moved, seconded by Mrs. Harmony, to authorize the chairman to sign the loan commitment letter with the caveat that the performance bond issue is resolved to everyone's satisfaction before execution, and to pay the first half of the \$2,625 commitment fee.

Voting yes: Mr. Novitzke, Mr. Walton, Mr. Lusk, Mrs. Harmony, Mr. Johnson, Mrs. Milton

Voting no: None

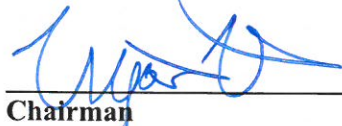
Adopted Unanimously

Mr. Lusk stated he has had two Board members ask him to have more than one joint meeting with the EDA a year.


(5) ADJOURNMENT

-7:19 p.m.

APPROVED:



Chairman



Secretary