

**ALBEMARLE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY MINUTES
September 19, 2023
4:00 P.M.**

Directors present: Don Long, Chair; Andrea Johnson, Secretary/Treasurer; Stephen McNaughton-Virtual
Jeff Morrill; John Mottola

Directors absent: George Ray, Vice-Chair;

Staff present: Jeff Richardson, County Executive; Trevor Henry, Deputy County Executive; J.T. Newberry, Interim Director of Economic Development; Ashley Perry Hernandorena, Business Development Manager; Liz Hatcher, Administrative Assistant; Richard DeLoria, Senior Assistant County Attorney; Jacob Sumner, Interim Chief Financial Officer; Andy Bowman, CFO for Policy & Partnerships; Diantha McKeel, Board of Supervisors Liaison to the EDA, Jack Jouett District.

Guest presenters: Jim Bowling, St. John, Bowling & Lawrence, PLC, Bond Counsel to EDA; Chris Kulp, Partner, Hunton Andrews Kurth LLP, Bond Counsel; Shannon Holland, Director, GO Virginia Region 9; Maureen Kelley, Director, Economic Development and Tourism, Nelson County

1. Call to Order and Establish Quorum

Chair Long established quorum called the meeting to order at 4:00 p.m.

Director Long asked for a motion to allow Director McNaughton to participate virtually due to a medical issue. Mr. DeLoria read the Motion to allow Director McNaughton to participate in the meeting virtually which was passed by a role call vote.

MOTION: The motion carried unanimously. Mr. McNaughton abstained from the vote.

2. Matters from the Public

Ms. Hernandorena confirmed no speakers had signed up or raised their hands to speak.

3. Approval of Minutes

Ms. Hernandorena said that there was a suggestion to change the adjourning time to 4:19 p.m. from 4:00 p.m.

Motion to approve minutes from August 22, 2023 was made by Ms. Johnson and seconded by Mr. Morrill.

MOTION: The motion carried unanimously.

4. Financial Report

The financial report for the period ending June 30, 2023 was provided.

5. New Business

a. Resolution Authorizing the Issuance of Bond Anticipation Note and Bond Issuance

Mr. Jacob Sumner, Interim Chief Financial Officer for Albemarle County, presented the Resolution to the Authority. He explained that this debt issuance had one financing plan with two issuances. He said the first issuance was for revenue bonds not to exceed \$118 million to fund Capital Improvement Plan (CIP) projects, and the second issuance was a Bond Anticipation Note (BAN) not to exceed \$60 million for acquisition of the Rivanna Station Futures property. He said that the BAN's 5-year maturity allowed for some flexibility while the County conversed with outside partners for the project before they converted the BAN into long-term debt.

Mr. Sumner said that the County's related financial policies for this item were to maintain their target debt ratios, and that the County intended to maintain a 10-year payout ratio at or above 60% at the end of each adopted five-year CIP for tax-supported debt and lease payments. He said that there were assumptions included so that every other year there would be a debt issuance to support the CIP, and in FY28, there was an assumption that if partners were not secured for the Rivanna Station Futures project, the County would be able to convert the five-year note into 20-year long-term debt while still keeping their target debt ratio of outstanding debt to assessed value of taxable property below 2%.

Mr. Sumner said that the same assumptions applied to the target debt ratio for debt service percentage for General Fund and School Fund revenues, and in the FY28 and FY29 timeframe, the conversion of the 5-year BAN from the interest-only payments to a long-term structure of principal and interest resulted in the debt service increasing to 8%, which was still below the 10% maximum. He said that the County intended to maintain a 60% payout ratio for the 10-year payout, but the first five years were less than 60% due to the BAN not including principal until the conversion to long-term payments in FY29.

Mr. Sumner said that the next steps for issuing these bonds were the EDA's action on the bond resolution, then in October they would engage with the rating agencies to obtain a credit rating, and in November they would move to bond sale and bond closing.

Ms. Johnson asked how this amount of debt would be impacted by interest rates, especially if after the next five years they had to re-buy and do something else.

Mr. Sumner said that staff had been conservative with their assumptions, but in five years it was unclear what the interest rates would be. He said that the benefit was that they knew they had the five-year timeframe to plan if the interest rates would be higher or lower than what was built into the assumptions.

Mr. Morrill asked if it was possible to determine earlier than the five-year mark that they needed to transition to long-term debt.

Mr. Sumner said that after the second year, they could begin paying it back if they needed to.

Ms. Johnson asked if there were additional origination fees or pre-payment penalties if there were changes or if they paid the debt earlier.

Mr. Sumner said that the structuring did not include a pre-payment penalty if they paid it after the two-year mark. He said that there was an assumption that for a portion of this they would need to convert to long-term debt, and it would be a similar process to the capital projects in which they would issue long-term debt and issuance costs associated with that.

Ms. Johnson asked if that was a percentage of the total loan.

Mr. Rose said that it would likely be between 1% and 2% of the cost.

Ms. Johnson asked who received the origination fee and if it was negotiable.

Mr. Rose said that it was negotiable, and it went to underwriters, financial advisors, and rating agencies. He said that they believed the BAN structure for the \$60M to be an opportunity for investment in economic development for the County, so over the next several years there would be offsetting revenues and they wanted to keep it flexible before structuring it. He said that while it was technically five years, they could pre-pay it early depending upon what may happen to the County's revenues and opportunities during that time period.

Mr. Rose said that even in the worst case, the 1% to 1.5% ratio for their financial policy was very strong for a local government according to rating agencies. He said that the assumptions they had made for the growth of that assessed value was much lower than what the recent history had been, so they were being conservative. He said that they would know what the cost of issuance was when they sold the bonds, and it was awarded to whomever could provide the lowest cost overall.

Ms. Johnson asked if each one was negotiated individually.

Mr. Rose said that it was not negotiated, but put into the marketplace, and whoever was willing to give them the all-in lowest cost of money won the bid. He said that they were AAA-rated by all the rating agencies, so they were in a good place to keep the percentages very low. He said that they also had the ability to refinance on the 20-year loan as well.

Mr. Long said that it was also important to clarify that this was an Albemarle County obligation rather than an obligation of the EDA; the County was making the decision to borrow money while the EDA was acting as the conduit.

Mr. Rose clarified that if the County did not make the payments, the EDA was not liable for that.

Mr. DeLoria noted that as a point of order, Mr. McNaughton had not engaged in this discussion and previously stated that he intended to recuse himself from this consideration.

Mr. McNaughton confirmed that he would recuse himself from this consideration.

Motion to was made by Mr. Morrill and seconded by Mr. Mottola.

MOTION: The motion carried unanimously.

b. Match for GO Virginia Planning Grant - Cluster Growth for Wine Industry

Ms. Shannon Holland, Director of GO Virginia Region 9, gave an overview of the GO Virginia program. She said that GO Virginia was a statewide economic development initiative funded by the General Assembly to drive collaboration between local government, business, and higher education by offering grant opportunities. She said that the types of funding they had for regional projects were planning grants and implementation grants, and for inter-regional projects they had implementation grants where more than two regions collaborated.

Ms. Holland said that the statewide program was organized into four frameworks for grant type, which were talent development, growing existing businesses, entrepreneurship, and site readiness. She said that the Region 9 target traded sectors were biomedical and biotechnology, financial and business services, food and beverage manufacturing, IT and communications, and light manufacturing. She said that since 2017, the GO Virginia project awards had resulted in creation and retention of 1,290 jobs.

Mr. Morrill asked if the report that would come out of this would be similar to the 2013 report provided.

Ms. Holland said that the report that this would come out of would be crafted to generate a strategic plan to identify what the gaps were that were keeping the sector from expanding and thriving, then they would create an action plan for how to address those gaps. She said that some of those opportunities may be directed at GO Virginia, but some may be better equipped for local or federal funding.

Mr. Newberry said that the 2013 grant was an AFID planning grant that the County alone matched state funds for that opportunity, and it was centered around the tourism conduit, so there would be a Virginia wine center in Albemarle where people could come and learn about wine and the area would become a hub for Virginia wine. He said that this would be a strategic plan to identify issues around labor, access to capital, availability of supplies and necessary agricultural products, production facilities, tax and legal issues, economic impact overall, and challenges to distribution and transportation. He said that the number of partners coming to the table and the amount of funds available would dictate the scope of the study.

Mr. Morrill asked what they could expect to be delivered to Albemarle citizens based on the investment being made by the EDA.

Mr. Newberry said that this was a planning grant, and Ms. Holland could speak to the success of the subsequent implementation grants that were much larger. He said that for example, if it was determined that a major barrier to their local wine shipping nationally and internationally was some sort of facility or equipment, this planning grant would provide the basis to pursue the funds to address that kind of gap.

Ms. Holland said that the local private partners and education partners would be involved to identify those gaps and strengthen the sector in order to ultimately generate tax revenue.

Mr. Morrill said that he was in favor of supporting agriculture in order to get economic return without requiring heavy development.

Mr. Long asked if it was accurate to say that this method was allowing for problem-solving that may not happen on an individual basis.

Mr. Newberry said that was correct. He said that every locality in Region 9 had pledged either in-kind or cash contributions to this effort, and it would be a regionally examination of the wine industry and its challenges. He said that they had over 52 farm wineries in Albemarle County and a very conservative estimated economic impact of at least \$100M per year. He said that specifically the 2022 Commercial Wine Grape Report, central Virginia was the leader in the state, and within that Central Virginia region, Albemarle County had over 1,000 acres of wine grapes, accounting for over 50% of the grapes in the region.

Mr. Newberry said that recently, Albemarle County was selected by Wine Enthusiast Magazine as one of the top five finalists for wine regions in the entire world. He said that this strategic plan would engage the associations such as the Virginia Wineries Association and the Virginia Vineyards Association, as well as getting validation from businesses to review the recommendations at the table before they were completed.

Mr. Newberry said that it would incorporate the 2013 Virginia Wine Center Study to see if that idea had legs. He said that his research regarding the effects of that study surmised that there was a change in state leadership and not that there was anything negative about the idea, so they could build upon that. He said that the Convention and Visitors Bureau for Charlottesville and Albemarle was pledging a letter of support for this grant.

Mr. Newberry said that every other locality was participating, and he proposed that Albemarle provide \$20,000 in cash, while Fauquier was providing \$10,000 and Greene was providing \$5,000, and a total in-kind match from all other counties of about \$35,000. He said that it would build a strong case to the GO Virginia Council that there should be favorable action on this application.

Mr. Newberry said that the application was due on September 20, and Nelson County agreed to be the lead on the application. He said that this timing allowed for engagement of stakeholders outside of the harvest and peak tourism seasons. He said that if approved, they could expect the final report to be completed by next fall.

Ms. McKeel asked what the other in-kind contributions were.

Mr. Newberry said that they would be from other directors and economic development personnel in those localities as well as private sector participants.

Ms. Kelley said that Mr. Engel was the first letter of support to come through. She said that they were looking at the \$35,000 match and \$57,334 from localities.

Ms. Johnson asked what the length of time was between when the grant was approved to when they actually got the results.

Ms. Holland answered that the planning grants were awarded for one year, and the general timeline was to get the report published by fall of next year.

Ms. Johnson asked if it was possible once they had the official report to discuss it as a Board in order to see if it was worth the investment.

Ms. Kelley said that this was a lot of time to be dedicated to this grant, so she would definitely demonstrate a return on investment to her own Board of Supervisors.

Mr. Newberry said that was true of Albemarle's staff as well. He said that they would include that in the scope that would be bid on by various consultants, with the expectation that they provide presentations on the outcomes.

Ms. Johnson said that it was important to identify the tangible value of such research and study opportunities.

Mr. Newberry asked Ms. Holland if there were any required standard metrics regarding planning grants or if they were dictated by what was being studied.

Ms. Holland said that the planning grant was designed to be for one year in order to study and identify within that short time period whether something would work or not so they knew with certainty whether to continue to invest in it. She said that GO Virginia required in the applicant what the line of sight was for an implementation grant, and they wanted to identify the jobs created and businesses impacted before determining what the next GO Virginia grant was.

Ms. Johnson said that an advantage of this investment was that if working with the schools, people would graduate and stay in the community, so that was a great linkage.

Mr. Morrill said that there were different demands between the private sector and the public sector, and many things were consensus-based so they needed data to show that it was a viable investment. He said that he was supportive of this, and he would additionally like to see things that had a direct, obvious payout as well as the long-range strategic investments made to leverage grants when thinking about these challenges.

Ms. Hernandez said that the funding allocated by the Board of Supervisors was specifically authorized for local match for state or federal grant programs.

Motion to was made by Ms. Johnson and seconded by Mr. Mottola.

MOTION: The motion carried unanimously.

c. Staff Report

Mr. Newberry presented the staff report. He said that Cville BioHub was partnering with Scheer Partners to examine their ecosystem and find what type of lab space would make the most sense given the cluster of particular biotech companies in the area. He said the companies in Albemarle would benefit from biology lab space and chemistry lab space, which typically had a lot of venting, hoods, and distinct air duct systems for those types of research.

Mr. Long asked what zoning classification was allowed for that type of lab space.

Mr. Newberry said that there was a variety. He said that by right, they were looking at light industrial, and the commercial zoning was limited to 4,000 square feet. He said that the Chamber's Minority Business Alliance (MBA) presented the 2023 Vanguard Awards on Friday last week, where Antwon Brinson and Sabrina Feggans were awarded for their respective entrepreneurial successes. He said that this Friday, the Black Business Expo would be held at IX Art Park, and he had the United Way's Guide for Black Businesses available for those interested.

Mr. Newberry said that a date had been announced for the Virginia Industrial Development Authorities Institute (VIDA) training, which was December 11 and December 12, 2023.

Ms. Hernandorena said that the Virginia Economic Development Partnership indicated that their Development 101 trainings would be available quarterly.

6. Unfinished Business

There was none.

7. Other Matters

There were none.

8. Adjourn

The Board adjourned the meeting at 5:23 p.m. The next meeting is November 14, 2023, in Room 241.

Teste: _____
Donald Long, Chairman

Approved: _____
J.T. Newberry, Assistant Secretary