

VIRGINIA:

At a recessed meeting of the Washington County Board of Supervisors and called special meeting of the Industrial Development Authority of Washington County held jointly Tuesday, July 11, 2006, at 5:00 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

PRESENT:

Board of Supervisors:

Kenneth O. Reynolds, Chairman
Jack R. McCrady, Jr., Vice Chairman
Phillip B. McCall
Dulcie M. Mumpower
Odell Owens
Paul O. Price
Anthony S. Rector

Mark K. Reeter, County Administrator
Lucy E. Phillips, County Attorney
Naoma A. Mullins, Recording Clerk

Industrial Development Authority:

Russell U. Owens, Chairman
David C. Counts
Jack Hagy
Clarence "C.B." Hale
Henry S. Snodgrass
David M. Cline
Curtis R. Woodward

Joe B. Lyle, IDA Legal Counsel

1. Call to Order

Board of Supervisors:

Mr. Kenneth Reynolds, Chairman of the Board, called the meeting of the Board of Supervisors to order.

Industrial Development Authority:

Mr. Russell Owens, Chairman, called the Industrial Development Authority to order. Mr. Owens noted for the record that this was a special called meeting of the Industrial Development Authority.

2. Approval of Agenda

Board of Supervisors:

On motion of Mr. Rector, second by Mr. Owens, it was resolved to approve the agenda as presented.

The vote on this motion was as follows: (7-0)

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Price</i>	<i>Aye</i>
<i>Mr. Rector</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>

Industrial Development Authority:

On motion of Mr. Snodgrass, second by Mr. Hale, the IDA acted to approve the agenda as presented.

The vote on this motion was as follows: (7-0)

<i>Mr. Counts</i>	<i>Aye</i>
<i>Mr. Hagy</i>	<i>Aye</i>
<i>Mr. Hale</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Snodgrass</i>	<i>Aye</i>
<i>Mr. Wilson</i>	<i>Aye</i>
<i>Mr. Woodward</i>	<i>Aye</i>

3. Discussion of The Highlands Commercial Development Project

County Administrator Mark Reeter addressed the Board and IDA explaining that the June 27 joint meeting was cancelled and rescheduled because it was discovered that the estimated construction costs of infrastructure improvements on The Highlands site eligible for tax-exempt, bank-qualified bond financing through the IDA might not equal \$3 million. Mr. Reeter explained the initial estimates for the infrastructure projects were \$2.7 million. Project Developers Newton Oldacre McDonald (NOM) submitted a summary of all estimated site development costs to Bond Counsel Dan Siegel for his evaluation. Mr. Siegel was on vacation through June 28 and unable to begin his review of the figures and determine the types of infrastructure projects that could be counted toward bank qualified bond financing. He further explained that for these reasons it was decided to reschedule the joint meeting.

Mr. Reeter explained that Mr. Siegel has now reviewed the figures, and he has determined there is enough investment in the infrastructure to meet the bank qualified, tax exempt bond financing. Final determination on qualifying infrastructure projects will be made at the time bonds are issued. Mr. Reeter stated that Mr. Siegel is comfortable in stating that the bond issuance project will be tax exempt.

4. Presentation and Consideration of Adoption of Joint Resolution of the Board of Supervisors and Industrial Development Authority

County Attorney Lucy Phillips reviewed the proposed joint resolution in detail. Ms. Phillips noted there had been very little change since the resolution was reviewed during the June 13 meeting.

At this time, discussion ensued between the Board and IDA.

Assistant County Administrator Christy Parker stated that NOM has notified her they will be ready to pick a date in August to hold a groundbreaking ceremony for The Highlands Project.

After further discussions, the following actions were taken:

Upon motion of Mrs. Mumpower, second by Mr. McCrady of the Board of Supervisors, and upon motion of Mr. Hale, second by Mr. Snodgrass of the Industrial Development Authority, it was jointly resolved to adopt the following Resolution:

**JOINT RESOLUTION 2006-12
OF THE WASHINGTON COUNTY BOARD OF SUPERVISORS
&
INDUSTRIAL DEVELOPMENT AUTHORITY OF WASHINGTON COUNTY
PROVIDING FINANCIAL ASSISTANCE FOR THE LOCATION
OF THE HIGHLANDS COMMERCIAL DEVELOPMENT
IN WASHINGTON COUNTY, VIRGINIA**

WHEREAS:

1. *The Board of Supervisors of the County of Washington, Virginia (Board) and the Industrial Development Authority of the County of Washington, Virginia (IDA), both political subdivisions of the Commonwealth of Virginia; Newton Oldacre McDonald, L.L.C. (Developer), Tranom L.L.C. (Joint Venture), and McAfee B. Trammell (Trammell) mutually desire the continued commercial development of the I-81, Exit 7 area of Washington County.*
2. *Developer and Trammell have formed Joint Venture to develop a major retail shopping center on property currently identified by County Tax Map Parcel Identification Numbers 142-3-1 totaling 45.17 acres situated along I-81 and U.S. Highway 11 in the I-81, Exit 7 area of Washington County, Virginia (the Property), which shopping center is planned to be called The Highlands.*
3. *Development of The Highlands in its entirety, including the seven out parcels, would result in an investment in excess of forty million dollars (\$40,000,000.00) in site development, infrastructure costs, and improvements, which would include expenditure of at least three million dollars (\$3,000,000.00) in site development and public infrastructure.*
4. *When fully developed, The Highlands would total more than two hundred and seventy-five thousand (275,000) square feet of shopping center space and an estimated 30,000 square feet of restaurant and small retail space located on up to seven out parcels associated with the*

Property in the general form as shown on the Conceptual Plan drawn by J. Kraus dated February 27, 2006 (Exhibit 1 of this Resolution).

- 5. Developer anticipates that the development and operation of The Highlands will result in creation of approximately eight hundred (800) new jobs.*
- 6. Developer provided to the Board and IDA, statistics based on national retail sales standards, that estimate The Highlands will generate annual non-school local sales tax revenues to Washington County (County) in excess of one million dollars (\$1,000,000.00) after complete build-out and occupancy of the shopping center and associated out parcels.*
- 7. Joint Venture has agreed that, in return for an economic incentive package, it will provide or facilitate the provision to the County Treasurer of names, tax identification numbers, and contact information for each purchaser and tenant within The Highlands and associated out parcels to allow the County to account for local sales tax revenues that are not statutorily dedicated for specific purposes from each entity.*
- 8. Joint Venture has agreed that, in return for an economic incentive package and within thirty (30) calendar days of its entry into a Performance Agreement with the Board and the IDA relative to such economic incentive package or prior to the conveyance of any of the following properties, it or the current owner thereof will record in the land records of the Clerk of the Circuit Court of Washington County, Virginia, restrictive covenants that neither it nor any other current or successor entity holding any ownership interest in the properties currently identified by County Tax Map Parcel Identification Numbers 142-3-1, 141-A-58, 141B-A-10, and 141-A-59 shall seek annexation of said properties into the City of Bristol, Virginia, for a period no less than fifty (50) years from the date of recordation of said restrictive covenants.*
- 9. The Board and IDA recognize the proposed development of The Highlands by the Joint Venture would benefit the public in the form of investment in infrastructure and commercial development, creation of new jobs, and development of a significant source of tax revenues.*
- 10. The Board and IDA desire to provide financial assistance for development of The Highlands by reimbursement of certain expenses to be incurred by the Joint Venture in site development and construction of public infrastructure supporting The Highlands.*
- 11. The Board is empowered pursuant to sections 15.2-953 and 15.2-1205 of the 1950 Code of Virginia (hereinafter, Va. Code) to make appropriations of money to the IDA for the promotion of economic development and to give, lend or advance to the IDA in any manner that it deems proper funds or other county property, not otherwise specifically allocated or obligated.*
- 12. The IDA is empowered pursuant to Va. Code sections 15.2-4901, et seq., to develop trade by inducing commercial enterprises to locate in this Commonwealth and pursuant to Va. Code §§ 15.2-4905(12) and (13) to accept monies from the Board and to make grants to any business in furtherance of the purposes for which the IDA was created.*

NOW, THEREFORE, BE IT JOINTLY RESOLVED by the Board and the IDA, in reliance on the foregoing understandings, the Board and IDA hereby resolve to the following:

13. *The specific terms and conditions for payment of the grant funding and performance requirements of Joint Venture and Developer as described in this Resolution shall be included in a Grant Performance Agreement between the Board, IDA, Developer, Joint Venture, and Trammell and other necessary parties that may be identified subsequent to the date of this Resolution.*

The IDA shall undertake the following:

14. *The IDA shall provide to Joint Venture a grant in the amount of three million (\$3,000,000) dollars (Lump Sum Grant Payment). The Lump Sum Grant Payment shall be remitted to Joint Venture in full within ninety (90) days of the date Joint Venture certifies to the Board and IDA in writing that the construction of The Highlands shopping center, excluding the outparcels, is at least seventy-five (75%) percent complete and that approximately eight (8) stores occupying at least eighty (80%) of the total square footage of The Highlands shopping center are open for retail business (the Start Date).*
15. *In order to fund the Lump Sum Grant Payment, the IDA shall issue revenue bonds (Bonds) in an amount not to exceed the Lump Sum Grant Payment plus the costs associated with issuance of the Bonds (excluding interest expense), which is estimated not to exceed two hundred fifty thousand (\$250,000) dollars (Bond Issuance Costs). Amortization of the Bonds shall be for a term not to exceed six (6) consecutive calendar years from the Start Date (the Amortization Period).*
16. *Beginning in Fiscal Year 2007-2008 and throughout the Amortization Period, the IDA shall annually request from the Board the funds needed to make the payments due on the Bond debt, including interest and principal, throughout the fiscal year (Debt Service).*
17. *In addition to the Lump Sum Grant Payment, beginning within nine months after the Start Date, the IDA shall provide Installment Grant Payments to Joint Venture. Installment Grant Payments shall be an amount equal to forty-five (45%) percent of total local sales tax revenue from all sales tax paying entities located within The Highlands shopping center and associated out parcels, excluding both the portion of sales tax revenue dedicated to fund the county public school system and any other state statutorily-restricted use of sales tax revenues and the cost of interest on the Bond debt for the Installment Period.¹ Installment Grant Payments shall be made semi-annually (Installment Period), based on the prior Installment Period's sales tax revenues, and shall continue for a period not to exceed ten (10) consecutive calendar years from the Start Date, or until the Maximum Grant Payment is reached, whichever occurs first. The Maximum Grant Payment shall equal a total sum in the amount of four million (\$4,000,000.00) dollars less Bond Issuance Costs and the cost of interest on the Bonds throughout the Amortization Period.*
18. *Any state legislation that restricts use of local sales tax revenues, whether in effect at the time of adoption of this Resolution or effective after the date of this Resolution, shall apply to the calculation of Installment Grant Payments, as described above.*

¹ Installment Grant Payment =
 $0.45 \times (\text{Sales Tax Revenues} - \text{Restricted-use Portion of Sales Tax Revenues}^* - \text{Cost of Interest on Bond debt}^*)$
^{*}For the installment period

19. *In the interest of bringing new business to the County rather than relocation of existing businesses, the following additional factors shall be taken into consideration in the calculation of Installment Grant Payments. In the event that a tenant or purchaser within The Highlands shopping center or associated out parcels relocates to The Highlands from a former location within the County, including locations in any of the towns lying within the County and is, therefore, not a new business to the County, only that portion of its non-dedicated local sales tax revenue that exceeds the average annual non-dedicated local sales tax revenue based on revenues generated in the two (2) consecutive calendar years immediately preceding the relocation shall be included in the calculation of Installment Grant Payments.*
20. *If the establishment of the business in The Highlands creates an additional location rather than a relocation of a pre-existing County business, including locations in any of the towns lying within the County, then all non-dedicated local sales tax revenue from that tenant or purchaser will be included in the calculation of Installment Grant Payments unless the tenant or purchaser closes its other County location within three (3) consecutive calendar years of the opening of its location in The Highlands. In that event, an adjustment shall be made such that only that portion of its non-dedicated local sales tax revenue that exceeded the average annual non-dedicated local sales tax revenue based on revenues generated in the two (2) consecutive calendar years immediately preceding the establishment in The Highlands shall be included in the calculation of Installment Grant Payments for the full length of time that the business was located in The Highlands.*
21. *Beginning in Fiscal Year 2007-2008, the IDA shall annually request from the Board such sums as are necessary to provide the Installment Grant Payments to Joint Venture.*
22. *The IDA shall have no obligation to remit any grant funds to Joint Venture except, and only to the extent, that the Board appropriates funds for such purpose and transfers such funds to the IDA.*

The Board shall undertake the following:

23. *Subject to annual approval by the Board in the context of its budget approval process, the Board shall appropriate and transfer to the IDA funds sufficient for the IDA to pay Debt Service and to fund Installment Grant Payments to Joint Venture plus any additional amounts needed throughout the Amortization Period related to the issuance of the bonds.*

BE IT FURTHER JOINTLY RESOLVED, that this Joint Resolution shall supercede the Resolution 2004-31 adopted by the Board on November 9, 2004.

BE IT FURTHER JOINTLY RESOLVED, that the Board directs the County Attorney to prepare the necessary agreements and other documents for the Board to execute with the IDA, Developer, Joint Venture, and Trammell consistent with the provisions of this Resolution and subject to final approval and authorization by the Board and IDA.

BE IT FURTHER JOINTLY RESOLVED, that in the event all final agreement(s) between the Board, IDA, Developer, Joint Venture, and Trammell are not executed within six (6) months of the date of adoption of this Joint Resolution, the provisions of this Joint Resolution shall be null and void, unless the Board takes action in public meeting to extend the time allowed.

The vote on this motion by the Board of Supervisors was as follows (6-0-1):

- Mr. Reynolds - Aye*
- Mr. McCrady - Aye*
- Mr. McCall - Aye*
- Mrs. Mumpower - Aye*
- Mr. Owens - Aye*
- Mr. Price - Abstain*
- Mr. Rector - Aye*

The vote on this motion by the Industrial Development Authority was as follows (7-0):

- Mr. Owens - Aye*
- Mr. Counts - Aye*
- Mr. Hagy - Aye*
- Mr. Hale - Aye*
- Mr. Snodgrass - Aye*
- Mr. Cline - Aye*
- Mr. Woodward - Aye*

Scrivener's Note: Exhibit 1 of the Resolution referenced above is included as Minutes Exhibits Item 2006-07-11-1-A.

5. Final Questions, Comments and Closing Remarks

There were no further discussions.

6. Adjourn to 7:00 PM Regular Meeting – Board of Supervisors

On motion of Mr. McCall, second by Mr. Rector, it was resolved to adjourn the meeting.

The vote on this motion was as follows: (7-0)

- Mr. McCall Aye*
- Mr. McCrady Aye*
- Mrs. Mumpower Aye*
- Mr. Owens Aye*
- Mr. Price Aye*
- Mr. Rector Aye*
- Mr. Reynolds Aye*

Adjourn or Recess – Industrial Development Authority

On motion of Mr. Counts, second by Mr. Woodard the IDA acted to adjourn the meeting.

<i>Mr. Counts</i>	<i>Aye</i>
<i>Mr. Hagy</i>	<i>Aye</i>
<i>Mr. Hale</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Snodgrass</i>	<i>Aye</i>
<i>Mr. Wilson</i>	<i>Aye</i>
<i>Mr. Woodward</i>	<i>Aye</i>

Prepared by:

Naoma A. Mullins, Recording Clerk

Approved by the Washington County Board of Supervisors:

Kenneth O. Reynolds, Chairman