#### VIRGINIA:

At a joint recessed meeting of the Washington County Board of Supervisors and Industrial Development Authority of Washington County held Tuesday, January 19, 2010, at 6:30 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

#### **PRESENT:**

#### **Board of Supervisors:**

Dulcie M. Mumpower, Chair Odell Owens, Vice-Chair Phillip B. McCall Nicole M. Price Kenneth O. Reynolds Joseph C. Straten Thomas G. Taylor

Mark K. Reeter, County Administrator Lucy E. Phillips, County Attorney Mark W. Seamon, Accounting Manager Naoma A. Norris, Recording Clerk

# **Industrial Development Authority of Washington County:**

Russell U. Owens, Chair Henry S. Snodgrass, Vice Chair Curtis R. Woodward John B. Roberts, Sr. Eugene P. Baker Jack Hagy

Joe Lyle, Legal Counsel

#### **Others Present:**

Roland Kooch, Davenport & Company Dan Siegel, Sands Anderson Marks & Miller

#### **ABSENT**:

#### **Industrial Development Authority of Washington County:**

Clarence B. "C. B." Hale

\*\*\*\*\*\*

# 1. <u>Call to Order</u>

#### a. Washington County Board of Supervisors

The meeting was called to order by Mrs. Dulcie M. Mumpower, Chair of the Board, who welcomed everyone in attendance.

# b. Industrial Development Authority of Washington County

The meeting was called to order by Mr. Russell U. Owens, Chair of the Industrial Development Authority of Washington County (IDA). Mr. Owens noted this meeting was a recessed meeting of the IDA.

# 2. <u>Invocation and Pledge of Allegiance</u>

Supervisor Phillip McCall gave the Invocation and led the Pledge of Allegiance.

# 3. Approval of Agenda

# a. Washington County Board of Supervisors

Mr. Reeter noted that should both Boards wish to convene in Closed Meeting it could be accommodated.

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

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

Mr. McCall	Aye
Mrs. Mumpower	Aye
Mr. Owens	Aye
Mrs. Price	Aye
Mr. Reynolds	Aye
Mr. Straten	Aye
Mr. Taylor	Aye

#### b. Industrial Development Authority of Washington County

On motion of Mr. Snodgrass, second by Mr. Roberts, it was resolved to approve the agenda with the following amendments:

Consideration of a Request for Fire Wood from Oak Park: Center for Business and Industry.

The vote on this motion was as follows: (6-0)

Mr. Owens Aye
Mr. Snodgrass Aye
Mr. Woodward Aye
Mr. Roberts Aye

Mr. Baker Aye Mr. Hagy Aye

#### 4. General Business:

# a. <u>Consideration of Acquisition of Alpha Natural Resources (Alpha) Property for County Government Office Space:</u>

# 1. Overview of Alpha Natural Resources Property and Presentation of Conceptual Floorplans

Mr. Reeter addressed the Boards and provided a review of the Alpha office building and associated property and presented the conceptual floor plans for adaptive reuse of the office building as County Government office space for the Washington County Treasurer's Office, County Commissioner of Revenue's office and County Administration. The Alpha building will become vacant as a result of Alpha's corporate expansion and their decision to relocate corporate offices to the City of Bristol's Technology Park. It is projected that the building will be available toward the end of 2011, possibly September which is Alpha's target date to be moved into their new facility.

Mr. Reeter explained the Alpha building located in Abingdon's Stone Mill Technology Park provides the County an opportunity to address some long standing and critical office space needs, specifically for the County Treasurer's office, County Commissioner of Revenue's office and County Administration. The Alpha building is 47,838 square feet and is located on 10+/- acres of property. The Alpha building was constructed in 2005 by J.A. Street & Associates as a design/build project at a cost of \$4,418,825.00 (\$3,743,825-Building and \$675,000–site work). The building costs were \$92.37/square foot and \$14.11/square foot for site work. The owner of the building is presently Johnson Stonemill LLC who has leased the building to Alpha since 2005. The Alpha building has an appraised value of \$8,260,000 and Alpha is asking \$7,510,000.

Mr. Reeter noted that an original specification that Alpha required during building design was the ability for future expansion and/or construction of another building of at least the same size as the existing Alpha building and that could tie into the existing facility. This specification would accommodate any future growth the County may have. He reviewed options for future additions to the Alpha building and/or construction of a separate building on adjoining acreage.

Mr. Reeter explained that he worked with the County Treasurer and County Commissioner of Revenue on a creating the concept plans for adaptive reuse of the Alpha building for County Treasurer's offices, Commissioner of Revenue's offices and County Administration. The concept is the Treasurer and Commissioner of Revenue offices would be located on the main floor of the building. The main entrance to the building is located on the first floor. The second floor would be used by County Administration. A second main entrance is proposed to be constructed on the second floor for public access to the County permitting functions (building/zoning permits) and likewise to access the Board of Supervisors auditorium which will be constructed on the second floor, taking up about 13 of the office and work areas, should a decision be made not to keep the main entrance on the first floor open after hours. Additionally, a couple of new restrooms would be constructed on the second floor. Mr. Reeter noted that the plans are concept only at this time, and if a decision is made by the Board of Supervisors to purchase the Alpha building the County would need to hire architectural services for layout programming and to draft bids for the renovations.

Discussions ensued among the Boards concerning issues pertaining to the overview of the Alpha property and conceptual floor plans.

Mr. Russell Owens asked several questions in regards to the conceptual renovations of the second floor.

Mr. Taylor asked for clarification that both the Commissioner of Revenue and Treasurer have looked at the Alpha building and the conceptual floor plan and established that the building would work well for them. He further inquired if access to the main entrance of the Alpha building handicap accessible. Mr. Reeter replied yes to both inquires.

Mr. Taylor asked that based on evaluation of the Alpha building if it would work for both existing and future County Administration needs. Mr. Reeter replied that it would.

Scrivener's Note: The Floor Plans referenced above are included as Minutes Exhibits Item 2010-01-19-A.

### 2. Review of Correspondence from Alpha Natural Resources

Ms. Phillips addressed the Boards and provided a review of Alpha official offer to the County to purchase the Alpha building as described in correspondence received on January 15, 2010 from Mick Risdon on behalf of Alpha. Ms. Phillips explained the bottom line purchase price offered is \$7,510,000 for the building and 10.3 acres of property. She noted that the building recently appraised at \$8,260,000. The offer provided that while Alpha is in the course of constructing their new headquarters, it would continue to occupy the building until September 30, 2011, under a lease arrangement with the County at a monthly rental of \$60,000. She further explained that Johnson Stone Mill, LLC currently owns the Alpha building. Ms. Phillips pointed out that the offer letter explained that Alpha has not made a decision together with Johnson Stone Mill as to how the sale to the County would be structured. The County purchase may be from either Alpha or Johnson Stone Mill. Alpha requested written confirmation from the County of its decision by February 1, 2010. Ms. Phillips stated if the Board acts to move forward with the purchase a sales purchase agreement would be negotiated.

Ms. Phillips provided the Boards with a review of the appraisal completed by Warren Klutz, Warren Klutz & Company, on behalf of Alpha. In addition, she provided a review of the appraisal review performed on the Alpha property by Steven Noble, Noble Valuations, Ltd., that was requested by the County. Mr. Klutz stated the estimated income approach value of the Alpha property as \$8,100,000. Mr. Noble's review of the appraisal concluded that Mr. Klutz's appraisal of \$8,100,000 was valid based on the valuations of cost approach, sales comparison and income approach.

Discussions ensued among the Boards.

Mr. Russell Owens asked that should the County purchase the Alpha building would the renovations proposed in the conceptual plans be delayed until after September 2011.

Ms. Phillips explained that the physical work could not begin until Alpha vacated the building. However, the County could proceed with the architectural and engineering design work that will be necessary.

Mr. Hagy inquired about the discrepancy in the tax value and the appraised value.

Ms. Phillips explained that a clerical error was made, and the County Commissioner of Revenue is addressing this issue with Mr. Steve Johnson, Johnson Stone Mill.

Mr. Baker commented that the Alpha building was not valued in comparison with other properties in Washington County.

Mrs. Phillips explained that the appraisal did not compare the Alpha building to any in the County because there are no other facilities the size of the Alpha property located in Washington County that were transacted within a relevant time period. The Alpha property was compared to facilities in Richmond and Salem, Virginia.

Mr. Hagy inquired if a full copy of the appraisal on the Alpha property was available.

Ms. Phillips explained the County has the appraisal document prepared by Warren Klutz; however, permission would have to be obtained from Alpha Natural Resources to share the document.

Mr. Taylor commented that the practice of placing value on new construction is not done by the County. The value is placed based on what is reported on the building permit obtained by the owner. He explained the clerical error referenced earlier by Ms. Phillips, as follows. He stated that the County contractor that performed the general reassessment completed an updated valuation of the Alpha property in the course of the general reassessment in 2008. When the contractor transferred its information to the County computer system, however, the Alpha reassessment information did not get transferred. Instead, the previous assessed value remained in the system and was not updated to the current assessed value. As soon as the Commissioner's Office became aware of the problem, a notice of the error was provided to the landowner.

Scrivener's Note: The Correspondence referenced above is included as Minutes Exhibits Item 2010-01-19-B.

# 3. Presentation of Financial Analysis and Plan of Finance for Alpha Property Acquisition

Mr. Roland Kooch with Davenport & Company addressed the Boards and presented a detailed PowerPoint Presentation of the financial analysis and plan of finance for acquisition of the Alpha property.

Mr. Kooch reviewed the executive summary of the plan of financing as follows:

- The County has the unique opportunity to fulfill its administrative needs via the purchase of the Alpha building.
- Because of the County's strong "A" rated credit rating, the County can finance the purchase of the Alpha building along with other anticipated needs at historically low interest rates.
- The equivalent tax impact of all existing and anticipated obligations is 4.6¢ over FY 2011-2015.
- The County's debt ratios are still very strong with debt financing of all projects.
- The County's one-time windfall from conversion of 2x/year tax collections is projected to be an amount sufficient to be applied strategically to:
  - 1<sup>st</sup> Increase undesignated fund balance of the County, which is currently lower than that of other "A" rated localities.

- 2<sup>nd</sup> Strategically manage the projected equivalent tax impacts of both the new debt service and the elimination of the use of budget "carry over".
- 3<sup>rd</sup> Fund One-time capital projects as the County may desire.
- Elimination of the use of "carry over" funds for operational budget needs (i.e. structural budget imbalance) is critical to the long term fiscal stability of the County and the maintenance of its strong credit ratings.
- Best practices "carry over" should not be used as a starting point for ongoing operational budget needs.

Mr. Kooch discussed the anticipated financing needs as follows:

Hawkins Payne project-BAN refinancing and road construction \$5,900,000

Alpha Natural Resources building purchase \$7,510,000

Other miscellaneous County needs \$2,000,000

The combination of above needs total approximately \$15.5 million of potential new financing.

Mr. Reeter briefly addressed the following miscellaneous needs:

- 1. Public Safety Roof/HVAC
- 2. Renovation of Treasurer's Office Building
- 3. Construction of Benham's Branch Library

Mr. Reeter stated that none of the miscellaneous projects have been committed to; however, the Public Safety Roof/HVAC issues are fairly critical.

Mr. Kooch reviewed the summary of the estimated equivalent tax impacts over the next five fiscal years for existing and anticipated obligations.

Mr. Kooch next reviewed the following alternatives to the Alpha Natural Resources building acquisition:

Alternative 1. Construction of a new County Administration building comparable to Alpha would be \$12.9 million with construction costs today.

Alternative 2. Adaptive reuse of Johnston Memorial Hospital Facility would be \$18 million. The tax credits that could be used bought down price to \$18 million.

Mr. Reeter explained how the figures for each of the two alternatives were calculated.

Mr. Kooch reviewed the recommended plan of finance and its impact on County Debt Ratios.

Mr. Reeter explained that acquiring the Alpha building would have an important secondary benefit. He stated the building could be used as collateral for the permanent financing of the Hawkins Payne property.

Mr. Kooch reviewed a proposed strategic use of the one-time windfall of approximately \$9 million due to the conversion to twice Year Tax collections.

Substantial discussions ensued among the Boards, Mr. Kooch and Mr. Reeter concerning the presentation of Davenport & Company and the financial impact to the County.

Mr. Reeter explained that the County currently depends on carryover funds, equivalent to four pennies of real estate taxes, to balance the County Budget. With all the budget cuts in FY 2010 it is highly unlikely that the carryover amount will be met. He stated the County needs to break itself from carryover dependency to balance the Budget.

Mr. Straten inquired if the anticipated financing needs of the County would have an impact on the County's ability to provide matching incentive funds to a prospective new business interested in locating a facility in the County.

Mr. Kooch explained that matching funds for an incentive package is a strategic use of the windfall. With the conversion to twice year tax collections the County will have the ability to set aside funds for future use.

Mr. Reeter reviewed the components involved in funding economic development.

Mr. Straten stated his concern if the County reaches its maximum debt levels it would a negative impact on the County's ability to provide funding to a prospective new industry that may require a substantial amount of local funds.

Mr. Reeter explained the proposed plan of finance would not bring the County to its maximum debt level. The County is below the state average of maximum debt level by approximately \$15 million. He further explained that that County normally does not borrow funds for incentive packages. There have been a few situations when it appeared the County would have to borrow substantial amounts of money to get an industry to locate in the County with the anticipation that the industry would generate enough tax revenue to offset the debt. An example is the Highlands Shopping Center. The shopping center is paying for itself through tax revenue.

Further discussions ensued concerning maximum debt levels for the County.

Mr. Russell Owens explained that he appreciates Mr. Straten's inquiries. The IDA continually comes to the Board requesting assistance with incentives when a match is required to obtain state or federal funds. It is crucial that funds are available for economic development incentives.

Mr. Odell Owens stated that attracting business and industry is very competitive therefore offering an attractive incentive package is very important.

Discussions ensued among the Boards concerning the costs to construct the alternate industrial access road for Oak Park: Center for Business and Industry and the funding/financing for this project.

Mr. Odell Owens stated the construction of the alternate industrial access road is very important. Three very good industrial prospects were lost because there was not an adequate industrial entrance into Oak Park.

Mr. Woodward explained that he understands the bids for the Phase II School Construction projects were coming in about 30-40% below the estimates. He asked how this would affect the borrowing. Mr. Woodward further inquired what the impact would be to the County Operating Budget if there is a reduction in state funding to the school system.

Mr. Kooch explained that less money would be borrowed at the time of permanent financing of the Phase II School Construction project at a reduced interest rate.

Mr. Reeter explained that at this time he does not know the budgetary impact that the schools FY 2010-11 Budget would have on the County's Operating Budget.

Scrivener's Note: The PowerPoint Presentation referenced above is included as Minutes Exhibits Item 2010-01-19-C.

# 4. Review of Legal Structure of Acquisition Financing

# Dan Siegel reviewed legal structure of financing.

Mr. Dan Siegel with Sands Anderson Marks and Miller addressed the groups and provided a review of the most likely legal structuring for the financing plan. He explained that the County would purchase the Alpha property from Alpha Natural Resources through a lease revenue bond financing by the IDA. The County would then lease the building to the IDA through what is considered a ground lease. The IDA would lease the building back to the County through a lease agreement. Lease payments from the County to the IDA would be equivalent to the debt service payment. The lease payments would be subject to annual appropriation by the Board of Supervisors. The bond holder will be assigned the lease payments as collateral. Finally, once the bond is paid in full the lease agreements will end.

Discussions ensued.

A ten minute recess was taken at this time.

# 5. Roundtable Discussion and Questions by Board of Supervisors and Industrial Development Authority

Lengthy discussions ensued between the Board of Supervisors and IDA.

Mr. Baker commented about the negotiations between the County and Alpha Natural Resources and asked for more information about the negotiations. He explained that the Alpha building has increased in value approximately 75% in five years and said there have been few buildings in the price range of the Alpha building that have sold in this county today. Mr. Baker proposed the County give further consideration to this purchase and not take action at this time.

Mr. Odell Owens explained that he had similar questions as Mr. Baker. Therefore, he requested a meeting with Alpha to discuss his concerns. At this meeting, he learned that Alpha would be paying \$8,500,000 to purchase the building from Johnson Stonemill. Then Alpha would like to sell the building to the County and discount the price approximately \$750,000. It now appears the Alpha Board of Directors has made a decision to offer the building to the County at a discounted price. He further explained that based on the discussions between the County and Alpha it appears the price offered to the

County is the bottom line. Mr. Owens said he is not sure that Alpha would offer the discount to another buyer.

Discussion ensued among Mr. Hagy, Mr. Odell Owens and Ms. Phillips concerning the cost to Alpha to buyout the lease versus purchasing the building.

Mrs. Price explained if Alpha could not vacate the building until September 2011 an option would be to let Alpha actively try to market the building. This would allow the County to know if the market would support the price Alpha is asking the County to pay for the property. Allow someone else to purchase the Alpha property which will add to the County's tax base. After a year has passed and Alpha does not sale the building, the County may able to purchase the building a vastly different price.

Mrs. Price further explained that comparable properties used in the appraisal were in Salem and Richmond. This says that the Alpha property is a gem in this region. Attracting a business that could afford to buy the building would add to the revenues of the County. Finally, she stated the building is located in Abingdon's Stonemill Technology Park and does not believe the County offices should be located in a technology Park.

Mr. Hagy agreed with Mrs. Price's comments and stated that it would be a no lose situation to the County.

Mr. Taylor explained that two reputable appraisals have been done on the Alpha property and both say the property is worth over \$8,000,000. An offer was made to the County to purchase the Alpha building at much less than the appraised value. The Alpha property meets the County's needs and can be purchased at a price far less than what it would cost the County to construct a new facility. He further explained the County has the financial means to purchase the Alpha property. There are a lot of positives for going forward with the purchase.

Mr. Straten explained his belief that the positives outweigh the negatives in regards to the price to purchase the Alpha property and its ability to meet the County's needs. It would also be an advantage to the County citizens. However, the big negative is that it will be difficult to tell the taxpayers that the County is going to be taking on a big debt when they are having trouble paying electric bills and further to tell them there will be a tax increase some time in the future. Mr. Straten stated he thinks the County should purchase the Alpha property and explain to the citizens why the purchase of this building is needed.

Mr. Odell Owens explained the County Facilities Committee for the past four years has worked on a County Government Office Complex project to identify a suitable building that would accommodate the consolidation of several County offices so that County citizens could go to one place to obtain services. The current County Administration Building is not customer friendly. He further explained the County does not own the current County Administration Building and only owns maybe two decent buildings. Over the years, the County has spent money on many different projects and did not invest in infrastructure that would benefit the County citizens. Mr. Owens stated that he is conservative with the County taxpayer dollars; however, he believes the purchase of the Alpha building is a good investment for the citizens of the County.

Mr. Reynolds stated that Washington County is a progressive County. The purchase of the Alpha building provides the County with the opportunity to showcase the building to prospective industry visiting the area.

Mrs. Price explained that she has concerns about the purchase of the Alpha building. She is very aware of the hard work the Facilities Committee has done searching for a new County office building, and that the Board has put a lot of thought into acquiring the Alpha building. Mrs. Price further explained that State revenues projections are dismal. It is not known how much the School Budget will be cut by the State, or how many core services will be cut by the State. The County may need to use \$4 million of windfall to restore the budget to this year's level. Mrs. Price stated that she is not just concerned about public criticism, but is concerned the Board may not be on the same team as their constituents. The Board needs to be aware of what they are going through.

Mrs. Price explained one component of State Budget cuts is to fund only the Commissioner of Revenue and Treasurer positions, with no staff being funded. She asked what people will think if the County is sending employees home or raising taxes while occupying an \$8 million building in a technology park. Are County taxpayers willing to have their taxes increase so that it will be easier to pay their taxes? Mrs. Price stated the Board needs to be making those types of assessments before making a decision to purchase the Alpha building.

Mr. Odell Owens stated that he agrees with Mrs. Price. However, the purchase of the Alpha building will not have a budgetary impact on the County's Operating Budget for the next two years.

Mr. Baker explained that the IDA is not against purchasing the Alpha building. Their primary concern is that the County purchases the building at the best price possible.

Mr. Taylor commented about the positive things that are happening in the County. There is new commercial development at Exit 19. The County will soon have a new hospital and long term care facility at Exit 22. The school system has seven school construction projects ongoing. An existing industry in the County is expanding in the Highlands Business Park. He stated the County needs to be positive and move forward with the purchase of the Alpha building.

Mr. Woodward stated that the School employees did not receive a raise in the current fiscal year. He said the County needs to ask the question of which is more important people or a building.

Mr. Owens stated that County employees did not receive a raise in the current fiscal year. He further stated that the purchase of the Alpha building will not affect employee salaries.

Mr. Roberts explained that the need for a new County Administration Building has existed for years and the availability of the Alpha building seems to be a good opportunity for the County. However, the IDA is concerned about the appraisal of the building and would like to see the County be offered a different price. Mr. Roberts said that he agrees with Mr. Straten's comments that the positives outweigh negatives with the purchase of the Alpha building and also about funds for economic development. He stated the County should save 1/3 of the windfall for economic development. Finally he stated that it would cost more for the County to purchase property and construct a new building than to purchase the Alpha building.

Mr. Russell Owens explained that he does not believe another building exists in the County that meets the County's needs as well as the Alpha building. In regards to comments made about the cost of the Alpha building, he stated that it would cost a lot more to purchase property and construct a new building. He further stated that the building could be showcased when an economic development prospect looks at the County.

Mrs. Mumpower explained that legitimate concerns have been expressed and it shows that the Board of Supervisors and IDA members have given a lot of thought to this issue. She stated that Mrs. Price has raised some legitimate points. It is unfortunate that the opportunity to purchase the Alpha building is happening at a time when the economy is bad and citizens of the County are struggling. Mrs. Mumpower stated that citizens have contacted her about their electric bills and with questions about why the County is considering the purchase of the Alpha building when a sports complex is needed for the youth of the County. She further stated that she is concerned that the real estate tax rate will need to be increased in order to balance the County Operating Budget based on the requests for funding received by the County. County departments are asked in the current fiscal year to reduce spending by ten percent to keep from having a tax increase. Mrs. Mumpower asked the County Administrator if it is known at this point if a real estate tax increase would be required in the next fiscal year in order to balance the budget.

Mr. Reeter explained that work on the recommended FY 2010-11 County Operating Budget has not yet begun. The Board will receive the County Administrator's recommended County Operating Budget for FY 2010-11 in February.

Mrs. Mumpower explained that she served on the County Facilities Committee for several years. The Committee has worked hard to identify a suitable building for a new County Government Office Complex that would combine into one place the services that the citizens of the County need. The current County Administration building is not user friendly. The parking and access to the building are inadequate. The Alpha building would meet the County's needs very well. She further explained when the County Government Office Complex project initially began it included space for the Treasurer, Commissioner, Sheriff and County Administration. To purchase land and construct a new facility to accommodate all departments was going to cost \$20-\$30 million. The County was fortunate to be presented the opportunity to purchase the Public Safety Building which has taken care of the space needs for the Sheriff's Department. Johnston Memorial Hospital was looked at as potential space for the Treasurer, Commissioner of Revenue and County Administration. It was going to be a major financial undertaking to complete the renovations that would be necessary for adaptive reuse of the hospital.

Mrs. Mumpower explained the Board must now make a decision whether or not to proceed with the purchase of the Alpha building. Good issues have been discussed on both sides. She further explained that the Board's consideration of purchasing the Alpha building is not for the benefit of County employees or the Board of Supervisors. The Board is doing what they believe is good for the citizens of the County.

Mr. McCall explained that the current County Administration Building is not user friendly. There is very little handicapped parking available. The Treasurer's Building where the Treasurer and Commissioner of Revenue are located is also not user friendly. There is congestion with people standing in line outside of the Treasurer's Building and parking problems during tax time. He further explained if the Board passes on the opportunity to purchase the Alpha building that he does not believe another opportunity will be presented to purchase a building that so closely fits the needs of the County. Mr. McCall stated that the William King Museum would probably like to see the County move out of the County Administration Building. He discussed the big step the County undertook when building the Southwest Virginia Regional Jail system. This proved to be a good move on the County's part, and he believes the purchase of the Alpha building would be a good move for the County.

At this time a motion was made by Mr. Owens and seconded by Mr. Taylor for the County to move forward with the Alpha building project.

Ms. Phillips asked to review a proposed Resolution for the Board of Supervisors to consider that would authorize the commitment for acquisition of the Alpha building and financing of the purchase.

Mr. Owens withdrew his motion.

Ms. Phillips provided a review of the proposed Resolution.

Discussions ensued among the Boards concerning the proposed Resolution.

Mrs. Price raised questions concerning the language included in the fifth bulleted item on page one of the proposed Resolution that talks about the costs of new construction of a comparably-sized facility.

Mr. Reeter explained that the original comparison used was for a facility 65,000 square feet which is larger than the Alpha building. He stated that the 65,000 square feet was for space needed prior to 2007, and it was the best estimate available to be used as a comparison.

Ms. Phillips proposed changing the language to reflect more accurately the total square feet stated for each alternative.

Mr. Hagy asked where the County owns property that is suitable for construction of a County Government Office Complex.

Mr. Reeter explained it is the Hawkins/Payne property.

Mrs. Mumpower provided clarifications concerning issues pertaining to consideration of Johnston Memorial Hospital. She explained that County officials met with officials from Johnston Memorial Hospital. Hospital officials never made a commitment if the hospital property would be available for the County to purchase.

Mr. Hagy questioned the sixth bulleted statement in the proposed resolution and stated that it was confusing.

Ms. Phillips agreed with Mr. Hagy's comment and explained that the first part of the statement was in regard to the possibility of new construction and the second part was in reference to the possibility of hospital renovation. She suggested that the two concepts be separated in a final form of resolution.

c. Consideration of Motions by Board of Supervisors and Industrial Development Authority Relative to Alpha Property Acquisition

Washington County Board of Supervisors:

On motion of Mr. Owens, second by Mr. Taylor, the Board acted to adopt the following Resolution with the minor changes as proposed by Mrs. Price:

# RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF WASHINGTON, VIRGINIA AUTHORIZING COMMITMENT FOR ACQUISITION OF ALPHA NATURAL RESOURCES OFFICE BUILDING AND FINANCING THEREOF

WHEREAS, the Board of Supervisors of the County of Washington, Virginia (the Board) has the responsibility to provide offices for the Washington County (County) administrative division, Treasurer, and Commissioner of Revenue that are accessible to all residents of the County and to the businesses that serve the County and that allow sufficient space for operations, which have increased over time since the initiation of use of the current facilities along with an increase in the size of the population of the County and the growth of County businesses, and that will give a professional appearance that most accurately reflects the County's successful growth and optimism for future development in favor of the County's residents, businesses, industry, and agricultural enterprises; and

WHEREAS, the current facilities provided by the County for offices of its administrative division, Treasurer, and Commissioner of Revenue are not easily accessible to all members of the public; they are barely sufficient in size to accommodate current operations and are clearly insufficient to accommodate any future growth; and

WHEREAS, Alpha Natural Resources (Alpha) has offered to the County the purchase and sale of the Alpha Office Building and approximate ten and three tenths acre (10.3 acre) parcel of real property on which it is located, at One Alpha Place in Abingdon, Virginia (the Property) for an acquisition price of seven million, five hundred and ten thousand dollars (\$7,510,000.00), subject to certain specified terms and conditions as stated in correspondence to the County Administrator, which was received January 15, 2010, from Michael P. Risdon, a Vice-President of Alpha; and

WHEREAS, the Board has considered several options, including acquisition of the Property, new construction, renovation and re-use of the Johnston Memorial Hospital building, and no action, and, having considered these options has determined that the acquisition of the Property is the most cost-effective option due to the following circumstances, among others:

- The Property was appraised on behalf of Alpha to have a value of \$8,260,000.00;
- A review appraisal conducted on behalf of the County, concluded a value of \$8,100,000.00;
- Alpha has offered the Property to the County at a discount as a gesture of goodwill to the County;
- Based on consultation with an architectural firm after extensive scoping and design discussion, new construction of a comparably-sized facility (of approximately 65,000 square feet) was estimated to cost at least \$12,875,000.00;
- Based on consultation with an architectural firm, acquisition and renovation of the former hospital structure was estimated to cost at least \$18,000,000.00;
- However, there is no certainty that the County would be offered the opportunity to acquire the former hospital structure nor of the cost of such acquisition if it were offered;
- Remodeling expenses for the Alpha building are likely to be less than the revenues that the County would receive from Alpha during a period of leaseback of the facility to Alpha pending Alpha's relocation to its new corporate headquarters facility; and
- The size of the Alpha building and capacity for additional construction on the real

property on which the Alpha building is located would provide sufficient capacity for County services for the foreseeable future.

WHEREAS, Virginia Code Sections 15.2-1800 and 15.2-4905 enable the Board and the Industrial Development Authority of Washington County, Virginia (Authority), respectively, to purchase real property; and

WHEREAS, the Board, having considered these matters with great care, finds it in the best interests of the public health, safety, and welfare to proceed with the acquisition of the Property as provided herein.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Washington, Virginia, as follows:

- 1. The Board hereby indicates its intent to accept the offer as stated in the January 15, 2010 correspondence from Alpha to the County Administrator for purchase of the Property, with the exception of the 2009 real estate assessment value stated therein for which the Board does not have authority to confirm the assessed value, and subject to successful negotiation of a Purchase and Sale Agreement and Lease Agreement, and directs the County Attorney, in consultation with legal counsel for the Authority and bond counsel for the County as well as discussion with Alpha, to negotiate and prepare a Purchase and Sale Agreement and Lease Agreement for the Property for final Board and Authority approval.
- 2. The Board directs Davenport & Company LLC as the County's financial consultants and Sands, Anderson, Marks & Miller, a Professional Corporation, as the County's bond counsel (together, the Consultants), to evaluate financing options and to recommend a plan of financing which may include an interim financing of the acquisition of the Property within the shortest time possible upon execution of the Purchase and Sale Agreement with permanent financing to occur on or after September, 2010 or only a permanent financing, dependent upon tax analysis and recommendations from the Consultants.
- 3. The Board directs that a copy of this Resolution be conveyed to Alpha to communicate the County's commitment to acquire the Property and also to the Authority, and also authorizes the County Administrator to execute such documents as necessary to satisfy the provisions of this Resolution.

The vote on this motion was as follows: (6-1)

Mr. McCall	Aye
Mrs. Mumpower	Aye
Mr. Owens	Aye
Mrs. Price	Nay
Mr. Reynolds	Aye
Mr. Straten	Aye
Mr. Taylor	Aye

Mrs. Mumpower on behalf of the Board thanked the IDA for being present and for their valuable input.

# 5. Adjourn or Recess

a. Washington County Board of Supervisors

On motion of Mr. Reynolds, second by Mrs. Price, it was resolved to adjourn the meeting.

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

Mr. McCall	Aye
Mrs. Mumpower	Aye
Mr. Owens	Aye
Mrs. Price	Aye
Mr. Reynolds	Aye
Mr. Straten	Aye
Mr. Taylor	Aye

b. Industrial Development Authority of Washington County

The IDA continued with their amended agenda item.

\*\*\*\*\*

Prepared by:	
Naoma A. Norris, Recording Clerk	
Approved by the Washington County Board Supervisors:	l of

Dulcie M. Mumpower, Chair