

Industrial Development Authority of the City of Lexington, Virginia

Monday, April 8, 2024 at 5:30 p.m.

City Hall, Second Floor Meeting Room

300 East Washington Street

1. Call to Order – Camille Miller, IDA Chair
2. Annual Election of IDA Officers
 - a. Election of Chairman
 - b. Election of Vice Chairman
 - c. Election/Appointment of IDA Secretary
 - d. Election/Appointment of IDA Treasurer
3. Approval of Minutes
 - a. IDA meeting, Wednesday, April 26, 2023*
4. Review of IDA Financials*
5. Consideration of Support for a Contribution to a General Aviation Airport Feasibility Study*
6. Review of a Request from Echelon Resources for a Real Estate Tax Abatement for Tax Parcel 29-1-31, 406 Spotswood Drive*
7. Discussion of IDA/EDA Retreat*
8. Adjourn

**Minutes
Industrial Development Authority (IDA)
Of the City of Lexington, VA
Wednesday, April 26, 2023, 5:00 p.m.**

IDA Present: Felicia Bush, George Graves, Bill King, Camille Miller, Glenn T. Petty and Liz Ramsey

IDA Absent: None

Staff Present: Jennifer Bell, Treasurer, Jim Halasz, Secretary, and Jani Hostetter, City Clerk

Also Present: Steve McCallister, Finance Director for W&L and Sandra Thomas, Chief Financial Officer for the Virginia Horse Center

The Industrial Development Authority (IDA) met on April 26, 2023 in the Second Floor Meeting Room of City Hall. Chair Bill King called the meeting to order at 5:00 p.m. and led the annual election of IDA Officers.

Annual Election of IDA Officers

Start Time: 5:00 p.m. (DropBox Audio: 0:28)

Chair Bill King nominated Camille Miller as Chair, Felicia Bush as Vice-Chair, Jim Halasz as Secretary and Jennifer Bell as Treasurer. Glenn Petty seconded the nomination. **The nomination carried unanimously (6/0) as presented by Roll Call Vote:**

AYES: Bush, Graves, King, Miller, Petty, Ramsey

NAYS: None

ABSTAINED: None

Chair Camille Miller amended the agenda to move the Request from W&L to take place before the Consideration of the Minutes.

A request from W&L University to amend a previous bond issue

Start Time: 5:01 p.m. (DropBox Audio: 1:54)

City Manager Halasz provided the following background:

The IDA has been provided a Resolution and a proposed Amendment to the 2018B Note previously approved by the Lexington Industrial Development Authority for Washington and Lee University. This amendment stipulates a new interest rate vehicle and is a simple administrative matter.

The City Attorney, Mr. Jeremy Carroll, has examined these documents and has found no issues that are required to be addressed.

Steve McAllister, from Washington & Lee University, provided further background to the IDA.

Discussion: None.

George Graves abstained from voting due to his past employment with Washington & Lee University.

Bill King moved to approve the document amending the Washington and Lee University 2018B Note and adopt the Resolution provided for this purpose. Liz Ramsey seconded. The motion carried unanimously (5/0/1) as presented by Roll Call Vote:

AYES: Bush, King, Miller, Petty, Ramsey

NAYS: None

ABSTAINED: Graves

Approval of the IDA Minutes

Start Time: 5:05 p.m. (DropBox Audio: 5:36)

Bill King moved to approve the February 2, 2022 Industrial Development Authority Minutes. Felicia Bush seconded. The motion carried unanimously (4/0/2). Glenn Petty and George Graves abstained because they were not serving on the IDA at the time of the meeting.

Financial Briefing of IDA Funding Status

Start Time: 5:06 p.m. (DropBox Audio: 6:18)

Finance Director Bell provided the following background:

The IDA has collected \$28,750 in user fees YTD FY23. In FY24, it is anticipated collections will be \$38,560. Additionally, \$183,750 has been collected from the City of Lexington and paid to the Virginia Horse Center (VHC).

At the end of FY22, the IDA's fund balance was \$210,165, an increase of \$21,250 over FY21.

The City collects an 8% transient occupancy tax on all qualified overnight stays. Of these collections, 2% are paid to the IDA for payment to the VHC. An additional 1% is also paid to the VHC up to a cap of \$61,000. Payments are made in July and January based on that year's budget. A settlement payment is made in July if actual collections are higher than budgeted. An additional payment will be due to the VHC after the end of this fiscal year based on increased collections throughout the year.

Discussion: None.

A request from Mountain Gateway Community College for \$40,000 to fund a Workforce Development Center

Start Time: 5:07 p.m. (DropBox Audio: 7:35)

City Manager Halasz provided the following background:

A request from Mr. John J. Rainone, President of Mountain Gateway Community College, for financial support for a regional Workforce Development Center. As you will note much of the funding for this center has already been approved and Mr. Rainone has reached out to all three local governments to seek the remaining funding for this purpose. Rockbridge County has approved the support that had been sought from them and the City of Buena Vista is on track to approve their commitment at roughly the same time as City Council will approve our budget.

Since MGCC serves the entire region and Lexington's economic success is tied to the success of our local partners, this new center is an excellent example of how Rockbridge County, Buena Vista and Lexington can come together to meet our joint needs and grow our economy. While the City provides annual funding to MGCC, we do not provide capital support and this is a request that is not typically forthcoming to the City. City Council is aware of this request, of course, and it is included in the draft 2024 Fiscal Year Budget.

As this is truly a straight-forward economic development opportunity and one of regional importance, City Council and I ask that the IDA consider the use of funds you have reserved for this purpose, to fund this request. While the request letter mentions ARPA funding, I have spoken with Mr. Rainone several times since he and I first conversed and he is well aware that City Council had previously allocated the City's ARPA funding for large scale City infrastructure projects.

Therefore, this item is being placed before you for your consideration.

Board member Liz Ramsey provided further background on the request as a Mountain Gateway Community College Educational Foundation board member.

Discussion: The Industrial Development Authority discussed-

- great opportunity

Comments: Felicia Bush

Liz Ramsey abstained from voting due to her position on the Mountain Gateway Community College Educational Foundation board.

Glenn Petty moved to approve a one-time request and resolution for Mountain Gateway Community College of \$40,000 to develop a regional Workforce Development Center. Bill King seconded. The motion carried unanimously (5/0/1) as presented by Roll Call Vote:

AYES: Bush, Graves, King, Miller, Petty

NAYS: None

ABSTAINED: Ramsey

Discussion of VDOT Property RFP and possible funding needs

Start Time: 5:12 p.m. (DropBox Audio: 12:46)

City Manager Halasz provided the following background:

As the Board likely knows, last year City Council procured the former VDOT site on Waddell Street for future development. In 2019 City Council determined that one of the highest priorities within Lexington and the surrounding community was housing, primarily market rate, workforce housing (2019 Danter Study). After the purchase of the former VDOT site an RFP for developers and development concepts for the site went out to a broad number of development outlets – among them were EVA the state site for listing development properties, the Shenandoah Valley Partnership (regional economic development agency) and the Central Shenandoah Valley Planning District Commission. Unfortunately, and to the disappointment of many (including myself) we only received a single response – Echelon Development/Urban Core.

All that said, we have a very viable response and it is under review by a local panel who will provide their insights (perhaps recommendations) to City Council in the near future. The panel consists of Greg Madsen from Carilion, Katie Shester – Lexington School Board, Phillip Thompson – Rockbridge County Superintendent of Schools, Steve McAlister – W&L, BG Dallas Clark – VMI, Tracy Lyons – Chamber of Commerce and Olivia Raines, CSPDC Housing Specialist.

As the process of review of this proposal plays out and should City Council decide to move toward negotiating a deal with Echelon/Urban Core, there may be needs that the IDA could meet. On a number of occasions to date at both the Spotswood site and the VDOT site unexpected and unbudgeted costs have arisen. In several instances City funding, within the approved budget, was difficult to come by and I contemplated reaching out to the IDA to broach the idea of IDA funding for these needs. However, time was of the essence in most cases and cuts in other areas of the budget were then made to cover these costs. However, as we continue to explore and move through a negotiation of a possible sales with regard to the VDOT site, unanticipated costs could arise, and I would like to understand what the IDA believes could be justified expenses that the IDA could cover. Examples of costs that were not anticipated: additional surveys, environmental consultations, change of utilities from VDOT to the City, additional legal work, etc.

As we move forward with both the potential development of the VDOT and Spotswood sites, one big question is, will the City need a construction manager on site? Nobody on City staff has the time or all of the expertise required to review plans and ongoing work in the field to be sure the projects are evolving as agreed to. Is this a cost the IDA would consider funding, fully or partially?

Thus, these are some of the questions I have going forward for the IDA to consider. I would also like to give the IDA some time to ask questions tonight about the VDOT site and the current proposal being evaluated. This is both so you are better informed and also so you have some understanding of the scope of the project and possible needs should they arise in the future.

Discussion: The Industrial Development Authority discussed-

- need for affordable housing
- concerns with the project and waiting to move forward with development
- reasoning for lack of proposals
- concerns with environmental hazards
- concerns with traffic in that area
- explanation of Area Median Income
- concerns with one developer doing two major projects in the City without seeing one project complete before the second project starts
- construction manager for Spotswood and VDOT project
- understaffed in the Planning Department
- experience with construction managers

Comments: Glenn Petty, Camille Miller, Liz Ramsey, Felicia Bush, Bill King

Consideration of a revised Virginia Horse Center debt refinancing request

Start Time: 5:27 p.m. (DropBox Audio: 27:27)

Glenn Petty recused himself due to his employment with the Virginia Horse Center.

In 2018 the VA Horse Center requested that both Rockbridge County and the City of Lexington renew an additional one percent addition to the lodging tax to be used exclusively for repayment of an earlier debt. The original purpose of the loan taken out by the Horse Center, and covered by the one percent, was for a significant number of deferred maintenance and capital improvements at the Center. Since that time these debt service payments (the loan is held by Cornerstone Bank) have been routinely and completely funded as required and no problems have arisen in that regard. However, the end of the six year renewal agreed to in 2018 (until 6/30/24) will soon come to an end. The Center still owes \$900,000 on the note and there is an upcoming balloon payment due in 2026 for approximately \$600,000. The Center would like to renegotiate the note, extend the payment period and continue access to the proceeds from the one percent tax.

The Rockbridge County Board of Supervisors has approved the renewal as part of their commitment to the Horse Center and this matter is yet to be decided by City Council. The current City payment to the Horse Center was limited by City Council in 2018 to \$61,000. Of course, the purpose for this funding is to support a true economic development purpose that has been a regional commitment from both the City and County.

Since City Council has not decided what course they will take in regard to this matter, there is no action required from the IDA. However, should City Council decide to act and approve any funding to the Horse Center, the IDA is required to consider it. However, the only question that will be before the IDA at that time will be would the IDA act as a pass through for these funds? Under Virginia law local governments cannot grant funds to private businesses, IDAs were created for this purpose. It is somewhat archaic and only adds an extra step, but it is the law we must work with.

Sandra Thomas, from the Virginia Horse Center, provided further background to the IDA.

Discussion: The Industrial Development Authority discussed-

- IDAs role
- importance of supporting the Horse Center
- City Council should approve the Horse Center's request
- lodging industry's opinion on this request
- using the money from Churchill Downs to pay back loan early

Comments: Camille Miller, Liz Ramsey, Bill King, George Graves, Felicia Bush

Adjournment

Bill King moved to adjourn the meeting. Felicia Bush seconded. The motion carried unanimously (6/0) as presented. Chair Miller adjourned the meeting at 5:43 p.m.

Camille Miller, IDA Chair

James M. Halasz, Secretary

Item 4

City of Lexington, Virginia
 Industrial Development Authority
 Comparative Balance Sheets
 At each FY's end on June 30, 2014 - June 30, 2023

Fiscal Year, June 30, XXXX	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSETS										
Cash and cash equivalents	98,675	24,789	110,037	47,177	47,747	14,254	20,805	38,915	43,032	113,736
Investments	260,000	326,606	226,606	251,425	200,000	175,000	150,000	150,000	200,000	200,000
Total assets	358,675	351,395	336,643	298,602	247,747	189,254	170,805	188,915	243,032	313,736
LIABILITIES										
Accounts payable	-	46,964	47,511	52,891	59,637	1,596	-	-	32,867	74,821
Total liabilities	-	46,964	47,511	52,891	59,637	1,596	-	-	32,867	74,821
FUND BALANCES										
Unrestricted	358,675	304,431	289,132	245,711	188,110	187,658	170,805	188,915	210,165	238,915
Total fund balances	358,675	304,431	289,132	245,711	188,110	187,658	170,805	188,915	210,165	238,915
Total liabilities and fund balances	358,675	351,395	336,643	298,602	247,747	189,254	170,805	188,915	243,032	313,736

City of Lexington, Virginia
Industrial Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the FY's Years Ending June, 30, 2014 - June 30, 2023

Fiscal Year Ended, June 30, XXXX	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Revenue from the use of money and property	9,635	1,967	3,226	-	1,136	-	-	-	-	-
Recovered Costs	12,100	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	45,288	35,082	41,794	57,403	5,000	21,340	21,250	28,750
Intergovernmental:										
Local government	-	151,401	182,357	202,256	205,708	216,750	200,625	398,018	235,585	258,571
Total revenues	21,735	153,368	230,871	237,338	248,638	274,153	205,625	419,358	256,835	287,321
EXPENDITURES										
Current:										
Parks, recreation, and cultural	-	151,401	182,357	202,257	205,708	218,346	200,625	138,091	235,585	258,571
Community development	12,100	56,211	63,813	78,502	100,531	56,259	21,853	263,157	0	0
Total expenditures	12,100	207,612	246,170	280,759	306,239	274,605	222,478	401,248	235,585	258,571
Excess (deficiency) of revenues over (under) expenditures	9,635	-54,244	-15,299	-43,421	-57,601	-452	-16,853	18,110	21,250	28,750
Net change in fund balances	9,635	(54,244)	(15,299)	(43,421)	(57,601)	(452)	(16,853)	18,110	21,250	28,750
Fund balances - beginning	349,040	358,675	304,431	289,132	245,711	188,110	187,658	170,805	188,915	210,165
Fund balances - ending	358,675	304,431	289,132	245,711	188,110	187,658	170,805	188,915	210,165	238,915



Budget Performance Report

Fiscal Year to Date 03/31/24

Exclude Rollup Account

Account	Account Description	Adopted Budget	Budget Amendments	Amended Budget	Current Month Transactions	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 03 - IDA Fund										
REVENUE										
Department 0 - Revenue										
<i>Charges For Services</i>										
1016-9999	Misc. User Fees	.00	.00	.00	8,465.00	.00	38,465.00	(38,465.00)	+++	28,750.00
<i>Charges For Services Totals</i>		\$0.00	\$0.00	\$0.00	\$8,465.00	\$0.00	\$38,465.00	(\$38,465.00)	+++	\$28,750.00
<i>Transfers In</i>										
1041-0501	From General Fund	.00	.00	.00	.00	.00	231,334.00	(231,334.00)	+++	258,571.24
<i>Transfers In Totals</i>		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$231,334.00	(\$231,334.00)	+++	\$258,571.24
Department 0 - Revenue Totals		\$0.00	\$0.00	\$0.00	\$8,465.00	\$0.00	\$269,799.00	(\$269,799.00)	+++	\$287,321.24
REVENUE TOTALS		\$0.00	\$0.00	\$0.00	\$8,465.00	\$0.00	\$269,799.00	(\$269,799.00)	+++	\$287,321.24
EXPENSE										
Department 7200 - Recreation & Leisure Svc Cont										
<i>Agency Contributions</i>										
5645-0	Horse Center Foundation	.00	.00	.00	.00	.00	231,334.00	(231,334.00)	+++	258,571.24
<i>Agency Contributions Totals</i>		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$231,334.00	(\$231,334.00)	+++	\$258,571.24
Department 7200 - Recreation & Leisure Svc Cont Totals		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$231,334.00	(\$231,334.00)	+++	\$258,571.24
EXPENSE TOTALS		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$231,334.00	(\$231,334.00)	+++	\$258,571.24
Fund 03 - IDA Fund Totals										
REVENUE TOTALS		.00	.00	.00	8,465.00	.00	269,799.00	(269,799.00)	+++	287,321.24
EXPENSE TOTALS		.00	.00	.00	.00	.00	231,334.00	(231,334.00)	+++	258,571.24
Fund 03 - IDA Fund Totals		\$0.00	\$0.00	\$0.00	\$8,465.00	\$0.00	\$38,465.00	(\$38,465.00)		\$28,750.00
Grand Totals										
REVENUE TOTALS		.00	.00	.00	8,465.00	.00	269,799.00	(269,799.00)	+++	287,321.24
EXPENSE TOTALS		.00	.00	.00	.00	.00	231,334.00	(231,334.00)	+++	258,571.24
Grand Totals		\$0.00	\$0.00	\$0.00	\$8,465.00	\$0.00	\$38,465.00	(\$38,465.00)		\$28,750.00

Customer	Steele Lexington, LLC
Bond Issue	Lex House 2020
Principal	8,840,000
Anniversary	3/11
Annual Admin Fee	varies

Year	Outstanding Principal	% Fee	Fee
2020	application fee		2,500
2021	8,840,000	0.10%	8,840
2022	8,750,000	0.10%	8,750
2023	8,655,000	0.10%	8,655
2024	8,560,000	0.10%	8,560
2025	8,460,000	0.10%	8,460
2026	8,350,000	0.10%	8,350
2027	8,240,000	0.10%	8,240
2028	8,125,000	0.10%	8,125
2029	8,005,000	0.10%	8,005
2030	7,880,000	0.10%	7,880
2031	7,745,000	0.10%	7,745
2032	7,610,000	0.10%	7,610
2033	7,465,000	0.10%	7,465
2034	7,315,000	0.10%	7,315
2035	7,160,000	0.10%	7,160
2036	7,000,000	0.10%	7,000
2037	6,830,000	0.10%	6,830
2038	6,650,000	0.10%	6,650
2039	6,465,000	0.10%	6,465
2040	6,275,000	0.10%	6,275
2041	6,075,000	0.10%	6,075
2042	5,865,000	0.10%	5,865
2043	5,645,000	0.10%	5,645
2044	5,415,000	0.10%	5,415
2045	5,180,000	0.10%	5,180
2046	4,930,000	0.10%	4,930
2047	4,670,000	0.10%	4,670
2048	4,400,000	0.10%	4,400
2049	4,120,000	0.10%	4,120
2050	3,825,000	0.10%	3,825
2051	3,515,000	0.10%	3,515
2052	3,195,000	0.10%	3,195
2053	2,865,000	0.10%	2,865
2054	2,515,000	0.10%	2,515
2055	2,150,000	0.10%	2,150
2056	1,770,000	0.10%	1,770
2057	1,375,000	0.10%	1,375
2058	960,000	0.10%	960
2059	530,000	0.10%	530
2060	-	0.10%	-

Customer	Washington & Lee
Bond Issue	W&L 2020
Principal	37,710,000
Anniversary	11/9
Annual Admin Fee	10,000 until 2041

Year	Outstanding Principal	% Fee	Fee
2020	application fee		2,500
2021	37,710,000	0.10%	10,000
2022	37,710,000	0.10%	10,000
2023	37,710,000	0.10%	10,000
2024	37,710,000	0.10%	10,000
2025	37,710,000	0.10%	10,000
2026	37,710,000	0.10%	10,000
2027	37,710,000	0.10%	10,000
2028	37,710,000	0.10%	10,000
2029	37,710,000	0.10%	10,000
2030	37,710,000	0.10%	10,000
2031	37,710,000	0.10%	10,000
2032	37,710,000	0.10%	10,000
2033	37,710,000	0.10%	10,000
2034	37,710,000	0.10%	10,000
2035	34,045,000	0.10%	10,000
2036	30,260,000	0.10%	10,000
2037	26,345,000	0.10%	10,000
2038	22,305,000	0.10%	10,000
2039	18,130,000	0.10%	10,000
2040	13,815,000	0.10%	10,000
2041	9,360,000	0.10%	9,360
2042	4,755,000	0.10%	4,755

Customer	VMI Foundation
Bond Issue	VMI Series 2021
Principal	25,810,000
Anniversary	7/21
Annual Admin Fee	10,000

Year	Outstanding Principal	% Fee	Fee
2021	application fee		2,500
2022	25,810,000	0.10%	10,000
2023	25,810,000	0.10%	10,000
2024	25,810,000	0.10%	10,000
2025	25,810,000	0.10%	10,000
2026	25,810,000	0.10%	10,000
2027	25,810,000	0.10%	10,000
2028	25,810,000	0.10%	10,000
2029	25,810,000	0.10%	10,000
2030	25,810,000	0.10%	10,000
2031	25,810,000	0.10%	10,000
2032	25,810,000	0.10%	10,000
2033	25,810,000	0.10%	10,000
2034	25,810,000	0.10%	10,000
2035	25,810,000	0.10%	10,000
2036	25,810,000	0.10%	10,000
2037	-	0.10%	-

Customer	Kendal at Lexington
Bond Issue	Kendal 2022
Principal	18,910,000
Anniversary	10/5
Annual Admin Fee	10,000 until 2044

Year	Outstanding Principal	% Fee	Fee
2022	application fee		2,500
2023	18,890,000	0.10%	10,000
2024	18,860,000	0.10%	10,000
2025	18,830,000	0.10%	10,000
2026	18,795,000	0.10%	10,000
2027	18,760,000	0.10%	10,000
2028	18,725,000	0.10%	10,000
2029	18,690,000	0.10%	10,000
2030	18,650,000	0.10%	10,000
2031	18,610,000	0.10%	10,000
2032	18,570,000	0.10%	10,000
2033	18,525,000	0.10%	10,000
2034	18,480,000	0.10%	10,000
2035	18,435,000	0.10%	10,000
2036	18,385,000	0.10%	10,000
2037	18,335,000	0.10%	10,000
2038	16,840,000	0.10%	10,000
2039	15,285,000	0.10%	10,000
2040	13,670,000	0.10%	10,000
2041	11,990,000	0.10%	10,000
2042	10,245,000	0.10%	10,000
2043	10,245,000	0.10%	10,000
2044	8,350,000	0.10%	8,350
2045	6,380,000	0.10%	6,380
2046	4,335,000	0.10%	4,335
2047	2,210,000	0.10%	2,210
2048	0	0.10%	-



Industrial Development Authority Regular Meeting Agenda Item Report

Subject: Consideration of Support for a Contribution to a General Aviation Airport Feasibility Study
Meeting: Industrial Development Authority – 8 Apr 2024
Department: City Manager

BACKGROUND INFORMATION:

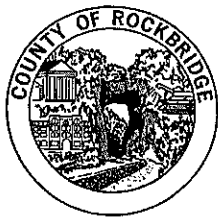
As you are aware, Rockbridge County had requested a letter of support from City Council for a grant to conduct a study to determine the feasibility of a regional general aviation airport and a financial contribution for the study itself. At the March 21st City Council meeting, Council approved both a formal letter of support and a contribution of no more than \$8,606 to be applied to the cost of the study.

The funding that was approved by City Council is a fraction of the actual cost of the study, which is believed to be in the range of \$200,000. The local share would then be \$40,000 and Rockbridge County (through their EDA) would pay \$23,731, we would pay \$8,606 and Buena Vista would pay \$7,662.

When discussing and approving the support for the study, City Council did not specify or request that funding for this purpose come from the Lexington IDA. However, the primary role of any IDA is to support activities that create economic development resulting in an increased tax base, additional employment opportunities and general improvements to the economic well-being of the community. As you have seen in the report from the IDA Treasurer, Jennifer Bell, the IDA does have a significant cash balance and could therefore easily pay the City share of the study, as approved by City Council.

RECOMMENDATION:

Therefore, I recommend that the IDA authorize a grant of \$8,606 to the County of Rockbridge, through the Rockbridge County EDA, for the sole purpose of funding a portion of the local share of a proposed general aviation airport feasibility study.



www.co.rockbridge.va.us

SPENCER H. SUTER
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County of Rockbridge

Office of the County Administrator

150 South Main Street

Lexington, Virginia 24450

County Board of Supervisors

LESLIE E. AYERS
Buffalo
Magisterial District

DANIEL E. LYONS
Kerrs Creek
Magisterial District

DAVID B. MCDANIEL
Natural Bridge
Magisterial District

R. W. DAY
South River
Magisterial District

A.J. "JAY" LEWIS, II
Walkers Creek
Magisterial District

February 20, 2024

City of Lexington, Virginia
Jim Halasz, City Manager
300 E. Washington Street
Lexington, VA 24450

Subject: Collaboration Request: Regional Feasibility Study for General Aviation Airport

Dear Mr. Halasz,

I am writing on behalf of the Rockbridge County Board of Supervisors to seek the support of the City of Lexington for a regional general aviation airport feasibility study.

During its meeting on December 20, 2023, the Rockbridge County Economic Development Authority passed a Resolution of Support requesting the Central Shenandoah Planning District Commission (CSPDC) pursue state and federal funding. Similarly, on January 8, 2023, the Rockbridge County Board of Supervisors adopted a resolution supporting the EDA's request to have the CSPDC embark on a feasibility with the EDA providing the County's portion of the match funding for the General Aviation airport study.

A general aviation airport encompasses all civil aviation activities except for scheduled commercial airline services and military aviation. General aviation airports cater to a wide range of users and purposes, including private pilots, flight schools, recreational flying, business aviation, air ambulance services, and more.

To enhance our application for state and federal funding, we've been obtaining letters of support from local business leaders, higher education institutions, and various stakeholders. These letters play a crucial role in securing the funding required for the feasibility study. Attached herewith are the letters we've received thus far.

We are reaching out to request the City of Lexington's thoughtful consideration in adopting a similar resolution, demonstrating support, and committing to cost-share the feasibility study alongside Rockbridge County and potentially the City of Buena Vista. We have included a draft resolution for your convenience.

Based on the last study conducted in Virginia, the estimated cost of the study is \$200,000. Assuming a comparable cost structure, the local share (20%) would amount to \$40,000. If all three localities—Rockbridge County, the City of Lexington, and the City of Buena Vista—participate, the cost-share breakdown, based on the latest population data from the Weldon Cooper Center, is as follows:

- Rockbridge County: \$23,731
- Lexington: \$8,606
- Buena Vista: \$7,662
-

The outcomes of an airport feasibility study will provide the information needed to make informed choices about whether to proceed with an airport project, modify it, or abandon it altogether. It is a crucial step in the planning process to ensure that resources are invested wisely and that the airport can meet the needs of its users while being economically and environmentally sustainable. A detailed list of what is expected from such a study has been included.

We deeply value your time and attention to this matter. Your support is instrumental in enabling a thorough assessment of the feasibility of establishing a regional general aviation airport in the Rockbridge region and will ensure we have a clear understanding of the potential impacts.

Thank you once again for your attention.

Sincerely,



Leslie Ayers
Chair
Rockbridge County
Board of Supervisors

Enclosure: Feasibility Study Outcomes
Sample Resolution of Support
Public Input Letters

UNFINISHED BUSINESS

- **Continued Discussion and Consideration of a Resolution of Support for a Feasibility Study for a Regional General Aviation Airport**

Start Time: 7:55 p.m. (DropBox Audio: 54:30)

The attached request from the Rockbridge County Board of Supervisors outlines efforts that have been taken to apply for funding from both the Virginia Department of Aviation and the Federal Aviation Administration. The funding that is being requested would provide an opportunity to evaluate the possibility of constructing a General Aviation Airport within Rockbridge County that would serve our region.

The request for support outlines the local financial commitment that is anticipated to match State and Federal funding for the study. As noted in the letter from Ms. Leslie Ayers, Chair of the Rockbridge County Board of Supervisors, \$8,606 is being sought from the City of Lexington. While it is fair to say that there is absolutely no guarantee that the study envisioned will support the construction of a General Aviation Airport, this small investment to explore opportunities for regional economic development is reasonable.

As stated by Ms. Ayers, the results of this study will better inform decision makers and citizens in our region of aviation and economic development opportunities that may exist. Good decision making and investment always requires careful analysis, and that analysis does come at a cost. In this instance, The City of Lexington, with our partners the City of Buena Vista and Rockbridge County are jointly shouldering the small local cost of this study. Based on these circumstances and the continuing collaborative efforts undertaken to achieve local cooperation and investment, the support and funding requested from the City seems quite appropriate.

At the March 7, 2024, City Council regular meeting, City Council voted (3-2) to table this item until the March 21, 2024, City Council regular meeting.

Discussion: City Council discussed-

- both Rockbridge County and Buena Vista have approved funding the feasibility study
- removing the language stating our support for the initiative from the resolution
- clarification on source of Rockbridge County's monetary support
- Rockbridge County approached the City because we partner on many things with them
- how the Board of Supervisors feel about the proposal
- corrected calculations
- removing the second section of the resolution
- the feasibility study being done in step with looking into land use and zoning
- locations part of the study
- public support for the study
- how this study meshes with the County's comprehensive plan
- City's IDA paying for the feasibility study
- this is inviting the City to sit at the table and be a partner

Comments: Councilmember Betts, Councilmember Straughan, Councilmember Smith, Councilmember Alexander, Councilmember Sigler, Councilmember Aligood, Mayor Friedman

Moved by Councilmember Nick Betts, seconded by Vice-Mayor Marilyn Alexander, to approve Resolution 2024-03, a resolution of support for a Rockbridge Area General Aviation

Airport feasibility study with the following modification:

- changing "and be it further resolved that the Lexington City Council commits to providing support for this initiative and cost-share in the feasibility study," to "and be it further resolved, that the Lexington City Council commits to providing support for this feasibility study and cost-share in the feasibility study."

Carried by the following votes:

Ayes: Councilmember David Sigler, Mayor Frank Friedman, Councilmember Nick Betts, and Vice-Mayor Marilyn Alexander

Nays: Councilmember Chuck Smith, Councilmember Leslie Straughan, and Councilmember Charles Aligood



Industrial Development Authority Regular Meeting Agenda Item Report

Subject: Review of a Request from Echelon Resources for a Real Estate Tax Abatement for Tax Parcel 29-1-31, 406 Spotswood Drive
Meeting: Industrial Development Authority – 8 Apr 2024
Department: City Manager

BACKGROUND INFORMATION:

Attached is a request from Mr. Edwin Gaskin for a partial tax abatement for the Spotswood parcel at 406 Spotswood Drive. As noted in his request, Mr. Gaskin has determined that current construction costs and higher interest rates have greatly reduced the opportunity to develop the site in the current economic climate. However, through conversation with Virginia Housing he has identified an alternative source of funding that may permit him to move forward with the project within the immediate future.

This low interest financing through VA Housing does have requirements, however. First, and to our advantage, it requires that 20% of the 62 units be set aside for tenants at the 80% Average Median Income (AMI) level or less. While this does not meet the needs of all individuals in Lexington with medium or low incomes, it is a start. Second, the VA Housing loan requirements and current economic conditions create a need for local financial participation. Thus, the request from Mr. Gaskin for a 15 year, 50% real estate tax abatement.

In order to move forward in any fashion and pursue the VA Housing financing, City Council needs to approve this tax abatement request so that Mr. Gaskin can further explore the potential for qualifying for financing from VA Housing. With the tax abatement and subsequent financing from VA Housing, Mr. Gaskin believes he can be ready to start construction in roughly a year from now. I have met virtually with a representative of Virginia Housing and while there is no guarantee that financing

will be extended, this is a very real opportunity to move forward with this project today.

Based on City Council's long-standing desire to develop this site, the opportunity to develop it today, should not be discounted. While future revenues from the development would not be 100% of what would otherwise be anticipated – some revenues would still come to the City and today we know the property generates no return. Based on the attached Cost Benefit Analysis City staff believes that over the course of 20 years there would be a \$2,083,000 return to the City.

Another goal of City Council is to increase housing in Lexington. With the possibility of financing through VA Housing, the City has not only the potential for additional available housing within the City, but also housing available for individuals with lower incomes. Of course, we have all seen that while additional housing within the City has always been something strongly desired, the recent shortage of housing nationwide (and in Lexington), makes this an even greater area of concern.

Therefore, based on City Council's goal to have this parcel produce income and the increasing need for housing today, I would recommend that City Council approve this real estate "tax abatement" for development of the Spotswood parcel by Echelon Resources. As a note, City Council should remember that technically the "tax abatement" would actually be in the form of an incentive through the IDA to reimburse Mr. Gaskin for 50% of the real estate tax that he must first pay to the City.

RECOMMENDATION:

None required. Informational only, at this time.

ATTACHMENTS:

Jim Halasz

From: Edwin Gaskin <gaskin@echelonresourcesinc.com>
Sent: Tuesday, January 9, 2024 6:00 AM
To: Jim Halasz
Cc: Rory Dowling; Randy Cosby
Subject: Lexington - Spotswood - Project Update and Request for Real Estate Tax Abatement
Attachments: Spotswood Drive_Prop Tax Overview_Jan 2024.xlsx

Good morning Jim, thank you for taking the time to converse yesterday.

As requested, I am writing with an update regarding our progress on the Spotswood residential project. Over the last several months, our team has been very active and has continued investing time and money on necessary project due diligence including advancing the building design, site survey, etc. We remain committed to delivering an upscale residential project that will fill a needed housing void that currently exists within the Lexington community.

Unfortunately, current economic conditions continue to pose challenges for these types of projects. Most importantly, construction prices have remained high and interest rates are hovering at levels not seen in the last 20 years. As a result, it has been challenging to identify viable sources of conventional financing that would provide a feasible path forward for the Spotswood project.

However, we recently began working with Virginia Housing, who has expressed some interest in providing flexible construction financing terms. As of now, we see Virginia Housing as the only option that will move this project forward over the next 12 – 18 months (while other lenders are waiting out the current conditions). Should our loan application to Virginia Housing be successful, we feel confident we can advance the Spotswood project on an accelerated schedule.

Should our loan application be successful, Virginia Housing will require that 20% of the residential units remain affordable to residents earning 80% of area median income (AMI) or below. As we discussed yesterday, this requirement tracks well with the prior conversations we've had with City Council about finding a way to address affordable housing needs in Lexington while not going down the path of Low Income Housing Tax Credits (LIHTCs). This is a delicate balance as providing any amount of affordable housing comes at a cost which - in this situation - not balanced out by the financial benefits of LIHTCs.

While we are excited to provide these workforce units for Lexington's nurses, teachers, city employees, etc., the reduction in potential income also adds feasibility challenges that need to be solved for the project loan application to be considered viable. To that end, we are asking the City to consider a partial property tax reduction on incremental assessed value of the property to assist with offsetting the reduction in revenue caused by the 20% affordable workforce units.

Specifically, we are asking for a 50% reduction on incremental property taxes over a fixed 15 year period, beginning in the first year of operation.

Even with this reduction in property taxes, the Spotswood project will generate an estimated \$1.5M in incremental revenue (land purchase and annual property taxes) over the 15-year period (please see attached projection). This deferment/increase in NOI will allow us to increase our Virginia Housing loan

proceeds and offset some of the lost revenue associated with the workforce units. This will make our loan application more viable and thus advance the project from concept to reality.

Other Virginia communities have implemented similar tax abatement programs in response to challenging development conditions including Danville, Norfolk, Suffolk, Winchester, and South Boston. While we did not initially expect a need for City participation, we need to be transparent and direct about the challenges we (or any development team would) face in today's current development environment. We look forward to working with City staff and City Council on a workable solution.

Given our goal to submit our loan application to Virginia Housing in 2024Q2, we would ask that this request be considered by City Council in the next 90 days or so. We are available to meet in-person or virtually to discuss the situation. We appreciate in advance their time and that of City staff that will be spent considering this request.

Please let us know if we can provide further details about the project's financials or schedule a time to review in detail. Thanks and have a great week.

Edwin Gaskin - Echelon Resources, Inc.
O: 804-767-5990, M: 804-641-0655
gaskin@echelonresourcesinc.com
[Website](#) * [Watch What We Do!](#)

Cost Benefit Analysis - 65 Units										
	Year 1 12 month DD	Year 2 Design/Prep	Year 3 Construct 2026	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Costs										
Estimated Wholesale Water/Sewer Increase				\$ 14,030	\$ 28,901	\$ 43,975	\$ 45,294	\$ 46,653	\$ 48,053	\$ 49,494
Capital Loss from Property Sale		\$ 197,100								
Relocation of Sewer Line (50% Cost Share)		\$ 100,000								
Waived Utility Connection Fees		\$ 53,274								
ALTA Survey and Phase I	\$ 6,575									
Real Estate Tax Abatement				\$ 64,400	\$ 64,400	\$ 64,400	\$ 64,400	\$ 66,332	\$ 66,332	\$ 66,332
Total Costs (Future Value)	\$ 6,575	\$ 350,374	\$ -	\$ 78,430	\$ 93,301	\$ 108,375	\$ 109,694	\$ 112,985	\$ 114,385	\$ 115,826
Total Costs (Present Value)	\$ 6,575	\$ 343,504	\$ -	\$ 73,906	\$ 86,196	\$ 98,159	\$ 97,941	\$ 99,110	\$ 98,608	\$ 98,158
										TOTAL PV COSTS
Benefits										
Sale of Property		\$ 350,000								
Estimated Real Estate Tax			\$ 668	\$ 128,800	\$ 128,800	\$ 128,800	\$ 128,800	\$ 132,664	\$ 132,664	\$ 132,664
Estimated PPT										
Estimated Meals Tax				\$ 2,515	\$ 5,030	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430
Estimated Sales Tax				\$ 2,008	\$ 4,017	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934
Estimated Water/Sewer Revenue				\$ 26,901	\$ 55,416	\$ 84,321	\$ 86,851	\$ 89,456	\$ 92,140	\$ 94,904
Estimated Building Permit Fees			\$ 112,000							
Total Benefits (Future Value)	\$ -	\$ 350,000	\$ 112,668	\$ 160,224	\$ 193,263	\$ 226,485	\$ 229,015	\$ 235,484	\$ 238,168	\$ 240,932
Total Benefits (Present Value)	\$ -	\$ 343,137	\$ 108,293	\$ 150,983	\$ 178,545	\$ 205,135	\$ 204,478	\$ 206,565	\$ 205,317	\$ 204,180
										TOTAL PV BENEFITS
										\$ 1,806,633

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Costs										
Estimated Wholesale Water/Sewer Increase	\$ 37,646	\$ 38,776	\$ 39,939	\$ 41,137	\$ 42,371	\$ 43,642	\$ 44,952	\$ 46,300	\$ 47,689	\$ 49,120
Capital Loss from Property Sale										
Relocation of Sewer Line (50% Cost Share)										
Waived Utility Connection Fees										
ALTA Survey and Phase I										
Real Estate Tax Abatement	\$ 66,332	\$ 68,322	\$ 68,322	\$ 68,322	\$ 68,322	\$ 70,372	\$ 70,372	\$ 70,372		
Total Costs (Future Value)	\$ 103,978	\$ 107,098	\$ 108,261	\$ 109,459	\$ 110,693	\$ 114,014	\$ 115,323	\$ 116,672	\$ 47,689	\$ 49,120
Total Costs (Present Value)	\$ 86,649	\$ 87,785	\$ 87,307	\$ 86,872	\$ 86,479	\$ 87,703	\$ 87,366	\$ 87,068	\$ 35,066	\$ 35,594
										TOTAL PV COSTS
										\$ 1,770,045
Benefits										
Estimated Real Estate Tax	\$ 132,664	\$ 136,644	\$ 136,644	\$ 136,644	\$ 136,644	\$ 140,743	\$ 140,743	\$ 140,743	\$ 140,743	\$ 144,966
Estimated PPT										
Estimated Meals Tax	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430	\$ 7,430
Estimated Sales Tax	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934	\$ 5,934
Estimated Water/Sewer Revenue	\$ 97,751	\$ 100,684	\$ 103,704	\$ 106,815	\$ 110,020	\$ 113,320	\$ 116,720	\$ 120,221	\$ 123,828	\$ 127,543
Estimated Building Permit Fees										
Total Benefits (Future Value)	\$ 243,779	\$ 250,692	\$ 253,712	\$ 256,824	\$ 260,028	\$ 267,428	\$ 270,827	\$ 274,329	\$ 277,936	\$ 285,873
Total Benefits (Present Value)	\$ 203,150	\$ 205,485	\$ 204,607	\$ 203,828	\$ 203,147	\$ 205,714	\$ 205,172	\$ 204,723	\$ 204,364	\$ 207,154
										TOTAL PV BENEFITS
										\$ 3,853,978

Present Value Discount Rate

2.00%

Assumptions:

- * Closing on property assumed on or before 11/05/2025.
- * Per US Census Bureau 2022 statistics on Lexington persons per household from 2018-2022 was 2.10.
- * Occupancy Factor of 1.25 (primarily one-person occupancies with some two-person).
- * Per Department of Health water usage is assumed to be 100 gallons per person per day.
- * All units online by end of 2026.
- * Assume Gradual Increase in Occupancy of 1/3 new available units per year. [Y4= 22; Y5=44; Y6=65]
- * Capital Loss from Property Sale Using Tax Assessed Property Value of parcels: 29-1-30, 29-1-30A, and 29-1-31.
- * MSA Rates Assume Average 3% Increase Annually.
- * City Water/Sewer Rates Assume Average 3% Increase Annually.
- * Assume Flat Tax Rates, RE Reassessment Every 4 Years, assume 3% increase.
- * Meals and Sales Tax Estimates Based on 50% of average audited Per Capita amounts over the past 10 years.
- * Assessed building value assumed to be \$14,000,000 in 2026, data provided by Echelon.
- * For building permits, assumed \$14,000,000 @ current commercial rate of 0.80% of the estimated cost.

Method: $PV = [CF1/(1+r)^1] + [CF2/(1+r)^2] + [CF3/(1+r)^3] + \dots$

Ten-Year Cost Benefit Analysis	
Total PV Inflows	\$ 1,806,633
Total PV Outflows	\$ 1,002,156
Net Present Value	804,477
Twenty-Year Cost Benefit Analysis	
Total PV Inflows	\$ 3,853,978
Total PV Outflows	\$ 1,770,045
Net Present Value	2,083,932

15 Year RE Tax Abatement \$ 1,007,331



Industrial Development Authority Regular Meeting Agenda Item Report

Subject: Discussion of IDA/EDA Retreat
Meeting: Industrial Development Authority – 8 Apr 2024
Department: City Manager

BACKGROUND INFORMATION:

The Joint Industrial Development Authority/Economic Development Authority Retreat will be on May 29, 2024, and May 30, 2024, from 1:00 p.m. to 5:30 p.m. at Natural Bridge State Park. More details will be provided as we get closer to the date.

Potential items to be covered include:

- Setting the Stage for Economic Development
- The Role of Economic Development Authorities
- Case Studies and Lessons Learned
- The currency of Economic Development
- EDA Tools & Best Practices