

LENOWISCO

COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

2007 CEDS REPORT

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LENOWISCO ECONOMIC DEVELOPMENT STRATEGY

2007 AND BEYOND

BACKGROUND

The LENOWISCO district's original Overall Economic Development Program (OEDP), crafted in 1967, called for the creation of a regional industrial park and a complementary regional trading center. The Scott County community of Duffield was chosen as the location for the regional park, while the OEDP's concept of a regional trading center called for a service commercial area between Norton and Big Stone Gap (Wise County).

Since that time, the Norton/Wise area has instead developed into the district's foremost regional retail center. Meanwhile, the Duffield park remains the district's flagship industrial site, albeit with a new, technology-driven park developed in Wise County and a business park under development in Lee County.

CURRENT AND FUTURE STRATEGY

As recently as a decade ago, the LENOWISCO district's OEDP still placed heavy emphasis on conventional industrial development, with its prioritized project list dominated by infrastructure and industrial site development. Today, while conventional industrial development remains a strong focus, numerous other development avenues have been explored and implemented.

The district's longtime economic dependence on mineral extraction is well documented. Decades of general decline in the coal industry heralded the need for economic diversification throughout the region, and accordingly prompted the pursuit of other development strategies.

Industrial Development

Regional economic development has expanded considerably since the original Duffield project. Through the efforts and cooperation of local Industrial Development Authorities, the Virginia Coalfield Economic Development Authority and other agencies, the district has seen significant progress through an increase in available industrial sites and the expansion of marketing activity.

Each county in the district has one or more industrial parks, and with Lee County's designation in 2005, all three counties host state enterprise zones. Scott County's zone has as its centerpiece the regional park at Duffield, which has recently been expanded; Wise County's zone includes the Lonesome Pine Regional Business and Technology Park (developed with EDA assistance), poised to provide thousands of well-compensated employment opportunities for persons from throughout southwestern Virginia and neighboring southeastern Kentucky; and Lee County's zone is centered around the Constitutional Oaks Business Park (also involving EDA assistance), currently being developed.

Development can also be found at smaller sites and structures throughout the district, including acquisition of an existing cluster of structures in the Town of Pennington Gap (Lee County) for redevelopment aimed at technology-based companies.

Another area of "diversification" utilized in the district in recent years has been the placement of correctional facilities. Two state prisons – the Red Onion facility near Pound and the Wallens Ridge facility in Big Stone Gap – and a federal facility in the Hickory Flats section of Lee County provide more than 1,300 jobs to the district. Meanwhile, functional efficiencies and economies of scale have driven the development of regional jail facilities, with three such facilities serving eight Southwest Virginia counties. The facility serving the LENOWISCO district is located in the Duffield industrial park.

Recent Developments and New Initiatives

Wise County's Lonesome Pine Regional Business and Technology Park, situated adjacent to the Lonesome Pine Airport and a short distance from the University of Virginia's College at Wise, currently hosts two technology-based companies with total employment approaching 650 persons. The Park is actively marketed. Looking to fill a specific need, discussions are under way with one of the state's public universities regarding development of a dental school. Another development, embraced by federal, state and local officials, is a nanotechnology research and development facility, also in conjunction with state public universities.

The Constitutional Oaks Business Park in Lee County has, with the acquisition of adjacent property, undergone expansion to nearly 300 acres. A master plan for the park has been completed, initial site development has begun, and construction of a multi-use "park center" is in active discussion.

With the original acreage of the regional industrial park in Duffield (Scott County) nearly filled, the park has been expanded via the development of adjacent property. The addition – the eCorridor Regional Park/Southwest – added 65 acres to the park, while the subsequent acquisition of additional adjacent property will add another 50 acres. A master plan for the eCorridor addition has been completed. With leading edge broadband infrastructure on site (described elsewhere in this report), the eCorridor park is poised to provide the region with highly marketable properties. Additionally, a large, multi-tenant, regional technology center is currently being designed.

This broadband infrastructure also supports additional call center operations, with such companies in Lee and Scott Counties employing 330 persons at present, poised to increase to nearly 500 persons.

Meanwhile, the Virginia City industrial site near the Town of St. Paul (Wise County) has been chosen by Dominion Power as the site for development of a coal-fired power plant. Permitting is currently under way, with an early 2008 target for the start of construction.

Tourism Development

Tourism continues to have a strong economic impact throughout Virginia. The district's historic heritage, scenic beauty and numerous attractions – ranging from Cumberland Gap National Historic Park in western Lee County to Scott County's Natural Tunnel State Park to the "Trail of the Lonesome Pine" outdoor drama in Wise County – lure visitors to the area each year.

The recent birth of "The Crooked Road," Virginia's Heritage Music Trail, has already significantly increased visitation to heritage music venues along its 250-mile route. One of the major venues on the Crooked Road is the famous Carter Fold in Scott County, which is in the midst of expansion and upgrades to meet this demand.

Entrepreneurial Development

Another critical piece of the larger development puzzle is entrepreneurial development. Industrial recruitment alone is not a realistic long-term solution to economic development problems. Creating new small- and medium-sized businesses, expanding existing businesses

and preventing closings of troubled but viable businesses can also bolster economic vitality.

The regional small business incubator network – the original facility opened (with EDA assistance) in the Duffield park in 1999 and the satellite site opened in the City of Norton’s central business district in 2002 – continues to provide and expand support programs.

Business District Redevelopment

Numerous district localities have undertaken downtown revitalization projects, designed to result in true economic restructuring within their respective central business districts and the larger communities. The establishment of technology zones (with local incentives) and creation of micro-loan programs are among the additional tools available to assist business development and growth.

Sustainable Development

Community-based development strategies also have a place in the larger picture. Various alternatives to tobacco farming are being studied, from organic produce to aquaculture, while environmentally friendly, value-added agricultural and wood products are being developed.

The Cutting Edge

One of the district’s most exciting developments continues to expand. The provision of advanced communications infrastructure will provide an extraordinary competitive advantage for the region. Reliable, extremely high speed network infrastructure will aid in the attraction and retention of industry; foster entrepreneurship, especially in the information technology areas; and provide improved education, health care and information access opportunities throughout the region.

Currently, roughly 100 miles of broadband backbone have been installed throughout the district, and roughly 1,500 new jobs have been created by the project and the example it sets for Southwest Virginia. The current stages of development (with EDA investment) will complete redundancy rings in both the LENOWISCO and Cumberland Plateau districts, extend connectivity to several new locations, including the Constitutional Oaks park in Lee County, and bring the total amount of fiber infrastructure to nearly 150 miles.

New Regional Opportunities

In 2003, the Virginia Coalfield Economic Development Authority lent its significant support to diversification, instituting four new programs in its seven-county service area that will provide matching funds for regional industrial parks, tourism capital improvements, entrepreneurial development and seed capital. The impact of this new funding availability has been immediate, with VCEDA's subsequent investment of more than \$3 million through these programs having leveraged nearly \$16 million in additional funding.

The economic development authorities of the city and three counties have joined forces to design a new program and process to market the assets of the region. With the installation of new technology infrastructure, there arose a need to refocus efforts – the previous focus being on manufacturing and mineral extraction – to include this new target sector. A regional joint marketing effort will feature this new technological capacity.

The four authorities have also developed a regional “virtual building,” modeled after the technology-driven program overseen by Virginia's economic development office. A virtual property that can be sited at any of the district's technology-designed properties (noted elsewhere herein) will be able to accommodate a wide range of business, technology and research uses. Among these potential uses will be any future data centers, backup data centers and service facilities developed in the Commonwealth.

Other Issues

The ongoing evolution toward the “new economy” presents numerous challenges to the region's existing workforce. Recent technology-based growth in the LENOWISCO district, coupled with recent major technology announcements in neighboring Russell County (where Northrop Grumman and CGI-AMS are expected to create a total of 700 jobs), magnifies the need for a well-trained, well-educated, highly skilled and qualified workforce.

The district's two colleges – the University of Virginia's College at Wise and Mountain Empire Community College – and the Southwest Virginia Workforce Investment Board have various programs designed to improve the skills of unemployed and underemployed workers and to develop a more highly skilled and trained workforce, and to customize training to meet the needs of specific industries.

One significant collaboration is the recent public-private partnership between Northrop Grumman Corporation and UVA-Wise, which will serve to strengthen both the College's technology curriculum and the company's workforce recruitment efforts in Southwest Virginia. The company's significant financial commitment will enhance UVA-Wise's new software engineering degree program, the only one of its kind in Virginia.

Meanwhile, efforts are also being made to reach out to former residents to return to the region to take advantage of the explosion of employment opportunities now or soon to be available. The "Return to Roots" program, funded by the Virginia Tobacco Commission, is aimed at the estimated 15,000 high school alumni who left the nine-county region of far southwestern Virginia. Jobs such as computer programmers, network technicians, database administrators, as well as industrial, mechanical and electrical engineers, electricians and welders are among those awaiting the region's current or returning workforce.

Workforce needs also extend into the health care field, where appropriate facilities and personnel are needed to tend to the growing needs of both an aging and a lower-income populace, and to medically underserved areas. Among the efforts to address workforce shortages are those undertaken by the local institutions of higher education, such as the nursing programs at UVA-Wise and Mountain Empire Community College, and through collaboration of several community colleges across southwestern Virginia to develop a healthcare workforce development consortium. These workforce education and training strategies will support economic growth.

**LENOWISCO ECONOMIC DEVELOPMENT DISTRICT
CEDS ACTION/IMPLEMENTATION PLAN
FY 2008 PRIORITIZED STRATEGIES/PROJECTS**

SHORT TERM (ONE- TO THREE-YEAR IMPLEMENTATION)

STRATEGIES

- Secure jobs with wage rates similar to or approaching those lost.
- Develop communications infrastructure to facilitate economic growth.
- Market region as site for technology-based companies.
- Progressively develop and promote all viable industrial sites.
- Facilitate small enterprise growth, including small-site industrial development.
- Pursue economies of scale via regional or consolidated water/wastewater systems.

SHORT-TERM PRIORITIZED PROJECTS

Project	Estimated job creation	Total cost	Potential funding sources
1 Duffield Regional Technology Center - Scott County Multi-tenant facility to be developed in eCorridor Regional Park/Southwest in Duffield, providing marketable technology-based space, as part of overall Park development.	300/ 600	\$5,775,000	ARC, EDA, Local, VTC
2 LENOWISCO Rural Area Network (Broadband Project) Next phase of region's advanced communications infrastructure. Additional 55 miles will bring total to ~150 miles, completing redundancy rings and extending connectivity.	TBD	\$6,000,000 (current phase)	EDA, VTC
3 Site Development/Support Center Development - Lee County Development of recently expanded Constitutional Oaks park in western Lee County as industrial/business park via development of 289 total acres, and initial development of multi-tenant "support center" facility.	1,200	\$3,500,000	ARC, CDBG, RD, VCEDA, VTC
4 Nanotechnology R&D Facility - Wise County Development of nanotechnology research & development facility at Lonesome Pine Regional Business and Technology Park near Wise.	N/K	\$2,000,000	EDA, Leg, VCEDA, VTC
5 Regional 'Virtual Building' Development Development of "virtual building" at Constitutional Oaks industrial park (Lee County), plus regional development of virtual building product that can be sited at any location across the LENOWISCO district.	400	\$85,000	VCEDA, VEDP, VTC, Local
6 Central Business District Revitalization Downtown economic restructuring projects involving numerous localities within the LENOWISCO district.	N/K	\$5,000,000+	ARC, CDBG, RD, VCEDA, VDOT, VTC, Local
7 Expansion of Entertainment/Tourism Venues - Scott County Expansion and upgrades to the Carter Fold and A.P. Carter Museum near Hiltons.	N/K	\$400,000	ARC, RD, VCEDA, VTC, Local
8 Support Center Development - Wise County Development of multi-purpose "support center" facility to serve Lonesome Pine Regional Business and Technology Park near Wise.	N/K	\$5,500,000	CDBG, EDA, VCEDA, VTC

SHORT-TERM PRIORITIZED PROJECTS (CONT'D)

9 Industrial Site Development - Wise County Development of 50- to 100-acre, rail-served site at Virginia City near St. Paul, including water and wastewater extensions.	500	\$3,500,000	ARC, CDBG, EDA, GOF, VCEDA, VDOT
10 Gate City/Holston Regional Sewer - Scott County Expansion of Scott County PSA's Holston regional wastewater treatment plant to support economic growth in Gate City/Weber City area.	500	\$4,700,000	ARC, RD, VTC
11 Central Lee County Water Improvements Water line extension from Jonesville to State Route 656.	250	\$6,100,000	CDBG, EDA, RD, VDH, VTC, Local
12 Pennington Gap Industrial Park Redevelopment Redevelopment of IDA-owned industrial park in Pennington Gap (Lee County), including rehabilitation of existing structures and park redesign.	500	\$2,500,000	CDBG, EDA, VCEDA, VTC
13 Gate City/Daniel Boone/Clinchport/Duffield Water - Scott County Development of water treatment and distribution facilities in central Scott County, with interconnections to Duffield and Gate City.	N/K	\$4,500,000	ARC, VDH, VDOT, Local
14 Additional Airport Facilities Development - Lee County Development of additional facilities at new Lee County Airport.	N/K	\$1,750,000	VDA, VTC
15 Cluster Analysis Planning Study Planning study to develop strategies based on recent EDA-funded cluster analysis.	N/K	\$35,000	ARC, EDA, VTC, Local
16 Sewer Development - U.S. 23, Wise County to Duffield Industrial Park Development of sewer lines from Wise County line to Duffield (Scott County) regional industrial park.	N/K	\$7,800,000	CDBG, Local
17 St. Paul/Castlewood Regional Sewer - Wise/Russell Counties Extension of sewer lines to Russell County Industrial Park at Castlewood, also serving West Hills area of St. Paul.	200	\$3,000,000	CDBG, EDA, RD
18 Industrial Site Development - Town of St. Paul (Wise County) Site preparation and improvements to 8-acre industrial site in St. Paul, to include entrance, landscaping and extension of fiber optics to site.	80	\$250,000	ARC, EDA, RD
19 Building Improvements - Town of St. Paul (Wise County) Structure improvements to existing commercial building for commercial or industrial development and recruitment.	20	\$250,000	Private activity bonds
20 Targeted Brownfields Assessments Inventory of abandoned, idled or underused industrial and commercial facilities to assess potential brownfields redevelopment opportunities.	N/K	\$40,000	DEQ, EPA

LONG TERM (IMPLEMENTATION LONGER THAN THREE YEARS)

STRATEGIES

- Continue to:
- Identify and develop all viable industrial sites.
 - Market region as site for technology-based companies.
 - Pursue economies of scale via regional or consolidated utility systems.

LONG-TERM PRIORITIZED PROJECTS

	Project	Estimated job creation	Total cost	Potential funding sources
1	Coal-Fired Power Plant Development by Dominion Power of coal-fired power plant at Virginia City, near St. Paul. Target for start of construction, early 2008; online by 2012.	800 (const) 100 (perm)	\$800,000,000+	Private bond issue
2	Coalfields Expressway Industrial Site - Wise/Dickenson Counties Site and utility development of 100-acre industrial park along upcoming Coalfields Expressway, including water and wastewater extensions.	1,000	\$6,500,000	ARC, CDBG, EDA, ISDF, VCEDA, VDOT
3	Industrial Site Development - Scott County Development of additional industrial acreage in Scott County.	500	\$5,000,000	ARC, CDBG, EDA, VTC
4	Site Development - Wise County Industrial Park (Blackwood) Development of additional 50 acres in park.	350	\$1,500,000	ARC, CDBG, EDA, GOF, VCEDA
5	Industrial Site Development - Wise County Development of 150-acre, rail- and natural gas-served industrial site (commonly known as Toms Creek or Dale Ridge site) near Coeburn.	400	\$2,500,000	ARC, CDBG, EDA, VTC
6	Industrial Site Development - Lee County Development of 100-acre industrial site near Dryden in eastern Lee County.	400	\$3,000,000	ARC, CDBG, VTC
7	Technology Training Center - Town of St. Paul (Wise County) Renovation of existing facility into regional training center.	50	\$1,000,000	ARC, CDBG, EDA, RD, TEA-21
7	Moccasin Gap Technology Park Development of technology-driven park in/near Town of Gate City.	750	\$3,500,000	ARC, CDBG, EDA, RD, VCEDA
9	Industrial Site Development - Lee/Scott Counties Development of 50- to 100-acre site near Jasper community, on Lee-Scott line.	350	\$3,000,000	ARC, CDBG, EDA, VTC
10	Lee County Business and Telecommunications Park Development of area in county for business and telecommunications park to attract information/data processing and related firms, with nearby housing development.	1,000+	\$5,000,000	ARC, CDBG, DEQ, EDA, RD, TVA, VTC
11	Wise-Russell-Dickenson Counties Water Line Extension of public water service into western Russell County and southern Dickenson County.	750	\$2,500,000	CDBG, EDA, RD

FUNDING SOURCES

ARC	Appalachian Regional Commission
CDBG	Community Development Block Grant (VDHCD)
CIT	Center for Innovative Technology
DDA	Duffield Development Authority
DEQ	Department of Environmental Quality (RLF)
EDA	Economic Development Administration
EPA	Environmental Protection Agency
GOF	Governor's Opportunity Fund
ISDF	Industrial Site Development Fund (VDHCD)
Leg	State/Federal legislative earmarks
RD	Rural Development (USDA)
TVA	Tennessee Valley Authority
VCEDA	Virginia Coalfield Economic Development Authority
VDA	Virginia Department of Aviation
VDC	Virginia Department of Corrections
VDH	Virginia Department of Health Revolving Loan Fund
VDOT	Virginia Department of Transportation
VEDP	Virginia Economic Development Partnership
VRLF	Virginia Economic Development Revolving Loan Fund
VRA	Virginia Resources Authority
VTC	Virginia Tobacco Indemnification and Community Revitalization Commission (Virginia Tobacco Commission)