

**LENOWISCO**  
**COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY**

2009 CEDS REPORT

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# **LENOWISCO ECONOMIC DEVELOPMENT STRATEGY**

2009 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, joined by a new, technology-driven park in Wise County and a business park under development in Lee County.

## **CURRENT AND FUTURE STRATEGIES**

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 all three counties host Virginia enterprise zones, with a combination of state and local incentives available. Scott County's zone, the oldest in the district, 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, 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, currently being developed. Over the years, EDA investments have played a significant role in all these initiatives.

Development can also be found at smaller sites and structures throughout the district, with one of the more recent being the acquisition by the Lee County Industrial Development Authority of an existing cluster of structures in the Town of Pennington Gap 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 counties in southwestern Virginia. 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 exceeding 600 persons. Another upcoming development, embraced by federal, state and local officials, is a nanotechnology research and development facility to be sited in the Park. Construction will commence in 2009. Another significant initiative expected to advance in 2009 is a partnership with Virginia Commonwealth University's School of Dentistry, to result in a satellite dental clinic in the County.

The Constitutional Oaks Business Park is a nearly 300-acre site situated near the Rose Hill community in western Lee County. A master plan for the park has been completed, initial site development has begun, construction of a multi-use "park center" remains in active discussion, and the Lee County IDA has completed construction of a 60,000 square foot speculative building to aid in marketing the site to industrial, business and technology interests.

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 Scott County Regional Business and Technology Park – added 65 acres to the park, while the subsequent acquisition of additional adjacent property will add another 50 acres. With leading edge broadband infrastructure on site (described elsewhere in this report), the park addition is poised to provide the region with highly marketable properties. The first building to be constructed in the Technology Park, the Crooked Road Tech Center, will be a state-of-the-art, multi-tenant facility designed to establish Scott County as a regional host for technology-based companies. The initial phase of the Tech Center is nearing completion, and will host its first tenant later in 2009.

This broadband infrastructure also supports additional call center operations, with such companies in Lee and Scott Counties employing more than 300 persons at present, poised to increase to nearly 500 persons.

Meanwhile, the Virginia City industrial site near the Town of St. Paul (Wise County) was chosen by Dominion Power as the site for development of a \$1.8 billion coal-fired power plant. Construction is under way, with the plant scheduled to be online in 2012.

### **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 has recently undergone expansion and upgrades to meet this demand.

Established by the Virginia General Assembly in 2008, the Southwest Regional Recreational Authority will oversee management of the "Spearhead Trail System," designed to make Virginia's seven westernmost counties a destination for all-terrain vehicle users.

### **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.

The regional broadband network has also significantly increased opportunities for home-based and similar entrepreneurial development, as conventional geographic barriers have been removed.

### **Business District Redevelopment**

Numerous district localities are in various stages of downtown revitalization projects, aimed at 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 increasingly 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.

Appalachian Sustainable Development, whose service area encompasses ten counties in southwestern Virginia and northeastern Tennessee, has completed construction of a new packing and grading facility, replacing one destroyed by fire in May 2007. Located in the Duffield industrial park, this facility will not only continue to support the region's farmers, but is also expected to complement the future development of an artisan food production center, which itself will support a regional artisan center designed to provide a major regional artisan venue.

### **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.

More than 350 miles of broadband backbone have been installed throughout the district. Well over 1,000 new jobs can thus far be attributed to the LENOWISCO Rural Area Network, with that number conservatively expected to double when current deployment phases are completed.

LENOWISCO broadband deployment has expanded steadily and systematically, from K-12 school systems and higher education to business and industry to medical facilities.

Deployment of fiber optic cable throughout the region will also encourage the development of secure data storage facilities, an initiative attracting growing interest in the district.

### **Additional Regional Opportunities**

The Virginia Coalfield Economic Development Authority, created by the Virginia General Assembly in 1988, continues to provide critical support in the LENOWISCO and Cumberland Plateau planning districts. VCEDA markets its seven-county, one-city service area as Virginia's e-Region, a trendsetter in broadband access in rural America. VCEDA operates several incentive and financing programs to encourage new job creation and economic diversification. The Authority provides financial support for fixed assets, construction of buildings for sale or lease, installation of utilities and direct loans to private for-profit basic employers and IDA's. Financing is based in part on the number of new jobs created, wage rates and level of private investment.

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 will also partner with LENOWISCO in a regional site study, designed to identify new potential industrial sites across the district.

### **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 projects involving Northrop Grumman and CGI-AMS created 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 a 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.

## **DEVELOPMENT OF THE LENOWISCO ECONOMIC DEVELOPMENT STRATEGY**

During the course of each year, a variety of parties contribute to the development of the annual update of the LENOWISCO Comprehensive Economic Development Strategy. Input for this 2009 report was received from a range of interests, including conventional economic development professionals; sustainable development, agricultural and forestry advocates; and interested citizens.

From the input of these various "sub-committees," the CEDS update is compiled, and ultimately presented to the LENOWISCO Board of Directors, which provides additional input and ultimately adopts the final product.

The 2009 LENOWISCO CEDS Report was duly adopted by the LENOWISCO Board at its June 1, 2009 meeting.

**LENOWISCO ECONOMIC DEVELOPMENT DISTRICT  
CEDS ACTION/IMPLEMENTATION PLAN  
FY 2010 PRIORITIZED STRATEGIES/PROJECTS**

SHORT TERM (ONE- TO THREE-YEAR IMPLEMENTATION)

STRATEGIES

- Secure jobs with wage rates similar to or approaching those lost in the region.
- 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<br>job creation | Total cost   | Potential funding sources                 |
|--|---------------------------|--------------|---|
| <b>1 Duffield Regional Technology Center - Scott County</b><br>Multi-tenant facility to be developed in eCorridor Regional Park/Southwest in Duffield, providing marketable technology-based space, as part of overall Park development.           | 200/<br>400               | \$8,000,000  | ARC, EDA, Local,<br>VCEDA, VDOT, VTC      |
| <b>2 LENOWISCO Rural Area Network (Broadband Project)</b><br>Completion of region's advanced communications infrastructure (>250 miles to date), completing redundancy rings and extending connectivity.   | TBD                       | \$14,000,000 | ARC, EDA, VTC                             |
| <b>3 Site Development/Speculative Building Development - Lee County</b><br>Continued development of Constitutional Oaks site in western Lee County as industrial/business park, including construction of 60,000 sq.ft. expandable shell building. | 1,200                     | \$3,500,000  | ARC, CDBG, RD,<br>VCEDA, VTC              |
| <b>4 Nanotechnology R&amp;D Facility - Wise County</b><br>Development of nanotechnology research & development facility at Lonesome Pine Regional Business and Technology Park near Wise.  | N/K                       | \$4,000,000  | EDA, Leg, VCEDA, VTC                      |
| <b>5 Wise Inn Restoration/Redevelopment - Wise County</b><br>Redevelopment of historic Wise Inn property in Town of Wise, supporting tourism, economic development and University uses.  | N/K                       | \$8,100,000  | ARC, CDBG, DHR,<br>VCEDA, VTC, Local      |
| <b>6 Central Business District Revitalization</b><br>Downtown economic restructuring projects involving numerous localities within the LENOWISCO district.   | N/K                       | \$5,000,000+ | ARC, CDBG, RD, VCEDA,<br>VDOT, VTC, Local |
| <b>7 Artisan Food Production Center</b><br>Development of packinghouse/food production/greenhouse facilities to support regional sustainable agriculture and upcoming regional artisan center.   | N/K                       | \$1,500,000  | ARC, CDBG, VCEDA,<br>VTC, Local           |
| <b>8 Big Stone Gap Water Treatment Plant Renovation - Wise County</b><br>Renovation of Town's water treatment plant, which also provides water to surrounding areas of Wise County, to the City of Norton, and to neighboring Lee County.          | N/K                       | \$1,700,000  | DEQ, RD                                   |

SHORT-TERM PRIORITIZED PROJECTS (CONT'D)

|           |  |     |              |                               |
|-----------|--|-----|--------------|-------------------------------|
| <b>9</b>  | <b>Expansion of Entertainment/Tourism Venues - Scott County</b><br>Expansion and upgrades to Carter Fold and A.P. Carter Museum near Hiltons.  | N/K | \$400,000    | ARC, RD, VCEDA,<br>VTC, Local |
| <b>10</b> | <b>Norton/Big Stone Gap Water Tank - Wise County</b><br>Development of water storage tank enabling City to share water regionally.   | N/K | \$500,000    | ARC, RD                       |
| <b>11</b> | <b>Southwest Virginia Trail Network</b><br>Construction of regional multi-use trail network in PDC's 1 and 2.  | N/K | \$5,400,000  | ARC, DCR, VTC                 |
| <b>12</b> | <b>St. Paul Regional Wastewater Treatment Plant Expansion - Wise County</b><br>Expansion of regional wastewater treatment plant, plus extension of public sewer service to currently unserved areas as well as industrial site in neighboring Castlewood (Russell County). | N/K | \$8,000,000  | CDBG, DEQ, EDA, RD            |
| <b>13</b> | <b>Gate City/Holston Regional Sewer - Scott County</b><br>Expansion of Scott County PSA's Holston regional wastewater treatment plant to support economic growth in Gate City/Weber City area and address wastewater treatment needs.                                      | 500 | \$4,700,000  | ARC, RD, VTC                  |
| <b>14</b> | <b>Guest River Interceptor - Norton City/Wise County</b><br>Development of sewer lines to enhance economic development and support future growth in Norton City and in Norton/Town of Wise corridor.   | N/K | \$5,000,000  | ARC, RD, VTC                  |
| <b>15</b> | <b>Pennington Gap Industrial Park Redevelopment</b><br>Continued redevelopment of IDA-owned properties in Pennington Gap (Lee County).   | 500 | \$2,500,000  | CDBG, EDA, VCEDA, VTC         |
| <b>16</b> | <b>Business Support Center Development - Wise County</b><br>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         |
| <b>17</b> | <b>Gate City/Daniel Boone/Clinchport/Duffield Water - Scott County</b><br>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         |
| <b>18</b> | <b>Scott County/Kingsport Water Interconnection</b><br>Interconnection of water in neighboring Kingsport, TN, to Weber City, VA.   | N/K | \$1,000,000  | RD, VDOT                      |
| <b>19</b> | <b>Additional Airport Facilities Development - Lee County</b><br>Development of additional facilities at Lee County Airport, including terminal, tank farm, and water/sewer improvements.  | N/K | \$1,750,000  | VDA, VTC                      |
| <b>20</b> | <b>Sewer Development - U.S. 23, Wise County to Duffield Industrial Park</b><br>Development of sewer lines from Wise County line to regional park in Scott County.  | N/K | \$ 7,800,000 | CDBG, Local                   |
| <b>21</b> | <b>Industrial Site Development - Town of St. Paul (Wise County)</b><br>Site preparation of 6-acre industrial site in St. Paul. Utilities and power on-site.  | 60  | \$250,000    | ARC, EDA, RD                  |

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

|           | <b>Project</b>  | <b>Estimated<br/>job creation</b> | <b>Total cost</b> | <b>Potential funding sources</b>     |
|-----------|---|-----------------------------------|-------------------|--------------------------------------|
| <b>1</b>  | <b>Coal-Fired Power Plant</b><br>Development by Dominion Power of coal-fired power plant at Virginia City, near St. Paul. Construction under way; online by 2012.   | 800 (const)<br>100 (perm)         | \$1,800,000,000   | Private bond issue                   |
| <b>2</b>  | <b>Coalfields Expressway Industrial Site - Wise/Dickenson Counties</b><br>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,<br>VCEDA, VDOT       |
| <b>3</b>  | <b>Cluster Analysis Planning Study</b><br>Planning study to develop strategies based on recent EDA-funded cluster analysis.   | N/K                               | \$35,000          | ARC, EDA, VTC, Local                 |
| <b>4</b>  | <b>Industrial Site Development - Scott County</b><br>Development of additional industrial acreage in Scott County.  | 500                               | \$5,000,000       | ARC, CDBG, EDA, VTC                  |
| <b>5</b>  | <b>Site Development - Wise County Industrial Park (Blackwood)</b><br>Development of additional 50 acres in park.  | 350                               | \$1,500,000       | ARC, CDBG, EDA,<br>GOF, VCEDA        |
| <b>6</b>  | <b>Industrial Site Development - Wise County</b><br>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                  |
| <b>7</b>  | <b>Industrial Site Development - Lee County</b><br>Development of 100-acre industrial site near Dryden in eastern Lee County.   | 400                               | \$3,000,000       | ARC, CDBG, VTC                       |
| <b>8</b>  | <b>Technology Training Center - Town of St. Paul (Wise County)</b><br>Renovation of existing facility into regional training center.  | 50                                | \$1,000,000       | ARC, CDBG, EDA,<br>RD, TEA-21        |
| <b>9</b>  | <b>Moccasin Gap Technology Park</b><br>Development of technology-driven park in/near Town of Gate City.   | 750                               | \$3,500,000       | ARC, CDBG, EDA,<br>RD, VCEDA         |
| <b>10</b> | <b>Industrial Site Development - Lee/Scott Counties</b><br>Development of 50- to 100-acre site near Jasper community, on Lee-Scott line.  | 350                               | \$3,000,000       | ARC, CDBG, EDA, VTC                  |
| <b>11</b> | <b>Lee County Business and Telecommunications Park</b><br>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,<br>RD, TVA, VTC |
| <b>12</b> | <b>Wise-Russell-Dickenson Counties Water Line</b><br>Extension of public water service into western Russell County and southern Dickenson County.   | 750                               | \$2,500,000       | CDBG, EDA, RD                        |
| <b>13</b> | <b>Targeted Brownfields Assessments</b><br>Inventory of abandoned, idled or underused industrial and commercial facilities to assess potential brownfields redevelopment opportunities.                                     | N/K                               | \$40,000          | DEQ, EPA                             |

## **FUNDING SOURCES**

|       |  |
|-------|--|
| ARC   | Appalachian Regional Commission                    |
| CDBG  | Community Development Block Grant (VDHCD)          |
| CIT   | Center for Innovative Technology                   |
| DCR   | Virginia Department of Conversation and Recreation |
| DDA   | Duffield Development Authority                     |
| DEQ   | Department of Environmental Quality (RLF)          |
| DHR   | Virginia Department of Historic Resources          |
| EDA   | Economic Development Administration                |
| EPA   | Environmental Protection Agency                    |
| GOF   | Governor's Opportunity Fund                        |
| 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 Commission                        |