

**STATE OF WEST VIRGINIA
Appalachian Regional Commission
ANNUAL STRATEGY STATEMENT
FISCAL YEAR 2016**

Earl Ray Tomblin, Governor

**West Virginia Development Office
Mary Jo Thompson, State Alternate**

Section I. Brief Overview of Primary Economic Challenges

West Virginia has the distinction of being the only state completely within the geographical boundary of Appalachia. This distinction creates challenges and opportunities due to the nature of the state's topography. The rugged terrain creates a challenge for the development of basic infrastructure such as water and wastewater systems and the development of industrial sites. The primarily rural nature of the state means that the population is largely dispersed, with many residents living in unincorporated areas. This creates an even greater challenge for community and economic development since these areas do not possess a nearby central government agency that can provide or care for essential public services and spaces. Even for incorporated towns and cities, small population sizes and minimal tax bases also limit their ability to implement community and economic development projects.

Infrastructure such as water and wastewater systems is a significant need in West Virginia. According to the 2013 Report Card for American Infrastructure, produced by the American Society of Civil Engineers, West Virginia has \$3 billion in wastewater infrastructure needs and the state's drinking water infrastructure needs total \$1 billion over the next twenty years. These figures have increased since the last Report Card distributed by the Society in 2009. In addition, all 11 LDDs in the state compile annual project priority lists for their regions. Water and wastewater are among the top needs identified (see Appendix A).

Provision of reliable water and wastewater systems is essential for furthering economic development and growth. Such systems:

- Influence the decisions of firms to locate in a community or region
- Facilitate economic diversification by making it easier for a mix of businesses to develop or locate in a given area
- Mitigate environmental pollution in streams
- Promote better public health and quality of life through the provision of clean water

Community capacity and long-term planning are also critical needs in the state. Communities and regions in the state need the resources and tools to form partnerships to advance economic development. Communities will need to rely more upon identifying and developing local assets that can be translated into economic growth opportunities instead of primarily relying upon outside funding and resources. To accomplish this, they will need to develop their ability to create active economic development programs at the local level, plan and identify local and regional opportunities for development, and more effectively position themselves to take advantage of identified opportunities and assets.

Another critical need is in workforce development. While West Virginia has a limited funding stream that focuses on attracting new businesses to the state and on existing businesses that are expanding, there are no funds available that focus on retaining jobs at existing small and medium sized businesses and maintaining their competitiveness. There is also a critical need to provide workforce training services that focus specifically on young people and dislocated workers.

Other barriers to economic and community development in the state include:

- dilapidated and abandoned buildings
- lack of available, developable land for industry and business development
- inadequate broadband coverage
- lack of access to capital for business start-ups and expansion

Section II. Special Development Opportunities

- **Hatfield-McCoy Trails:** the Hatfield-McCoy Trails is a network of outdoor recreational trails usable by ATVs, UTVs, and off-road motorcycles. First opened in 2000, the trail network has expanded to include 8 trail systems in 7 counties in the southern coalfields. An economic impact study of the trails completed in 2014 noted that non-local visitors to the trails generated \$19 million in economic activity in the state. The study also noted that regional income growth and labor force participation rate growth have exceeded the state as a whole. Plans are underway to expand the trails into 2 new counties, bringing the total counties with a trail presence to 9 counties in the southern coalfields.

- **Post-mined sites:** the West Virginia Office of Coalfield Development is charged with advancing economic development in our coalfield counties. One approach to accomplishing this is the reuse of surface mined lands. Marshall University's Rahall Transportation Center had been contracted to work with each coalfield county to prepare a Land Use Master Plan. These plans evaluate development attributes of mined lands and determine best uses for those sites. Phase two of this activity will be to develop marketing brochures for the priority sites identified in the land use master plans. West Virginia has 31 counties with surface mine properties, and each plan evaluates up to five individual sites. Mined sites are being used for many uses including commercial and industrial developments, school construction, community facilities, federal prisons, and wind farms.

- **Local food systems:** West Virginia farmers capture only 19 cents of every dollar spent on food in the state. A significant economic development opportunity exists in local and regional food development to increase the share that state farmers can capture by more directly connecting farmers with consumers. West Virginia has experienced a surge in local food system growth, including the development of food-to-school initiatives, farmers markets, community supported agriculture, food hubs, agri-tourism, buying local, and culinary-based events and tourism such as the Cast Iron Cook Off. Further work needs to be done in identifying and addressing gaps in local and regional food infrastructure.

Section III. Targeted Investment Priorities for FY 2016

Targeted investment priorities for the FY 2016 West Virginia ARC program include:

- provision of basic infrastructure such as water and wastewater (highest priority)
- workforce development
- industrial site development
- increasing educational attainment
- developing community capacity to implement community and economic development initiatives
- technology projects that expand access to broadband
- increasing capital and technical assistance to start-up and expanding businesses
- expanding health care initiatives

The Governor reserves the right to recommend projects for final approval that are not included in the above list of priorities but are consistent with the goals and strategies outlined in West Virginia's 4-Year Development Plan and ARC's Strategic Plan.

Section IV. Special Objectives and Strategies for Distressed Counties

For FY 2016, West Virginia will have 9 distressed counties. Those counties are: Calhoun, Clay, Gilmer, Lincoln, McDowell, Mingo, Roane, Webster, and Wirt. The core economic and community development objectives and strategies in distressed counties include the following:

Core Economic Development Objectives:

Objective: Provide basic infrastructure necessary for economic development:

- Work with Local Development Districts (LDDs) and other partners to support planning, prioritization, and development of infrastructure projects (water and wastewater) that promote community revitalization and economic diversification
- Make strategic investments that leverage federal, state, and local support for the construction or improvement of basic public infrastructure

Objective: Promote the creation of comprehensive entrepreneurial support systems for current and future entrepreneurs, including education, technical assistance, and access to capital:

- Work with organizations such as the Ohio-West Virginia Youth Leadership Association and the Consortium for Entrepreneurship Education to create educational opportunities for K-12 students in entrepreneurship
- Partner with organizations such as the Natural Capital Investment Fund to develop business education, coaching, and technical assistance services to entrepreneurs

- Increase awareness of revolving loan funds, equity funds, and other sources of capital for start-ups and medium size businesses

Objective: Support the development of industrial and commercial sites:

- Work with the West Virginia Office of Coalfield Development to identify, assess and prioritize post-mine land sites for industrial and commercial development

Objective: Strengthen workforce development efforts:

- Support the creation and expansion of workforce training and education programs such as Youth Build and the Coalfield Development Corporation's Quality Jobs Initiative
- Encourage youth and student opportunities for work and community service experiences, including internships, mentorships, leadership development, and job shadowing
- Partner with Workforce Investment Boards, post-secondary institutions, and LDDs to develop initiatives that increase training and educational opportunities for displaced workers
- Support community-based initiatives that address critical health issues such as countywide diabetes coalitions and school-community oral health partnerships

Objective: Promote downtown revitalization:

- Work with the West Virginia Brownfields Assistance Centers to increase the ability of communities to assess and plan for the reuse of dilapidated and abandoned buildings
- Support efforts by communities to apply and become West Virginia ON TRAC communities, a program sponsored by the West Virginia Main Street program, to promote downtown revitalization
- Assist communities to improve their downtowns through support of planning, assessment, and market analysis
- Promote initiatives such as community gardens, public markets, greenways, historic preservation and neighborhood beautification that strengthen a sense of place, increase community pride, and spur local efforts for community improvement

Objective: Increase access and adoption of broadband:

- Support e-commerce initiatives that educate businesses about the benefits of broadband
- Target identified business and industrial parks, commercial centers, and other growth areas for high quality broadband service and expansion
- Promote awareness of broadband benefits for individuals and families through education and outreach
- Increase access of broadband for individuals by creating or enhancing existing community computer and digital learning centers

Core Community Development Objectives:

Objective: Build community and regional capacity to plan and implement economic and community development initiatives:

- Assist communities to develop local leadership, organizations, and initiatives for community improvement
- Support strategic planning initiatives for local and regional organizations to capitalize on economic development opportunities and assist communities and regions to position themselves to take advantage of these opportunities
- Work with LDDs to identify and prioritize business and industrial parks, commercial centers, and other growth areas for economic development
- Encourage partnerships and promote regional efforts in economic development
- Link communities to outside resources for training and skill development

The Governor reserves the right to recommend projects for final approval that are not included in the above list of objectives and strategies but are consistent with the goals and strategies outlined in West Virginia's 4-Year Development Plan and ARC's Strategic Plan.

Section V. Project Solicitation, Review, and Selection Process

Application Process:

The Community Development Division of the West Virginia Development Office (WVDO) manages the ARC program. Technical assistance is available from the Community Development staff during normal business hours. Additionally, our office holds an on-site annual application workshop where interested citizens can receive first-hand technical assistance. Notice of the technical assistance workshop is sent directly to all of the Local Development Districts in the state, which is forwarded to the LDD's member units of local government. In addition, previous applicants to the program and any interested parties that have contacted our office regarding the ARC program are also notified about the technical assistance workshop. Finally, the WVDO maintains a website where notices of application workshops and deadlines are posted.

Application Process Timeline for FY2016 (tentative):

ARC Application Workshop: September, 2015

Application Deadline: December, 2015

Governor's Award Announcements: May, 2016

Submission of Applications to ARC Headquarters: May/June, 2016

Review and Selection Process:

In reviewing and recommending projects for funding, the State of West Virginia will take into account the status of the county or counties that makeup the project area of an application.

Projects that include ARC-designated distressed counties will receive high priority in the review process.

West Virginia uses a two-tiered system for evaluating and recommending projects for ARC assistance. These are described below:

Tier 1 Technical Review:

All applications are initially screened to determine if they are eligible for funding consideration. The screening process determines the following:

- a) ARC Eligibility: All projects recommended to the Commission for final approval must demonstrate that they will contribute to the achievement of one of the Commission's strategic goals and that the project relates to one or more of the goals, objectives, and strategies set forth in the state's development plan
- b) Matching Funds: All projects recommended to the Commission for final approval must provide reasonable assurance of the availability of matching funds for the project scope of work
- c) Project Approach: All projects recommended to the Commission for final approval must demonstrate a scope of work that is realistic and viable.

Applications determined to be eligible, complete, and feasible, and evidence a reasonable assurance that matching funds are or will be secured, proceed to Tier 2 evaluation.

Tier 2 Competitive Review:

The state will use seven general criteria to evaluate ARC projects in the various program categories. These are listed below, along with a brief description.

- a. Project Type: Projects that meet the highest priorities of the West Virginia Development Office will receive higher weight. Priorities will be based upon project type such as infrastructure, education, or public health, and will be based upon needs documented in the state development plan.
- b. Degree of Need: Projects that address a documented need as set forth in the state's development plan and are located in an ARC-designated distressed county, in a distressed area, or along an ADHS corridor will receive higher weight.
- c. Investment Impact: ARC funds should not subsidize fixed costs or provide operating support; therefore, projects that promote long-term economic self-sufficiency, add value to already existing activities, or enhance the ability of a community or area to institutionalize community improvement will receive higher weight. Strategic characteristics that increase investment impact include the following:

Infrastructure projects that:

- Facilitate economic development (serve commercial customers, provide needed infrastructure for commercial and industrial sites, or enable leveraged private investment)
- Serve critical community facilities such as schools, community health facilities, community centers, 4-H Camps, etc.
- Target urban centers and downtown areas (infill strategy)
- Are located along an ARC highway corridor
- Increase the capacity of a water/wastewater system to serve more customers in the future
- Incorporate energy-efficiency features
- Provide wastewater facilities that protect environmental resources tied to outdoor recreation and tourism

Non-infrastructure projects that:

- Increase local collaboration or regional partnerships
 - Strengthen the ability of local communities to undertake economic and community development activities
 - Identify and mobilize community or regional assets for economic development
 - Create economic development that is sustainable at the local or regional level
- d. Investment Linkage: Projects that complement or support other federal, state, or local initiatives or demonstrate that they are an integral part of a community or regional plan will receive higher weight.
- e. Degree of Non-ARC Funding Commitment: Projects that have a higher degree of non-ARC funding committed to the project will receive higher weight.
- f. Outcome Measurements: Projects that demonstrate detailed outcome and performance measurements will receive higher weight.
- g. Management Capacity: Projects that demonstrate adequate capacity to manage a project will receive higher weight.

Once the criteria above have been taken into consideration, recommendations are prioritized based upon the amount of available funds, with infrastructure projects receiving first priority. Recommendations are then sent to the Governor for approval.

Section V. State Matching Requirements and Assistance Limits

ARC participation costs will be limited to 50 percent of project costs, with the following exceptions:

1. Projects located in designated Distressed Counties or Local Access Road Projects (except in Competitive Counties) may be funded up to 80 percent of the eligible project costs.
2. Projects located in designated At-Risk Counties may be funded up to 70 percent of the eligible project costs.
3. Statewide projects may be funded up to 56 percent of the eligible project cost.
4. Multi-county projects (not statewide) may be funded as follows:
 - a. If there is a distressed county in a project:
 - and at least half the counties are distressed, the project may be funded at up to 80% of project costs;
 - and at least half the counties are in some combination of distressed and at-risk, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project; and
 - but fewer than half the counties are distressed, ARC assistance can be the higher of 50% of project costs or the average percentage applicable to the various counties in the project.
 - b. If there is no competitive county or attainment county in a project, and at least half the counties are at-risk, the project may be funded at up to 70% of project costs.
 - c. All other projects shall be funded at the average percentage applicable to the various counties in the project; except that the portion of a project, which is attributable to an attainment county in a project not including a distressed county, shall be considered ineligible for ARC assistance and may not be considered for matching purposes.
5. ARC assistance is limited to 30 percent of eligible costs for projects located in a designated Competitive County.

Notwithstanding the above grant limitations, the state may request a waiver of assistance limitations when there exists substantial evidence that the beneficiaries of a project to be assisted outside a distressed county are wholly within a "pocket of distress" and require services or facilities which are beyond their financial ability or the ability of the responsible unit of local government to provide. Such "pockets of distress" must exhibit characteristics such as those used for designating counties under the Commission's Distressed Counties Program. The waiver of a grant limitation may not exceed 50 percent in a Competitive or Transitional County.

In addition to meeting the requirements of the ARDA of 1965 as amended, all projects for which approval is requested under the Area Development Program must be supported by a

demonstration that they will contribute to the achievement of one or more of the Commission's strategic goals, except that the state may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.

West Virginia does not place a firm limitation on the amount of funds an applicant can request. However, the Governor reserves the right to approve or reject the requested amount of ARC funds in a project and does not have to award funds at the maximum level or at the requested amount.

System for Monitoring and Evaluating Progress:

All ARC projects are monitored by staff to assess progress in meeting scheduled milestones and identify and resolve any problems that may have arisen in project performance. On-site inspections may be done at the midpoint and at project completion to assure compliance with the approved project design/scope. Reports submitted by non-construction project grantees are reviewed by staff and retained in project files.

APPENDIX A

Estimated Summary of Non-Housing Community and Economic Development Needs		
Category/Subcategory	Investment Needs	Percent of Total
Community Planning/Management		
Community Planning	\$3,225,500	0.1%
Community Management	\$60,000	0.0%
Subtotal	\$3,285,500	0.1%
Community Revitalization		
Commercial Area	\$44,160,192	1.3%
Flood Control/Storm Drains	\$43,144,244	1.2%
Streets/Sidewalks	\$14,636,105	0.4%
General/Neighborhood Revitalization	\$72,849,395	2.1%
Subtotal	\$174,789,936	5.0%
Economic Development		
Industrial Park/Site Development	\$36,476,000	1.0%
Education	\$90,425,000	2.6%
Workforce/Business Assistance	\$6,150,000	0.2%
General Economic Development	\$307,664,915	8.7%
Subtotal	\$440,715,915	12.5%
Public Facilities/Services		
Water	\$430,660,374	12.2%
Sewer	\$696,716,882	19.8%
General Infrastructure	\$261,518,870	7.4%
Recreation	\$38,440,588	1.1%
Public Safety including ADA	\$6,826,764	0.2%
Broadband	\$33,763,324	1.0%
Health Care	\$2,223,885	0.1%
Subtotal	\$1,470,150,687	41.7%
Transportation		
General Transportation	\$1,438,051,969	40.8%
Subtotal	\$1,438,051,969	40.8%
Grand Total	\$3,526,994,007	100.0%
Source: WV LDDs Project Priority Lists 2014		