COMMONWEALTH of VIRGINIA

Office of the Governor

Ralph S. Northam
Governor

August 18, 2020

Mr. Charles Howard
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, NW Suite 700
Washington, D.C. 20009

Dear Mr. Howard:

As recommended by the Appalachian Regional Commission in light of the COVID-19 pandemic, Virginia is extending our 2020 Strategy Statement to cover the 2021 fiscal year and submitting the attached document to the Appalachian Regional Commission in accordance with Code Section 5.4.

The document establishes the goals, objectives and priorities for Virginia's Appalachian region and is consistent with our ARC Four-Year Development Plan and the existing ARC strategic plan.

If there are any questions about the above mentioned document, please contact Erik Johnston with the Virginia Department of Housing and Community Development at (804) 371-7077.

Sincerely,

Ralph S. Northam

Enclosures

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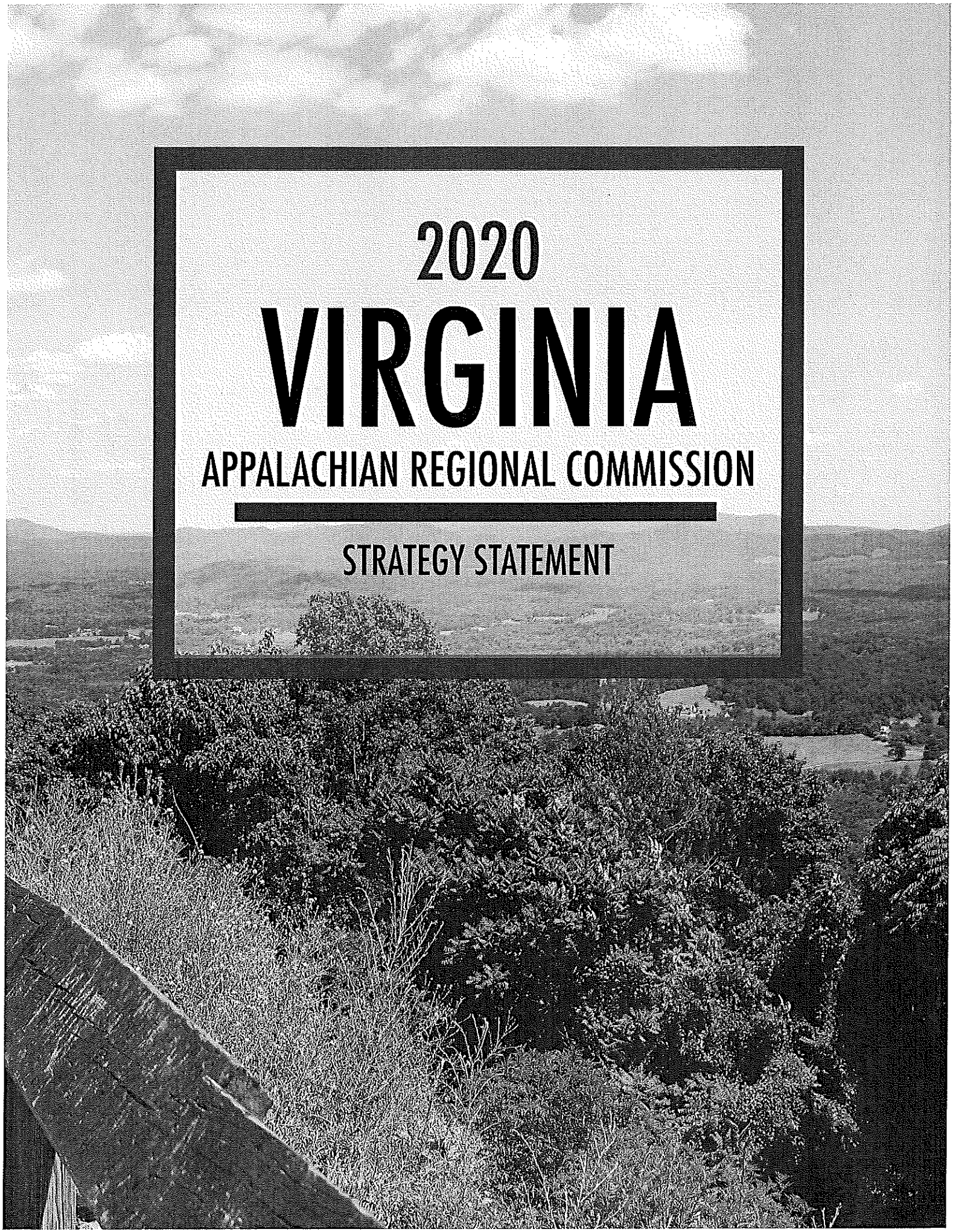
2020 VIRGINIA

APPALACHIAN REGIONAL COMMISSION

STRATEGY STATEMENT



Governor Ralph S. Northam

Erik C. Johnston
Director

Tamarah Holmes, Ph.D.
Associate Director of Policy and Strategic Development
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In accordance with Chapter 5.3 of the Appalachian Regional Commission (ARC) Code, this document will serve as the Commonwealth of Virginia's Appalachian Regional Commission 2020 Strategy Statement. The purpose of the 2020 Strategy Statement is to establish our goals, objectives, and priorities for Virginia's ARC Region. The implementation of the 2020 Strategy Statement will enable the Commonwealth of Virginia to meet the diverse and changing needs of our Appalachian region. More specifically, the 2020 Strategy Statement will:

1. Discuss economic challenges and opportunities in the region, as well as new developments and resources that are impacting Virginia's Appalachian region;
2. Provide an overview of targeted investment priorities for the program year;
3. Discuss specific strategies for the state's distressed counties and census tract areas;
4. Discuss the Virginia ARC program policies; and
5. Describe the methods used to review proposals to ensure an equitable distribution of state contributions for projects to its Appalachian area.

Gov. Ralph S. Northam serves as the Virginia Commission member. Gov. Northam has appointed Erik C. Johnston as the director of the Virginia Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Johnston serves as the Governor's alternate to ARC. Tamarah Holmes, Ph.D., will serve as the ARC program manager and is responsible for program administration, as well as overseeing the agency's role as the Registered State Basic Agency (RSBA).

The Appalachian region of Virginia encompasses 25 counties and eight independent cities. For Program Year 2020. The counties of Buchanan, Dickenson, Lee, and Wise, and the city of Norton, and thirteen census tracts in other localities are designated as distressed.

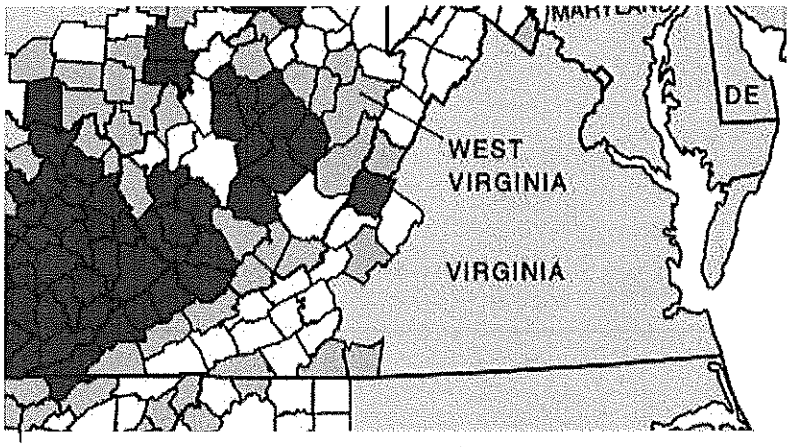

Figure 1-County Economic Status in Appalachia, FY 2020
https://www.arc.gov/research/MapsofAppalachia

Regional, State and Federal Partners

The Region's seven Local Development Districts (LDDs) and various federal and state agencies, as well as regional partners, assist the Virginia ARC program with investment strategies and project development.

The Local Development Districts (LDDs) are:

- Cumberland Plateau Planning District Commission
- LENOWISCO Planning District Commission
- New River Valley Regional Commission
- West Piedmont Planning District Commission
- Mount Rogers Planning District Commission
- Roanoke Valley-Alleghany Regional Commission
- Central Shenandoah Planning District Commission

DHCD is a leader in the Commonwealth for the development and implementation of strategies that improve the quality of life in Virginia communities through local and regional planning, community and economic development programs, the availability of affordable housing, and building local leadership capacity. DHCD administers the Virginia Small Cities Community Development Block Grant Program, which enables the agency to be in a unique position to coordinate these programs, as well as maintain the working relationships with federal and state agencies, including United States Department of Agriculture-Rural Development (USDA-RD), and the Economic Development Administration (EDA). State agency partners include the Virginia Department of Health (VDH), Virginia Department of Agriculture and Consumer Services (VDACS), Virginia Tobacco Region Revitalization Commission (VTRRC), Virginia Resources Authority (VRA), Virginia Department of Mines, Minerals and Energy (DMME), Virginia Economic Development Partnership (VEDP) and Virginia Tourism Corporation (VTC). The Virginia ARC program relies on partnerships with various regional organizations, including but not limited to the Southwest Cultural Heritage Foundation and Friends of Southwest Virginia, GO Virginia Regional Councils 1, 2, 3 and 8, Virginia Coalfield Economic Development Authority (VCEDA), Virginia Community Capital (VCC) and Blue Ridge Economic Development Authority (BRECDA).

Economic Challenges and Opportunities

Challenges

In August 2019, the Virginia ARC program will conduct an input session with various regional stakeholders to identify economic challenges in the region.

Opportunities

The Appalachian region of Virginia is rich in natural, cultural and heritage assets, and talented people. Future areas of economic opportunity in the region lie in maintaining existing and developing new infrastructure, including broadband, attracting new businesses and industry, the development of businesses to support a growing tourism and outdoor recreation industry, strengthening the competitiveness of existing industry and continuing to develop a highly-skilled workforce.

Virginia Targeted Investment Priorities

Projects that demonstrate their contributions to improving or increasing the economic impact of the targeted investment priorities identified will be given priority in rankings for funding. Gov. Northam's priorities are:

- Support the deployment of broadband infrastructure to enable universal access in unserved areas of the region
- Support efforts that are addressing the opioid crisis and substance abuse
- Support the development of regional solutions to address water/wastewater infrastructure needs
- Support efforts to increase access to quality early childhood development/education
- Support efforts to reduce homelessness and housing instability

Strategies for Distressed Counties and Areas

The Appalachian Regional Commission uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system compares each county's averages for the following three economic indicators with national averages: the three-year average unemployment rate, per capita market income and poverty rate. The resulting values are summed and averaged to create a composite index value for each county. Each county in the nation is then ranked, based on its composite index value. Counties are designated as distressed, at-risk, transitional, competitive or attainment, based on their ranking in the index. Designations are revised annually using the most current data available. In 2020, four counties, one city and 13 census tracts are designated as distressed.

Two additional initiatives housed at DHCD aimed at addressing economic challenges in the Commonwealth are GO Virginia and Opportunity Zones. GO Virginia Regions 1, 2, 3 and 8 encompass localities in the Virginia ARC region. There are presently 212 designated Opportunity Zones in Virginia, 32 of which are located in ARC region.

GO Virginia is a business-led economic development initiative that is changing the way Virginia's diverse regions collaborate on economic and workforce development activities. It supports efforts to create more high-paying jobs through incentivized collaboration between business, education and government to diversify and strengthen the economy in every region of the Commonwealth.

The initiative is based on three main points:

- **Virginia urgently needs strong private-sector growth.**
  Federal cutbacks have exposed our over-dependence on public-sector jobs. Virginia needs strong private-sector growth and job creation.
- **Growth in Virginia's diverse regions requires collaboration.**
  To grow and diversify our economy, business, education and government, regions must collaborate effectively.
- **State government must be a catalyst and partner.**
  State government must provide incentives for strategic, job-focused collaboration in each region of the Commonwealth.

Go Virginia Regions located within the ARC Region

Region 1 consists of the cities of Bristol, Galax, and Norton, and the counties of Bland, Buchanan, Carroll, Dickenson, Grayson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise and Wythe.

Region 1 Priority Industry Clusters are:

- Advanced Manufacturing
- Agriculture and Food and Beverage Manufacturing
- Information and Emerging Technologies
- Energy and Minerals

Region 2 consists of the cities of Covington and Radford, and the counties of Alleghany, Botetourt, Craig, Floyd, Giles, Montgomery and Pulaski.

Region 2 Priority Clusters are:

- Manufacturing
- Life Sciences and Health Care
- Food and Beverage Processing
- Information and Emerging Technologies

Region 3 ARC localities consist of the city of Martinsville and the counties of Henry and Patrick.

Region 3 Priority Clusters are:

- Business Services/IT Data Centers
- Advanced Manufacturing and Materials
- High-Value Natural Resource Production
- Health Care

Region 8 ARC localities consist of the cities of Buena Vista and Lexington, and the counties Bath, Highland and Rockbridge.

Region 8 Priority Clusters are:

- Financial and Business Services
- Health Care
- Information Technology/Communications
- Light Manufacturing
- Transportation and Logistics

Opportunity Zones

The Federal Tax Cuts and Jobs Act of 2017 included provisions for a new revitalization tool, the Opportunity Zone and Opportunity Fund. The program allows investors to receive tax benefits on currently unrealized capital gains by investing those gains in qualified census tracts referred to as Opportunity Zones. Qualified census tracts were eligible based on median income that does not exceed 80 percent of the statewide median income or has a poverty rate of at least 20 percent. The investors for Opportunity Zones could be local investors, from the wider region, or from anywhere in the U.S. The policy enables funds to be responsive to the needs of different communities, allowing for investment in operating businesses, equipment, and real property. Any entity can establish an Opportunity Zone Fund as long as they follow the guidelines set out by the statute and U.S. Department of Treasury.

The Virginia Department of Housing and Community Development (DHCD) currently serves as the coordinating agency for Opportunity Zones. The Commonwealth expanded its efforts to maximize the program by creating Opportunity Virginia: Virginia's Opportunity Zone Marketplace. This partnership between the Secretary of Commerce and Trade, Virginia Community Capital, DHCD and the Virginia Housing Development Authority is focused on creating a pipeline of projects and attracting investors to these projects in every one of Virginia's 212 zones.

Department of Mines, Minerals and Energy (DMME) Abandoned Mine Land

Virginia's Abandoned Mine Land (AML) Program was established in the late 1970's to correct pre-federal Act (1977) coal mine related problems adversely impacting public health, safety, general welfare and the environment. Abandoned mine land related problems include landslides, stream sedimentation, hazardous structures, dangerous highwalls, subsidence, loss of water, acid mine drainage and open mine portals. AML sites eligible for reclamation must have been mined prior to December 15, 1981. There must also be no other individual, firm or organization responsible to reclaim the site. DMME's Division of Mined Land Reclamation (DMLR) annually applies for a grant from the U.S. Office of Surface Mining (OSM) to reclaim high priority AML sites across the state. Grant funds are used to design reclamation plans, obtain consents for rights of entry, publish public notices in local newspapers to advertise for construction contractors and to ensure the site is reclaimed and the problems abated according to the engineering design. Grant funds come from fees paid by the coal industry on each ton of coal mined.

Tobacco Region Revitalization Commission

The Tobacco Region Revitalization Commission is a 28-member body created by the 1999 General Assembly. Its mission is the promotion of economic growth and development in tobacco-dependent communities, using proceeds of the national tobacco settlement. To date, the Commission has awarded 2,102 grants totaling more than $1.1 billion across the tobacco region of the Commonwealth, and has provided $309 million in indemnification payments to tobacco growers and quota holders. There are sixteen (16) counties and four (4) cities in the ARC region that are in the Tobacco region.

New developments or resources in the ARC Regions

The Virginia ARC program provides assistance and resources in the development and implementation of strategies that improve the region's quality of life through local and regional planning, community and economic development programs, and building local leadership capacity.

The following are a list of DHCD resources invested in the Virginia ARC region for the 2018-19 period and the localities or organization that received grant awards:

Community Development Block Grant Program (CDBG) provides funding to eligible units of local government for planning and implementing projects that address critical community development needs, including housing, infrastructure and economic development.

2018 CDBG Competitive Awards:

Buchanan County ($787,500), Dickenson County ($1,000,000), the town of Lebanon ($1,000,000), Lee County ($375,000) and the town of Marion ($637,400)

2018 CDBG Construction Ready Water and Sewer Fund Awards:

Lee County ($256,308), the town of Pocahontas ($500,000) and Washington County ($175,000)

Virginia Main Street (VMS) is a preservation-based economic and community development program that follows the Main Street Four-Point Approach developed by the National Trust Main Street Center. VMS offers a range of services and assistance to communities interested in revitalizing their historic commercial districts.

2019 Virginia Main Street Awards:

Abingdon Main Street ($12,000) and Believe in Bristol ($25,000)

Industrial Revitalization Fund (IRF) provides gap financing for construction projects aligned with local and regional economic development strategies, primarily in economically distressed communities. The program targets vacant non-residential structures whose poor condition creates physical and economic blight to the surrounding area in which the structure is located.

ARC Region Grantees:

The city of Norton ($480,000)

GO Virginia brings together leaders from business, higher education, local government, workforce, economic development, and planning to ensure alignment of resources, the closing of skills gaps, and that each region finds success; this will lead to a growing and diversified Virginia economy.

GO Virginia ARC Projects:

Great Opportunities in Technology and Engineering Courses (GO-TEC) Phase II ($4,896,528), Increasing the Birthrates of High Growth Companies for Region Two ($150,000), Smart Farming at the Center for Workforce and Innovation of Appalachia ($310,372) and Southwest Virginia Livestock and Education Center ($100,000)

Virginia Telecommunication Initiative (VATI) extends broadband service to currently unserved areas. VATI prepares communities to build, utilize, and capitalize on telecommunications infrastructure with the goal of creating strong, competitive communities.

2019 VATI Awards:

Botetourt County ($758,998), Floyd County ($348,018), Giles County ($589,444) and Russell County ($455,581)

Virginia ARC Operating Policies

In Virginia, the level of ARC funds requested may not exceed 50 percent of the total project cost; except: 1) in designated at-risk and distressed counties, cities, or census tracts; 2) Access Road projects are eligible for up to 100 percent; and 3) regional projects that meet the requirements outlined in the Appalachia Regional Development Reform Appalachian Regional Commission of 1998, which involves the participation of distressed counties, cities or census tracts. The level of ARC funds requested for projects in designated competitive counties or cities may not exceed 30 percent of the total project cost unless the applicant provides adequate justification to meet the exceptions in the ARC Code.

Funding Limits

Area Development

- Construction projects are eligible for up to $500,000 in funding
- Non-construction projects are eligible for up to $100,000 ($300,000 for regional projects) in funding
- Planning grants are eligible for up to $50,000 in funding

Access Road

- Access Road projects are eligible for up to $500,000

Administrative Allowance

- Up to 10 percent of ARC funds can be used to cover administrative costs, except for projects that use CDBG funds as a match
- Up to $2,500 is available to assist with environmental review costs

Project Management

In Virginia, DHCD serves as the ARC Registered State Basic Agency and is responsible for administrative and fiscal oversight and compliance monitoring of construction projects.
All construction projects must have a project sign installed at the construction site within 30 days of the execution of the ARC Grant Agreement. The sign must include the DHCD and ARC logos.

General Information

- DHCD staff are available to provide pre-project development technical assistance.
- Applications are available in the DHCD Centralized Application and Management System (CAMS) after the how-to-apply workshop.
- All projects must meet an ARC goal, ARC objective and Virginia ARC goal and strategy from the Virginia ARC Four-Year Development Plan.
- Applicants must consult with the planning district commission prior to submission to DHCD.
- Match funds cannot be expended prior to final approval by the federal co-chair.
- Higher priority is given to projects that are deemed ready to go. To meet this requirement, the applicant should have all other funding for the project committed.
- Project applications must include measurable outputs and outcomes that are consistent with ARC performance measurement requirements.
- Individuals and for-profit enterprises are not eligible for direct grant assistance, but may benefit from and be served by the investment of ARC funds.
- Any project requesting start-up funds should be prepared to identify the sources that will underwrite the costs after the first year of ARC funding.
- For awarded construction projects, which have been appropriately procured, DHCD may, on a case-by-case basis, approve additional funding if available, not to exceed 15 percent, upon approval of corresponding documentation.

Application Review Process

Step One:

DHCD will review applications using evaluation criteria and priorities established in the Four-Year Development Plan. DHCD will develop a preliminary list of funding recommendations for submission to the Governor's office. The Governor will have final approval for the recommendation of a project for funding to the ARC. Please note the recommendation from the Governor's office **DOES NOT** guarantee funding from the federal co-chair.

Step Two:

Following an announcement by the Governor's office, DHCD staff will contact the applicant for additional information and to obtain federal forms required for submission to ARC. The submission to ARC will include required federal forms and may require the applicant to revise the application, provide clarification or additional information prior to submission. Failure to respond by the DHCD deadline may jeopardize funding.

Please note that ARC may request additional information during their review. Final approval of funding under this program will be made at the discretion of the ARC federal co-chair.

Application Evaluation Criteria

The following evaluation criteria will be used in the project selection process:

1. Applicant and activity eligibility.
2. Demonstrated need for the project.
3. Ability to meet the challenges and opportunities identified in the proposed service area.
4. Ability to fill a "gap" in currently offered services available locally or regionally.
5. Possession of clearly described performance targets (product-focused outputs) to be achieved throughout the project and the overall outcomes.
6. Capacity of applicant organization to implement the project and readiness to-go of project.
7. Leveraging of non-ARC resources.
8. Establishment or significant enhancement of collaborative relationships among local and regional providers.
9. Sustainability or the ability to maintain the proposed effort into the future.

Application Timeline

Aug. 20, 2019 – Input Sessions conducted.
September 2019 – How-to-Apply Workshop conducted.
September 2019 – Application for funding is active in CAMS.
December 2019 – Applications are due.
January through March – Applications reviewed by DHCD staff.
March through May – Applications are submitted to the Governor's office for review and announced contingent upon ARC approval. Final approval of funding under this program will be made at the discretion of the ARC federal co-chair.
March through May – Applications are submitted to ARC for review.

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Appendix A

2019 Virginia Appalachian Regional Commission (ARC) Program Grant Recommendations

Project Applicant/Project Title	Funding	Project Description
Buchanan County/Paw Paw Waterline Extension	$500,000 ARC 787,500 CDBG 200,000 State 100,000 Local 89,076 Local **$1,676,576 Total**	This project will provide public water to 63 households, extending water lines approximately 1.5 miles and consisting of approximately 20,508 linear feet of 8-, 4-, 2- and 1-inch waterline, 3,150 linear feet of ¾-inch service line, 63 meters and eight fire hydrants.
City of Covington/Alleghany Highlands Drone Zone	$217,625 ARC 200,000 Federal 100,000 CDBG 50,000 Federal 10,000 Private **$577,625 Total**	The project will foster the creation of spin-off businesses with growth potential in specific sectors of the Unmanned Aircraft Systems (UAS) industry, such as research, forestry and agriculture, drone racing and first-responder training. The project includes the rehabilitation of an 18,700-square-foot former school building, including interior and exterior improvements.
City of Radford/Downtown City of Radford Planning Grant	$35,000 ARC 25,000 Federal 20,000 Local **$80,000 Total**	This project will identify physical and economic blight within the city of Radford's eastern downtown business district; engage and build capacity with the newly established public- private citizen coalition supporting downtown improvements; increase entrepreneurial capacity to decrease vacant, disinvested and underutilized buildings and parcels which represent commercial potential; and create tools that can be utilized by local partners to increase and promote economic activity.
Craig County/Craig County Resource Center	$250,000 ARC 350,000 Federal 700,000 CDBG 500,000 State 55,000 Local 493,640 Private **$2,348,640 Total**	The project is to construct a combined library, visitor center, teen center, community center and learning facility that will improve the quality of life and economic opportunities in Craig County by serving as a hub for economic development activities in the county. The learning center would focus on growing a new generation of leaders and entrepreneurs, a gathering space for networking, both in person and across the digital divide, and as the community library for Craig County.

Friends of Southwest Virginia/Plan for Trail Development, Sustainability, and Connectivity in the Mount Rogers Anchor Area	$150,000 ARC 549,810 Private **$699,810 Total**	This project proposes to create a plan for long-term development and sustainability of two trail systems in the Mount Rogers area while identifying feasible physical and programmatic connections to enhance the overall economy of the region through continued and sustainable economic development in the outdoor recreation cluster. Outputs include three separate and interconnected master development plans for the Virginia Creeper Trail, the Mendota Trail and Outdoor Recreation Inter-connectivity in the Mount Rogers Region.
Henry County/Fieldale Recreation Center Improvements	$50,000 ARC 21,429 Local **$71,429 Total**	This project is to procure professional consulting services for development of a feasibility study to identify and evaluate physical interior improvements for restoration of the historic Fieldale Recreation Center, which will further advance ongoing efforts of the Smith River Small Towns Collaborative to revitalize the communities of Bassett, Fieldale, Stanleytown and Koehler in support of economic development, tourism and enhanced quality of life. The requested funding would have also assisted in identifying potential uses to ensure sustainability of the facility.
Lee County/Western Lee Sewer Infrastructure Project	$ 500,000 ARC 8,176,822 Federal 700,000 State 700,000 State 425,608 Local 400,000 Federal **$10,902,430 Total**	This project proposes to provide new public wastewater/sewer service availability in the areas of western Lee County between Rose Hill and Cumberland Gap, benefiting an estimated 432 households and an estimated 1,080 persons by construction of over 120,150 linear feet of forcemain and gravity sewer lines, five pump stations and up to a 0.13MGD wastewater treatment facility.

LENOWISCO PDC/Community Foundation Development for SWVA	$47,551 ARC 11,888 Local **$59,439 Total**	This project is to establish a community endowment to serve the Southwest Virginia counties of Lee, Scott, Wise, Dickenson, Buchanan, Russell, and Washington, and the cities of Norton and Bristol.
Patrick County/Healthy Patrick County	$45,000 ARC 7,500 Local 14,285 Private **$66,785 Total**	This project proposes to employ expert guidance and diverse community input to identify a community-specific solution to health care access issues that will be cost effective, inclusive and feasible. Closing of the community's hospital is having a devastating effect on the delivery of health care services.
Town of Pulaski/Sanitary Sewer Improvements: James Hardie Facility	$ 500,000 ARC 1,000,000 Federal 700,000 State 434,050 Federal **$2,634,050 Total**	This project will construct a new wastewater pumping station, 100 linear feet of forcemain and 750 linear feet of gravity sewer line to upgrade the wastewater treatment capacity in the town of Pulaski.
Town of St. Paul/Lyric Theater	$200,000 ARC 300,000 State 135,000 Local **$635,000 Total**	This will continue the revitalization of the historic Lyric Theater into a venue to host conferences, events, and performing arts that invite tourists and visitors to share in our cultural heritage.
Virginia Coalfield Regional Tourism Authority/Clinch-Powell-Big Sandy Biodiversity and Conservation Destination Center	$209,590 ARC 73,640 State **$283,230 Total**	This project will create a hands-on biodiversity/conservation and state park/tourism information center serving to support the nature, outdoor business assets in Virginia's Coalfield Region.
Southwest Regional Recreation Authority/Catalyst for Growth in Developing the Tourism Economy of the Coalfields	$300,000 ARC 60,000 Local **$360,000 Total**	This project will be a catalyst for economic growth by providing the expansion of trails, maintain trails and other recreational assets throughout the coalfields of Virginia, connecting recreational assets built around the natural, cultural and heritage assets of each area within the service regions with community centers, while providing for increased job creation by creating a diversified recreation economy.

Wise County/Banner Sewer Project	$500,000 ARC 795,000 CDBG 815,441 State 100,000 Private **$2,210,441 Total**	This project proposes to address public and environmental health concerns in the Banner community of Wise County via the provision of public sewer service to benefit 53 households, including the construction of 10,000 linear feet of 8-inch water line, 1,500 linear feet of 6-inch gravity sewer line and 5,300 linear feet of 4-inch sewer service line.
Wise County IDA/Expanding Life Saving Healthcare Networks with UAS Technology and Training for Remote Medical Facilities in SWVA Feasibility Study	$50,000 ARC 12,500 Local **$62,500 Total**	This project will analyze and evaluate current drone systems technology in Southwest Virginia, seeking to validate that the concept of drone delivery is not only possible, but also potentially profitable, as the method of airborne delivery may prove more efficient and economical.
Wise County IDA/Feasibility of Economic Diversification Through Commercial Graphene Applications	$50,000 ARC 12,500 Local **$62,500 Total**	This project will develop a strategic plan leveraging the location of the Carbon Research and Development Company's Graphene Research Center in Wise to seek to build an economic cluster of graphene-enhanced commercial product developers as operational entities in the central Appalachian mountains of Virginia and to compliment the jointly funded GO Virginia/IDA-approved market study.