



COMMONWEALTH of VIRGINIA

Office of the Governor

Glenn Youngkin
Governor

November 2, 2022

Mr. Brandon McBride
Washington, D.C.

Dear Brandon,

Enclosed you will find Virginia's 2023 Appalachian Regional Commission Annual Strategy Statement and 2022-2025 Four-Year Development Plan. These documents establish the goals, objectives and priorities for Virginia's Appalachian region.

Please be advised that the Annual Strategy Statement and Four-Year Development Plan shall be of record until otherwise notified and is consistent with the commission's Code Section 5.4.

If there are any questions about this item, contact our ARC State Alternate Bryan Horn at (804) 371-7077.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Youngkin".

Glenn Youngkin
Governor of Virginia

2022-2025 Virginia Appalachian Regional Commission Four-Year Development Plan



Governor Glenn Youngkin

Bryan Horn

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Executive Summary

The Appalachian Regional Commission (ARC) is a federal-state partnership targeted to serve the Appalachian regions of New York, Pennsylvania, Ohio, Maryland, Virginia, West Virginia, North Carolina, Tennessee, Kentucky, South Carolina, Georgia, Alabama, and Mississippi. ARC's mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia.

The governors from the thirteen Appalachian states and the Federal Co-Chairman appointed by the President comprise the Commission. Governor Youngkin serves as the Virginia Commission member. Governor Youngkin has appointed Bryan Horn as the Director of the Virginia Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. In this capacity, Director Horn serves as Virginia's state alternate for the Commission.

The implementation of this Plan will continue to meet the diverse and changing needs of the Appalachian Region of Virginia by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives of the region, as well as the Commonwealth's priorities.

As required by Section 5.3 of the Appalachian Regional Commission Code, this document provides the following:

1. Overview and assessment of the region's economic needs, including current gaps, strengths, and recent achievements
2. Discussion of emerging opportunities, regional priority efforts, and the alignment of state priorities with the Appalachian Regional Commission's strategic plan, goals, and objectives
3. Discussion of the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System
4. Outline how the state's ARC program is structured and implemented including the role of stakeholders in developing and implementing the Development Plan

Approximately \$3.0 million is allocated to the Virginia ARC region for the area development program, with an additional \$1.1 million designated to counties with a distressed economic status. The Area Development program supports business development, education and job training, broadband, infrastructure, community development, and access to healthcare. This Plan identifies several priorities through which the Governor will support targeting economic development resources and investments in order to serve the Appalachian region of the Commonwealth.

Brief Summary of Virginia Priorities

- Create jobs
- Support workforce housing
- Support the deployment of affordable, reliable, high speed internet
- Expand energy sources
- Address water/wastewater infrastructure needs
- Strengthen local and regional capacity

Commonwealth of Virginia

Appalachian Development Plan

2022 - 2025

The Virginia Appalachian Regional Commission Program is focused on supporting Governor Glenn Youngkin's vision to build a state that is safe for all Virginia residents. Governor Youngkin was sworn into office on January 15, 2022, as the 74th Governor of Virginia. Growing up in Bon Air and Virginia Beach, Glenn Youngkin learned hard work early on, earning him a sports scholarship to college. Before he was inaugurated, Youngkin earned an engineering degree from Rice University, his MBA at Harvard Business School, and spent 25 years at The Carlyle Group.



Governor Glenn Youngkin

Governor Youngkin's top priority is making Virginia the best place to live, work, and raise a family. The Governor will work to support projects that will enable communities and the region to strengthen economic growth by creating jobs, strengthen small business opportunities, and invest in young people's education. These investments will assist the Governor in continuing his mission to build a vibrant and strong Virginia.

In accordance with Section 5.3 of the Appalachian Regional Commission Code, this document will serve as the Commonwealth of Virginia's Appalachian Regional Commission Four Year Development Plan. The purpose of this Plan is to establish a process to set forth goals, objectives, priorities, and policies for Virginia's ARC Region, identify broad statewide issues and needs that the Governor has chosen to address with ARC resources, and prioritize development projects and programs in these key issue areas in the seven Local Development Districts.

Governor Youngkin will use the resources provided by the Appalachian Regional Commission to assist him in meeting the priorities of the Commonwealth for the Appalachian region of Virginia, with an emphasis on job growth, early childhood education, creating safer communities, supporting the development of regional solutions to address water/wastewater infrastructure needs, and addressing unmet housing needs.

The implementation of this Plan will continue to meet the diverse and changing needs of the Appalachian Region of Virginia by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives of the region, as well as the Commonwealth's priorities.

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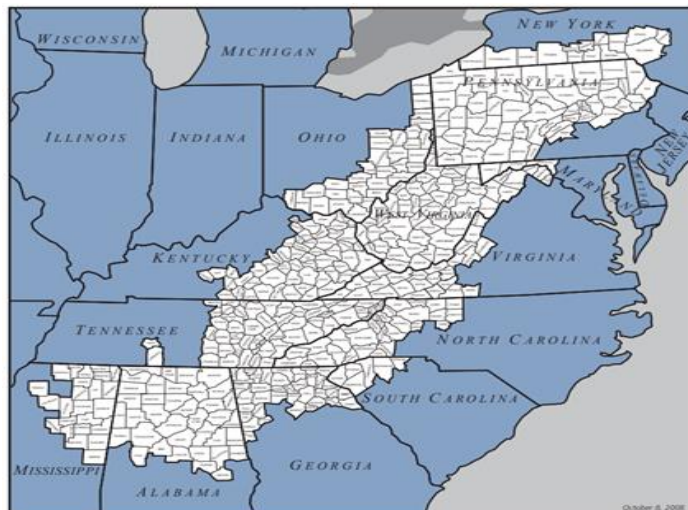
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Appalachian Regional Commission – Overview

In 1960, the governors from New York, Pennsylvania, Ohio, Maryland, Virginia, West Virginia, North Carolina, Tennessee, Kentucky, South Carolina, Georgia, Alabama, and Mississippi formed the Conference of Appalachian Governors to develop a regional approach to resolving problems. In 1963, President John F. Kennedy formed a federal-state committee that came to be known as the President's Appalachian Regional Commission (PARC), and directed it to create a detailed program for economic development of the region. The resulting program was outlined in April 1964 report that was endorsed by the Conference of Appalachian Governors. President Lyndon B. Johnson submitted legislation to Congress based on the PARC's report. The Appalachian Regional Development Act was passed early in 1965 by a broad bipartisan coalition and signed into law.

The Appalachian Regional Commission (ARC) was created by the Congress in 1965 to address economic and quality of life issues in the thirteen-state Appalachian region. In the 1960s:

- One of every three Appalachians lived in poverty
- Per capita income was twenty-three percent lower than the U.S. average
- High unemployment and harsh living conditions had in the



1950s forced more than two-million Appalachian people to leave their homes and seek work in other regions.

Federal-State Partnership

This federal-state partnership works to create opportunities for self-sustaining economic development and improved quality of life for the people of Appalachia. The region includes 420 counties and stretches from southern New York to northern Mississippi. The governors from the thirteen Appalachian states and the Federal Co-Chairman appointed by the President comprise the Commission. Governor Glenn Youngkin serves as the Virginia Commission member. Governor Youngkin has appointed Bryan Horn as the Director of the Virginia Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Mr. Horn 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 and oversees that agency's role as the Registered State Basic Agency (RSBA).

Virginia's ARC Local Development Districts



The Appalachian Region of Virginia, commonly referred to as Southwest Virginia, consists of twenty-five counties (25) and eight (8) cities : The counties of Lee, Wise, Dickenson, Buchanan, Scott, Russell, Washington, Tazewell, Smyth, Grayson, Wythe, Bland, Giles, Pulaski, Carroll, Patrick, Henry, Floyd, Montgomery, Craig, Botetourt, Alleghany, Rockbridge, Bath, Highland; and the Cities of Bristol, Buena Vista, Covington, Galax, Lexington, Martinsville, Norton, and Radford.

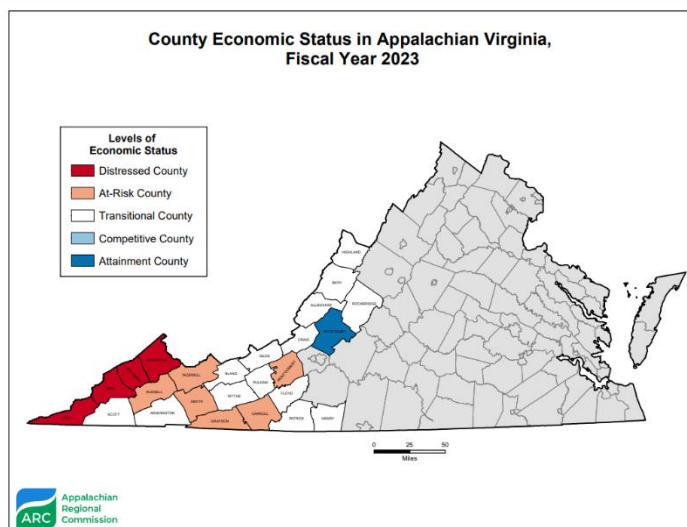
The Appalachian Region of Virginia is served by seven (7) Local Development Districts (LDDs) listed below:

- 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

The Virginia ARC Program works closely with the LDDs in the development of eligible projects that are consistent with the ARC Code and Guidelines. Each LDD is governed by a Board of Directors comprised of local government representatives. The LDDs are an active and critical part of the ARC partnership. The Virginia ARC program meets with the LDDs regularly to discuss regional issues and to gauge the need for ARC resources.

ARC Economic Status

ARC's primary objective is to help "distressed" Appalachian counties improve their economic development potential in order to compete with the rest of the state, nation, and world. 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 average for three economic indicators – three-year average unemployment rate, per capita market income, and poverty rate – with national average. The resulting values are summed and averaged to create a composite index value for each county. Each Appalachian county is classified by ARC into one of five economic status designations, based on its position in the national ranking as listed below. The Virginia ARC locality designations are shown in the map below and listed in Appendix B.



Distressed – Distressed counties are the most economically depressed counties. They rank in the worst 10 percent of the nation's counties.

At-Risk – At-Risk counties are those at risk of becoming economically distressed. They rank between the worst 10 percent and 25 percent of the nation's counties.

Transitional – Transitional counties are those transitioning between strong and weak economies. They make up the largest economic status designation. Transitional counties rank between the worst 25 percent

and the best 25 percent of the nation's counties.

Competitive – Competitive counties are those that are able to compete in the national economy but are not in the highest 10 percent of the nation's counties. Counties ranking between the best 10 percent and 25 percent of the nation's counties are classified competitive.

Attainment - Attainment counties are the economically strongest counties. Counties ranking in the best 10 percent of the nation's counties are classified attainment.

The Commission recognizes that some areas in non-distressed counties have substantially higher poverty or lower income levels than national averages and should be considered economically distressed. These areas should be an important focus of the ARC's assistance. Accordingly, ARC designates "distressed areas," those census tracts in at-risk and transitional counties that have a median family income no greater than 67 percent of the U.S. average and poverty rate 150 percent of the U.S. average or greater. Designations are revised annually using the latest five-year estimates from the American Community Survey.

Appalachian Development Highway System

In 1964, the President's Appalachian Regional Commission (PARC) reported to Congress that economic growth in Appalachia would not be possible until the Region's isolation had been overcome. Because the cost of building highways through Appalachia's mountainous terrain was high, the Region had never been served by adequate roads. The nation's interstate highway system had largely bypassed the Appalachian Region, going through or around the Region's rugged terrain as cost-effectively as possible.

The PARC report and the Appalachian governors placed top priority on a modern highway system as the key to economic development. As a result, Congress authorized the construction of the Appalachian Development Highway System (ADHS) in the Appalachian Development Act of 1965. The ADHS was designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system, and provide access to areas within the Region as well as to markets in the rest of the nation.

The ADHS is currently authorized at 3,090 miles. By the end of FY 2016, 2,794.7 miles – 90.4 percent of the miles authorized – were complete or under construction. Many of the remaining miles will be among the most expensive to build. Completion of ADHS remains a top priority for ARC.

Two ADHS corridors are located in Virginia's section of Appalachia. Corridor H runs from I-81 at Strasburg, VA west to the West Virginia state line near Wardensville and further west to I-79 at Weston, WV. Corridor Q runs from I-81 at Christiansburg west to Breaks Interstate Park, VA / Elkhorn City, KY at the state line and further west to Corridor B (U.S. 23) at Shelbiana, KY (near Pikeville).

In addition to Corridors H and Q, ADHS funds are allocated to support the development of local access roads. ARC Local Access Road (LAR) funds are available for the initial construction of local access road projects. These funds may be used for preliminary engineering, right-of-way or construction. Local access road funding is not allowed for resurfacing/rehabilitation, upgrading, and/or safety improvements on roads previously built or improved with ARC local access road funds.

Introduction and Background

The Appalachian Region of Virginia is an area of beauty and natural appeal with mountains of hardwood, fertile valleys, plateaus, and ridges. However, the same mountains that provide beautiful landscapes create geographical barriers to the rest of the Commonwealth of Virginia. These barriers have created an economic divide between Appalachian Virginia and the rest of Virginia. This divide has been reduced throughout the past decade by federal and state investments, through strong local efforts, and through technological investments. But while the rising tide of the economy lifted the standard of living for all Virginians, a divide continues to exist between Appalachian Virginia and the rest of Virginia.

The region continues to experience lower levels of educational attainment, higher unemployment rates, lower median household incomes, and a shortage of four-lane highways that connect to Regional

Highway Corridors. The region is working to transform its economy, as coal and other traditional industries such as textiles have declined.

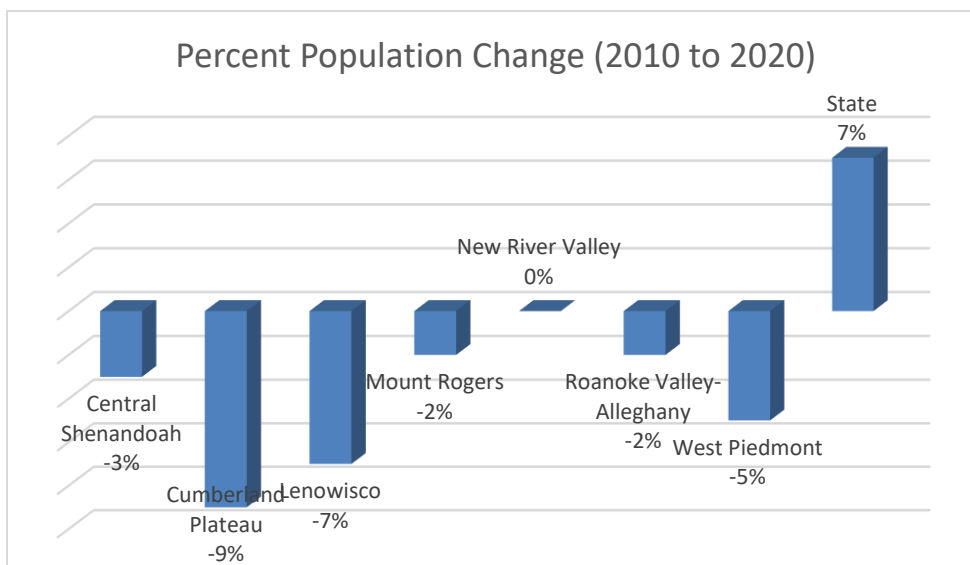
An Assessment of Virginia’s ARC Region

Virginia is a leader when viewed in terms of the quality of schools, the well-balanced economy, the excellence of the workforce, and the high quality of life. Broadly speaking, the data that follows indicates that Virginia’s ARC Region has benefited from federal, state, and local investment throughout the past decade. The realized improvements are also a direct result of regional collaboration and asset-based development. Many portions of the region have longstanding and new economic momentum but face headwinds due to an aging workforce, a substance abuse crisis, and lack of access to essential infrastructure such as broadband.

Demographics

Population trends of a region are often indicative of the health of that region. The Appalachian Region of Virginia continues to lag behind the state in population growth.

Table 1.0 Virginia ARC Region- 2010-2020 Population Change



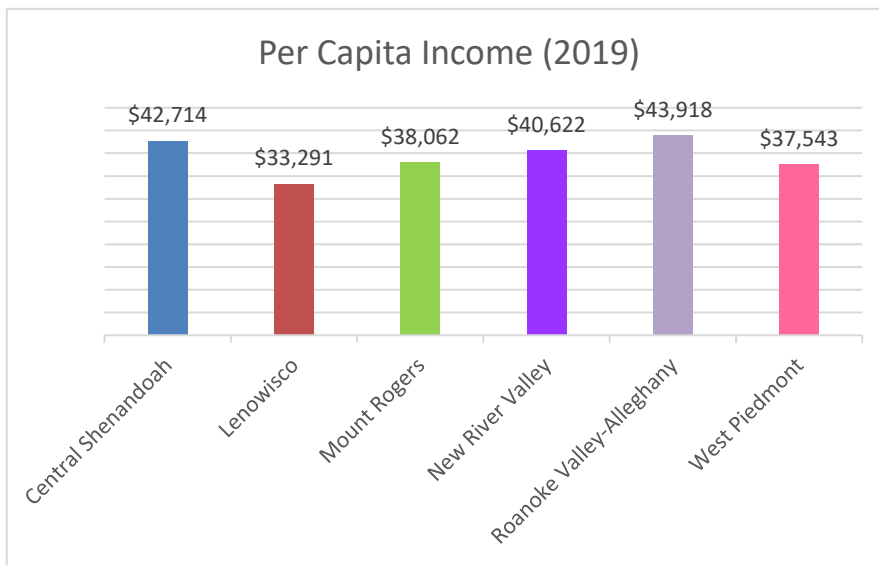
Data estimates for the Local Development Districts located in the Virginia Appalachian Region indicate the average population change from 2010-2020 was nearly a 4 percent decrease, while in stark contrast, the overall state population

grew approximately 7% during the same period. Both Cumberland Plateau, LENOWISCO, and West Piedmont PDCs saw population loss by more than 3 percent during the period, with Cumberland Plateau experiencing a decrease of 9% of its population. It is worth noting that 20 out of 33 localities in the Virginia Appalachian region lost population during that period and that no localities in the region had a higher percentage increase in population growth than the state. In fact, Non-Appalachian Virginia experienced a population growth of about 7.4 percent compared to a population decrease of 3.7% in the Appalachian region. Montgomery County and Floyd County had the greatest population gain over that period at approximately 4 percent and 3 percent, respectively.

Economy

Increases in income have generally kept pace with the rest of the state, even exceeding the state average in some areas. However, the overall individual per capita income of the Virginia ARC region continues to lag far behind Virginia's per capita income. In 2019, the per capita income for the region was \$39,055, while the state's per capita income was \$59,657. Not only has the Virginia ARC region lagged behind Virginia, there are stark differences between localities in the ARC region. In 2017, Bath County had the highest per capita income at \$66,864, while Grayson County, at \$33,190, had the lowest per capita in the region. Table 2.0 presents the per capita income average for each Virginia ARC Local Development District and the Commonwealth.

Table 2.0 ARC Regions' Per Capita Income

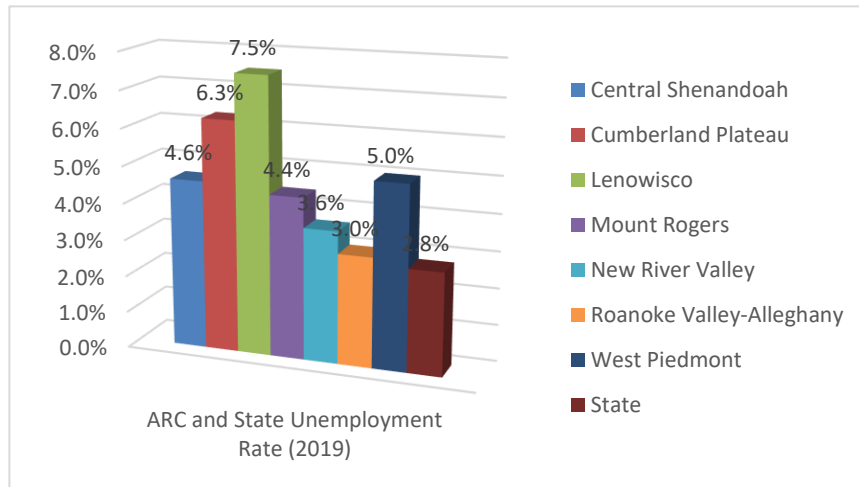


In 2019, poverty level estimates from the Appalachian Regional Commission revealed that the percentage of citizens below the poverty level statewide was 11 percent, while the average percentage in Virginia's Appalachian Region was 19 percent, a difference of 8 percent. Statewide, including Virginia's ARC region, there has been a steady reduction in the poverty rate. Twenty-seven of the thirty-three localities in

Virginia's Appalachian Region have a higher estimated percentage of residents living below the poverty level than the statewide average; the number of ARC localities representing this number has decreased since 2016. Southwest Virginia's population living below poverty accounts for approximately 17 percent of Virginia's population living below the poverty level, reflecting the region's substantially higher poverty rate.

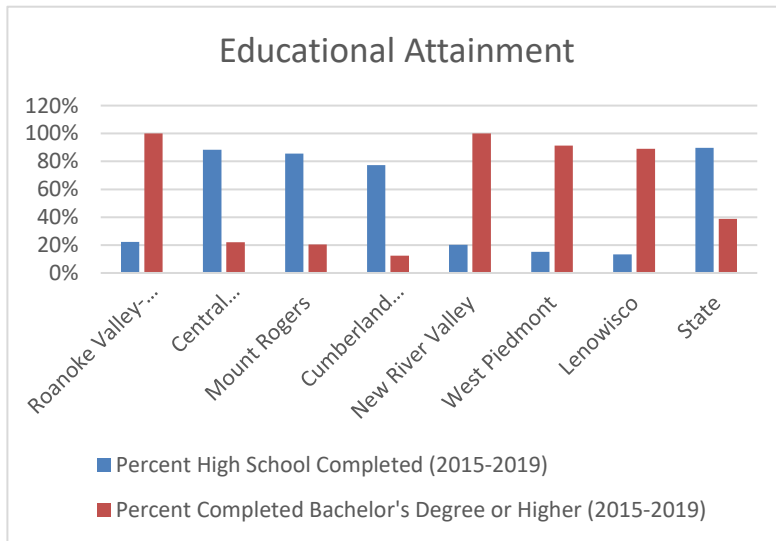
Table 3.0 ARC and State Unemployment Rate

The Appalachian Region of Virginia has higher unemployment on average than the rest of the state. In 2019, the average annualized unemployment rate for localities in the Virginia Appalachian Region was 3 percent, higher than the state average rate of 3 percent. In 2019, Buchanan County had the state’s highest unemployment rate at 6 percent.



Education

Table 4.0 Educational Attainment in the ARC Regions



The percentage of persons with a high school diploma for the state of Virginia is 89 percent, compared to 38 percent having a bachelor’s degree or higher. PDCs Central Shenandoah, Mount Rogers, and Cumberland Plateau are consistent with the state’s ratio of having a higher percentage of persons with a high school diploma compared to the percent of persons with a bachelor’s degree or higher. However, the reverse ratio is in effect in Roanoke Valley-Alleghany, New River Valley,

West Piedmont, and Lenowisco, who have higher percentages of persons with a bachelor’s degree or higher. Virginia Polytechnic Institute, Radford University, University of Lynchburg, and UVA’s College at Wise are located within these PDCs.

Infrastructure

DHCD receives approximately \$4.8 million in local access road funding to develop access roads in support of increased economic opportunities. Between 2015 and 2017, this program awarded nearly \$6 million and was matched by \$6 million of other funding, resulting in the creation of over 1,200 jobs.

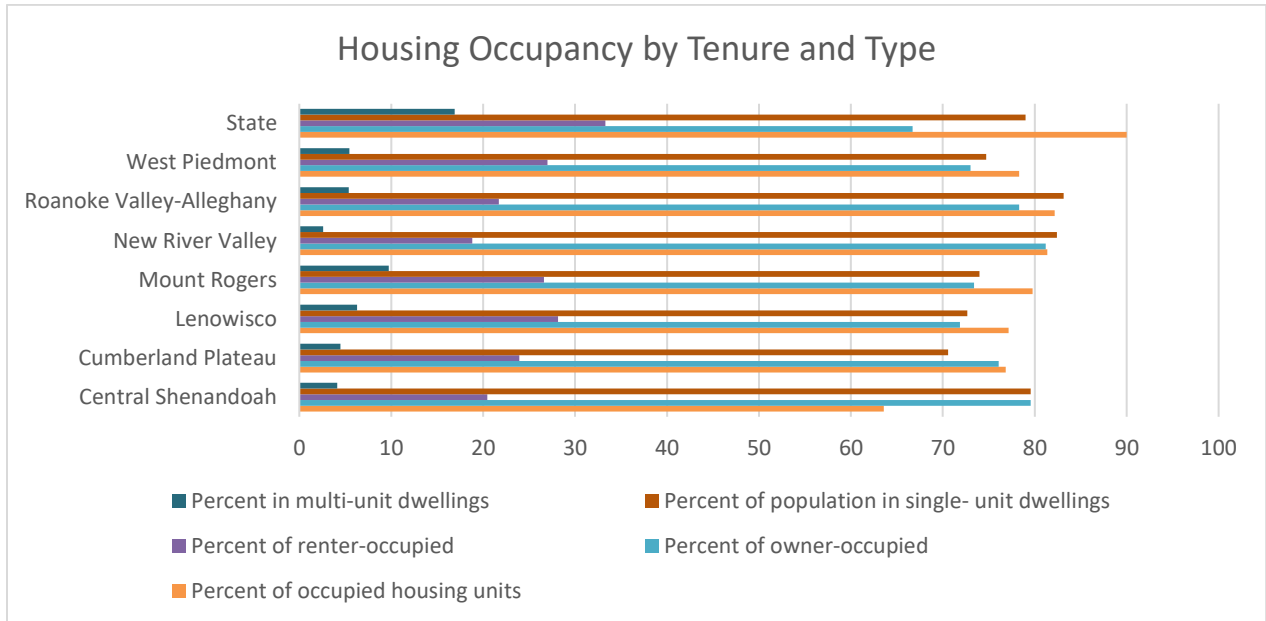
Since 2017, \$3.1 million has been awarded to access road projects in the ARC region. In 2021, almost \$1 million in funding went to a project in Floyd County which created road access and parallel bike-pedestrian path in support of economic development opportunities of the Floyd Regional Commerce Center, and \$1.2 million supported a project in Henry County to upgrade an existing gravel road in support of the Commonwealth Crossing Business Center.

Additional infrastructure challenges involve the accessibility problems of adequate water and sewer services. DHCD also administers the Indoor Plumbing Program (IPR) funded with federal HOME Investment Partnerships Program funds (HOME) and state general funds, primarily serving low- to moderate-income households lacking complete functional plumbing. In Fiscal Year 2021, nearly \$1.8 million is to be expended in the ARC region to combat the deficiencies in indoor plumbing and potable water service. Through other federal, state, and local resources, the Commonwealth of Virginia continues to address aging and lack of water and wastewater systems in the region. Distressed counties and areas are eligible to receive up to \$700,000 per project in ARC funding to address residential infrastructure needs. Additionally, up to \$700,000 per project of ARC funds may also be used to construct or expand infrastructure to industrial sites for economic development projects that will result in job creation.

Housing

According to US census data from 2016-2020, 80 percent of housing units in Appalachian Virginia are occupied; 66 percent are owner-occupied, and 33 percent are renter-occupied. Although the Appalachian region has a lower population density than the rest of Virginia, only 19 percent of all housing units are vacant. The percent of the population living in single family dwelling units is consistent with the rest of the Commonwealth at 75 percent, but there is a much lower percentage, 10 percent, living in multiple-unit dwellings compared to the rest of the Commonwealth, at 17 percent. Table 5.0 displays housing occupancy data by type and tenure in each of the PDC regions. The Roanoke Valley-Alleghany PDC and the New River Valley PDC have the highest percentages of occupied housing units in the Appalachian region.

Table 5.0 Housing Occupancy by PDC Region



The majority of all of the counties in the Appalachian region are constituted by persons making either less than 30 percent of the area median income (AMI) or between 30-50 percent AMI. Montgomery County and Bath County are the two localities with the largest percentages of cost-burdened households with incomes less than 30% AMI: 91 percent and 86 percent, respectively. Similarly, Montgomery County and Craig County have the highest percentages of cost-burdened households making 30-50 percent AMI.

According to the HB854 Statewide Housing Study¹, since 2008, the housing production rate lags far behind the population growth in Virginia (10.5 percent population change, 8.8 percent change in housing units). It is estimated that approximately 25,000 new homes will be needed annually until 2040 to meet the projected housing demand². To tackle this challenge, one of the Commonwealth’s priorities is to provide and expand affordable workforce housing in support of economic development efforts. Throughout Virginia, it is becoming increasingly more difficult for middle-income workers to rent or buy homes in the places they work, which leads to longer commute times, higher traffic volumes, and growing populations at the fringes of regions. This movement is in part due to a lack of supply of housing stock, rising costs of living, and few homeownership opportunities. Taking for example the economic development project at Progress Park in Wythe County, Virginia is investing in major infrastructure upgrades to accompany the expected 2,500 additional jobs created. To help keep jobs and careers in Virginia, the need for more affordable housing options in Southwest Virginia is more apparent than ever.

¹ DHCD and Virginia Housing, 2022, *HB854 Statewide Housing Study*, <https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf>.

² US Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data; University of Virginia Weldon Cooper Center for Public Service.

Health Care

Access to medical care continues to be a major concern in Virginia’s Appalachian region. Data indicates that access to health care professionals is more limited in the Appalachian region of Virginia than the rest of the state. According to federal guidelines for the designation of geographic areas as a Health Professional Shortage Area (HPSA) the area must be: (1) An urban or rural area (which need not conform to the geographic boundaries of a political subdivision and which is a rational area for the delivery of health services); (2) a population group; or (3) a public or nonprofit private medical facility. Based on data from the U.S. Department of Health and Human Services, of the 33 Virginia ARC localities, 17 are designated as a Health Care Professional Shortage Area. As referenced in the 2017 report entitled “Creating a Culture of Health in Appalachia,” mortality rates for chronic diseases in Appalachian Virginia are significantly higher than in the other areas of the Commonwealth. In October 2020, a study titled “Appalachian Diseases of Despair” was conducted as an update to the 2017 report. The study focused on mortality from three main causes: alcohol, prescription drug, and illegal drug overdose. Some examples highlighting the disparities in the health of residents in Appalachian Virginia are:

- Appalachian Virginia’s heart disease mortality rate is 24 percent higher than the national rate and 40 percent higher than the rate in non-Appalachian Virginia.
- Appalachian Virginia’s cancer mortality rate is 10 percent higher than the national rate and 11 percent higher than the rate in non-Appalachian Virginia.
- Appalachian Virginia’s Chronic Obstructive Pulmonary Disease (COPD) mortality rate is 36 percent higher than the national rate and 65 percent higher than the rate in non-Appalachian Virginia.
- Appalachian Virginia’s stroke mortality rate is 13 percent higher than the national rate and 10 percent higher than the rate in non-Appalachian Virginia.
- Appalachian Virginia’s diabetes mortality rate is 22 percent higher than the national rate and 44 percent higher than the rate in non-Appalachian Virginia.
- In 2018, the diseases of despair mortality rate was 33 percent higher in the Appalachian region of Virginia than non-Appalachia.
- Substance abuse continues to be a problem in Appalachian Virginia; 75 percent of overdose deaths were attributed to opioids.

Virginia ARC Achievements

Approximately \$3.0 million is allocated to the Virginia ARC region for the area development program, with an additional \$1.1 million designated to counties with a distressed economic status. The Area Development program supports business development, education and job training, broadband, infrastructure, community development, and access to healthcare. Since 1965, ARC has funded approximately 1,408 area development grants in Virginia, totaling \$221.1 million. In partnership with the Virginia Department of Housing and Community Development, ARC is supporting 25 projects in Virginia totaling \$6.3 million in fiscal year 2021. These investments have been matched by \$11.9 million and are attracting an additional \$1.8 million in leveraged private investments in Virginia. They are also training

or educating over 600 students and workers, and benefiting the nearly 742,000 residents in Virginia's 25 Appalachian counties.

Emerging Opportunities

The Commonwealth of Virginia has identified GO Virginia, Opportunity Zones, the state broadband initiatives, the Partnership for Opportunity and Workforce and Economic Revitalization (POWER), and the Virginia Energy Plan as emerging opportunities for the Virginia ARC Region.

GO Virginia

GO Virginia is a bipartisan, 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. GO Virginia Regions 1, 2, 3, and 8 encompass localities in the Virginia ARC Region.

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 must collaborate effectively in each region.

- 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
- Emerging Technologies and IT

Region 3 ARC localities consists 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 consists 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

State Broadband Initiatives

Virginia Telecommunication Initiative

The primary objective of VATI is to provide financial assistance to supplement construction costs by private sector broadband service providers, in partnership with local units of government to extend service to areas that presently are unserved by any broadband provider. ARC funds have been used in conjunction with VATI funds to support broadband efforts; since 2019, DHCD has invested \$140 million in broadband projects in the ARC region.

Last-Mile Broadband

The Tobacco Region Revitalization Commission provides funding to applicants to provide service to unserved areas of the Tobacco Region of Virginia. Unserved areas are defined as having broadband speeds of less than or equal to 10 Mbps download and 1 Mbps upload. Projects may include fiber-to-the-premise, fixed wireless or some combination thereof, assuming greater than 10/1 Mbps service can be provided.

Partnerships for Opportunity and Workforce and Economic Revitalization (POWER)

POWER is a congressionally funded initiative that targets federal resources to help communities and regions that have been affected by job losses in coal mining, coal power plant operations, and coal-related supply chain industries due to the changing economics of America's energy production. Since 2016, \$32.2 million in the POWER funds has been invested in the Appalachian Region of Virginia.

2022 Virginia Energy Plan

Every four years, Virginia Energy develops a comprehensive energy plan for the Commonwealth; Governor Youngkin's vision for this plan is an all-sources approach to providing energy policy decisions for Virginians. The 2022 Plan will focus on four key objectives in order to make available energy sources affordable and transparent: lower cost of living, job creation, bringing people to Virginia, and an "all-of-the-above" approach to energy policy. The "all-of-the-above" approach will be informed by energy affordability, reliability, capacity, competition, environmental stewardship, choice and innovation. Ensuring all Virginians have access to affordable and reliable energy sources is a priority for the Commonwealth as well as for the ARC region.

Virginia 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 high walls, 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 2,392 grants totaling more than \$1.47 billion, created more than 27,100 jobs, and has generated \$4.08 billion in private capital investment. There are sixteen (16) counties and four (4) cities in the ARC region that are in the Tobacco region.

Regional Priorities

- Support efforts to reinvigorate the small business and entrepreneurial ecosystem, create jobs, train workers, and attract talent in Virginia.
- Support efforts to address unmet housing needs by strengthening the housing economy and ensuring quality affordable housing is available in coordination with economic development efforts.
- Support the deployment of broadband infrastructure to enable universal access in unserved areas of the region.
- Create opportunities to expand energy sources and ensure Virginia has reliable, affordable, clean, and growing supply of power.
- Support the development of regional solutions to address water/wastewater infrastructure needs, economic and entrepreneurial priorities, asset-based development, and large-scale environmental projects.
- Create opportunities to strengthen local and regional capacity and promote strong partnerships among local leaders, stakeholders, investors, and community builders.

Alignment of Virginia ARC Objectives with ARC Goals

The Commonwealth's priorities have been developed with broad input from the Virginia ARC region. Future decision-making and strategic investment decisions in the Appalachian region of Virginia will align with ARC goals and objectives as required by Section 7.3 of the Appalachian Regional Commission Code. The Virginia ARC State objectives and strategies are closely aligned to the goals and objectives in the Appalachian Regional Commission [2022-2026 Strategic Plan](#). Virginia's objectives, the corresponding ARC goal, and the specific State strategies are as follows:

Virginia ARC Objective I

Promote regional partnerships that support regional economic development, encourage activities that diversify the economic base, and enhance entrepreneurial activities.

ARC Goal:

Strengthen and diversify the Region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Strategies:

- 1.1 Assist with installation of public infrastructure (water, sewer, broadband) for new business location/expansion and creating jobs for the region.
- 1.2 Support projects that encourage broad-based, regional cooperation and provide increased regional economic growth opportunities.
- 1.3 Support entrepreneurs, cultivate entrepreneurship and diversify existing businesses.
- 1.4 Support tourism activities that are directly linked to overall regional economic development strategies.
- 1.5 Encourage the development of telecommunications and other technologies to assist in improving the participation of Appalachian businesses in the international marketplace.

1.6 Coordinate economic development projects with housing production, supporting housing production technology and supporting regional and local pilot projects that increase the supply of affordable housing units.

Virginia ARC Objective II

Develop a healthy, world-class and highly-skilled, competitive workforce that is well-educated and appropriately trained for the job market. Invest in community-based ecosystems (housing, health care and childcare) that strengthens economic development efforts.

ARC Goal:

Expand and strengthen community systems (housing, education, healthcare, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

Strategies:

2.1 Coordinate and focus workforce development programs coupled with access to safe and affordable housing to support economic development opportunities.

2.2 Strengthen the delivery of workforce readiness and training programs among the various provider agencies in order to improve business retention, recruitment and expansion.

2.3 Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.

2.4 Support efforts that address the opioid and substance abuse crisis.

2.5 Support efforts to initiate and expand early childhood education programs.

2.6 Continue efforts to place doctors and other medical professionals in medically underserved areas through physician and other recruitment programs.

2.7 Support projects, which include wellness and healthcare prevention efforts, such as the use of telemedicine technology.

Virginia ARC Objective III

Assist communities to develop, expand, and upgrade infrastructure, including broadband to allow for greater access to resources and opportunities for increased economic growth and improve the quality of life.

ARC Goal:

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy efficient utilities and infrastructure in order to successfully live and work in the Region.

Strategies:

3.1 Support the deployment of broadband infrastructure to enable universal access in unserved areas of the region.

- 3.2 Encourage strategic, appropriate development along ADHS corridors (industrial parks, commercial development and intermodal transportation).
- 3.3 Capitalize on the Appalachian Development Highway System (ADHS) and its development potential.
- 3.4 Support local access road projects, which would result in job creation or retention opportunities.
- 3.5 Assist water supply and wastewater treatment projects that will support private investment, leading to job creation or retention.
- 3.6 Support the deployment of regional solutions to address water/wastewater infrastructure needs.

Virginia ARC Objective IV

Assist communities in the preservation, development, and promotion of natural and cultural assets for local economies and improved quality of life.

ARC Goal:

Strengthen Appalachia’s community and economic development potential by preserving and investing in the Region’s local, cultural heritage, and natural assets.

Strategies:

- 4.1 Support strategic investments in natural, cultural and heritage resources to advance local economic growth.
- 4.2 Preserve and strengthen existing natural and cultural assets in support of economic opportunities that generate local and regional benefits.
- 4.3 Preserve and strengthen existing natural and cultural assets through strategic investment that advance local and regional benefits.
- 4.4 Encourage the leveraging of natural and recreation opportunities to the town/city center area.

Virginia ARC Objective V

Strengthen current and next-generation local and regional leadership capacity to enhance collaborative and community-based skills to improve quality of life in Appalachian Virginia.

ARC Goal:

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Strategies:

- 5.1 Support efforts encouraging civic engagement and participation in an effort to advance communities
- 5.2 Encourage the development of leadership development opportunities

- 5.3 Support visioning, strategic planning, and implementation of resident engagement approaches to foster increased civic participation
- 5.4 Support local and regional networks, partnerships, and other models of collaboration that catalyze public, private, and nonprofit action for regional impact
- 5.5 Foster civic entrepreneurship

State Development Plan for the Appalachian Region

The data shows that Virginia’s Appalachian region has not kept pace with the rest of the Commonwealth on some key indicators of economic success. The key to future economic growth and prosperity in the Appalachian region of Virginia lies in strengthening the competitiveness of existing industry, supporting the formation of new small- and medium-sized businesses (especially high-wage, high-growth industry), and continued development of the region’s assets as economic development drivers.

In July 2022, the Virginia ARC program held an input session with various regional stakeholders who identified the following as economic challenges in the region:

- High cost of infrastructure projects
- Need for capacity building funding and support
- Need for internal technical training/project management trainings
- Assistance with worker training technology adaptation/modernization and formation of new technology-based businesses; block chain technology
- Support for manufacturing enterprises, which would process and add value to existing Virginia products, particularly wood products
- Assistance for the area’s entrepreneurial business efforts
- Difficulty competing with Virginia’s Business Ready Sites “mega” sites; need for more marketable buildings
- Difficulty meeting ARC match requirements for planning grants/local projects
- Need to diversify the local economies and promote green and renewable energy options

Development and Planning Organizations

The Region’s seven (7) 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 Community Development Block Grant (CDBG) Program which uniquely positions the agency 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), the Virginia Tobacco Region Revitalization Commission (VTRRC), Virginia Resources Authority (VRA), Virginia Department of Mines, Minerals, and Energy (DMME), Virginia Economic Development Partnership (VEDP), and the 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), and the Blue Ridge Economic Development Authority (BRECDA).

Coordination between ARC, LDDs, and Citizens

A Public Input Session is held each year to solicit comments on Virginia’s Annual Strategy Statement and program policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments are invited and heavily represented. The input of those in attendance is useful in preparing the Four-Year Development Plan and Annual Strategy Statement and in allowing ARC Program staff the opportunity to ensure investment strategies are matched with the changing needs of the region.

An input session specifically for the LDDs is also held to solicit their feedback on the previous year’s program and to obtain suggestions for the next year. The State ARC program staff also consult with the seven LDDs throughout the year regarding specific project development and implementation. The LDD Input meeting and the constant consultation between ARC Program staff and the LDDs provides a useful avenue of communication whereby investment strategies are reviewed and projects can be aligned with this strategy.

In addition to these input sessions, the State ARC Program staff conduct How-to-Apply Workshops to educate interested parties on ARC funding offerings. These workshops provide an opportunity to discuss the ARC Access Road program as well.

This process will be repeated each year during Governor Youngkin’s administration to ensure that Virginia’s ARC program is responsive to changing needs and shifting priorities.

Virginia ARC Operating Policies

In Virginia, the level of ARC funds requested may not exceed 50% 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%; and 3) regional projects that meet the requirements outlined in the Appalachian Regional Development Reform ARC 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% 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 \$700,000 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 for single localities, up to \$100,000 for regional projects

Access Road

- Access road projects are eligible for up to \$1,000,000

Administrative Allowance

- Up to 10% of ARC funds can be used to cover administrative costs except for projects that use CDBG funds as 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 thirty (30) days of the execution of the ARC Grant Agreement. The sign must include the DHCD and ARC logos.

General Information

- DHCD staff is 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 Four-Year 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 ARC’s Federal Co-Chair.

Application Evaluation Criteria

The following evaluation criteria are 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 of project to begin;

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.

Appendix A- Virginia Demographics

Locality	Per Capita Income, 2019	Poverty Rate, 2020	Unemployment Rate, 2019
Alleghany (+ Covington city)	\$40,928	14.6%	3.6%
Bath	\$66,864	18.7%	2.5%
Bland	\$38,126	11.3%	2.8%
Botetourt	\$51,738	6.2%	2.5%
Buchanan	\$37,048	24.9%	5.6%
Carroll (+ Galax city)	\$36,812	17.4%	3.5%
Craig	\$39,087	11.9%	3.2%
Dickenson	\$34,397	23.4%	4.9%
Floyd	\$40,065	10.1%	2.6%
Giles	\$41,179	9.8%	3.3%
Grayson	\$33,190	16.4%	2.9%
Henry (+ Martinsville city)	\$40,545	17.7%	3.5%
Highland	\$44,791	10.2%	2.7%
Lee	\$31,087	27.5%	4.1%
Montgomery (+ Radford city)	\$38,756	25.8%	2.9%
Patrick	\$34,541	12.9%	3.5%
Pulaski	\$41,311	13.5%	3.4%
Rockbridge (+ Buena Vista city + Lexington city)	\$41,794	14.5%	3.0%
Russell	\$34,827	18.2%	4.2%
Scott	\$34,589	14.8%	3.1%
Smyth	\$38,090	18.7%	3.7%
Tazewell	\$39,276	17.0%	4.4%
Washington (+ Bristol city)	\$41,513	15.6%	3.4%
Wise (+ Norton city)	\$34,196	22.1%	4.5%
Wythe	\$36,695	13.4%	3.6%

Data Source: Appalachian Regional Commission

Appendix B- ARC County Designations

Virginia’s ARC Region

In Virginia, 25 counties and eight independent cities are eligible for in the ARC program. These localities and their economic stress designation for 2023 are listed below. The designation is updated annually in Virginia’s strategy statement.

Counties			
Alleghany County	<i>Transitional</i>	Lee County	<i>Distressed</i>
Bath County	<i>Transitional</i>	Montgomery County	<i>At-Risk</i>
Bland County	<i>Transitional</i>	Patrick County	<i>Transitional</i>
Botetourt County	<i>Attainment</i>	Pulaski County	<i>Transitional</i>
Buchanan County	<i>Distressed</i>	*Rockbridge County	<i>Transitional</i>
Carroll County	<i>At-Risk</i>	Russell County	<i>At-Risk</i>
Craig County	<i>Transitional</i>	*Scott County	<i>Transitional</i>
Dickenson County	<i>Distressed</i>	*Smyth County	<i>At-Risk</i>
Floyd County	<i>Transitional</i>	*Tazewell County	<i>At-Risk</i>
Giles County	<i>Transitional</i>	*Washington County	<i>Transitional</i>
*Grayson County	<i>At-Risk</i>	Wise County	<i>Distressed</i>
*Henry County	<i>Transitional</i>	Wythe County	<i>Transitional</i>
Highland County	<i>Transitional</i>		
Cities			
*City of Bristol	<i>Transitional</i>	City of Lexington	<i>Transitional</i>
City of Buena Vista	<i>Transitional</i>	*City of Martinsville	<i>Transitional</i>
City of Covington	<i>Transitional</i>	City of Norton	<i>Distressed</i>
*City of Galax	<i>Transitional</i>	City of Radford	<i>Transitional</i>

*Denotes localities which are not designated as “Distressed”, but contain Distressed Census Tracts

Appendix C- Virginia's Local Development Districts

LENOWISCO Planning District Commission
372 Technology Trail Lane, Suite 101
Duffield, Virginia 24244-5330
Executive Director: Duane A. Miller
Web Site: <http://www.lenowisco.org>
Counties: Lee, Scott, Wise; and city of Norton

Cumberland Plateau Planning District Commission
P.O. Box 548
Lebanon, Virginia 24266
Executive Director: Scotty Wampler
Web Site: <http://www.cppdc.org>
Counties: Buchanan, Dickenson, Russell, Tazewell

Mount Rogers Planning District Commission
1021 Terrace Drive
Marion, Virginia 24354
Executive Director: Aaron Sizemore
Web Site: <http://www.mrpdc.org>
Counties: Bland, Carroll, Grayson, Smyth, Washington, Wythe; and cities of Bristol and Galax

New River Valley Planning District Commission
6580 Valley Center Drive, Suite 124
Radford, Virginia 24141
Executive Director: Kevin Byrd
Web Site: <http://www.nrvpdc.org/>
Counties: Floyd, Giles, Montgomery, Pulaski; and city of Radford

Roanoke Valley–Alleghany Regional Commission
P.O. Box 2569
Roanoke, Virginia 24010
Executive Director: Jeremy Holmes
Web Site: <http://www.rvarc.org>
Counties: Alleghany, Botetourt, Craig; and city of Covington, (Franklin, Roanoke; and cities of Roanoke and Salem)

Central Shenandoah Planning District Commission

112 MacTanly Place

Staunton, Virginia 24401

Executive Director: Bonnie Riedesel

Web Site: <http://www.cspdc.org>

Counties: Bath, Highland, Rockbridge; and cities of Buena Vista and Lexington, (Augusta, Rockingham; and cities of Harrisonburg, Staunton, and Waynesboro are non-ARC localities)

West Piedmont Planning District Commission

1100 Madison Street

P.O. Box 5268

Martinsville, Virginia 24115-5268

Executive Director: Michael Armbrister

Web Site: <http://www.wppdc.org>

Counties: Henry, Patrick; and city of Martinsville (Franklin, Pittsylvania; and city of Danville are non-ARC localities)