

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-1-

Chairman Rick Koontz called the meeting to order at 3:07 PM in the council chambers at 5901 Main Street. Authority members present were Mike Jones, Mike Koontz, Steve Povlish, and Rod Shepherd. Also in attendance were Neil Showalter, Treasurer; Mario Rosso, Assistant Treasurer; and Barbara Rigglesman, Town Clerk. Visitors were Joseph S. Paxton, Consultant, and Randy Phillips, Cave Ridge Vineyard and Winery.

Agenda Additions/Deletions/Changes: Mr. Showalter stated that Daniel Lauro would not be able to attend today's meeting, so the program that was to be added to the agenda will need to be set aside.

Old Business: None

1. Approval of Minutes of March 23, 2023

Authority member Koontz MOVED, seconded by Authority member Jones to APPROVE the minutes of the meeting on March 23, 2023. All members present signified approval by saying AYE, motion carried unanimously.

2. Further Consideration of Grant/Loan Proposal by Cave Ridge Vineyard and Winery – January 23, 2023

Mr. Showalter stated that at the last meeting, discussion was taken to a point, due to unanswered questions about what the IDA in Shenandoah County or the Shenandoah County Board of Supervisors might do. The Cave Ridge question was left open to wait and see what might have been learned over the last 6 weeks in terms of funding from the other sources. Mr. Showalter stated that Mr. Paxton and Mr. Phillips were present today and he had several phone conversations with Jenna French as well. Mr. Showalter stated that Mr. Paxton could speak more on how this would impact the winery.

Mr. Phillips stated that he was happy to be here. The Authority met his daughter at the last meeting; she is the next generation to take over the operation. He expressed appreciation to the Authority for letting him be there. This is a new venture, not just for Cave Ridge, but for the State and they feel they are on the leading edge of a market that is growing extremely fast world wide in sparkling wines. Weather plays an important part in wines – if the fall weather is really wet, grapes must be harvested earlier and the quality of the grapes is not as good. By having the ability to do a larger quantity of sparkling wine, grapes can be harvested early because that is what is needed anyway for sparkling wines. Mr. Phillips shared that he had a letter of support from another vineyard that he has been working with. Two years ago, they had to go in very early due to weather and salvage the whole crop, which could then be turned into sparkling wine, so there is a benefit, not just to Cave Ridge but surrounding vineyards as well, giving them the ability to do production for them as well.

Mr. Paxton stated that Shenandoah County IDA agreed to a \$19,000 contribution towards a potential AFID grant, which would require it to be matched by the State for \$19,000; Cave Ridge would then have to come up with the remaining \$110,000 to purchase the equipment. In talking to Michele Bridges, the State contact for the AFID program, those applications that have more than one jurisdiction that participate in the application significantly improves the opportunity for the applicant to get the grant. The State likes to see when more than one jurisdiction goes together on a project that will benefit the community and it is very timely that the EDA is meeting as the application is due later this week. Mr. Paxton stated that they would ask the EDA to consider some level of support towards this grant application to improve Cave Ridge's ability to get the grant. They may get it without it, but it certainly improves it when there is more than one jurisdiction. It is even in their guidelines that you get extra points for multijurisdictional applications.

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-2-

Ones that Mr. Paxton is familiar with in the area, generally the ones that have had the most success, are those that have had more than one jurisdiction, because there is a limited amount of money that the State has for that program. It is a grant program, not a loan program, so the money that would be provided by the Mount Jackson EDA would need to be a grant as well. Mr. Paxton reiterated that Shenandoah County has agreed to \$19,000; if Mount Jackson could look at putting in an additional amount with letters of support, that would be great and would greatly improve Mr. Phillips' chances of getting some funds towards the expansion of his sparkling wine production.

Chairman Koontz inquired that what Mr. Paxton is saying is that any support would improve what the County has already done, talking about the State approving the match. Mr. Paxton answered affirmatively. Chairman Koontz asked if the \$19,000 is all that has been given. Mr. Paxton stated that \$19,000 has been approved by Shenandoah County; that will be included in the application that goes to the State. If Mount Jackson includes any more, then that would be added to the \$19,000 and the State would match the entire amount. Authority member Povlish stated that in essence, the State matches possibly whatever other jurisdictions give. Mr. Paxton answered affirmatively, the State matches dollar for dollar. Authority member Koontz stated that he felt the County went with \$19,000 because it was money they had that was there. They would have had to get money off of next year's budget. Mr. Paxton agreed, stating that this is what Ms. French had said.

Authority member Koontz asked if the Authority felt they could do grants, whether it be doing grants at all or if the file that was given earlier allows the Authority to do that; would something need to be adopted before doing grants or has the Authority done grants in the past. Mr. Showalter stated that the Authority has done grants under the façade grant program. The file that was handed out before the meeting was not meant to be applicable to this particular situation. That is a new program as a tool to have for down the road. Mr. Showalter stated that he had hoped Mr. Lauro would be present to walk the Authority through it, but he is not able to be here so that will not be addressed today. Mr. Showalter stated that the last time Mr. Lauro spoke in terms of risks, not necessarily what you can and can't do, he felt like the relative risk of a grant outside of the town limits would be relatively higher than the lawsuit risks of one in town, but he didn't say it couldn't be done. Authority member Koontz stated that Mr. Lauro had said that the Authority would have to show some type of economic benefit. Mr. Showalter agreed, you would want to show some type of economic benefit to the municipality in which the Authority was seated. Chairman Koontz stated that this was in the previous meeting minutes, that the risk truly is higher outside of the town limits than within the town limits. Authority member Povlish inquired if that burden of proof to show benefit would fall on the Authority to provide. Mr. Showalter stated that it would eventually be so; the Authority would ask to be held accountable for why they reached the decision that there was economic benefit to Mount Jackson. Chairman Koontz stated that where they got to at the last meeting was without some sort of policy or guidelines to follow, if a grant was given outside the town limits, then someone else comes along later and they are denied, you would need to have some kind of reasoning behind that. Authority member Povlish stated that this is what he got from the minutes; he wanted to make sure he was reading that correctly. Authority member Koontz stated that you could say Mr. Phillips' business generates meals tax and lodging tax somehow for Mount Jackson, but that is all you could do; there is nothing else you could say that it did. Mr. Paxton stated he would agree with this. Authority member Koontz stated the argument could be made, for instance, if someone is coming from Northern Virginia, are they going to get off in Mount Jackson or Woodstock, or would they get off in Edinburg? Authority member Koontz asked if there were any Airbnb's in town. Mr. Rosso answered that there are a couple in town.

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-3-

Authority member Shepherd stated that just this past month, Cave Ridge hosted a fundraiser for the Triplett Tech school. This was a major event where graduates of the Culinary Department came to Cave Ridge and prepared a 6-course meal. The winery donated the wines, but the money that was raised is going to Triplett Tech's culinary program to help buy groceries for these events going forward. Triplett Tech is in town; some of the students of Triplett Tech live in town, and Authority member Shepherd stated his disapproval of the Authority being so restricted by the town boundaries. Authority member Koontz stated that he wasn't there but he thought that was a wonderful event. However, if you are a town taxpayer, you could say Triplett Tech doesn't pay taxes in town; they received a benefit but it didn't help the taxpayers. Authority member Koontz stated that he wasn't saying it couldn't be done, but you want to be able to say, "here's why we did it. The benefit to the Town of Mount Jackson is <this>." Although he felt what Cave Ridge did for Triplett Tech was amazing, as a taxpayer you would say that it didn't benefit us, the Town of Mount Jackson; it didn't generate meals tax, lodging tax, or any revenue. Authority member Koontz stated that he felt what the Authority would have to fall on is that people who get off this interchange either stay in this town or buy food in this town after they leave the vineyard; this is the only benefit he could see for the Town of Mount Jackson. Authority member Koontz clarified that whatever the Authority would do would be doubled. Mr. Paxton agreed.

Authority member Shepherd stated that the money that is being discussed that the Authority has is really not taxpayer money; it is money that has come from the State, money from the bondholders that have paid the Town back; the Authority is not taking money out of someone's pocket. Authority member Koontz stated that he didn't believe it could be the revolving loan fund or the interest from the revolving loan fund; it could only be the fee income, not the full fund that can be given as a grant. He did not know how much the fee income is. Mr. Showalter stated that the original grant was \$99,000/\$99,750 and if you look at the 2021 financials, of which 2022 is not much different, they show a cash and equivalence balance of \$190,000 so basically, there is \$99,000 that shouldn't be touched and \$99,000 that could be used. Authority member Koontz inquired if some of the \$99,000 is interest paid on the revolving loan fund, though not a big portion of it. Mr. Showalter answered that the Authority loans are interest free, he believed, but back in the beginning there was some interest on it. Most of the interest earned was lost in the bad debt, so it was kind of a wash there. Authority member Koontz stated that there should be still about \$50,000 in the income from doing loans just acting as a conduit, and he felt that some of this money could be grant money. Mr. Showalter agreed that this is untethered money. Authority member Povlish asked for clarification on the \$50,000 to which Authority member Koontz stated that he felt it would be more than \$50,000 because the fund and the interest that would be paid back would be more, but that is the money that is available for grants; the other could be available for loans but not grants. Authority member Shepherd stated that there is cash available for a grant, there is an agency asking for grant money to help with some major projects, and he still maintained that it would have an impact on Mount Jackson, so he would support the Authority granting Cave Ridge something. The money is laying there not doing anything; there has been an expressed demonstrated use for it, and it would make a difference and that is what economic development is all about – making a difference. Authority member Povlish stated that the quagmire that the Authority is in is that the EDA doesn't have any guidelines or set policies on how to divvy this money, and that is the issue. Authority member Jones stated that he hasn't changed his opinion since the last Authority meeting, so nothing has changed; circumstances are still the same for the Authority's consideration. Authority member Povlish stated this would be going forward, not now.

Mr. Paxton suggested that if the Authority is disposed to do something on behalf of Cave Ridge, in his past experience, when there was no policy, they got the Board or Council to make sure their motion included

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-4-

enough specificity as to what made that application unique, that when the next application was received, it could be compared to that. In this case, he felt Chairman Koontz is correct that there obviously is some impact on meals and lodging tax, and you could point to the fact that Shenandoah County has already approved a portion to go towards the grant application for the AFID program and that this would be an additional amount to that. So the Authority is not taking the first step towards this, they are joining with Shenandoah County to benefit a business that benefits not only the County but also the Town, and that is what makes it unique so that you are able to make a motion to move forward, if that is what the Authority wants to do. Mr. Paxton stated that you would have to put this specificity in the motion or otherwise you open yourself to other requests outside of town. His request would be to put this additional information in the motion, not only to protect Cave Ridge, but also the Authority. Authority member Koontz stated that if the Authority were to do this today, they would pretty much have to think if they vote on this, they would allow it to be outside town limits. If the Authority does this and then makes their policy to just within town limits, they would be contradicting themselves.

Chairman Koontz stated that he still feels awkward; the Authority in their minutes had gotten to the point at the last meeting, by consensus, that they would look at giving loans outside the town limits but not grants, and that they would start working on policies and procedures in order to be able to do so in the future. For the Authority to do something before policies and procedures are in place, Chairman Koontz stated that in his opinion this would leave them somewhat liable, even if they would state otherwise. They would have their hands tied once they make that decision, honestly, as far as in town or out of town, before they even created policies and procedures, if they want to go outside of town. Chairman Koontz stated that the whole thing, as he recalled, about Mount Jackson economic development was to benefit the town. There probably are some benefits, but is it the same as if tomorrow some business in town would come and ask for a grant to benefit them in their expansion or whatever they want to do, and it would be within the town limits and the Authority has already given monies that could have been available to that person in town limits to someone outside town limits without having any policies and procedures to go by. Chairman Koontz stated there is a difference there and he feels uncomfortable going out on a limb without some guidelines; this is his opinion at this point and it would be really tough for him to do that. Authority member Povlish stated that it almost feels like bad timing.

Authority member Shepherd stated that there is a two-page document from Council – Economic Development Authority of Mount Jackson, resolution to approve an economic development incentive grant policy, and it is all written there and began to read the second whereas. Authority member Jones asked Authority member Shepherd where he got this document from. Authority member Koontz answered that it was in the packet. Chairman Koontz stated that this hadn't even been addressed yet and the Authority is not addressing that right now. Authority member Shepherd inquired if this was an agenda item. Mr. Showalter stated that it is not on the agenda. Authority member Koontz stated that it lists boundaries. Authority member Jones stated that within the document it states, "located within, or which may locate within" is how the Council worded it; this is not being discussed today but that's how it is worded and that document would have been prepared by the Council. Authority member Shepherd stated that this had not been adopted, it was a proposal. Authority member Jones stated that he agreed but even the proposal at this point stipulates within the town boundaries of Mount Jackson. Authority member Jones stated that this is not a discussion and he would leave it at that, but they are still in the same position they were in, in his view, as the last time the Authority met; nothing has been clarified, unfortunately.

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-5-

Chairman Koontz stated that he knows Mr. Phillips is looking for the opportunity for a grant, but he is still not against, and is open to, a favorable loan structure where those monies come back to the town and could be used for the benefit of the Town of Mount Jackson. Authority member Koontz inquired if a low-interest loan would be any help at all. Mr. Phillips answered affirmatively; he stated he doesn't have the cash in his bank account to pay for the balance of the machinery so he would have to look for a loan somewhere. Authority member Koontz stated that it would not help with the matching grant. Mr. Phillips stated that it would not, but that is the way it is. Authority member Koontz stated that the County IDA's thought was that they could take some money from next year's budget, but it wasn't approved by the Board of Supervisors; they didn't attempt it at all, just said that money isn't available until June 30 when the fiscal year is over. Authority member Jones inquired if the IDA's new year starts July 1. Authority member Koontz answered that he believed so. Mr. Paxton answered that it would be July 1.

Authority member Shepherd asked Mr. Paxton if a small grant from the Mount Jackson EDA would add a little juice to the application. Mr. Paxton answered that it certainly would; when you have two localities as opposed to one, it certainly helps, and he believed that what had changed from the last time the Authority met to today was that Shenandoah County has met and they have approved \$19,000. That in itself is a huge step because it allows them to apply for the AFID grant; without that, they couldn't apply for it at all because it requires local match. Mr. Phillips stated that he has been trying for years to get the County to come on board with this, and doesn't know if someone from the Authority helped encourage them, but if so he appreciated that. Mr. Phillips stated that he has maintained for a long time that on any given weekend, there are hundreds of people at Cave Ridge and many of those people are from Northern Virginia. They eat in the communities, they stay in the communities, so Cave Ridge believes they are a pretty good economic contributor to the county and the communities. Mr. Phillips stated that the reason he is pursuing this sparkling line is that it would put them probably as the lead sparkling wine producer of the state. When this is marketed, it will bring more people in and everyone will benefit from this; that's his vision. Authority member Koontz stated that he has an Airbnb and people have stayed at his Airbnb and visited Cave Ridge two days in a row; he expressed his thanks as he received revenue for this, but unfortunately, his Airbnb is in Bayse.

Authority member Koontz stated that the grant given by the County did not just have Mr. Phillips applying, it was competitive; other people did not get that grant. There were other applicants for that \$19,000 that was given, so there are other applicants that could say they benefit the town too. Authority member Shepherd stated that these could be evaluated on a case by case basis and stated that is what banking is, going over each application. Authority member Koontz stated that it is also that you need to be careful that you do everyone exactly the same or you get sued. Authority member Jones asked if the County takes into account the town EDAs - in Mr. Phillips' instance, that he is in Shenandoah County but not within a town - if you have a company that is located in the Town of Mount Jackson, if they could then go to the County IDA. Authority member Koontz stated that the difference is if you are a town resident, you pay county and town taxes; if you are in the county, you just pay county taxes and not town taxes. Authority member Jones expressed his understanding. Authority member Koontz stated that you could be a town business and go to the County IDA because you are paying jointly.

Chairman Koontz stated that he wanted to make sure he understood too - the County has approved \$19,000 and Mr. Phillips is asking for the State to match. If the Authority is not able to do something, it does not mean that Mr. Phillips is not going to get that match, it just increases his odds. Mr. Paxton stated that if the EDA doesn't do anything, the most Cave Ridge could get is \$19,000 from the State; if the

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-6-

Authority adds to that, they could get more than \$19,000. If for example, the Authority gave \$10,000, Cave Ridge could get an additional \$20,000 – the Authority's \$10,000 plus \$10,000 from the State and not have to borrow as much money. Mr. Phillips told Mr. Paxton that what Chairman Koontz was asking about was the likelihood of competition when you have more than one jurisdiction. Mr. Paxton answered that the State has a pot of money and if they have 15 applications, 5 being multi-jurisdictional, in all likelihood, those 5 will rise to the top and the State will handle them first, then if there is money left over, then they will consider the others. The State wants their money to go to areas where there is more than one jurisdiction supporting the application. Authority member Povlish states that this just builds a case, in essence builds the application, but there is still an opportunity to get that match. Mr. Paxton stated his agreement and that it depends on what the competition is. Authority member Shepherd stated that based on what Mr. Paxton has reported, if a second jurisdiction adds their grant, it adds extra juice to the consideration.

Authority member Koontz stated that there would be a \$72,000 shortfall and he would be more inclined to entertain a loan at a low-interest rate that may end up equaling the same amount. Bank prime is 8.25% right now, if the Authority undercuts that rate by considerably less, they could argue that it would still benefit Cave Ridge and also benefit the taxpayers of the Town of Mount Jackson. Authority member Povlish added his agreement, especially since the Authority does not have the guidelines and protocol at this point to do anything. Authority member Koontz stated that over a 5 year term, the difference in 6% on the interest rate could equal what the Authority was discussing giving in a grant anyway. Chairman Koontz stated that he believed he saw where Authority member Koontz was going, that Mr. Phillips would still need to borrow money at today's rates. Authority member Koontz stated that if you were borrowing at today's rates for equipment, you would be looking at a 7.5% rate; if the Authority did the loan at 2-3%, that is a 5% savings and 5% on \$100,000 would be \$5,000/year. If you did a loan for 5 years, it will be \$15,000 in savings, which is almost the County's grant. This wouldn't help the matching part, but Authority member Koontz stated he didn't know a way around that; if the Authority approves today, they will have committed to making their policy say that they will go outside the town limits. Authority member Povlish inquired if this was due by the end of this week. Mr. Phillips stated that Ms. French stated she could write in participation if the Authority decided to approve that, but the deadline is Friday.

Authority member Koontz stated that he would 100% be in favor of supporting a low-interest loan, just because there are other people in the county looking for grant money and they could come to the Town. Authority member Povlish asked for clarification in the reasoning behind Cave Ridge getting the loan at the County, was it because of their unique situation where they are not within town limits. Authority member Koontz stated that is an Ag grant; wine is considered an ag and they are a thriving business. For the County, it is a genius move as they do get revenue from Mr. Phillips. Chairman Koontz stated that if they were within the town limits, it would be a genius move for the Authority, but because there are no guidelines or policies in place, it makes a difference. Authority member Koontz reiterated that it would open the door for too many people outside the town coming to the Authority. Chairman Koontz stated that he would definitely be in favor of a very favorable loan that would benefit Cave Ridge and the Town. Authority member Shepherd stated that as customary tradition, let the record reflect that he is the odd man out and is in favor of a grant. Chairman Koontz and Authority member Jones stated that their opinions haven't changed in the absence of guidelines. Authority member Povlish stated that rules are set for a reason, and in his opinion, a loan would be the next best thing to offer assistance. Chairman Koontz extended an offer to Mr. Phillips that if he would be interested in pursuing a loan, the Authority would definitely like to work with him. Mr. Phillips expressed his appreciation to the Authority and to Authority

Mount Jackson
Economic Development Authority Meeting

May 11, 2023

-7-

member Shepherd for mentioning the Triplett Tech fundraiser, as Cave Ridge will be writing them a check for \$6,000 that was raised; he hopes to make this an annual thing as the Culinary Department is important.

New Business:

1. Presentation of Audited Financial Statements for the Fiscal Years 2021 and 2022

Mr. Showalter stated that the audit firm has been catching up on their audits and there were no significant items of concern in the record keeping. Some emergency loans were given during Covid. All of those loans have been paid back except one. Authority member Koontz inquired as to which one that was. Mr. Showalter answered that it was the Ross loan. Mr. Rosso stated that he believed the company name was Assisting Angels. Chairman Koontz inquired into what qualified as an emergency loan. Mr. Rosso answered that these were Covid emergencies. Chairman Koontz inquired into whether these loans came before the Board. Mr. Showalter answered that the Authority met and approved individual applications. Authority member Koontz stated that it was much like what the County did; it was money given to the County and they wanted to get it out there. Authority member Povlish inquired that there was just one loan outstanding. Mr. Showalter answered affirmatively. Mr. Rosso stated that they haven't made a single payment. Authority member Shepherd asked if this was a loan given to Devin Ross, the same person with the fashion loan. Mr. Showalter answered that it is the same last name, but not the same woman. Mr. Rosso answered that it is Melissa Ross, not Devin Ross. Authority member Povlish asked how much the loan was for. Mr. Showalter answered that all of the loans were for \$5,000.

Chairman Koontz inquired if the Authority would need to meet again to review the packet from Mr. Lauro. Mr. Showalter stated that the information was more geared towards a grant, but he would get with Mr. Lauro and inform him of the need for something with more loan ability in it and then he would get back with the Authority members to get that in place as quickly as possible. Chairman Koontz inquired if the Authority should set a date for the next meeting and asked the other members if this was their consensus. Authority member Jones stated that he thought the Authority should get something in place sooner rather than later. Mr. Showalter stated that he would be out of the office some, but in his absence he trusted Mr. Rosso to lead with Mr. Lauro's assistance.

Authority member Koontz inquired if the consensus as a Board was that they would want grants; the resolution is written that they would do grants in town; would we ask his assistance to do grants outside of town. Authority member Shepherd stated that he would expand it to the Ashby District. Mr. Showalter stated that it could be written up to leave it to the Authority's discretion once the policy is drafted. Authority member Shepherd stated that primary economic development is for Mount Jackson, however, applicants from the Ashby District would be considered. There was some discussion into what the Ashby District covers. Mr. Showalter stated that this would be left blank to be filled in later. Chairman Koontz requested Mr. Rosso to send some dates for the next meeting after talking with Mr. Lauro.

Chairman Koontz adjourned the meeting at 3:48 PM.

Submitted By:
Barbara Riggelman
Secretary