



COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

Shannon Valentine
Chairperson

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Agenda item # 8

RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

May 20, 2020

MOTION

Made By: Mr. Rucker, Seconded By: Mr. Malbon
Action: Motion Carried, Unanimously

Title: Economic Development Access to
Massimo Zanetti Beverage USA
Project ECON-133-457 – City of Suffolk

WHEREAS, § 33.2-1509 of the *Code of Virginia* provides a fund to "...be expended by the Board for constructing, reconstructing, maintaining or improving access roads within localities to economic development sites on which manufacturing, processing, research and development facilities, distribution centers, regional service centers, corporate headquarters, or other establishments that also meet basic employer criteria as determined by the Virginia Economic Development Partnership in consultation with the Virginia Department of Small Business and Supplier Diversity will be built under firm contract or are already constructed ..." and, "in the event there is no such establishment or ... firm contract, a locality may guarantee to the Board by bond or other acceptable device that such will occur and, should no establishment or airport acceptable to the Board be constructed or under firm contract within the time limits of the bond, such bond shall be forfeited"; and

WHEREAS, the City of Suffolk, by letter from the city manager, has requested Economic Development Access (EDA) Program funds to serve Massimo Zanetti Beverage (MZB) USA to be located within the development of the Virginia Port Logistics Park, located off Holland Road (U. S. Highway 58) and said access is estimated to cost approximately \$916,000; and

WHEREAS, Commonwealth Transportation Board (CTB) Policy requires a request from a locality's governing body before CTB allocations are made; and

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WHEREAS, the COVID-19 pandemic and associated social distancing requirements have presented hardship to all localities attempting to convene local governing bodies to adopt appropriate resolutions; and

WHEREAS, the Suffolk City Council plans to convene on May 20th, 2020 to pass an appropriate resolution requesting EDA Program funding for the Massimo Zanetti Beverage (MZB) USA project; and

WHEREAS, it appears that this request falls within the intent of § 33.2-1509 of the *Code of Virginia*, and complies with the provisions of the Commonwealth Transportation Board's policy for the Economic Development Access (EDA) Fund, with the exception of the requirement that the City of Suffolk request such EDA funds by resolution, which is made a contingency herein.

NOW, THEREFORE, BE IT RESOLVED, that \$650,000 (\$500,000 unmatched and \$150,000 matched) of the Economic Development, Airport and Rail Access Fund is allocated to provide adequate access to the planned Massimo Zanetti Beverage USA facility on eligible property within the Virginia Port Logistics Port Park development, located off Holland Road (U. S. Highway 58), Project ECON-133-457, contingent upon:

1. Provision of an appropriate resolution approved by the Suffolk City Council requesting funding for the project under the Economic Development Access Program as required by CTB Policy; and
2. All right of way, environmental assessments and remediation, and utility adjustments being provided at no cost to the Commonwealth; and
3. Execution of an appropriate contractual agreement between the City of Suffolk (LOCALITY) and the Virginia Department of Transportation (VDOT), to provide for the:
 - a. Design, administration, construction and maintenance of this project; and
 - b. Payment of all ineligible costs, and of any eligible costs in excess of this allocation, from sources other than those administered by VDOT; and
 - c. Provision of the required matching funds, up to \$150,000, by the LOCALITY for appropriately documented eligible project costs; and
 - d. Provision by the LOCALITY of either (i) documentation of a least \$3,250,000 of eligible capital outlay attributed to qualifying business on property served exclusively by this project, or (ii) should documentation of capital outlay be insufficient, an appropriate bond or other acceptable surety device by the LOCALITY to VDOT, not to expire before June 20, 2025, without written permission of VDOT. Such surety device shall provide for reimbursement to VDOT of any expenses incurred by the Economic

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Development, Airport and Rail Access Fund for this project's construction not justified by the eligible capital outlay of establishments served by the project. If, by May 20, 2025, at least \$3,250,000 of eligible capital outlay on property served exclusively by this project has not been expended or committed by firm contract by a qualified establishment or establishments, then an amount equal to 20% of the eligible capital outlay of up to \$3,250,000 will be credited toward the project's Economic Development Access Program allocation utilized in the project's construction and the balance of the utilized allocation not justified by eligible capital outlay will be returned to VDOT and the Economic Development, Airport and Rail Access Fund. This surety may be released or reduced accordingly at an earlier date upon provision of documentation of eligible capital outlay by a qualified establishment, or establishments; and

4. Determination by VDOT of eligible capital outlay in accordance with current policy and procedures for administering the Economic Development Access Program.

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CTB Decision Brief

Economic Development Access – City of Suffolk Massimo Zanetti Beverage USA

Issue: Pursuant to § 33.2-1509 of the *Code of Virginia* and the Economic Development Access Policy of the Commonwealth Transportation Board (CTB), the City of Suffolk has requested funds from the Economic Development Access (EDA) Program to assist in constructing road access to eligible property located within the Virginia Port Logistics Park development. Allocation of the requested funds by the CTB is sought.

Facts: Section 33.2-1509 of the *Code of Virginia* authorizes the CTB to expend funds set aside for constructing access roads to economic development sites on which certain establishments as prescribed by the *Code* or other establishments that meet the basic employer criteria as determined by the Virginia Economic Development Partnership in consultation with the Virginia Department of Small Business and Supplier Diversity will be built under firm contract or are already constructed. In the event there is no such establishment already constructed or construction of such establishment is not under firm contract, a locality may guarantee to the CTB by bond or other acceptable device that such will occur.

The CTB's Economic Development Access Fund Policy (CTB Policy) sets forth certain criteria which must be met for projects to be eligible for such funding and directs the Commissioner of Highways to establish administrative procedures to administer to assure adherence to the CTB Policy and legislative requirements. The Commissioner established such administrative procedures in the Economic Development Access Program Guide administered by the Local Assistance Division of the Virginia Department of Transportation (VDOT). CTB Policy requires that the governing body shall, *by resolution*, request EDA Program funding prior to the Board's allocation of funds. In this instance, due to the COVID-19 pandemic, Suffolk's City Council has not yet convened to take action on this matter. City Council plans to meet on May 20, 2020 to adopt a resolution formally requesting the allocation. A letter from Patrick G. Roberts, City Manager, has been provided in lieu of a resolution at this time. While this is an exception to the CTB Policy, the provision of a proper resolution adopted by the governing body is a contingency that must be met before any funds are provided.

Massimo Zanetti Beverage (MZB) USA plans to construct a 356,000 square-foot facility on a 25-acre parcel for the purpose of distribution of its dry coffee roasted products, located off U. S. Highway 58 (Holland Road). The MZB facility is expected to result in an investment of \$17.2 million, and will retain 63 existing employees currently at its Portsmouth, Virginia location and 6 new jobs. The Economic Development Partnership has determined that the MZB operation is a qualifying business establishment warranting the use of the Economic Development Access Program funds. The property does not currently have public access. The City of Suffolk will administer design and construction of the proposed access road project.

The City of Suffolk's plans for the proposed access road will provide for a 40-foot wide asphalt roadway with curb and gutter, beginning at the planned entrance intersection with U. Highway 58, extending north approximately 0.28-mile in length within 60 feet of right of way to provide adequate access to the parcel on which MZB will develop. VDOT Hampton Roads District staff

concurs with the plans for the project and with the estimated project cost for eligible items and quantities of approximately \$916,000, exceeding the maximum EDA allocation. The City of Suffolk will be responsible for financial arrangements to provide for the required EDA Program matching funds, as appropriate, and all project costs exceeding the state EDA Program allocation to fully fund the project. Documentation of qualifying capital investment of \$3,250,000 or provision of appropriate surety from the City will be required prior to funding authorization.

Recommendation: VDOT recommends the maximum allocation of \$650,000 (\$500,000 unmatched and \$150,000 matched) from the Economic Development, Airport and Rail Access Fund be approved for construction of this project, subject to certain contingencies as set forth in the accompanying resolution.

Action Required by the CTB: The *Code of Virginia* and the CTB's Economic Development Access Fund Policy specify that the CTB shall approve of the allocation of funds for the construction of the access road project. A resolution is provided for formal vote.

Result, if Approved: VDOT and the City of Suffolk will proceed with the Economic Development Access road project once all contingencies in the resolution have been met.

Options: Approve, Deny, or Defer.

Public Comments/Reactions: None



CITY OF SUFFOLK

P.O. BOX 1858, SUFFOLK, VIRGINIA 23439-1858 PHONE: (757) 514-4012

CITY MANAGER

April 10, 2020

Wanda Moore
Virginia Department of Transportation
Program Manager, Hampton Roads District
7511 Burbage Dr.
Suffolk, Virginia 23435

Dear Mrs. Moore:

The purpose of this letter is to officially request an Economic Development Access (EDA) Program allocation in support of an expansion of Massimo Zanetti Beverage (MZB) USA, and the construction of a public roadway for their new 350,933 square foot finished product warehouse at the Virginia Logistics Port Park in Suffolk. The EDA allocation is proposed to assist in the advancement of 1,500 linear feet of future right-of-way to access the future MZB operation. This new road will mirror the existing roads in the Park and will be designed and built to VDOT Road and Bridge Standards. The road will be a 60' of right-of-way with pavement width face to face of 40' with three full 12' wide lanes with curb and gutter on either side. The current schedule will have the new right-of-way construction beginning in July 2020, and the City of Suffolk accepting the completed right-of-way by July 2020.

Since we are unable to provide the required City Council resolution at this time due Executive Order 51 and COVID-19, I will also use this letter to acknowledge the following:

- Virginia Department of Transportation's Economic Development Access Program may provide up to a maximum of \$650,000 for a project and requires matching funding, up to \$150,000 from the City of Suffolk, for estimated eligible project costs over \$500,000, up to \$800,000.
- The City of Suffolk hereby guarantees that financing of all ineligible project costs, project costs exceeding the Economic Development Access Program project allocation, Economic Development Access Program required locality matching funds, if applicable, and all costs not justified by eligible capital outlay will be provided from sources other than those administered by the Virginia Department of Transportation.
- The City of Suffolk agrees to provide a surety or bond, acceptable to and payable to the Virginia Department of Transportation, in the full amount of the Commonwealth Transportation Board's allocation less eligible private capital outlay credit as

determined by VDOT; this surety shall be exercised by the Department of Transportation in the event that sufficient qualifying capital investment does not occur on property served exclusively by the requested project and eligible under the EDA Program within five years of the Commonwealth Transportation Board's allocation of funds pursuant to this request.

- The City of Suffolk understands that any approval by the Commonwealth Transportation Board is contingent upon an approved Suffolk City Council Resolution in support of this EDA request.

MZB Project Information:

- Project Investment Total: \$17,220,000
 - Equus Capital Partners (Owner/Developer/Landlord) MZB building: \$16,500,000
 - MZB (Tenant with a 15-year term) operating equipment: \$720,000
- Facility: 350,933 square feet
- Target dates for completion/operation: July 2021
- Number of Employees: 63
 - 6 new to Virginia (relocation of a current 3PL operation in St. Louis, MO.)
- Type of products: finished coffee products, storage and distribution
- Property Description: Lot #11; +/- 25 acres (refer to attached plat) within Tax Map Parcel 32B*3
- Access: Road access to the new MZB facility will only be provided from the new proposed right-of-way, and MZB will not be allowed direct access to the existing Holland Rd./Route 58. Suffolk Unified Development Ordinance, sections 31-612(n)(3), 31-612(n)(7)A and 31-612(n)(10)A-D, prevent MZB from gaining access to existing adjacent Holland Rd./Route 58.
- Project Description: Massimo Zanetti Beverage (MZB) USA is a fully integrated coffee company with roasting and operations in Suffolk. The project proposes a new 350,933 square foot finished good warehouse for MZB. The project is a relocation from their current approximately 250,000 square foot warehouse in Portsmouth, VA and the relocation of an 3rd party warehouse operation in St. Louis, MO; which will now be internalized. The Portsmouth facility, of approximately 250,000 square foot., can no longer provide adequate capabilities for their future use and growth, forcing this relocation.
- Total Road Project Cost Estimate: \$2,107,163.58
 - Construction Cost Estimate of items that qualify per the EDA program: \$915,622.30 of 1,500 linear feet

- City of Suffolk will seek reimbursement for documented eligible costs up to \$800,000, accounting for Suffolk's required \$150,000 match in those documented costs above \$500,00.
 - Engineering is not proposed to seek reimbursement
- Project Administration Responsibilities: City of Suffolk

Thank you in advance for your favorable consideration of this request.

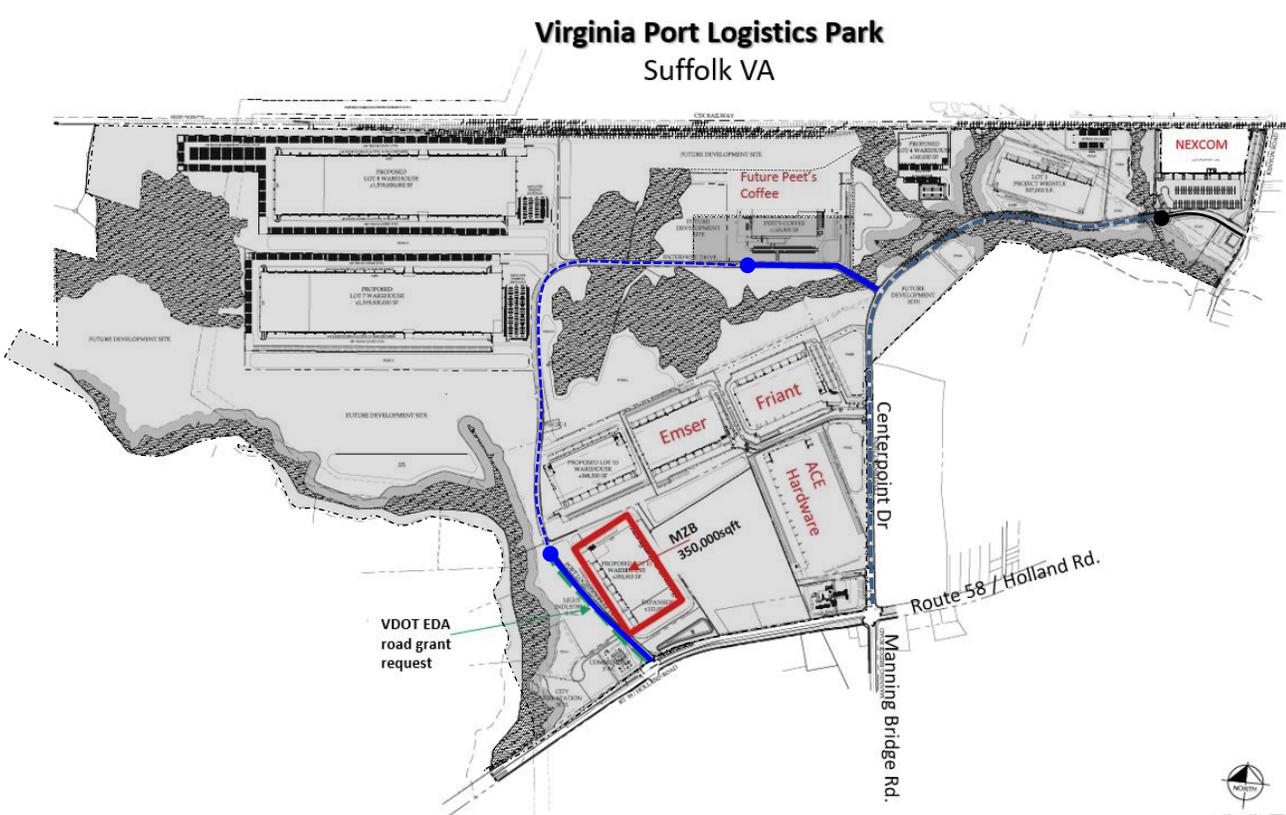
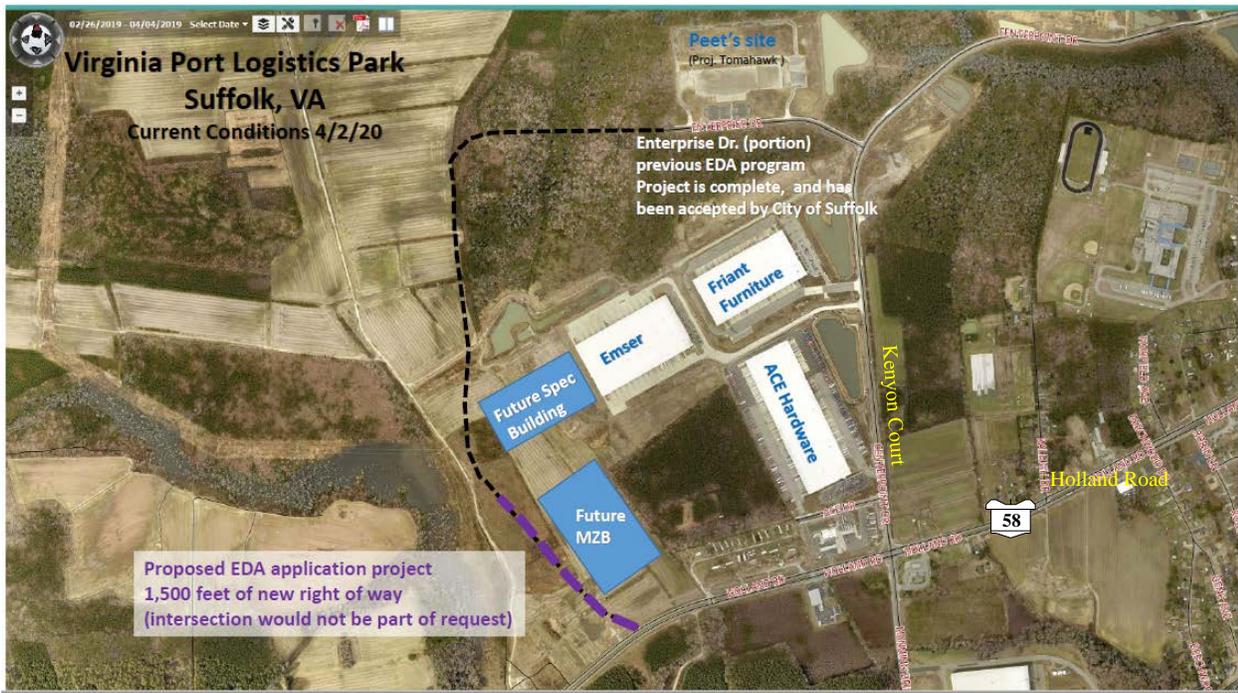
Sincerely,

A handwritten signature in black ink, appearing to read "Patrick G. Roberts". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Patrick G. Roberts
City Manager

cc: Scott Mills, Deputy City Manager
Kevin Hughes, Economic Development Director
LJ Hansen, Public Works Director

Enclosures: City of Suffolk, EDA Request, Road A Project Cost Breakdown
City of Suffolk, EDA Request Project Information and Exhibits



PROPOSED ECONOMIC DEVELOPMENT ACCESS PROJECT
Massimo Zanetti Beverage USA
Project ECON-133-457
City of Suffolk

Economic Development Facility / Site

Planned 356,000 square-foot facility for distribution of dry coffee roasted products on 25-acre parcel within the Virginia Port Logistics Park.

Access Facility

Project Length: 0.28 mile
Pavement Width: 40 feet
R/W Width: 60 feet
Estimated Cost: \$916,000
Proposed Allocation: \$650,000 (bonded)
\$500,000 unmatched, \$150,000 matched)