



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 5, 2019

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of Acceptance and Allocation of \$30,000 from the Governor's Agriculture and Forestry Development Fund.

ISSUE: Consideration of acceptance and allocation of \$30,000 from the Governor's Agriculture and Forestry Industries Development (AFID) Fund to support an economic development incentive grant to Lost Boy Cider.

RECOMMENDATION: That City Council authorize the City Manager to:

1. Sign a Performance Agreement between the City of Alexandria, the Alexandria Economic Development Partnership (AEDP), and Virginia Ciderworks Company, LLC dba Lost Boy Cider (LBC) that outlines the disbursement and management terms and conditions of the AFID grant and the Alexandria Investment Fund (AIF) grant, on behalf of the Alexandria City Council;
2. Accept a \$30,000 grant from the AFID Fund that will be transferred to AEDP and then to Lost Boy Cider, subject to the terms and conditions of the Performance Agreement among the City of Alexandria, the AEDP, and LBC;
3. Approve a \$30,000 Alexandria Investment Fund Match to the State AFID \$30,000 grant; and
4. Allocate the \$30,000 received from the AFID Fund for inducing the company to locate and initiate operations in Alexandria, invest \$668,800, and create 5 new jobs and 2 full-time equivalents (FTEs), subject to the terms and conditions of the Performance Agreement among the City of Alexandria, the AEDP, and Lost Boy Cider.

BACKGROUND: Over the last two years, Alexandria Economic Development Partnership staff has been working with start-up operator Lost Boy Cider to identify real estate, financing and potential grant funding for a new cidery to be located in the City. The operation will produce artisanal hard cider, which is all natural, gluten free, and hand crafted from apples sourced from orchards, many located in Virginia. It will be Northern Virginia's first homegrown craft cidery operation.

After evaluating a variety of real estate options around Northern Virginia, Lost Boy Cider entered into a lease for 317 Hooffs Run Drive, located off of Eisenhower Avenue in the Carlyle area of the City. The space had been underutilized and partially vacant. Through conversations with the City's Planning & Zoning staff, it was determined that the cidery would need to pursue a Special Use Permit (SUP) based on the size of the proposed operation- a wine production use exceeding 3,500 square feet was not allowed by right. Lost Boy Cider decided to pursue the SUP while continuing to work with the AEDP to pursue grant funding that will make the purchase of required equipment possible. Special Use Permit #2018-0092 was approved on December 15, 2018 by the City Council.

On a parallel path, the AEDP introduced Lost Boy Cider to staff at the Virginia Department of Agriculture and Consumer Services to explore the opportunity to apply for a Governor's Agriculture and Forestry Industries Development Fund grant, a discretionary, performance-based economic development incentive specifically for agriculture and forestry value-added or processing projects.

An AFID facility grant is awarded to a political subdivision for the benefit of the company, with the expectation that the grant is critical to the success of the new or expanding facility. The grant amount and terms are determined by the Secretary of Agriculture and Forestry and approved by the Governor, and require a local match from the locality. On May 15, 2019 the Secretary of Agriculture and Forestry announced a \$30,000 AFID grant for Lost Boy Cider.

Alexandria is offering a matching performance-based grant from the Alexandria Investment Fund to satisfy the AFID local match requirement, for a total State/City incentive package of \$60,000. Lost Boy Cider will use the grant proceeds to purchase tangible personal property, improve the existing site and building, and purchase equipment including a filtration system critical to the operation of the facility and the successful production of cider. Without this grant, the financial viability of the project is compromised. AEDP's analysis of LBC's proposal and additional company financial information concluded that the company will generate \$100,283 in net new tax revenue for the City over the 3-year grant performance period.

DISCUSSION: The Performance Agreement outlines specific requirements that must be satisfied for the \$30,000 AFID grant to be transferred to Lost Boy Cider and for the disbursement of the City of Alexandria's matching contribution of \$30,000. The agreement will be in place for a period of three years. The Agreement is to be signed by the City Manager on behalf of the City Council, the President & CEO of the AEDP, and ownership of Lost Boy Cider.

Prior to awarding the AFID grant the State certified that LBC met the eligibility criteria for the incentive program. The principal requirements outlined in the Agreement include the following:

- The Company will make a Capital Investment in the City of Alexandria of at least \$668,800, of which approximately \$284,500 will be invested in machinery and equipment, approximately \$88,250 will be invested in the purchase of tangible personal property, and approximately \$296,050 will be invested to improve the existing site and building;
- The expansion and operation of the facility will create 5 new full-time jobs and 2 full-time equivalents (FTEs) at the facility; and
- The operation of the facility will lead to the purchase of Virginia-grown agricultural and forestal products in the following amount: \$354,000 or 1,280,000 pounds of apples over the performance period.

In accordance with the Performance Agreement, Alexandria will provide the following incentives as a match to

the AFID grant:

- \$30,000 in cash from the Alexandria Investment Fund which is a combination of City General Funds and Industrial Development Authority bond fee earnings.

Upon execution of the Performance Agreement by all parties, the City will request of the Virginia Department of Agriculture and Consumer Services (VDACS) the release of the AFID grant by not later than August 31, 2019. The AFID Grant in the amount of \$30,000 will be paid to the City. Within 30 days of its receipt of the AFID Grant proceeds, the City will disburse the AFID Grant proceeds to the AEDP. Within 30 days of its receipt of the AFID Grant proceeds, the AEDP will disburse the AFID Grant proceeds to Lost Boy Cider. Given the performance-based nature of this incentive, the Performance Agreement includes a provision that requires the company to repay the grant if the targets outlined in the Performance Agreement are not met within the three-year performance period.

FISCAL IMPACT: AEDP's analysis of LBC's proposal and additional company financial information concluded that the company will generate \$130,283 in net new tax revenue to the City over the next 3 years. When the City's local cash match is taken into account, the 3-year net direct tax benefit will be approximately \$100,283.

ATTACHMENT: Performance Agreement - City of Alexandria, Alexandria Economic Development Partnership, and Lost Boy Cider

STAFF:

Stephanie Landrum, President & CEO, Alexandria Economic Development Partnership
Ryan Touhill, Chief of Staff, Alexandria Economic Development Partnership
Kendel Taylor, Director of Finance