

*Joint Industrial Development Authority of  
Wythe County, Wytheville, and Rural Retreat*

# STRATEGIC PLANNING REPORT

**Fall 2007**

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Executive Summary

The Joint Industrial Development Authority of Wythe County, Wytheville, and Rural Retreat has updated its strategic plan to include four new initiatives and has reaffirmed its core strategy of (a) focusing on industrial prospects for which Progress Park offers strategic economic advantages (especially related to its strategic location and its robust infrastructure) and whose operations in Wythe County would provide quality jobs and significant private sector investment and (b) working with existing industries to enhance their competitive position in the global economy while accomplishing the goal of quality local employment opportunities and investment in the community. New initiatives that supplement the core strategy are:

**Data Center Recruitment**–The Joint IDA will aggressively market Lot 35 in Progress Park as an attractive location for a Tier IV data center under this initiative. Robust infrastructure and competitive costs coupled with a relatively isolated, but accessible, low-hazard location make this site a promising candidate for a large new-generation data center.

**Connector Road from Interstate to Progress Park**–This initiative will address one of the few attributes of Progress Park that doesn’t warrant an exceptional rating. Exit 77 of I-81/I-77 is only 1.4 miles from Progress Park. This proximity offers the potential remedy to the shortcomings of both the northern entrance to Exit 41 of I-77 and the southern entrance to Exit 77 of I-81/I-77. Access to additional other properties with economic development potential will be provided as well.

**Wytheville Business Park**–Wythe County is substantially under-represented by NAICS supersector 54 (Professional and Technical Services) in the local economy. This initiative will evaluate the potential for a Wytheville Business Park featuring Class A office space and infrastructure located at a prime site within Wytheville to attract businesses in this sector. The proposed phased development would incorporate a business incubator as part of the Phase I building.

**Workforce Development**–Although not new in that the Joint IDA has been actively working with partners on this topic for several years, this initiative is sufficiently important that the Joint IDA wishes to emphasize it as part of its strategic plan update. Building on recent collaborative successes, the Joint IDA will continue to stress the importance of workforce development to long-term economic development success and to seek collaborative activities to support its partners who have primary workforce development responsibilities.

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## INTRODUCTION

The Joint Industrial Development Authority of Wythe County, Wytheville, and Rural Retreat has operated in recent years with a focus toward implementation of its long-term strategic plan while occasionally adjusting and adding emphasis on select topics (e.g., updated industry targets, workforce development). This approach has been very effective in leading to Wythe County's recognition as one of the premier rural economic development successes in Virginia. Wythe County has been the top-ranked jurisdiction in the Commonwealth over the first half of the decade based on an equal weighting of per capital job creation, investment, and announcements in the basic employment sector (*Virginia Economic Development Partnership reporting*). Other specific recognitions have included selection of the Joint IDA by *Site Selection* magazine as one of North America's ten Top Economic Development Groups in 2002; selection of the Joint IDA Chairman by the Virginia Economic Developers Association as Volunteer of the Year in 2003; selection of the Joint IDA as one of three finalists in 2004 for U.S. Department of Commerce's Economic Development Administration Award for Excellence in Economic Development (Rural Economic Development category); and selection of the Joint IDA's Executive Director as the International Economic Development Council's 2004 award for outstanding leadership and accomplishments during the first five years of a career as a professional economic developer.

Progress Park has developed into one of the top industrial parks in the southern U.S. and has been awarded designation as a SuperSite by *Southern Business and Development* magazine. With its strategic location and access to exceptional utility services and a strong regional workforce, the near- and intermediate-term future looks bright for continued basic economic development success in Wythe County. Many manufacturers with facilities in multiple locations regularly report that their Wythe County facilities are the most productive in their organization. Wythe County is fortunate to be the home of truly world-class operations, often with the leading technology in the world in their sector (e.g., Klöckner Pentaplast, PBG, Amcor PET, Gatorade).

The strong regional cooperation and long-term commitment, especially among Wythe and Bland counties and the towns of Rural Retreat and Wytheville, have garnered considerable admiration from other communities and appreciation from prospective businesses. This cooperation and commitment have been no small factor in these communities' successes. Continued commitment to this positive climate will help ensure ongoing success of the Joint IDA's core strategic plan.

## REAFFIRMATION OF PRIMARY STRATEGY

The Joint IDA Board of Directors reaffirms its primary strategy of (a) focusing on industrial prospects for which Progress Park offers strategic economic advantages (especially related to its strategic location and its robust infrastructure) and whose operations in Wythe County would provide quality jobs and significant private sector investment and (b) working with existing industries to enhance their competitive position in the global economy while accomplishing the goal of quality local employment opportunities and investment in the community. As noted above, this strategy has

served the jurisdictions and the region well and will remain the primary focus of strategy efforts. Within this larger focus, however, four strategic opportunities have been identified as warranting special attention over the next few years.

### **NEW INITIATIVES**

Four areas offer promising opportunity and warrant special efforts by the Joint IDA to take advantage of the opportunities presented. These include recruitment of a data center to Progress Park, facilitating design and construction of a connector road from the interstate to Progress Park, evaluation of and, if appropriate, support for a Wytheville Business Park, and continued emphasis on and collaboration with key players in workforce development. Each of these initiatives can have a significant impact on economic development in Wythe County.

#### **Data Center Recruitment**

An especially attractive opportunity is presented by the trend to locate large data centers in low-risk and low-cost areas to provide highly reliable and secure data storage and retrieval as economically as possible. The phenomenal growth of data and traffic associated with the internet, security and redundancy concerns arising following 9/11, Sarbanes-Oxley requirements for data management and accountability, and demands associated with the Health Insurance Portability and Accountability Act are but a few of the drivers of this trend. Growth is significant for data centers of all sizes, but the very large Tier IV facilities that require large amounts (20 MW or more) of electrical power and significant amounts of water for facility cooling in low-risk areas (both natural risks and manmade risks, including location outside the “blast zone” of potential high-value terrorist targets) offer a particularly attractive opportunity for Progress Park. Other characteristics of these facilities include employment of workers with computer networking skills and with facility maintenance skills (e.g., HVAC, electrical and mechanical, security). The average wages of these positions, which are relatively few compared with the size of the facilities, tend to be well above the average wage in Wythe County and are thus consistent with the goal of increasing the county’s median income.

Progress Park’s ability to effectively address one of the top priorities of these Tier IV facilities is its location in the AEP (dba Appalachian Power Company) service region with high-quality electrical infrastructure. AEP’s electrical costs are among the lowest in the nation. With data center facility sizes of 100,000 SF or more and a power requirement density of 150-200 W/SF operating 24/7, the cost of electrical power is often the greatest operating cost of these facilities. Power that can be obtained at approximately half the national average and at only 20-25% of some of the high-cost areas becomes a major positive siting factor. Because of the electrical requirements, infrastructure requirements are also key. With a new 90-MW substation and dual 138-kV power line service, Progress Park can fulfill these requirements.

The majority of electrical power consumed by the computers in these centers ultimately is converted to heat, so that facility cooling is a major consideration. The majority of the large data centers will

use cooling towers that transfer heat to the atmosphere via water evaporation. Hence, access to significant amounts of water is another key siting requirement. With a looped 16" water line and redundant water sources from the Town of Wytheville and from the new regional New River Water Authority, Progress Park is again well positioned. Some facilities also try to further lower operating costs, as well as be environmentally responsible, by using non-potable water, so-called gray water, which is sufficiently clean for cooling operations and often available at a cost less than that for publicly provided potable water. Finally, Progress Park offers the balance of seclusion and accessibility desired by operators of Tier IV data centers. Lot 35 is especially attractive as it sits at a higher elevation than much of the rest of the park and includes some natural access barriers, is not visible from the interstates, yet is easily accessed via interstate highway service in multiple directions. One negative is that Wytheville is somewhat farther from commercial airline service than desired, although this may be balanced by the need for these facilities to be located away from major flight paths to and from airports.

### **Connector Road from Interstate to Progress Park**

Progress Park, with all of its exceptional attributes and with its strategic location at the intersection of I-77 and I-81 (and future I-74), still has a significant transportation flaw. Although dual interstate access to the park is provided by Peppers Ferry Road from the north and Kents Lane from the south, each of the options has detrimental aspects in providing direct access to the park. Both routes are limited to single lane traffic in each direction. The Peppers Ferry route to Exit 41 of I-77 passes through the small residential community of Stringtown, and the portion of the road within the Town of Wytheville is relatively curvy and not up to desired standards for heavy truck traffic. The southern route via Kents Lane and E. Lee Highway to Exit 77 of I-81/I-77 is also limited to single-lane traffic in each direction. In addition, traffic must cross an at-grade rail crossing of the main Shenandoah line of the Norfolk Southern Railway and a narrow bridge across Reed Creek. Numerous prospects considering location in Progress Park have identified these access routes as a weakness and, in some cases, access has been the greatest obstacle to Progress Park being considered for major projects.

The proximity of Progress Park to the overlapping section of the interstates offers a potential solution to this weakness. From the southeastern corner of Progress Park to Exit 77 is only about 1.4 miles. (If traffic takes the Kents Lane/Lee Highway route to Exit 77, the distance is about 4 miles.) The relatively high elevation of property on each side of the Norfolk Southern rail line and Reed Creek, which travel along the southern boundary of the park, makes it practical to bridge these and provide a direct route to the interstate, removing one of the two key disadvantages of Progress Park as a siting location. (The other significant disadvantage is topography, which can be overcome by grading sites prior to location decisions.)

There are additional advantages to a direct connector road to Progress Park. Properties to the north and south of Exit 77 have been considered for significant economic development opportunities during the first half of the current decade. In each case, limited ability to adequately serve significant additional traffic has been a major negative in competition with other locations. The proposed connector road would make development of these sites practical as well. Between Progress Park and

the properties north and south of Exit 77, the economic development possibilities are substantial and can offer a potential avenue for sharing the heavy cost of developing a connector road between Progress Park and the interstate that would also open these additional properties for development. The significant positive economic impact of investment and new jobs will help justify VDOT's setting a high priority on designing and constructing a high-quality solution to traffic flow at Exit 77. Whether such major improvements are made or not, appreciable additional truck (and automobile) traffic will flow from Progress Park to Exit 77. Development of the connector road could provide a win-win opportunity that properly addresses upgrade of Exit 77.

Even though the distance is relatively short, the cost of construction of the connector road will be substantial due to topography, requirement of a bridge spanning the rail line and Reed Creek, and the general cost of construction to the standards necessary for heavy truck and automobile flows. Successful completion of a connector road project will require the effective collaboration of federal, state, and local governments as well as participation by the private sector. The costs will be high, but the payoff will be even greater.

### **Wytheville Business Park**

One relatively under-represented sector of the local economy that was identified in the Joint IDA's "Wythe Economy: A Mid-Decade Review" white paper in the fall of 2006 is the Professional and Business Services Sector. The Commonwealth of Virginia as a whole is substantially above the national average contribution to statewide employment from this sector. In contrast, Wythe County's contribution to employment from this sector is quite low. (Its contribution is also substantially below Workforce Investment Area II's [Mt. Rogers and New River PDCs] relative contribution.) Additionally, while the relative contribution of this sector grew for the state and was, in fact, responsible for much of the Commonwealth's strong employment growth, the sector's importance to Wythe County's economy actually decreased. For additional information on performance of various sectors of the local, regional, state, and national economies during the first half of the decade, please consult the white paper on the Joint IDA website ([www.WytheIDA.org](http://www.WytheIDA.org)).

One hypothesis that the Joint IDA has been investigating is that this sector of the local economy would experience greater growth if an attractive and enticing business park with Class A office space were available. The characteristics of this sector are that it comprises relatively small companies, often with a dozen or fewer employees. Another key characteristic is that these companies generally require relatively little capital investment but instead are primarily based upon human capital, with many of the jobs requiring a college education or at least post-secondary training with sector certifications. With average local wages higher than most other sectors, increasing employment in this sector also helps increase the average income level in Wythe County. Increased employment opportunities in this sector also help address the sometimes expressed concern of insufficient local jobs for students from the community who pursue college degrees and would like to find local employment commensurate with their educational attainment. Growing this sector would help address this concern. Finally, Wythe County's local economy has been well served by having broad diversification both within and among various sectors. Seeking to strengthen this relatively weak

sector, especially as it provides both quality employment opportunities and good compensation, would seem to make sense.

The makeup of small companies (or small operations of larger companies) in the business park might come from four specific areas. These are (1) service operations attracted to the area to support major operations of businesses within Progress Park (e.g., a services group providing support to one or more of the large manufacturers), (2) companies benefiting from the strategic location at the intersection of the interstate highways (e.g., technical sales reps serving the extended geographical region), (3) graduates of a Southwest Regional Enterprise Center (SREC) small business incubator (e.g., a professional services business recently moved from the business incubator), and (4) a subset of local small businesses that would desire and benefit from access to Class A office space (e.g., a management consulting operation needing access to shared quality facilities and high bandwidth). A roughly equal number of candidate tenants from these four groups might occupy a Class A office building.

A phased Wytheville Business Park<sup>1</sup> development with the potential to develop multiple office buildings only after adequate demand has developed will reduce risk associated with development. The operating assumption is that successful development of a business office park is currently sufficiently uncertain that it will not occur in the private sector but requires government participation to reduce the risk or cost of development. A phased approach with perhaps part of the risk and cost of the initial development in the park being mitigated by inclusion of a small business incubator as the initial development effort in the park would reduce uncertainty as to adequate market demand. Half of the initial building could be leased to the SREC for a small business incubator for the first few years when the other half of the building could be marketed to the above-listed target groups. Once the incubator has grown in demand to require use of the full initial building, and assuming that adequate demand for Class A office space is sufficient, a second building would be constructed to house the business and professional services tenants. Should long-term demand warrant, additional office buildings would be constructed and operated, either with or without government participation as market conditions warrant. The feasibility and desirability of public-private partnerships should be investigated at various stages of the development.

In contrast to the other initiatives outlined, the long-term success of this initiative is harder to predict. Why is business and professional services employment so low in Wythe County? Is there an inherent reason that such businesses are less competitive in the local economy? What is the value to the community of having college-level employment opportunities and value to the local economy of having such services available? Due to the nature of the businesses in this sector and the mechanism by which local tax revenue is generated, local governments will likely never receive a large direct revenue stream from such a business park (in contrast to Progress Park, which will generate significant property tax revenues over the coming decades). The financial benefits will accrue from indirect benefits such as demand for higher-tax-base housing, greater spendable incomes, stronger

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<sup>1</sup>The use of “Wytheville Business Park: as a name for this initiative is only for planning purposes. Selection of a specific name for the business park will be part of the project development.

social capacity, and a broad-based economy capable of supporting interdependent sectors. In addition to the phased development approach to reduce the risk, incorporation of a few anchor tenants in the initial development to help mitigate the negative cash flows during the early years would be desirable (e.g., incorporation of Joint IDA offices in the facility with a prepaid lease providing up-front cash for early-years expenses). Additionally, broad-based participation by federal, state, and other grant sources to help with construction of the initial building to house the small business incubator will reduce to an acceptable level the amount of local capital at risk in the initiative.

### **Workforce Development**

Workforce development has been the object of significant efforts during recent years, and while not a new initiative, is so important as to deserve continued special attention. There are many players in workforce development including the public school system, community colleges, four-year colleges and universities, the state workforce development system (Virginia Employment Commission, public and private training providers, and area workforce investment boards) and private-sector training providers, to name a few of the more visible. The Joint IDA should emphasize workforce development because the limiting factor for local economic development will ultimately be the quality and availability of our workforce. It has already been demonstrated that development of high-quality sites and supporting utility infrastructure can be accomplished. However, no matter how good a site and its supporting infrastructure are and how positive the business climate and cost structure are, companies will ultimately choose not to expand in localities where the required workforce cannot be obtained.

The quality of the local workforce can be improved by two methods, both of which are important. The first is to educate and train its students and adults so that they will have the necessary skills, especially in basic math and communications, critical thinking and problem solving, and interpersonal relations along with appropriate technical skills, that will equip them to be productive employees in today's global environment. The second is to attract new citizens to the community with skills that are needed by an expanding economy. In addition to the job opportunities, and increasingly important, is having desirable communities in which to live. Attractive facilities (such as the new community center), quality schools, and civic and church opportunities, as well as an engaging and caring community, are as important as employment opportunities in attracting and retaining a skilled workforce. Such extras as the new Wythe-Bland Community Foundation scholarship program offering free community college tuition to all high school graduates will continue to make the community special.

During the past few years, the Joint IDA has supported workforce development in a variety of ways including establishment of the Wythe Manufacturing Council scholarship program; facilitation of the ad hoc Industry/Education Committee, which led to the establishment of the career coaching program in our public school system (including obtaining a \$50,000 start-up grant) and a new Manufacturing Technology Program at the Wythe Technology Center; strong support for Career Readiness Certificates, which has helped the region attain one of the highest concentrations of CRC certificate holders in the Commonwealth; multiple collaboration with Wytheville Community

College; and strong support for and participation on the New River/Mt. Rogers Workforce Investment Board.

By far the most important contribution to workforce development that the Joint IDA can make is to work to ensure that every potential employee has employment opportunities available that can fully utilize their developed skill sets in a rewarding and meaningful career. Having these opportunities available can encourage students as they progress through school and college as well as provide incentive to the adult workforce for continued learning. Without these local opportunities, the reward for investment in individual education can be fulfilled only by seeking employment opportunities that utilize the attained skills outside the county.

## GOALS

**Data Center Recruitment** – The Joint IDA will place a high priority on attracting a significant data center to Progress Park with a focus on Lot 35. The potential for a campus setting capable of serving multiple data centers with sufficient common interest to share a single on-site electric substation will be investigated. A common cooling tower served with gray water will be evaluated to determine its viability and attractiveness to service multiple facilities. A site development plan that integrates results from the above investigations as well as common perimeter security, potential building locations, and internal roads and infrastructure will be produced that can be used as a marketing tool to generate due diligence investigations by potential data center developers. An amendment to the current local Enterprise Zone incentives will be proposed that addresses the unique, rapid depreciation nature of personal property equipment associated with high capital investment data centers.

**Connector Road from Interstate to Progress Park** – In cooperation with Wythe County and other key partners, the Joint IDA will work to design and construct a connector road from the interstate to Progress Park. Specific routing and design options will be developed and evaluated with key players. Support for economic justification and funding mechanisms will be provided. The Joint IDA will provide assistance with grant acquisition and coordination/facilitation of interests of multiple parties. Coordination and encouragement of maximum support by VDOT, especially related to the connector road interface with the interstate highway system, will be provided. Due to the size of this project, efforts will likely need to persist over several years.

**Wytheville Business Park** – The Joint IDA will lead efforts to evaluate the desirability and appropriateness of a Wytheville Business Park that would offer Class A office space and maximize Wytheville's advantages for locating small business and professional services companies in Wytheville. Part of the evaluation would include determination of a desirable location that would maximize proximity to key attractive attributes. Other components will include an assessment of the advantages of including a small business incubator as part of the business park and an evaluation of the market potential of such Class A office space with shared features and high connectivity (e.g., multiple high-bandwidth fiber providers). The potential for a public-private partnership to

accomplish the goals of a business park will be considered as well as a verification that such a development will not happen “but for” government facilitation.

***Workforce Development*** – The Joint IDA will continue to partner with a variety of parties whose primary roles are workforce development. The importance of workforce development to the long-term success of the local economy and to the overall quality of life of the community will be continually highlighted and opportunities sought to leverage resources that might be available and coordinate disparate parties so that maximum attention can be brought to bear on this major community issue. Finally, and perhaps most important, the Joint IDA will continue to assist expanding local companies and to recruit new companies that create employment opportunities that allow all Wythe County citizens to make maximum use of their attained skills such that employers benefit from highly productive workers and employees maximize their earning potential.