



February 13, 2024

Ms. Cheryl Cullers, Chair  
Warren County Board of Supervisors  
220 North Commerce Ave., Suite 100  
Front Royal, VA 22630

Ms. Cullers,

Please accept this letter indicating that I am not seeking reappointment to the Front Royal Warren County Economic Development Authority. My service on the EDA Board of Directors will end February 29, 2024. I have enjoyed the opportunity to serve our community as a member of the EDA Board for the past three years, but find that the time commitment needed is having a detrimental impact on my business – Mountain Home B&B. My wife, Lisa, and I pride ourselves in running a thriving hospitality business that welcomes guests from all walks of life and all over the World. We both feel strongly about the need to support our local community, but we have to balance that community-engagement with our personal and business interests. While I will bring my EDA service to a close, I will continue to actively promote Warren County as a place for people to visit and to live – and I will find other ways to contribute to the betterment of our community.

As my term on the Front Royal Warren County Economic Development Authority nears an end, I would like to take this opportunity to thank you for the trust you and other members of the Board of Supervisors placed in me when you appointed me to serve a three-year term. When I joined the EDA Board, I expressed optimism that, with an improved governance structure in place, along with a new executive director, a forward-looking focus was on the horizon for the EDA and our community. I also expressed a strong interest in working to foster growth in our small business sector that is so very vital to the local economy and our sense of community. My optimism remains. Warren County is well-positioned for sustainable economic growth consistent with its rural/small-town character and sense of community.

### **Summary of Accomplishments and Ongoing Concerns**

During the first year of my term, the EDA worked through the challenge of losing its professional staff and adapting to a new role as Warren County established its own Department of Economic Development (that now includes tourism as well). The partnership between Warren County and the EDA has been good. Working together, we have begun to move beyond past scandals.

In the second year of my term, the EDA, working together with Joe Petty, had success in bringing Shahi Foods to Warren County with their purchase of the vacant facility on Baugh Drive and helped Nature's Touch embark on a major expansion that brought scores of new jobs to Warren County. The EDA also kick-started efforts to set a strategic direction for the former Avtex property. These efforts included recognition of the "Conservancy" parcel's value for recreation and evaluation of various potential uses of the "Industrial" parcel and the old Avtex parking lot. My second year also saw major steps toward justice for the actions taken by a previous executive director and others. Through civil litigation, the EDA had numerous wins in the court room, obtaining judgments against Jennifer McDonald, Curt Tran, IT Federal, Donnie Poe, Earthright Energy, and



others. Through mediation, the EDA was able to avoid some costly litigation while recovering millions of dollars from those involved with the actions of Ms. McDonald and others.

Taking on the role of Chairman was an unexpected assignment for me as I entered the third year of my term. Working with four new board members brought the EDA to a fully-staffed board for the first time in my experience. We formed a very strong team that has built upon previous efforts to advance economic development in our community. In partnership with Joe Petty, we held three “Open Door” sessions with local businesses – focusing on the Inland Port, Workforce Development, and Small Business Development. We have also reconstituted the EDA’s Small Business Loan program, establishing an advisory committee made up of members of the local business community. The EDA is once again poised to issue low-interest small business loans that can help both new and established businesses thrive.

#### Asset Sales

This fiscal year, the EDA announced three major real estate contracts that will bring significant economic advantage to our community – Executive Land Holdings IV, LLC’s pending purchase of a 53 acre site in Stephens Industrial Park, Plein-Smith, LLC’s pending purchase of a 23 acre site in Stephens Industrial Park, and Rappahannock HC LLC’s pending purchase of the 41 acre 1321 Happy Creek Rd parcel. While the cycle time to close these deals is longer than I would like, I am extremely excited about the work our Asset Committee has done with our business partners. When completed, these three projects will bring new businesses to Warren County, create scores of new jobs, inject capital investment into the community, and add much-needed housing stock. These deals will also bring more than \$6 million of revenue to the EDA for use in paying down debt and reimbursing Warren County for its legal, operational, and debt-service support.

#### Litigation and Asset Recovery

With regard to the fraud, embezzlement, unjust enrichment, or other actions that resulted in the loss of millions of EDA dollars, much progress has been made in recovering assets, but more work remains. To-date, the EDA has been awarded judgments totaling \$27,984,694.10, but has only recovered \$7,728,888.40 (cash, real estate, and other assets) through litigation and mediation. The EDA will never recover the full amount lost, but it is committed to continuing efforts to recover as much as possible. To date, the EDA has incurred legal costs in excess of \$7.6 million. Remaining legal efforts are primarily focused on collection of judgment awards. These activities will continue through Fiscal Year 2025 and will be dependent upon Warren County’s support.

Resolution of financial disputes with the Town of Front Royal was a major focus of my attention over the past year. Central to the dispute is the Town’s formal commitment to such joint projects as the construction of the new Front Royal Police Station, Avtex Infrastructure Improvements, and Leach Run Parkway construction. As a result of fallout from Jennifer McDonald’s tenure, the Town of Front Royal reneged on agreements to reimburse the EDA for related costs it incurred, leaving the EDA saddled with hundreds of thousands of dollars of debt. Despite best efforts, the EDA was unable to achieve a resolution with the Town so the EDA’s lawsuits against the Town remain open, albeit inactive, as the EDA continues to evaluate a path forward that best serves community interests.

#### Debt-Service

With Warren County’s ongoing financial support, the EDA has been able to keep up with debt-service



requirements for the Leach Run Parkway project, Avtex Infrastructure Development, and a consolidated loan agreement with First Bank & Trust (FB&T). To-date, Warren County has met its financial obligations for these EDA-sponsored projects and also covered the Town's unpaid portions.

A major issue for the EDA is the outstanding IT Federal loan with FB&T. In December 2015, EDA secured a \$10,000,000 loan with FB&T to reimburse the Town of Front Royal for what was essentially a bridge loan to IT Federal intended to prime Curt Tran's promise to bring 600 IT jobs to our community. The FB&T loan agreement was based upon a Town of Front Royal Resolution of Support for the EDA and IT Federal's promissory note to repay its loan from the EDA. As we all know, that project was unsuccessful. However, IT Federal continued to make timely payments until summer of 2022. With the commencement of his trial, Curt Tran stopped making loan payments and at that point, Warren County stepped in and made the loan payments through the end of FY '23 (June, 2023). Warren County's support did not extend into FY '24, leading to the current status whereby no loan payment has been made since June, 2023. Neither Warren County nor the Town of Front Royal has acknowledged any obligation to take on this debt. The EDA has communicated with FB&T and presented its best path forward to continue efforts to repay outstanding loans, including the IT Federal Loan.

#### Completion of the Leach Run Parkway Project

While Leach Run Parkway has been functionally operable for two years, the formal project is not yet complete. Joe Petty has been working with VDOT, VDEQ, and County Planning/Zoning officials to identify and complete remaining activities related to storm water management, right-of-way maintenance, and administrative closeout. The remaining activities are not overwhelming, but are likely to require investment of several thousand dollars. To this end, the Town of Front Royal has indicated a willingness to contribute its 34% share toward the remaining activities. However, the Town has not yet fully repaid the EDA or the County for past construction/debt-service expenses. Front Royal Town Council is anxious for the Town to take ownership of the completed roadway, but this will require further discussion between the Town, Warren County, and EDA to ensure all parties' interests are served.

#### Realizing Value from the former Avtex Site

The Avtex Site is best thought of as six distinct parcels:

- The 240 acre Conservancy Side
- The 117 acre Industrial Side
- The 400 Kendrick Lane Building
- The Avtex Parking Lot
- Approximately 70 acres of small lots on the West Bank of the South Fork Shenandoah River
- The 30 acre IT Federal Site (not under EDA's control at this time)

In studies dating as far back as 1993, the Conservancy Side has been identified as a passive recreation and wildlife preservation site. This past year, with strong engagement by Joe Petty, a plan was advanced to install a permeable walking/biking trail through this area, linking Eastham Park with the residential neighborhood north of the new Police Station. The proposed trail has the support of Town, County, and State officials, but has run into technical hurdles related to EPA and FMC concerns over site management. Direct engagement by Warren County and Town of Front Royal leadership will likely be needed to make this trail a reality.



The EDA continues to evaluate highest and best use of the Industrial Side parcel. Numerous proposals have been considered and the Asset Committee is assessing one-such third-party proposal now. Ultimately any plan for this site requires engagement and support from the Town.

The building at 400 Kendrick Lane is in poor condition. Suffering from decades of neglect, the building requires major capital investment to render it fully operable. The EDA has obtained cost estimates for major needed repairs and has vacated its office to facilitate development of a long-term plan for the building. In the interim, the Northern Shenandoah Valley Regional Commission (NSVRC) and CCAP occupy portions of the building through leases. The Asset Committee is evaluating long-term plans for the building – with the awareness that the EDA is unlikely to have the necessary capital resources to substantially improve the building by itself.

The Avtex Parking Lot served as the site for Laurel Ridge Community College’s truck driving school for a couple of years, but is now unused. The EDA aggressively pursued a lease of this parcel, but to-date has run into technical hurdles of EPA, FMC, and DOJ consent. These hurdles highlight the difficulty of moving forward with any re-use of the Avtex property.

The 80+ lots located on the West Bank of the South Fork Shenandoah River are included in the covenants and restrictions that cover the entire Avtex site – making commercial/residential use impractical. This portion of the Avtex property is included within the Rivermont Acres - Fiddler's Green subdivision, making the EDA a dues-paying member of the Rivermont Acres - Fiddler's Green Property Owners Association. This costs the EDA approximately \$3,000 per year to keep up its dues payments. Recent discussions with EPA led to the realization that covenant restrictions have not been filed for these lots. It appears that additional federal action is required before the EDA can market or develop these properties.

When the IT Federal/Curt Tran litigation is finally concluded, the EDA expects to take ownership of the 30-acre IT Federal site, along with its partially constructed building. Preliminary assessment indicates the building will require in excess of \$250,000 to be completed and readied for occupancy. As acquisition of this property comes closer to fruition, the Asset Committee will determine the best strategy for the property.

#### Fiscal Management and Budget

Under the terms of the loan agreements with FB&T, all EDA-owned properties are held as collateral and asset recoveries made through litigation are split between FB&T and Warren County. The impact of this arrangement is that, as properties are sold, net proceeds are directed to FB&T for debt-reduction and to Warren County for reimbursement of operational, debt-service, and legal expenses paid by the County on behalf of the EDA. To-date, the EDA has returned \$3,944,944.20 to the County and \$447,444.20 to First Bank & Trust to pay down debt. In short, the EDA does not retain any funds from asset sales or litigation recovery.

With debts and obligations far in excess of its revenues, the EDA remains dependent upon Warren County to finance its operations. Under a Memorandum of Agreement, Warren County serves as the EDA’s fiscal agent, managing its finances and directing the auditing of its accounts. This MOA expires June 30, 2024 and will need to be renegotiated in the coming months. Under the terms of a separate MOA, Warren County now provides IT services and email support to the EDA as well as physical storage for EDA records and documents. The FY '25 budget being prepared for submission to the County will lay out next year’s costs related to anticipated litigation activities, debt-service, and operations.



### Supporting and Enabling Buildout of Broadband Services

While the EDA is not directly involved in the Commonwealth of Virginia-funded initiative to implement rural broadband services, keen interest is placed on seeing AllPoints Broadband succeed in its project to service Warren County. With aggressive deadlines ahead, AllPoints needs to move quickly to establish both an operational and a construction/maintenance footprint in the County. The EDA is working with Joe Petty to help AllPoints Broadband be positioned for success by leveraging its assets where possible and evaluating alternative sites for location of its equipment and staging as needed.

### Fostering Regional Cooperation

Through its ongoing associations with Northern Shenandoah Valley Regional Commission, the Virginia Inland Port, and Laurel Ridge Community College, the EDA gains a regional view of economic development opportunities. The proposed Shenandoah Valley Rail Trail presents a tremendous opportunity for the EDA to contribute to development of a regional tourism infrastructure that will bring benefit to the Town of Front Royal, Warren County, and all the other counties and towns along the proposed 50-mile corridor from Front Royal to Broadway. It is estimated that a rail trail will generate \$30,000,000 of annual economic activity and, with Front Royal positioned as the northern terminus, our community stands to gain a significant portion of that activity.

It is inefficient and redundant to have multiple economic development entities operating within our community. The Front Royal-Warren County EDA was created by the Town and the County to guide economic development and joint ventures between the localities; quite simply, it remains a joint entity. Given the close linkage between the Town of Front Royal and Warren County through the EDA and otherwise, effective economic development strategy must reflect the needs of both Town and County. This is best accomplished when all constituents work together. However, for the past several years, the Town of Front Royal has chosen not to participate in FRWC EDA meetings or initiatives. Given the reality that the Town of Front Royal has created its own EDA - Front Royal Economic Development Authority (FREDA) – it makes sense for the Front Royal-Warren County EDA to communicate, coordinate and cooperate with the town's separate entity as much as possible for the time being. At some point, the Town and County will hopefully come to the joint realization that working together is more productive than working separately.

Again, I want to thank all members of the Warren County Board of Supervisors for giving me the opportunity to serve and for their support of the FRWC EDA over the course of my term. I also want to acknowledge and thank the many talented people with whom I've had the privilege of working over the past three years. Those who serve on volunteer committees, boards, and commissions deserve our heartfelt thanks for the time they invest in our community institutions. I look forward to finding additional ways to serve and I remain optimistic that our community will prosper and grow as we work together to build a better future.

Sincerely,

Scott G. Jenkins