Lee County,

Virginia

OPPORTUNITY ZONE PROSPECTUS

1. WELCOME TO LEE COUNTY

A detailed overview of Lee County, including geography, prominent industries and regional clusters, workforce availability, strengths, quality of life, and other characteristics.

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2. OPPORTUNITY ZONE PROGRAM OVERVIEW

An overview of the Opportunity Zone program with a distinct focus on benefits to investors and rural opportunity zones. A sample investment timeline is provided on page 9.

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3. LEE COUNTY OPPORTUNITY ZONE

A specific focus on Lee County's Opportunity Zone, Developability, and assets contained within the OZ tract.

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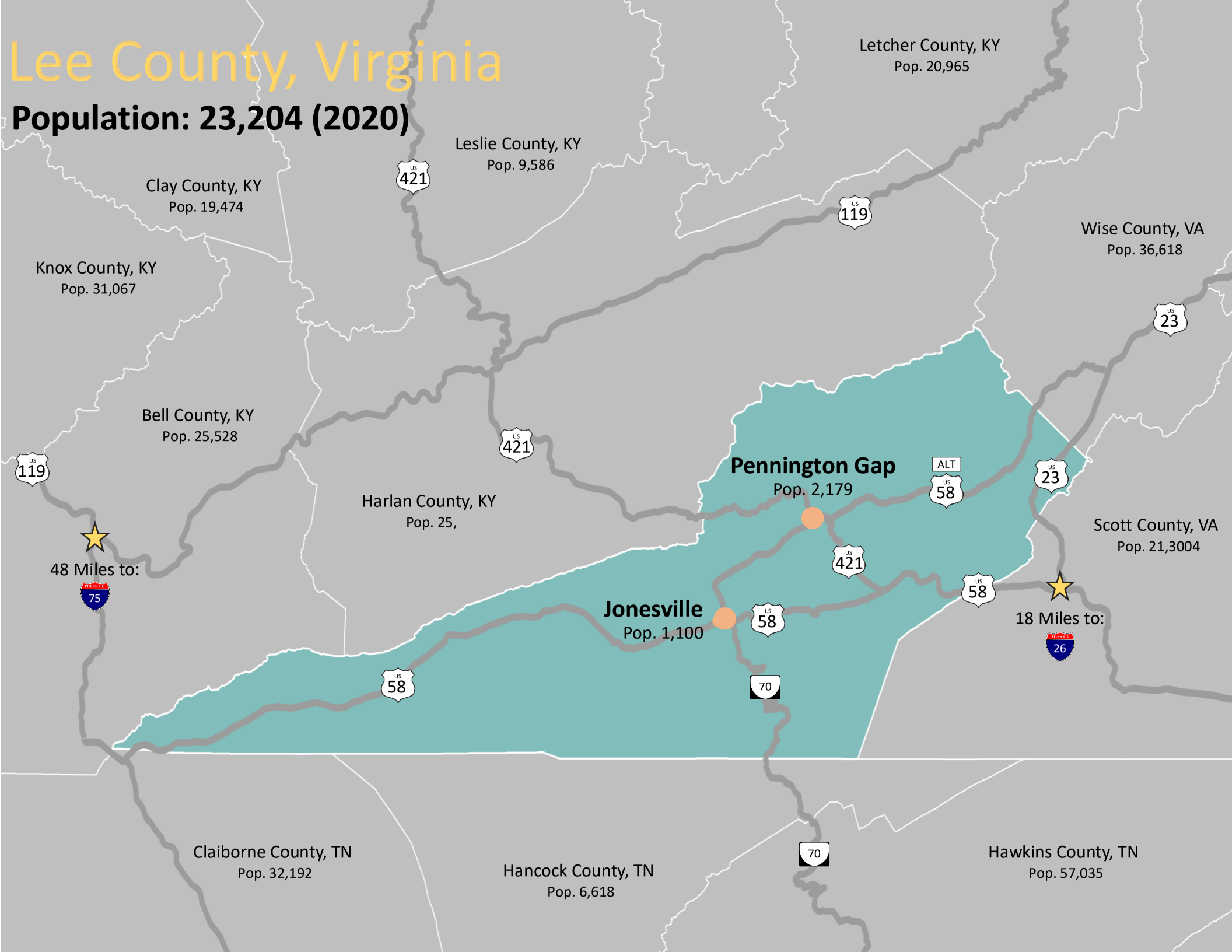

Lee County, Virginia
Population: 23,204 (2020)
Letcher County, KY
Pop. 20,965
Leslie County, KY
Pop. 9,586
Clay County, KY
Pop. 19,474
Knox County, KY
Pop. 31,067
Wise County, VA
Pop. 36,618
Bell County, KY
Pop. 25,528
Harlan County, KY
Pop. 25,
Pennington Gap
Pop. 2,179
Jonesville
Pop. 1,100
Scott County, VA
Pop. 21,3004
48 Miles to:
18 Miles to:
Claiborne County, TN
Pop. 32,192
Hancock County, TN
Pop. 6,618
Hawkins County, TN
Pop. 57,035
421
119
23
58
75
26
70
ALT

Quick Facts

Lee County lies at the heart of Appalachia. As the westernmost county in the state, Lee County shares borders with the states of Kentucky and Tennessee. The County's unique location provides tremendous connectivity, with 10 states and 10 large urban markets being within 300 miles of the county seat, Jonesville.

23,204 People call Lee County home.

40.9 Million People live within a 300-mile radius of Jonesville, VA

3 Highways pass through Lee County, including U.S.58, U.S.23, and S.R.70

4,757 People work in Lee County

Top-5 Industries by Employment

Government	1,603 Jobs (2020)
Health Care and Social Assistance	688 Jobs (2020)
Retail Trade	688 Jobs (2020)
Accommodation and Food Services	299 Jobs (2020)
Construction	263 Jobs (2020)

Recent Announcements

Paul's Fan Company (Expansion)

Commercial Fan Manufacturer	**15** New Jobs Created	**$3.44 Million** New Investment

England Furniture Company

Nationally Distributed Upholstered Furniture Manufacturer	**79** New Jobs Created	**$1.3 Million** New Investment

Synergy Biofuels, LLC (Expansion)

Biodiesel Processor & Wholesaler	**22** New Jobs Created

Regional Clusters

Health Care & Life Sciences

2021 Employment	Average Location Quotient
735	**1.75**
This cluster accounts for 8% of the County's total employment.	Employment in this cluster is more concentrated compared to the nation
Median Hourly Earnings	**Gross Regional Product**
$16.42	**$34.7M**
$4.83 less than the national industry average	This cluster generates 9% of the County's GRP

The health care and life sciences cluster is composed of industries vested in research and development, manufacturing, and the provision of health care. Lee County has strengths in elder care, pharmacies, and outpatient care centers. The larger region's aging population presents an opportunity for cluster growth in Lee County.

Wood Products

Every link of the wood products supply chain is represented in Lee County. The local economy is specialized in timber tract operations, logging, sawmilling, and wood product manufacturing. England Furniture, a subsidiary or Lay-Z-Boy, and Timberline Barns are the largest employers in this cluster.

2021 Employment	Average Location Quotient
225	**24.93**
Estimated employment for the local wood products cluster.	Employment in this cluster is considerably more concentrated compared to the nation.
Median Hourly Earnings	**Gross Regional Product**
$17.41*	**$6.6M***
Calculated for the Lee and Surrounding Counties	This figure does not include earnings and wages from England Furniture Company.

Chemical Manufacturing

2020 Employment	Average Location Quotient
109	**33.20**
This cluster added 78 jobs (117% growth) from 2010-2020	Employment in this cluster is considerably more concentrated compared to the nation
Median Hourly Earnings	**Gross Regional Product**
$15.82	**$67.2M**
$4.83 less than the national industry average	This cluster generates 17% of the County's GRP

Lee County's chemical manufacturing cluster is anchored by the petroleum refineries, petroleum wholesale, and explosives manufacturing industries. Lee County is also located within 300 miles of nationally-important chemical manufacturing hubs located in Greensboro NC, Nashville TN, and Cincinnati, Columbus, and Cleveland OH.

Workforce Pipeline

20,152
People aged over 16 and eligible to work in Lee County

73%
Of adult residents have at least a high school diploma

908
High School Students in 2020

192
Students enrolled in Career and Technical Education (CTE) Programs

542
Students enrolled in 2-and-4 year Colleges

19.7%
of 2020 Graduates planned to enter the workforce

$32,718
Median Household Income

$17.82/Hour
Average labor cost; up to $3/hr. lower than hourly labor costs in surrounding counties.

Quality of Life

Affordability

7th Lowest Cost of Living in Virginia

Lee County has the 7th lowest cost of living in Virginia, According to Niche.

$88K Median Housing Value

Lee County's median housing value is $176,900 dollars less than Virginia's median housing value of $264,900 dollars.

$1.13 Real Value of $1 dollar

The region Lee County has a greater valuation of $1 dollar while Virginia's average valuation of $1 dollar is $0.97, meaning $1 dollar in Lee County has more spending power compared to the state.

School Ratings

10:1 Student-to-Teacher Ratio

For grades 8-12 across both Lee County high schools.

5.2% Dual-Enrollment

Nearly 20% of Lee County students are enrolled in advanced courses that offer college credit upon completion.

160 Graduates with Plans to Continue Education

69% of the Class of 2020 pursued postsecondary education at 2-and-4 year colleges and other technical education institutes.

Cultural Assets

History & Heritage

Lee County is rich in history and culture. At one time, the nearby Cumberland Gap served as the "Gateway to the West" for pioneers such as Daniel Boone. The frontier spirit of Southwest Virginia is both reflected and celebrated within Lee County.

The Great Outdoors

Lee County is packed with outdoor recreation opportunities for every type of adventurer. The county is home to number of national, state, and local parks, ATV trails, a number of lakes and ponds, and jaw-dropping overlooks and scenic areas.

Opportunity Zone Program Overview

Program Overview

The Tax Cuts and Jobs Act of 2017 created Opportunity Zones. Opportunity Zones (OZs) are Census Tracts nominated by the state and certified by Internal Revenue Service (IRS) on behalf of the Secretary of the U.S. Treasury. OZs were created to spur economic development and job creation in economically distressed areas by providing tax benefits to investors for investing eligible capitol. Through the OZ program, investors are able to defer taxes levied on prior capital gains through investment in a Qualified Opportunity Fund (QOF).

What's a Qualified Opportunity Fund (QOF)?

Qualified Opportunity Funds (QOF) are the vehicle for OZ investment. Investors are able to defer taxation on any capital gain realized within a 180-day window through reinvesting an amount equal to the initial gain into a QOF. It is important to note that "investors" can be any entity that recognizes an eligible capital gain, including individuals, corporations, investment groups, and partnerships. QOFs can be structured in two ways: as a corporation or as a partnership. A QOF is required to invest at least 90% of its holdings in a business or property within an OZ.

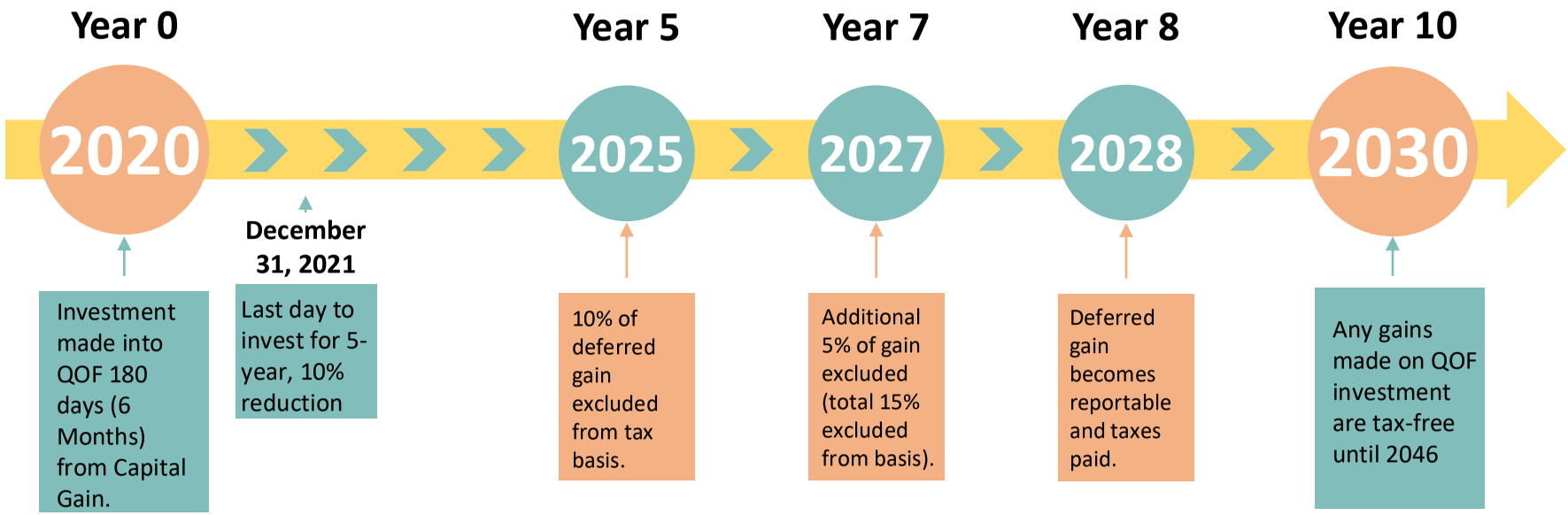
What are the Benefits to Investors?

Opportunity Zones encourage investment by allowing investors to "defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the…investment in a QOF is sold or exchanged, or[until] December 31, 2026." Investors that maintain their interest in a QOF for more than five years enjoy additional benefits beyond deferral. For instance, when the QOF investment is held for more than five years, investors receive a 10% reduction in the eligible tax basis. At seven years, investors receive an additional 5% exclusion for a total reduction of 15% of the eligible tax basis they have deferred. Additionally, an investor that holds their investment for 10 years can pay zero capital gains tax on further capital gains realized through their QOF investment. Investments made to a QOF do not need to be monetary; property can also be transferred as an investment in a QOF, but this type of investment may only be eligible for partial opportunity zone tax benefits.

Rural Opportunity Zones

Opportunity Zones have been heralded as the "most significant community development program to pass in a generation," however, investment has largely ignored rural opportunity zones. Approximately 40% of OZs are located in rural communities, however, investors have favored urban markets in search of higher returns. To ensure that rural communities enjoy the benefits offered by the OZ program, state and local governments have crafted innovative measures to make rural OZ investment more enticing. Namely, several states have passed measures to combine incentives to make rural investment more attractive while others have created investor education programs to dispel myths about investing in rural communities. Specifically in Virginia, Governor Northam authorized $1 million in funding to create an online marketplace for the State's OZs and hire staff to educate investors about OZ prospects throughout the Commonwealth. Other states, such as Kentucky, Alabama, and Texas have proposed measures to combine other state tax incentives with those for OZs, with the state of Washington recently passing a tax preference for state taxpayers who contribute to state rural development and opportunity zone funds.

Sample Investment Timeline

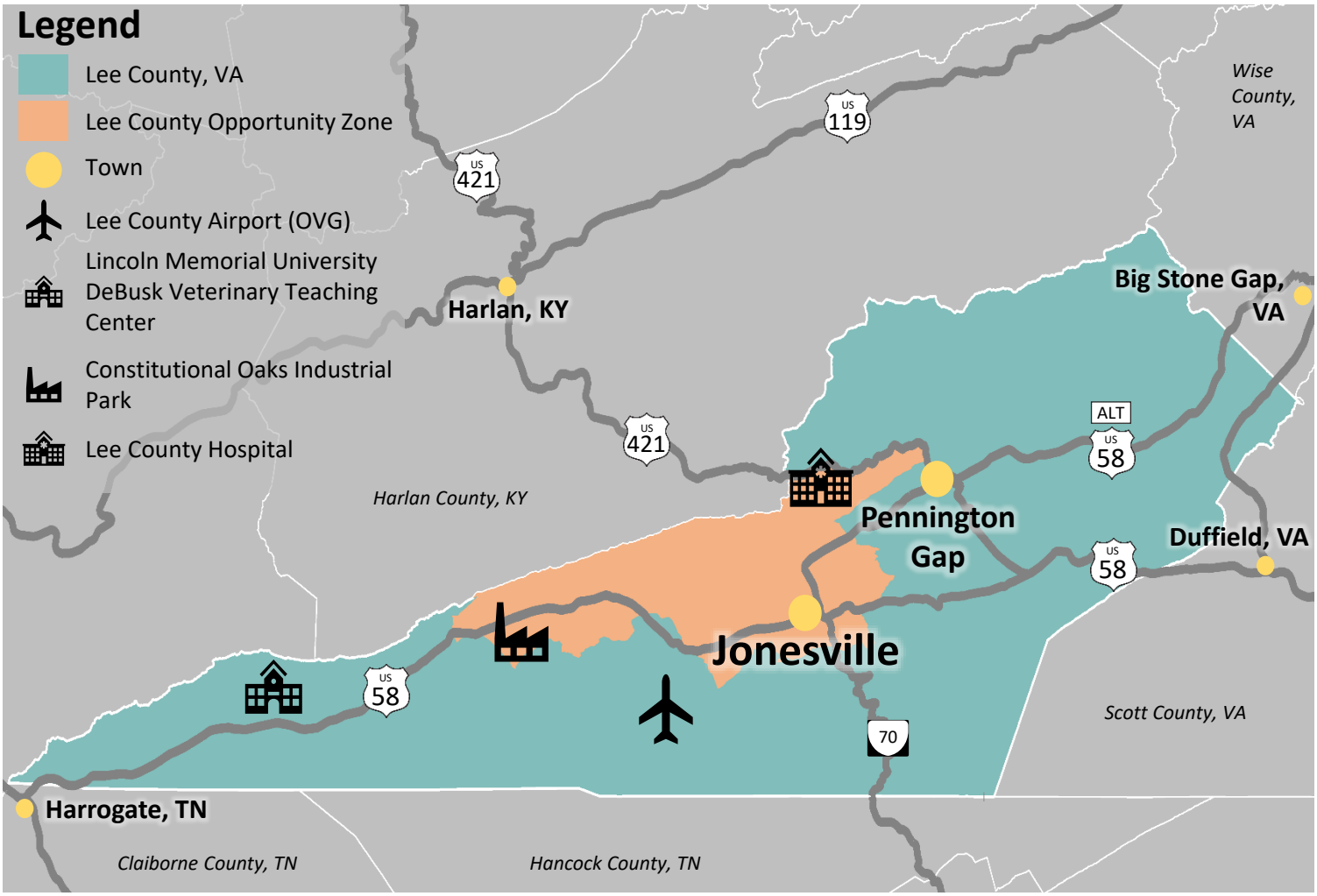


Deferred Gain Reinvested in QOF:	$1,000,000	-	-
% Excluded:	0%	10%	15%
Basis:	$0	$100,000	$150,000
Deferred Tax Gain:	-	$900,000	$850,000
Taxes Owed @20%:	$200,000	$180,000	$170,000

$170,000 in deferred taxes due.

No Taxes due on appreciation of initial $1,000,000 Investment at sale of QOF position until 2046

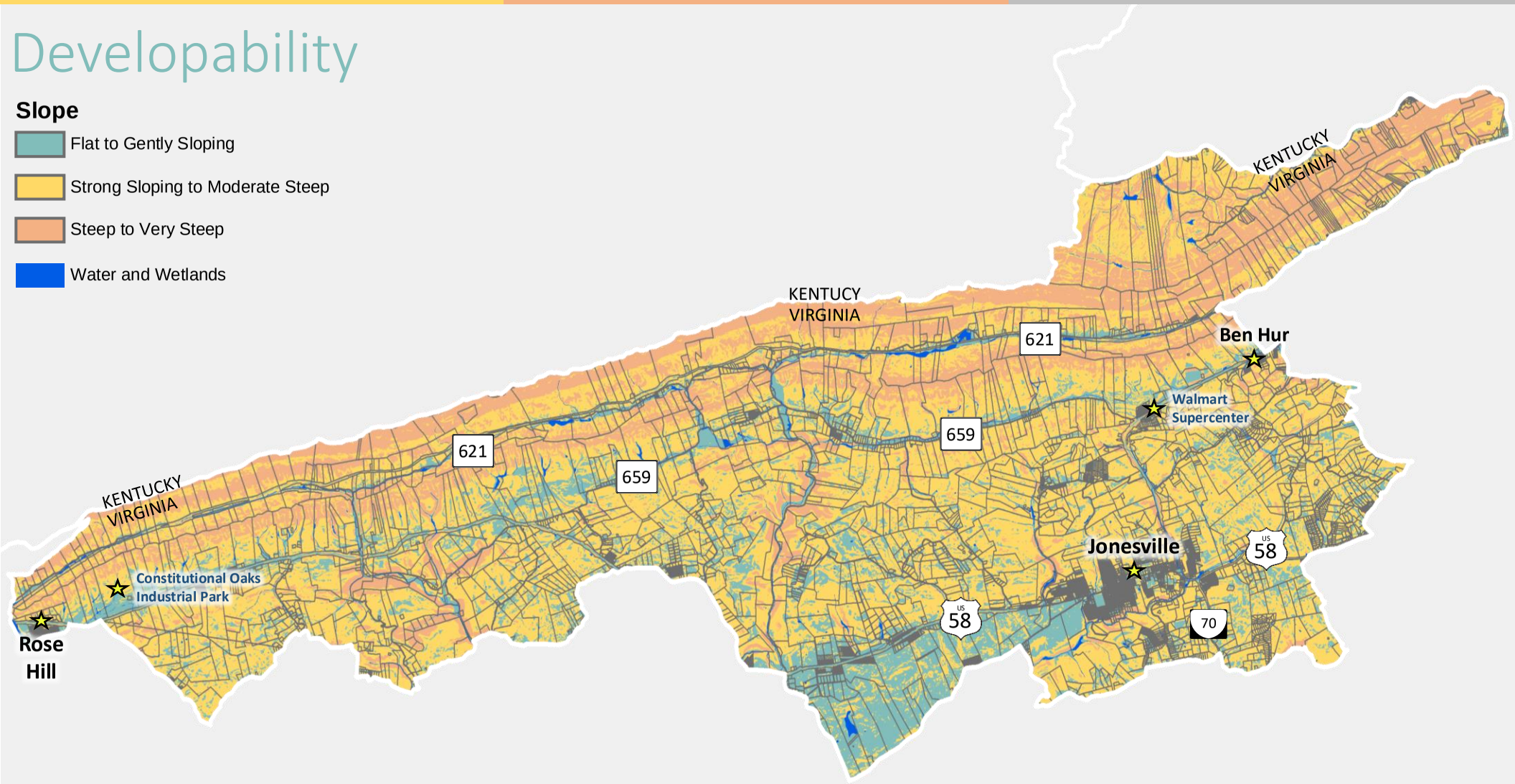
Lee County Opportunity Zone



Quick Facts

- Census Tract 51105950500; 68.1 Square Miles (15.6% of Lee County's total land area)
- Includes the Town of Jonesville and Rose Hill and Ben Hur Communities
- 2021 Population: 5,179 (22.4% of Lee County's total population)
- 2021 Employment: 1,454 Jobs (30.5% of Lee County's total employment)
- Existing Industry Sectors in OZ:
  - Government Sector: 578 Jobs
  - Healthcare Sector: 171 Jobs
  - Manufacturing Sector: 106 Jobs
- Nearby Assets:
  - Lincoln Memorial University DeBusk Veterinary Teaching Center
  - Town of Pennington Gap
  - Lee County Airport

Developability



Slope measures the average grade (steepness) of a property and is an important factor in land development; steeper slopes make development more difficult, and sometimes impossible. The above map details the average slope for each parcel in Lee County. Parcels that have the most potential for development are colored blue, while parcels with moderate to steep slopes are highlighted in yellow and orange, respectively. The most developable parcels in this tract are clustered around the Town of Jonesville, the Ben Hur and Rose Hill Communities, and stretches of land surrounding several roadways that traverse this area. Outside of these communities, properties tend to be heavily forested and/or agricultural, with a smaller number containing homesites. There are currently no active OZ projects in this area, however, the Walmart Supercenter corridor in the Ben Hur Community and the Constitutional Oaks Industrial Park in Rose Hill are fertile ground for investment or new development.

OZ Assets

Constitutional Oaks Industrial Park

221 Constitutional Oaks Dr. Rose Hill, VA

Quick Facts

208 Acres; Zoned M23
(General Business District)

Opportunity Zone, HUB Zone, & Enterprise Zone

Adjacent to US 58;
I-75 within 65 Miles

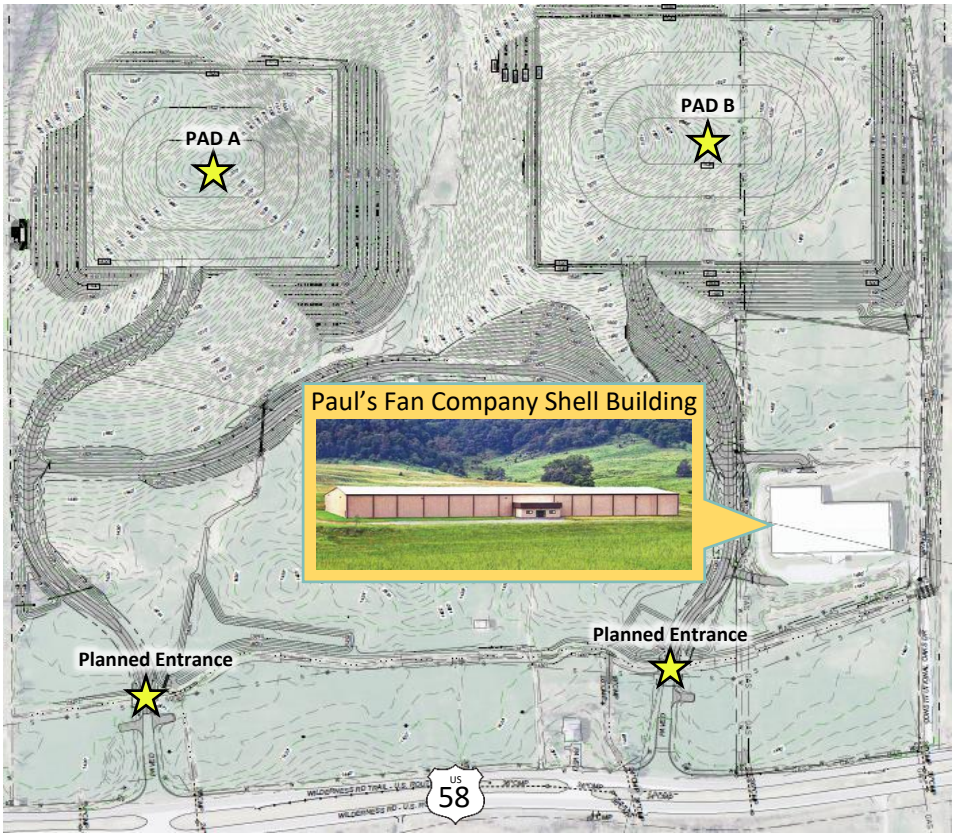
Serviced by Seminole Gas

Powell Valley Electric Coop.
21 Mi. to Substation
12.5 Mi. to Trans. Line (161 KV)

Lee County PSA
- 400,000 GPD (water); 8 in. line; Redundancy Possible.
- 500,000 GPD (sewer).

Verizon
Scott County Telephone Coop.
Fiber/Telephone Line on site

10.3 Mi. to Lee County Airport



Towns and Communities

Rose Hill Community

Connectivity via US 58:
- I-26, I-81, & Kingsport, TN within 50 Mi. via US 58E
- I-75 within 60 Mi. via US 58W

County Water/Sewer

Fiber Availability

Existing Opportunities
- 2.2 Mi. to Constitutional Oaks Industrial Park
- 7.8 Mi. to Lincoln Memorial University DeBusk Veterinary Teaching Center
- 11.8 Mi. to Lee County Airport
- Retail & Restaurants

Town of Jonesville

Connectivity via US 58 & SR 70:
- I-26, I-81, & Kingsport, TN within 45 Mi. via US 58E
- I-75 within 75 Mi. via US 58W
- I-81 within 45 Mi. via SR 70

County Water/Sewer

Fiber Availability

Existing Opportunities
- County Seat
- Chain and Local Retail & Restaurants
- 5.7 Mi. to Cedar Hill Country Club
- 6.8 Mi. to Lee County Airport

Ben Hur Community

Connectivity via US 58:
- I-26, I-81, & Kingsport, TN within 45 Mi. via US 58E
- I-75 within 77 Mi. via US 58W

County Water/Sewer

Fiber Availability

Existing Opportunities
- Walmart Supercenter and other chain retail and restaurants
- Highschool and Vocational Center
- Health Clinic

Incentives Index

Virginia Coalfield Economic Development Authority (VCEDA)

The Virginia Coalfield Economic Development Authority (VCEDA) provides low-interest loans for qualified new or expanding businesses. These loans may be used for real estate purchases, construction or expansion of buildings, and the purchase of machinery and equipment. VCEDA also provides grants on a limited basis to projects that do not generate a sufficient revenue stream to repay a loan.

Foreign Trade Zones (FTZs)

Foreign Trade Zones allow businesses to defer U.S. Customs duties on imported goods within the zones until the goods enter the U.S. for domestic consumption. No duties are paid if goods are re-exported. Businesses are allowed to store goods for an unlimited period of time within an FTZ. Additionally, businesses may manufacture products within FTZs and pay duties at the duty rate of either the foreign parts used or the finished product, whichever is more advantageous for the business.

Virginia Talent Accelerator Program

The Virginia Economic Development Partnership, in collaboration with the Virginia Community College System, delivers the Virginia Talent Accelerator Program, which provides training and recruitment solutions that are customized to a company's needs and desires. All program services are provided at no cost to qualified new and expanding companies.

Virginia Jobs Investment Program (VJIP)

The Virginia Jobs Investment Program (VJIP) offers consultative services and funding opportunities for companies creating new jobs or experiencing technological changes to reduce human resource development and recruitment costs for new companies, expanding companies, and companies retraining their employees. The consultative services of the program are offered at no charge.

Tax Incentives

Commercial and Industrial Sales & Use Tax Exemption

Virginia offers sales and use tax exemptions for eligible equipment used directly in manufacturing and research and development operations. Prior to tax exemptions the combination of local and state sales and use taxes is 5.3% (4.3% state tax and 1% local tax).

Data Center Retail Sales and Use Tax Exemption

The Data Center Retail Sales and Use Tax Exemption (DCRSUT Exemption) applies to qualifying computer equipment or enabling software purchased or leased for use in data centers that meet minimum investment and job creation requirements.

Green Job Creation Tax Credit

The Green Job Creation Tax Credit allows a credit against the individual or corporate income tax for each new green job, created within Virginia by the taxpayer, that pays an annual salary of at least $50,000 dollars in the taxable years before January 1, 2025. The amount of the annual credit for each green job created will be $500 dollars.

New Company Incentive Program

The New Company Incentive Program offers eligible companies looking to establish themselves in Virginia a modified state corporate income tax and potential access to a grant or loan from the Commonwealth's Opportunity Fund (COF).

Contact

Local

Lee County

Dane Poe, County Administrator
(276) 346-7714
ddpoe@leecova.org

Richard Johnson, Director of Community & Economic Development
(276) 346-7766
rjohnson@leecova.org

Virginia Coalfield Economic Development Authority

Jonathan Belcher
(276) 889-0381
jonathan@vceda.us

Regional

Opportunity Virginia/Virginia Community Capital

Christiansburg Location
110 Peppers Ferry Road, NW
Christiansburg, VA 24073
(540) 260-3126

Foreign Trade Zones

Mark Canty
Tri-Cities TN/VA (FTZ #204)
(423) 367-2385

Commonwealth

Virginia Jobs Investment Program

Tim Stuller
(804) 545-5733
tstuller@vedp.org

Virginia Talent Accelerator Program

Mike Grundmann
(804) 545-5782
mgrundmann@vedp.org

Commercial and Industrial Sales Use Tax Exemption

Office of Customer Services Virginia Department of Taxation
(804) 367-8037

Data Center Retail Sales and Use Tax Exemption

Johan Salén
(804) 545-5654
jsalen@vedp.org

Green Job Creation Tax Credit

Tax Credit Unit
Virginia Department of Taxation
(804) 367-8037

New Company Incentive Program

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OUTREACH & INTERNATIONAL AFFAIRS
VIRGINIA TECH

OFFICE OF ECONOMIC DEVELOPMENT