ECONOMY

Shared solar is coming to Virginia. Just not all of Virginia.

Here's why some parts of the state are being left out of a new program to enable residents to take advantage of less expensive energy – and what the General Assembly might do about it.

by **Megan Schnabel**
November 9, 2022

A Dominion Energy solar farm in Powhatan County. Courtesy of Dominion Energy.

Residents of Community Housing Partners' 3,300-plus apartments and townhouses that are served by Dominion Energy soon will get the opportunity to buy their electricity from a solar developer.

Residents of the nonprofit's nearly 1,200 units in Appalachian Power Co.'s service area will not.

Households that switch to solar could see an annual savings of $150 to $200, said Michael Sutphin, spokesman for the Christiansburg-based housing nonprofit.

"That's especially important for low-income residents like the ones that are living at CHP properties," he said. "Any amount can help."

Legislation passed in 2020 by the General Assembly required the creation of a so-called shared solar program in Virginia – but only for Dominion customers.

(Disclosure: Dominion is one of our donors but donors have no say in news decisions; see our policy.)

Calling it a matter of equity, and citing the state's broader move toward carbon-neutral energy, solar developers and consumer advocates are pushing to get that changed, perhaps as soon as the upcoming legislative session. At the direction of the General Assembly, the State Corporation Commission this fall convened a work group to study what an expansion of shared solar into Southwest Virginia might look like; a report is due to the legislature by the end of the month.

"We should have something available for everybody," said Carmen Bingham of the Virginia Poverty Law Center, who is part of the work group. "Wherever they are in the commonwealth, people should be able to access some way to mitigate their utility bills, in a way that other people have. And if that means a shared solar subscription, then they should have access to a shared solar subscription. We should make sure that there are no barriers for them to be able to do that."

The new partnership between Community Housing Partners and Dimension Renewable Energy, which plans to build and operate eight

Community solar sign-ups

Community Housing Partners and Dimension Renewable Energy will hold a kickoff event for their shared solar project Wednesday afternoon in Dumfries, in Prince William County.

Residents of Community Housing Partners properties that are served by Dominion Energy can begin to sign up now, although the solar projects won't go online until sometime next year.

solar arrays, is focused on low-income Virginians. But shared solar – a small but growing component of the nation's renewables arsenal that in many other states is called community solar – is touted as a way to expand access to solar energy to anyone who can't put panels on their own roof, whether it's because they rent an apartment or their house is surrounded by shade trees or they can't afford a $20,000 solar installation.

Community Housing Partners has put together a fact sheet for residents who want to know more about the shared solar option. The site also includes a link to sign up.

Under the shared solar model, customers pay to subscribe to an off-site solar array, which feeds power into the electric grid. Each subscriber gets a monthly credit on their utility bill for their share of that power.

Electric utilities have largely resisted the expansion of shared solar. They, too, say it's a matter of equity, arguing that customers who don't want to be part of a solar project shouldn't be forced to subsidize those who do.

As more customers turn to solar, they say, the cost to maintain the electric grid will shift unfairly to the remaining ratepayers. Solar subscribers still rely on the grid to deliver their electricity, the utilities say, so they should continue to pay for it.

"One of the things that we hold as a primary tenet … is that customers who benefit from a program should pay for a program," said Larry Jackson, Appalachian's director of government affairs for Virginia and Tennessee.

Virginia's 2020 legislation required the SCC to establish a minimum bill to ensure that shared solar subscribers cover their "fair share" of the costs of Dominion's infrastructure and administrative costs. But what has been less clear to stakeholders is just how to define that "fair share."

Low- and moderate-income residents are exempt from the minimum bill. But the rate set this summer by the SCC for all other Dominion customers drew pushback from consumer advocates and solar developers, who said it's so high that it negates any cost savings and will discourage solar developers from launching shared solar projects for anyone other than low-income customers.

As part of their push to expand shared solar to Southwest Virginia, advocates are again focusing on the minimum bill question. They've suggested commissioning a study to quantify the actual costs and benefits of shared solar to determine the extent of any cost-shifting; such an analysis wasn't done before the Dominion rate was set.

They point to Gov. Glenn Youngkin's recently released energy plan, which says the state should make it easier for consumers to benefit from alternative sources of electricity, such as shared solar.

"What I'm getting from this SCC group is a signal from the General Assembly that your time is up," said Robert Kell of Appalachian Voices, a nonprofit that participated in the work group and has supported other efforts to expand solar energy into Virginia's coalfields. "This program is about equity. It should be available to all Virginia customers, not just a few.

"We're at a moment where we don't want state policy, we don't want effective utility lobbying, to hold back our ability to drive the clean industry economy and hold back our region's ability to tap into the jobs and economic benefits that shared solar would provide for our neck of the woods."

* * *

Areas in white are served by electric cooperatives and municipal providers. Source: Virginia State Corporation Commission.

Why the legislation doesn't cover the whole state

Shared solar proponents said they were caught by surprise when the 2020 legislation left out both Appalachian Power and Old Dominion Power, a unit of Kentucky Utilities that serves a small piece of far Southwest Virginia.

All three of the state's investor-owned utilities had been part of the original bill to create shared solar programs in Virginia. But by the time the legislation made it through committees and came to a vote, it had been pared back to Dominion only.

"We're all still kind of scratching our heads about what happened," said Mark Moormans, director of affordable housing management at People Inc., an Abingdon-based nonprofit. "We've been pursuing that as a working group ever since, to kind of even the playing field and make it a fair landscape across the commonwealth."

Kell, who said he believes that Appalachian and Old Dominion had effective lobbyists working for them in Richmond, said some legislators have told him that they didn't understand that the program they were voting on wasn't universal.

State Sen. Scott Surovell, D-Fairfax County, who sponsored the legislation, said Appalachian Power made the case that its customer base is sufficiently different from Dominion's that a shared solar program would need to be structured differently for its territory. The issue was complex enough to warrant taking more time, he said; with legislators facing a short session and already dealing with the pandemic and the much larger Virginia Clean Economy Act, they decided to focus on Dominion.

"I think there was just a concern whether we had time to really fine-tune it all for both territories, given the time pressures we were under during

Electric cooperatives also studying shared solar

Nonprofit co-ops account for about 16% of Virginia's electric customers

A separate work group is evaluating shared solar programs for the regions served by Virginia's member-owned electric cooperatives.

Co-ops account for about 16% of the state's electric customers, according to the Virginia State Corporation Commission. They're nonprofits that are owned by ratepayers and run by local boards, although they're also regulated by the SCC.

Virginia's 13 co-ops range in size from the 7,000-member Craig-Botetourt Electric Cooperative to co-ops on the outskirts of Washington that are more than 25 times that large, said Andrew Vehorn, vice president of member and public affairs for the Virginia, Maryland and Delaware Association of Electric Cooperatives.

session," said Surovell, who had been trying for years to win passage of a shared solar bill.

Dominion is by far the largest producer of electricity in the state and accounts for almost 70% of Virginia's electric customers, according to the SCC. Appalachian and Old Dominion together represent about 15% of the state's electric market, including most of Southwest Virginia. The remainder of the state is served by member-owned electric cooperatives or municipal systems.

According to the work group's draft report, which was circulated to members last week, both Appalachian and Old Dominion emphasized the differences between their service territories and Dominion's, particularly their smaller size and lower-income customer base.

Appalachian is dealing with a population that continues to decline, Jackson said in an interview, and can't afford to lose customers.

"Here in Southwest Virginia, where we have low to no load growth, every customer is valuable to us," he said. "And we need every customer to help us keep the system reliable. If we lost 1% of our customers, that just spreads that 1% of the grid maintenance cost to the other customers. So we cherish every customer and want to keep every customer."

The Dominion program both waives the minimum bill for low-income customers and mandates that 30% of capacity be set aside for those residents.

Those disparities in size and demographics make mandates complicated, he said.

"How programs look to a 7,000-customer utility vs. a 200,000-customer utility is very different," he said. "So we always try to preserve that flexibility to let the local boards design the programs that work best for them."

Vehorn's association partnered with the Coalition for Community Solar Access to convene the work group, whose report is due to the General Assembly by the end of the month.

This is new territory for the CCSA, which typically has focused on investor-owned utility markets, said Charlie Coggeshall, its director of policy and regulatory affairs.

With co-ops, it's important to not undermine the autonomy of local boards, he said. The work group should enable opportunities, not force them; he said the result of the meetings could be a consensus to ensure that there are no legal barriers for co-ops that want to develop shared solar, rather than a set of hard-and-fast mandates.

Pricing also is a "balancing act," Vehorn said. "Co-ops are very sensitive to any type of subsidy or transfer of cost amongst folks," he said. "We don't have shareholders, we only have ratepayers.

Old Dominion spokesman Daniel Lowry said there would be no need for such a carve-out in his utility's territory, as most residents would already qualify.

"The economic challenges within this area of Virginia are important to consider," he wrote in an email. "To be workable, any program should strongly consider the economics to ensure there is no cost shifting."

Appalachian made a similar argument: "APCo argued that given its low-income demographics, a shared solar program should avoid a low/moderate income component," the report summarized.

There are "already literally dozens" of programs that help these customers, Jackson said. As an example, he cited the Percentage of Income Payment Program, a part of the Clean Economy Act that caps utility bills for low-income customers and is funded through a universal service fee assessed to Dominion and Appalachian Power customers.

If low-income customers were to be exempt from minimum shared solar bills in Appalachian territory, those subsidies should be borne by other participants in the shared solar program, Jackson said.

"I know that would not be a particularly popular premise, but it is what we believe it should be," he said.

In effect, this approach would turn green energy into a "premium product," said Carrie Hearne, So if there's a cost to be shifted, there's nowhere else for it to go. … We want to make the service available to all of the members that want it without creating a subsidy for the other members that don't want to participate in the program."

State legislation in recent years has given local co-op boards the ability to raise net metering caps, allow third-party power purchase agreements and eliminate standby charges – a whole host of solar-related reforms that the association had been working on with the renewables community, Vehorn said.

Some of the association's Virginia co-ops already allow members to subscribe to community solar programs. Most start out offering those subscriptions at a premium, but subscribers are likely seeing savings now that energy prices have increased, Vehorn said.

For instance, members of BARC Electric Cooperative, which serves customers in Bath, Alleghany, Augusta, Highland and Rockbridge counties, can buy blocks of solar energy for up to 25% of their average monthly usage, said Chris Botulinski, the co-op's chief operations officer.

When they subscribe, they're locked into their rate for 20 years and don't have to pay either the electricity supply services charge or any fuel factor adjustments, he said. Under current market conditions, he said, participants associate director of renewable energy and energy efficiency for the Virginia Department of Energy, also known as Virginia Energy.

"The question for me comes down to, should we be paying a premium cost – should I be paying extra dollars – to get access to this program?" said Hearne, who has been part of the SCC work group. "Or should everybody benefit and have some type of cost savings that makes it so that more customers want to subscribe and we're able to fund more shared solar systems, and have the grid benefit from distributed energy that's placed across the commonwealth?"

She believes that a shared solar program would be most successful if everyone saw some savings – maybe a little more for low-income customers, maybe a little less for market-rate customers, but perhaps a reduction of 10% overall.

are seeing a savings from the blocks of energy purchased from the project.

Brandon Smithwood, senior director of policy at Dimension Renewable Energy, a solar developer that's working on several projects in Virginia, said co-ops have been "very progressive" on net metering and other issues surrounding solar energy – more so than most investor-owned utilities, or IOUs.

"The co-ops have had that record of getting ahead of things and saying, We're going to commit to doing something above and beyond what that IOUs need to do," he said.

– Megan Schnabel

Research by the National Renewable Energy Laboratory research has shown that only 2% of customers would pay more for a premium product, she said.

As much as people might talk about wanting to support green energy, the choice of whether to shift to a renewable energy source often comes down to money, Surovell said. "Most consumers aren't willing to pay more for electricity just for bragging rights that they've got a shared solar house," he said.

He's been a vocal critic of the Dominion minimum bill, which will run to about $55 a month for an average residential customer, in addition to a monthly administrative fee. Those charges would stack on top of whatever the customer pays for solar-generated electricity.

Recommendations for the minimum monthly bill had ranged from less than $8 – suggested by the Coalition for Community Solar Access – to the roughly $75 requested by Dominion, which said it was necessary to avoid shifting costs to customers who didn't want to participate. The SCC staff itself offered two very different recommendations, based on different methodologies: $10.95 or $55.10. The hearing examiner opted for the latter and the commission agreed; advocates of shared solar appealed but were unsuccessful.

Charlie Coggeshall, who represents the Coalition for Community Solar Access on the SCC work group, said the $55 minimum bill likely rules out projects that would focus on anything other than low- to moderate-income, or LMI, customers. Two solar developers that are active in Virginia – Atlanta-based Dimension and Apex Clean Energy of Charlottesville, which wants to build a shared-solar facility in the town of Halifax – both intend to focus solely on that segment, their representatives said.

"It's not necessarily a bad outcome to have a project be 100% focused on LMI participation," Coggeshall said. "But the legislative intent … was to enable broad access. We are definitely interested in correcting that issue."

Bingham isn't sure that low-income-only programs are sustainable without grants or other investment.

"If you want to do just a strict low-income program, great. Have the state invest some money, get some grant programs," she said. "But it's just like affordable housing. If you really want to make affordable housing affordable, you've got to have mixed communities. It's the only way to really make these things survive, unless it's a not-for-profit."

Other members of the work group do appreciate the utilities' concerns about the financial impact of shared solar, said Josephus Allmond, an attorney with the Southern Environmental Law Center. But they need data to understand the true extent of it, he said.

"We really would like to have good estimates of what that cost shift might be, if any," he said. "I think a good estimate there will help us come up with what's reasonable in terms of a minimum bill and figuring out that utility compensation."

Hearne said she'd like to see the group's report lead to just that kind of analysis. Virginia Energy could lead a study that could get to the root of the cost-shifting question, she said, and analyze the true value – both the costs and the benefits – of distributed energy resources like shared solar.

Perhaps shared solar could be opened up in Appalachian and Old Dominion territories at a small scale, and those projects could be studied, she said.

According to the work group's draft report, most of the nearly three dozen participants supported commissioning such a study.

The report said that neither of the utilities was in that category. But Lowry said Tuesday that Old Dominion supports the concept of a study "as long as any group of customers who choose to participate within such a program be responsible for all costs of the program."

Appalachian Power believes that the SCC should determine the rate impacts that shared solar projects have, just as it did with Dominion, spokeswoman Teresa Hamilton Hall said Tuesday.

"Appalachian Power views the shared solar issue as an energy-for-energy transaction; therefore, the value of shared solar should be based on the value of energy," she wrote in an email.

"Under these circumstances, we believe that having other studies ongoing is not beneficial or productive," she said.

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Gov. Glenn Youngkin speaks at the rollout of his energy plan in Lynchburg in October. Photo by Dwayne Yancey.

Youngkin's energy plan pushes shared solar

On page 24 of Youngkin's energy plan, in a list of recommendations about how to give customers more choice in where they buy their electricity, is a line that has encouraged proponents of shared solar:

"Remove barriers to distributed generation, including shared solar, and increase the ability of Virginians to install power resources on their property."

It's tucked into a section labeled "competition," which discusses Virginia's regulated monopoly model – and makes the case that current policy "unnecessarily restricts" some kinds of projects from the energy marketplace.

"Both businesses and residential customers enthusiastic about installing their own solar and wind generation units and purchasing electricity from competitive service providers are overly burdened by regulations that prevent them from exercising energy choice," the plan says.

The plan, which was released last month, has drawn negative reviews from many in the environmental arena for its push to revise some aspects of the Virginia Clean Economy Act, which was driven by a Democratic majority in the General Assembly and requires the state to move away from fossil fuels.

But some see a reason for optimism in this signal of support for shared solar by the Republican administration.

"I wouldn't say that the renewable energy industry is applauding the Virginia energy plan, but there is at least an acknowledgement in that plan for shared solar," Coggeshall said.

"We're not endorsing or celebrating the entire plan, but we definitely appreciated that recognition from the administration," he said. "My sense is that this administration values competition, jobs, customer options, consumer options. And I think because of that, it's also ruffled feathers with the utilities."

Indeed, Appalachian Power's Jackson was dismissive when asked about the significance of shared solar's mention in the governor's plan.

The section on competition reads like "soundbites," he said. "So somebody asked him [Youngkin] to put it in, right?" he said. "Of course, I don't really know. But for us, the barrier to shared solar has always been the cost shifting. If there is a minimum bill, and if all the administrative costs are included, then we would not object."

His colleague Jon Amores, the utility's state government affairs manager, acknowledged that customers might be interested in alternative forms of energy if they could save money. But he discounted the idea that choice in and of itself automatically results in lower costs.

"We agree with the governor, and we understand that people want to shop," he said. "But I presume the governor's saying, just as we are, shared solar has a place, but not at all costs, and not to the detriment of the customer."

Hearne cautioned against downplaying the inclusion of shared solar in the energy plan. The administration sees it as part of what the governor has called an "all-of-the-above" approach to energy, she said, and its mention should be taken "very seriously."

"I think that is a really big signal," she said. "There's a lot of things that people may not necessarily see in the energy plan. When there's mention of shared solar in the energy plan, it's very intentional."

Abigail Thompson, a government affairs specialist at Gentry Locke Consulting who works with Dimension, agreed.

"We're really encouraged that he's come out in favor of this, and with that kind of directive we hope this will really become a truly bipartisan issue," she said.

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The Appalachian Power Co. building in downtown Roanoke. Photo by Megan Schnabel.

Advocates see shared solar as a way to capture renewables

Beyond the potential cost savings and the environmental benefits, advocates of expanding shared solar into Southwest Virginia see it as an opportunity to capture part of the renewable energy industry for the state's coalfield counties, a yearslong effort that could be helped by newly available federal programs.

Through a series of tax incentives, this year's Inflation Reduction Act is expected to give a significant boost to clean energy projects; the Solar Energy Industries Association predicts that over the next decade, the act will lead to 69% more solar deployment than would otherwise have been expected.

Key to Southwest Virginia could be a $4 billion set-aside for clean energy projects in so-called "energy communities," places that have long relied on coal mining, oil and gas drilling or fossil fuel-driven power plants.

Such projects would build on existing work in the southwest corner of the state. A project kicked off this year to put solar panels on a dozen schools in Wise and Lee counties and create a pipeline to train installers and technicians. Efforts to determine whether the region's coal-focused manufacturers could pivot to supplying the energy storage and offshore wind sectors are underway.

Last year, Dominion and The Nature Conservancy announced plans to develop a utility-scale solar project on 1,200 acres of former surface mines in Wise and Dickenson counties. That project is still in the early development phase, with construction expected to start in 2024 or 2025 at the earliest, Dominion spokesman Aaron Ruby said.

Southwest Virginia doesn't have a lot of sites that could host a project of that size, Kell said. But he counted 252 abandoned coal mines, 12 landfills and 11 other polluted lands from Lee County to Roanoke that could have potential as shared solar sites.

"Shared solar isn't simply about the customers," Kell said. "It's also about the opportunity to develop brownfield sites. Those sites are often too small for utility-scale solar but are better suited for shared solar programs. Especially in Southwest Virginia, where we have a lot of abandoned mineland, we could put that mineland into productive use with shared solar."

Siting solar projects on brownfields can be more expensive, and thus less attractive to developers, Coggeshall cautioned. But that doesn't mean they can't work, especially with state and federal incentives.

"If you enable incentives – sometimes it's dollar incentives, sometimes it's maybe more expedient development or processing timelines or whatever – that works," he said. He pointed to Maryland's community solar program, which includes tax and other incentives for brownfields projects.

Surovell believes that the current backlash in some parts of Virginia against thousand-acre utility-scale solar farms could drive support for shared solar projects, which tend to take 20 to 30 acres.

"I see shared solar as a possible solution that might be more palatable to people that are worried about the visual footprint of utility-scale solar," he said.

But Appalachian has maintained that the utility-scale solar it has been developing is far more efficient than shared solar, and that despite the recent pushback, large-scale solar developments aren't dead – they just might need adjustments.

"If we're focused on the cheapest way to provide renewables, and to make sure the folks that don't want to engage in that directly don't want to pay for it, we're almost driven to the positions we're taking," Amores said.

Hearne noted that shared solar should be seen as just one tool in the state's push toward clean energy, referring again to Youngkin's "all-of-the-above" approach, which includes utility-scale solar, offshore wind, hydrogen technologies and small nuclear reactors. The Virginia Clean Economy Act mandates that Dominion and Appalachian generate 100% carbon-free electricity by 2045 and 2050, respectively, and it set a target of 16,100 megawatts of solar and onshore wind power for the state.

"I don't think we're going to meet our clean energy goals in the timeframe that we need to and at the cost to keep things affordable if we only look at rooftop solar or shared community solar projects," Hearne said. "I don't think that shared solar alone, even within the solar sphere, is the catchall."

People Inc. has already been exploring the use of solar on its multifamily projects, including a 12-unit apartment building in Dante, a community that straddles the Russell-Dickenson county line. Each unit has its own panels, which provide 40% to 60% of their electricity. The rest comes from Appalachian Power.

"They have realized significant savings, enough that they notice," Moormans said of the building's tenants. "It makes it a desirable place for people to live."

It also illustrates the need for a more robust solar industry in the region, he said: If the array goes down, it takes hours for a technician to drive in from somewhere else.

"There's a huge opportunity for people to start local businesses providing that service," Moormans said.

Not far away, in Old Dominion Power territory, owners of multifamily buildings can install solar arrays and create shared solar programs that tenants can subscribe to, rather than having to designate individual solar panels for each unit. A [2020 law](#) that passed alongside the broader shared solar legislation created this option for Old Dominion and Dominion Energy customers, but not for those in Appalachian Power's service area.

So far, Lowry said, Old Dominion has had one inquiry about the multifamily program.

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The State Capitol. Photo by Markus Schmidt.

Next up: the General Assembly

The SCC work group, which was created by legislation sponsored by state Sens. Emmett Hanger, R-Augusta County, and John Edwards, D-Roanoke, will send its report to the General Assembly by the end of the month.

It doesn't reach any conclusions, nor was it designed to. The report was intended to capture participants' opinions and will leave it up to legislators to decide whether, and how, to expand shared solar into Southwest Virginia.

"What I'd like to see is basically a decision that's grounded in economic reality," Appalachian's Amores said. "There are a lot – on both sides – a lot of laudable things that utility-scale solar provides, that shared solar provides. But for the limited purpose of creating public policy and ultimately paying for that public policy, if you're not focused on what the ratepayer has to pay, the further you get away from that, the more you open yourself I think to legitimate debate, legitimate disagreement, and imposing your worldview on other people.

"Sometimes that happens. That's a policy debate. But for our purposes, we'd like to keep our policy … focused on economic reality."

Brandon Smithwood, senior director of policy at Dimension, believes the political timing is right for expansion.

"We'll test the overall interest, but in the meetings I've had I think there's genuine bipartisan interest within the General Assembly," he said.

"I think the fact that there's basically all parties except the utilities saying we should expand this, and you have the administration – hopefully the utilities come to the table and say, let's work something out and have a bill we can all feel good about."

CARDINAL NEWS
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ECONOMY

Hopes, and some fears, as Virginia's first casino opens in Bristol

The temporary Bristol Casino will be replaced in 2024 by the Hard Rock Hotel and Casino.

by **Megan Schnabel**
July 8, 2022

The temporary Bristol Casino (seen here in a photo taken in late June) opened Friday in the former Belk store, around the back of the old mall property. The Hard Rock name won't be attached to the property until the full resort opens in 2024. Photo by Megan Schnabel.

BRISTOL – Veda Drive runs for not quite a fifth of a mile through a neighborhood of small houses on the west end of Bristol, on the Virginia side of the city.

The properties on the odd-numbered side of Veda back up to houses on neighboring Everett Street. Through a patchy barrier of trees, the homeowners on the even-numbered side have had a very different view from their backyards: a vast expanse of asphalt bisected by construction fences and populated by delivery trucks and workers in hardhats – a sight that developers hope will give way to a steady stream of cars carrying blackjack fans and slots players 24 hours a day, seven days a week.

As the old Bristol Mall has transformed into the new Bristol Casino, the neighborhood around Veda Drive has become a microcosm of the changes brought across the city by the announcement of a $400 million gaming and entertainment complex.

Over the last 18 months or so, half of the homes on this dead-end street have sold, according to online real estate records. Another property recently went under contract after just two days on the market; if previous sales were any indication, this one, too, probably will become an Airbnb rental. A house with frontage on the four-lane Gate City Highway sold last summer for $324,500, nearly four times its assessed value. A developer plans to build a 30-room hotel on the site.

Bristol is no stranger to tourism; the Bristol Motor Speedway, the Bristol Rhythm & Roots Festival and the Birthplace of Country Music Museum draw tens of thousands of visitors every year. But the casino promises to raise that to an entirely new level.

A temporary casino that opens Friday will offer a selection of gambling and dining options, including 870 slot machines and 21 table games. But when the full Hard Rock Hotel and Casino Bristol opens in 2024 – with a vastly expanded casino floor and amenities including a 300-room hotel, an indoor music venue and an amphitheater – it's expected to draw 3 million to 4 million visitors a year.

The promise of new tax revenue, new spending and new jobs led more than 70% of Bristol voters

Casino details

The temporary Bristol Casino that opens Friday will offer:

870 slot machines

21 table games

to support the casino project in a November 2020 referendum, the highest among the five Virginia cities approved for casino gaming in a law signed earlier that year by then-Gov. Ralph Northam.

But with the casino now open, questions still loom, even among some project backers.

Will people still come to downtown Bristol to shop? Will crime increase? What about traffic? Where will all of the casino employees live? Will the casino suck up all of the available local workers?

Will Bristol still be Bristol?

"No one knows exactly what this casino is going to do, because we don't have experience in this area," said Kim Sproles, who owns a promotional products company and has applied to be a vendor for the new casino. People she knows around Bristol have never worked in a casino, or done business with a casino, or lived near a casino.

She knows a couple of people who have been hired by Hard Rock for good wages. She believes that the tax revenues that the project will generate will bolster the city's tenuous fiscal situation, and she expects that the casino will boost the region's larger tourism industry.

But she knows that the uncertainty makes some people uneasy. "This is a whole new entity for our area," she said.

Jasen Eige, vice president and general counsel of the Bristol-based United Company, a partner in the casino project with Par Ventures, said he

A sportsbook

The Bristol Bar, a sports and entertainment lounge

Mr. Lucky's, a full-service restaurant

Brick'd, a pizzeria with grab-and-go options

The Rock Shop gift shop

The Hard Rock Hotel and Casino Bristol will open in 2024 with additional games and amenities expected to include:

1,500 slot machines

55 table games

300 hotel rooms

Hard Rock Live music and entertainment venue

An amphitheater

understands the concerns but wants to dispel them.

“We live here,” he said. “We’re not coming in from out of town or out of state to develop something just because it makes sense for us financially for Bristol. This is our community. Our children live here, go to school here.”

He said they’ve talked to the mayor of Biloxi, Mississippi, who told them that his city has retained its charm despite getting a casino more than 25 years ago.

A rendering of the future Hard Rock Hotel and Casino in Bristol. Courtesy of Hard Rock.

“That’s how we envision this as well,” Eige said. “This is another industry being brought to this community, but it’s still going to have the same small-town charm.”

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There have been discussions about running a shuttle between downtown Bristol and the casino, 3 miles away. Maggie Elliott, who heads downtown Bristol's marketing entity, sees it as a "great opportunity" for downtown. "I think there will be probably a little bit of a learning curve as far as how to market ourselves appropriately for those visitors to the casino," she said. "I'm still very optimistic and I think it's a wonderful opportunity for downtown to reach that traffic that we haven't had before." Photo by Megan Schnabel.

One day this spring, the traffic light at Catherine Street and Gate City Highway, in front of the Bristol Mall property, suddenly came back to life.

The light, a relic of the mall's heyday, hadn't been needed in years; after the mall closed in 2017, cars and trucks rushed right on past on the highway, unchecked by traffic signals.

But in the late summer of 2018, two local developers unveiled a plan to turn the 500,000-square-foot former retail center into a casino and entertainment complex. Within months, the idea of legalizing casino gambling had gotten traction in Richmond, and when Bristol voters signed off on it in late 2020, the old mall's new fate was set.

And so this spring, construction trucks and out-of-state cars started showing up, and the weedy expanse of mall parking lot started showing signs of new life.

The casino that opens Friday will be a temporary placeholder; it won't even bear the Hard Rock name, although it will host a Rock Shop that will sell the chain's branded t-shirts and merchandise.

And local fudge.

"My very first job – I was 15 – was at the mall, when the mall was all of the rage," said Tracy Ferguson, who makes the fudge sold at Southern Churn, a sweet shop in downtown Bristol. She worked at Karmelkorn, selling flavored popcorn and candy and hanging out with her teenage friends. "That was the place to be. Everybody came there to shop, to eat, to go to the movies."

It's funny, she said, to think that the confections she makes now, 35 years later, will be for sale in that same building.

Southern Churn owner Karen Hester met Hard Rock executives in late 2019 when they were visiting Bristol to look at casino sites. They stopped into the shop and tasted the fudge, she said, and days later she was on a Zoom call with a Hard Rock buyer, choosing flavors and finalizing a purchase order. Hard Rock started selling the fudge at its Florida casino, then at the Cincinnati Hard Rock, and then at the new Gary, Indiana, casino.

The Bristol Casino's gift shop is next.

Around Bristol, Hester is an evangelist for Hard Rock. She encourages other local business owners to explore supplier relationships with the casino company. She says college kids should start driving for Uber to ferry casino visitors around town. She thinks homeowners with spare mother-in-law suites or finished basements should list with Airbnb and get their piece of the casino pie.

Hester herself has a dozen short-term rentals and has been helping to house Hard Rock executives while they search for homes to buy.

The Bristol Casino will sell fudge made just a few miles away at Southern Churn, a sweet shop on State Street in downtown Bristol. Owner Karen Hester started working with Hard Rock in 2019 and already supplies fudge for casinos in Florida, Ohio and Indiana. "It's really exciting for us, to be a small business and to do that kind of work with that caliber of company," she said. Photo by Megan Schnabel.

"If I was a small business sitting on the sidelines, thinking, you know, do I have something that might fit or not, well, I wouldn't take it for granted that your business might not be a fit," she said.

Sproles has spent months going through the application process to allow her company, KS Promotional Products, to become a casino supplier, and she still hasn't reached the end. Anyone who wants to do business with the casino – with any of Virginia's new casinos – has to be vetted by the Virginia Lottery, a complicated and time-consuming process that has generated an inch-thick folder of paperwork sitting on Sproles' desk.

She almost didn't apply. She'd read through all of the requirements and told her contact at Hard Rock that she didn't think it would be a good fit for her. But her contact offered to walk her through the process and help her submit quotes for items like hats and shirts and journals.

"She said, 'We're going to work with you hand in hand because we want to work with local vendors,'" Sproles said.

Kim Sproles, who owns a promotional products business and is applying to become a vendor for Hard Rock, thinks the casino will bring much-needed tax revenue and exposure to Bristol. "It's almost like things stop right there at Richmond, and it's just the mid- and northern part of Virginia that matters," she said. "I'm going, are you serious? We have so much going on down here." Photo by Megan Schnabel.

Allie Evangelista, president of Hard Rock Hotel and Casino Bristol, said last month that about a hundred local companies had gone through the vendor verification process to date. A company from Knoxville, Tennessee, will deliver bread. A shop outside Abingdon will provide VIP gifts and baskets for the Hard Rock loyalty program. Another local business has worked on landscaping, another pressure-washed the building, another is handling pest control. Ice sculptures and custom ice for cocktails will come from yet another.

"The truth is, we want to do business with locals because that's what brings the benefit to the community," Evangelista said. "But we want to make sure that the community can support us, can actually support the volume that we do."

Some local businesses just aren't able to ramp up their production enough to work with the casino; she can't just call any restaurant around town when she needs 300 box lunches for employees, she said.

"We know with time, we'll be able to do more business with locals," she said. "Some of the vendors are just adapting to what we are looking for, and hopefully they will be able to do business with us in the future."

Spence Flagg, who opened Cascade Draft House in downtown Bristol in 2019, said he's "leaning in" to the casino. He wants to talk to Hard Rock about bringing some kind of local craft beer experience to the casino, and he and his wife bought a house near the casino to rent out.

Flagg is on the chamber of commerce board and works with local tourism efforts, and he said he's appreciated Hard Rock's civic involvement so far.

"They seem really on board with the community, and downtown, which is exciting, and not just coming in and saying, 'We're doing this our way, get out of the way,'" he said.

"To me, they're checking all the boxes," he said. "I know there's some people that are worried that all the commerce will leave downtown and head back out to the mall like it did in the late '80s, but I don't really see that happening."

Flagg thinks visitors will see the casino area as an extension of downtown; the two are on the same road, less than 3 miles apart, with a busy commercial area in between.

Maggie Elliott, the executive director of Believe in Bristol, the downtown marketing group, has heard that kind of talk among her members.

"That concern is absolutely valid," she said. "In a traditional business model I know that we've seen, they don't necessarily want the guests to leave the headquarters or the casino compound. The longer people stay in the casino, or the restaurants or shops within the casino, obviously the more money that they receive."

Downtown Bristol has become an arts and music hub, with the opening of venues like the Paramount Bristol and the Cameo Theater. Photo by Megan Schnabel.

But the fact that Hard Rock has partnered with entities like Believe in Bristol and the Birthplace of Country Music has alleviated some of her worries, she said. "From the get-go they have been very community-focused," she said.

Downtown Bristol has seen a resurgence since the 1990s, with the opening, or reopening, of music and arts venues, the development of housing, and the arrival of new restaurants, shops and two hotels.

"Downtown Bristol is charming," Elliott said. "And even if people don't realize it's here, once they find it, it's also hard to leave downtown and to not be drawn back to the environment downtown."

The idea of running shuttles between the casino and downtown has come up repeatedly, she said, and she thinks a service like that eventually will be available.

She knows that Hard Rock executives have visited downtown merchants to talk about collaborations like the one they've built with Southern Churn. She thinks some owners might wait to make any decisions until they can see the casino in action, but she said she wouldn't be surprised to see more local businesses working with Hard Rock later on.

Between 600 and 700 people have been hired to staff the temporary casino, and Evangelista has said she anticipates the need for 1,200 to 1,500 employees once the full facility opens in 2024. Hard Rock has said that average employee compensation will be $46,500, a figure that could include tips in some job categories. The median household income in Bristol, Virginia, is $39,679; on the Tennessee side, it's $42,067.

"I feel like we're doing extremely well, considering the environment of hiring and recruiting for everyone else across the country," Evangelista said.

With unemployment at just 3.1% in May in the Kingsport-Bristol metropolitan statistical area, and with local employers already struggling to find workers, "there's a concern across the board" that small businesses will find it even harder to hire, Elliott said.

A 2019 study about the impacts of legalizing casino gambling in Virginia, conducted by the Joint Legislative Audit and Review Commission, pointed out that many people hired by the state's new casinos would already be employed locally and would simply be leaving one job for another. Additionally, some prospective local workers, including some who are currently unemployed, might not be able to pass the stringent background checks required of would-be casino employees, the study said.

Elliott believes that Bristol will figure out how to make it work.

"We're excited for it, and we're optimistic and can see the significant benefit," she said. "If there's any woes, it's just what we don't know yet. Bristol has adapted in different ways before and we'll adapt to this as well. But I think it's all good and beneficial for our existing downtown."

* * *

Nods to Bristol's musical heritage dot the city's downtown. Photo by Megan Schnabel.

Just three years before the casino referendum was held, Bristol was deemed the most fiscally distressed locality in Virginia by the state auditor of public accounts.

The city was saddled with more than $100 million in debt, due in part to financial problems with its landfill and to the sale of tens of millions of dollars in bonds to fund a massive commercial development called The Falls that remained largely vacant.

The city's challenges have been demographic as well. As with most localities in the Southwest corner of Virginia, Bristol has watched its population drop over the decades; it now stands at just over 17,000, down 4.4% since the 2010, and from a 1980 census peak of 19,000. About 22% of its residents live in poverty, compared to 9% for the state as a whole. (Bristol, Tennessee, with a population of almost 27,000, has gained about 3.1% in population since the 2010 census.)

Bristol is no longer on the state's financially distressed list, but City Manager Randall Eads still preaches caution.

While he called the casino project "probably the largest economic development project south of Roanoke in modern history" – and noted that it was funded by private investment, not local incentives – he urged the Bristol City Council to not factor any casino-related tax revenues into the 2022-23 budget, which took effect July 1.

It seemed "somewhat irresponsible," he said, to start spending money that hasn't been made yet.

Assuming the city does start to see revenue increases that it can tie to the casino, Eads said he'd like to see a significant portion of the new money put toward paying down debt, and the rest toward capital and staffing needs.

He's already predicting that Bristol will need to increase its police, fire and rescue staffing.

"Our No. 1 responsibility is to give any business an opportunity to come here and thrive," he said. "And we need to support them in any sort of endeavor to do that." With the casino project, that means providing the public safety services that are needed to make patrons feel safe and welcome, he said.

"We're going to have a significant number of people coming into the city, especially once the full casino opens, and we need to be prepared for that," he said. "Anytime you have more people in an area, you're going to have more crime."

Bob McNab, director of the Dragas Center for Economic Analysis and Policy at Old Dominion University, said the literature bears out Eads' prediction.

The impact on crime is one of those points that tends to be overstated or understated depending on your position about casinos, he said. But his team, which included a chapter on gaming in its 2021 State of the Commonwealth Report, did find that crimes such as robbery, prostitution and fraud tend to increase around casinos, as do interactions with people who have substance abuse and gambling problems.

Flagg has heard the concerns about whether the casino will bring influx of drugs or prostitution or other crime, and he thinks they're overblown. Lottery ticket sales and skill games have already proliferated around the region, he said; in his opinion, the casino will be a big step up.

"This is a Hard Rock casino," he said. "This is the high end of it. … These people are coming in to spend money. Bring it on."

Just how much money the city and its businesses stand to gain remains a subject of much discussion around town, but it's not an easy figure to determine.

A study conducted in 2018 by a private consultant at the request of the casino developers and the JLARC study a year later done by the state were intended to assess the impacts, financial and otherwise, of casino projects in Bristol and elsewhere in Virginia. But both were dealing with significant unknowns; the earlier study was conducted before there was any public discussion of casinos in other parts of the state, and neither study could accurately say how large the Bristol casino would end up being, or who would run it, or what the state would set as its gaming tax rate.

They agreed that a casino would create additional local tax revenue, but their predictions ranged from $3.7 million to $28 million a year. Same with annual casino revenues (up to $169 million, or up to $890 million) and job creation (1,100, or 5,200).

Because of the pandemic, rising interest rates, supply chain issues and worldwide inflation, those predictions from four years ago are even less reliable today, and the developers say they're still refining both attendance and revenue projections based on changing economic factors.

Further muddying their math: Early forecasts looked at the impact of a full casino and resort complex, not the kind of temporary casino that opened this week in Bristol.

But Martin Kent, president and CEO of The United Company, said they're aiming for 3 million to 4 million visitors a year once the full resort opens in two years. He said he hasn't seen recent revenue projections, which are still being fine-tuned; the 2019 JLARC study estimated total gaming and non-gaming revenue at up to $169 million annually.

Knowing how much new money will come into Bristol depends in no small part on knowing where casino visitors are coming from – and how they normally spend their discretionary dollars.

In the language of economists, it's a question of additionality vs. displacement: Are people from outside the area bringing in new money – money that wouldn't otherwise have been spent in the region – or are casino visitors just reallocating dollars that otherwise would have bought a burger and a beer at a local restaurant?

"That's one of the dangers of casinos," McNab said. "People point to casino revenues and go, 'Look at all the money that's being spent at this casino,' not recognizing that money is taken away from local businesses, bars, restaurants, movie theaters and other establishments."

The Dragas report estimated that if no displacement occurred related to the Bristol casino – if every dollar spent was brand-new money – then the casino would add $88.5 million to the local gross domestic product annually. Factoring in a likely level of displacement, that becomes $66.4 million.

The 2019 JLARC report found that the biggest beneficiaries from casino visits – aside from the casinos themselves – tend to be budget hotels for customers who want less expensive accommodations, and gas stations that cater to customers buying fuel for their drive.

Only a small portion of casino customer spending occurs at businesses outside of the casino, the study said. A majority of estimated new local tax revenue associated with the state's casinos would be generated by the casino developments themselves, rather than from additional spending by casino customers at other local businesses, the study found.

The Bristol developers point out, though, that while everyone refers to the project as "the casino," once the full complex opens in 2024 it will actually be as much a music venue as a gaming center, with an amphitheater and a Hard Rock Live that will host concerts and other entertainment.

Hard Rock's long history with the music industry made it a particularly good fit for Bristol, Eige said. In fact, he said, he suspects that it contributed to local voters' support.

"I think in part because they understand the totality of this project – it's much more than just a casino on the side of a road," he said.

In 1927, Bristol was the site of what would become known as the "Big Bang" of modern country music: the Bristol Sessions. Over the course of almost two weeks that summer, a visiting record producer recorded acts including future superstars Jimmie Rodgers and the Carter Family, setting the stage for a broad commercialization of the genre.

In 1998, Congress designated Bristol as the "Birthplace of Country Music" in recognition of the Bristol Sessions.

Today, murals and business names – like The Sessions Hotel – celebrate the region's music heritage. Bristol has hosted the annual Rhythm & Roots Festival for more than 20 years, and downtown, the

Birthplace of Country Music Museum, an affiliate of the Smithsonian Institution, stands several blocks from the site of the 1927 recording sessions.

“There’s going to be a lot of synergy to be had in the world of music between Hard Rock and the city,” Del. Israel O’Quinn, R-Washington County, predicted.

Kent agreed.

“The economy of our region is totally in transformation,” he said. The United Company, which started life decades ago as a coal mining interest, is a microcosm of that in its efforts to diversify, he said. “And Bristol, separate and apart from us, has already been going down the road of diversification, and particularly into the entertainment sphere.”

He sees Bristol reliving some of its early days, with its renewed focus on the region’s music. He hopes the Hard Rock will help the city to facilitate that – to “reestablish its roots once again,” he said.

* * *

Charlene Mullins and her business partner moved Sugar Salon to its current site three years ago, after their previous building was sold. Now she's worried that she'll have to move again as real estate near the casino site becomes more sought-after. "There'll be nothing for us from this casino, as far as business," she said. "It'll just be the headache of traffic, and are we going to be sold or not sold." Photo by Megan Schnabel.

Charlene Mullins can see the Catherine Street traffic light from her hair salon, on the other side of Gate City Highway from the mall.

She wonders what traffic will look like when there's a big show at the amphitheater, or when multiple venues at the Hard Rock are hosting simultaneous events.

Even more, she wonders if she'll be around to see for herself.

Mullins and her business partner opened Sugar Salon here three years ago, after the salon's previous home went up for sale. She estimates that they've put about $20,000 worth of upgrades into the building.

Now she's afraid that the casino will make nearby real estate so much more valuable that property owners like her landlord will be tempted to sell.

"We only rent the building, so now we're looking at, are we going to be homeless again?" she asked.

The owner of the building, a local doctor, didn't respond to a message left at his medical practice.

Even if they're able to stay, Mullins doesn't think the salon will get much of a boost from the casino. She already has a stable base of clients, many of whom live in the neighborhood. Mullins herself lives two blocks away and has already seen two nearby houses turned into short-term rentals.

"There'll be nothing for us from this casino, as far as business," she said. "It'll just be the headache of traffic, and are we going to be sold or not sold."

She didn't vote for the casino in the referendum, she said. She has grandkids, takes in foster kids, just adopted a child. "I don't want a bunch of drama," she said. "Am I against it? No. You can do what you want to do on your time." She just thinks the mall site is too close to residential neighborhoods.

"People might love it until it's in your backyard," she said.

She wonders whether the city will provide any kind of financial assistance to businesses that are displaced by casino-related development. Eads said he's not aware of any discussions about how, or even whether, to do that.

"This is what capitalism is all about," he said. "You have opportunities to make significant changes in your community with economic development projects, and sometimes there are unfortunate instances where current landowners decide to capitalize on the fact that their property values have increased significantly. If they do so, that's really out of the city's control."

He said he hopes that business owners will find a way to take advantage of the increased traffic – that they will learn how to market themselves to casino visitors.

"Because we're not going to have this opportunity again, with this type of economic development project," he said.

Just across the parking lot from Sugar Salon is Lucky Lady Gold & Jewelry Exchange, a shop that buys and sells jewelry.

Adam Trotter opened it in August, six months after he first noticed the construction at the mall site. He was only able to get a two-year lease, but he decided the risk was worth it to be so close to the casino.

He said his landlord – the same doctor who owns the Sugar Salon property – indicated that he wasn't interested in selling the property.

Adam Trotter opened Lucky Lady Gold & Jewelry Exchange last summer in a small shopping center near the casino site. He was only able to negotiate a two-year lease, but he said the risk was worth it to be close to the casino. Photo by Megan Schanbel

Trotter said he wouldn't blame the owner for considering high-dollar offers. But there's a lot of other buildable land nearby, he said, which could take some of the pressure off. And with financing as expensive as it is right now, he just doesn't spend much time worrying about being displaced.

"Does it concern me? Not that much," he said.

A few blocks away on Veda Drive, Brian McDavid was clearing brush and watering plants in the yard of the four-bedroom, two-bath house he bought about a year ago and had just finished converting to an Airbnb.

McDavid, who lives in Kingsport, has three short-term rentals in Bristol now, and his son has another two, all because of the casino.

He paused to survey the neighborhood, pointing out which homes had recently sold, and which ones were being converted to short-term rentals.

Brian McDavid lives in Johnson City but owns three short-term rentals in Bristol. The newest one, which he's named Lucky Lady, backs up to the casino site. The surrounding neighborhood has seen multiple homes sell in the last year and a half. Photo by Megan Schnabel

"There's a lot of renovations and remodeling going on on this particular street," he said. He gestured toward the backyard, which offers a sweeping view of the new casino site. "With this opening up, I think everyone's expecting there to be quite a bit of business and people coming to town."

As homeowners look to decamp to quieter neighborhoods, aspiring Airbnb hosts who want to capitalize on the anticipated millions of casino visitors have been happy to snap up the houses they're leaving behind, at prices well above the assessed values.

"The housing market is tough right now," said Misty Clarke, the Realtor who recently saw her Veda Drive listing go under contract in just two days. "There's not a lot of inventory, and there's a lot of buyers. I have seen as many as 18 offers on one house."

That can't all be attributed to the casino, of course; Bristol, like much of the country, has seen housing demand, and prices, skyrocket. Eads said a lack of new housing construction that goes back two decades has been a primary driver in the crunch.

But as owner-occupied houses and rental units are turned into Airbnbs to satisfy lodging demand, the shortage will become more acute.

The shortage extends to rental housing, said Melissa Hall, president of the Bristol Tennessee/Virginia Association of Realtors. She's heard about waiting lists for apartments; her own daughter had to wait six months to get a rental in nearby Johnson City, Tennessee.

Eads said there are a couple of large housing developments that are in the early stages on the Tennessee side of the city, and he expects at least one, if not two, to take shape on the Virginia side of Bristol. Surrounding Washington County could see growth, too, he said.

The city recently sent letters to property owners around Veda Drive, asking for opinions about whether the neighborhood should be rezoned to allow for commercial development. Several rezoning requests – including the one for the 30-room hotel – had already come in, said Jay Detrick, the city's director of community development and planning.

He expects this part of the city to be a big focus of upcoming revisions to Bristol's comprehensive plan, which was last updated in 2017.

"It's not just the casino," he said. "It's all of what could pop up around it – the new development that we are anticipating in that area, and even in other areas.

"Five to 10 years from now, I think the area will look very different, on Gate City Highway. How will it look, I'm not sure. But there'll be a lot of different things going on out here."

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ɔck Casino in Bristol. Courtesy of Hard Rock.

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Much of the talk about the casino project has focused on how it will affect the city of Bristol, on both sides of the state line.

But some see a potential for the larger region to capitalize on the potential for increased tourist traffic.

"We don't want them to just stay in Bristol – venture out to Abingdon or Jonesboro," Hester said. "There's so many places to go."

She hopes that the casino will encourage visits from people who wouldn't otherwise have come to the Bristol region. Then they'll see just how much the area has to offer – including, but not limited to, its NASCAR and music heritage.

"Obviously a lot of folks think Roanoke is as far south as Virginia comes, or even Richmond," she said. "But we are so blessed in this area that we live in. It's beautiful here. We have beautiful four seasons, we have a lower cost of living, we have outdoor activities – hiking, biking, fishing, you name it. We're rich in natural resources and so many activities for people to do. … Once folks come and explore our area, they really see what we have to offer."

Eads said that any time he went to Richmond to talk to legislators about the casino, the conversations were about Southwest Virginia as a whole.

"Southwest Virginia has been hurting economically for years," he said. "We needed a catalyst to help us get things moving again. And I think Hard Rock is just one piece of that puzzle."

He hopes that the new job opportunities will give young people a reason to stay, or a reason to come back with their families. He thinks the region could capitalize on the casino to recruit other types of businesses that support the gaming industry.

"We can really use this to our advantage if we do it right and really promote what Bristol and Southwest Virginia is about," he said.

In fact, a provision of the state law that made the Bristol casino possible also gave it a unique status as a regional economic driver.

The legislation created the Regional Improvement Commission, a revenue-sharing mechanism that's unique to the Bristol casino project. Under this provision, the portion of the state gaming tax that would otherwise be earmarked for the host city will instead be shared among the 14 localities of the Bristol transportation district, which runs from Bland County to Lee County.

Using the JLARC estimate of $130 million in annual gaming revenues, that pot would equate to about $7.8 million, or $557,000 for each of the localities. The money can be used in three broad spending areas: education, public safety and transportation.

"We'd said all along that we wanted the casino, if it was approved by the voters, to be something that lifted the entire region economically," said O'Quinn, who, with then-Sen. Bill Carrico, R-Grayson, introduced the initial Bristol casino legislation in Richmond.

"You can't have one locality booming and the locality next door struggling," he said. "It's all going to bleed over and everybody's going to feel the negative impact. If there's a way that everybody can partner together and make good things happen, it seems like that's something that people in our area have been willing to do."

Eads said Bristol agreed to the idea.

"Southwest Virginia's unique in the fact that we're losing population, and we're unique in the fact that economic development projects of significant size are relatively hard to come by in our region," he said.

"So in order to help other communities across our area that need significant financial assistance, we chose to help out our region. Our region is going to be stronger working together than working against each other, and this is just one of those opportunities where we can all come together in Southwest Virginia and hopefully use the gaming tax for the good of the region."

CARDINAL NEWS
SERVING SOUTHWEST AND SOUTHSIDE VIRGINIA

ECONOMY

Virginia is studying whether to open a second inland port. Here's what inland ports are and why they matter.

In the three-plus decades since the Virginia Inland Port opened in rural Warren County, economic development has followed. A study underway right now will look at whether it makes sense to open a second inland port near Lynchburg or Bristol.

by **Megan Schnabel**
December 6, 2022

The Virginia Inland Port in Warren County. Courtesy of Port of Virginia.

Want more news from Southwest and Southside? [Sign up for our free daily email newsletter.] We now have [a weather newsletter, too].

Lee Cranford stood on a grassy rise behind his office at the Virginia Inland Port and pivoted slowly, pointing into the near distance toward one massive building after another.

Interbake. Sysco. Ferguson. Nature's Touch. Toray. Axalta. Family Dollar. The companies trade in products as varied as frozen foods and plumbing supplies, but all rely on overseas markets – and all have found a perhaps unlikely international hub in rural Warren County.

Lee Cranford, who manages the Virginia Inland Port, figures that 90% of the companies that use the terminal are within a 30-mile radius. "We have a personal relationship with our customers," he said. "They're our next-door neighbors." Photo by Megan Schnabel.

The Virginia Inland Port opened near Front Royal more than 30 years ago and commerce has followed, as manufacturers and distributors have sought inland access to one of the largest ports on the East Coast: the deep-water harbor at Norfolk, with its steady stream of ocean-going cargo ships.

Trains carry cargo the 220 miles between the coast and the inland port, allowing customers to build warehousing and production facilities on less expensive land and reduce their reliance on trucks, while at the same time easing congestion at the busy Hampton Roads marine port.

Cranford, who grew up in the Shenandoah Valley and moved back several years ago to manage the inland port, figures that 90% of the companies that use the port are within a 30-mile radius. "We have a personal relationship with our customers," he said. "They're our next-door neighbors."

The Virginia Port Authority, which built and operates the Front Royal terminal, estimates that it has brought more than 8,500 jobs and more than $950 million into the region over the last three decades, and it counts 46 "major companies" in the area as port users.

That success has led to several attempts over the years to launch another inland port in Virginia. None has succeeded, but another effort is now brewing: The General Assembly set aside [$200,000 in the current state budget] to study the feasibility of opening an inland port near either Lynchburg or Bristol.

The study, which was due by Nov. 1, has been delayed but should be delivered any day, according to a spokeswoman for the Virginia Economic Development Partnership.

State Sen. Steve Newman, R-Bedford County, introduced the budget amendment that funded the study. Through his staff, he declined to discuss the inland port issue until the report is complete.

* * *

The Virginia Inland Port opened in 1989. It's widely considered to be the first of its kind in the nation. Photo by Megan Schnabel.

Inland port brings a transportation hub and an economic engine

People who visit the Virginia Inland Port for the first time tend to be underwhelmed, Cranford said.

It's called a port, but there's no big water on the horizon, no giant robots moving containers around, no hulking cargo ships or tugboats.

"But the beauty really is in the simplicity," said Cranford, who worked at the Norfolk port for several years before taking the job in Warren County.

Six days a week, Norfolk Southern trains deliver tons of raw materials and finished goods to the Virginia Inland Port from the deep-water harbor at Norfolk. Monday through Friday, southbound trains pick up containers – some full of agricultural or timber cargo, some empty – for the trip back to the coast.

The Virginia Inland Port employs just 13 people, including Cranford. They load and unload containers from the train to the port's fleet of chassis and back, keep the cranes and other equipment running, log shipments into the port-wide computer system. A vendor based at the terminal handles maintenance for the chassis and can repair shipping containers.

Customers send their own truck drivers to the inland port for pickups and deliveries. Containers coming off the trains are loaded onto the port's own fleet of chassis, so drivers don't have to wait around to be loaded – they just hook up and drive away. That helps keep traffic moving quickly, Cranford said, and was a boon during the pandemic supply chain mess, when a shortage of chassis contributed to delivery delays.

Cargo volume at the Virginia Inland Port

Number of containers handled at the facility in Warren County:

2022 (as of October): 21,923

2021: 31,282

2020: 28,493

2019: 34,121

2018: 38,540

2017: 35,738

Source: Virginia Port Authority

The industry standard for trucker turn-time – how long it takes a driver to get into a facility, get their container and get it out the gate – is about 60 minutes. At the Virginia Inland Port, it's a fraction of that, he said.

"Here, it's so low we don't even have to track it," he said. "A trucker can bring a box in, get another box and be out the gate in 15 minutes if he hustles."

Because of that, and because most of the inland port's customers are so close by, Cranford sees the same 30 or 40 truck drivers over and over. “One of these guys can make 10 runs back and forth to Winchester and be back at home in time for dinner,” he said. That's a selling point for customers, he said, especially when truck drivers are in short supply.

The Virginia Inland Port, which cost about $10 million to build, is widely considered to be the first of its kind in the U.S. Its original mission when it opened in 1989 was to capture Shenandoah Valley cargo that was going through the Port of Baltimore and divert it to Norfolk.

What actually happened came as a surprise, even to the port authority, said spokesman Joe Harris.

“At the time, it was a competitive move. We didn't realize it was going to be an economic driver,” he said. “I don't think we had any idea that was going to happen.”

Source: Virginia Port Authority

The Virginia Inland Port in Warren County serves customers from up and down the Shenandoah Valley and beyond. Some of the terminal's biggest users are in the localities noted above.

When the potential became clear, the port authority started working with Warren County to encourage development around the new inland port. "This has been more than 30 years in the making, and it's still changing," Harris said.

Manufacturers and logistics companies began to congregate around the inland port, drawn by the region's inexpensive land and ready workforce – and the fact that they could take advantage of easy access to a deep-water harbor and to Interstate 81, a key north-south shipping route.

Whoever chose the 161-acre Warren County site was "an absolute genius," Cranford said. It's 6 miles from the intersection of interstates 66 and 81, and just a quarter-mile off Norfolk Southern's 2,500-mile Crescent Corridor, which runs between upstate New York and Memphis or New Orleans.

It's difficult to come up with an exact measure of the inland port's economic impact; the investment and jobs are spread across multiple localities, and much of the growth has come from businesses that have sprung up to support the port's customers. Even the port authority's numbers – 8,500 jobs and more than $950 million in investments – are just estimates.

But local economic development officials and business leaders say that the inland port has been key to attracting new businesses and helping existing companies grow.

"Has the Virginia Inland Port had a positive impact on the economic viability of that part of the state? It absolutely has," said Chris Thompson, vice president of business development for InterChange Group, a Harrisonburg-based logistics company that provides warehousing and transportation services.

In the mid-2000s, InterChange bought land adjacent to the inland port and built a facility to serve port customers who needed to move imported cargo onto domestic trailers, or vice versa. While InterChange later ended up leasing the entire building to a customer that doesn't use the port, the company maintains a fleet of trucks that service other port customers, Thompson said.

"I know when people are looking here, that's one of the big things they look at – how can they utilize that asset here to their own economic benefit," Joe Petty, the director of economic development for Warren County, said of the inland port.

"The port is always in the forefront of that discussion as this great amenity and asset that we have," he said. "Bringing essentially a port system 200-plus miles inland has just been so beneficial to us."

A recent example: Equus Capital Partners, a Philadelphia-based real estate developer, last year broke ground on a 340,000-square-foot warehouse with 34 loading docks that's just a half-mile from the inland port. A year later, before the building was even complete, Equus said that a Fortune 500 company had signed a 10-year lease for the entire facility.

The tenant's name hasn't been publicly disclosed, so its particular interest in the site is unclear. But the news release announcing the project laid out what Equus saw as the location's selling points: "Industrial space in close proximity to ports (both ocean ports and inland ports) is very desirable to users who import product from overseas and distribute throughout the U.S.," it said, and continued: "Real estate taxes and traffic flow in the region are favorable as compared to submarkets located along I-95."

But the port hasn't just helped the region attract new businesses, said Jay Langston, executive director of the Shenandoah Valley Partnership, a regional economic development entity. The Shenandoah Valley has a long history of food manufacturing, he said; the inland port gave existing companies new ways to deliver their products and opened up additional markets.

Petty pointed to Nature's Touch Frozen Foods, which last year said it would invest more than $40 million to expand its existing Warren County operations with a new 126,000-square-foot facility and 67 new jobs.

"It's not just bringing in new jobs," he said. "It's allowing your existing businesses and companies to expand and stay within your area."

Langston cautioned, though, that even in the Shenandoah Valley – a place "blessed with happenstance" thanks to its location – the development around the inland port didn't just happen.

"An inland port isn't going to be successful unless you have the supporting infrastructure," he said. "An inland port in and of itself isn't going to do anything. It's got to be supported and it's got to be in the proximity of a market that makes sense."

It's taken coordinated work on the part of local governments, he said.

"If it's purely a facility that's just going to be inbound and outbound containers, well, basically your economic development potential is very minor," he said. "If you want to use it as an asset, though … you need to know who's shipping and where are they taking it from, and then plan your infrastructure accordingly for that."

What kinds of companies use inland ports? he asked. What kind of sites do they prefer? How about infrastructure? What should zoning look like?

"It doesn't come without a lot of planning, a lot of foresight – thinking where do you want to be 10 years down the road," Langston said. "It makes it look like this has all happened because of the inland port. Well, a lot of it has, but it's been 25 years."

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Six days a week, Norfolk Southern trains bring cargo to the Virginia Inland Port from the marine port at Hampton Roads. They make the trip back to the coast five days a week. Last year, 31,282 containers moved through the inland port. Photo by Megan Schnabel.

Pandemic shipping woes and a move away from China turn attention to East Coast ports

The shipping landscape has changed dramatically since the Virginia Inland Port opened nearly 33 years ago. Dozens of inland ports of varying designs now handle cargo across the U.S., with more on the way. Close to home, South Carolina and Georgia – both economic development competitors to Virginia – each have multiple inland ports.

Some of these ports have grown up around one or two anchor customers, like Inland Port Greer in South Carolina, which counts the nearby BMW and Michelin plants as anchor customers. Others have been developed to relieve pressure at marine ports, or to serve as economic development boosts, or to take trucks off the road.

The mid-pandemic supply chain crisis made shipping an even more critical issue for anyone doing business with overseas suppliers.

"The general public has become much more aware of shipping and logistics," said Thompson, of InterChange. "We've been invisible for a long time. There's not been a lot of thought into what happens from where things are made to where things are consumed. But there's a very complicated and well-developed network that functions there – again, sort of invisibly."

East Coast ports in particular have seen growing interest from shippers who are increasingly unwilling to rely on West Coast ports after watching container ships stack up for weeks at the ports of Los Angeles and Long Beach.

"COVID taught a lot of people a lot of things," Harris said. "The East Coast is capturing more of the West Coast's market share. The cargo owners and shippers and 3PL [third-party logistics companies] – they've all realized that the East Coast is very efficient, there's a lot of good ports over here, and there's no sense in having all of our eggs in the West Coast basket."

That dovetails with a growing desire to wean the U.S. from reliance on Chinese imports. As American companies shift away from China and toward other trading partners, East Coast ports are reaping the benefits, said Walter Kemmsies, managing partner at the Savannah, Georgia-based Kemmsies Group, which consults on transportation and logistics projects. Cargo coming from places like India, Vietnam and Indonesia can travel through the Suez Canal to the East Coast, rather than to Los Angeles.

Harris, the port authority spokesman, doesn't foresee a massive shift of cargo back to the West Coast. But the Port of Virginia and its competitors on the East Coast have to figure out how to hold onto the cargo they've picked up over the last couple of years.

That's where facilities like the Virginia Inland Port and the authority's James River barge terminal in Richmond come in, he said. "When you have things like inland ports and modern facilities and expansion plans – not just plans, but the money to do it – that sends a real signal that hey, Virginia's ready," Harris said. "And we're going to be ready for years."

Over the last five years, between 28,500 and 38,500 containers have moved through the inland port annually, according to data from the port authority. So far this year, cargo is down by about 20% compared to last year, Harris said; as of October, the total was 21,923 containers. In 2021, the inland port posted a increase in cargo of almost 10% over the previous year.

(For comparison, last year the Port of Virginia as a whole handled about 2 million containers, up nearly 26% over the previous year.)

"Cargo is always kind of up and down," Harris said. "COVID was crazy. The nation, the industry is probably heading into a down phase for the next four to six months. But we're confident it'll pick back up."

So confident, in fact, that the port authority is going ahead with a planned $23 million in improvements at the inland port. Just over $15 million will be used to double the amount of track inside the port and to buy rubber-tired gantry cranes that can stack containers five high, to maximize storage space on the site. The remainder of the funds will go toward improving a railroad crossing outside the borders of the port property.

The port authority also is investing more than $1 billion to expand operations at the harbor, Harris said. "The goal is to always be ahead of the future," he said. "We're not talking two or three years, we're talking two or three decades. … If you're not investing and getting ready for whatever may be next, you get caught flat-footed."

* * *

The inland port leases space to Allegheny Exports, which prepares logs for shipping. Most of the cargo that leaves the inland port for Norfolk is agricultural. Photo by Megan Schnabel.

Should Virginia have a second inland port? If so, where?

This isn't the first time that legislators and business leaders have explored the idea of opening a second inland port in Virginia.

In 2006, Norfolk Southern pursued an intermodal project at Elliston in Montgomery County. In 2017, state Sen. John Edwards, D-Roanoke, proposed the idea of an inland port in the Roanoke-Blacksburg region. Around the same time, a study was commissioned to look at whether an inland port could be sited in Pittsylvania County.

None of those previous attempts succeeded.

Newman initially sought $100,000 from the state to study the feasibility of an inland port in the Lynchburg area. By the time the state budget was finalized, that figure had been raised to $200,000, and the study area had been expanded to also include the region between Bristol and Wytheville.

According to the request for proposals, provided by the Virginia Department of Economic Development, the study would look at the potential economic impact of an additional port in Virginia, determine what factors would make a project attractive to a rail provider, and identify potential sites. The contract was awarded to Moffatt & Nichol, a consulting firm that specializes in the transportation and port sectors.

The batting average for new inland ports is low, warned Frank Harder, principal at the Tioga Group, a freight transportation and logistics consulting firm.

"Most of the time, when people investigate markets, it turns out to be a negative result," he said. "You need to be really careful about your commercial market assessment."

Nor should an inland port be expected to be an overnight success, said Kemmsies, who was on a team that made a bid for the Virginia study. It can take years – even decades – for an inland port to break even.

What happened to the Montgomery County intermodal project?

In 2006, Norfolk Southern proposed building an intermodal facility in eastern Montgomery County, where cargo could be transferred between railcars and trucks. The $35 million project would have been funded in part with state money.

The plan initially had the support of nearby local governments. But facing community opposition, Montgomery County later pulled out. It argued that a freight yard was incompatible with development plans for the area, and it sued to stop state funds from going toward the project.

The case eventually made its way to the Virginia Supreme Court, which in 2011 ruled against Montgomery County. But by that time, the projected cost of the terminal had nearly doubled and the economy had changed.

Norfolk Southern acquired some of the property it needed for the project but hasn't done any recent work on the site.

The first few years were a struggle for the Virginia Inland Port, Harris said. It racked up losses its first few years, according to reporting at the time.

"I'd say it has taken 25 years to mature and there is still a lot of growing to be done," Harris said.

As inland ports have increased in popularity, there have been failures.

The $32 million Heartland Intermodal Gateway opened near Huntington, West Virginia, in 2015 but was shuttered just a few years later; state officials said at the time that the terminal hadn't been able to meet the cargo volume required by Norfolk Southern.

At one point, West Virginia approached the Virginia Port Authority about running the facility, Harris said, but it didn't make financial sense. It went up for auction in 2020 but didn't sell. This summer, the state transferred ownership of the terminal to the Wayne County Commission; its future has not been determined.

Railroads play a key role in the success of inland ports, and they generally need a guarantee that a specific route will be viable, Langston said. A railroad isn't going to set aside cars and an engine unless it knows it's going to have the volume to make it work, he said.

Railroads will take on shorter runs today than they used to, Kemmsies said, but not without high enough cargo volumes – or, lacking those volumes, a subsidy to cover the shortfall.

An inland port in the Lynchburg region could potentially be served by either Norfolk Southern or CSX. The Bristol area is served by Norfolk Southern.

Neither railroad would comment directly on the General Assembly's current study, but spokespeople from both companies said inland ports play a role in how they serve customers.

"Generally speaking, inland ports allow us to be more efficient, diversify our supply chain offerings, increase our ability to improve speed-to-market, ease congestion on heavily-traveled roads, and help reduce the US economy's carbon footprint," Norfolk Southern spokesman Connor Spielmaker said in an email. "We're looking forward to the positive role that inland ports will continue to play in our long-term business objectives."

"For CSX, the creation of inland ports can enable us to connect to global markets that would otherwise be served by trucks," railroad spokeswoman Cindy Schild said in an email. "The development of inland ports has an added benefit for port authorities and communities by alleviating congestion and reducing emissions from truck traffic at ports."

Harder believes there's "probably" room for additional inland ports in the Southeast region. But a careful market study would need to be done to determine, among other factors, where competition would come from, he said: Would a second inland port in Virginia be competing with South Carolina for Charlotte's cargo traffic? If West Virginia restarts its inland port, where might it draw customers from?

The budget amendment is silent on what happens once the study is complete.

Megan Lucas, CEO of the Lynchburg Regional Business Alliance, said her group and others have been advocating for years for an inland port in their region, and she credited Newman with getting the conversation going at the state level.

She's eager to proceed, she said, once she knows what comes next.

"What is the path forward?" Lucas asked. "If the feasibility study comes back and says neither location is feasible, or the Lynchburg region is more feasible, what are the next steps? That's what we're unclear of, is what happens then. …

"But rest assured, if it comes back and says the Lynchburg region is feasible, we will take that bull by the horns and run with it."