



**INDUSTRIAL DEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT APPROVAL POLICY**

[Insert Date Approved]

EXECUTIVE SUMMARY

The Bristol Virginia City Council discussed the overall economic development direction for the city and the importance of having an Industrial Development Authority (IDA) Board of Directors' Economic Development Approval Policy for awarding economic development projects. City Council emphasized the need for a cohesive document that would give continual advice to City Council, employees, commission, and board members in regard to economic development within the city. From those discussions, City Council wanted to see in the policy, "a metrics of how economic funds are awarded, and a method to choose financially feasible projects."

The Industrial Development Authority (IDA) utilized documents from the Bristol, Virginia Office of Economic Development, Bristol Virginia Utilities Authority (BVUA), the Economic Development Incentive Program of Bristol, Tennessee, the Washington County, Virginia Department of Economic Development, and numerous economic development strategies to create a draft policy template that would be the framework for developing a review policy, with City Council having final approval authority.

The policy is structured on seven areas subjects: **(1)** Applicant Requirements, **(2)** Target Activities, **(3)** Eligible Projects and Activities, **(4)** Ineligible Projects and Activities, **(5)** Questions IDA Board Members Should Consider When Reviewing Applications, **(6)** Application Process and Review, and **(7)** Conflict of Interest Form. The policy includes a listing and description of the economic development incentive programs available through the City of Bristol, Virginia, BVUA, TVA, State of Virginia, and Federal Incentive Programs.

City of Bristol Virginia Economic Development Incentive Structure

The City of Bristol, Virginia's Economic Development Office promotes a variety of incentive programs designed to obtain improved quality of life, a healthy balance of economic growth, and business retention and facilitation of private development. The city **may** offer incentives to those businesses that choose to locate within our city limits. The strong partnerships with both Bristol Virginia Utilities Authority (BVUA) and the Commonwealth of Virginia allow joint strategies in developing rich and bold incentive programs to help stabilize new and existing businesses. The Economic Development Office will identify available incentives and provide a letter of understanding which will clearly state the city's offer and what the city will expect in return.

The Industrial Development Authority (IDA) evaluates performance based grants for economic development projects. Award amounts for performance grants are guided by the project's estimated fiscal benefit to the City of Bristol, Virginia, (equipment, land, building). The value of these incentives are related to the company's business, capital investment and number of created or retained full time jobs. The performance grants are awarded starting in year two and are paid out over a customized performance period. IDA recommended performance grants may be awarded when the City of Bristol, Virginia faces active and realistic competition with another jurisdiction for a business attraction or expansion project. All requests for economic development incentives are to be discussed and approved in public and not in executive sessions.

INTRODUCTION AND OVERVIEW

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Economic development incentives, include a broad range of tools, non-financial and financial, ranging from expedited planning and permitting processes to direct or indirect funding. Cities often use these incentives to pursue specific economic goals such as tax base diversification, job creation, or business retention and expansion. Incentives are usually set by federal, state, local law or practice.

The use of economic incentives must be based on a policy that establishes parameters for their appropriate use in relation to the economic development goals of each jurisdiction. The incentive policy of Bristol, Virginia contains the following elements:

1. **Goals and Objectives.** Goals and measurable objectives create the framework for accountability in the use of economic development incentives. Those goals include: job creation, business retention and/or recruitment, target economic sectors, blight mitigation, improving economically distressed neighborhoods, and environmental improvements.
2. **Financial Incentive Tools and Limitations.** An economic development policy should define the types of incentives and the extent to which the jurisdiction will use them. For example, local governments may choose to provide incentives based on an assessment of individual business needs. It is also important to establish maximum funding for a particular program.
3. **Evaluation Process.** For the purpose of transparency and clarity, it is important for an economic development policy to outline what the evaluation process will entail. Evaluation activities and factors typically include:
 - a. How proposals are in alignment with established economic development criteria
 - b. A complete cost/benefit analysis
 - c. Consideration and analysis of the impact of a project on existing businesses
 - d. A determination of whether the project would have proceeded if the incentive is not provided
 - e. A list of required documentation for the economic development application and the officials who are a part of the review team
4. **Performance Standards.** An economic development policy should require that specific performance standards be established for each project receiving

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incentives. These performance standards help each location measure the effectiveness of its overall economic development program, but may also be used to recover promised financial benefits, through clawbacks or linkage agreements, of recipients failing to fulfill their commitments.

5. Monitoring and Compliance. This important process should establish regular monitoring of the economic development incentives awarded and the performance of each project receiving incentives. The policy should also provide for organizational placement and staffing of this activity. The monitoring process should examine performance standards relative to each economic development agreement and determine whether the goals for each project are achieved within the defined timeframe. Ongoing monitoring of these projects should become part of the overall economic development program.

6. Committee Members: Industrial Development Authority (IDA)

7. Final Approval: Bristol Virginia City Council

LIST OF INCENTIVE PROGRAMS

Available through City of Bristol

1. No Net-Loss Performance Based Incentive Program - A grant program that provides cash grants when employment objectives are met. In order to qualify for a cash incentive, companies have to agree to specific economic and job performance measures.
2. Property Tax Exemption/Reduction - Virginia does not tax intangible property, manufacturers' furniture, fixtures, and corporate aircraft. There is also no unitary tax on worldwide profits, and no state tax on real estate or tangible property. The state provides tax exemptions and reductions for certain industry uses such as agriculture, technology, manufacturing, and the film industry.
3. Land Grant - city controlled property may be leased/granted to qualifying prospects.
4. Sales and Use Tax Exemptions - Virginia offers some of the broadest sales and use tax exemptions in the US. Certain purchases and uses are provided exemption.

Available through BVU Authority (BVUA)

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1. BVU Electric System Funds - BVU is authorized to issue grants for qualifying projects out of local operating electric system funds. All grants are subject to TVA regulatory requirements. The business will submit an application directly to BVU for approval of BVU or TVA funds.
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 2. Tennessee Valley Authority (TVA). Business can submit applications through BVU for various TVA funded economic development programs.
 3. Valley Investment Initiative (VII). This program provides monthly electric credits applied to statements subject to applicant meeting program criteria.
 4. Economic Development Loan Funds (EDLF). This program provides low interest rate loan funds available for construction and acquisition costs.
 5. Consulting and Technical Service. This program provides technical assistance with site selection and design including, engineering and site planning economic analysis and market research.

Federal Incentive Programs

Foreign Trade Zone #204 operates under the Alternate Site Framework and has a service area in Virginia covering the cities of Bristol and Norton and the counties of Scott, Lee, Washington, Dickenson, Buchanan, Wise, and Russell. The Grantee of #204 is the Tri Cities Airport Authority.

- Reduces or eliminates customs duties
- Reduces paperwork and fees with weekly entry benefits
- Avoid inventory taxes and the hassle of duty drawback
- Save time with direct delivery

State of Virginia Incentive Programs

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The state of Virginia offers over 23 different incentive opportunities ranging from grants, rail improvements, and job training. The incentives available are Virginia's investment in its economic future and through the following cash grants, the state continues to show its willingness to invest in businesses who invest and reinvest in the Commonwealth:

- (1) Commonwealth Opportunity Fund (COF) - is a discretionary incentive to secure a business location or expansion project. Grants are awarded to localities on a local matching basis. COF requires that a company make a capital investment of at least \$5 million and create 50 new jobs. COF incentives are only based when Virginia faces active and realistic competition with another state for a business attraction or expansion project.
- (2) Virginia Economic Development Incentive Grant (VEDIG) - grant to assist and encourage companies to locate significant headquarters, administrative or service sector operations in Virginia. VEDIG requires an investment of at least \$5 million (or \$6,500 per job) plus job creation thresholds ranging between 300-400 jobs depending on wage.
- (3) Tobacco Region Opportunity Fund (TROF) - makes grants to localities in Virginia's tobacco producing regions to assist with specific projects that result in the creation of new jobs and investment. Grants are made to the community by the Tobacco Region Revitalization Commission that are based on criteria such as:
 - minimum capital investment of \$1 million within 36 months
 - minimum of 10 jobs created within 36 months
 - amounts awarded are discretionary and based on company profile
- (4) Virginia Jobs Investment Program (VJIP) - is an incentive program offering customized recruiting and training assistance to companies that create new jobs or experience technological change. The program is designed to reduce human resource development cost by providing direct funding to new and expanding companies that meet program qualifications.
- (5) Virginia Small Business Financing Authority (VSBFA) - offers programs to provide businesses with access to capital needed for growth and expansion.
- (6) Economic Development Access Program - Administered by the Virginia Department of transportation, this program assists localities in providing adequate road access to new and expanding manufacturing and processing companies, research and development facilities, distribution centers, regional service centers, corporate headquarters, government installations, and other basic employers.
- (7) Corporate Income Tax Credits - Virginia offers numerous tax credits that are available for use against a company's corporate tax liability.

III. Applicant Requirements

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Prior to consideration of awarding any performance grant there are specific requirements each applicant is expected to meet. The requirements are:

1. The business must be located in the corporate limits of Bristol, Virginia
2. Provide average wages for industry classification in community
3. Provide full time employment for full time positions in the city of Bristol, Virginia
4. Be licensed or will become licensed through the office of the Commissioner of Revenue
5. All business must be in compliance with all City Codes

IV. Economic Project Criteria

A. Targeted Markets and Projects

- General Manufacturing
- Advanced Manufacturing
- Transportation-Related Manufacturing
- International Business
- Data Centers
- Food Processing

B. Excluded Markets and Projects. Examples of projects excluded from the program, include but are not limited to:

- Sexually oriented businesses are not eligible for incentives

V. Use of Funds

The following expenses are eligible for using the funds.

- Acquisition or leasing of land, building, machinery or equipment
- Acquisition of existing business and/or its assets
- New construction, renovation or leasehold improvements
- Construction, reconstruction and rehabilitation of commercial or industrial buildings
- Site improvements
- Utilities or infrastructure

Examples of ineligible projects and activities include, but are not limited to:

- Applicant's personnel costs including wages, travel, per diem
- Administrative overhead/indirect costs
- Workshops
- Market research and feasibility studies
- Maintenance and operation expenses
- Annual subscriptions/membership costs
- Costs of promotional items (pens, t-shirts, hats, general merchandise)
- Office supplies, including but not limited to, postage, photocopies, telephone or internet charges
- Loan origination expenses

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- Realtor fees and expenses
- Legal Fees
- Broker Fees
- Engineering Fees
- Permit Fees
- Application Fees

VI. Application Process and Review

The approval process consists of the completion of an application along with all documented information. It is to be submitted to the Office of Director of Economic Development where it will be reviewed and processed. If the application is deemed appropriate, the Director of Economic Development will identify the appropriate incentive program and will make a presentation to the IDA Board for formal consideration.

Step 1. Applicant must submit application and required materials to the Office of Economic Development including a Conflict of Interest Form.

Step 2. The Office of Economic Development shall review the application for compliance to ensure requested materials are included. The applicant is advised each application is considered on a case by case basis and the time frame can be from 3-8 week time frame (This includes application processing, cost benefit analysis, documentation and verification of application, and IDA Board consideration).

The Director of Economic Development will complete the following procedures:

- Review the application and identify the appropriate incentive program
- Complete a cost/benefit analysis to determine feasibility of request. The Cost-Benefit Analysis (CBA) has two main purposes:
 - (1) to determine if an investment and/or decision is sound (feasible) by verifying whether the benefits outweigh costs and how much
 - (2) to provide a basis for evaluate projects - which involves comparing the total expected costs of each option against its total
- The Director of Economic Development will prepare a written opinion on the application feasibility
- The Director of Economic Development will include Clawbacks and other Agreement Stipulations Form for review by the board.
- Applicant will provide any additional required information.

Step 3. The Office of Economic Development (Director will contact the project contact(s) to notify of meeting date and time of IDA Board meeting to encourage applicant to be present to answer any questions IDA Board members may have about the proposed

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project. The IDA Board of Directors meet in public session on dates published on the city of Bristol website.

Step 4. The application will be presented to the Industrial Development Authority (IDA) in public session by the Director of Economic Development. Attached to the application given to IDA Board members will be a copy of the specific incentive program along with program eligibility requirements.

Step 5. The IDA will review the application for recommendation to the Bristol Virginia City Council. If the IDA has further questions about the application the applicant may be asked to speak to the board to clarify additional questions; the IDA may need additional time to make a decision. After reviewing the completed application the IDA should be able to:

- Identify the costs and benefits of **any business seeking incentives**
- Assess whether benefits are greater than **business** costs
- Assess who bears the benefits and costs
- Assess whether **business incentive** request is beneficial to city

Step 6. The IDA will make a recommendation based on the information submitted on the application to the Bristol Virginia City Council.

Step 7. The Bristol Virginia City Council will review the application for final approval. If the Bristol Virginia City Council approves the application, the Director of Economic Development will provide the project contact with information including a draft Letter of Agreement (LOA)

Step 8. Final approval is contingent upon the parties (Bristol Virginia Mayor, City Attorney, IDA Chairperson) entering a mutually acceptable Letter of Agreement (LOA).

APPENDIX A. CONFLICT OF INTEREST

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This Conflict of Interest Form should indicate whether the applicant(s) has an economic interest in, or acts as an officer or a director of, any outside entity whose financial interests would reasonably appear to be affected by their association with IDA Board Member, City Council, or employee of the City of Bristol, Virginia. See Virginia Code 2.2-3100 et al.

Note: A potential or actual conflict of interest exists when commitments and obligations are likely to be compromised by the applicant(s)' interests or relationships (especially economic), particularly if those interest are not disclosed.

The applicant(s) should also disclose any personal, business, or volunteer affiliations that may give rise to a real or apparent conflict of interest.

Please describe any relationships, positions, transactions you hold (volunteer or otherwise), or circumstances that could contribute to a conflict of interest:

- I have no conflict to report
- I have the following conflict of interest to report (please specify nonprofit and for profit boards you (and your spouse) sit on, any for-profit businesses or which you or an immediate family member are an officer or director, or a majority shareholder, and the name of any businesses you or a family member own:

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APPENDIX B. IDA APPLICATION REVIEW

Examples of questions that should be ascertained from the application include:

1. Are project costs reasonable?
2. Are all sources of project financing committed?
3. **Is the project financially feasible? Does the application support a sound, well-reasoned proposal with a strong indication that the business will enjoy success if economic development funds are received?**
4. To the extent practicable, will the return on the investment be unreasonably **unrealistic**?
5. Are the matching funding sources committed, and are there letters of commitment from each source, and for incurred project costs is documentation included to verify business expenditures?
6. Has the application demonstrated a need for Economic Development assistance?
7. Have all other sources of funding been explored and rejected (documented)
8. For health-care facilities, have the appropriate agencies been contacted? (verification of certification and accreditation?)
9. For loans, is there sufficient equity and collateral to meet the lending requirements of private lending institutions?
10. Can the assisted business contribute sufficient equity to the project to meet the debt/net work requirements of traditional lenders?
11. Has the applicant demonstrated the quality of jobs and wages they will pay?
12. Is the management experienced in the type of business activities it proposed, and has it demonstrated a capacity to successfully manage it?
13. Are the projected earnings realistic and attainable? Are they supported by historical trends and industry norms? Do the projections indicate that cash flow will be sufficient to support the proposed increased debt?
14. If the proposal involves the purchase of a business, has an appraisal been completed, and is there a buy/sell agreement in place?
15. If the proposal involves the purchase of land, has an appraisal been completed?
16. Does the project demonstrate that the investment of public dollars induces private funds?
17. Will the project provide suitable wage levels to the community or will add value to current workforce skills?
18. Will the project be ready to proceed upon notification of tentative award of economic development funds and be ready to begin immediately?
19. Does the application demonstrate that the project will support itself over time and not impose a burden on the City of Bristol, Virginia?
20. Does the City of Bristol, Virginia have sufficient and adequate clawback clauses in the agreement/contract?
21. Review Conflict of Interest Form
22. Review Clawback and Other Agreement Stipulations Form