



***Economic Development
Access Program
Proposed Policy Changes***

July 16, 2009
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Economic Development Access Program Proposed Policy Changes

- Program Overview
- Identified Issues
- Allocation History
- Options
- Recommendations

Program Overview

- §33.1-221, Code of Virginia mandates use of funds to provide access to economic development sites
- Annual Program Funding: \$5.5 M
 - Includes Economic Development Access, Airport Access and Rail Industrial Access projects
- Economic Development Access
 - Maximum allocation of \$300,000 unmatched and \$150,000 matched
 - Allocation contingent on documentation of capital investment (\$10:\$1)
- Current CTB policy approved June 15, 2006, but above requirements in effect since 1980

Program Overview

- Projects can be:
 - Traditional (named business)
 - Bonded (speculative)
- Projects for known eligible businesses have documented sufficient capital outlay to justify their allocations.
- Bonded (speculative) projects require total or partial reimbursement by localities if capital outlay is not documented in 5 years.
- After payback, a locality can seek 50% reimbursement within 2 years.

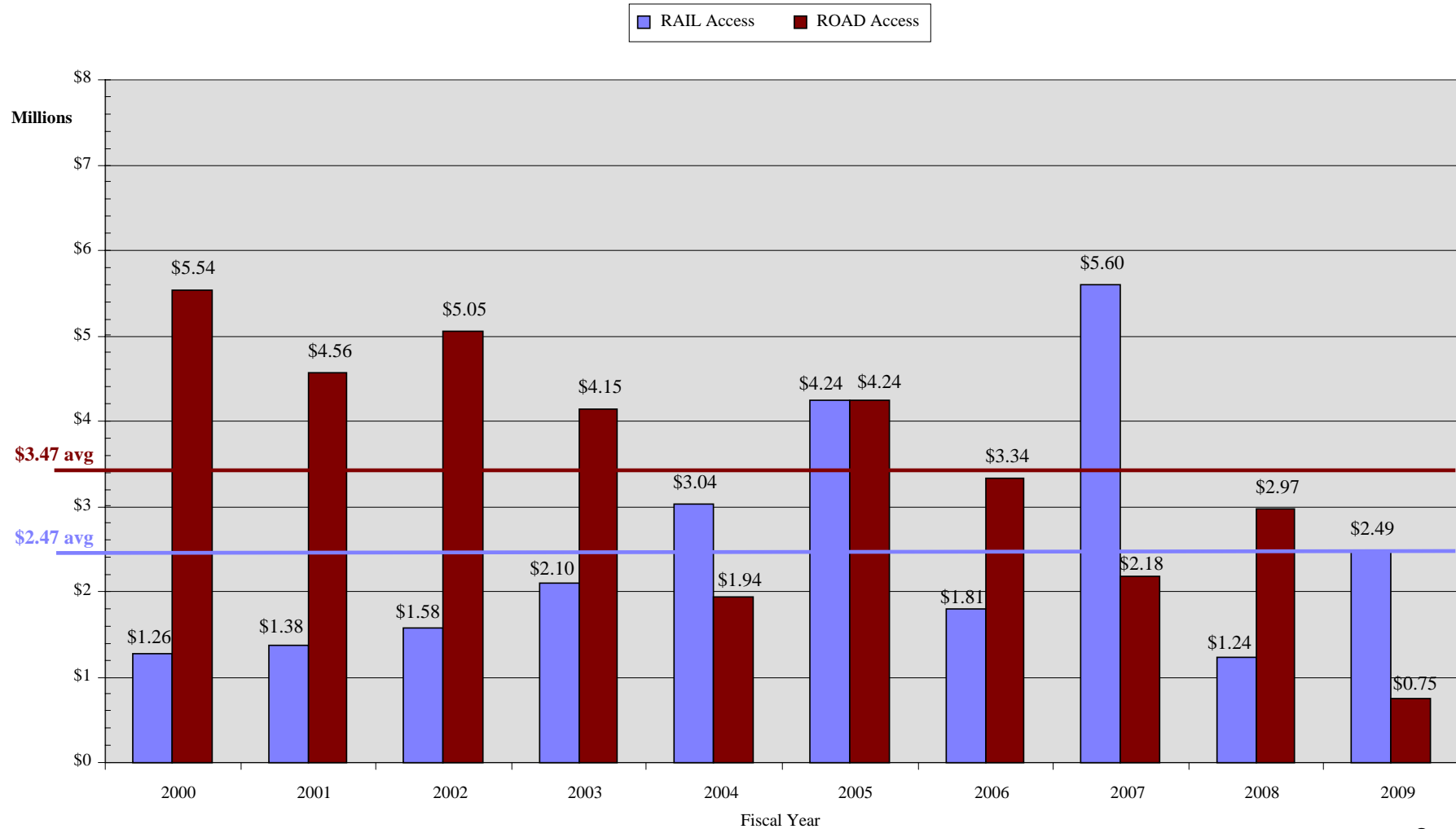
Identified Issues

- Decline in Road Access Requests
- Increased Desire for Economic Stimulus
- Significant Payback / Returned Funds
- Increased Balance as a Result of Payback / Returned Funds

Allocation History

Projects – ROAD or RAIL

Industrial/Economic Development, Airport and Rail Access Fund Allocations

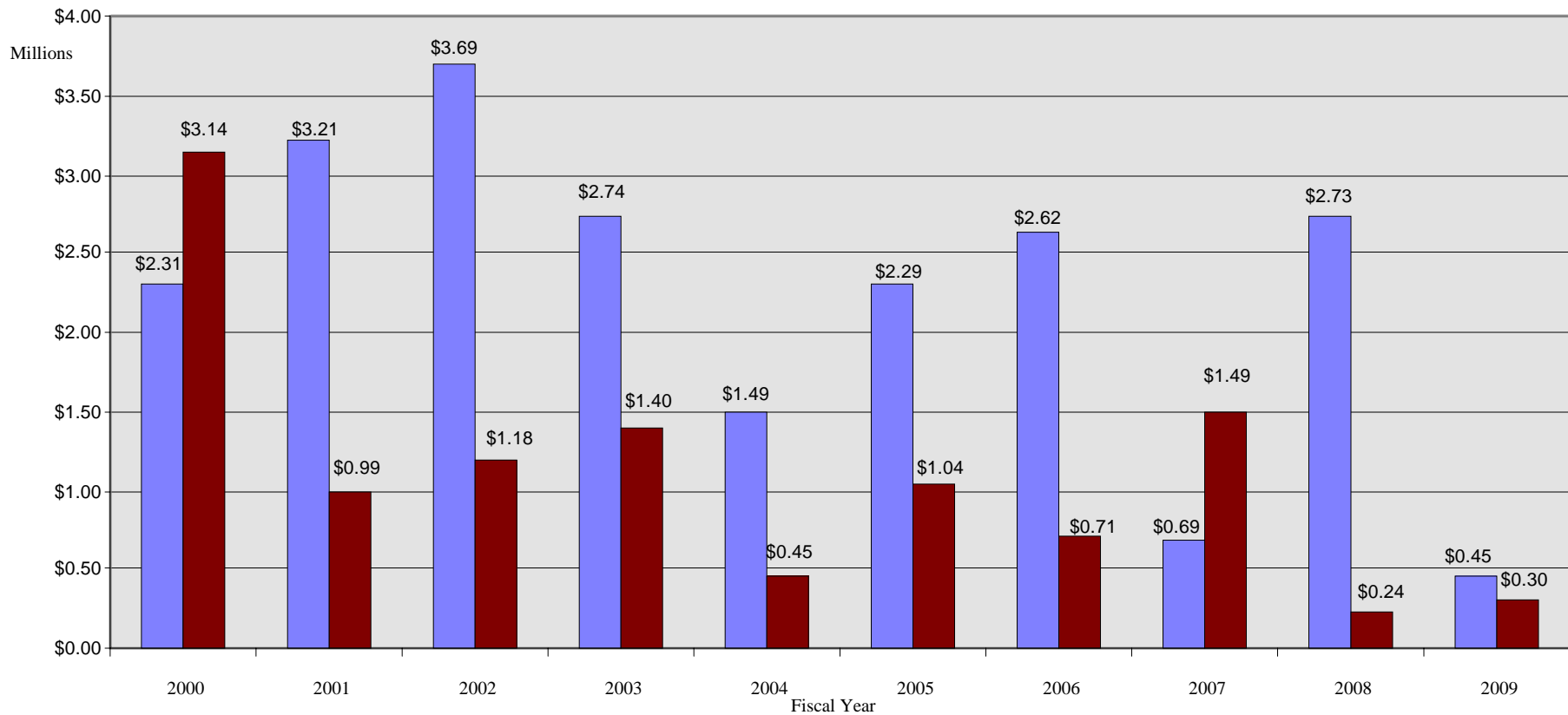


Allocation History

Projects – Bonded or Named Business

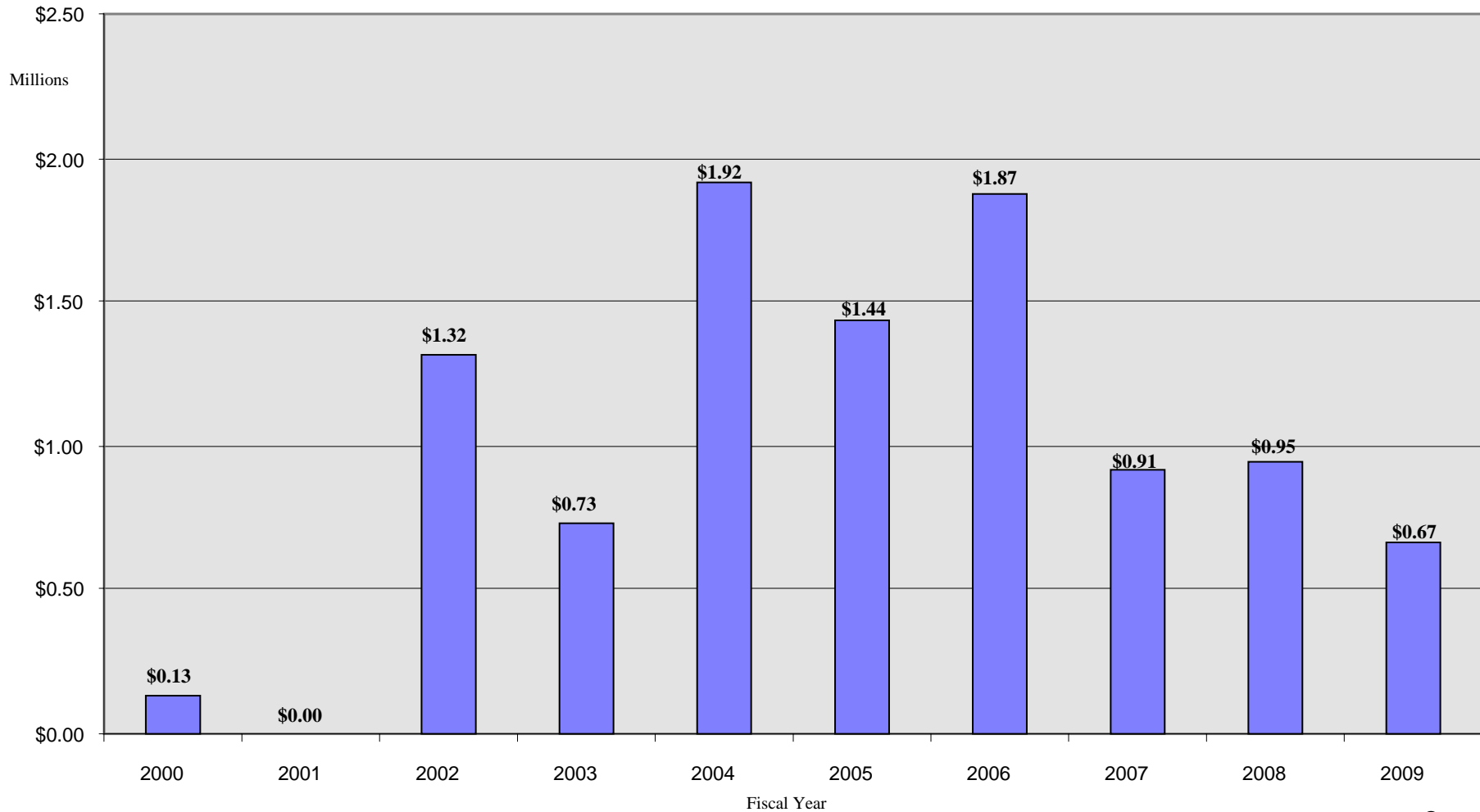


Allocations



Funds Returned

Projects – Bonded



Allocation Balance

Over past 10 years-

- \$ 9,934,357 returned funds (lack of sufficient investment)
- \$ 9,105,230 de-allocated (at request of localities/applicants)
(\$2,284,900 from Rail Industrial Access projects)
- Based on the above returns to the fund and reduced requests, the current balance exceeds 2 full years' allocation

Jobs vs. Capital Outlay

- EDA has traditionally focused on capital investment, which generally equals new jobs.
- Other programs using jobs as a measure (GOF, Rail Access) provide funding to known, committed business development or expansion and require establishment of those jobs within 2-3 years. Those programs also require separate performance criteria in addition to job creation.
 - **Governor's Opportunity Fund also requires capital investment**
 - **Rail Industrial Access also requires that the business generate a specified number of new rail carloads**
- The EDA bonded option allows up to five years to establish capital outlay documentation.
- Documented capital outlay provides one-time, permanent justification for EDA funding.
- Employment levels can fluctuate. Those programs using jobs criteria require payback if stated employment not sustained.

- Increase maximum allocation to \$500,000 unmatched, \$150,000 matched
 - Recognizes increase in project costs
 - Reduces strain on local financial share
 - Still requires documentation of capital outlay
 - Recommended by stakeholders who participated in 2006 study directed in the 2005 Appropriation Act
 - Review of 20 projects funded since March 2006:
 - Total estimated cost of 13 projects exceeded \$300,000
 - Total estimated cost of 11 projects exceeded \$500,000

- Reduce the capital outlay requirement from 10:1 to 5:1
 - Introduces additional flexibility
 - Reduces payback risks to local governments

 - Review of 45 “bonded” projects funded between July 1998 and October 2003:
 - 12 of these projects produced partial capital outlay credit, requiring partial reimbursement to VDOT.

Examples of Economic Development Access projects not meeting full investment requirement:

<u>Locality / Project</u>	<u>Documented Investment</u>	<u>Funds Returned</u>	<u>Funds Returned New Proposal</u>
Halifax County - Riverstone Technology & Business Park	\$1,302,749	\$319,725 (of \$450,000)	\$189,450
Mecklenburg County - Virginia Lakeside Commerce Park	\$1,042,377	\$230,087 (of \$334,325)	\$125,849

Recommendations

- Adopt revised CTB Policy which includes:
 - Increase maximum allocation to \$500,000
 - Reduce the capital outlay requirement from 10:1 to 5:1
- Track and report jobs created in relation to capital investment



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