

WORK SESSION MINUTES

**ECONOMIC DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY
BUILDING C CONFERENCE ROOM, 101 MOUNTS BAY ROAD
3:00 PM, TUESDAY, OCTOBER 18,2005**

1. CALL TO ORDER

The meeting was called to order by Chairman Hartmann at 3:08 PM.

2. ROLL CALL

A roll call identified the following members present:

Ms. Virginia Hartmann
Mr. Bernard Ngo
Mr. Mark G. Rinaldi
Mr. Thomas G. Tingle

Also Present:

M. Anderson Bradshaw, BOS Liaison
Sandra Bamer. OED Project Coordinator
Adam Kinsman, Assistant County Attorney
Tina K. Neal, Senior Vice President, Ferris Baker Watts
Sandra Jones McNinch, Counsel, Troutman Sanders, LLP
Marce Musser, EDA Recording Secretary
Bill Porter, Assistant County Administrator
Keith A. Taylor, EDA Secretary

Absent:

Mr. Alvin Bush
Mr. Vincent Campana, Jr.
Mr. Michael J. Diedzic, Jr.

3. PRESENTATION

- a. Virginia's EDA Legal Can's and Cannot's

Ms. McNinch gave a presentation entitled, "Economic Development and the Role of Economic Development Authorities," in which she covered the following topics:

- What is Economic Development?
- Common Incentives
- Legal Underpinnings
- Powers of EDA's
 - ◆ Incentives
 - ◆ Infrastructure
 - ◆ Financing Programs
 - ◆ Industrial Development Bonds,

Following Ms. McNinch, Ms. Neal gave a presentation entitled, "Industrial Development Bonds: Project Financing and Feasibility." It included:

- What is a municipal bond and who buys them?
- What does "tax-free" or tax-exempt" mean?
- Types of municipal bonds
 - ◆ General Obligation Bonds
 - ◆ Revenue Bonds
 - ◆ Lease Revenue Bonds
 - ◆ Industrial Revenue Bonds
 - ✓ Rules on IRB issuance
 - ✓ Credit Enhancement
 - ✓ Unenhanced Bonds
 - ✓ Ownership versus Lease Purchase
 - ✓ Taxable IRB's
 - ◆ Public/Private Partnerships
 - ◆ Tax Increment Financings
- Other Potential Issuers

b. Technology Business Incubator (TBI) Funding Strategy

Mr. Taylor gave an update on the status of the TBI. The managing entity being proposed is Hampton Roads Technology Incubator (HRTI), which has extensive expertise and experience in this arena. No decision on the management agreement was being asked for at this time, as Mr. Kinsman is still reviewing the draft document, but Mr. Taylor did want the EDA to buy in to a funding concept.

The TBI initiative evolved from a study the EDA sponsored a number of years ago which captured the attention of the County Administrator and the Board of Supervisors (BOS). The County and the EDA are envisioned as being partners in the TBI: the County supplying a portion of the building that would house the TBI in Ironbound Village. It is located close to the Newtown development, which is trying to do a focus on technology and business. The BOS would be asked to buy the furnishings and equipment to fit out the building for the TBI.

The EDA would be asked to fund the operations subsidy, which is not a total funding subsidy.

Ms. Barner explained handouts, including a five-year table, other expenses spreadsheet, building layout and furniture/equipment list.

Mr. Ngo asked for clarification on the investment process and length. Mr. Taylor explained that staff has recommended to the County Administrator that no less than a five-year commitment be made.

Mr. Ngo also asked for clarification that the managing entity would not be an employee of the County so no conflict of interest would be perceived. Mr. Taylor stated that Mr. Ngo was correct, neither the managing entity nor the office manager would be employees of the County.

Ms. Hartmann asked that if the increases budgeted for were not, in fact, the actual expenses, would that portion of the funds be returned to the EDA. Mr. Taylor explained that there were provisions in the management agreement for this.

Mr. Taylor shared that Mr. Wanner would like to take this to the BOS at their December 13, 2005 meeting. In the meantime, Mr. Taylor would ask Mr. Tim Early, director of the HRTI to come to the EDA's November 17 meeting to explain their process and answer questions. The final draft of the management agreement will also be available at that time for Directors' to discuss. After the EDA agrees, then the management agreement will be offered to HRTI. When HRTI accepts, then the EDA will be asked to approve the management agreement.

Mr. Tingle asked that the management agreement not be "legalized" too much, and that it remain flexible so that in the future growth and expansion can be adapted in to the TBI. He also asked that a form of measuring return on investment be established, whether it be businesses established, revenue generated, or some other form of measurement.

Mr. Taylor stated that a direct cash on cash return on investment would not be the case with the TBI. Mr. Bradshaw suggested that graduations and relocations in the County from the TBI would be a valid measurement. Mr. Taylor said he would ask Mr. Early to supply the protocol documents as applies to the TBI and tenants in advance for the Directors to review before the November 17 EDA Meeting.

4. OTHER BUSINESS

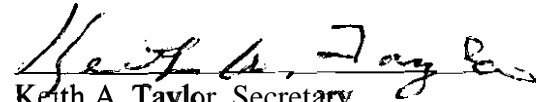
Ms. Hartmann asked that Directors remember the reception Thursday, October 20, from 6:00-8:00 PM to honor Gil Bartlett, John Berkenkamp and Frank Morton.

5. ADJOURNMENT

There being no further business, Chairman Hartmann entertained a motion by Mr. Rinaldi adjourn. The motion was approved by unanimous voice vote, and the meeting adjourned at 5:15 PM.



Virginia B. Hartmann, Chairman



Keith A. Taylor, Secretary

ECONOMIC DEVELOPMENT AND THE ROLE OF ECONOMIC DEVELOPMENT AUTHORITIES

**Economic Development Authority
of James City County, Virginia**

October 18, 2005

**Sandra Jones McNinch
Troutman Sanders LLP**

TOPICS TO BE COVERED

- **What is Economic Development?**
- **Common Incentives**
- **Legal Underpinnings**
- **Powers of EDAs**
 - Incentives
 - Infrastructure
 - Financing Programs
 - Industrial Development Bonds

WHAT IS ECONOMIC DEVELOPMENT?

- **In Short, the Creation of Wealth**
 - Jobs
 - Tax Base
 - Quality of Life
- Two Sides of the Coin**
 - Attract New Business
 - Encourage Expansion of Existing Business
- **Team Effort**
 - Public Officials – Including EDA Members
 - ED Professionals – Local, Regional and Commonwealth
 - Allies – Other Professionals

ECONOMIC DEVELOPMENT POLICY

- **What do you Want Your Community to Look Like?**
- **Who are you Willing to Assist?**
 - **Basic Employers**
 - **Retail -- Commercial -- Manufacturing -- Tourism**
 - **Looking for Employment? Tax Base? Redevelopment?**
- **What Incentives are you Willing to Offer?**
- **How Will you Administer Those Incentives?**

COMMON INCENTIVES

- **Local:**
 - **Assistance with Utilities**
 - **Assistance with Access Roads**
 - **Font of all Knowledge**
 - **Grants**
 - **Tax and Utility Classifications**
 - **Property Tax Credits for Rehab**
 - **Loan Programs**
 - **Introductions to Vendors / Suppliers**
 - **Technology Zones**

COMMON INCENTIVES

■ Commonwealth

- **Workforce Services**
- **Grants**
- **Tax Credits**
 - Loan and Guaranty Programs**
- **Access Roads / Rail Spurs**
- **Enterprise Zones**
- **Technical Assistance to Localities and Prospects**

COMMON INCENTIVES

■ Federal

- **Loan Programs**
- **Infrastructure Grants and Financing**
- **Research Grants**
- **Foreign Trade Zones**

LEGAL UNDERPINNINGS

- **For EDAs, Broad Powers under Industrial Development and Revenue Bond Act**
- **Dillon Rule**
- **Animating Purpose: Improve Community by Promoting Industry and Developing Trade**
- **Secondary Purpose: Assist a Particular Business**

POWERS: INFRASTRUCTURE

- **Industrial / Commercial Parks**
- **Utilities**
- **Airports**
- **Fire Stations**
- **Business Incubators**
- **NO Power of Eminent Domain**

POWERS: INCENTIVES

- **Do Indirectly that Which Could Not be Done Directly**
- **Act as Conduit for Incentives for Economic Development Projects**
- **Sell, Give or Lease Land to Prospects without Public Hearing**
- **Grant \$ to Prospects without Violating Credit Clause**
- **Enter Into Performance Agreements**

FINANCING OPPORTUNITIES

- **Local Financing Programs**
 - **Facility Financing**
 - **Working Capital**
- **Revenue Bonds, Including Industrial Development Bonds**
 - **Manufacturing Facilities / Exempt Facilities**
 - **Charitable Facilities**
 - **Governmental Facilities**

LOCAL FINANCING PROGRAMS

- Scores of Local and Regional Programs
- Tailored to Meet Perceived Need
- May be Industry-Specific
- Variety of Sources of Funds
- Often the 1st \$ in and the Last \$ out of a Deal - Gap Financing

IDBs

- Debt Obligations Issued by an Authority for the Benefit of a Private Entity
- Interest Earned on IDBs may be Exempt from Federal Income Taxation and will be Exempt from Virginia Income Taxation
- Fully Tax-Exempt IDBs are Available Only for Certain Types of Facilities

IDBs: TYPES OF FACILITIES ELIGIBLE

- **Manufacturing Facilities**
 - Subject to \$10 million limitation on capital expenditures in the locality
- **"Exempt" Facilities**
 - Airports, solid waste, water, wastewater, mass transit, low-and-moderate income multifamily housing
- **Charitable Facilities - 501(c)(3)s**
 - Schools, healthcare, trade groups

IDBs: TYPES OF ASSETS ELIGIBLE

Land

- **New Buildings**
- **Existing Buildings, with 15% Rehab**
- **New Equipment**
- **Closing Costs, with 2% Limitation**
- **Interest for Construction + 1 Year**
- **NOT Working Capital or Inventory**

WHAT YOU CAN DO

- **Help set Policy**
- **Advocate**
 - **Within Government for Policies and Programs to Assist Business**
 - **Within Community to Inform of Availability of Services**
- **Encourage Attraction and Expansion of Businesses**

RESOURCE INFORMATION

**Industrial Development and Revenue
Bond Act: Chapter 49, Title 15.2,
Code of VA**

- **VSBA:**
 - **www.dba.state.va.us/financing**
 - **Capital Resources Directory**
 - **IDB Volume Cap Information**
- **VEDP: www.yesvirginia.org**
VEDP Ally Exchange:
www.virginiaallies.org

ECONOMIC DEVELOPMENT AND THE ROLE OF ECONOMIC DEVELOPMENT AUTHORITIES

**Economic Development Authority
of James City County, Virginia**

Handouts:

BPOL Comparisons for James City County, Henrico and
Richmond

Local Real Estate Tax Credit for Rehabilitation of
Commercial or Industrial Structures

Technology Zone Information

Certain Income Tax Credits

Foreign Trade Zone Information

Excerpts from Industrial Development and Revenue Bond
Act

Capital Resources Directory Index
Descriptions of Several Financing Programs

Business License

James City County requires that all persons doing business in James City County file for and obtain a business license prior to beginning business. A Business License Tax is based upon the gross receipts of the business. Businesses with gross receipts of less than \$50,000 are assessed a fee of \$30. Businesses with gross receipts of \$50,000 and over are assessed at the following rates:

- Professional Services - \$.58/\$100. - Gross receipts
- Other Services - .36/\$100. - Gross receipts
- Retail Sales - .20/\$100. - Gross receipts
- ▶ Contractors - .16/\$100. - Gross receipts
- Wholesale Sales - .05/\$100. - Gross receipts

Manufacturers are not subject to the Business License Tax.

Your business may be required to register with the Internal Revenue Service, www.irs.gov, and the Department of Taxation, www.tax.state.va.us, for the collection of payroll and sales taxes. If your business is as a contractor, beautician, realtor, or other occupation requiring a state regulatory license, please see the Department of Professional & Occupational Regulation, www.state.va.us/dpor/indexne.html.

Cellular Phones - 10% of the gross charges, not to exceed \$30 of gross charges.

Electric

Residential - \$0.70 plus the rate of \$0.007537 per kilowatt hour delivered not to exceed a maximum monthly tax of \$1.00

Master Metered Units w/Residential Use - \$0.70 plus the rate of \$0.007537 per kilowatt hour delivered not to exceed a maximum monthly tax of \$1.00 per dwelling unit.

Commercial - \$1.15 plus the rate of \$0.00713 per kilowatt hour delivered not to exceed a maximum monthly tax of \$10.00.

Industrial - \$1.15 plus the rate of \$0.007603 per kilowatt hour delivered not to exceed a maximum monthly tax of \$10.00.

Telephone

Residential - 10% of the gross charge, not to exceed \$10 of gross charges

Commercial - 10% of the gross charge, not to exceed \$100. Plus \$1.00 per month per line to off-set cost of operating/maintaining the E-911 Emergency system.

Natural Gas

There is no tax on the use of gas in either Residential or Commercial areas.

Business and Professional Licenses

Henrico

Tax Rates:

The first \$100,000 of gross purchases is excluded from the tax for item (1):

- (1) \$1 to \$100,000 purchases (\$25 min. tax)
- \$100,001 to \$5,000,000 (\$.20 per \$100)
- \$5,000,001 to \$15,000,000 (\$.15 per \$100)
- \$15,000,001 to \$25,000,000 (\$.10 per \$100)
- \$25,000,001 to \$50,000,000 (5.05 per \$100)
- \$50,000,001 to \$100,000,000 (\$.025 per \$100)
- \$100,000,001 and over (\$.0125 per \$100)

Items (2), (3), (4) and (5) assess taxes on gross receipts. When gross receipts are \$100,000 or less, an application is required, but no tax is due.

(2) Retail Merchant: \$0.20 per \$100.00, or \$30.00 minimum, of gross receipts exceeding \$100,000.

(3) Professional Service: \$0.20 per \$100.00, or \$30.00 minimum, of gross receipts exceeding \$100,000.

(4) (a) Contractor (Fee Basis): \$1.50 per \$100.00, or \$30.00 minimum, of gross fees exceeding \$100,000.

(b) Contractor (Contract Basis): \$0.15 per \$100.00, or \$30.00 minimum, of gross receipts exceeding \$100,000.

(5) Utility Companies (includes Cellular Telephone): One-half of 1.0% of the gross receipts, or \$30.00 minimum of gross receipts exceeding \$100,000.

Landfill Fees

Landfill: \$50.00 per ton for commercial refuse collected in Henrico; \$65.00 per

an apportionment agreement, except as to circumstances set forth in Code of Virginia, § 58.1-3709, the gross receipts of the business shall be apportioned between the definite places of businesses on the basis of payroll. Gross receipts shall not be apportioned to a definite place of business unless some activities under the applicable general rule occurred at, or were controlled from, such definite place of business. Gross receipts attributable to a definite place of business in another jurisdiction shall not be attributed to the city if the other jurisdiction does not impose a tax on the gross receipts attributable to the definite place of business in such other jurisdiction.

(c) **Agreements.** The director of finance may enter into agreements with any other political subdivision of the commonwealth concerning the manner in which gross receipts shall be apportioned among definite places of business. However, the sum of the gross receipts apportioned by the agreement shall not exceed the total gross receipts attributable to all of the definite places of business affected by the agreement. Upon notification by a taxpayer that the city's method of attributing gross receipts is fundamentally inconsistent with the method of one or more political subdivisions in which the taxpayer is licensed to engage in business and that the difference has resulted, or is likely to result, in taxes on more than 100 percent of its gross receipts from all locations in the affected jurisdictions, the director shall make a good faith effort to reach an **apportionment agreement** with the other **political** subdivisions involved.
(Code 1993, § 27-314)

Richard BPOL

Sec. 98-635. Established.

Except as may be specifically otherwise provided by this article or other law, the annual license tax imposed under this article shall be \$30.00 for any person with gross receipts (or purchases for wholesale merchants) of \$5,000.00 or more but less than \$100,000.00 in a given license year. Any person with gross receipts greater than \$100,000.00 will be liable for business license taxes at the applicable rate set forth as follows for the class of enterprise listed or as otherwise provided in this article:

- (1) For contractors and persons constructing for their own account for sale, \$0.19 per \$100.00 of gross receipts.
- (2) For retailers, \$0.20 per \$100.00 of gross receipts.
- (3) For financial, real estate and professional services, \$0.58 per \$100.00 of gross receipts.
- (4) For repair, personal and business services and all other businesses and occupations not specifically listed or exempted in this article or otherwise by law, \$0.36 per \$100.00 of gross receipts.
- (5) For wholesalers, \$0.22 per \$100.00 of purchases.
- (6) For fortunetellers, clairvoyants and practitioners of palmistry, \$3,000.00 per year.
- (7) For itinerant merchants, \$500.00 per year; or peddlers, \$225.00 per year.
- (8) For dealers in precious metals, \$1,000.00 per year, as provided in section 98-737.
- (9) For savings and loan associations and credit unions, \$50.00 per year.
- (10) For direct sellers, as defined in Code of Virginia, § 58.1-3719.1, with total annual sales in excess of \$4,000.00, \$0.20 per \$100.00 of total annual retail sales or \$0.05 per \$100.00 of total annual wholesale sales, whichever is applicable.
- (11) For biotechnology or biomedical research and development businesses, \$0.30 per \$100.00 of gross receipts.
- (12) For hospitals, medical care centers and emergency care units, \$0.36 per \$100.00 of gross receipts.
- (13) For wholesale electric turbine manufacturers, \$0.02 per \$100.00 of purchases.
- (14) For first and second mortgage companies, \$0.29 per \$100.00 of gross receipts.
- (15) For electric utilities furnishing electric lighting or heating, one-half of one percent of the gross receipts.
- (16) For telephone companies, three percent of the gross receipts from all local telephone service within the city.

§ 58.1-3221. Partial exemption for certain rehabilitated, renovated or replacement commercial or industrial structures.

A. The governing body of any county, city or town may, by ordinance, provide for the partial exemption from taxation of real estate on which any structure or other improvement no less than twenty years of age, or fifteen years of age if the structure is located in an area designated as an enterprise zone by the Commonwealth, has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use, subject to such conditions as the ordinance may prescribe. The governing body may, in addition to any other restrictions hereinafter provided, restrict such exemptions to real property located within described zones or districts whose boundaries shall be determined by the governing body. The governing body of a county, city or town may establish criteria for determining whether real estate qualifies for the partial exemption authorized by this provision and may require the structure to be older than twenty years of age, or fifteen years of age if the structure is located in an area designated as an enterprise zone by the Commonwealth, or place such other restrictions and conditions on such property as may be prescribed by ordinance. Such ordinance may also provide for the partial exemption from taxation of real estate which has been substantially rehabilitated by complete replacement, for commercial and industrial use.

B. The partial exemption provided by the local governing body may not exceed an amount equal to the increase in assessed value resulting from the rehabilitation, renovation or replacement of the commercial or industrial structure as determined by the commissioner of revenue or other local assessing officer or an amount up to fifty percent of the cost of rehabilitation, renovation or replacement as determined by ordinance. The exemption may commence upon completion of the rehabilitation, renovation or replacement, or on January 1 of the year following completion of the rehabilitation, renovation or replacement and shall run with the real estate for a period of no longer than fifteen years. The governing body of a county, city or town may place a shorter time limitation on the length of such exemption, or reduce the amount of the exemption in annual steps over the entire period or a portion thereof, in such manner as the ordinance may prescribe.

C. Nothing in this section shall be construed as to permit the commissioner of the revenue to list upon the land book any reduced value due to the exemption provided in subsection B.

D. The governing body of any county, city or town may assess a fee not to exceed one hundred twenty-five dollars for residential properties, or two hundred fifty dollars for commercial, industrial, and/or apartment properties of six units or more for processing an application requesting the exemption provided by this section. No property shall be eligible for such exemption unless the appropriate building permits have been acquired and the commissioner of the revenue or assessing officer has verified that the rehabilitation, renovation or replacement indicated on the application has been completed.

E. Where rehabilitation is achieved through demolition and replacement of an existing structure, the exemption provided in subsection A shall not apply when any structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic landmark.

(Code 1950, § 58-760.3; 1979, c. 195; 1980, c. 417; 1984, c. 675; 1986, c. 271; 1989, c. 89; 1994, cc. 424, 435, 608; 1995, c. 673; 2001, c. 489; 2002, cc. 8, 137.)

[previous](#) | [next](#)

§ 58.1-3850. Creation of local technology zones.

A. Any city, county or town may establish, by ordinance, one or more technology zones. Each locality may grant tax incentives and provide certain regulatory flexibility in a technology zone.

B. The tax incentives may be provided for up to ten years and may include, but not be limited to: (i) reduction of permit fees; (ii) reduction of user fees; and (iii) reduction of any type of gross receipts tax. The extent and duration of such incentive proposals shall **conform** to the requirements of the Constitutions of Virginia and of the United States.

C. The governing body may also provide for regulatory flexibility in **such** zone which may include, but not be limited to: (i) special zoning for the district; (ii) permit process reform; (iii) exemption from ordinances; and (iv) any other incentive adopted by **ordinance**, which shall be **binding upon** the locality for a period of up to ten years.

D. Each locality establishing a technology zone pursuant to this section may also adopt a local enterprise zone development taxation program for the technology zone as provided in § 58.1-3245.12.

E. The establishment of a technology zone shall not preclude the area from also being designated as an enterprise zone.

(1995, c. 397; 1996, c. 830; 1997, c. 168; 2002, c. 449.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

[previous](#) | [next](#)

§ 58.1-3245.6. Definitions.

As used in this article, unless the context clearly shows otherwise, the term or phrase:

"Base assessed value" means the assessed value of real estate or machinery and tools within a local enterprise zone as shown upon the records of the local assessing officer on January 1 of the year preceding the effective date of the ordinance establishing the local enterprise zone development taxation

"Current assessed value" means the annual assessed value of real estate or machinery and tools in a local enterprise zone as shown upon the records of the local assessing officer.

"Enterprise zone" means an area designated by the Governor as an enterprise zone pursuant to Chapter 49 (§ 59.1-538 et seq.) of Title 59.1.

"Local enterprise zone" means an enterprise zone designated as a local enterprise zone by an ordinance adopted pursuant to § 58.1-3245.8.

"Tax increment" means all or a portion of the amount by which the current assessed value of real estate or machinery and tools, or both, in a local enterprise zone exceeds the base assessed value. }

(1997, c. 314; 2005, cc. 863, 884.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

[previous](#) | [next](#)

§ 58.1-3245.8. Adoption of local enterprise zone development taxation program.

A. The governing body of any county, city, or town may adopt a local enterprise zone development taxation program by passing an ordinance designating an enterprise zone located within its boundaries as a local enterprise zone; however, an ordinance may designate an area as a local enterprise zone contingent upon the designation of the area as an enterprise zone pursuant to Chapter 49 (§ 59.1-538 et seq.) of Title 59.1. If the county, city, or town contains more than one enterprise zone, such ordinance may designate one or more as a local enterprise zone. If an enterprise zone is located in more than one county, city, or town, the governing body may designate the portion of the enterprise zone located within its boundaries as a local enterprise zone. An ordinance designating a local enterprise zone shall provide that all or a specified percentage of the real estate taxes, machinery and tools taxes, or both in the enterprise zone shall be assessed, collected and allocated in the following manner:

1. The local assessing officer shall record in the appropriate books both the base assessed value and the current assessed value of the real estate or machinery and tools, or both, in the local enterprise zone.

2. Real estate taxes or machinery and tools taxes attributable to the lower of the current assessed value or base assessed value of real estate or machinery and tools located in a local enterprise zone shall be allocated by the treasurer or director of finance as they would be in the absence of such ordinance.

3. All or the specified percentage of the increase in real estate taxes or machinery and tools taxes, or both, attributable to the difference between (i) the current assessed value of such property and (ii) the base assessed value of such property shall be allocated by the treasurer or director of finance and paid into a special fund entitled the "Local Enterprise Zone Development Fund" to be used as provided in § 58.1-3245.10. Such amounts paid into the fund shall not include any additional revenues resulting from an increase in the tax rate on real estate or machinery and tools after the adoption of a local enterprise zone development taxation ordinance, nor shall it include any additional revenues merely resulting from an increase in the assessed value of real estate or machinery and tools which were located in the zone prior to the adoption of a local enterprise zone development taxation ordinance unless such property is improved or enhanced.

B. The governing body shall hold a public hearing on the need for a local enterprise zone development taxation program in the county, city, or town prior to adopting a local enterprise zone development taxation ordinance. Notice of the public hearing shall be published once each week for three consecutive weeks immediately preceding the public hearing in each newspaper of general circulation in such county, city, or town. The notice shall include the time, place and purpose of the public hearing; define local enterprise zone development taxation; indicate the proposed boundaries of the local enterprise zone; state whether all or a specified percentage of real property or machinery or tools, or both, will be subject to local enterprise zone development taxation; and describe the purposes for which funds in the Local Enterprise Zone Development Fund are authorized to be used.

(1997, c. 314; 2005, cc. 863,884.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

[previous](#) | [next](#)

§ 58.1-3245.10. Use of funds deposited in the Local Enterprise Zone Development Fund.

A. Any county, city, or town which adopts a local enterprise zone development taxation program may use funds in the Local Enterprise Zone Development Fund for any one or more of the following purposes:

1. To provide enhanced law-enforcement and other governmental services, including financing transportation projects, as may be appropriate to secure and promote private investment in the local enterprise zone;
2. To make grants to chambers of commerce and similar organizations within such county, city, or town in order to secure and promote economic development within the local enterprise zone; or
3. To make grants to any industrial development authority created by the governing body pursuant to Chapter 49 (§ 15.2-4900 et seq.) of Title 15.2, in order to secure and promote economic development within the local enterprise zone.

B. Any revenues in the Local Enterprise Zone Development Fund which are not used for a purpose authorized by subsection A shall be deemed "surplus funds." At the end of the tax year, all surplus funds may be paid into the general fund of the county, city, or town in which the local enterprise zone is located.

(1997, c. 314.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

ers of armed	Sec.	pipeline distribution companies, gas utilities, and gas suppliers.
	58.1-400.3.	Minimum tax on certain electric suppliers.
	58.1401.	Exemptions and exclusions.
	58.1-402.	Virginia taxable income.
	58.1-403.	Additional modifications to determine Virginia taxable income for certain corporations.
Trusts.	58.1-404.	[Reserved.]
ne of a resi-	58.1405.	Corporations transacting or conducting entire business within this Commonwealth.
ie of a nonres-	58.1-406.	Allocation and apportionment of income.
testate, trust	58.1-407.	How dividends allocated.
me from Vir-	58.1-408.	What income apportioned and how.
	58.1-409.	Property factor.
	58.1-410.	Valuation of property owned or rented.
d Trusts.	58.1-411.	Average value of property.
	58.1-412.	Payroll factor.
iary receiving	58.1413.	When compensation deemed paid or accrued in this Commonwealth.
ution.	58.1-414.	Sales factor.
other states.	58.1-415.	When sales of tangible personal property deemed in the Commonwealth.
cedures for	58.1-416.	When certain other sales deemed in the Commonwealth.
s.	58.1-417.	Motor carriers; apportionment.
d trusts.	58.1-418.	Financial corporations; apportionment.
	58.1419.	Construction corporations; apportionment.
filing returns.	58.1-420.	Railway companies; apportionment.
	58.1421.	Alternative method of allocation.
hips.		Article 11.
		Resewed.
rough entities.		Article 12.
ne of owners of		Reserved.
ty.		Article 13.
ugh entities.		
r filing return		Tar Credits for Corporations.
tity.	58.1-430.	[Repealed.]
	58.1-431.	Energy income tax credit.
ough entity to	58.1-432.	Tax credit for purchase of conservation tillage equipment.
s, etc., of pass-	58.1-433.	[Expired.]
ality.	58.1-433.1.	Virginia Coal Employment and Production Incentive Tax Credit.
	58.1-434.	Telecommunications income tax credit.
Lions.	58.1-435.	Low-income housing credit.
	58.1-436.	Tax credit for purchase of advanced technology pesticide and fertilizer application equipment.
elecommunica-	58.1-437.	[Repealed.]
tric suppliers,	58.1-438.	Not effective.]

Sec.	58.1-438.1.	Tax credit for vehicle emissions testing equipment, clean-fuel vehicles and certain refueling property.	Sec.	58.1-443.	Prohibition
	58.1-439.	Major business facility job tax credit.		58.1-444.	Severality
	58.1-439.1.	Clean fuel vehicle job creation tax credit.		58.1-445.	Conservation
	58.1-439.2.	Coalfield employment enhancement tax credit.		58.1-445.1.	[Repealed.]
	58.1-439.3.	Qualifying steam producers tax credit.		58.1-446.	Price transfer and
	58.1-439.4.	Day-care facility investment tax credit.		58.1447.	Execution
	58.1-439.5.	Agricultural best management practices tax credit.		58.1-448.	Formation
	58.1-439.6.	Worker retraining tax credit.		58.1-449.	Support
	58.1-439.7.	Tax credit for purchase of machinery and equipment for processing recyclable materials.		58.1450.	Failure
	58.1-439.8.	Alternate tax credit for purchase of machinery and equipment for processing recyclable materials.		58.1451.	Fraud
	58.1-439.9.	Tax credit for certain employers hiring recipients of Temporary Assistance for Needy Families.		58.1-452.	Fraud
	58.1-439.10.	Tax credit for purchase of waste motor oil burning equipment.			ity
	58.1-439.11.	Employees with disabilities tax credit.		58.1-453.	Extension
	58.1-439.12.	Riparian forest buffer protection for waterways tax credit.		58.1-454.	Depreciation
	58.1-439.12:01.	Credit for cigarettes manufactured and exported.		58.1-455.	Timeliness
		Article 13.1.			for
		Tar Credits for Technology Industries in Tobacco-Dependent Localities.			Incon-
	58.1-439.13.	Tax credit for investing in technology industries in tobacco-dependent localities.		58.1-460.	Deficiency
	58.1-439.14.	Tax credit for research and development activity occurring in tobacco-dependent localities.		58.1-461.	Recapture
	58.1-439.15.	Technology Initiative in Tobacco-Dependent Localities Fund.		58.1-462.	Withholding
	58.1-439.16.	Tax Commissioner to promulgate regulations.		58.1-463.	Other
	58.1-439.17.	Grants in lieu of or in addition to tax credits.		58.1-464.	Miscellaneous
		Article 14.			a
		Accounting, Rat—8, Procedures for Corporations.		58.1-465.	Over-
	58.1-440.	Accounting.		58.1-466.	Ad-
	58.141.	Reports by corporations.		58.147.	Fa-
	58.142.	Separate, combined or consolidated returns of affiliated corporations.		58.1-468.	Fa-
				58.1-469.	In-
				58.1-470.	Wi-
				58.1-471.	Fr-
				58.1-472.	Er-
				58.1-473.	Je-
				58.1-474.	Li-
				58.1-475.	Pe-
				58.1-476.	Co-

§ 58.1-339.4. (Applicable for taxable years beginning on or after January 1, 2005) Qualified equity and subordinated debt investments tax credit.

A. As used in this section:

"Equity" means common stock or preferred stock, regardless of class or series, of a corporation; a partnership interest in a limited partnership; or a membership interest in a limited liability company, which is not required or subject to an option on the part of the taxpayer to be redeemed by the issuer within **three** years **from** the date of issuance.

"Qualified business" means a business which (i) has annual gross revenues of no more than \$3 million in its most recent fiscal year, (ii) has its principal office or facility in the Commonwealth, (iii) is engaged in business primarily in or does substantially all of its production in the Commonwealth, (iv) has not obtained during its existence more than \$3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments (not including commercial loans from chartered banking or savings and loan institutions), and (v) is not primarily engaged, or is not primarily organized to engage, in any of the following types of businesses:

1. Banks;
2. Savings and loan institutions;
3. Credit or finance;
4. Financial, broker or investment;
5. Businesses organized for the primary purpose of rendering professional services as defined in Chapter 7 (§ 13.1-542 et seq.) of Title 13.1;
6. Accounting;
7. Government, charitable, religious or trade institutions or organizations;
8. Conventional coal, oil and gas, and mineral exploration;
9. Insurance;
10. Real estate design or engineering;
11. Construction or construction contracting;
12. Business consulting or business brokering;
13. Residential housing, real estate brokerage, sale or leasing businesses, or real estate development; or
14. Any other business which the Department of Taxation determines by regulation to be against the public interest, the purposes of this section or in violation of the law.

"Qualified investment" means a cash investment in a qualified business in the form of equity or subordinated debt; however, an investment shall not be qualified if the taxpayer who holds such

investment, or any of such taxpayer's family members, or any entity affiliated with such taxpayer, receives or has received compensation from the qualified business in exchange for services provided to such business as an employee, officer, director, manager, independent contractor or otherwise in connection with or within one year before or after the date of such investment. For the purposes hereof, reimbursement of reasonable expenses incurred shall not be deemed to be compensation.

"Subordinated debt" means indebtedness of a corporation, general or limited partnership, or limited liability company that (i) by its terms required no repayment of principal for the first three years **after** issuance; (ii) is not guaranteed by any other person or secured by any assets of the issuer or any other person; and (iii) is subordinated to all indebtedness and obligations of the issuer to national or **state-**chartered banking or savings and loan institutions.

B. For taxable years beginning on or **after** January 1, 1999, a taxpayer shall be allowed a credit against the tax levied pursuant to §§ 58.1-320 and 58.1-360 in an amount equal to 50 percent of such taxpayer's qualified investments during such taxable year. No credit shall be allowed to any taxpayer that has committed capital under management in excess of \$10 million and engages in the business of making debt or equity investments in private businesses, or to any taxpayer that is allocated a credit as a partner, shareholder, member or owner of an entity that engages in such business.

C. The amount of any credit attributable to a qualified investment by a partnership, electing small business corporation (S corporation), or limited liability company shall be allocated to the individual partners, shareholders, or members, as the case may be, as they may **determine**.

D. The aggregate amount of the credit for each taxpayer shall not exceed the lesser of (i) the tax imposed for such taxable year or (ii) \$50,000. Any credit not usable for the taxable year in which the credit was allowed may be, to the extent usable, carried over for the next 15 succeeding taxable years or until the total amount of the tax credit has been taken, whichever occurs first.

E. The amount of tax credits available under this section for a calendar year shall be \$5 million.

F. Unless the taxpayer transfers the equity received in connection with a qualified investment as a result of (i) the liquidation of the qualified business issuing such equity, (ii) the merger, consolidation or other acquisition of such business with or by a party not affiliated with such business, or (iii) the death of the taxpayer, any taxpayer that fails to hold such equity for at least three full calendar years following the calendar year for which a tax credit for a qualified investment is allocated pursuant to this section shall forfeit both used and unused tax credits and in addition shall pay the Department of Taxation interest on the total allowed credits at the rate of one percent per month, compounded monthly, from the date the tax credits were allocated to the taxpayer. The Department of Taxation shall deposit any amounts received under this subsection into the general fund of the Commonwealth.

G. Prior to December 31, 1998, the Department of Taxation shall promulgate regulations in accordance with the Administrative Process Act (§ 2-24000 et seq.) (i) establishing procedures for claiming the tax credit provided by this section and (ii) providing for the allocation of tax credits among taxpayers requesting credits in the event the amount of credits for which requests are made exceeds the available amount of credits in any one calendar year. Notwithstanding the foregoing, the Department of Taxation shall permit an application for certification as a qualified business to be filed at any time during the calendar year regardless of when the investment was made during the calendar year.

(1998, c. 491; 2004, c. 614.)



WHAT ARE FTZS?

SEARCH NP

THE FOREIGN-TRADE ZONE (FTZ) PROGRAM was created by the U.S. government to facilitate international trade and increase the **global** competitiveness of **U.S.-based** companies. The program, which has existed **since the 1930s**, continues to thrive and change to better meet the needs of American companies in the global economy.

WHAT IS AN FTZ? An FTZ is an area within the United States, in or near a U.S. Customs port of entry, where foreign and domestic merchandise is considered to be **outside the country, or at least, outside of U.S. Customs territory**. Certain types of merchandise can be imported into a Zone without going through formal Customs entry procedures or **paying import duties**. Customs duties and excise taxes are due only at the time of transfer from the FTZ for U.S. consumption. If the merchandise never enters the U.S. commerce, then no duties or taxes are paid on those items.

Activities **permitted in a Foreign-Trade Zone**

Merchandise entering a Zone may be:

Assembled	Manufactured*	Repackaged
Tested	Stored	Destroyed
Sampled	Salvaged	Mixed
Relabeled	Processed	Manipulated

*The user must receive special approval from the FTZ Board for manufacturing

Operating within an **FTZ** carries numerous benefits:

- Deferral, reduction and possible elimination of duties
- Tighter inventory control that may virtually eliminate year-end inventory loss adjustments
- Potential direct delivery benefit reduces long hold times at crowded ports of entry

[FTZ Terminology](#)

[Applying for an FTZ](#)

[FTZ Regulations](#)

[Privacy Policy](#) [Cancellation & Refund Policy](#) [Contact Us](#)

1000 Connecticut Ave., NW Suite 1001
Washington, DC 20036
Tel 202.331.1950 Fax 202.331.1994

© 2005 NAFTZ. All rights reserved



BENEFITS OF FTZS

SEARCH N

BUILDING LOCAL PROSPERITY THROUGH GLOBAL BUSINESS In an expanding global economy, there is increased competition for jobs, investment and capital. The FTZ program was designed to promote American competitiveness by encouraging companies to maintain and expand their operations in the United States.

The FTZ program encourages U.S.-based operations by removing certain disincentives associated with manufacturing in the United States. The duty on a product manufactured abroad and imported into the U.S. is paid at the time of the finished product rather than that of the individual parts, materials or components of the product. A U.S.-based company is at a disadvantage vis-à-vis its foreign competitor when it must pay the higher rate on parts, materials or components imported for use in the manufacturing process. The FTZ program corrects this imbalance by treating a product made in a U.S. foreign-trade zone, for purposes of tariff assessment, as if it were produced abroad.

BENEFITS FOR COMMUNITIES When companies increase their cash flow, save taxes and improve their bottom line by locating their operations in FTZs, communities benefit in several important ways. Economic growth and development are stimulated because jobs are retained and created in the community. The FTZ program impacts indirect employment, as well, because a business location not only creates jobs specific to itself, but also creates opportunities for suppliers and service providers in the community. An FTZ project can be a valuable asset to a community trying to attract new business investment to its area. Finally, a community with a FTZ may experience an improved infrastructure and a larger tax-base as a result of higher employment and the influx of new businesses. For all of these reasons, more than 200 communities throughout the United States support and rely on the benefits that the FTZ program offers public as well as private entities.

BENEFITS FOR BUSINESSES The FTZ program helps American companies improve their competitive position versus their counterparts abroad. The FTZ program allows U.S.-based companies to defer, reduce or even eliminate Customs duties on products admitted to the zone.

Deferral of Duties Customs duties are paid only when and if merchandise is transferred into U.S. Customs and Border Protection territory. This benefit equates to a cash flow savings that allows companies to keep critical funds accessible for their operating needs while the merchandise remains in the zone. There is no time limit on the length of time that merchandise can remain in a zone.

Reduction of Duties In a FTZ, with the permission of the Foreign-Trade Zones Board, users are allowed to elect a zone status on merchandise admitted to the zone. This zone status determines the duty rate that will be applied to foreign merchandise if it is eventually entered into U.S. commerce from the FTZ. This process allows users to elect the lower duty rate of that applicable to either the foreign inputs or the finished product manufactured in the zone. If the rate on the foreign inputs admitted to the zone is higher than the rate applied to the finished product, the FTZ user may choose the finished product rate, thereby reducing the amount of duty owed.

Elimination of Duties No duties are paid on merchandise exported from a FTZ. Therefore, duty is eliminated on foreign merchandise admitted to the zone but eventually exported from the FTZ. Generally, duties are also eliminated for merchandise that is scrapped, wasted,

destroyed or consumed in a zone.

MISCELLANEOUS BENEFITS

Elimination of Drawback In some instances, duties **previously** paid on exported merchandise may be refunded through a process called **drawback**. The **drawback** law **has** become increasingly **complex** and exoensive to administer. Throuah the use of a FTZ, the need for **drawback may** be eliminated allowing these funds to remain in the operating capital of the company.

Labor, Overhead and Profit In calculating the dutlabie value on foreign merchandise removed from a zone, zone users are authorized to exclude zone costs of processing or fabrication, general expenses and profit. Therefore, duties are not owed on labor, overhead and profit attributed to production in a **FTZ**.

Taxes By federal statute, tangible personal property imported from outside the U.S. and **held** in a zone, as well as that produced in the U.S. and held in a zone for exportation, are not subject to State and local ad valorem taxes.

Quotas U.S. quota restrictions do not apply to merchandise admitted to zones, although quotas will apply if and when the merchandise is subsequently entered into U.S. commerce. Merchandise subject to quota, with the permission of the Foreign-Trade Zones Board, may be substantially transformed in a **FTZ** to a non-auota article that **may** then be entered into U.S. Customs **and** Border Protection territory, free of quota restriction;. Quota merchandise may be stored in a **FTZ** so that when the auota **opens**, the merchandise mav be immediatelv **shipped** into U.S. Customs and Border protection territory.

Zone-to-Zone Transfer An increasing number of firms are making use of the ability to transfer merchandise from one zone to another. Because the merchandise is **transported in-bond**, duty may be deferred until the product is removed from the final zone for entry into the U.S. Customs and Border Protection territory.

Other Additional benefits, **sometimes** referred to as intangible **benefits**, have begun to play a greater **role** in a company's evaluation of the **FTZ** program. Many companies in **FTZs** find that their inventory control systems run more efficiently, increasing their competitiveness. **FTZ** users also find that in meeting their **FTZ** reporting responsibilities to the U.S. government, they are eligible to take advantage of special Customs procedures such as direct **delivery** and weekly entry. These procedures expedite the movement of cargo, thereby supporting just-in-time inventory methodologies.

[Privacy Policy](#) [Cancellation & Refund Policy](#) [Contact Us](#)

1000 Connecticut Ave., NW Suite 1001
Washington, DC 20036
Tel 202.331.1950 Fax 202.331.1994

© 2005 NAFTZ. All rights resewed.

§ 15.2-4901. Purpose of chapter.

It is the intent of the legislature by the passage of this chapter to authorize the creation of industrial development authorities by the localities in the Commonwealth so that such authorities may acquire, own, lease, and dispose of properties and make loans to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth and further the use of its agricultural products and natural resources, and to vest such authorities with all powers that may be necessary to enable them to accomplish such purposes, which powers shall be exercised for the benefit of the inhabitants of the Commonwealth, either through the increase of their commerce, or through the promotion of their safety, health, welfare, convenience or prosperity. Such authority shall not itself be authorized to operate any such manufacturing, industrial, nonprofit or commercial enterprise or any facility of an institution of higher education.]*

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to pollution control facilities to the end that such authorities may protect and promote the health of the inhabitants of the Commonwealth and the conservation, protection and improvement of its natural resources by exercising such powers for the control or abatement of land, sewer, water, air, noise and general environmental pollution derived from the operation of any industrial or medical facility and to vest such authorities with all powers that may be necessary to enable them to accomplish such purpose, which powers shall be exercised for the benefit of the inhabitants of the Commonwealth, either through the increase of their commerce, or through the promotion of their safety, health, welfare, convenience or prosperity.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to medical facilities and facilities for the residence or care of the aged to the end that such authorities may protect and promote the health and welfare of the inhabitants of the Commonwealth by assisting in the acquisition, construction, equipping, expansion, enlargement and improvement of medical facilities and facilities for the residence or care of the aged in order to provide modern and efficient medical services to the inhabitants of the Commonwealth and care of the aged of the Commonwealth in accordance with their special needs and also by assisting in the refinancing of medical facilities and facilities for the residence or care of the aged owned and operated by organizations which are exempt from taxation pursuant to § 501 (c) (3) of the Internal Revenue Code of 1954, as amended, in order to reduce the costs to residents of the Commonwealth of utilizing such facilities and to vest such authorities with all powers that may be necessary to enable them to accomplish such purposes, which powers shall be exercised for the benefit of the inhabitants of the Commonwealth and for the promotion of their health and welfare. It is not intended hereby that any such authority shall itself be authorized to operate any such medical facility or facility for the residence or care of the aged.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to facilities for use by organizations (other than institutions organized and operated exclusively for religious or educational purposes) which are described in § 501 (c) (3) of the Internal Revenue Code of 1954, as amended, and which are exempt from federal income taxation pursuant to § 501 (a) of the Internal Revenue Code of 1954, as amended, to the end that such authorities may protect or promote the safety, health, welfare, convenience, and prosperity of the inhabitants of the Commonwealth by assisting in the acquisition, construction, equipping, expansion, enlargement, improvement, financing, and refinancing of such

facilities of the aforesaid entities and organizations in order to provide operations, recreational, activity centers, and other facilities for the use of the inhabitants of the Commonwealth and to vest such authorities with all powers that may be necessary to enable them to accomplish such purposes, which powers shall be exercised for the benefit of the inhabitants of the Commonwealth and for the promotion of their safety, health, welfare, convenience or prosperity. It is not intended hereby that any such authority shall itself be authorized to operate any such facility.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to facilities for private, accredited and nonprofit institutions of collegiate education in the Commonwealth whose primary purpose is to provide collegiate or graduate education and not to provide religious training or theological education to the end that such authorities may protect and promote the health and welfare of the inhabitants of the Commonwealth by assisting in the acquisition, construction, equipping, expansion, enlargement, and improvement of facilities of aforesaid institutions in order to provide improved educational facilities for the use of the inhabitants of the Commonwealth and to vest such authorities with all powers that may be necessary to enable them to accomplish such purposes, which powers shall be exercised for the benefit of the inhabitants of the Commonwealth and for the promotion of their health, welfare, convenience or prosperity. It is not **intended** hereby that any such authority shall itself be authorized to operate any such educational facility.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant industrial development authorities the powers contained herein with respect to facilities for a locality, the Commonwealth and its agencies, and governmental and nonprofit organizations and to vest such authorities with all **powers** that may **be** necessary to enable them to **accomplish** such purposes, which **powers** shall be exercised for the benefit of the inhabitants of the Commonwealth and for the **promotion** of their health, welfare, convenience or prosperity.

It is further the intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to facilities for museums and historical education, demonstration and interpretation, together with any and all buildings, structures or other facilities **necessary** or desirable in connection with the foregoing, for use by nonprofit organizations in order to promote tourism and economic development in the Commonwealth, to promote the knowledge of and appreciation by the citizens of the Commonwealth of the historical and cultural development and heritage of the Commonwealth and the United States and to promote thereby their health, welfare, convenience and prosperity. It is not intended hereby that any such authority shall itself be authorized to operate any such facility.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to facilities devoted to the staging of equine events and activities (other than racing) for use by governmental or nonprofit, nonreligious organizations and operated by such governmental or nonprofit, nonreligious organizations in order to promote the equine industry and equine-related activities (other than racing) which are integral to the Commonwealth's economy and heritage and to promote thereby the safety, health, welfare, convenience, and prosperity of the inhabitants of the Commonwealth.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities the powers contained herein with respect to acquiring, developing, owning and **operating** an industrial **park** and any utilities that are intended **primarily** to **serve** the **park** and to issue bonds for such **purposes**. The bonds may be secured by revenues generated by the industrial park or the utilities being financed or by any other **funds** of the authority.

It is the further intent of the legislature and shall be the policy of the Commonwealth to grant to industrial development authorities created by one or more municipalities whose housing authorities have not been activated as provided by §§ ~~36-4~~ and ~~36-4.1~~, in addition to the powers previously or hereafter granted in this chapter, the powers contained herein with respect to facilities used primarily for single or multi-family residences in order to promote safe and affordable housing in the Commonwealth and to benefit thereby the safety, health, welfare and prosperity of the inhabitants of the Commonwealth. It is not intended hereby that any such authority shall itself be authorized to operate any such facility or exercise any powers of eminent domain set forth in § ~~36-27~~.

In any instance in this chapter where an industrial development authority may issue bonds through its authority to finance, the authority may also refinance such bonds.

This chapter shall be liberally construed in conformity with these intentions.

(1966, c. 651, § 15.1-1375; 1972, c. 783; 1975, c. 489; 1977, c. 619; 1978, cc. 276, 526; 1984, c. 700; 1985, c. 317, § 15.1-1392; 1986, c. 473; 1988, c. 211; 1990, c. 312; 1991, c. 6; 1997, cc. 587, 758, 763; 2002, cc. 680, 725; 2005, c. 928.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

[previous](#) | [next](#)

§ 15.2-4905. Powers of authority.

The authority shall have the following powers together with all powers incidental thereto or **necessary** for the performance of those hereinafter stated:

1. To sue and be sued and to prosecute and defend, at law or in equity, in any court having jurisdiction of the subject matter and of the parties;
2. To adopt and use a corporate seal and to alter the same at pleasure;
3. To enter into contracts; however, any written contract of the authority shall contain provisions addressing the issue of whether attorney's fees shall be recoverable by the prevailing party in the event the contract is subject to litigation;
4. To acquire, whether by purchase, exchange, gift, lease or otherwise, and to improve, maintain, equip and furnish one or more authority facilities including all real and personal properties which the board of directors of the authority may deem necessary in connection therewith and regardless of whether any such facilities shall then be in existence;
5. To lease to others any or all of its facilities and to charge and collect rent therefor and to terminate any lease upon the failure of the lessee to comply with any of the obligations thereof; and to include in any such lease, if desired, a provision that the lessee thereof shall have options to renew such lease or to purchase any or all of the leased facilities, or that upon payment of all of the indebtedness of the authority it may lease or convey any or all of its facilities to the lessee thereof with or without consideration;
6. To sell, exchange, donate, and convey any or all of its facilities or properties whenever its board of directors shall find any such action to be in **furtherance** of the purposes for which the authority was organized;
7. To issue its bonds for the purpose of carrying out any of its powers including specifically, but without intending to limit any power conferred by this section or this chapter, the issuance of bonds to provide long-term financing of any pollution control facility, whether any such facility was constructed prior to or after the enactment hereof or the receipt of a commitment from an authority to undertake financing pursuant hereto, unless the major part of the proceeds of such bonds will be used to redeem any prior long-term financing of such facility other than financings pursuant to this chapter or any similar law;
8. As security for the payment of the principal of and interest on any bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities or any part or parts thereof, whether then owned or hereafter acquired, and to pledge the revenues therefrom or from any part thereof or from any loans made by the authority;
9. To employ and pay compensation to such employees and agents, including attorneys, and real estate brokers whether engaged by the authority or otherwise, as the board of directors shall deem necessary in carrying on the business of the authority;
10. To exercise all powers expressly given the authority by the governing body of the locality which established the authority and to establish bylaws and make all rules and regulations, not inconsistent

with the provisions of this chapter, deemed expedient for the management of the authority's affairs;

11. To appoint an industrial advisory committee or similar committee or committees to advise the authority, consisting of such number of persons as it may deem advisable. Such persons may be compensated such amount per regular, special, or committee meeting as may be approved by the appointing authority, not to exceed \$50 per meeting day, and may be reimbursed for necessary traveling and other expenses incurred while on the business of the authority;

12. ~~To borrow money and to accept contributions, grants and other assistance from the United States of America and agencies or instrumentalities thereof, the~~ ~~or any political subdivision, agency, or public instrumentality~~ of the Commonwealth, for or in aid of the construction, acquisition, ownership, maintenance or repair of the authority facilities, for the payment of principal of any bond of the authority, interest thereon, or other cost incident thereto, or in order to make loans in furtherance of the purposes of this chapter of such money, contributions, grants, and other financial assistance, and to this end the authority shall have the power to comply with such conditions and to execute such agreements, trust indentures, and other legal instruments as may be necessary, convenient or desirable and to agree to such terms and conditions as may be imposed; and

13. ~~To make loans or grants to any person, partnership, association, corporation, business, or governmental entity in furtherance of the purposes of this chapter including for the purposes of promoting economic development, provided that such loans or grants shall be made only from revenues of the authority which have not been pledged or assigned for the payment of any of the authority's bonds. and to enter into such contracts, instruments, and agreements as may be expedient to provide for such loans and any security therefor. An authority may also be permitted to forgive loans or other obligations if it is deemed to further economic development.~~ The word "revenues" as used in this subdivision includes contributions, grants and other financial assistance, as set out in subdivision 12.

The authority shall not have power to operate any facility as a business other than as lessor and shall not have the power to operate any single or multi-family housing facilities. However, the authority shall have the power to apply for, establish, operate and maintain a foreign-trade zone in accordance with the provisions of Chapter 14 (§ ~~62.1-159~~ et seq.) of Title 62.1. Any meeting held by the board of directors at which formal action is taken shall be open to the public.

If a locality has created an industrial development authority pursuant to this chapter or any other provision of law, no other such authority, not created by such locality, shall finance facilities, except pollution control facilities, within the boundaries of such locality, unless the governing body of such locality in which the facilities are located or are proposed to be located, concurs with the inducement resolution adopted by the authority, and shows such concurrence in a duly adopted resolution. Notwithstanding the foregoing, nothing contained herein shall be deemed to invalidate or otherwise impair any existing financing by an authority or the financing of any facilities for which application has been made to an authority prior to July 1, 1981.

(1966, c. 651, § 15.1-1378; 1970, c. 598; 1972, c. 783; 1973, c. 528; 1981, c. 3; 1991, c. 6; 1993, c. 896; 1994, c. 317; 1997, cc. 587, 758, 763; 1998, c. 728; 2005, c. 575.)

[previous](#) | [next](#)

§ 15.2-4917. Facility sites.

~~Any locality may acquire, pursuant to § 15.2-1800, a facility site and may likewise transfer any facility site to an authority. Such transfer may be made by a resolution of the governing body of the locality without submission of the question to the voters and without regard to the requirements, restrictions, limitations or other provisions contained in any other general, special or local law. Such facility sites may be located within or outside or partially within or outside the locality creating the authority. If a real estate broker licensed under § 54.1-2100 represents a party in a transaction through which a facility site is acquired, the locality may pay a reasonable brokerage fee to such real estate broker.~~

(1966, c. 651, § 15.1-1388; 1997, c. 587; 1998, c. 728.)

[previous](#) | [next](#) | [new search](#) | [table of contents](#) | [home](#)

Virginia Department of Business Assistance - Financing

Virginia Small Business Financing Authority



CAPITAL RESOURCES DIRECTORY

- **Introduction**
- **How to use this Directory**
- **Search Directory**

Please enter what you want to search for in the text box provided below and hit the **Search** button. You can also go to the Index to get a full list of all available programs.

Search for:

1. ADVANCED TECHNOLOGY PROGRAM
2. ALEXANDRIA MICRO LOAN PROGRAM
3. ALLEGHANY HIGHLANDS ECONOMIC DEVELOPMENT AUTHORITY
4. AMERICAN BUSINESS FINANCE LLC
5. BUSINESS AND INDUSTRIAL LOAN GUARANTEES
6. BUSINESSTART
7. CENTER FOR COMMUNITY DEVELOPMENT, INC. COTTAGE INDUSTRY PROGRAM
8. CHILD DAY CARE FINANCING PROGRAM
9. CITY OF RICHMOND COMMERCIAL AREA REVITALIZATION EFFORT (CARE) PROGRAM
10. CITY OF RICHMOND ENTERPRISE ZONE PROGRAM INCENTIVES
11. CITY OF RICHMOND MICRO-ENTERPRISE LOAN PROGRAM
12. COMMUNITY BUSINESS PARTNERSHIP
13. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT PROGRAM
14. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) NON-ENTITLEMENT PROGRAM
15. CRATER DEVELOPMENT COMPANY REVOLVING LOAN FUND
16. CUMBERLAND PLATEAU COMPANY ECONOMIC DEVELOPMENT CREDIT LINE PROGRAM
17. CUMBERLAND PLATEAU PLANNING DISTRICT COMMISSION REVOLVING LOAN FUND (RLF)
18. ENTREPRENEUR TRAINING AND MICROENTERPRISE LOAN PROGRAM (TAP)
19. ENVIRONMENTAL COMPLIANCE ASSISTANCE PROGRAM
20. ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. MICROENTERPRISE DEV. PRGRM
21. EXIMBANK WORKING CAPITAL GUARANTEE PROGRAM
22. EXPORT WORKING CAPITAL LOAN PROGRAM (EWCP)
23. FINCA USA PEER LENDING PROGRAM
24. FRANKLIN COUNTY MICROBUSINESS DEVELOPMENT PROGRAM
25. GOVERNOR'S OPPORTUNITY FUND
26. HANPTON INDUSTRIAL DEVELOPMENT AUTHORITY (IDA) REVOLVING LOAN FUND
27. HAMPTON SMALL/MINORITY BUSINESS LOAN PROGRAM
28. HISPANIC EQUIPMENT LOAN FUND
29. INDUSTRIAL ACCESS ROAD PROGRAM
30. INDUSTRIAL ACCESS ROAD PROGRAM BONDED PROJECT
31. INDUSTRIAL DEVELOPMENT BOND PROGRAM
32. JOINT IDA REVOLVING LOAN FUND
33. LAKE COUNTRY DEVELOPMENT CORPORATION REVOLVING LOAN FUND
34. LOAN GUARANTY PROGRAM
35. LYNCHBURG MICROENTERPRISE LOAN FUND

36. LYNCHBURG REVOLVING LOAN FUND
37. MBG (MONTGOMERY-BLACKSBURG-CHRISTIANSBURG) DEVELOPMENT CORPORATION
38. MICROENTERPRISE PROGRAM
39. MIDDLE PENINSULA BUSINESS DEVELOPMENT PARTNERSHIP
40. MOUNT ROGERS INTERMEDIARY RELENDING PROGRAM (IRP) LOAN
41. MOUNT ROGERS REVOLVING LOAN FUND
42. NEW ENTERPRISES FUND
43. NEWPORT NEWS CAPITAL FUND
44. NEWPORT NEWS MICRO-LOAN PROGRAM
45. NEWPORT NEWS URBAN DEVELOPMENT ACTION GRANT LOAN PROGRAM
46. NINTH DISTRICT DEVELOPMENT FINANCING, INC.
47. REVOLVING MICROLOAN PROGRAM
48. RURAL BUSINESS ENTERPRISE LOAN FRONT ROYAL - WARREN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
49. RURAL BUSINESS ENTERPRISE MICROLOAN PROGRAM FRONT ROYAL - WARREN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
50. SBA 504 LOAN PROGRAM
51. SBA 7(A) GENERAL BUSINESS LOAN PROGRAM
52. SBA CAPLine ASSET BASED LOANS
53. SBA CAPLine BUILDER LOAN
54. SBA CAPLine CONTRACT LOAN PROGRAM
55. SBA CAPLine SEASONAL LINE OF CREDIT
56. SBA EXPORT WORKING CAPITAL PROGRAM
57. SBA LOWDOC LOAN PROGRAM
58. SBA POLLUTION CONTROL LOANS
59. SBA PRE-QUALIFICATION LOAN PROGRAM
60. SELF-EMPLOYMENT LOAN FUND
61. SMALL BUSINESS INNOVATION RESEARCH (SBIR)
62. SMALL BUSINESS INVESTMENT COMPANIES (SBIC'S)
63. SMALL BUSINESS PARTNERSHIP LOAN FUND
64. SMALL OFFICE/HOME OFFICE LOAN
65. SOLAR PHOTOVOLTAIC MANUFACTURING GRANTS
66. SOUTH BOSTON ENTERPRISE ZONE LOAN PROGRAM INTEREST BUY-DOWN FUND
67. SOUTH BOSTON ENTERPRISE ZONE LOAN PROGRAM REVOLVING LOAN POOL FOR SMALL BUSINESS DEVELOPMENT
68. TAX-EXEMPT BOND PROGRAM
69. UMBRELLA BOND PROGRAM (VSBFA)
- 70.** VIRGINIACAPITAL ACCESS PROGRAM
71. VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY PROGRAM
72. VIRGINIA COMMUNITY DEVELOPMENT LOAN FUND MICROLOAN PROGRAM
73. VIRGINIA DEFENSE CONVERSION REVOLVING LOAN FUND (VSBFA)
74. VIRGINIA ECONOMIC DEVELOPMENT CORPORATION DEVELOPMENT LOANS
75. VIRGINIA ECONOMIC DEVELOPMENT LOAN FUND (VSBFA)
76. VIRGINIA ENTERPRISE INITIATIVE
77. IN / ENTERPRISE ZONE PROGRAM
78. IN / INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM (VIDA)
79. VIRGINIA TOBACCO COMMISSION SOUTHSIDE CAPITAL ACCESS PROGRAM
80. VIRGINIA'S CENTER FOR INNOVATIVE TECHNOLOGY (VA CIT)
81. VSBFA DIRECT
82. WESTERN VIRGINIA REVOLVING LOAN FUND (WVRLF)

See this page in a graphic intense format!

Virginia Department of Business Assistance - Financing

CITY OF RICHMOND MICRO-ENTERPRISE LOAN PROGRAM

ADMINISTRATOR	Richmond Economic Development Corp. (R.E.D.C.)
	City of Richmond
AREA OF PURPOSE	Provide financing to start up or existing small businesses unable to qualify for traditional bank financing.
TYPE OF FINANCING	Term loans , working and expansion financing
AMOUNT	Maximum: \$35,000 Minimum: None
ELIGIBILITY	To be eligible for a loan, the following criteria must be met: <ul style="list-style-type: none"> • Business must be located in the City of Richmond • Business must have a valid business license. ■ Business must be unable to obtain traditional bank financing
USES	Loan proceeds can be used for startup, expansion, working capital, equipment purchase, along with acquisition and/or renovation of " owner-occupied " commercial or mixed use properties.
USE RESTRICTIONS	Loans may not be used to: <ul style="list-style-type: none"> • Purchase real estate • Repay existing debts (unless combined with eligible purpose) Loans may not be used for: <ul style="list-style-type: none"> • Non-profit organizations (except non-profit child care providers) • Businesses with greater than five (full-time) employees • Businesses with greater than \$105,000 in existing debts
TERMS	Varies.
INTEREST RATE	Varies. Competitive with bank rates.
APPLICATION PROCESS	Interested parties should contact the City of Richmond Office of Economic Development for complete application information.
COST AND FEES	■ A 1 % administrative fee is collected at closing and annually during the life of the loan.
CONTACT	Ben Armbruster City of Richmond Department of Economic Development 501 E. Franklin Street, Suite 800 Richmond, VA 23219 804-646-5633 Fax 804-647-6793 E-mail: armbrbf@ci.richmond.va.us
	OR
	Hank Coleman Richmond Economic Development Corporation 501 E. Franklin Street, Suite 800 Richmond, VA 23219 804-780-3012 Fax 804-647-6793 E-mail: hcoleman358@aol.com

See this page in a **graphic Intense** format!

Vii Department of Business Assistance - Financing
LAKE COUNTRY DEVELOPMENT CORPORATION - REVOLVING FUND

ADMINISTRATOR	Lake Country Development Corporation (LCDC)
AREA OF OPERATION	Counties of Brunswick, Halifax and Mecklenburg
PURPOSE	To fund investments that are for the establishment of new industries, assistance for existing locally-based industries, innovative and job-creating economic uses and activities, and to fill a gap in the existing local financial market.
TYPE OF FINANCING	Working capital and fixed asset financing
AMOUNT	Minimum: \$50,000 Maximum: \$250,000
ELIGIBILITY	<ul style="list-style-type: none"> • Private, for-profit corporations, partnerships or proprietorships. • Public and private nonprofit organizations • General and special purpose units of local governments
USES	<ul style="list-style-type: none"> • Purchase of land, buildings, machinery and equipment • Land improvements • Renovation or major additions to existing buildings • Construction of new buildings • Working Capital
USE RESTRICTIONS	<p>Funds cannot be used for the following:</p> <ul style="list-style-type: none"> • Land banking where a well defined development project does not exist • Projects not located within Southside Planning District • Projects which do not adhere to EDA non-relocation guidelines • Projects for the generation, transmission or distribution of electrical energy or the production or transmission of fuel gases. • Projects for which funds are otherwise available from private lenders • Projects which would create a potential conflict of interest for any officer or employee of the grantee or the Board of Directors of LCDC
TERMS	<ul style="list-style-type: none"> • Working Capital -five years • Working Capital Loans - The applicant will have existing new working capital (current assets will exceed current liabilities) of at least 15% of the applicant's total working capital needs. • Fixed Asset Loans - Up to 25 years, depending on the life of the assets financed • Fixed Asset Loans - The applicant will provide in the form of equity a minimum of 15% of the total cost of the project. • No revolving fund loan will cover more than 75% of the total project costs, nor, except in unusual circumstances, will a loan constitute 100% of the debt-financed portion of a project. It is the general policy of LCDC to loan the minimum amount needed to elicit financing from other sources, in order to assist projects that would not otherwise be financed. • Security shall be required as determined necessary by LCDC. In the case of fixed asset loans, security may be in the form of liens on the assets financed. Liens upon other non-project assets of the applicant may also serve to secure the loan. • It is the general policy of LCDC to require personal guarantees by the applicant's major shareholder(s). • LCDC will review jobs created in each project to verify the economic development impact on the community. LCDC requires that one job be created or retained, for each \$10,000 of funds borrowed. A minimum of 15 jobs must be created. • The revolving loan fund may be repaid after repayment, in part or in full, of other loans which were made in connection with the project. <p>Deferral of repayment of principal, or interest, or of both may be scheduled as determined necessary. In no case shall the commencement of repayment be deferred beyond 36 months after start-up of project operations.</p>

(INTEREST RATE	3% below the Prime Rate. No less than 5%.
APPLICATION PROCESS	Complete information may be obtained by contacting LCDC.
COST AND FEES	Application fee: \$100 (The application fee will be deducted from a 1% administrative service charge at the time of closing.)
CONTACT	Joyce French Lake Country Development Corporation 200 South Mecklenburg Avenue P.O. Box 150 South Hill, Virginia 23970 (804) 447-7101 Fax (804) 447-4461

See this page in a [graphic](#) Intense format!

Virginia Department of Business Assistance - Financing

VIRGINIA CAPITAL ACCESS PROGRAM

ADMINISTRATOR	Virginia Small Business Financing Authority (VSBFA) staffed by the Virginia Department of Business Assistance.
AREA OF OPERATION	Statewide
PURPOSE	The Virginia Capital Access program (VCAP) is a non-bureaucratic tool to assist banks in meeting the financing needs of businesses within Virginia, by encouraging banks to make loans to borrowers with riskier credit profiles. VCAP utilizes an insurance concept on a portfolio of loans, by establishing a loan loss reserve at each participating bank. The reserve is funded by enrollment premiums paid by the borrower and the bank, which are then matched by VSBFA.
TYPE OF FINANCING	Bank term loans or revolving lines of credit
AMOUNT	Maximum enrolled loan amount is \$250,000
ELIGIBILITY	The financing must be used for a Virginia business operation. The participating bank determines the specific credit requirements.
USES	Funds are available for working capital, expansion, equipment and most other business needs.
TERMS	Set by the participating bank
INTEREST RATE	Set by the participating bank
APPLICATION PROCESS	Application may be made to any bank participating in the Virginia Capital Access Program. VSBFA maintains a current list of participating banks. If the bank determines that the financing does not meet its normal underwriting standards, it will then be considered for VCAP.
COST AND FEES	Enrollment premiums range from 3% to 7% of the loan amount.
CONTACT	Virginia Small Business Financing Authority P.O. Box 446 Richmond, VA 23218-0446 (804) 371-8254 Fax (804) 225-3384 Website: www.dba.state.va.us

See this page in a graphic intense format!

Industrial Development Bonds

Project Financing and Feasibility

Presented by

Tina K. Neal

October 18, 2005

Ferris, Baker Watts, Inc.

Headquartered in Washington, D.C.

100 Years of Service

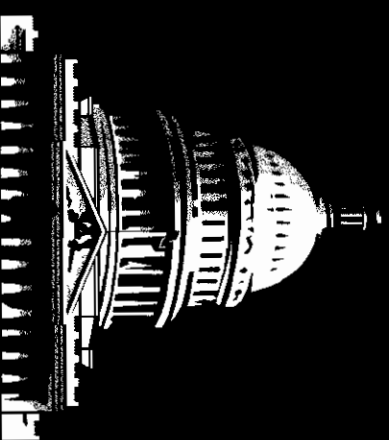
Over 60 Years in Public Finance

39 Offices

13 Public Finance Staff

Employee-Owned

Member NYSE



Ferris, Baker Watts, Inc. (cont'd)

Strongly Capitalized - \$393 MM in Assets,
\$50 MM in Excess Net Capital

Ability to Underwrite Issues > \$300MM

Approximately 425 Retail Sales Personnel,
Covering Over 100,000 Retail Accounts

Ranked Among the Top Fifty Underwriters in
the Nation by Securities Data Company in
Economic Development and 20 Other
Categories

Ferris, Baker Watts' Services

Underwriting Services

Financial Advisory Services

Typically Earn Fees Only When

Transaction is Funded



Venture Time and Assistance in

Structuring Financing or Working with

Staff to Develop Financing Plan

What Is A Municipal Bond?

A municipal bond is a debt obligation issued by states, cities, counties, and other government entities, including industrial development authorities, to raise money for certain capital projects.

What Does “Tax-Free” or “Tax-Exempt” Mean?

Municipal bonds are exempt from federal income taxation.

Municipal bonds are also exempt from state income taxation for residents of the state in which the bonds are issued.

This results in lower borrowing costs for the municipality or corporate buyer.

Who Buys Municipal Bonds?

Municipal bonds are purchased by individuals and also by institutions, including banks, insurance companies, and mutual fund companies.

Municipal bonds purchased by banks must be public purpose and “bank-qualified” – where the issuer cannot issue more than \$10MM in debt per calendar year.

Types of Municipal Bonds

General Obligation Bonds

Revenue Bonds

Lease Revenue Bonds

Industrial Revenue Bonds

Public/Private Partnerships

Tax Incremental Financings

General Obligation Debt

“Full Faith and Credit” or pledge of
“Taxing Power”

Often subject to voter referendum
Strongest form of pledge

Revenue Bonds

Traditionally used for infrastructure financing
Source of payment is based on revenues
from Project, i.e., water and sewer
Often issued with a General Obligation
Pledge and Pledge of Revenues (Double
Barreled Bonds)

Lease Revenue Bonds or Certificates of Participation

Obligation is “Subject to Annual
Appropriation”

Doesn't count against debt limit

No Referendum

Customized by Project, no set structure
Avoids Referendum uncertainty, timing
and expense of Referendums

Industrial Revenue Bonds (“IRBs”)

Pre-1986 - IRBs could be used for almost any development project, now “manufacturing only”

\$10MM maximum size in one jurisdiction

Capital expenditures and other tests

Financing for building and equipment, no working capital

Some IRB Rules on Issuance

Manufacturing only

Maximum size \$10 million

Capital Expenditures Test - \$10MM in any three-year period in same jurisdiction

Cannot be used for working capital or inventory; not more than 2% used for issuance expenses.

Some IRB Rules on Issuance (cont'd)

If used to acquire an existing building, at least 15% of the acquisition cost must be spent on rehabilitation.

If used to acquire used equipment, 100% of the cost of the equipment must be used to rehab the equipment.

Proceeds must be spent within a two-year period, and is subject to arbitrage rebate.

IRBs and Credit Enhancement

Letter of Credit from Bank

- Investors rely on bank's financial strength.

Unenhanced IRBs

- Investors rely on strength of company.

IRBs with a “Support Agreement” from the locality

- Investors rely on the locality's commitment and the company's strength.

Credit Enhancement - IRBs

Letter of Credit from a banking institution

- Typically 1 - 3 years in length
- Bank agrees to pay bondholders in an event of default
- Letter of Credit must be renegotiated or renewed at end of term
- Variable or Fixed Rate for term of LOC

Unenhanced Bonds

Sold without any letter of credit

Sold based on the company's credit to retail and institutional investors

Interest rate is fixed for the amortization term

No refinance risk or market risk - permanent financing

Slightly higher interest rates and fees

Comparison of Enhanced and Unenhanced Industrial Revenue Bonds

Bank Financing

Base Rate	2.60%
Bank LOC	1.50%
Trustee	.25%
Renkting	<u>.125%</u>
Total	4.475%
Term	1-5 years

IRBs - Unenhanced

Base Rate	5.50%-7.00%
Trustee Fee	<u>.25%</u>
Total	5.75%-7.25%
Term	Up to 30 years

IBBs and “Moral Obligations” from a Municipality

Municipality can act as a form of enhancement for all or a portion of the debt

Used as an incentive for a company to locate in a region

Municipal obligation is “subject to annual appropriation”

Municipality can structure covenants required by the company

Ownership v. Lease Purchase

IRBs can be structured to allow for a corporate identity to either lease the facility or own it

Many businesses now prefer to lease the facility because they do not want the debt on their balance sheet

IDAs can act as developer and lessor to lease the facility to the business

Taxable Industrial Revenue Bonds

No rules as with tax-exempt IRBs; can be for any purpose, but usually registered with the SEC

Sold to institutional buyers, so usually have shorter amortization

Frequently used with tax-exempt IRBs as a small “taxable tail” for issuance expenses

Public/Private Partnerships

PPEA in Virginia

‘Stretching public budgets to finance capital projects

“Joint Venture” between a Locality and a Private Sector Entity

Typically issued through the Local Industrial Development Authority (IDA) or other conduit Authority

Public/Private Partnership Projects

Schools

Parking Facilities

Convention Centers

Speculative “Shell” Office or Industrial
Buildings

Stadiums/Arenas

Redevelopment Projects

Financing Public/Private Projects

Typically issued through a local Authority
The Support Agreement may be a Master
Lease Agreement from an Authority and
appropriations from the locality

Private sector gets some tradeoff, such as
leasing or development rights,
participation in cash flow

Special Taxing Districts/Community Dev. Authorities and Tax Increment Financings

Bonds are repaid from new taxes
imposed on a District after development
Suited for residential or commercial
development

Limited use based on absolute dollars
Creation of a Community Development
Authority or other special taxing district

Other Potential Issuers

Qualified 501(c)(3) Bonds – non-profit hospitals, schools, nursing homes, retirement communities

Solid Waste Disposal Facilities

Airports/Transportation Facilities (Public)

Multi-Family Housing Bonds

Taxable Bonds