



Proposed Revisions to the Economic Development Access Program

 Russell Dudley, Local Assistance Division

Economic Development (EDA) Program Overview

The Economic Development Access Program provides adequate access to development sites for qualifying businesses

- **A qualifying business will meet the Virginia Economic Development metric of a basic employer**
- **Adequate access, in consideration of the type and volume of traffic anticipated to be generated by the subject site, may require the construction of a new roadway, improvement of an existing roadway, or both, to serve the designated site**

General Assembly allocates \$5.5M annually for the EDA, Airport and Rail Access programs.

CTB Policy establishes maximum allocation per locality, per year

- **\$500,000 unmatched; \$150,000 matched**

Often part of larger incentive packages

Project Types

Regular

- **Localities must provide information on a business, the planned facility or operation, and its anticipated investment prior to requesting funds from the Board**
 - **VDOT reviews the proposed development and road access concept and ensures the project is appropriate and the anticipated investment will support the use of EDA funding**
 - **VEDP confirms business meets basic employer criteria as part of allocation request**

Bonded

- **Localities must provide information regarding the development site**
 - **VDOT reviews traffic projection and proposed road**
 - **VEDP provides recommendation to VDOT based on determination of the adequacy and location of the development site to attract business that would qualify under the Program**
 - **VEDP confirms businesses that locate on roadway meet criteria to qualify their investment**
- **Provides opportunity for a locality to quickly build a roadway in order to make sites more attractive**

Recent Actions

- **JLARC report published on September 14, 2020, titled Infrastructure and Regional Incentives, recommended several changes to the EDA program**
 - **Develop new guidelines that include provisions for the # of jobs, capital investment, or other relevant criteria**
 - **Revise guidelines to align with VEDP's project selection criteria, which are designed to enhance economic benefits**
- **At its 2021 Special Session, the General Assembly amended § 33.2-1509**
 - **Amendment provides for changes and requires guidelines for the use of funds to take into account job creation, capital investment, and other relevant economic development considerations**
- **VEDP Surveyed Stakeholders and researched other similar state programs/Consultation with VDOT**

VDOT and VEDP Collaborated to Identify Potential Improvements to the EDA Program

Date	Event Description
Oct 2020	VDOT staff requested VEDP support to develop proposals to increase utilization of EDAP funding
Nov 2020 - Mar 2021	VEDP staff engaged with stakeholders to understand their perspectives on the program and potential changes that might increase applications
Apr - Jun 2021	VEDP and VDOT Staff engaged to review stakeholder insights and potential program changes
Jul – Oct 2021	VDOT staff reviewed potential program changes and developed recommendations

VEDP Stakeholders Offered Feedback on the Program and Proposed Changes

Localities are reluctant to pursue bonded projects under current conditions

- Localities perceive they are bearing all the risk
- Localities believe they will likely need to repay
- Clawbacks are especially daunting for rural, distressed localities

EDAP's timeline does not align with the market

- Five year window is too short given lead times for attracting economic development projects
- Timeline should incentivize quick construction of road, offer add'l time to attract projects

Design-only grants should be open to non-MEI projects

- Completing design, permitting work expedites road projects and clarifies costs
- Design-only grants free up resources for other aspects of road construction, site development
- Design-only grants should require construction before permits expire

Alternative methods to justify funding are attractive

- Incorporating job creation into project metrics would broaden qualifying projects
 - Especially useful in small communities
- Incorporating Virginia Business Ready Sites Program Tier advancement into metrics supports holistic goal of site readiness

Stakeholders feel that funding has not kept pace with rising development costs

- Road construction costs have continued to increase, while per project EDAP funding levels remain the same

Some developers are unfamiliar with EDAP

- Localities who proactively invest in site development are familiar, but neighbors are not
- New economic developers do not hear about the program as it is little used

VDOT Program Recommendations

Update Application Process

Increase Maximum Allocation

Provide Design-Only Grants

**Reduce Capital Investment Requirements for Economically Distressed
Localities**

Provide Credit for Capital Investment for Jobs Created

Modified Application Process

Today's Process

- Evaluate Access Need
- Determine Eligibility of Business

Recommendation for More Robust Application Process

- To Increase Potential for Success
- To Address Amended Code

Criteria

- Planned Capital Investment
- Site Potential
- Access Need
- Job Creation
- Locality Economic Distress

Challenge: Criteria for Speculative Projects

Increase the maximum allocation available

- **Current Policy**

- Maximum allocation to a locality within any one fiscal year is \$650,000, with \$500,000 unmatched and \$150,000 matched dollar for dollar.

- **Proposed Policy**

- Maximum allocation to a locality within any one fiscal year would be \$850,000 with \$700,000 unmatched and \$150,000 matched dollar for dollar.

- **Supports Findings/Needs**

- CTB last increased the maximum unmatched allocation in 2009 when it increased from \$300,000 to \$500,000

Provide Design-Only Allocations

- **Current Policy**

- Design-Only allocations are available for Major Employment and Investment (MEI) Sites
- For MEI Design-Only projects, award up to \$500,000 (unmatched) state funds, and an additional \$150,000 (matched) state funds

- **Proposed Policy**

- Access road projects to sites that are not designated as MEI would be eligible for Design-Only allocations
- Localities may receive up to \$150,000 (unmatched) state funds, and an additional \$50,000 (matched) state funds
- Requests under \$100,000 allocated administratively, with delegated Board approval

- **Supports Findings / Needs**

- Addresses Lead Times needed to businesses (on-the-shelf design)
- Show potential businesses level of readiness
- VEDP has found that in order to be competitive for projects, all sites, regardless of size, need to have a plan to complete development in a 12-18 month timeframe.

Reduce Capital Investment Requirement for Regions in Economic Distress

- **Current Policy**
 - No related policy
- **Proposed Policy**
 - The amount of Qualifying Capital Investment needed for a project will be based on the locality's level of distress, as defined by the Commonwealth Opportunity Fund.
 - Non-Distressed: Capital Investment documentation needed for five times the allocation for cost of the road construction.
 - Distressed: Capital Investment documentation needed for four times the allocation for cost of the road construction.
 - Double-Distressed: Capital Investment documentation needed for three times the allocation for cost of the road construction.
- **Supports Findings / Needs**
 - Models Commonwealth Opportunity Fund Grant Program
 - Provides new incentives where investment is needed the most

Provide Credit as Capital Investment for Jobs Created

- **Current Policy**

- Localities must document 5X-Allocation as Capital Investment within Five Years

- **Proposed Policy**

- Provide a credit as capital investment of \$5,000 per new full time job created and \$1000 per full time job retained.

- **Supports Findings/Needs**

- Approximately one-third of EDAP bonded funding was returned due to failure to attract sufficient investment within the current timeframe
- Current capital investment requirements may be especially onerous to distressed localities, as they face additional obstacles in attracting large economic development projects.
- Provides an incentive to recruit businesses adding to local employment

NEXT STEPS

Continue Coordination with VEDP to Define Responsibilities

Policy Resolution to Board in January (Draft Provided)

**Develop new Guidelines which must go through Town Hall for
Public Comment**

