



Virginia Department of Transportation

ECONOMIC DEVELOPMENT ACCESS Program

Bonded Projects Evaluation and VEDP Role

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Today's Topics

Overview of Economic Development Program

Regular (Named) vs Bonded Program

Bonded Program Analysis

VEDP Role

Program Overview

Economic Development Access Requirements:

Virginia Code § 33.2-1509:

- “Funds shall be appropriated to the CTB”
- “Funds shall be expended by the Board for constructing, reconstructing, maintaining, or improving access roads to economic development sites ...”
- Projects must meet criteria established by Virginia Economic Development Partnership (VEDP)
- Funding also available for public airports
- Allows for bonded projects
- Requires roads to be accepted into Secondary or Urban System

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**

Collaborative Process with Virginia Economic Development Partnership

VDOT focus for this program is on transportation and the need for access to a particular site and oversight of the transportation project

VEDP focus for this program is on determining if businesses meet criteria and facilitating expansion of existing business operations within the Commonwealth or attracting qualifying business operations meeting basic employer criteria to site-ready or viable locations

Regular (Named) vs. Bonded Project

Regular

- **Localities must provide information on a business, the planned facility or operation, and it's 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**

Regular (Named) vs. Bonded Projects

Industrial / Economic Development Access Program Projects (FY1996 – FY2015)

	# of Projects	Sum of EDA Program Project Expenditures	Sum of Investment Credited per Program Procedure
Bonded Projects	94	\$28,988,873	\$170,232,700
Named Business (Traditional) Projects	59	\$16,137,875	\$150,020,019
Grand Total	153	\$45,126,747	\$320,252,719

EDA Bonded Projects

- **§ 33.2-1509 Code of Virginia indicates that in the event there is no qualifying business, a locality may guarantee to the Board by bond or other acceptable device. The locality is legally responsible for returning state EDA funds if qualifying investment can not be established**
- **Code indicates the Board will set the bond limits**
- **Current CTB policy provides 5 year bonded program and staggered payback if investment has not been met**
- **General Assembly established a moratorium in 2017 that is in effect until 2021**

Evaluation Purpose

Quantify the effectiveness of the program's bonded option and to analyze any extended benefits

- Investment documentation is the criteria used to determine a project's success
- Current policy requires \$5 investment to \$1 EDA project allocation expenditure
- VDOT only documents qualifying investment necessary to satisfy funding within the allotted time frame

Data Collection

LAD analyzed 95 bonded projects approved by the CTB between FY 1996 and FY 2015 and collected the following information:

- Name of businesses accessed by the road projects; investment made; jobs established or retained; and revenue generated
- Residencies worked with localities to provide available information and Virginia Economic Development Partnership provided additional information

Overview of Findings

- **For the 20-year review period, \$29M in Economic Development Access Program funds were spent on 95 bonded projects**
- **Over \$10M was returned by localities to VDOT for not meeting investment criteria within the time limit**

NOTE: Policy changes impacted investment calculation during period

- **July 2007: Eligible project scope was expanded to allow full capital outlay credit regardless of a business's location within an industrial park**
- **July 2009: Decreased investment requirement to \$5 investment for \$1 Access Program allocation expended (*instead of \$10:\$1*)**
- **\$178M was documented as investment within the bonded time limit during review period**
 - **Under current program guidelines, additional capital investment is not documented by VDOT after bonded period expires or after meeting required investment**

Program Performance – VDOT Documented Investment

Industrial / Economic Development Access Program Bonded Projects (FY1996 – FY2015)

Investment Documentation Requirement	# of Projects	Sum of EDA Program Project Expenditures	Sum of Investment Credit	Investment Credit % to Program \$ Used	Sum of Program Funds Returned to VDOT (not justified by investment)
Did Not Meet	22	\$6,057,353	\$0	0.0%	\$5,684,137
Partially Met	25	\$8,217,260	\$34,733,776	36.0%	\$4,467,208
Fully Met	48	\$14,884,572	\$143,505,966	100.0%	\$0
Grand Total	95	\$29,159,186	\$178,239,743	63.3%	\$10,151,345

Program Performance – Additional Investment

Industrial / Economic Development Access Program Bonded Projects (FY1996 – FY2015)

Investment Documentation Requirement	# of Projects	Sum of EDA Program Project Expenditures	Sum of Investment Credit	Investment Credit % to Program \$ Used	Sum of Program Funds Returned (not justified by investment)	Total Investment	Annual Tax Revenue Generated (2016)	Jobs
Did Not Meet	22	\$6,057,353	\$0	0.0%	\$5,684,137	\$2,127,304,600	\$5,561,279	2,290
Partially Met	25	\$8,217,260	\$34,733,776	36.0%	\$4,467,208	\$389,127,697	\$4,874,565	5,318
Fully Met	48	\$14,884,572	\$143,505,966	100.0%	\$0	\$1,482,164,977	\$8,244,539	10,191
Grand Total	95	\$29,159,186	\$178,239,743	63.3%	\$10,151,345	\$3,998,597,274	\$18,680,383	17,799

1. Additional investment information, annual revenue generated and jobs was compiled from various resources including, localities, VDOT residencies, VEDP and locality E-Services websites.
2. Annual Revenue Generated is primarily revenue generated from Real Estate Taxes (2016)
3. Information regarding jobs generated also include projected jobs

Bonded Program Performance – Extended Benefits

- **Based on additional information gathered working with VEDP**
 - ~\$4B worth of capital investment added to the economy based on businesses that located along bonded projects
 - **More than \$100 return for every \$1 invested**
 - \$2.1B of later investment derived from the 22 projects required to fully reimburse VDOT
 - **~\$2B of later investment was due to investment from Microsoft**
 - Over 17K jobs associated with businesses on bonded projects
 - Over \$18M in tax revenue estimated by localities and VEDP for 2016 for businesses along these bonded roads

Project Example – City of Danville

Facility: River View Industrial Park, Phase 1

- **\$450,000 allocation in FY1998**
- **Locality unable to establish any qualifying investment within bonded period, returned \$450K to VDOT**

Project Example – City of Danville

Overall benefits of the bonded access road project

- **3 new businesses located to stimulate the locality's economy**
 - **Riverside Roof Truss, LLC; Unarco Industries, LLC; and JTI Leaf Services, LLC**
- **\$46,500,000 in investment gathered**
- **299 jobs established in businesses along project**

Project Example – Mecklenburg County

Facility: Boydton Industrial Park

- **\$229,200 allocation in FY2000**
- **\$177,882 in project costs**
- **Locality, unable to establish any qualifying investment within bonded period, returned \$177,882 back to VDOT**

Project Example – Mecklenburg County

Overall benefits of the bonded access road project

- **One new business located to stimulate the locality's economy**
 - **Microsoft**
- **Microsoft gathered \$2B in investment**
- **400 jobs established in businesses along project**
- **\$5,000,000 in tax revenue generated (2016)**

Collaborative Process with Virginia Economic Development Access Program

ECONOMIC DEVELOPMENT ACCESS PROGRAM RESPONSIBILITIES		
<i>Major Activity</i>	<i>VDOT Responsibility (current)</i>	<i>VEDP Responsibility (current)</i>
Define Road Access Needs / Program Eligibility	<input checked="" type="checkbox"/>	
Determine Site Development Viability		<input checked="" type="checkbox"/>
Determine Business Eligibility		<input checked="" type="checkbox"/>
Determine / Coordinate Project Design Needs	<input checked="" type="checkbox"/>	
Prepare Project Administration / Funding Agreement	<input checked="" type="checkbox"/>	
Obtain Bond from Locality (Bonded Projects)	<input checked="" type="checkbox"/>	
Allocate Project Funds	<input checked="" type="checkbox"/>	
• Prepare (VDOT administered) or Review (LAP) Project Plans	<input checked="" type="checkbox"/>	
• Review Project Expenditures for Eligibility	<input checked="" type="checkbox"/>	
• LAP – Provide Reimbursements to Locality	<input checked="" type="checkbox"/>	
• VDOT Administered – track account receivables from locality	<input checked="" type="checkbox"/>	
Approve Final Construction / Street Acceptance into State System	<input checked="" type="checkbox"/>	
Monitor Bonded Project Requirements (time, documentation)	<input checked="" type="checkbox"/>	
Recall Bond / Reimburse Program Account , as necessary	<input checked="" type="checkbox"/>	

Collaborative Process with Virginia Economic Development Access Program

VDOT Responsibilities: Related to Transportation

- Determine Need for Access road project (adequate access)
- Allocate and track funding, expenditures, contingencies, bond status
- Design / Construction of roadway (perform or oversee)
- Upon Completion-Accept road in secondary system or urban system

VEDP Responsibilities: Related to Economic Benefit

- Validate eligibility as basic employer
 - Industrial companies
 - For non-industrial companies and service industries, at least 50% of sales must be outside Virginia
- Assess viability of site

Virginia Economic Development Partnership Mission

Created to encourage, stimulate, and support development and expansion of the Commonwealth's economy by focusing on

- **Business recruitment**
- **Business expansion**
- **International trade**

VEDP Administers Few Grant Programs

Virginia Business Ready Sites Program (VBRSP)

- Develop “Shovel Ready” Sites
- Initially Funded in FY 17 (\$1.25 million)
- Characterization Grants (36)
- Development Grants (8)

Virginia Brownfields Assistance Fund (VBAF)

- Promote restoration and redevelopment of brownfield sites
- \$50,000 grants to assess environmental problems or obstacles to reuse
- Up to \$500K for remediation

VEDP Supports Several Grant Programs Managed by Other Agencies

Virginia Business Ready Sites Program (VBRSP)

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- Characterization Grants (37)
- Development Grants (8)

Virginia Economic Development Partnership

Economic Development Grant Programs

- **Rail Industrial Access Program (DRPT)**
 - **Funding similar to VDOT**
 - **VEDP comments on projects**
- **Agriculture and Forestry Industries Development Fund**
 - **Grants for business that add value to Virginia-grown products**
 - **New jobs and investment**
- **Tobacco Region Opportunity Fund (TROF)**
 - **Performance based grants to assist in the creation of new jobs and investment**

Conclusion

- **The EDA Program's option to allow bonded projects has provided flexibility to localities to enhance economic development opportunities**
- **Over time, the bonded program has ultimately benefited the Commonwealth through significant economic development and jobs creation**
- **This analysis emphasizes the importance of existing collaboration with VEDP and continued efforts to strengthen this partnership**

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