



Albemarle County

Legislation Details (With Text)

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AGENDA DATE: 6/3/2015

TITLE:

Amendments to Economic Development Authority Rules and Procedures

SUBJECT/PROPOSAL/REQUEST: Resolution to approve amendments to the Economic Development Authority's Rules and Procedures

ITEM TYPE: Consent Action Item

STAFF CONTACT(S): Kamptner, Catlin, McClintic

PRESENTER (S): N/A

LEGAL REVIEW: Yes

REVIEWED BY: Thomas C. Foley

BACKGROUND: The Albemarle County Economic Development Authority's (EDA) Rules and Procedures govern how applications for industrial development revenue bond financing are submitted to the EDA, impose application and administrative fees, and establish rules and procedures for other related matters. Section 4.3 (a) of the Rules and Procedures establish an annual administrative fee for each bond issue in the amount of \$1,000 per \$1,000,000 (1/10 of 1%) of bonds issued until the bonds are paid in full. The administrative fee applies only to the first \$40,000,000 of bonds issued. Bonds issued for the benefit of the County are not subject to the administrative fee. The administrative fee has a June 30, 2015 sunset clause. Section 4.3(c) of the Rules and Procedures authorizes the EDA to expend funds it receives to support economic development initiatives that benefit the County, as determined by agreement between the EDA and the Board of Supervisors.

STRATEGIC PLAN: *Economic Prosperity:* Foster an environment that stimulates diversified job creation, capital investments, and tax revenues that support community goals

DISCUSSION: At its May 12, 2015 meeting, the EDA discussed amending several of the provisions in Section 4.3(a) of the Rules and Procedures, and reached consensus on proceeding to amend Section 4.3(a) by: (1)

removing the June 30, 2015 sunset clause; (2) removing the cap on administrative fees to the first \$40,000,000 of a bond issue; and (3) imposing an administrative fee on issues of refunding bonds. Under County Code § 2-605, any changes to the Rules and Procedures requires the prior approval of the Board of Supervisors. The sunset clause was initially imposed to require reconsideration of the administrative fee. The fee was first imposed in 2012 and the EDA currently collects approximately \$80,000 in administrative fees per year. The fees collected provide revenue to the EDA to support economic development initiatives. An administrative fee is imposed by most EDA's in Virginia. The cap on administrative fees to the first \$40,000,000 of a bond issue was proposed as a middle ground when administrative fees were first imposed in 2012. However, a recent survey by staff of Virginia EDA's that impose administrative fees found that most EDA's do not cap administrative fees. Lastly, when interest rates fall after the EDA has issued bonds for a project, it is not uncommon for an applicant to request that the EDA issue refunding bonds for a project, which allow the applicant to receive a loan from the proceeds of the bonds at a more favorable interest rate. The recent survey by staff found that most Virginia's EDA's that impose administrative fees imposed the fee on refunding bond issues as well. In sum, the three proposed changes to Section 4.3(a) would continue the imposition of an administrative fee and would remove limitations on the fee, thereby strengthening the EDA's ability to fund economic initiatives that benefit the County.

BUDGET IMPACT: Administrative fees support the economic development initiatives of the EDA.

RECOMMENDATION: Staff recommends that the Board adopt the attached resolution to approve the proposed amendments to the EDA's Rules and Procedures.