REPORT OF THE COMMISSION TO STUDY INDUSTRIAL FACILITIES FINANCING

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA

Senate Document No. 11

COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
Richmond
1974

MEMBERS OF COMMISSION

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William C. Rigsby
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Ronald E. Carrier
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THE INDUSTRIAL FACILITIES FINANCING STUDY COMMISSION

To: HONORABLE LINWOOD HOLTON, *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

I. *Introduction*

In nineteen hundred sixty-six the General Assembly of the Commonwealth of Virginia created the Industrial Development and Revenue Bond Act to encourage investment in manufacturing facilities in the Commonwealth. This Act was amended in nineteen hundred seventy to include medical facilities. Since the approval of the enabling legislation by the State Supreme Court in nineteen hundred sixty-seven, local development authorities in Virginia have issued industrial revenue bonds in excess of $214 million to attract and expand industry (see Appendix 1). There are over one hundred local industrial revenue bond authorities in the State (see Appendix 2). Some serve entire counties, others specific towns or cities. The purpose of the present industrial facilities financing program is to encourage industries to locate or expand in the Commonwealth of Virginia.

The Industrial Facilities Financing Study Commission was created under Senate Joint Resolution Number 69.

CREATING THE INDUSTRIAL FACILITIES FINANCING STUDY COMMISSION

Whereas, the new Constitution of Virginia, which became effective at noon July one, nineteen hundred seventy-one, provides in Section 10 of Article X the following language: "This section shall not be construed to prohibit the General Assembly from establishing an authority with power to insure and guarantee loans to finance industrial development and industrial expansion and from making appropriations to such authority."; and

Whereas, there has been interest in implementing this constitutional revision through the establishment of a loan guarantee program for industrial facilities financing to encourage investment in industrial facilities; and

Whereas, the General Assembly in nineteen hundred sixty-six created the Industrial Development and Revenue Bond Act to encourage private investment in manufacturing facilities in the Commonwealth of Virginia; and

Whereas, the application of this act was intended to be limited to industrial facility financing; and

Whereas, the act was amended in nineteen hundred seventy to include medical facilities; and

Whereas, interest has been shown in further expansion of this act to include commercial facilities; and

Whereas, the purpose of Industrial facilities financing programs is to encourage the establishment of facilities with concurrent tax and employment benefits in competition with other states; and

Whereas, the extension of the Industrial Development and Revenue Bond Act could have important effects on the viability of the current program and the establishment of a loan guarantee program might encourage marginal industries to locate in Virginia. It is essential that a careful study be made to insure that further expansion of Industrial facilities financing programs would be in the best interest of the State; now therefore, be it

Resolved by the Senate, the House of Delegates concurring, That the Industrial Facilities Financing Study Commission is hereby created to study and report on the adequacy of Industrial facilities financing legislation, and, if not, recommend the form of such legislation. The membership of the Commission shall consist of eleven members, three of whom shall be appointed by the Privileges and Elections Committee of the Senate from the membership of the Senate, four of whom shall be appointed by the Speaker of the House of Delegates from the membership thereof, and four of whom shall be appointed by the Governor from the State at large.

Members of the Commission shall receive no compensation for their services but shall be reimbursed for the actual expenses incurred in the performance of their duties.

All agencies, officers and employees of the Commonwealth and all of its political subdivisions shall cooperate with and assist the Commission in its work as required.

For the purpose of this study, there is hereby appropriated from the contingent fund of the General Assembly the sum of five thousand dollars.

The Commission shall complete its work and report to the Governor and General Assembly no later than October one, nineteen hundred seventy-three.

Pursuant to the terms of the study directive the Governor appointed to serve on the Commission Ronald E. Carrier of Harrisonburg, Milton L. Drewer, Jr. of Arlington, William C. Rigsby of Richmond and Martin Schnitzer of Blacksburg. The Speaker of the House of Delegates appointed Delegates George E. Allen, Jr. of Richmond, Alan A. Diamonstein of Newport News, Raymond R. Guest, Jr. of Front Royal and John L. Melnick of Arlington. The Committee on Privileges and Elections of the Senate appointed Senators H. Dunlop Dawbarn of Waynesboro, Omer L. Hirst of Annandale and William B. Hopkins of Roanoke. Senator Hirst was elected the Commission's Chairman and Mr. Rigsby its Vice Chairman by the members.

The Division of Legislative Services made staff and facilities available to carry out this study: E. M. Miller, Jr. and Jill M. Pope were assigned to assist the members of the study group. Dr. Edward M. Mazze was appointed consultant to the Commission on December 18, 1972. J. Frank Alspaugh, Director of the Division of Industrial Development was invited to serve on the Commission ex officio.

This report is based on Commission deliberations and information provided by witnesses appearing before the Commission, and from materials provided by Commonwealth departments and divisions, utility companies, chambers of commerce, the Small Business Administration, transportation firms, site selection departments of industrial firms and commercial banks.

Throughout the period of this study, the Commission consulted with experts in industrial facilities financing from both the public and private sectors of the economy including officials from other states. The Commission conducted numerous interviews with state officials involved in industrial development work. One day of public hearings was held on July 9, 1973, during which the general public was given an opportunity to present their views. The record was kept open for written presentations from anyone desiring to provide information about industrial facilities financing. (See Appendix 3.)

In an early part of the Commission's deliberations, Senator's Hirst, Hopkins and Dawbarn introduced legislation in the 1973 session of the General Assembly to amend and reenact sections 15.1-1374, 15.1-1378, 15.1-1382 and 15.1-1384 of the Industrial Development and Revenue Bond Act. The amendments, technical in nature, were designed to further clarify the use of the bonds for pollution control facilities and to clearly permit an installment-sale method of financing as well as the lease-purchase method.

II. *Recommendations*

A. The General Assembly should adopt the attached amendments to the Industrial Development and Revenue Bond Act. (See Appendix 4)

B. The General Assembly should adopt the attached resolution to extend the service of the Industrial Facilities Financing Study Commission for an additional year to study the enabling legislation of the Virginia Industrial Development Corporation and the need for a mortgage guarantee program in the Commonwealth of Virginia, and recommend, if necessary, new legislation. It is further recommended that the Commission shall complete its work and report to the Governor and the General Assembly no later than November one, nineteen hundred seventy-four. (See Appendix 5)

III. *Importance of Industry to the Commonwealth of Virginia*

The Commonwealth of Virginia is one of the fifteen most rapidly growing states in the United States in population with a continuing need for new employment opportunities. Industrial expansion is important to the people of Virginia. The work force is increasing at the rate of more than 40,000 persons per year, and the number of jobs either must grow at a comparable rate or there will be increasing unemployment and migration out of Virginia of trained young people. It is essential for the Commonwealth to be in a competitive position with other states in attracting new and expanding industry by offering a well rounded package of financing arrangements to private investors. Virginia has been successful in attracting and maintaining industry due to the efforts of the Division of Industrial Development and the Virginia State Chamber of Commerce, as well as local development organizations and authorities. In addition, the Virginia Industrial Development Corporation [VIDC], local banks, utilities and transportation companies have focused their efforts successfully in bringing industry to the Commonwealth.

Industrial growth in the Commonwealth is attributed to an extensive labor supply, competitive wage rates, natural harbor facilities, natural resource availability, and a pleasant economic and social climate. Virginia is at the geographic economic center of the eastern seaboard. Nearly fifty percent of the nation's population and more than fifty-five percent of its manufacturing activity are located within a five hundred mile radius of the state capitol. Virginia's well developed transportation network facilitates the rapid and economical movement of raw materials and finished goods.

In compliance with its mandate under Senate Joint Resolution Number 69, the Industrial Facilities Financing Study Commission placed primary emphasis on the study of industrial facilities financing programs for attracting and maintaining industry.

After lengthy meetings and hearings, and the receipt of a large amount of testimony, both oral and written, the Commission recommends:

(1) that the present industrial facilities financing act should be amended, as attached; and

(2) that the introduction of a mortgage guarantee program should be studied in more detail along with the related programs of the Virginia Industrial Development Corporation [VIDC] and the federal government.

VIDC is a privately capitalized and financed lending agency chartered by special act of the General Assembly in 1960 [§§ 13.1-140 et. seq.]. As stated in its annual report, VIDC's capital has been provided through the sale of stock to Virginia chartered corporations, financial institutions and individuals; loanable funds come from over 50 members consisting of banks, insurance companies, and savings and loan associations. The Corporation does not make a loan unless the loan has been offered to and refused by a conventional lender legally able to make the loan. Generally applications of loans are referred by local development organizations, banks or other conventional lenders, limited to half a million dollars or less and are generally made in the $150,000 to $350,000 range for a period not exceeding twenty years. Loans are made on land, buildings and machinery. Since VIDC's inception and through September 30, 1973, VIDC has received one hundred and four formal applications for loans, fourteen were rejected, seven were withdrawn before approval, eighty-three were approved, and sixteen were withdrawn after approval, and thus a total of sixty-seven loans were made for an overall amount in excess of fifteen million dollars. These loans were distributed throughout Virginia and were advanced to a wide range of manufacturers of different products. VIDC will not make loans for borrowers who want to refund debt, purchase an existing business or purchase unimproved real estate, unless plans for its development for industry are under contract. Also loans will not be made to provide working capital and only take-out commitments are made for construction financing. VIDC is an important industrial facilities financing source for attracting and maintaining industry, and its program should be further evaluated.

IV. *Reasons for Recommendations*

(A) *General Statement*

The search for attracting new and expanded industries for a geographic area is a broad and increasingly sophisticated task that includes many factors. It is estimated that annual expenditures by the fifty states and private organizations for promoting industrial development was at least three hundred million dollars in nineteen hundred seventy-two.

Industrial development activities have become more important since World War II because of the tremendous growth of U. S. industry particularly on a regional basis. The South, and particularly the Southeast, have enjoyed much of this growth as industry has expanded from its more traditional areas in the North and the Northeast.

It is difficult to determine the primary element in each industrial location decision. Some of the factors considered in selecting a new site include: land costs, local tax policies, nearness to markets, local labor market characteristics and the availability of financing. Some of these factors are heavily influenced by governmental considerations and cannot be controlled by the firm.

A large amount of money is often needed by a new or expanding firm. These funds can come from the company, financial institutions and governmental agencies. Governmental agencies provide financing assistance for a new or expanding firm in the way of direct loans, loan guaranty or underwriting, grants, tax inducements or concessions, low rents or low prices for industrial sites, or lower rates for community services. The types of assistance available vary considerably but are collectively designed to provide 100 percent financing. Each state has its own program of financial incentives. (See Appendix 4.) These financing arrangements increase the firm's credit position, lowers the cost of obtaining money because of subsidized interest rates and shows a climate favorable to business. While many elements are considered in the site selection process, there is no question but that the availability of financing on attractive terms is extremely important.

(B) *Industrial Revenue Bonds*

The major purpose of industrial revenue bonds is to offer industry 100 percent financing at a lower interest cost. Presently in Virginia, industrial facilities financing is available through local industrial revenue bond authorities which can handle up to one hundred percent of the combined cost of structure, land, machinery and equipment. The financing can be extended over a period of up to forty years at a reasonable amortization rate. It takes a company with considerable financial strength to market an industrial revenue bond. Small and medium size companies with limited financial strength may need to look for alternative sources of financing. The market dictates whether a facility can be handled under industrial revenue bonds. Industrial revenue bonds are underwritten by investment bankers in the same manner as municipal bonds. The rate of interest is based on the lessee's credit. Small issues may be placed directly with a single institution comparable to regular mortgage financing.

It has been the 100 percent financing and the cost reducing features of industrial revenue bonds that have attracted business firms to this type of financing. The cost of capital to the firm is lowered by one to two percentage points. Whether financed under either a lease-purchase or an installment-sale agreement the company carries the facility on its books for tax purposes as owned. The company thus gains the investment tax credit and charges off all depreciation, maintenance, taxes and interest costs. The firm acquires the right to occupy and use a modern plant for twenty years or longer without making a major initial outlay. It was pointed out at the hearings that the local industrial development organizations and authorities have been doing an excellent job in promoting and using this type of financing instrument for new and expanding industries in their geographic areas.

The federal government, in order to eliminate alleged abuses in the use of tax-exempt industrial revenue bonds, has placed restrictions on the size of the project which can be financed. Where a maximum of one million dollars in bonds is to be issued, there is no limitation on the total cost of the project. However, where the bond issue is more than one million dollars the total capital cost of any company's facilities in any one political subdivision during a period of three years before and three years after the issue, may not exceed five million dollars, no matter what the source of funds. Pollution control facilities are exempt from these dollar limitations.

Industrial revenue bonds have been used to finance industrial and non-industrial facilities. Professionals involved in industrial development work are not in favor of broadening the use of industrial revenue bonds to cover all business activities and types. The major reason for this position is that industrial revenue bonds are designed to meet interstate competition for new plants and not to finance intrastate activities which serve a narrow local market. In addition, it is feared that the expanded use of industrial revenue bonds to all commercial areas may result in further federal controls or outright elimination of this form of facilities financing.

During the course of the meetings and hearings, those testifying were unanimous in requesting that the language of the present legislation, namely the sections on definitions and purpose of the Act, be studied and clarified. At this time, the Commission feels that there is need for clarification of the definitions and purposes sections to make the Act more effective and to remove possible misuse of this financing instrument.

Specifically the amendments will eliminate businesses at the retail level from coming within the purview of the Act. Also provisions for working capital are stricken from those expenses which may be financed under the Act's present provisions. The Act was expanded to include the financing of regional or national headquarters and operation centers.

(C) *Mortgage Guarantee Program*

Twelve states have established guarantee programs to assist in the marketing of industrial revenue bonds and to attract industry to their areas. Two factors caused states to adopt guarantee programs. The first was an increasing amount of competition for new industry. Secondly, small and medium size companies find it difficult to obtain facilities and equipment financing from conventional sources. Many of these programs were developed before the spread of the tax-exempt industrial revenue bond. More recently states such as Arkansas and Connecticut have established guarantee programs tied to their revenue bond programs. Maryland accomplishes the same purpose by guaranteeing a loan channeled through a political sub-division which thus provides the same tax-exemption as with revenue bond financing.

In these programs, guarantees are provided for industrial mortgages under certain conditions. A special premium is levied to the borrower for the mortgage insurance. The types of mortgages that can be insured cover the purchase of land, the construction of buildings, the purchase and/or renovation of existing buildings and the purchase of manufacturing machinery and equipment. The facilities must be used by firms engaged in manufacturing, warehousing or research and development. Mercantile and service establishments are generally not included in these programs.

Virginia does not have a mortgage guarantee program. In 1966 the General Assembly passed the Virginia Industrial Building Authority Act which was held unconstitutional in a 1968 Virginia Supreme Court decision. The Act provided for a loan guaranty fund to guarantee loans for industrial projects costing not less than fifty thousand dollars, and created an Authority to administer this fund. In this Act, industrial projects were defined to include manufacturing, distribution and warehousing, and research and development activities. The borrower pays a special premium for each guaranteed loan of 1/2 to 2 percent. The conditions subject to which the Authority may guarantee loans are enumerated in 2.1-64.9 of the Code of Virginia.

The new Constitution which became effective July one, nineteen hundred seventy-one, however included the following language in Article X, Section 10.

> ". . . . This section shall not be construed to prohibit the General Assembly from establishing an authority with power to insure and guarantee loans to finance industrial development and industrial expansion and from making appropriations to such authority . . . ."

One problem, which will require further study by this Commission, will be to determine, under the above language, the nature of the financial backing of a proposed guarantee program. Testimony indicated that an appropriated reserve of ten percent of outstanding guarantees may not be acceptable to the lender.

The Commission feels that a state guarantee on mortgages financed by industrial revenue bonds may make industrial revenue bonds more marketable. The guarantee can be used particularly in cases where new or small manufacturing firms would have difficulty in securing capital for plant and facilities. However, from the outset it was apparent that additional research and study will be needed to determine the type of guarantee program needed for Virginia, as well as a study of the related programs of the Virginia Industrial Development Corporation and of federal agencies, before recommending any legislation, if necessary.

The importance of a mortgage guarantee program as an inducement for attracting and maintaining industry depends to a large extent upon how the cost reduction produced by this program compares in size with inter-area differentials in total cost. Offers of inducements might significantly affect the decision to locate in a particular state or in an adjoining state. Capital availability through industrial revenue bonds and mortgage guarantee programs are important considerations for small and medium size firms.

It is the recommendation that this Commission be extended for an additional year to further study the feasibility of a mortgage guarantee program for Virginia as well as alternative financing programs for industrial facilities, and make recommendations, if necessary, for a new program.

V. *Conclusions*

Members of the Commission realize the importance of industrial facilities financing. The recommendations made in this report are those which the members feel are most conducive to attracting and maintaining industry in this State.

Respectfully submitted,

Omer L. Hirst, *Chairman*

William C. Rigsby, *Vice Chairman*

George E. Allen, Jr.

Ronald E. Carrier

H. Dunlop Dawbarn

Alan A. Diamonstein

Milton L. Drewer, Jr.

Raymond R. Guest, Jr.

William B. Hopkins

John L. Melnick

Martin Schnitzer

APPENDIX I

VIRGINIA INDUSTRIAL REVENUE BONDS ISSUED

Year	*Issuer*	*Amount*		*Company*
1967	Montross	$2,500,000	(63-20)	Scovill Manufacturing
1967	Salem	8,300,000		Mohawk Rubber
1967	Lynchburg	2,500,000		Limitorque Corp.
1967	Victoria	1,750,000		Scovill Manufacturing
1967	Pulaski County	650,000		Sweet-Orr & Company
1967	Winchester	650,000		J. Schoeneman, Inc.
1967	Winchester	3,000,000		Rubbermaid
1968	Gretna	600,000		Craddock-Terry Shoe Corp.
1968	Lynchburg	300,000		Craddock-Terry Shoe Corp.
1968	Chesapeake	4,485,000		Evans Products Company
1968	Chesapeake	900,000		St. Joe Paper Company
1968	Salem	1,525,000		Sav-A-Stop
1968	Salem	2,300,000		Mohawk Rubber (Expansion)
1968	Isle of Wight	50,000,000		Union Camp
1968	Roanoke	1,000,000		Macke Company
1968	Culpeper	2,000,000		Seaboard-Allied Milling Co.
1968	Henrico	4,500,000		B V D Company
1969	Augusta County	3,500,000		N I B C O
1969	Blackstone	900,000		Craddock-Terry Shoe Corp.
1969	Campbell County	600,000		Consolidated Shoe Corp.
1969	Chesterfield County	2,600,000		N A R O X, Inc.
1969	Campbell County	600,000		Yeatts Transfer
1969	Washington County	800,000		Gem Mobile Homes
1970	Lynchburg	800,000		Lynchburg Coca-Cola Bottling
1970	Salem	3,500,000		Stuart McGuire
1970	Botetourt County	1,800,000		Roanoke Iron & Bridge
1970	Pittsylvania County	1,100,000		Freeman Chemical Co.
1970	Chesterfield County	2,625,000		Dev. Corp. of America (Lawson)
1970	Tazewell County	875,000		S & S Machinery
1970	Pittsylvania County	1,000,000		Southern Processors (Univ. Leaf)
1970	South Hill	750,000		Homecraft Corp.
1970	Fauquier County	700,000		Unitized Systems Co. (Univ. Leaf)
1970	Culpeper	600,000		Seaboard-Allied Milling Co.
1970	Salem	1,800,000		Sav-A-Stop
1970	Washington County	86,500		CAMAC Corp.
1970	Montgomery County	4,400,000		Hospital Corp. of America
1971	Pulaski	3,900,000		Hospital Corp. of America
1971	Fluvanna County	1,000,000		Schwarzenbach-Huber Co.
1971	Pulaski County	700,000		Marmon Group, Inc.
1971	Culpeper	2,000,000		Rochester Corp. (Pauley Petroleum)
1971	Lynchburg	1,000,000		Craddock-Terry Shoe Corp.
1971	Chesterfield County	350,000		Curtis 1000, Inc.
1971	Botetourt County	3,000,000		Roanoke Gas
1971	Salem	3,300,000		Lewis-Gale Clinic
1971	Portsmouth	2,500,000		Medic-Home Enterprises, Inc.

Year	Issuer	Amount	Company
1971	Lynchburg	1,000,000	Siegwerk, Inc.
1971	Isle of Wight	2,500,000	Union Camp (pollution control)
1971	Chesapeake	1,400,000	E. L. Bruce, Inc. (Cook Industries)
1972	Dinwiddie County	580,000	Keller Industries
1972	Chesapeake	2,400,000	Giant Open Air Markets
1972	Campbell County	3,000,000	Carter Glass & Sons Publishers, Inc.
1972	Augusta County	1,150,000	Michie Home Enterprises, Inc.
1972	Hampton-Newport News Redev. & Housing	1,520,000	Zinsco Electrical Products
1972	Salem	4,600,000	Mohawk Rubber (Expansion)
1972	Roanoke	3,460,000	Friendship Manor (Home for aged)
1972	Alexandria	18,750,000	Alexandria Hospital
1973	Norfolk	1,750,000	Stewart Sandwiches, Inc.
1973	Halifax County	600,000	Clover Yarns Co. (Steiner, Inc.)
1973	Halifax County	300,000	The Gazette Virginian
1973	Lynchburg	1,000,000	Meredith-Burda
1973	Chilhowie	4,800,000	American Furniture Co.
1973	Augusta County	1,750,000	Skyline Plastics Corp.
1973	Franklin County	200,000	Mod-U-Kraf Homes, Inc.
1973	Norfolk	250,000	International Granite & Marble Corp.
1973	Front Royal-Warren Co.	6,600,000	American Viscose Div., FMC (Pollution Control)
1973	Norfolk	550,000	Foam Industries, Inc.
1973	Washington County	3,000,000	Vermont American
1973	Lynchburg	5,000,000	Mead Corp. (Lynchburg Foundry-Pollution Control)
1973	Harrisonburg	1,200,000	Medic Home Enterprises
1973	Rockingham County	1,800,000	Bridgewater Homes
1973	Amherst County	9,000,000	Virginia Fibre Corp. (Pollution Contro
1973	Roanoke County	2,100,000	Medeco Security Locks, Inc.
	Total	214,000,000	

Source: Division of Industrial Development, Commonwealth of Virginia August 15, 1973
NOTE: Another $200,000,000 in the processing stage, much of it for pollution control.

November 1, 1973

APPENDIX 2

VIRGINIA INDUSTRIAL REVENUE BOND AUTHORITIES

CITIES

Alexandria
Bedford
Bristol
Chesapeake
*Covington
Danville
Franklin
Fredericksburg
Hampton
Lexington
Lynchburg
Martinsville
Newport News
*Norton
Portsmouth
Radford
Richmond
Roanoke
Salem
*Suffolk
Virginia Beach
Winchester
Harrisonburg

TOWNS

Amherst
Blackstone
Boones Mill
*Cape Charles
Chase City
Chilhowie
Crewe
Culpeper
*Front Royal
Gretna
Louisa
Manassas
Middletown
New Market
Orange
Pulaski
South Hill
Rocky Mount
Victoria
West Point
Wytheville

September 1, 1973

COUNTIES

*Alleghany
Appomattox
Augusta
Bedford
Botetourt
Brunswick
Buchanan
Buckingham
Campbell
Charles City
Charlotte
Chesterfield
Clarke
Dinwiddie
Fairfax
Fauquier
Fluvanna
Franklin
Frederick
Giles
Gloucester
Goochland
Halifax
Hanover
Henrico
Highland
Isle of Wight
James City
King William
Lancaster
*Lee
Montgomery
*Nansemond
Nelson
New Kent
*Northampton
Pittsylvania
Powhatan
Pulaski
Roanoke
Rockbridge
Rockingham
Russell
*Scott
Smyth
Southampton

COUNTIES

Spotsylvania
Stafford
Surry
Sussex
Tazewell
*Warren
Washington
*Wise
Wythe
York
Prince William
Caroline

**JOINT AUTHORITIES*

Covington-Alleghany County
Front Royal-Warren County
Lee, Wise, Scott Counties and City of Norton (specifically for Duffield project)
Suffolk-Nansemond County
Cape Charles-Northampton County

APPENDIX 3

Topics Studied

[1] AN EXAMINATION OF THE PRESENT VIRGINIA INDUSTRIAL FACILITIES FINANCING PROGRAM

(A) Comments by Mr. Harry Frazier (Hunton, Williams, Gay and Gibson) December 18, 1972.
(B) Comments by Mr. Robert D. deRosset (Virginia Industrial Development Corporation) December 18, 1972.
(C) Preliminary Report, March 26, 1973.
(D) Comments by Mr. J. Randolph Perrow (Virginia Electric and Power Company) April 23, 1973.
(E) Comments by Messrs. J. Frank Alspaugh, E. Holms and W. C. Sims (Division of Industrial Development) April 23, 1973.
(F) Public Hearings, July 9, 1973.
(G) Executive Session of Commission on August 23, 1973.
(H) Comments by Mr. Harry Frazier (Hunton, Williams, Gay and Gibson) September 17, 1973.
(I) Executive Session of Commission on November 12, 1973.

[2] REVIEW OF INDUSTRIAL DEVELOPMENT ORGANIZATIONS

(A) Comments by Mr. Robert D. deRosset (Virginia Industrial Development Corporation) December 18, 1972.
(B) Comments by Mr. Arch McRaney (Small Business Administration) December 18, 1972.
(C) Preliminary Report, pp. 6-8, March 26, 1973.
(D) Comments by Mr. J. Randolph Perrow (Virginia Electric and Power Company) April 23, 1973.
(E) Comments by Mr. I. J. Warren (Chesapeake and Ohio Railway) April 23, 1973.
(F) Public Hearings, July 9, 1973.

[3] SOURCES OF FUNDS FOR INDUSTRIAL FACILITIES FINANCING

(A) Comments by Messrs. W. C. Sims and G. D. Delo (Division of Industrial Development) November 13, 1972.
(B) Comments by Mr. Harry Frazier (Hunton, Williams, Gay and Gibson) December 18, 1972.
(C) Comments by Mr. Robert D. deRosset (Virginia Industrial Development Corporation) December 18, 1972.
(D) Comments by Mr. Arch McRaney (Small Business Administration) December 18, 1972.
(E) Preliminary Report, p. 15, March 26, 1973.
(F) Comments by Mr. H. Friday (Attorney) May 31, 1973.
(G). Comments by Mr. A. Schmidt (Industrial Development Director.
(F) Comments by Mr. H. Friday (Attorney) May 31, 1973.
(H) Public Hearings, July 9, 1973.
(I) Executive Session of Commission on August 23, 1973.

[4] COMPARISON OF STATE INDUSTRIAL DEVELOPMENT PROGRAMS

(A) Preliminary Report, p. 16, 25-26, March 26, 1973.
(B) Revised Tables for Preliminary Report, April 5, 1973 (distributed by mail.)
(C) The Maryland Program, April 5, 1973 (distributed by mail.)
(D) The Arkansas Program, April 5, 1973 (distributed by mail.)

(E) The Pennsylvania Program, April 5, 1973 (distributed by mail.)
(F) Comments by Mr. H. Friday (Attorney) May 31, 1973.
(G) Comments by Mr. A. Schmidt (Industrial Development Director, Rhode Island) June 25, 1973.

[5] IMPACT OF INDUSTRIAL DEVELOPMENT BONDS ON ATTRACTING INDUSTRY

(A) Preliminary Report, March 26, 1973.
(B) Comments by Mr. J. Randolph Perrow (Virginia Electric and Power Company) April 23, 1973.
(C) Comments by Mr. I. J. Warren (Chesapeake and Ohio Railway) April 23, 1973.
(D) Public Hearings, July 9, 1973.

[6] FACTORS IN INDUSTRIAL LOCATION

(A) Preliminary Report, pp. 20-22, March 26, 1973.
(B) Summary of Industrial Location Research, April 5, 1973 (distributed by mail.)
(C) Comments by Mr. I. J. Warren (Chesapeake and Ohio Railway) April 23, 1973.

[7] ENVIRONMENTAL LEGISLATION AND INDUSTRIAL FACILITIES FINANCING

(A) Preliminary Report, p. 13, March 26, 1973.
(B) Revised Tables for Preliminary Report, April 5, 1973 (distributed by mail.)

[8] TRENDS IN INDUSTRIAL FACILITIES FINANCING

(A) Preliminary Report, pp. 9-19, March 26, 1973.
(B) Comments by Mr. H. Friday (Attorney) May 31, 1973.
(C) Comments by Mr. A. Schmidt (Industrial Development Director, Rhode Island) June 25, 1973.

[9] IMPORTANCE OF INDUSTRY TO THE COMMONWEALTH OF VIRGINIA

(A) Comments by Senator Omer L. Hirst, September 7, 1972.
(B) Comments by Messrs. J. Frank Alspaugh and E. Holms (Division of Industrial Development) November 13, 1972.
(C) Preliminary Report, pp. 3-5, March 26, 1973.
(D) Industry Data, April 5, 1973 (distributed by mail.)
(E) Public Hearings, July 9, 1973.

[10] PREPARATION OF FINAL REPORT AND RECOMMENDATIONS

(A) Preliminary Report, pp. 23-24, March 26, 1973.
(B) Executive Session of Commission on August 23, 1973.
(C) Executive Session of Commission on September 17, 1973.
(D) Executive Session of Commission on November 12, 1973.

APPENDIX 4

Inducements Offered by State Industrial Development Agencies: A Comparison of State Programs

1. State Financed Speculative Building [3 states]
   Delaware, New Hampshire, Vermont
2. City and/or County Financed Speculative Building [14 states] *
   (In Virginia, carried out through local development corporations)
3. Cities and/or Counties Provide Free Land for Industry [12 states]
   Alabama, California, Colorado, Louisiana, Maine, Mississippi, Nebraska, New Mexico, North Dakota, Oklahoma, South Carolina, South Dakota
4. State Owned Industrial Park Sites [6 states]
   Alabama, Hawaii, New Hampshire, Oklahoma, Oregon, Rhode Island
5. City and/or County Owned Industrial Park Sites [48 states] *
6. State Funds for City and/or County Development-Related Public Works Projects [25 states] *
7. State Funds for City and/or County Master Plans [28 states] *
8. State Funds for City and/or County Recreational Projects [31 states] *
9. State Funds for Private Recreational Activities [7 states]
   Alaska, Hawaii, Maine, Minnesota, New Hampshire, Rhode Island, West Virginia
10. State Program to Promote Research and Development [32 states]
    (Similar to #18)
11. State Program to Increase Export of Products [45 states] *
12. University R & D Facilities Available to Industry [48 states] *
13. State and/or Universities Conduct Feasibility Studies to Attract or Assist New Industry [49 states] *
14. State Recruiting, Screening of Industrial Employees [50 states] *
15. State Supported Training of Industrial Employees [50 states] *
16. State Re-Training of Industrial Employees [46 states] *
17. State Supported Training of Hard-Core Unemployed [32 states] *
    Included in all states bordering on the Commonwealth
18. State Science and/or Technical Advisory Council [45 states] *

Environmental Legislation and Industrial Pollution Control Financing

1. Water Pollution Control Law [50 states] *
2. Air Pollution Control Law [50 states] *

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* Included in the inducements made available by the Division of Industrial Development, Commonwealth of Virginia

Source: *Industrial Development* (November-December, 1972)

3. State Environmental Agencies *

4. Real Property Tax Exemption [17 states]
   Arkansas, Connecticut, Delaware, Georgia, Illinois, Indiana, Michigan, Montana, New Hampshire, New Jersey, New York, Oregon, Rhode Island, South Carolina, Tennessee, Vermont, Wyoming

5. Personal Property Tax Exemption [27 states] *
   (local option)

6. Sales/use Tax exemption applicable to lease of pollution control facilities [14 states] *

7. Credit Against Corporate Income Tax [16 states]
   Alabama, Connecticut, Indiana, Massachusetts, Minnesota, Nevada, New Hampshire, New York, North Dakota, Oregon, Rhode Island, South Dakota, Texas, Washington, West Virginia, Wisconsin

8. Accelerated Depreciation of Pollution Control Equipment [23 states] *

9. State Financing Program for Purchase and Installation of Pollution Control Facilities [41 states] *

10. Exclusion of pollution control investment from corporate franchise tax [6 states]
    Alabama, Idaho, New York, North Carolina, Ohio, Pennsylvania

11. Exemption applicable to cost of operating pollution control facility [6 states] *

Financial Assistance Available for Attracting Industry From State and Local Governments

1. State Sponsored Industrial Development Authority [29 states] *

2. Privately Sponsored Development Credit Corporation [38 states] *

3. State Authority or Agency Revenue Bond Financing [17 states]
   Alaska, Connecticut, Delaware, Georgia, Hawaii, Minnesota, New Hampshire, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Vermont, Wyoming

4. State General Obligation Bond Financing [7 states]
   Alaska, Arizona, Connecticut, Delaware, New York, North Dakota, Oklahoma

5. City and/or County Revenue Bond Financing [43 states] *

6. City and/or County General Obligation Bond Financing [14 states]
   Alabama, Alaska, Arkansas, Connecticut, Hawaii, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Dakota, Oklahoma, Tennessee, Washington

7. State Loans for Building Construction [15 states]
   Alaska, Connecticut, Hawaii, Kentucky, Louisiana, Minnesota, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, West Virginia

8. State Loans for Equipment, Machinery [12 states]
   Alaska, Connecticut, Delaware, Hawaii, Kentucky, Louisiana, Minnesota, New York, North Dakota, Oklahoma, Texas, West Virginia

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* Included in Commonwealth of Virginia

Source: *Industrial Development* (November-December 1972)

Financial Assistance Available for Attracting Industry From State and Local Governments (Contd.)

9. City and/or County Loans for Building Construction [6 states]
   Florida, New Mexico, New York, North Dakota, Ohio, Oklahoma

10. State Loan Guarantees for Building Construction [13 states]
    Arkansas, Connecticut, Indiana, Iowa, Maine, Maryland, New Hampshire, New York, North Dakota, Ohio, Rhode Island, Tennessee, Vermont

11. State Financing Aid for Existing Plant Expansions [25 states]
    Alabama, Alaska, Connecticut, Delaware, Hawaii, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Nebraska, New Hampshire, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, West Virginia

12. State Incentives for Locating Industrial Plants in Areas of High Unemployment [9 states]
    California, Maryland, Massachusetts, Minnesota, Mississippi, New York, North Dakota, Pennsylvania, Utah

13. State Matching Funds for City and/or County Industrial Financing Program [7 states]
    Connecticut, Hawaii, Maryland, Oklahoma, Pennsylvania, Texas, Vermont

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Source: *Industrial Development* (November-December, 1972)

APPENDIX 5

A BILL

To amend and reenact §§ 15.1-1374 and 15.1-1375 as amended, of the Code of Virginia relating to the Industrial Development and Revenue Bond Act.

Be it enacted by the General Assembly of Virginia:

1. That §§ 15.1-1374 and 15.1-1375 as amended, of the Code of Virginia be amended and reenacted as follows:

§ **15.1-1374. Definitions.** — Wherever used in this chapter, unless a different meaning clearly appears in the context, the following terms, whether used in the singular or plural, shall be given the following respective interpretations:

(a) *"Authority"* shall mean any political subdivision, a body politic and corporate, created, organized and operated pursuant to the provisions of this chapter, or if said authority shall be abolished, the board, body, commission, department or officer succeeding to the principal functions thereof or to whom the powers given by this chapter shall be given by law.

(b) *"Municipality"* shall mean any county or incorporated city or town in the Commonwealth with respect to which an authority may be organized and in which it is contemplated the authority will function.

(c) *"Governing body"* shall mean the board or body in which the general legislative powers of the municipality are vested.

(d) *"Authority facilities"* or *"facilities"* shall mean any or all medical (including, but not limited to, office and treatment facilities), pollution control and industrial facilities, ~~located within or without or partly within or without the municipality creating the authority~~, now existing or hereafter acquired, constructed or installed by or for the authority for lease or sale by the authority pursuant to the terms of this chapter. *Such facilities may be located within or without the municipality creating the authority or partly within and partly without the municipality (including facilities partly within and partly without the Commonwealth); provided, however, that no such facility shall be located entirely without such municipality unless approved by the authority created by the municipality in which such facility is to be located, and if there is none, by its governing body.*

Any facility may consist of or include any or all buildings, improvements, additions, extensions, replacements, machinery or equipment, and may also include appurtenances, lands, rights in land, water rights, franchises, furnishings, landscaping, utilities, approaches, roadways and other facilities necessary or desirable in connection therewith or incidental thereto, acquired, constructed, or installed by or on behalf of the authority. *An industrial facility shall include any facility to be used primarily for manufacturing, processing, assembling, warehousing, distribution (other than at the retail level), other industrial purposes, research and development or scientific laboratories, or as a regional or national headquarters or operations center.* A pollution control facility shall include any facility acquired, constructed or installed or any expenditure made, including the reconstruction, modernization or modification of any existing building, improvement, addition, extension, replacement, machinery or equipment, and which is designed to further the control or abatement of land, sewer, water, air, noise or general environmental pollution derived from the operation of any industrial or medical facility. Any facility may be constructed on or installed in or upon lands, structures, rights-of-way, easements, air rights, franchises or other property rights or interests whether owned by the authority or others.

(e) *"Cost"* shall mean and shall include, as applied to authority facilities, the cost of construction, the cost of acquisition of all lands, structures, rights-of-way, franchises, easements and other property rights and interests, the cost of demolishing, removing or relocating any buildings or structures on lands acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated, the cost of all labor, materials, machinery and equipment, financing charges, interest on all bonds prior to and during construction and, if deemed advisable by the authority, for a period not exceeding one year after completion of such construction, cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of cost and of revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing the authority facilities, administrative expenses, provisions for ~~working capital~~, reserves for interest and for extensions, enlargements, additions and improvements, and such other expenses as may be necessary or incident to the construction of the authority facilities, the financing of such construction and the placing of the authority facilities in operation. Any obligation or expense incurred by the Commonwealth or any agency thereof, with the approval of the authority, for studies, surveys, borings, preparation of plans and specifications or other work or materials in connection with the construction of the authority facilities may be regarded as a part of the cost of the authority facilities and may be reimbursed to the Commonwealth or any agency thereof out of the proceeds of the bonds issued for such authority facilities as hereinafter authorized.

(f) *"Bonds"* or *"revenue bonds"* shall embrace notes, bonds and other obligations authorized to be issued by the authority pursuant to the provisions of this chapter.

(g) *"Revenues"* shall mean any or all fees, rates, rentals and receipts collected by, payable to or otherwise derived by the authority from, and all other moneys and income of whatsoever kind or character collected by, payable to or otherwise derived by the authority in connection with the ownership, leasing or sale of the authority facilities.

(h) *"Commonwealth"* shall mean the State of Virginia.

(i) *"Trust indenture"* shall mean any trust agreement or mortgage under which bonds authorized pursuant to this chapter may be secured.

~~(j) *"Enterprise"* shall mean any industry for the manufacturing, processing, assembling, storing, warehousing, distributing, or selling any products of agriculture, mining, or industry and for research and development or scientific laboratories, including, but not limited to, the practice of medicine and all other activities related thereto or for such other businesses as will be in the furtherance of the public purposes of this chapter~~.

§ **15.1-1375. 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 several municipalities in this Commonwealth so that such authorities may acquire, own, lease, and dispose of properties to the end that such authorities may be able to promote industry *and health* and develop trade by inducing ~~manufacturing~~, industrial, ~~governmental and commercial~~ *and medical* enterprises to locate in or remain in this 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 in all respects be exercised for the benefit of the inhabitants of the Commonwealth, for the increase of their commerce, and for the promotion of their safety, health, welfare, convenience and prosperity. ~~It is not intended hereby that any such authority shall itself be authorized to operate any such manufacturing~~, ~~industrial or commercial enterprise~~.

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 in all respects be exercised for the benefit of the inhabitants of the Commonwealth for the increase of their commerce, and for the promotion of their safety, health, welfare, convenience and prosperity.

It is not intended hereby that any such authority shall itself be authorized to operate any industrial enterprise. This chapter shall be liberally construed in conformity with these intentions.

APPENDIX 6

SENATE JOINT RESOLUTION NO. ______

Continuing the Industrial Facilities
Financing Study Commission

Whereas, the Industrial Facilities Financing Study Commission was created by the General Assembly in nineteen hundred and seventy-two to study the adequacy of industrial facilities financing programs in the Commonwealth; and

Whereas, the Commission has spent considerable time and effort in the study of all facets of industrial facilities financing and has recommended improvements in existing legislation; and

Whereas, the Commission determined through its extensive study that a mortgage guarantee program may have potential for supplementing existing programs in the Commonwealth, but that such a program should be studied further before recommending specific legislation; now, therefore, be it

Resolved by the Senate, the House of Delegates concurring, That the Industrial Facilities Financing Study Commission be continued. The present members shall continue as the members of the Commission, provided that if any member be unwilling or unable to serve, or for any reason a vacancy occurs, his successor shall be appointed from the House of Delegates by the Speaker thereof or from the Senate by the Privileges and Elections Committee thereof in turn as such vacancies occur. The Commission shall continue its overall study of industrial development financing in Virginia with particular emphasis on the need and feasibility of a guarantee program for industrial financing, and with a review of the enabling legislation of the Virginia Industrial Development Corporation.

Members of the Commission shall receive no compensation for their services but shall be reimbursed for the actual expenses incurred in the performance of their duties.

All agencies, officers and employees of the Commonwealth and all of its political subdivisions shall cooperate with and assist the Commission in its work as required.

For the purpose of this study, there is hereby appropriated from the contingent fund of the General Assembly the sum of twenty-five thousand dollars.

The Commission shall complete its work and report to the Governor and General Assembly no later than November one, nineteen hundred seventy-four.