

Tennessee is a *profitable* choice for the location of your new business or the expansion of an existing one

PROGRAMS

Locally Administered
State Administered
Federally Administered

P *Private Activity Bond*

- ◆ Private Activity Bonds are issued at the local level in Tennessee. Bond Financing can be very complicated. Because of this, potential users should discuss their needs with a qualified bond counsel to determine when and under what conditions such financing may be used.
- ◆ **Eligible Activities**
Those activities directly related to economic development may be included in the small issue or exempt facilities categories, including:
 - Manufacturing building and equipment
 - Airports
 - Docks and wharves
 - Mass commuting facilities
 - Water, sewer, solid waste or hazardous waste facilities
 - Electric energy or gas facilities
 - Certain heating or cooling facilities
 - Intercity rail transportation facilities
- ◆ **Eligible Businesses**
Tennessee gives maximum priority to manufacturing, both small issue and exempt facility bonds.
 - **Funding**
Upon approval of application, \$10 million is allocated. Additional allocations may be considered on July 1 and December 1.
 - Tennessee's cap was approximately \$268 million for 1998. The actual level of bond authority is equal to \$50 per capita.
- ◆ **Application and Approval**
Applications for an allocation of this bond authority are made to the Tennessee Department of Economic and Community Development by local boards. The burden of bond purchase is the responsibility of the company interested in securing the bond.

R *Revolving Loan Funds (RLF)*

- ◆ Revolving Loan Funds are available through nine Planning and Development Districts in Tennessee. Planning and Development Districts operate subsidiary community development corporations that perform the actual lending. The revolving loan fund combines funds secured from the Economic Development Administration and US Department of Agriculture Rural Development with regional funding sources to provide new or expanding business with financing at below-market rates.

- ◆ **Eligible Activities**
Revolving Loan Funds can be used for:
 - Real estate acquisition
 - Expansion
 - Renovation and construction
 - Acquisition of machinery and equipment
 - Working capital
- ◆ **Eligible Businesses**
Revolving Loan Funds are available for for-profit corporations, partnerships or proprietorships. Businesses NOT eligible for RLF's include: passive investment companies, financial institutions and real estate investment companies.
 - **Funding**
For every job created, a company is eligible for \$5,000 in loans up to \$100,000.
 - Terms for RLF's are based on the life of the assets, generally seven years for machinery and equipment, and 15 years for real estate loans.
 - Interest rates are determined by the development corporations.

T *Tennessee Industrial Infrastructure Program (TIIP)*

- ◆ The industrial infrastructure funds may be used for infrastructure improvements. Funds may not be used for "speculative" projects, but are restricted to situations where there is a commitment by certain private sector businesses to locate or expand in the state, and to create or retain jobs for Tennesseans.
- ◆ Activities funded under the program will be limited to those services normally provided by local governments and their implementing agencies to businesses which are locating, expanding, or operating in Tennessee. These activities shall include, but not be limited to, the following:
 - Water Systems
 - Wastewater Systems
 - Transportation Systems
 - Site Improvements
 - Other improvements to physical infrastructure may be eligible if it can be demonstrated that the improvements are required to support economic growth.
- ◆ Eligible businesses which may be assisted with the funds are limited to:
 - Manufacturing and other types of economic activity which export more than half of their product or services outside of Tennessee.
 - Businesses where more than half of their product or services enters into the production of exported products.
 - Uses which primarily result in import substitution or the replacement of imported products or services with those produced in Tennessee.

- ◆ Other types of economic activities may be supported by these funds if it is determined by the Commissioner of ECD to have a beneficial impact on the economy of Tennessee.
- ◆ Industrial infrastructure funding may not be used to support the relocation of a business within the state.
- ◆ Certain funding limitations are placed on the State's investments to insure maximum effective use of the available funds.
- ◆ Funding limitations that apply:
 - Grant rates for TIIP/ITS funding will be based on a consideration of ability to pay by the community.
 - The maximum total TIIP/ITS grant for any project in any community is \$750,000. This means that the combination of training, site preparation, and all infrastructure together cannot exceed this amount.
- ◆ Generally, a minimum of one job should be created or retained for every \$5,000 invested by TVA.
- ◆ Maximum loan amounts vary according to type of project. No TVA loan is likely to exceed \$2 million.
- ◆ TVA funds should be used for the acquisition of fixed assets.
- ◆ Real estate and equipment are acceptable collateral.
- ◆ Loans are typically below market rate, with specific rates to be determined on case-by-case basis after considering the loan-evaluation criteria.
- ◆ Maximum length of terms is 10 years for new plants, plant expansion and plant-retention loans, seven years for service-industry loans, and five years for infrastructure loans. Repayment schedules will be determined on a project-by-project basis.

Community Development Block Grant

- ◆ Small Cities Community Development Block Grant (CDBG) funds are awarded for infrastructure grants and building or capital equipment loans to assist industrial manufacturing companies in location and expanding operations in Tennessee, and providing Tennesseans with jobs.
- ◆ Interest rates have been established which fluctuate as the prime rate fluctuates. The prime rate will be established quarterly on the first day of the January, April, July and October as quoted in the Wall Street Journal. The base prime rate will be for the quarter in which the loan is awarded. Once the base prime rate is established, it will be in effect for the life of the loan.
- ◆ The maximum loan or grant any community/company can receive is \$500,00, except for depressed counties, which can receive up to \$750,000.
- ◆ The maximum term of a loan for equipment is 7 years for any county (15 years for buildings).
- ◆ Infrastructure grants are also available for necessary infrastructure for new and expanding industries.
- ◆ For infrastructure grants the industry must be the primary beneficiary and must benefit at least 51% low and moderate income persons.

Tennessee Valley Authority (TVA) Economic Development Loan Fund

- ◆ The Economic Development Loan Fund is a multi-million dollar revolving-loan program established to stimulate industrial development and leverage capital investment in the TVA power-service area. TVA uses the fund to promote economic expansion, encourage job creation, and foster the increased sale of electricity by TVA and its power distributors.
- ◆ Loans are made for new industrial plants, plant expansions, plant retention, infrastructure development (such as speculative industrial buildings and industrial parks), and a few other projects.
- ◆ All projects must be sponsored by either a local government, a power distributor, or an established economic-development organization. Loans are made to TVA power customers, communities, or non-profit economic development corporations.

Tennessee Valley Authority (TVA) Small Disadvantaged Business Loan

- ◆ Participants must be a small business concern, at least 51% owned and controlled by socially and economically disadvantaged person as defined by the U.S. Small Business Administration.
- ◆ Participants must be located and substantially operated in the Tennessee Valley.
- ◆ The business must be in operation for a minimum of two years.
- ◆ Funds are generally limited to the purchase of fixed assets such as real estate, furniture, equipment, etc. The loan fund is not available for equity or working capital financing.
- ◆ The fund will provide financing ranging from \$50,000 to \$500,000.
- ◆ Loans are generally granted for a period of three to eight years. In most cases, the interest rate is fixed at or above the prime rate. The loan is generally repaid in monthly installments made in accordance with an amortization schedule provided once the loan has been approved.
- ◆ All loans should be secured with fixed assets such as equipment, land, buildings, etc. And the value of this collateral must be demonstrated.

For additional information, contact:



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