

Frequently Asked Questions – Economic Development

- **What is “economic development”?**
 - There is no single definition of this phrase.
 - Economic development is a process of creating and utilizing physical, human, financial, and social assets to generate improved and broadly shared economic well-being and quality of life for a community or region.
 - It is a process of deliberate intervention in the normal economic growth by making it easier or more attractive for businesses to invest and create jobs.
 - The main goal of economic development is improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life.

- **What is an Economic Development Authority (EDA) (Purposes, Powers and Functions of EDA)?** (Note: the following are summarizing information in Act of the Commonwealth 15.2-4903 to 4920; “Creation of Industrial Development Authorities”)
 - Any locality in the Commonwealth is hereby authorized (see, Dillon Rule) to create by ordinance a political subdivision of the Commonwealth, with such public and corporate powers as are set forth in this chapter.
 - The authority shall be governed by a board of directors in which all powers of the authority shall be vested, and which board shall be composed of seven directors, appointed by the governing body of the locality.
 - No director shall be an officer or employee of the locality. When a director ceases to be a resident of such locality, the director's office shall be vacant, and anew director may be appointed for the remainder of the term.
 - The authority shall have the following powers:
 - To sue and be sued and to prosecute and defend, at law or in equity, in any court having jurisdiction of the subject matter and of the parties.
 - To adopt and use a corporate seal and to alter the same at pleasure.
 - To enter into contracts.
 - To acquire, whether by purchase, exchange, gift, lease or otherwise, and to improve, maintain, equip and furnish one or more authority facilities.
 - To lease to others any or all of its facilities and to charge and collect rent.
 - To sell, exchange, donate, and convey any or all of its facilities or properties.
 - To issue its bonds for the purpose of carrying out any of its powers.
 - To employ and pay compensation to such employees and agents as the board of directors shall deem necessary in carrying on the business of the authority.
 - To exercise all powers expressly given the authority by the governing body of the locality which established the authority and to establish bylaws and make all rules and regulations, not inconsistent with the

provisions of this chapter, deemed expedient for the management of the authority's affairs.

- To appoint an industrial advisory committee or similar committee or committees to advise the authority.
- To borrow money and to accept contributions, grants and other financial assistance from the United States of America and agencies or instrumentalities thereof, the Commonwealth, or any political subdivision, agency, or public instrumentality of the Commonwealth, for or in aid of the construction, acquisition, ownership, maintenance or repair of the authority facilities, for the payment of principal of any bond of the authority, interest thereon, or other cost incident thereto, or in order to make loans in furtherance of the purposes of this chapter of such money, contributions, grants, and other financial assistance,
- To make loans or grants to any person, partnership, association, corporation, business, or governmental entity in furtherance of the purposes of the authority including for the purposes of promoting economic development.
- The authority shall not have power to operate any facility as a business other than as lessor and shall not have the power to operate any single or multi-family housing facilities.

- **What is the Connection Between the Local Government's Department of Economic Development and the EDA?**

- The EDA is enabled by the local governing body.
- The EDA Board members are appointed by the members of the local governing body.
- Staff for the EDA may or may not be operationally connected with the staff of the local governing body.
- The EDA and the local governing body, ideally, should share a common vision of the economic development goal and outcomes for the locality.
- The roles and responsibilities of the EDA will vary based on decisions made by the local governing body and the EDA itself.
- Ideally, roles and responsibilities of the EDA should be clearly defined and well understood by community leaders and stakeholders.
- A system of clear and transparent communication should exist between the EDA and the local governing body.

- **What are some of the Legal Constraints/Virginia Constitution (as relates to Industrial Development Authorities)?**

- The Virginia Code reference section for the powers of Industrial Development Authorities is § 15.2-4900
- Industrial Development Authorities have broad powers as defined in this section.

- Further interpretation of this section of the Code of Virginia should be discussed with the local government’s attorney.
- **What are some Common and Less Common Activities?**
 - Common
 - Acquire, develop and sell or lease real property.
 - Serve as a landlord to secure rental/lease revenue.
 - Finance projects through issuing bonds or securing loans.
 - Apply for or manage grants received by the IDA or on behalf of other/affiliated organizations (e.g., Local government); serve as a fiscal agent to others holding grants.
 - Less Common
 - Act as the sole economic development entity of the locality
 - Conduct promotion, marketing, and traditional activities normally assigned to a locality economic development department or public/private not for profit economic development organization.
 - “Gray” Area Activities (may be conducted by and IDA, shared with the local government)
 - Development of incentive packages offered to companies.
 - Funding of IDAs: funded from its own resources and revenues or from grants from other entities or budgeted from local government allocation.
- **What is the Dillion Rule?**
 - Derived from two court decisions issued by Judge John F. Dillon in Iowa in 1868, further upheld by the United States Supreme Court in 1907 and 1923.
 - Thirty-nine states employ the Dillon Rule, including Virginia.
 - The **Dillon Rule** is the principal that local government only exercises (1) powers expressly granted by the **state**, (2) powers necessarily and fairly implied from the grant of power, and (3) powers crucial to the existence of local government.
 - The **Dillon Rule** provides that local governing bodies have only those powers that are expressly granted, those that are necessarily or fairly implied from expressly granted powers and those that are essential and indispensable.”
- **What about Grants? (DAVID)**
 - An IDA/EDA may apply for grants either on behalf of itself or others (e.g., in collaboration with other localities or authorities).
 - An IDA/EDA as applicant can administer and manage grants received.
- **What about Bond Financing**
 - Bond financing is a tool that can be used by industrial development authorities (and other entities) to provide financing for various types of project investments.
 - The Commonwealth grants to an industrial development authority the power to issue bonds through its authority to finance; the authority may also refinance such bonds.

- Bond financing can be provided to a wide variety of endeavors such as property acquisition, industrial development (sites and buildings), environmental mitigation, health facilities and much more.
- The definition of “bonds” under the statute is "Bonds" or "revenue bonds" and embraces notes, bonds and other obligations authorized to be issued by the authority.
- An IDA can loan funds from the proceeds of a bond issue to support the statutory rights, privileges, goals, obligations and authorities granted to them by statute.

- **Any Recommended Model EDA’s within Virginia to view/study?**
 - Over 100 IDAs and EDAs exist in Virginia’s localities.
 - Many are willing to serve as a resource for best practices.
 - In a recent survey, the following characteristics were self-identified as best practices for well-functioning EDAs:
 - Economic development goals and outcomes are well-defined and aligned with the views of the local governing body.
 - A clear action plan with objectives and measurable outcomes is used as the guiding strategy for implementation of activities to achieve the goal.
 - Through its board members, the EDA and the local governing body communicate regularly and transparently about both strategy and action.
 - The staff of the EDA is shared with the local governing body. While not a requirement, this particular linkage can provide consistent connectivity between the two primary partners.
 - Funding for the EDA is sustainable and may come from a variety of sources.