

Report to the
Memphis City Council
Committee to Study City-Funded Incentives to Recruit & Retain Businesses
by
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Per the request of Chairman Strickland, attached is a list of programs that receive direct or indirect City funds to help recruit and retain business, and promote economic growth and vitality.

Payment In Lieu Of Tax (PILOT) Programs

1. Authority provided to Industrial Development Corporations organized under Tennessee Code Annotated §7-53-101; et seq., as amended.
2. Industrial Development Boards can:
 - a. Freeze/abate new investment
 - b. Freeze/abate existing investment under specific circumstances
 - i. Community Reinvestment Credit
 - c. Assist -- industrial, commercial, financial industry, service industry, tourism/recreation, non-profit, health care, low/moderate income multifamily, off street parking, brownfields, port/canal/dock facility, and railroad/terminal projects.
3. Active Memphis Industrial Development Boards (IBD):
 - a. Economic Development Growth Engine / Industrial Development Board of the City of Memphis and County of Shelby, TN):
 - i. City-wide plus unincorporated Shelby County authority
 - ii. Freeze/abate real and tangible personal property
 - iii. Primary criteria:
 1. number of new (or retained) jobs
 2. average payroll
 3. capital investment in real and personal property
 4. other
 - iv. Requires MWBE participation
 - v. Maximum PILOT is 15-years

- vi. Maximum freeze/abatement is 90 percent of increase in City assessment and 75 percent of increase in County assessment
- b. Center City Revenue Finance Corporation:
 - i. Central Business District Improvement District authority – from the Wolf River through South Main/South Bluffs and the Medical Center
 - ii. Freeze/abate real property
 - iii. Primary criteria -- capital investment in real property
 - iv. Requires MWBE participation
 - v. Maximum PILOT is 20-years
 - vi. Maximum freeze/abatement is 100 percent of the increase in City assessment and 75 percent of the increase in County assessment
- c. Health, Educational & Housing Facility Board of Memphis:
 - i. PILOTs for Low/moderate income housing
- d. Depot Redevelopment Corporation of Memphis and Shelby County
 - i. Does not have PILOT authority
- 4. Tax abatement programs as economic development incentive:
 - a. Common in many parts of the country
 - b. In Tennessee, requires the IDB to take physical title to each piece of real and/or tangible personal property through a sale/lease/purchase arrangement
 - i. Requires environmental examination of real property
 - ii. A project may require dozens of leases
 - iii. Increases time, cost and complexity as compared to States (e.g., Mississippi) where local governments have the statutory authority to freeze/abate taxes
 - c. In Memphis and other parts of Shelby County, addresses relatively high property tax rates.

Real Property Tax Increment Financing (TIF) Programs

- 1. Authority Provided to:
 - a. Local housing authorities and municipally sponsored community redevelopment agencies under TCA §13-20-217
 - b. Industrial Development Corporations organized under TCA §7-53-312, as amended

2. TIFs can:

- a. Freeze real property taxes at the current level
- b. Direct any increase above the baseline to pay for approved activities
 - i. Requires approval of an Redevelopment (CRA) or Economic Impact Plan (IDB) for a specified Redevelopment District (CRA) or Economic Impact Area (IDB)
 - ii. Maximum term is 30-years
- c. Assist:
 - i. Housing/Community Redevelopment Agencies:
 - 1. acquisition of real property to remove/prevent/reduce blight or where conditions hinder proper development
 - a. residential, office, manufacturing, retail, restaurants, off-street parking and other projects
 - 2. site clearance and preparation
 - 3. environmental remediation
 - 4. parks and open spaces
 - 5. associated soft costs and construction period interest
 - ii. Industrial Development Boards:
 - 1. all IDB eligible projects (see above)
 - 2. project must:
 - a. include an industrial park owned by the IDB
 - b. be owned by the IDB
 - c. receive loan/financial support from IDB

3. Active Memphis TIF – Uptown Redevelopment

- a. Adopted in 2001; amended in 2009
- b. Uptown Redevelopment Trust Fund has committed \$35+ million
- c. 100-block/6-square mile area; total investment est. \$150 million
- d. 950+ new/renovated residential units and commercial space
- e. Memphis and Shelby County Community Redevelopment Agency

4. Approved But Inactive Memphis TIF – Highland Row

- a. Adopted in 2007
- b. TIF to develop off-street parking to support \$62+ million mixed-use development
- c. Memphis and Shelby County Community Redevelopment Agency

5. Tax increment financing as economic development incentive:
 - a. Used in every state but Arizona; programs differ widely
 - b. Nashville, Knoxville and Bristol are among the Tennessee communities making active use of TIFs

Sales Tax Increment Financing / Tourism Development Zone

1. Authority provided by TCA §7-88-101; et seq.; as amended – Convention Center and Tourism Development Financing Act of 1998.
2. Based on state and local option sales & use tax collections
3. Tourism Development Zone (TDZ) captures increase in sales tax above (adjusted) based amount within a 3-mile radius of a qualified public use facility
4. Qualified public use facility:
 - a. 250,000 s.f. building/adjacent buildings for conventions, trade shows, meetings, sports events or other entertainment, educational, cultural, business or public interest activities
 - i. Owned by a public authority or municipality
 - ii. \$75 million of public funding and \$50 million of anticipated private funding, or a local investment of public or private funds of at least \$200 million
 - b. Privately-owned amusement or theme park w/\$100 million investment
 - c. Privately-owned tourist attraction w/\$200 million investment
5. Secondary TDZ located more than 3-miles from County Courthouse
6. Uses:
 - a. Acquire, construct, renovate a qualified public use facility
 - b. Associated physical infrastructure
 - c. Parking, parks other development adjacent/attached to the qualified public use facility
7. Maximum term is 30-years
8. Active Memphis TDZ – Downtown/FedEx Forum
 - a. Revenues pledge to FedEx Forum bonds through 2029
 - b. May benefit Bass Pro/Pyramid Redevelopment
9. Approved by Inactive Memphis TDZ – Fairgrounds
10. Program “sunset;” new legislation required for new TDZ
11. Tax increment financing as economic development incentive:

- a. Much less common than real property TIFs
- b. Well known example: Kansas City, Kansas, used their sales tax TIF program to help develop a new retail/entertainment district surrounding the (then) new Kansas Motor Speedway.

Grants

- 1. The City of Memphis has provided cash grants to support:
 - a. Significant industrial and commercial projects
 - i. Most common use – public infrastructure
 - 1. e.g., Birmingham Steel/Pidgeon Industrial Park, Mitsubishi Electric Power Products, Inc., Great American Steamboat Company/Beale Street Landing, Overton Square, Pinnacle Airline
 - ii. Direct investment in facilities
 - 1. e.g., Depot Redevelopment Corporation/Depot Business Park, Electrolux Home Products, Inc.
 - b. Organizations that promote the attraction of new firms, retention/expansion of existing firms, and other economic development activities
 - i. E.g., for FY 2013 -- EDGE, Greater Memphis Chamber, Black Business Association, Launch Memphis, Memphis and Shelby County Film and Television Commission, Convention Center and the Riverfront Development Corporation
- 2. Grants as economic development incentive:
 - a. Commonly used around the country
 - b. Can address a range of project hurdles or disincentives
 - c. Typically most popular form of incentive
 - d. Communities may have defined “programs” with criteria and metrics, or provide grants on an “as needed” basis

Revolving or Forgivable Loan Funds / Grants / Related Financing Tools

- 1. Division of Housing and Community Development
 - a. US Department of Housing and Urban Development programs
 - i. HUD Section 108 Loan Guarantee
 - ii. Community Development Block Grant Float Loan

- b. US Small Business Administration program
 - i. Grow Memphis Fund
 - 1. Identical to EDGE Impact Fund; smaller capitalization/City-wide
 - c. City-funded revolving loan fund
 - d. Others
2. EDGE Impact Fund:
- a. US Small Business Administration program
 - b. \$3 million fund available county-wide
 - c. Capitalized with \$500,000 from Memphis/Shelby County Port Commission
 - d. Loans from \$150,000 to \$2 million for fixed assets and working capital
 - e. Administered by the Grow American Fund/National Development Council
3. MAAG Revolving Loan Fund:
- a. US Dept of Commerce, Economic Development Administration program
 - b. \$3.8 million available in Shelby, Fayette, Lauderdale and Tipton Counties
 - c. Capitalized with \$600,000 from Memphis and \$3.2 million EDA grant
 - d. Loans from \$25,000 to \$150,000 for fixed assets and working capital
4. In addition, SEEDCO and the Downtown Memphis Commission Development offer several financing programs:
- a. Unclear if these qualify for the Committee
5. Loan financing as economic development incentive:
- a. Major local incentive in many communities
 - b. Can address funding gap or cash-flow gap
 - c. Federal, local and in some instances state or regional programs