

2012 INDUSTRIAL REVITALIZATION FUND

Program Design



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

Virginia Department of Housing and Community Development
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Introduction

The General Assembly allocated \$3,000,000 for FY 12 to be used for the redevelopment of vacant and deteriorated industrial properties across the Commonwealth. For the purposes of this program, the term *industrial* will be considered to mean any large-scale non-residential structure. Remnants of past economic vibrancy and local economies in transition, these structures are no longer suited for their former purpose, and in their current deteriorated condition, stand as a significant deterrent for future economic opportunity in the surrounding area and region.

Financial barriers often block the timely redevelopment of these structures, and they require more than local resources to attract private sector investment and make a deal cash flow. This is especially true in distressed areas. The \$3 million is meant to leverage local and private resources to achieve market-driven redevelopment of these structures, creating a catalyst for long-term employment opportunities and on-going physical and economic revitalization. Eligible properties and structures must be vacant and deteriorated and may be redeveloped for any market-driven purpose including mixed-use, regardless of the original use.

The \$3 million will be allocated to the Virginia Derelict Structures Fund (DSF) established under 36-152 of the Code of Virginia, and the program will be called the *Industrial Revitalization Fund (IRF)* Program. The recapitalization of the DSF to achieve the redevelopment and revitalization of abandoned industrial structures was a recommendation of the Distressed Communities Sub-committee of the Governor's Commission on Economic Development and Job Creation, and priority will be given to projects in distressed localities.

Award Amounts

The maximum grant award is \$600,000. DHCD anticipates awarding at least five grants. IRF funds may not be used as a substitute for other funds the applicant has already committed to a project. There is a match requirement and it is discussed on page 2. Successful applicants will have up to 18 months from the execution of the contract in which to complete their proposed project.

Availability of Funds

The \$3,000,000 available in FY12 is a one-time allocation to replenish the DSF.

Eligible Applicants

Only local governments (city, county, or town) or regional or local economic or industrial development authorities may apply for the funds. However, localities may designate a redevelopment authority or other similar organization as the designated agent for implementation and administration of activities. In addition, localities may lend the IRF money to a private business to undertake a project. DHCD must approve the terms and conditions of the loan, which must include a lien on the property.



Eligible Properties

The program is targeted toward vacant industrial structures whose poor condition creates physical and economic blight to the surrounding area in which the structure is located. Eligible properties shall include those formerly used for manufacturing, warehousing, mining, transportation, and power production as well as large-scale white elephant structures such as department stores, theaters, hotels, and shopping centers. Structures whose original intended use was solely residential are not eligible.

Structures should be publically owned by a unit of local government, which includes Industrial/Economic Development and Housing and Redevelopment Authorities.

Privately owned property is **not eligible** for funding unless:

1. The local government has an option agreement or a contract to purchase private property in place at the time of application. Such property must be conveyed to the locality before any grants funds will be disbursed; or
2. The local government provides the IRF money to a private entity in the form of a loan, the terms and conditions of which are subject to approval by DHCD.

Scattered site projects will not be considered. Projects may consist of multiple properties provided they are adjacent/adjoining and are related in either their negative impact (e.g., three adjacent downtown buildings that are severely deteriorated and create a negative impact on the remainder of the block) or end use (e.g., a locality rehabilitating an abandoned warehouse into a shell building and purchase of adjacent property for use as parking).

Eligible Uses of Funds

IRF is flexibly designed so that grant funds can be used for a wide variety of revitalization and redevelopment activities such as **acquisition, rehabilitation or repair** (including securing and stabilizing for subsequent reuse) of specific structures, as well as **demolition and removal**.

IRF funds can only be used for **physical activities** such as the ones described above. In the case of acquisition, DHCD will limit its financial participation to the property's fair market value and the associated legal costs of acquisition. The legal costs associated with demolition are also grant-eligible costs.

Environmental assessments, remediation feasibility studies and engineering studies are allowable expenses but only as part of a comprehensive IRF redevelopment funding request and where they cannot be covered by brownfield funding available through the Virginia Department of Environmental Quality.

Grant funds may not be used **solely** for acquisition or demolition unless it can be demonstrated that the locality has committed other redevelopment funds to the property, and there is a market-based redevelopment plan in place that outlines possible reuse options, target markets/niches, and a property marketing strategy, including the entity for responsible for implementation. In addition, action must be taken by the locality to improve the property's readiness for redevelopment. Generally, demolition should be used only in circumstances where the size or location of a building precludes any significant redevelopment potential or in cases where there is an **imminent** safety threat.

Funds may not be used as a substitute for other funds the applicant has already committed to a project. Any program income resulting from liens on property, resale, or other activities must be reinvested into similar future activities within the applicant locality according to a Program Income Plan approved by DHCD.

Match

The intent of the IRF funds is to help fill a financing gap that has prevented re-use and/or redevelopment of vacant and blighted industrial property. As such applicants are required to provide at least 100 percent local match (from private or public sources). Higher local match will increase the application's score.

Example: An applicant requesting \$600,000 must provide \$600,000 in match.

Local match must either be cash or documented costs that are directly associated with the work being done on the property where IRF funds are expended. Indirect costs related to engineering, design or architectural activities as well as other costs such as public notices, permit or dumping fees and inspections costs (or waivers of such) directly related to physical activities may be used as match, provided that such costs are specifically identified in the application.

Local match may include federal (including CDBG), local or private funds spent on or after July 1, 2009, on activities directly related to the targeted project.

Administrative Costs

Applicants may use up to five (5) percent of the grant award to cover administrative costs. Applicants may use as local match an additional five (5) percent out-of-pocket administrative costs. The use of the additional five percent of administrative costs as local match must be outlined in the application.

Fund Access

IRF funds are available on a **reimbursement basis only**. Funds may be drawn down to reimburse the applicant for costs it has already incurred and paid for, or to meet costs incurred, for which invoices are on hand, awaiting payment. Applicants must have enough funding, including the grant funding, to complete the project. A contract between DHCD and the applicant outlining end products, conditions, fund disbursement and termination must be executed before any funds are disbursed. Funds may only be used for **expenses incurred after the signing of the contract**.

Program Funding Priorities

The ultimate intent of the IRF is to fund projects that, through their completion, will spark additional private investment and create jobs in the immediate future. Based on that intent, DHCD has established the following funding priorities and will direct funding to those projects meeting one or more of them:

- **Clear relationship to a local or regional economic development strategy.**
Applicants must identify the economic development strategy that the proposed project will support. This strategy should be an element of an existing redevelopment or blight removal plan or economic development plan. Applicants must explain what is currently being done in the area and how the IRF funds will supplement and expand this ongoing economic development and restructuring process. In other words, how does this IRF project enhance the economic restructuring and development activities of the community and region?
- **High degree of blight and deterioration to be addressed.**
Applicants must identify the specific structure(s) to be addressed using the IRF money and must describe the extent of their deterioration and how the IRF funds will be used to address the deterioration. DHCD is seeking to invest its funds in projects where there is significant deterioration and where applicants can demonstrate the negative impact of such on the ability to attract private investment and job creation to areas beyond the specific location of the property. Applicants must demonstrate that addressing the property is a local priority. Projects that seek to repurpose or redevelop the property will be given more consideration over projects that focus heavily on site or property clearance.
- **Project readiness with a clear end use.**
Applicants must identify the proposed future use for the property impacted by the grant funding. DHCD will give greatest priority to projects that will lead to efficient and **immediate** redevelopment and /or re-use. Projects that are “ready to proceed,” but for the availability of the IRF funds, and can demonstrate that specific plans, partnerships and/or financing are in place for a specific **end user** will be given greater consideration.
- **End use will have a clear and significant economic impact.**
Applicants must describe how the project will have a clear positive economic impact on the area. With the genesis of the 2012 funding coming from the Governor’s Commission on Economic Development and Job Creation, applicants must demonstrate how the completion of the IRF project will be a catalyst to larger economic revitalization efforts in the locality and region.
- **Higher degree of applicant economic distress.**
Because the recommendation for recapitalization of the DSF came from the Distressed Communities Sub-committee of the Governor’s Commission on Economic Development and Job Creation, DHCD will give extra consideration to projects located in communities that are experiencing a higher degree of distress. This will be based on three measures using 2009 data from the *2005-2009 U.S. Census Bureau Estimates*:
 - 1) a **persons in poverty rate** of at least 150 percent of the state average (at least 15.9%);
 - 2) a **median household income** at most 70 percent of the state average (\$41,560 or less); and
 - 3) an **unemployment rate** at least 150 percent of the state average (or at least 10.2 %).

Scoring will be weighted based on the number of distress measures the locality is experiencing. DHCD will provide a pre-calculated score for cities and counties. Towns may use the distress score of the county, or they may calculate their own based on the town’s Census tracts, whichever method provides the higher distress score. Guidance on where to find the necessary data is provided in the funding application. See Appendix A. for more details.

Scoring

Funds will be allocated through a competitive process that will give greater priority to projects leading to efficient and immediate redevelopment and/or reuse of abandoned industrial structure(s). Applications will be evaluated according to a scoring system, and projects will be selected for funding on the basis of the higher scores in descending order until all funds are awarded.

Scoring criteria and point allocation will be as follows:

| | |
|---|-------------|
| Relationship to Economic Development Strategy | 20% |
| Project Identification and Description | 20% |
| Readiness, End Use Plans and Impact | 30% |
| Distress Factor | 20% |
| Match | 10% |
| TOTAL | 100% |

Other Considerations

DHCD encourages localities to select projects in areas where a full complement of redevelopment and revitalization tools are available as well as projects that have strong significance to the broader community and region. Applicants will receive a total of up to **5 bonus points** for projects which have any of the following characteristics:

- A significant **regional focus**. This would include projects located in an area covered by a revenue sharing agreement or projects cited in a formal regional economic development plan.
- Eligibility for local real property tax abatement (§ 58.1-3221) or other **local incentives** to encourage property re/investment.
- Location in an **Enterprise Zone** and ability to qualify for the state and local incentives
- Location in a **special district**, including Designated Main Street Community status; a local, state or federal historic district; a redevelopment or blight removal district; a Technology Zone; or other similar district.
- Location in a current **CDBG project area**.

Submission Requirements

The 2012 IRF application is available at www.dhcd.virginia.gov/irf. DHCD will accept IRF applications beginning Friday, September 9, 2011. Applications will be reviewed on a rolling basis through December 31, 2011 or until DHCD has committed all the funds, whichever is sooner. Completed applications with required attachments must be electronically submitted.

A locality may submit only one application, which must include a resolution from the locality's local governing body authorizing the submission of the application and commitment of a specific dollar amount in matching funds. Localities may designate a redevelopment authority or other similar organization as the designated agent for implementation and administration of activities.



(Proposed) Timetable

July 15, 2011

How-to-Apply Announcement, Program Design, and Application Available

August 8-11, 2011

How-to-Apply Workshops (register online at www.dhcd.virginia.gov/irf)

| | | | |
|-------------------|--------------|---------|--|
| Mon., August 8 | Harrisonburg | 1 p.m. | Lucy F. Simms Continuing Education Center, Music Room 620 Simms Avenue, Harrisonburg, VA 22802 (directions) |
| Tue., August 9 | Abingdon | 10 a.m. | Southwest Virginia Higher Education Center, Room 240 One Partnership Circle, Abingdon, VA 24210 (directions) |
| Wed., August 10 | Lynchburg | 9 a.m. | Point of Honor, Carriage House Meeting Room 112 Cabell Street • Lynchburg, VA 24504 (directions) |
| Wed., August 10 | Emporia | 3 p.m. | Southside Virginia Education Center 1300 Greensville County Circle, Emporia, 23847 (directions) |
| Thurs., August 11 | Webinar | 10 a.m. | Remote access. Login information will be distributed to registrants prior to the workshop |

September 9, 2011

Applications Accepted

September 13, 2011

First potential Application Review

Late September-December 2011

Contract Negotiations

December 31, 2011

All Grantees under Contract

Contractual Obligations

All applications, contracts and agreements are subject to negotiation with DHCD.

All approved projects will be committed to a closing date of 18 months from contract execution, on which all activities must be completed and drawdown requests submitted to DHCD. Any locality that receives funding and does not use all of its designated funds by the closing date specified in its contract may lose the remaining fund balance.

Any program income resulting from liens on property, resale, or other activities must be reinvested into similar future activities within the applicant locality according to a Program Income Plan approved by DHCD.

For more information, please contact:

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APPENDIX A: Distress Scores

Pre-calculated Distress Scores for Cities and Counties

| Localities Meeting All Distress Measures = 20 Application Points | | | |
|--|----------------------|--------------------|-----------------------|
| Brunswick County | Carroll County | Covington | Danville |
| Emporia | Franklin (city) | Grayson County | Halifax County |
| Henry County | Hopewell | Martinsville | Mecklenburg County |
| Patrick County | Petersburg | Russell County | Smyth County |
| Localities Meeting Two Distress Measures = 10 Application Points | | | |
| Accomack County | Bedford (city) | Bristol | Buchanan County |
| Buckingham County | Charlotte County | Charlottesville | Dickenson County |
| Galax | Greensville County | Harrisonburg | Lee County |
| Lexington | Lunenburg County | Lynchburg | Norfolk |
| Northampton County | Norton | Nottoway County | Page County |
| Pittsylvania County | Prince Edward County | Pulaski County | Radford |
| Richmond | Richmond County | Roanoke (city) | Scott County |
| Sussex County | Tazewell County | Williamsburg | Wise County |
| Wythe County | | | |
| Localities Meeting One Distress Measures = 5 Application Points | | | |
| Bland County | Buena Vista | Cumberland County | Floyd County |
| Fredericksburg | Giles County | Highland County | Montgomery County |
| Portsmouth | Southampton County | Staunton | Washington County |
| Waynesboro | Winchester | | |
| No Distress Measures Met = Zero Application Points | | | |
| Albemarle County | Alexandria | Alleghany County | Amelia County |
| Amherst County | Appomattox County | Arlington County | Augusta County |
| Bath County | Bedford County | Botetourt County | Campbell County |
| Caroline County | Charles City County | Chesapeake | Chesterfield County |
| Clarke County | Colonial Heights | Craig County | Culpeper County |
| Dinwiddie County | Essex County | Fairfax | Fairfax County |
| Falls Church | Fauquier County | Fluvanna County | Franklin County |
| Frederick County | Gloucester County | Goochland County | Greene County |
| Hampton city | Hanover County | Henrico County | Isle of Wight County |
| James City County | King & Queen County | King George County | King William County |
| Lancaster County | Loudoun County | Louisa County | Madison County |
| Manassas | Manassas Park | Mathews County | Middlesex County |
| Nelson County | New Kent County | Newport News | Northumberland County |
| Orange County | Poquoson | Powhatan County | Prince George County |
| Prince William County | Rappahannock County | Roanoke County | Rockbridge County |
| Rockingham County | Salem | Shenandoah County | Spotsylvania County |
| Stafford County | Suffolk | Surry County | Virginia Beach |
| Warren County | Westmoreland County | York County | |

Source: 2005-2009 U.S. Census Bureau Estimates

Calculations by Census Tract for Towns

Towns may opt to use the distress score of their County or choose to calculate it themselves by Census Tract, which ever shows the greatest level of distress. Use the data sources highlighted below to access the data to complete the chart below. Localities will receive points for each of the three distress measures they meet. If no distress criteria are met, the distress score will be zero out of 20.

| <i>Indicators of Distress for Towns</i> | | | |
|---|---------------------------|--|-----------|
| What percentage of the population is living in Poverty ? Source: 2005-2009 U.S. Census Bureau Estimates | Click here to enter text. | What is 150 percent of the state's Poverty rate? | 15.9% |
| What is the Median Income per Household? Source: 2005-2009 U.S. Census Bureau Estimates | Click here to enter text. | What is 70 percent of the state's median household income? | \$41, 560 |
| What is the Average Unemployment Rate ? Source: 2005-2009 U.S. Census Bureau Estimates | Click here to enter text. | What is 150 percent of the state's average unemployment rate? | 10.2% |