

## INTRODUCTION

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.

## ELIGIBLE ACTIVITIES

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 types of activities.

- ?? **Water Systems** - source development, intake structures, treatment plants, storage tanks, transmission lines, and other improvements normally associated with the provision of public water service.
- ?? **Wastewater Systems** - collector lines, treatment plants, and other improvements normally associated with the provision of public wastewater service.
- ?? **Transportation Systems** - access roads, rail sidings, port facilities, airport improvements, and other improvements normally associated with the provision of public transportation service.
- ?? **Site improvements** - limited to extraordinary situations where physical conditions of the site must be altered before construction can occur, site improvements will normally not involve improvements to land owned or to be purchased by the company..
- ?? **Other improvements** to physical infrastructure may be eligible if it can be demonstrated that the improvements are required for the location or expansion of private business. No infrastructure improvements, however, will be allowed on land owned or to be purchased by the company.

## ELIGIBLE BUSINESSES

Eligible businesses which may be assisted with the funds are limited to a) manufacturing and other types of economic activities which export more than half of their product or services outside of Tennessee, b) businesses where more than half of their product or services enters into the production of exported products, c) 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. In making this determination the Commissioner shall be guided by the export principle, and shall not invest funds in support of retail or local service businesses.

Industrial infrastructure funding may not be used to support the relocation of a business within the state. The only exception to this restriction will be those instances where the appropriate local legislative body in the municipality or county which would be losing the business voices no opposition, or where the

Commissioner of ECD determines that the benefit to the state outweighs the loss to the community which is losing the business.

## **Funding Limitations**

Certain funding limitations are placed on the State's investments to ensure maximum effective use of the available funds. The funding limitations that apply are discussed below.

Grant rates will be based on the applicant's ability to pay as determined by the Ability-to-Pay Index developed by the Center for Business and Economic Research at the University of Tennessee.

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. The amount of the grant that may be used for administration and for architect and engineering services will vary depending on the type of project. ECD will review these costs for reasonableness and may decrease excessive requests.

## **APPLICATION PROCESS**

Applications may be submitted by county governments, municipal governments or other political subdivisions of the state authorized to receive and expend funds. A current application form is maintained by ECD and distributed upon request. Application forms may be revised periodically, and the most recent dated form will be the effective form.

Applications are expected to be submitted complete. While minor elements may be submitted at a later date, applications with major components missing will be returned to the applicant with no action being taken on them.

A complete industrial infrastructure application will consist of the following elements:

1. Community information.
2. Business information.
3. Preliminary engineering report.
4. Evidence that non-industrial infrastructure funding is in place or has been applied for and a statement of its status at the time of the application.

Three copies of the application and three extra copies of the engineering report for each utility (water, sewer) being requested must be submitted. The three copies of the engineering report will be sent to the State agency most responsible for reviewing and approving the physical design of the project (Department of Environment and Conservation, Department of Transportation, etc.)

The municipal or county legislative body whose jurisdiction the business is or will be located must formally approve the submission of the TIIP application. This resolution of support must be submitted as part of the grant application, and must

specify a commitment to provide the local match and specify the amount of the TIIP request.

TIIP applications should be submitted in a three ring binder to the following address:

Program Management Section  
Department of Economic and Community Development  
10<sup>th</sup> Floor, William R. Snodgrass TN Tower  
312 8<sup>th</sup> Avenue North  
Nashville, Tennessee 37243-0405

## **IMPLEMENTATION PROCEDURES**

A written project summary and staff recommendation will be prepared. The project will be submitted to the ECD Loan and Grant Committee for review and discussion. The Loan and Grant Committee consists of the commissioner-level administrators in the department. The ultimate responsibility for approving or disapproving the grant rests with the Loan and Grant Committee.

The following major provisions govern the implementation of the infrastructure project after it has formally been approved by the Loan and Grant Committee. Formal bidding procedures and financial management procedures have been prepared and will be provided to applicants receiving an infrastructure grant. These procedures must be followed by all grantees.

### **State Contract**

An official State contract will be executed with the grantee and the industry. This contract will describe the activities to be carried out with the infrastructure grant, the method of payment, the industry's commitments, and State requirements which are imposed as a condition to the grant.

The contract will be executed by an authorized representative of the grantee (normally the mayor or county executive), an authorized representative of the business, and the Commissioner of ECD. This contract represents an understanding by the major participants in the project about their respective roles, responsibilities, and commitments.

### **Other Funding Sources**

In order that maximum effective use is made of the industrial infrastructure funds, each project must demonstrate that it is capable of being initiated (construction started) within six months of approval of the grant. If the project involves funding from other agencies, that funding must either be approved or the agency must certify that funding will be provided within this time frame. Industrial infrastructure funding may be withheld until all sources of funding can be documented. The business must demonstrate that financing for plant, equipment, and working capital is available.

### **Preliminary Engineering Report**

If the application is for water and sewer work, the engineering report must follow the guidelines established in the design criteria for water or sewer projects as provided by the Department of Environment and Conservation. Copies of the design criteria for water projects may be obtained from the Division of Water Supply. Copies of the design criteria for sewer projects may be obtained from the Division of Water Pollution Control.

For water projects to improve fire protection, the preliminary engineering report should include a letter from the company fire insurance carrier outlining necessary flow and pressure.

If a project includes both water and sewer work, a preliminary engineering report must be submitted for both elements of the projects. If a project is submitted for work other than water and sewer, the preliminary engineering report should conform to commonly accepted engineering standards.

Be sure to include time tables for completion of construction, as well as breakdown of engineering cost for each portion of the project (i.e., water, sewer, site preparation, etc.). See the attached Budget which should be completed for infrastructure projects.

### **Force Account**

Force account means that construction of all or a portion of the project will be done by the county or municipal work force. Approval must be obtained from ECD before force account will be allowed. The grantee must demonstrate that it has the ability to complete the work in a satisfactory manner. ECD requires the following information to be provided to document competency if force account is requested:

1. Names and engineering qualifications of personnel performing the work and their capabilities for design, supervision, planning, inspection, testing, etc. as applicable.
2. Details of experience with projects of like or similar nature.
3. Information on workload as it may affect capacity to do the work within time frame or work schedule.
4. Justification for doing the work by force account rather than by contract.
5. A complete breakdown showing:
  - (a) the number of work hours and cost per hour for each category of labor, and
  - (b) a list of non-salary costs such as materials, supplies, equipment, etc.
6. Certification from the above mentioned personnel's supervisor confirming that they are full time City/County employees and have not been hired just for this project
7. Certification confirming the equipment to be used is owned by the City/County and that it is not rental equipment.

In order to do force account work, the grant recipient must own the equipment, use city forces, and obtain State approval by submitting the above information.

### **Approval of Plans and Specifications**

ECD must approve the plans and specifications for the project before the work is advertised for bids. In many cases the plans and specifications will also need to be reviewed and approved by another State agency. The applicant should send one copy of the plans and specifications to ECD and one copy to the appropriate State agency (water and sewer projects to the Department of Environment and Conservation, transportation projects to the Department of Transportation).

### **Bidding Procedures**

All purchases for which the grantee expects to seek reimbursement from the infrastructure program must be procured under the applicable state regulations. For county governments this is the County Purchasing Law of 1983 (TCA 5-14-201). For municipal governments this is the Municipal Purchasing Law of 1983 (TCA 6-56-301). Infrastructure projects must include state determined wage rates in the bid documents under the provisions of TCA 12-4-401. State wage rates must be obtained through ECD. Purchases not made in accordance with these regulations will not be reimbursed. The Tennessee Department of Labor, as well as ECD, must be notified in writing at least five to ten days in advance of all pre-construction conferences. These bidding requirements are presented in the document Tennessee Investment Program Bidding Procedures which is available from ECD.

### **Notice to Proceed**

No costs may be incurred for which industrial infrastructure funding is expected until ECD has issued a formal Notice to Proceed.

### **Financial Management**

ECD will make payment under an infrastructure grant based on invoices submitted in accordance with the Line Item Budget contained in the contract. Payment of actual incurred costs will be made upon receipt of a Request for Payment and detailed supporting documentation.

Industrial infrastructure projects are expected to be completed in accordance with the state contract. Any changes in the project scope or budget must be approved in advance by ECD.

In order to ensure performance on the industrial infrastructure projects, 10 percent will be retained from the contractor's invoice until 75 percent of the contract amount has been requested. At that point retainage may be reduced to 5 percent. Final payment will be released when ECD is satisfied that the project has been completed satisfactorily and that there are no liens against the contractor. The financial management requirements are presented in the document Tennessee Investment Program Financial Management Procedures which are available from ECD.

### **Open Records**

All transactions covered by the industrial infrastructure program will be governed by the provisions of TCA 10-7-504.

## **Audits and Reports**

Industrial infrastructure grants will be monitored by ECD and audited by the Comptroller of the Treasury. Local governments receiving industrial infrastructure grants must provide access to appropriate records to insure this work can be accomplished.

ECD must submit periodic reports to the General Assembly on the accomplishments of the industrial infrastructure program. Employment and investment information for the companies being assisted is an important part of this reporting requirement. Assisted companies must agree in the State Contract to provide to ECD periodic reports on the total number of employees, the total number of minorities employed for five years after the date of the State contract, and document their investment at the assisted site.

## **Pre-application Meeting**

A pre-application meeting is required for all economic development projects. This is to provide advice and give companies and communities the opportunity to ask questions. If we can understand the project before the application is prepared, we can better advise you about the proper source of funding to request. Also, this meeting will give us the opportunity to explain the State regulations that will apply, discuss timetables, and address concerns that frequently come up during the application review.

We recommend that the following individuals attend the pre-application meeting:

- ?? Mayor or County Executive
- ?? Industrial Recruiter or Industrial Board Representative
- ?? Company Officials
- ?? Application Preparer
- ?? Engineer

Please contact Mike McGuire or Philip Trauernicht at (615) 741-6201