

Mississippi Finance Programs

Advantage Mississippi Initiative

The Advantage Mississippi Initiative outlines a comprehensive package of incentive programs and funding opportunities to assist communities in recruiting new industry. The programs offered also ensure that companies are creating new jobs, building coalitions with community leaders and directly impacting economic growth in the state. These programs include: Advantage Jobs Incentive Program, Growth and Prosperity Program, Mississippi Land Water and Timber Board and Small Municipalities and Limited Population Grant Program.

Agribusiness Enterprise Loan Program

Designed to encourage the extension of conventional financing by lending institutions, the Agribusiness Enterprise Loan Program provides interest-free loans to agribusinesses. An eligible agribusiness is any aquaculture; horticulture; or agriculture-related industrial, manufacturing, research and development, or processing enterprise. The maximum Agribusiness Loan is 20% of the total project cost or \$200,000, whichever is less. Proceeds may be used to finance buildings and equipment and for costs associated with the purchase of land (appraisals, title searches, etc.). However, proceeds cannot be used to purchase land. All loans must be guaranteed 100% by a direct lender.

Capital Improvements Revolving Loan Program (CAP)

The Local Government Capital Improvements Revolving Loan Program is designed for making loans to counties or municipalities to finance capital improvements in Mississippi. Counties and municipalities are encouraged to use these loans in connection with state and federal programs. Funding for loans to applicants is derived from the issuance of state bonds. CAP was enacted by the State Legislature.

Eligible Projects include:

- Construction or repair of water and sewer facilities.
- Construction or repair of drainage systems for industrial development.
- Improvements in fire protection.
- Construction of new buildings for economic development.
- Renovation or repair of existing buildings for economic development purposes.
- Purchase of buildings for economic development purposes.
- Construction of any county or municipally-owned health care facilities, excluding any county health departments.
- Construction, purchase, renovation or repair of any building to be utilized as an auditorium or convention center.
- Construction of multipurpose facilities for tourism development.
- Construction or repair of access roads for industrial development.
- Construction or repair of railroad spurs for industrial development.
- Construction, repair and renovation of parks, swimming pools and recreational and athletic facilities.

CAP Loan Terms:

The cumulative maximum loan amount for any eligible local unit of government during a calendar year is \$750,000. A local entity may borrow up to \$500,000 on tax-exempt loans per calendar year and \$750,000 on taxable loans per calendar year. The minimum loan amount allowed per project is \$30,000. The maximum CAP loan indebtedness allowed per Applicant is \$2,500,000 outstanding principal balance. Loans for the construction, repair and renovation of parks, swimming pools and recreational and athletic facilities shall not exceed \$250,000 per project.

Community Development Block Grant Program

The State Community Development Block Grant (CDBG) Program was established to aid in the development of viable communities which provide a suitable living environment, decent housing, and economic opportunities for their residents. The CDBG Program makes grants available to incorporated municipalities and county governments that show a genuine need for specific projects and can meet the program's state and federal eligibility requirements. Benefit to low- and moderate-income persons is the basic thrust of funding. All Mississippi cities and counties are eligible for CDBG funding, except for the entitlement cities of Jackson, Biloxi, Gulfport, Hattiesburg, Moss Point and Pascagoula. Communities may apply for CDBG funding through the category of Economic Development. The primary criteria for economic development funding is to provide jobs for persons of low/moderate income. The Economic Development category accepts applications for communities in two subcategories:

- *Economic Development Public Improvements* funds such activities as the provision of water, sewer, and access roads within a community.
- Through the *Public Facilities* component, grants are available to local units of government on a comprehensive basis for a variety of development activities including, but not limited to water and sewer improvements, streets, and drainage, bridges, handicapped accessibility of public buildings, flood improvements and fire protection.
- The *Economic Development Loan Program* makes it possible for for-profit businesses to promote economic development by creating or retaining jobs primarily for low- and moderate-income families.

Economic Development Highway Program

The Economic Development Highway Program assists political subdivisions with the construction or improvement of highway projects which encourage high economic benefit projects to locate in a specific area. A high economic benefit project is any new private investment of \$50 million or more by a company in land, buildings or depreciable fixed assets, or an investment of at least \$20 million by a company which has statewide capital investments of at least \$1 billion in the aggregate. A private company engaged in agriculture, aquaculture, mariculture, processing, distribution, warehousing, manufacturing, research and development, or any air transportation and maintenance facility, regional shopping mall, large hotel, resort, movie industry studio or the federal government with a project meeting the high economic benefit criteria is eligible for

assistance. The highway must be necessary to ensure adequate and appropriate access to the proposed project.

Energy Investment Program

Through the Energy Investment Program, MDA provides financial assistance to individuals, partnerships or corporations making energy conserving capital improvements or designing and developing energy conservation processes. This program offers low interest loans of up to \$300,000, with maximum terms of seven years. Each loan may be secured by a lien on the measures installed, other business assets, personal guarantees of the owners or officers, performance bonds or a combination of these.

Minority Business Enterprise Loan Program

This program is designed for the purpose of providing funds to socially and economically disadvantaged minority- or women-owned small businesses. To be eligible for assistance, the ownership and day-to-day management of the business must be at least 60% minority or female. Loan proceeds may be used for all project costs associated with the establishment or expansion of a minority business, including the purchase of fixed assets or inventory or to provide working capital. The minimum loan is \$2,000 and the maximum loan is \$250,000. MDA may fund up to 100% of a total project of \$15,000 or less and up to 50% of a total project greater than \$15,000. The borrower must inject or have at least 5% equity in the project. Repayment terms are determined by the amount of the loan and the collateral securing the debt, and may extend up to fifteen years. Interest rates on the MDA portion of the loan are set at below-market rates for the term of the loan. Applications for this program must be submitted to one of the Qualified Entities approved for participation by MDA. The Qualified Entities include the ten Planning and Development Districts, Community Development Corporations and other similar entities. All applicants must be certified as a woman/minority owned business by the Minority Division of MDA prior to funding. All applicants must be certified as a woman/minority owned business by the Minority Division of MDA prior to funding.

Minority Surety Bond Guaranty Program

This program was created to enable minority contractors, not meeting the surety industry's standard underwriting criteria, to obtain bid and performance bonds on contracts with state agencies and political subdivisions within Mississippi. With successful completion of contracts guaranteed under the program, coupled with management and technical assistance by the program administrator and others, minority contractors will grow in experience, management skills and financial stability sufficient to obtain surety bonding on their own. Maximum bond guaranty is 75% of contract bond amount or \$112,500, whichever is less. A contractor may have more than one guaranteed bond as long as total guarantees do not exceed \$112,500. A contractor applicant must be certified with the Minority Business Enterprise Division of MDA, have its principal place of business in the state, meet experience and financial standards appropriate to the contract, must have been in business at least one year prior to application, subcontract no more than 75% of a qualified contract and show reasonable evidence of inability to secure bonding under normal market conditions.

Mississippi Access Road Program

Under this program, MDA and the Mississippi Department of Transportation assist local entities in the construction of links of highways or roads necessary to connect new and existing industrial sites to adequate road facilities.

Mississippi Airport Revitalization Revolving Loan Program

Funds from the issuance of state bonds provide loans to airport authorities for the construction and/or improvement of airport facilities. Airport Loan funds may be used for 100% project financing. The maximum loan amount for any one project is \$750,000, with a maximum term of ten years and an interest rate of 3% per annum.

Mississippi Business Investment Act Program

Through the issuance of State General Obligation Bonds, low-interest loans are provided to counties or incorporated cities or towns to finance improvements which complement investments by private companies. To be eligible for financing under this program, a private company must invest at least \$3.00 for every \$1.00 it receives in state assistance and must create and maintain new jobs as required by state statute and MDA. The project to be financed must be necessary for the operation of the company, and it must be determined that other financing options are unavailable. The minimum loan amount for a project is generally limited to \$500,000 for a term of ten years or the estimated useful life of the project to be financed, whichever is greater. Rates of interest are set by MDA. Loan proceeds may be used for the acquisition, expansion, or improvement of land, buildings, and infrastructure.

Mississippi Major Economic Impact Authority

Unique in the nation, this program allows the state, through the issuance of general obligation bonds, to assist local communities in meeting the development requirements inherent in large capital projects, thereby generating an investment in the quality of life in such communities. Funds may be used to improve transportation, education, recreation and medical facilities within sixty-five miles of a project site. Certain other infrastructure needs are also eligible for financing. Major Impact Authority projects can be new projects or expansions of existing facilities which have a minimum initial investment of \$300 million by the private sector or the U.S. Government. Eligible projects include industrial or commercial projects, research and development, warehousing, distribution, transportation, processing, mining establishments, U.S. Government projects and tourism facilities.

Mississippi Small Business Assistance Program

The Mississippi Small Business Assistance Program was established for the purpose of providing funds to Qualified Entities to establish revolving loan funds to assist in financing small businesses. Qualified Entities were approved by MDA and are defined as Mississippi Planning and Development Districts (PDDs), Small Business Investment Corporations, Community Development Corporations, and other similar entities. A small business is defined as any for-profit commercial enterprise with fewer than 100 full-time employees; less than \$2 million in net worth or less than \$350,000 in net annual profit, after taxes, during two of the last three years. A company meeting any of the above

criteria is eligible to seek assistance under this program. No small business shall receive funding under this program in excess of \$100,000 or more than 50% of the total project cost. Maximum terms of the loans shall be fifteen years for land and buildings, ten years for equipment, five years for working capital, and three years for inventory. Interest rates cannot be less than 5% per annum or more than 4% above the Federal Reserve discount rate plus servicing fees. Small businesses should contact a Qualified Entity in their area for application forms and loan information.

Freight Rail Service Projects Revolving Loan Program (RAIL)

Loans

Municipalities and counties may receive loans under the Mississippi Freight Rail Service Projects Revolving Loan Program to finance the following freight rail service projects:

- A project which involves the acquisition, construction, installation, operation, modification, renovation or rehabilitation of any freight rail service facilities.
- A project which may include any fixtures, machinery or equipment used in conjunction with any such facilities.
- Any project for any freight transportation purpose.

The cumulative maximum loan amount for any eligible local unit of government during a calendar year is \$1 million, and the term of any loan shall not exceed 15 years. The rate of interest on a RAIL loan shall be 1% below the Federal Reserve Discount Rate at the time of loan approval.

Grants

Counties may receive grants for freight rail service projects relating to the upgrading of railroad grade crossings. Only projects approved by the Mississippi Department of Transportation ("MDOT") shall be eligible for RAIL grants. The maximum amount of RAIL grant funds that may be provided for any one project is \$250,000.

Municipalities and counties are encouraged to use these loans and grants in connection with other state and federal programs

Mississippi Tourism Incentive Program

The Mississippi Tourism Incentive Program is a program designed to provide an incentive to qualified developers (Developer) of new or expanding family-oriented tourism projects. The Mississippi Tourism Incentive Program allows the sales tax paid by visitors to the eligible tourist project to be diverted to the Developer to cover project cost and may include public and/or privately owned facilities.

Eligible Enterprises

Eligibility to receive assistance through the Mississippi Tourism Incentive Program will be determined by capital investment, type of tourism attraction and the location of the Project in the State as provided under Section 57-73-21. Eligible Projects must meet one of the following minimum criteria:

- Shall be a family-oriented entertainment enterprise, located in a tier one (1) area, with an initial capital investment (primary investment) of not less than \$5,000,000.00 in federal, local and/or private funds; or
- Shall be a family-oriented entertainment enterprise, located in a tier two (2) area or a tier three (3) area, with an initial capital investment (primary investment) of not less than \$3,000,000.00 in federal, local and/or private funds; or
- If a family-oriented entertainment enterprise is owned by an entity, which has a gaming license (Section 75-76-1), the Project must be in **excess** of that which is required by the State Gaming Commission for the issuance or renewal of a gaming license.

The types of family-oriented entertainment enterprises (primary investment) that are eligible to receive assistance include:

- A cultural or historical site;
- A recreational or entertainment facility;
- An area of natural phenomenon or scenic beauty;
- A theme park;
- An amusement or entertainment park;
- An indoor or outdoor play or music show;
- Botanical gardens;
- Campgrounds;
- Cultural or educational centers; and
- Others that meet program intent.

The following ancillary investments can be included if they are located on the project site or within one mile of the project site and are owned by the owner of the family-oriented entertainment enterprise or owned by an entity legally affiliated with the owner of the family-oriented entertainment enterprises (1) auditoriums, (2) dining facilities, (3) gift shops, and (4) lodging facilities. However, the capital investment in any dining or lodging facility shall not be included for purposes of meeting the primary initial capital investment requirements.

Eligible Project Costs (Primary and Ancillary)

- Land (outright purchases or leasehold interest with 10-year minimum term);
- Building at the tourism attraction site;
- Land surveys and architectural/engineering fees;
- Cost of contract bonds and insurances;
- Installation of utilities paid by the Developer (including off-site extensions that are project specific);
- Equipping of the attraction.

Programs Available Through Other Entities

The Mississippi Business Finance Corporation (MBFC), an entity of the Mississippi Development Authority (MDA), administers a variety of finance programs designed to assist businesses in locating or expanding in the State. MBFC provides companies an opportunity to review all financial information through one source.

MBFC works with other public entities and the private sector to coordinate efforts to stimulate both commercial and industrial development. The following information is provided as an overview of the selected finance programs available through MBFC and local units of government.

Local Industrial Development Revenue Bonds

Local political entities in Mississippi, including counties, supervisors' districts, incorporated cities and towns, have the authority to issue tax-exempt and taxable industrial development revenue bonds to finance new or expanding industrial enterprises. There is no election approval required unless 20% or more of the entity's electors object to the bond issuance in writing. Ownership of a bond-financed facility is retained by the issuing political entity, which leases it to a company for rental sufficient to pay the annual principal and interest on bonds. Industrial development revenue bonds can finance up to 100% of total project costs, including land, buildings, fixtures, new equipment, new machinery and professional fees. Facilities financed by such bonds are allowed up to a ten-year property tax exemption, in addition to being exempt from most sales and use taxes on project related purchases during construction.

Rural Economic Development Assistance Program

Companies financing projects through the Small Enterprise Development or Industrial Revenue Bond Programs may be eligible to participate in the Rural Economic Development Assistance Program. The program allows eligible companies to receive credits on Mississippi corporate income taxes. Mississippi corporate income tax credits will be granted at the end of a company's fiscal year and will be based on the Mississippi tax liability at that time. The amount a company will be required to pay in Mississippi income tax could be reduced by an amount up to the debt service paid during the tax year. The total amount of tax credits earned may not exceed the annual debt service on the bond issue. These credits may be used to offset up to 80% of the company's state corporate income tax liability.

General Obligation Bonds

Local political entities have the authority to issue general obligation bonds for the purpose of acquiring sites and constructing facilities for lease to new or expanding industries with rentals sufficient to amortize the debt service on the bonds. General obligation bonds carry the full faith and credit of the issuing political entity. As title to the property remains with the political entity issuing the bonds, no taxes, except school taxes, are assessed on the improvements made with the proceeds of such bonds. An agreement is negotiated between the industry and the political entity covering the details of the issuance of the bonds and the lease.

Industrial Development Revenue Bond Program

The Industrial Development Revenue Bond Program reduces the interest costs of financing projects for companies through the issuance of both taxable and tax-exempt bonds. Additionally, ad valorem and sales tax exemptions are granted in conjunction with this type of public financing. The bonds must be secured by an irrevocable, direct-pay letter of credit or other credit enhancement acceptable to the issuing authority. The proceeds of a bond issue may be used for the acquisition and construction of real property, machinery and equipment, capitalized interest, reserve funds, and a limited amount of the cost of issuance in accordance with provisions of the Internal Revenue Code. Although there is no restriction on the amount of taxable debt which may be incurred, there is a \$10 million cap on tax-exempt financing. The maximum term of a bond issue will be equal to 120% of the average life of the financed assets or thirty years, whichever is less. The interest rate will be determined by the bond purchaser. The borrower will pay the costs of issuance and any other applicable fees.

Small Enterprise Development Program

The issuance of State General Obligation Bonds provides funds for manufacturing and processing companies to finance fixed assets, i.e. land, buildings, new machinery and new equipment at below market interest rates for terms of up to fifteen years. Although a company may qualify for more than one loan under this program, the aggregate amount loaned to any company cannot exceed \$2 million. Interest rates on these loans are equal to the net interest rate on the bonds issued by the State plus a servicing fee. The borrower will pay the costs of issuance and any other applicable fees. A project must create a minimum of ten jobs, and loans cannot exceed 90% of the market value of the financed assets. Companies participating in the program will be required to obtain a bank letter of credit guaranteeing the loan.