

ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

PROGRAM POLICIES



City of Bristol, Tennessee
Approved June 2, 2020 by Resolution No. 20-32

City of Bristol, Tennessee

ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

The City of Bristol, Tennessee's Economic Development Incentive Program (the "Program") makes available to qualifying companies the opportunity to participate in a number of incentives through its performance-based incentive packages. The Program was adopted to enhance the City's competitiveness in encouraging growth of existing businesses and attracting new businesses.

The Program's goal is attracting new business and facilitating the growth of existing business that complements existing industries, aids in the growth and diversification of the economic base of the community, and creates jobs with salaries and benefits higher than the region's average. The City of Bristol's Program provides assistance to both new and expanding industry within the City of Bristol.

These policies provide overall guidance for the use of economic development incentives in the City, and are in addition to, and should be read in conjunction with, policies adopted by the City or by other independent Boards of the City, including debt management policies. These policies may be amended at any time. In no event should these policies be construed as creating any contractual right in any individual or entity, or as limiting the City's discretion to decline to grant an incentive.

I. AVAILABLE INCENTIVES

The following economic development incentives are available through local sources:

- Infrastructure extension assistance
- Property tax incentive benefits, or PILOT benefits
- Tax increment financing

The City will work with eligible businesses to help them obtain incentives from the State of Tennessee, such as:

- Local Workforce Investment Program for employee recruitment, training and retraining
- FastTrack Job Training Assistance Program
- FastTrack Infrastructure Program
- Jobs Tax Credit
- Industrial Machinery Credit.

The Tennessee Valley Authority offers Valley Investment Products.

The U.S. Department of Commerce has established Foreign Trade Zone No. 204, Bristol sub-zone and offers assistance from Customs Port No. 2027.

II. APPLICATION PROCESS

Applicants should begin by consulting the City’s Economic Development Department about available incentives and which incentives are appropriate for the proposed project. Following that consultation, the applicant should submit the appropriate application in a form prescribed by the City Manager, in consultation with the Bristol Tennessee Housing and Redevelopment Authority (“Bristol Housing”) and/or the Industrial Development Board (“IDB”). The application must be complete before the applicant’s project can be considered by Bristol Housing or the IDB, and then by City Council.

For an application for PILOT benefits and infrastructure extension benefits:

- Name of applicant.
- Description of product produced, production process and/or service provided by the business as a whole, and the local project proposed.
- Description of the proposed project (i.e., acquisition of real property and construction of improvements; installation of new equipment).
- Number of employees at the start of operation and projected at the end of thirty-six (36) months after the start of project.
- Anticipated start date of project.
- Average wages to be paid for administrative and production employees at the start of operation and at the end of thirty-six (36) months after the start of the project.
- Current annual payroll and annual payroll anticipated at the end of thirty-six (36) months after the start of project.
- Total investment in land, building and equipment anticipated as a result of the project.
- Accompanying the letter should be a copy of the applicant’s business plan or a plan prepared describing the goals and objectives of the business, current sales, operational costs and employment, and anticipated investments, sales or services, and employment.

For an application for TIF benefits:

- Proposed use of the property.
- Concept Site Plan for the project which shall include, but is not limited to, the following:
 - Proposed exterior building elevations and façade design;
 - Existing structures, buildings to be added and removed;
 - Entrances and parking areas;
 - Existing and proposed utilities or infrastructure; and
 - General landscape plan.
- A project pro forma, including but not limited to:
 - Land acquisition costs;
 - Site preparation costs, including grading, demolition, infrastructure construction and finished site costs;
 - Other estimated construction and/or reconstruction costs for the development;
 - Estimated employment and payroll (if applicable) – 36 month period;
 - Salary structure of employees (if applicable);
 - Estimated sales and other revenues generated by the project (if applicable) – 36 month period; and
 - Source(s) of project funding (must equal total project cost).

- TIF related information, including:
 - Amount and time duration of TIF request;
 - Reason for TIF request, importance to project;
 - Use of funds resulting from approval of TIF;
 - Projected tax increment revenue; and
 - Other redevelopment assistance.

As the TIF process continues, applicants may be required to produce additional information, including but not limited to:

- History and background of applicant;
- Credit references or letters of recommendation, including financial institutions and other assurances of competency; and
- Bonding capacity.

The City Manager evaluates applications based on the criteria set forth in this Policy. If the application shows that the Project meets the criteria of the Policy, the City Manager will present a recommendation to City Council or other appropriate board for formal consideration. The recommended incentive proposal is approved, modified, or disapproved by City Council or the appropriate board. The applicant will then be asked to sign an incentive agreement defining the terms and conditions of the incentive package.

Each application is evaluated on the merits of the submission in accordance with the adopted criteria. In order to be considered, the project must meet the threshold requirements established by these policies.

Any information that the applicant regards as confidential should be marked “CONFIDENTIAL.” The City will maintain the confidentiality of applicant information to the extent permitted by Tennessee law.

The applicant shall pay all expenses, including attorney’s fees, incurred by the City or other appropriate board in connection with the implementation of any incentive described herein, whether or not such incentive is closed. The applicable board may also impose application and administrative fees as permitted by state law.

III. GENERAL CRITERIA FOR LOCAL INCENTIVES

Threshold Criteria:

In order to be eligible for local incentives, the business must, at a minimum:

- Be located or plan to locate within the corporate limits of the City of Bristol, Tennessee;
- Create full-time positions within the city, or retain/prevent the loss of current employment within the city.
- Offer wages above the MSA median hourly wage for the occupations that are being retained or added; and

- Project a capital investment of \$2,000,000 for the total project.

To qualify for incentives, projects should accomplish the following goals:

- If the project involves development/redevelopment of vacant land, it should conform to the City's plans and programs and serve as a catalyst for further, high quality development or redevelopment in that area.
- Projects involving redevelopment of existing business or industrial properties should serve to stabilize areas that are experiencing deterioration, and create development in conformity with the City's current development standards and regulations.
- Incentives for retail and service commercial uses should be targeted to those that encourage an inflow of customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City. Absent a finding by Council that such an incentive will benefit the public as a whole, incentives for these uses should be limited to sectors that are under- or un-represented in the area where the project will be located, or, in the city as a whole.
- Incentives are not available for the relocation of an existing retail, commercial, office or industrial facility within the City, unless the existing retail, commercial, office or industrial facility is expanding beyond its current footprint and needs to relocate in order to accommodate that expansion.
- Projects involving redevelopment of existing residential neighborhoods should serve to stabilize areas that are experiencing deterioration and should include needed infrastructure improvements are determined by the City.
- Projects involving new residential developments should fulfill a significant housing need for the City's current and/or projected population without substantially impacting public services and facilities, including schools and should encourage a diversity of household income levels, or otherwise be specifically targeted to low and moderate income families.

IV. EXTENSION OF INFRASTRUCTURE

The City Manager and/or the general manager of BTES may extend public utilities to an expanding business or new business, when appropriate.

In the event the extension of utilities requires a substantial expenditure, the city manager may seek assistance from the State of Tennessee, the Sullivan County Economic Development Partnership, (NETworks) and the Industrial Development Board. When grants are available for the extension of utilities or other infrastructure to assist the company expansion or construction of facilities, such as the Tennessee FastTrack Infrastructure Grant Program, the company shall provide any required matching funds unless determined otherwise by the city manager.

V. TAX INCREMENT FINANCING

What is Tax Increment Financing?

Tax Increment Financing, or “TIF”, allows incremental real and/or personal property taxes from a designated project or plan area to be used to reimburse a business or developer for the eligible costs of an approved project. The incremental revenue can also be used to pay the debt service incurred to pay for such eligible costs. Eligible costs are those permitted by State law.

TIF is reserved for Redevelopment Projects, Urban Renewal Projects, and Economic Impact Projects that demonstrate a substantial and significant public benefit. TIF may be used to construct public improvements and/or provide assistance to cause the productive reuse of underutilized property that will accomplish any or all of the following goals:

1. Eliminating, preventing, or reducing blight, blighting factors, or the cause of blight;
2. Reducing poverty;
3. Stabilizing and upgrading existing residential, commercial, and industrial areas;
4. Creating economic stability;
5. Strengthening the employment and economic base of the City; or
6. Increasing property values and tax revenues.

TIF is provided under the authority of state law, including T.C.A. § 13-20-201, et seq., T.C.A. § 7-53-312, et seq., and the Uniformity in Tax Increment Financing Act, T.C.A. § 9-23-101 et seq.

Tax Increment Financing is permitted in Tennessee through two avenues. First, a business that is located or plans to locate in an established redevelopment district may seek TIF through the Bristol Tennessee Housing and Redevelopment Authority (“Bristol Housing”). An application for TIF should be submitted to Bristol Housing, with a copy of the submission provided to the City Manager. If approved by Bristol Housing, the TIF application will be submitted to the City and County, if applicable, for approval.

Second, TIF may be obtained through the preparation of an economic impact plan (EIP) that complies with Tennessee law. Such a plan must be prepared by the Industrial Development Board (IDB) for a designated Plan Area. If the IDB approves the EIP, the IDB will submit the EIP to the City and County, if applicable, for approval. The City’s governing body must approve any EIP affecting property taxes otherwise due to the City, and Sullivan County’s governing body must approve any EIP affecting property taxes due to Sullivan County.

TIF Policies:

The City of Bristol will use the following criteria in evaluating TIF applications and providing TIF incentives:

- A new business created by the TIF project must meet the Threshold Criteria, above.
- The TIF applicant must demonstrate that the TIF incentive is a key element of the financing package and that the project would not otherwise be undertaken in its proposed form but

for the TIF incentive.

- The applicant's pro forma must show the financial viability of the project, taking into account the availability of TIF. The TIF applicant's pro forma may be evaluated by staff and/or third parties, and the applicant may be asked for additional information and details.
- It shall be prima facie evidence that a project can be undertaken without TIF if the applicant commences construction of the project prior to TIF authorization, except and unless the applicant clearly substantiates after commencement of construction how the project will be significantly improved from its original plan with TIF to achieve the public policy goals enumerated above. "Construction" as defined herein shall mean the erection of walls or other support structures. Construction shall not include land acquisition, site grading/land preparation activities, installation of infrastructure, or installation of building footers.
- Each TIF applicant must demonstrate that the applicant possesses the technical ability to successfully complete and operate the project.
- Because of transaction costs associated with creating redevelopment plans and economic impact plans using TIF, TIF funding generally will only be considered for projects that are reasonably anticipated to increase the property's appraised value for tax assessment purposes by at least \$3,000,000, except for affordable housing projects or projects involving Brownfield property. As used in this policy, "affordable housing projects" are projects in which 50% of the housing units are at or below the median average housing cost in the city; and "Brownfield property" is real property where the expansion, redevelopment or reuse may be complicated by the presence or potential presence of a hazardous substance as evidenced by a TDEC Brownfield Agreement in accord with TCA § 68-212-224. The Sullivan County property tax assessor's office must concur in the determination that the property's value for tax assessment purposes will increase by the required amount.
- Except under extraordinary circumstances, the total amount of TIF assistance issued for any project shall not exceed a fifteen (15) year amortization period except for affordable housing projects or Brownfield property projects that may be granted a twenty (20) year amortization period.
- In no event shall the total TIF issued for a project exceed twenty-five percent (25%) of the total anticipated project cost. "Total project cost" shall be that segment of the project, in whole or part, that TIF is requested to assist. Incremental or phased projects are to be set forth and identified in the project agreement and should not generally provide for supplemental TIF assistance (such TIF assistance being predicated on additional project construction) beyond a period greater than twenty-four months following execution of the development agreement.
- Public infrastructure, including but not limited to on- or off-site street improvements, utility improvements, public street lighting, public spaces and traffic safety improvements, and extraordinary costs associated with the demolition and/or removal of existing man-made site conditions or natural land use conditions, is the favored use of TIF.

- If the project will involve the issuance of TIF bonds or notes, the TIF applicant must demonstrate that incremental revenues derived from the project will be sufficient to obtain TIF for the project in the amount requested and on commercially reasonable terms.
- Projects in which the applicant contributes equity of at least fifteen percent (15%) of the total cost will be viewed more favorably than projects with an equity contribution of a lesser amount.
- Projects that create jobs with wage scales that average at least 125% of the area wage average for the applicable retail, service or manufacturing sector will be viewed more favorably.

The City is not obligated to allocate all of the incremental tax revenues from a Project or Plan Area to support TIF. At a minimum, the costs of debt service and administrative fees will be deducted from the increment, and the City may determine that other carve-outs are appropriate for a particular project.

Procedures for TIF Applications

Both IDB and Bristol Housing TIFs must be the subject of a properly advertised public hearing with the opportunity for public comment on the TIF, before the TIF can be approved by either body.

Prior to approving any TIF, whether through Bristol Housing or the IDB, the City may submit the application and any other information provided by the Applicant to a third-party agency that will review all available information and calculate the estimated financial returns for the proposed project. This agency will be selected and retained by the City in its sole discretion. The third-party report is intended to assist the City Council in determining whether the requested TIF is necessary in order to make the Project feasible, taking into account the location of the Project and the type of Project. If City Council determines that a third-party agency study is necessary, the City will retain the third party agency, order the study, and will pass the agency's fees on to the Applicant.

The final TIF documentation will include a maximum amount that can be financed or reimbursed from incremental taxes. Once the maximum amount that can be financed or reimbursed has been reached, the taxing bodies will no longer pay over the incremental taxes. The City may impose conditions on the receipt of TIF, which will be memorialized in the final TIF documentation. For example, the City may require that during the life of the TIF, a minimum percentage of the tenants of a project must be new to the City, rather than relocating from another location within the City.

VI. PAYMENT IN LIEU OF TAX (PILOT) ARRANGEMENT

How does a Payment in Lieu of Taxes Arrangement work?

The IDB is authorized by state law to own, finance and lease real and personal properties. Because the IDB is a non-profit, quasi-governmental corporation, the IDB can own real and personal property without paying City or County property taxes on the property. The IDB also has the power to lease its property in furtherance of its purpose of promoting new industry and employment within the City. A PILOT arrangement takes advantage of the legal status of IDBs to provide property tax abatement to businesses. The business conveys real and/or personal property to the IDB. The IDB then leases the real or personal property back to the Business for an amount that is less than the property taxes that would otherwise be due to the City and the County on the property.

The PILOT arrangement shall include the following provisions:

- A payment in-lieu of tax shall be paid by the Business in an amount determined as set out below.
- The property and improvements shall be deeded to the Bristol Tennessee Industrial Development Board for a period equal to the deferment period.
- The assessment before and after the deferment period shall be determined by the Sullivan County Assessor of Property.
- Legal fees associated with the documentation and establishment of the deferment shall be borne by the Business
- The PILOT arrangement shall contain forfeiture and claw back provisions in the event that the Business does not achieve or maintain the agreed-upon employment targets, or make the agreed-upon capital investment.

Determining the amount of PILOT benefits:

PILOT benefits will only be awarded to businesses that meet the Threshold Criteria in Section III, above.

To qualify for PILOT benefits, businesses must fall into one of the following categories, or be located in an area targeted for Strategic Development (see Appendix A for Strategic Development areas):

- **Producer/Manufacturer:** A business that produces and sells a product, including the manufacture, remanufacture or assembly of products,
- **Manufacturing Support:** Provides services that directly support the manufacture of a product, including product testing. “Services” also include administrative services such as legal, accounting, information technology, data storage that is primarily for the benefit of one client or a limited group of clients);
- **Distribution Facilities** constructed to receive and forward final goods to various locations; Distribution facilities do not include point-of-sale retail establishment.

The amount of PILOT benefits depends on the tax assessed value of the property that is subject to

the PILOT arrangement. The Sullivan County Property Tax Assessor is responsible for valuing real and personal property located within Sullivan County, and this valuation is outside the City's control. The discretion available to the City, and thus to the Industrial Development Board when the City has delegated its authority to enter into PILOT arrangements, rests in determining the appropriate term of the PILOT arrangement, and the amount of payment in lieu of tax that the beneficiary of the PILOT benefit is required to pay.

In general, no PILOT may extend for longer than five years, with the possibility of one five-year extension. Recipients of PILOT benefits will be responsible for making payments in lieu of taxes equal to as much as fifty percent (50%) of the amount of tax that would have been payable on the real or personal property in the absence of the PILOT benefits, and in no event will the payment in lieu of tax be less than five percent (5%) of the amount of tax that would have been payable on the real or personal property in the absence of the PILOT benefits.

The length and amount of the PILOT benefit will be determined by awarding points to an applicant based on their proposed project's performance in several categories.

Job Creation or Retention:

Will the Project create new jobs within the City limits, or enable the applicant to retain existing jobs within City limits? Points will be awarded based on the number of jobs created or retained. In order to continue PILOT benefits, the applicant must maintain such job creation or retention targets during the term of the PILOT, or as otherwise set out in the PILOT Agreement.

Capital Expenditure:

How much capital investment will the project require? Points will be awarded based on the investment that the Applicant will be putting into the Project, in terms of real property (acquiring and improving land) and personal property (acquisition and installation of equipment).

Average Wage:

If the Project is expected to generate increased employment, what wages will be paid? Points will be awarded to projects that pay, and continue to pay, an average wage of 130% of the median income in Bristol, Tennessee, as determined by the [latest information available from the Census bureau as to average wages.]

Type of Project:

Additional points will be awarded for the expansion of an existing business, the location of an Applicant's headquarters in Bristol, Tennessee, and the location of an administrative office in Bristol's Central Business or Central Business Expansion districts.

Unusual Benefit to the Community:

The IDB may award additional points, in its sole discretion, based on a Project's unusual benefit to the Community. For example, additional points may be awarded to a project that is part of an industry that the IDB has determined is desirable, or a project that displays synergies with existing

business or educational opportunities. No more than 10 points may be awarded because of such Unusual Benefits, and the IDB shall identify in its resolution authorizing the PILOT benefit the unusual benefit that justifies the award of such points.

The following matrix shows the points available in each category.

Job Creation/Retention: Up to 30 points total for projected jobs created/retained, as follows:	
Up to 10	15 points
11 – 25	20 points
26-50	25 points
More than 51	30 points
Capital Expenditures (real and personal): Up to 50 points total for projected capital expenditure, as follows:	
\$500,000	20
\$501,000 - \$2,999,999	30
\$3,000,000 - \$6,999,999	40
More than \$7,000,000	50
Local Impacts: Points awarded in each category as follows:	
Average Wage is greater than 130% Median Income	5
Locating Headquarters in Bristol	5
Expanding Existing Business	10
Locating Administrative Office in Downtown Zones	5
IDB Finding of Project of Unusual Benefit	10

The maximum number of points that may be awarded to a Project is 115.

PILOT Benefits will be awarded as follows:

Score	Term of PILOT in Years	Percent of Property Tax Subject to PILOT Incentive
Less than 35	0	0
35-40	3	50%
45-50	3	75%
55-75	5	75%
80-95	5	95%
Greater than 100	5 Year Initial Term and 5 Year Renewal	95% for Initial Term 50% for Renewal Term

Before approving a PILOT agreement, the IDB must hold a properly noticed public hearing to consider the agreement.

VII. CLAW BACK AND OTHER AGREEMENT STIPULATIONS

The Program agreement shall include provisions for the reimbursement of applicable local incentives if the applicant fails to achieve established investment, job creation/retention, and wage scale obligations. The claw back (reimbursement) provision shall be included in the incentive agreement and shall include, at a minimum:

- Deferred property taxes shall be repaid, until full property taxes are paid for a period equaling the years of tax deferment. Repayment should be made on a year-for-year basis should investment or employment goals not be met at the start of operation or at the end of the incentive period as set forth in the incentive contract. This agreement shall be specifically outlined in the contract and a method of enforcement agreed upon.
- The repayment of the cost of the extension of utilities should the company fail to meet investment or employment goals at the start of operation or at the end of the incentive period as set forth in the incentive contract.
- An annual report shall be submitted by the company to the City Manager describing the annual and cumulative investment made by the company at the site, full-time and part-time employment and average wages paid for administrative and production employees, as well as total wages paid during the past year. This annual report shall be provided at the end of each year of deferred property taxes and for an equivalent period following the expiration of the deferred property taxes. Applicants also must agree to make any required reports to the State.
- A provision allowing the City Manager, with the approval of the Industrial Development Board, to abrogate or modify provisions contained within the contract for the repayment of deferred property taxes, should the City Manager determine such provisions need modification due to conditions in the general economy, industry specific conditions, or the event of natural disasters.

VIII. CONTACT INFORMATION

Further information regarding the Bristol Tennessee Economic Development Incentive Program, please contact:

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Appendix A

Strategic Development Areas

From time to time, the City has identified Strategic Development Areas where the City has chosen to provide incentives in the form of PILOT Arrangements to facilities that would not normally meet the requirements for PILOT Arrangements. In an SDA, a PILOT Arrangement may be available for mixed use developments, consisting of retail, commercial, and residential units as permitted by state law, and subject to the criteria expressed in the City's Economic Development Incentive Program Policies.

Currently, the City has identified the following SDAs located along the City's Volunteer Parkway corridor.

SDA 1: North Holston Avenue Strategic Development Area

This SDA is located near the existing Days Inn located in the 500 block of Volunteer Parkway. It consists of eight parcels. The tax assessor has appraised the properties at just over \$3,000,000, resulting in current annual city and county property taxes of \$25,990.36.

SDA 2: Cox Street Strategic Development Area

This SDA is located near the intersection of Cox Street and Volunteer Parkway, and includes the existing Big Lots and Stowaway Storage in the 1100 Block of Volunteer Parkway. It consists of 27 properties, and extends from Volunteer Parkway to Bluff City Highway. Total acreage is roughly 26 acres. It has been appraised by the Property Tax Assessor at \$11,161,500, with annual collective city and county property tax collections of \$88,092.45.

SDA 3: Glenwood Road Strategic Development Area

This SDA is located on the east side of the 1200 Block of Volunteer Parkway. It consists of 10 parcels, comprising approximately 27.5 acres, located around Executive Plaza. The Property Tax Assessor's appraisal of the combined properties is \$12,379,200.00, resulting in annual city and county property tax collections of \$96,058.08.

SDA 4: Phillipswood Drive/Avoca Road/Beaver Creek Strategic Development Area

This SDA is located on both sides of Volunteer Parkway near the crossing of Avoca Road. The east side of Volunteer Parkway consists of 14 parcels, currently appraised at \$4,779,600.00, with annual city and county property tax collections of \$39,130.82. On the west side, the SDA contains 14 parcels, appraised at \$5,087,000.00, with annual city and county property tax collections of \$39,669.46. Some properties in this SDA are assessed as agricultural properties and would be subject to rollback taxes if the use were changed.

Retail and general commercial businesses will be considered for PILOT benefits if the businesses meet the following criteria (in addition to meeting the general criteria for local incentives set forth in the Economic Development Incentive Policy):

- The business is in a sector that under- or un-represented within the SDA, or within the City of Bristol as a whole.

- The business will materially increase sales taxes to be paid to the City.
- The business will create jobs with wage scales that average at least 125% of the area wage average for the applicable retail or commercial sector.
- On completion, appraised value of the project for property tax purposes is at least \$3,000,000 greater than in the year before the project was completed.

Attracting New Businesses (up to 10 points)	
Majority of the businesses in project are new to Bristol, but not to the Tri-Cities:	5
Majority of the businesses in project are new to the Tri-Cities	10
Increasing the appraised value for tax assessment purposes of the real property located in the project area (up to 50 points)	
50% - 99.9%	20
100% - 199.9%	30
200% - 299.9%	40
300% or more	50
Generating additional Local Option Sales Tax annually per built square foot (up to 15 points)	
\$6.00 - \$7.99	5
\$8.00 - \$9.99	10
\$10.00 and up	15
Project agrees to meet enhanced aesthetic guidelines.	5
Project includes amenities that the City has identified as being attractive in SDAs: e.g., walkable development, connection to existing trails and greenways, common areas, landscaping beyond that required by zoning ordinance,	10
Commercial/Retail Project will be accompanied by or will spur High-End Residential development that can't in itself be incentivized, but which will benefit the city as a whole	10
Average Wage is greater than 130% Median Income	10

PILOT Benefits will be awarded as follows:

Score	Term of PILOT in Years	Percent of Property Tax Subject to PILOT Incentive
Less than 35	0	0
35-40	3	50%
45-50	5	75%
55-75	7	75%
80-95	9	95%
Greater than 95	10	95% for Initial Term

One potential use of PILOTS in SDAs is to assist developers of projects in SDAs with obtaining financing for the project. To that end, the PILOT may be structured so that payments in lieu of tax are paid to a lender on the Industrial Development Board's behalf.