

Virginia's Enterprise Zone Program

The Virginia Enterprise Zone program was established by the General Assembly in 1982 through passage of the Virginia Enterprise Zone Act (§59.1-270 through §59.1-284 of the Code of Virginia). The purpose of the program is to encourage new business activity by providing state and local tax relief and grants, local regulatory flexibility, and local infrastructure development. An enterprise zone is a distinct geographical area of a county, city or town that is designated by the Governor for a period of 20 years.

The Enterprise Zone Program is a partnership between state and local government in which both parties seek to improve economic conditions within a targeted area of distress. The program should complement other local, state and federal economic development activities to create an improved climate for private sector investment, development and expansion, and focus limited resources on the targeted areas. An enterprise zone is not intended to be a stand-alone program nor a single "intervention" instrument.

The Virginia Department of Housing and Community Development's Community Development and Revitalization office administers the Enterprise Zone program guided by the Virginia Enterprise Zone Program Regulations. These regulations establish the criteria and procedures for the designation, amendment, and administration of enterprise zones along with qualification criteria for participating businesses.

In 2005 the Enterprise Zone Grant Act went into effect. Under this program two grant-based incentives are available, Job Creation Grants and Real Property Investment Grants. For more information on the grants' eligibility criteria, see the Virginia Enterprise Zone [grant information table](#).

State Enterprise Zone Program

Virginia's Enterprise Zone Program offers two state incentives to qualified businesses and zone investors located in a Virginia enterprise zone.

Enterprise Zone Job Creation Grants. For companies creating at least four net new qualifying jobs with health benefits and paying at least twice the federal minimum wage rate*, a job grant amount of up to \$4,000 is available for each job over the four threshold jobs. Companies paying 1.75 times the federal minimum wage rate are eligible for up to \$2,500 per qualifying job over the threshold amount. In Enterprise Zones designated as high unemployment areas by DHCD, companies paying 1.5 times the federal minimum wage rate are eligible for up to \$2,500 per qualifying job over the threshold amount. Jobs with pay rates below the threshold are not eligible for the job grant.

Grants are paid in annual installments of either a maximum of \$500 or \$800 per job and are available for qualifying jobs over the threshold for a five-year grant period. Grants are calculated based on the number of full months worked during a calendar year. In cases where a position is filled or is grant eligible for only a portion of the year, the grant is prorated based on the number of full months the position was filled and/or grant eligible. This applies to cases where there is a change in the wage rate, health benefits or the federal minimum wage rate.

Businesses must qualify for the grants annually. The company makes an application for the grant in the following calendar year and funds are dispersed by mid-year. Qualifying companies may claim the grants on up to a maximum of 350 jobs per year.

Real Property Investment Grant. Qualified zone investors (entities and individuals) investing in qualifying industrial, commercial or mixed use real property may receive a cash grant. The grant is equal to 20 percent of the excess above the minimum required investment up to a maximum of \$100,000 for companies investing \$5 million or less in qualified real property investments for the calendar year the property is placed in service in a Zone. For companies investing more than \$5,000,000, the maximum grant is equal to 20 percent of the excess above the minimum required investment up to a maximum of \$200,000.

Total grant awards may not exceed the maximums specified above within a five-year period for a specific building or facility. Investment in rehabilitation/expansion projects must equal at least \$100,000. New construction projects must invest at least \$500,000 in qualified real property investments.

Enterprise Zone Incentives are subject to annual proration if demand for the program exceeds budget levels. Job Creation Grants receive funding priority. Real Property Investment Grants are subject to proration if the grants requested exceed the remaining funding.

Local Zone Administrators

Although the Department of Housing and Community Development (DHCD) administers the program, the determination of local economic development objectives, selection of incentives, and management and marketing of the zone are the responsibilities of local government. Each designated enterprise zone has a Local Zone Administrator who is responsible for overseeing the local program and assisting businesses in obtaining state and local incentives. The enterprise zone should offer a solid package of local incentives, addressing the needs of residents, businesses and local government. Once designated, local governments must conduct a survey of zone business conditions and make surplus public land within the zone available for sale. Each zone locality must also submit an annual report of zone activity to DHCD.

For additional information about Virginia's Enterprise Zone Program, please contact:

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http://www.dhcd.virginia.gov/CommunityDevelopmentRevitalization/Virginia_Enterprise_Zones.htm