

**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

URBAN ENTERPRISE ZONES

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



House Document No. 28

**COMMONWEALTH OF VIRGINIA
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Frederick Creekmore, Vice-Chairman (1983)
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L. Douglas Wilder (1982 only)
Warren G. Stambaugh
S. Vance Wilkins, Jr.
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**Report of the Joint Subcommittee
Studying Urban Enterprise Zones
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
January, 1984**

To: Honorable Charles S. Robb, Governor of Virginia
and
The General Assembly of Virginia

Introduction

In 1982 the General Assembly passed the Urban Enterprise Zone Act, Chapter 22 of Title 59.1. The Joint Subcommittee Studying Urban Enterprise Zones was established pursuant to House Joint Resolution No. 17 of the 1982 General Assembly.

HOUSE JOINT RESOLUTION NO. 17

Requesting a joint subcommittee of the House of Delegates and the Senate to review and monitor federal legislation and state incentives regarding the concept of urban enterprise zones.

WHEREAS, federal, state and local governments have poured billions of dollars into central cities and underdeveloped areas for some twenty years with little noticeable effect on these areas and their residents; and

WHEREAS, these areas of our nation contain millions of citizens who are unemployed, and the current governmental programs which cost taxpayers billions of dollars have not been able to provide an economic improvement in these areas by restoring jobs and economic opportunity; and

WHEREAS, the federal government is now considering an innovative approach to encourage economic development in the core areas of our nation by reducing taxes and government regulation in these zones to encourage private capital to come in and provide jobs and economic opportunities; and

WHEREAS, this concept in areas called "urban enterprise zones" has been embraced by President Reagan, leaders of both parties of Congress, and numerous national organizations; and

WHEREAS, the Commonwealth also has many areas where economic opportunity is limited and where this type of program promises significant potential; and

WHEREAS, the Commonwealth has recognized that it needs to do more to promote the economic development of its most depressed areas by enacting the Neighborhood Assistance Act of 1981; and

WHEREAS, six states have already adopted an enterprise zone type of legislation to encourage economic opportunities for their citizens; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to review and monitor federal legislation and state incentives regarding the concept of urban enterprise zones. The joint subcommittee shall be composed of eight members: three members of the House Labor and Commerce Committee to be appointed by the Chairman of that committee, two members of the House Health, Welfare and Institutions Committee appointed by the Chairman of that committee, two members of the Senate Commerce and Labor Committee to be appointed by the Chairman of that committee, and one member of the Senate Rehabilitation and Social Services Committee appointed by the Chairman of that committee.

The joint subcommittee shall complete its work in time to submit recommendations to the

1983 Session of the General Assembly.

The cost of conducting this review shall not exceed \$4,000.

Senate Joint Resolution No. 49 of the 1983 General Assembly continued the work of the of the joint subcommittee.

SENATE JOINT RESOLUTION NO. 49

Continuing the study of the joint subcommittee of the House of Delegates and the Senate which is reviewing and monitoring federal legislation and state incentives regarding the concept of urban enterprise zones.

WHEREAS, House Joint Resolution No. 17 passed by the 1982 Session of the General Assembly requested a joint subcommittee to review and monitor federal legislation and state incentives regarding the concept of urban enterprise zones; and

WHEREAS, that joint subcommittee met during the 1982 interim and reviewed federal action and the activities of the other states; and

WHEREAS, the federal government is still considering approaches to encourage the economic development in the core areas of our nation by reducing taxes and government regulation in these zones to encourage private capital to come in and provide jobs and economic opportunities; and

WHEREAS, there is a continued need for the joint subcommittee to review and monitor federal activity and innovative state incentives in order to recommend necessary changes to Chapter 22 of Title 59.1 of the Code of Virginia should the federal government pass such legislation; now, therefore, be it

RESOLVED by the Senate of Virginia, the House of Delegates concurring, That the study of urban enterprise zones is requested to be continued. The joint subcommittee shall be composed of ten members: five members of the House Committee on Labor and Commerce to be appointed by the Chairman of that committee, three members of the Senate Committee on Commerce and Labor to be appointed by the Senate Committee on Privileges and Elections, and two members of the Governor's task force, one to be appointed by the Speaker of the House of Delegates and one to be appointed by the Senate Committee on Privileges and Elections.

The joint subcommittee shall complete its work by and make any recommendations it deems appropriate to the 1984 Session of the General Assembly.

The cost of conducting this study shall not exceed \$5,500.

Robert C. Scott of Newport News, a member of the House of Delegates in 1982 and a member of the Senate in 1983, served as Chairman of the joint subcommittee both years of the study. Senators Peter K. Babalas of Norfolk and Clive L. DuVal, 2d of Arlington also served both years on the joint subcommittee. Senator L. Douglas Wilder of Richmond served on the joint subcommittee in 1982 and Senator DuVal served as Vice-Chairman in 1982.

Delegate Frederick Creekmore of Chesapeake served as Vice-Chairman of the joint subcommittee in 1983. Members of the House of Delegates who served both years on the study group were Warren G. Stambaugh of Arlington, S. Vance Wilkins, Jr. of Amherst, and Robert E. Washington of Norfolk. Delegate T. E. Glascock of Hampton served on the study group in 1982 and Delegate Roland D. Ealey of Richmond served in 1983.

The two members of the Governor's task force who served on the joint subcommittee were James B. Bourne, Jr., President of Franklin Federal Savings and Loan in Richmond who was appointed by the Senate Committee on Privileges and Elections and Joseph N. Leafe, a Norfolk City Councilman, appointed by the Speaker of the House.

C. William Cramme', III, Senior Attorney and Terry Mapp, Research Associate, of the

Division of Legislative Services served as legal and research staff for the joint subcommittee. The House Clerk's Office (1982) and Senate Clerk's Office (1983) provided administrative and clerical services for the study group.

Work of the Subcommittee

During the first year of this study the joint subcommittee held meetings on November 10 and December 9. The joint subcommittee was informed during its first meeting that the Governor had established an advisory board composed of representatives of both the public and private sectors to work with the State Department of Housing and Community Development in promulgating rules and regulations regarding urban enterprise zones.

Throughout the course of the first year of the study the joint subcommittee learned that the Urban Enterprise Zone Act which was passed by the 1982 General Assembly was not in conformity with federal law. In order for the state law to conform to federal law, legislation was drafted to allow towns to submit urban enterprise zone applications (only counties and cities were allowed in the original Act), to repeal the section providing for the waiver of unemployment tax but to provide for a credit in the amount equal to unemployment taxes to be charged against the corporate income tax or partnership tax of an entity, and to allow urban enterprise zones to cut across census tracts. The 1983 General Assembly passed this legislation. Sections 59.1-273, 59.1-274, 59.1-279, and 59.1-280 of the 1982 Urban Enterprise Act (Chapter 22 of Title 59.1) were amended and § 59.1-281 was repealed.

During its first meeting the joint subcommittee was informed that localities had the option of offering incentives to attract businesses, yet they did not have to in order to qualify as an urban enterprise zone. Discussions of various types of state incentives by the joint subcommittee continued into the second year of the study however no specific recommendations were made.

Two meetings were held in 1983, on May 19 and August 18. It was determined that state law is now in conformity with present federal law and also in conformity with proposed federal enterprise zone legislation.

A representative of the Department of Housing and Community Development explained the regulations promulgated to carry out the Urban Enterprise Zone Act to the joint subcommittee during the May 19 meeting. He noted that the Department was holding a workshop on June 22 for the localities to advise them on how to accurately fill out the application for zone status.

During the August 18 meeting a representative of the Department of Housing and Community Development informed the joint subcommittee that twenty localities had been present for the workshop and that their Urban Enterprise Zone Program regulations became official on July 20. He explained that September 21 was the close-out date for receiving applications after which the Department had sixty days to review them and to send the applications it deemed eligible to the Secretary of Commerce and Human Resources. He added that the Secretary then had thirty days to make recommendations to the Governor who would designate six localities for zone status.

Recommendations

The joint subcommittee feels it is not necessary to continue this study because Virginia statute is in conformity with practically all proposed federal enterprise zone bills and because the joint subcommittee feels that the standing committees should be familiar enough with urban enterprise zones to make recommendations for changes should the need arise.

