Virginia Enterprise Zones

2005 Qualification Year Annual Report

The Virginia Enterprise Zone Program

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DHCD Department of Housing and Community Development

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REQUESTS FOR INCENTIVES

- **433 applicants qualified for the Enterprise Zone incentives**
- **201 businesses and investors received the new grant incentives**
- **232 applicants received the Pre-2005 incentives**

NEW INCENTIVES

REAL PROPERTY INVESTMENT GRANT

- **184 zone investors received $12,319,787**
- **$157,293,677 of qualified real property investments was spent on the following properties:**
  - **121 commerical properties**
  - **37 mixed-use properties**
  - **26 industiral prorperties**
- **123 existing facilities rehabilitated**
- **44 new facilities constructed**
- **17 existing facilities expanded**

JOB CREATION GRANT

- **18 businesses received $235,820**
- **493 net new full-time jobs were created**

PRE-2005 INCENTIVES

JOB GRANT

- **84 businesses received $944,393**

GENERAL INCOME TAX CREDIT

- **147 businesses received $6,881,797**
- **1,792 net new jobs were created in 2005**
- **38% of the net new jobs were filled by low-to-moderate income individuals.**

Since 1995:

- **There have been approximately 39,681 jobs created by businesses using the General Income Tax Credit.**
- **Businesses qualifying for the pre-2005 Job Grants and new Job Creation Grant have created more than 36,717 positions.**
- **Over 800 Virginia businesses and investors have spent over $800 million in qualified real property investments within Enterprise Zones.**

DHCD

The Virginia Department of Housing and Community Development administers the Virginia Enterprise Zone Program.
www.dhcd.virginia.gov

ENTERPRISE ZONE GRANT PROGRAM: OVERVIEW

In July 2005, the new Enterprise Zone Grant Act went into effect. The Act had several important policy intents that are reflected in changes to the incentive package, the zone designation process, and program implementation.

The overall policy intent of the new program is:

- To be a tool to help distressed localities versus a general economic development incentive.
- To increase fiscal accountability associated with state incentives reflected in new grant monitoring and attestation components.
- To home in on economic situations that can maximize the use of financial incentives and target businesses that create "better jobs."

Most notable under the new statute, and the focus of this report, is that the statute replaced the tax credit and job grant incentive package, created in 1995, with two grant incentives. In addition to supporting the overall policy shift for the program, the new incentives also reflect changes in business practices and development trends that have occurred over the past decade.

In addition to the new grants, the statute also has transition provisions that allow qualifying businesses to continue to receive the incentives available under the previous program. Businesses that began qualification periods for the "Pre-2005" incentive program prior to July 1, 2005 can complete them provided they continue to meet the qualification requirements. Business firms with signed agreements with DHCD in place by July 2005 may also initiate use of the tax credits but must do so before the expiration of their zone or 2019. By statute, the tax credits are only available through fiscal year 2019.

This report focuses on the use of the Pre-2005 and new incentives; however, it is important to note that in January 2005, Bedford, Hampton, Hopewell, Lee County, Petersburg, and Wythe County received the first zone designations under the new statute. Zones are designated under the new statute for a 10 year period with two possible five-year renewal periods. Zones in Galax, Waynesboro, and South Boston/Halifax County are slated to expire on December 31, 2007. Under the new statute, enterprise zones designated prior to 2005 will continue for their full twenty-year term.

2005 ENTERPRISE ZONE STATE INCENTIVES REPORTED

Businesses and qualified zone investors requesting state incentives for the first time in 2005 accessed the two new grants, the Job Creation Grants and Real Property Investment Grants. As discussed on the previous page, businesses grandfathered by statute continued to access the "Pre-2005" incentive package. This report discusses the use of both the new incentives and the Pre-2005 incentives. A brief summary of the two incentive packages is described below.

New Incentive Package

1. A **Real Property Investment Grant** of up to 30 percent of the total amount of qualified real property investments (qualified hard construction costs) made to a building or facility in an enterprise zone, not to exceed $125,000 within a five consecutive year period for investments of less than $2 million. For qualified real property investments of $2 million or more, the grant is capped at $250,000 per building or facility. For rehabilitation and expansion a zone investor must spend at least $50,000 in qualified real property investments and new construction, a zone investor must spend at least $250,000.

2. A **Job Creation Grant** of up to $500 per year for each net new permanent full time position created above a four position threshold earning at least 175 percent of the Federal minimum wage ($9.01/hour) with health benefits. For positions earning at least 200 percent of the Federal minimum wage ($10.30/hour) with health benefits the grant amount is up to $800 per year for position. Eligible firms can receive grants for up to 350 positions per year. These grants are available for a five-year qualification period. Retail, food and beverage and local service[1] positions were not eligible for grants.

Pre-2005 Incentive Package

The "Pre-2005" state enterprise zone incentives are described below:

1. A ten-year **General Income Tax Credit** against a business's state tax liability in an amount up to 80 percent for year one and 60 percent for years two through ten. Businesses with signed agreements, creating at least 50 jobs, and investing more than $15 million receive a negotiated amount of this credit.
2. **Investment Tax Credit** equal to a negotiated amount not to exceed five percent of qualified zone investments.
3. **Job Grants** of up to $100,000 per year for full-time, permanent employment positions created by new or expanding businesses. Grant amounts equal up to $1,000 for positions filled by zone residents and up to $500 for any other positions for each year in a three-year period. Grant year 2006 will be the last year the Job Grants are available.

[1] The 2006 General Assembly replaced local service with personal service.

Annual Fiscal Limitations on State Incentives

For fiscal year 2006, $13.5 million was allocated by the General Assembly to fund grant awards for the Real Property Investment Grant, Job Creation Grant, and pre-2005 Job Grant. The total amount of these grants requested exceeded $22.2 million. As a result, DHCD issued each qualified business and zone investor a prorated grant amount. Dividing each qualified business's and zone investor's request by the total of all qualified requests, and multiplying the quotient by the fiscal limit determines the prorated percentage. For the 2005 grant year, DHCD prorated all grants at 61 percent. An analysis of the factors leading to pro-ration of the grants will be discussed in later sections.

An annual fiscal limit of $7.5 million was applied to the General Income Tax Credit for the 2006 fiscal year, from which the 2005 incentive requests are taken. Tax credit requests totaled approximately $6.9 million and, as a result, no pro-ration was necessary.

PROGRAM PERFORMANCE

For the 2005 qualification year, a total of 433 businesses and zone investors qualified for Enterprise Zone incentives. A total of 201 businesses and zone investors received the new grant incentives in 2005 and 232 applicants received the Pre-2005 incentives.

The number of qualified applicants represents a 14 percent decrease in incentive requests from the 2004 qualification year. The number of requests peaked in the 2004 qualification year as a large number of firms applied in order to qualify prior to the phasing out of the pre-2005 incentives. The decreased usage in 2005 was expected and can be attributed to the decrease in tax credit and job grant requests. Specifically, only businesses with signed agreements in place by July 1, 2005 can initiate usage of the General Income Tax Credit and Investment Tax Credit after 2005. All other businesses must have started qualification prior to 2005. Thus, with the exception of negotiated firms initiating their tax credit usage, the General Income Tax Credit usage will continue to decrease annually as firms end their 10-year qualification period.

Additionally, 2006 will be the last year firms can qualify for the Job Grants. Therefore, the decline in requests in 2005 was expected as more than half of the firms ended their qualification period in 2004. Part of the decrease in overall qualification applications is also due to limited participation in the Job Creation grants. The qualification requirements for these grants reflected a significant policy shift in business eligibility and this and the unfamiliarity of the program may have limited the number of applications. This will be discussed in more detail in a later section. It is anticipated that as businesses become more familiar with this grant, usage will increase. Conversely, real property incentive usage increased substantially both because the Real Property Investment Grant is very similar in design to the former Real Property Improvement Tax Credit and because several of statutory changes widened eligibility in keeping with policy intents. These factors will be further discussed in the upcoming section.

Figure 1 shows the number of qualifying businesses and investors per incentive from the 2003 to 2005 qualification years. Figure 2 illustrates the amount disbursed for the incentives.

Both figures show that the overall usage and payout has remained steady over the years. The disaggregation, however, by incentive has varied this year when compared to previous years.

Figure 1

Qualifying Businesses/Investors for State Incentives, 2003-2005				
Incentive		**# Qualified Businesses/Investors**		
		2003	**2004**	**2005**
Pre-2005 Incentives	Real Property Improvement Tax Credit	122	158	
	General Income Tax Credit	170	199	147
	Investment Tax Credit	0	1	0
	Job Grants	146	148	84
	Subtotal	*438*	*506*	*231*
New Incentives	Real Property Investment Grant			184
	Job Creation Grant			18
	Subtotal			*202*
Overall Total		**438**	**506**	**433**
Data current as of July 2006				

For 2005, a total of $20,381,797 was awarded-- $6,881,797 in tax credits and $13,500,000 in grants. The Tax Credit allocation was $7.5 million, covering the General Income Tax Credit and Incentive Tax Credit requests. No pro-ration was necessary. $13.5 million was allocated to fund the Real Property Investment Grants, Job Creation Grants, and Job Grants. All grants were prorated at 61 cent per dollar.

Figure 2

Amount Awarded for State Incentives, 2003-2005				
Incentive		**Total Amount Issued**		
		2003	**2004**	**2005**
Pre-2005 Incentives	Real Property Improvement Tax Credit	$11,545,338	$11,848,959*	
	General Income Tax Credit	$6,643,595	$6,818,310*	$6,881,797
	Investment Tax Credit	$0	$332,731	$0
	Job Grants	$1,960,000*	$1,960,000*	$944,393*
	Subtotal	*$20,148,933*	*$20,960,000*	*$7,826,190*
New Incentives	Real Property Investment Grant			$12,319,787*
	Job Creation Grant			$235,820*
	Subtotal			*$12,555,607*
Overall Total		**$20,148,933**	**$20,960,000**	**$20,381,797**
**Prorated amounts*				
Data current as of July 2006				

New Enterprise Zone Grants

As previously stated, the two grant-based incentives, Real Property Investment Grants and Job Creation Grants, were offered for the first time in 2005.

The awards for these two grants, as well as for the pre-2005 Job Grant came from a budget allocation of $13.5 million. $22,274,161 was requested in grant funds, far exceeding this fiscal limit. As a result, the 286 grant requests were pro-rated at 61 percent.

Previous incentive awards have been pro-rated, but the 2005 rate was the deepest pro-ration and affected more applicants than at any other time in the program's history. Job Grants have been prorated every year since 2000, but this has typically affected approximately 150 firms annually. In 2004, the pro-ration was 78 cents per dollar. Until the increased demand for the tax credits in 2004 created by a desire for firms to be grandfathered to receive these incentives, tax credits had not been prorated since 1996.

Figure 3

Grant Amount Requested and Issued, 2005		
	2005	
Grants	***Amount Requested***	***Amount Issued*****
Real Property Investment Grant	$20,326,883	$12,319,787
Job Creation Grant	$389,088	$235,820
Job Grant	$1,558,190	$944,393
Total	**$22,274,161**	**$13,500,000**
*** Prorated at 61 percent*		
Data current as of July 2006		

The following sections further describe the usage and qualified applicants for the new grants.

Real Property Investment Grant

As highlighted earlier, the Real Property Investment Grant, while similar to the old Real Property Improvement Tax Credit, had many significant changes which contributed heavily to the incentive demand and in turn the need for pro-ration. When compared to the previous Real Property Improvement Tax Credit eligibility criteria, the statutory changes highlighted below led to a significant increase in both usage and investment under the Real Property Investment Grant. Since the state introduced a real property incentive to the Enterprise Zone program in 1995, it has been a very popular tool to encourage re-investment in urban communities as well as rural areas. These statutory changes reflect overall policy intent to update the real property incentive to reflect current development and business practice trends that have changed greatly since 1995.

The specific changes are:

- A lower minimum threshold ($50,000) for rehabilitation and expansion projects versus an investment threshold that was equal to the assessed value of the property prior to the investment of $50,000, whichever was greater. The new threshold encourages investment in smaller projects, which are of significant value in the smaller communities.

- A second tier of grants of up to $250,000 for qualified real property investments of $2 million or more. This threshold was established to encourage higher levels of private investment within the Enterprise Zones.

- Mixed-use buildings became eligible qualified real property. This reflects the fact that many redevelopment trends and current practices often involve mixed-use building projects, and they are often significant catalysts for revitalization.

- Removal of the occupancy or conduct of business requirement for the zone investor. This reflects the common business practice of establishing a legal entity separate from the operating company to hold a business's real estate for liability reasons.

For the 2005 grant year, 91 percent of the total grant allocation of $13.5 million, or $12,319,787, was issued in Real Property Investment Grants to 184 zone investors. Zone investors spent a total of $157,293,677 in qualified real property investments. When compared with the Real Property Improvement Tax Credit, Real Property Investment Grant usage represents a 16 percent increase in the number of qualified applicants and a 92 percent increase in the dollar amount of real property investments.

Figure 4 shows the number of qualified applicants, total investment, and total amount issued for the Real Property Investment Grant in 2005 and the Real Property Improvement Tax Credit for the 2003 and 2004 tax years. **The amount of private investment leveraged per dollar has almost doubled under the new grant program.** Under the 2004 tax credit, approximately $7 of private investment was leveraged for every incentive dollar. For the 2005 grant year, almost $13 was leveraged per grant dollar awarded.

Figure 4

Real Property Investments, 2003-2005			
	2003*	**2004***	**2005**
Qualified Businesses/ Zone Investors	122	158	184
Total Investments	$77,693,053	$82,095,801	$157,293,677
Total Amount Issued	$11,939,704	$11,545,338	$12,319,787

** Based on businesses qualifying for Real Property Improvement Tax Credit*
Data current as of July 2006

The following subsections will further demonstrate the role each of factors stated above played in the real property grant's utilization.

QUALIFIED REAL PROPERTY INVESTMENTS

As previously stated, under the Real Property Investment Grant, a minimum threshold of $50,000 was established for rehabilitation and expansion projects. This lower threshold was intended to enable smaller projects to be eligible for the new grant.

The minimum amount invested in 2005 was $51,172. In 2004, the minimum investment amount under the Real Property Improvement Tax Credit was $52,411. With the minimum threshold of $50,000 in 2005, 19 qualified zone investors made qualified real property investments that fell within the $50,000 to $99,000 range. This is an increase from the previous 2004 Real Property Improvement Tax Credit, in which 11 qualified firms made investments within the same range.

For the 2005 grant year, the median qualified real property investment amount was $424,647. [2] The 2005 median investment amount represents a slight decrease from the 2004 median investment, $429,688, under the Real Property Improvement Tax Credit.

The significant change in 2005 was the higher level of investment. The maximum amount invested under the new grant in 2005 was $21,143,071, considerably higher than the maximum amount investment under the real property tax credit in 2004, $3,993,150. Additionally, twenty-five zone investors (14 percent of the total) invested at least $2 million on qualified real property investments. Under the Real Property Improvement Tax Credit in 2004, only 3 percent, or 5 investors, spent at least $2 million on qualified real property investments.

Figure 5

Qualified Real Property Investment Ranges, 2005		
Range of Real Property Investments	Qualified Zone Investors	
	#	%
$50,000 - 99,000	19	10%
$100,000-249,000	37	20%
$250,000-399,000	34	18%
$400,000-549,000	27	15%
$550,000-699,000	12	7%
$700,000-849,000	6	3%
$850,000-under 1 Million	7	4%
$1Million -under 2 Million	17	9%
$2 Million and over	25	14%
Total	**184**	**100%**
Data current as of July 2006		

[2] The median amount is included because of the wide range of investment, from $51,172 to $21,143,071; it provides a more meaningful representation of the 2005 qualified real property investments than would the average.

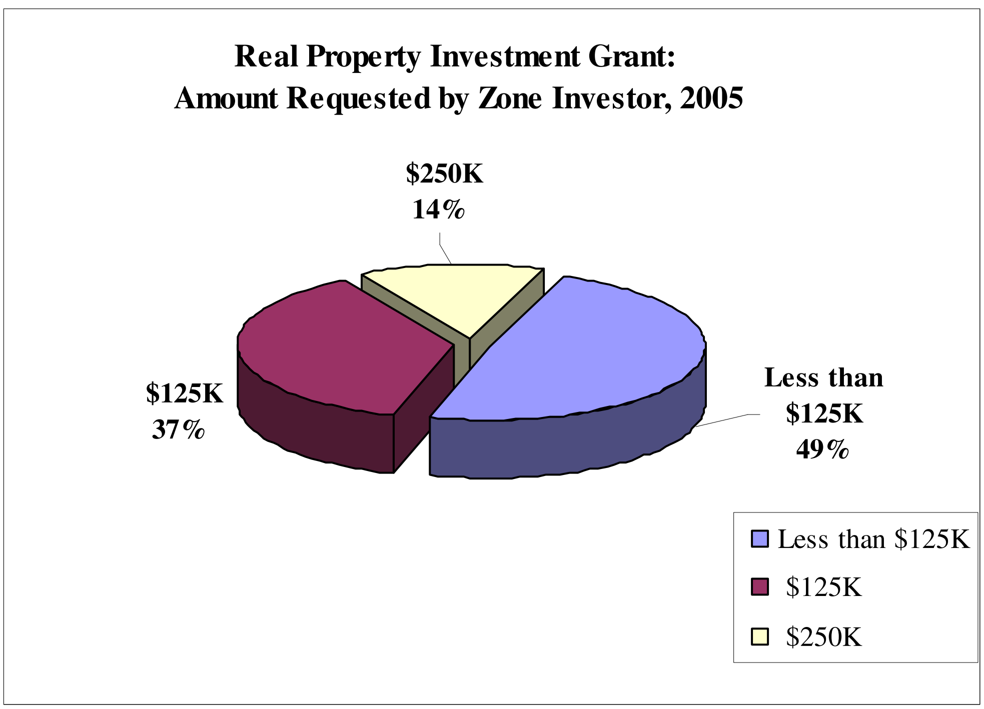
Amount of Real Property Investment Grants requested

Another factor contributing to the increased level of investment is the creation of the upper grant cap for qualified real property investments of $2 million or more. For investments of $2 million or more, grants are capped at $250,000 per building or facility over a five-consecutive year period. Under the previous Real Property Improvement Tax Credit, the maximum award for all applicants was $125,000.

Using the two grant caps of $125,000 for investments less than $2 million and $250,000 for investments of at least $2 million, the graph below in Figure 6 represents the percentage of zone investors by the grant amount requested. To receive the maximum grant cap of $125,000, approximately $417,000 in qualified real property investments must be made. For zone investors to receive the grant cap of $250,000, applicants must incur at least $2 million in qualified real property investments.

- 91 applicants (49 percent) requested less than $125,000, indicating that they incurred less than $417,000 in qualified real property investments.
- 68 zone investors (37 percent) requested $125,000. These investors spent at least $417,000 in qualified real property investments.
- 25 zone investors (14 percent) requested $250,000, spending at least $2 million in qualified real property investments.

Figure 6

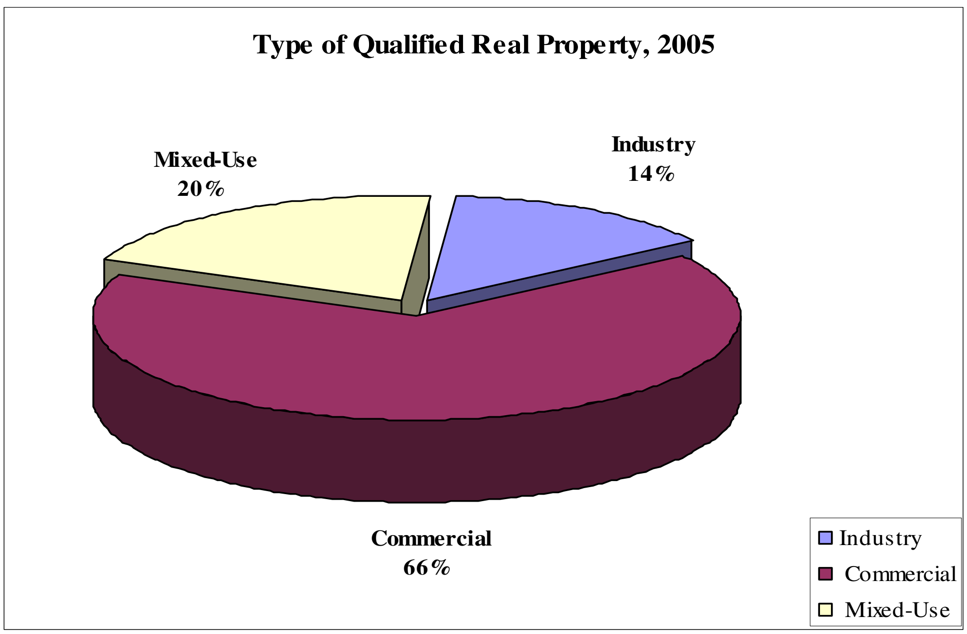


Type of Qualified Real Property

The 2005 grant year was the first year in which mixed use projects were eligible for the real property investment incentive. This type of property was added as an eligible qualified real property because of the growing trend and practice of mixed-use development. Mixed-use is defined as "a building incorporating residential uses in which a minimum of 30 percent of the usable floor space will be devoted to commercial, office, or industrial use" (13 VAC 5-112-10).

In addition to the mixed-use buildings, real property investments made to commercial and industrial buildings are eligible for the real property grant. Figure 7 displays the three types of properties and the percentage of all qualified properties that fell within each category. While most of the real property incentive requests were for commercial property, mixed use properties comprised 20 percent (37) of the qualified zone properties, thereby contributing to the increased incentive usage. Under the previous Real Property Improvement Tax Credit, only the commercial square footage in a building was eligible.

Figure 7



TYPE OF ZONE INVESTOR

Another new criterion that contributed to greater usage and qualification was the elimination of the occupancy or conduct of business requirement for the zone investor. This change reflects the common business practice of establishing a legal entity separate from the operating company to hold a business's real estate for liability reasons. For the grant, the individual or entity that incurs the costs of the investment is now termed the "zone investor."

In the 2005 grant year, the majority, 79 percent, of the applicants were owners of the real property. Under the Real Property Investment Tax Credit, the percentage of owners versus tenants was more evenly distributed, most likely because of the prior conduct of business requirement.

Figure 8

Type of Real Property Zone Investor	2005	
	#	%
Owner	146	79%
Tenant	35	19%
Owners of Building Space	2	1%
Developer	1	1%
Data current as of July 2006		

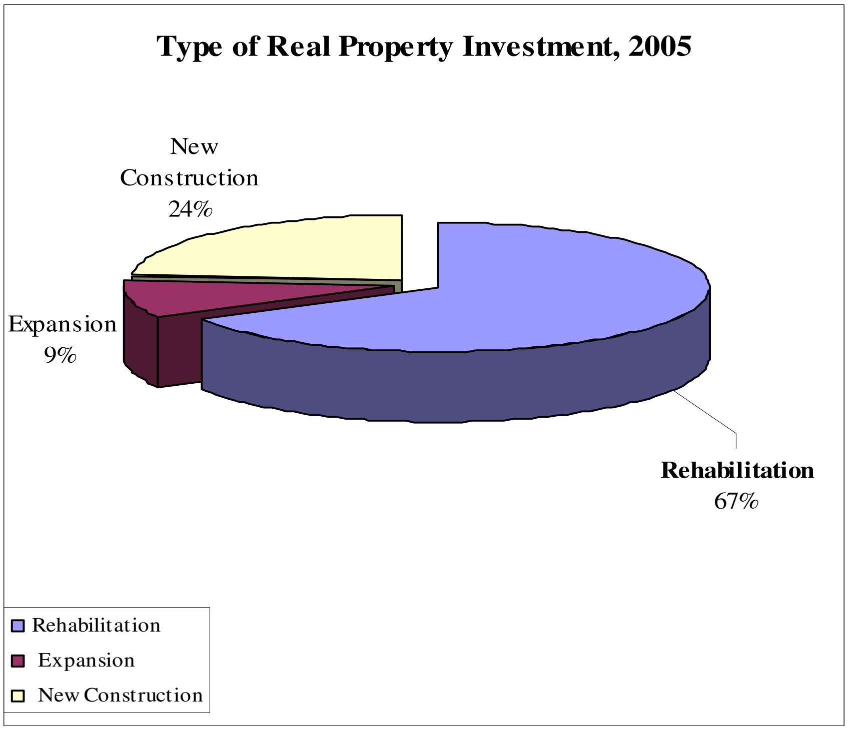
TYPE OF REAL PROPERTY INVESTMENT

The graph in Figure 9 on page 15 illustrates the percentage of total zone investors within each type of real property investment: rehabilitation, new construction and expansion. These percentages align with previous qualification years. The Enterprise Zone real property incentive continues to be an important tool in encouraging re-investment in communities.

For the 2005 grant year:

- 123 qualified zone investors (67 percent) rehabilitated existing structures.
- 44 qualified zone investors (24 percent) constructed new buildings.
- 17 qualified zone investors (9 percent) expanded existing buildings.

Figure 9



In addition to the Real Property Investment Grant, the Job Creation Grant was also offered for the first time in 2005. This grant was offered simultaneously with Job Grants from the pre-2005 Incentive Package.

The following section describes the utilization and qualified firms for the Job Creation Grant.

Job Creation Grant

The new Job Creation Grant represents a significant policy change. The pre-2005 Job Grant fit with the overall policy intent of having Enterprise Zones comprised of a locality's most distressed areas and job creation incentives encouraging the hiring of zone residents or low-income individuals located in surrounding areas. The policy intent under the new program is to encourage and reward companies that are creating better jobs by paying higher wages and offering health benefits. In addition the grants are based directly on job creation. The more jobs created, the higher the grant award. Specifically, the grants are based on net new permanent full-time job creation exceeding the four-job threshold. Grant eligible positions are those positions over the four-job threshold with wages of at least 175 percent of the Federal minimum wage and the availability of health benefits. For net new positions earning at least 175 percent (but less than 200 percent) of the Federal minimum wage with health benefits, firms can receive up to $500 per position per year. For net new positions earning at least 200 percent or more of the Federal minimum wage with health benefits, firms can receive up to $800 annually. These grants are available for a five-year qualification period.

For the 2005 grant year, 18 businesses qualified for the new Job Creation Grant and $235,820 was issued. Local service positions were not eligible for the 2005 grant year nor were positions in retail or food and beverage. The 2006 General Assembly replaced the local service restriction with a restriction on personal service positions. Personal service will have a much narrower definition than local service and will allow more businesses to apply for the incentive. That change is expected to have a strong impact on usage of the grant because service businesses comprised about 17 percent of all pre-2005 Job Grant use. This, coupled with businesses phasing out of the pre-2005 Job Grant, is expected to increase the usage of the Job Creation Grant in the future.

Figure 10

Job Creation Grant Activity, 2005	
	2005
Qualified Businesses	18
Total Grant Amount Requested	$389,088
Total Grant Amount Issued	$235,820
Data current as of July 2006.	
The pro-ration was 61 cents on the dollar for the 2005 grant year	

POSITIONS CREATED

Although a relatively small number of firms qualified for the Job Creation Grant in 2005, those firms reported a significant number of net new positions. Together, 18 firms created 584 positions, with 493 qualified grant eligible positions. This number is higher than for the pre-2005 Job Grants, but this is may be because the incentive is being phased out, and 2005 was the next to last year of availability.

Under the Job Creation Grant, each qualified firm created approximately 32 new positions compared to the pre-2005 Job Grant in which each qualified firm created two net new positions in 2005.

Figure 11

Permanent Full-Time Positions Created by Job Creation Grant Qualified Firms, 2005		
Year	**Total Positions**	**# of Eligible Positions**
2005	584	493
Data current as of July 2006		

USAGE BY SECTOR

Three business sectors comprised all qualified firms for the 2005 Job Creation Grant: manufacturing, transport/warehousing, and construction. Given that local service positions are now grant-eligible it is anticipated that business sector usage will diversify.

Figure 12 on the following page lists the type of business firms and percentage of total qualified firms for the Job Creation Grant.

Figure 12

2005 Job Creation Grant Qualified Firms		
Type of Business Firm	***# Firms Qualified***	***% of Qualified Firms***
Manufacturing	15	83%
Transport/Warehousing	2	11%
Construction	1	6%
TOTAL	**18**	**100%**
Data current as of July 2006		

Pre-2005 Incentives

The Enterprise Zone Statute had provisions that allowed businesses meeting certain conditions to receive incentives available under the previous Enterprise Zone Program, or the pre-2005 incentives. Provided they continued to meet the eligibility requirements for the incentives, businesses that had previously qualified for the General Income Tax Credit, Investment Tax Credit, and Job Grant are able to complete their incentive qualification period. Business firms with signed agreements with DHCD in place by July 2005 can also initiate use of the tax credits once they meet their negotiated targets.

From the Pre-2005 incentive package, a total of 231 businesses qualified for the Job Grants and General Income Tax Credit in 2005. No businesses applied or qualified for the Investment Tax Credit.

The following sections describe the utilization of the Job Grant and General Income Tax Credit.

Job Grant

For the Job Grant, businesses that created net, new full-time jobs could qualify for grants of up to $500 per job (or $1,000 if a zone resident fills the position), up to a maximum of $100,000 per year for three consecutive years. Grant year 2006 will be the last year the Job Grants are available.

In 2005, 84 businesses received Job Grants. Job Grant usage was lower than in previous years due to the grandfathered firms continuing to finish out their Job Grant qualification period. This decrease was therefore expected. Grant year 2006 will be the last year the Job Grants will be available and, consequently, grant usage is expected to be even lower.

The amount of Job Grants issued to businesses was $944,393, prorated at 61 percent of the total amount requested.

Figure 13

Job Grant Activity, 2003-2005			
	2003	**2004**	**2005**
Qualified Businesses	146	148	84
Total Grant Amount Requested	$2,752,105	$2,500,760	$1,558,190
Total Grant Amount Issued	$1,960,000	$1,960,000	$944,393
Data current as of July 2006. The pro-ration was 61 cents on the dollar for the 2005 grant year.			

Positions Created

Under the Job Grant, the net new job creation declined substantially because of the grant phase- out e. The number of qualified firms, 84, was reduced by almost half from previous years. In addition, net new jobs had to be maintained over a base year as opposed to being compared to each grant year. Thus, higher net new job creation initially is expected as is the maintenance of these positions from year to year. As a result, only 176 net new positions were created under the Job Grants for the 2005 grant year.

USAGE BY SECTOR

- Manufacturing firms made up one-fourth of all the businesses qualifying for the 2005 Job Grants.

- Professional/scientific service and retail trade businesses each accounted for 17 percent of all firms qualifying for the Job Grant.

Figure 14

2005 Job Grant Qualified Firms		
Type of Business Firm	***# Firms Qualified***	***% Qualified Firms***
Manufacturing	21	25%
Retail Trade	14	17%
Professional/Scientific Services	14	17%
Wholesale Trade	8	10%
FIRE	8	10%
Construction	5	6%
Transport/Warehousing	4	5%
Food Services	4	5%
Health Care/Social Assistance	3	4%
Other Services	1	1%
Accommodation	1	1%
Utilities	1	1%
TOTAL	**84**	**100%**
Data current as of July 2006		

In addition to the Job Grant from the pre-2005 incentive package, the General Income Tax Credit was offered for businesses qualifying and requesting tax credits before July 1, 2005 or those with signed agreement with DHCD in place by this date.

The following section describes the usage of this tax credit incentive.

General Income Tax Credit

The General Income Tax credit is a ten-year tax credit against a business' state tax liability in an amount up to 80 percent in year one and 60 percent in years two through ten. Businesses with signed agreements, creating at least 50 jobs, and investing more than $15 million could receive a negotiated amount of this credit.

For the 2005 tax year, DHCD issued $6,881,797 in General Income Tax Credits to 147 businesses. General Income Tax Credit usage declined from previous years, but the payout of the tax credit has increased. This was expected; growing businesses encounter higher tax liabilities, resulting in larger tax credit requests. Because all of the qualifying businesses were beyond their first qualification year, each received a tax credit of 60 percent of their tax liability.

Figure 15

General Income Tax Credit, 2003-2005			
	2003	**2004**	**2005**
Qualified Businesses	170	199	147
Total Tax Credit Requested	$6,643,649	$8,243,648	$6,881,797
Total Tax Credit Amount Issued	$6,643,595	$6,818,310	$6,881,797
Data current as of July 2006			

Businesses can receive a tax credit of up to 60 percent of tax liability in qualification years 2 through 10 of the incentive period.

POSITIONS CREATED

Businesses qualifying for the 2005 General Income Tax Credits created a total of 1,792 net new jobs during the 2005 tax year. When compared to 2003 and 2005, the marked increase in net new jobs in 2004 can be attributed to businesses initiating qualification in order to be grandfathered under the pre-2005 incentive package. The decline in 2005 is expected as no new firms initiated qualification and some completed their 10-year qualification period.

Figure 16

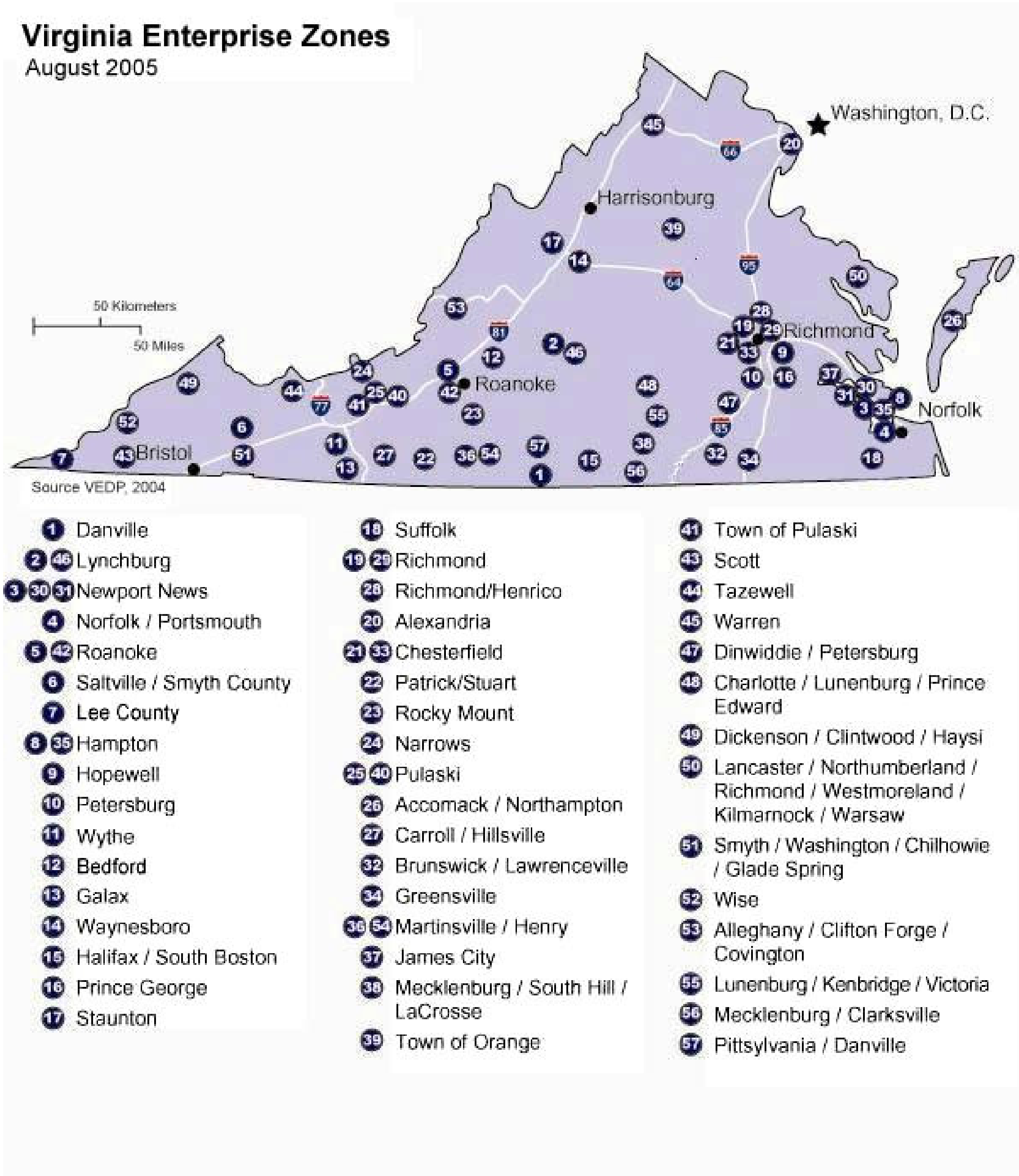
Total New Jobs Created for General Income Tax Credit, 2003-2005	
Tax Year	Number of New Jobs Created
2003	1,770
2004	4,903
2005	1,792
Data current as of July 2006	

In order to receive the General Income Tax Credit, a business must fill 25 percent of its new jobs with low-to-moderate-income persons or zone residents. From the 1,792 new jobs created, 676 were filled by low-to moderate income persons. This amount represents about 38 percent of the total new jobs created.

Figure 17

New Jobs Created for General Income Tax Credit, 2002-2004	
Tax Year	Number of New Jobs filled by Low-to-Moderate Income Persons
2003	638
2004	1,111
2005	676
Data current as of July 2006	

APPENDIX A: MAP OF ZONES



APPENDIX B: ZONE HIGHLIGHTS

The information below was obtained from the 2005 Annual Reports submitted by the local enterprise zone administrators. These annual reports were due by July 15, 2006 per the requirement for annual zone reporting in the Enterprise Zone Program Regulations.

Carroll County/Hillsville
AmerLink, Harlingen Holdings, Inc. opened a new facility that includes a sales center and two model homes and employs nine. The AmerLink project is expected to create 200 jobs over a 39-month period.

Charlotte/Lunenburg/Prince Edward County
A high-end stone fabrication company, Paris Ceramics, LLC, relocated from Stamford, Connecticut to Prince Edward County in 2005. Paris Ceramics bought the County's shell building at the Prince Edward County Industrial Park, investing $2.5 million in real property improvements and machinery and tools, and providing 30 new jobs.

Chesterfield County (Jefferson-Davis Zone)
RJ Smith Companies purchased a former Alcoa facility and relocated their construction, real estate development, containers division, and corporate headquarters to the new location. Their $1.3 million investment in the zone will bring an additional 100 employees to the area. Also, Atlantic Constructors began construction of their new manufacturing facility and is projected to bring 150 employees and over $9 million of investment into the zone.

Danville
With a total of $1.4 million invested towards revitalization efforts, the Downtown Historic District of Danville experienced a remarkable number of improvements. Under the façade program, eight storefronts were renovated and 11 new businesses opened in 2005. Also, the Historic Murals of Danville oversaw the completion of the program's first mural located in the heart of downtown.

Dickenson County/ Town of Clintwood/Town of Haysi
SI International opened a call center in the former Travelocity facility in Technology Park. They currently employ 127. They perform contract work for the Federal Retirement Thrift Investment Board, which is responsible for the Federal Retirement plan for all federal employees.

Halifax County
The Riverside Technology Park Building, a 67,000 square feet building, celebrated its grand opening in September 2005. The IDA will be marketing this building to information technology, technical manufacturing, and biotechnology/biomedical and other knowledge-based enterprises.

Hampton Urban Zone
Two companies, Spectrum Communications and Quality Advantage, made Virginia's Chamber of Commerce's Fantastic 50 List. Also, three companies were among the four winners at the Virginia Peninsula Chamber of Commerce 2005 Small Business Awards.

Henry /Martinsville
Texturing Service, Inc. relocated from a facility located in North Carolina to a facility located on Walker Road in Henry County, and by year end had 140 employees.

Lynchburg (Downtown)
Downtown redevelopment has maintained a steady pace of activity. Since 2000, over $118 million has been invested to boost the tax values by almost 300 percent. In early 2005, downtown Lynchburg was chosen as a Top 10 semi-finalist in the Great American Main Street Award. Travelocity named Friday Cheers as one of the Top 10 Attractions in Virginia.

Newport News (North)
Sanband Corporation merged with Icelandic USA to form the world's largest North Atlantic fisheries seafood company. Icelandic USA's corporate headquarters was moved to its Oakland Industrial Park facility in Newport News and Icelandic began an expansion that added at least 140 new jobs by the end of 2005 with job growth expected to continue in 2006.

Patrick County/ Town of Stuart
A total of twelve new businesses were opened or announced to the community within the enterprise zone during the 2005. These businesses represented a proposed increase of nearly 500 new jobs and will make over $13 million in new investments. These businesses included: Stuart Forest Products, a particleboard plant; Ten Oaks, a hardwood flooring manufacturing firm; Food Lion; and two new restaurants.

Pulaski County (Zone 1)
Lumbee Enterprises, a quality assurance provider of high-end inspection, sorting, and engineering rework services in the automotive industry, moved into the vacant Pfizer building in the Corporate Center. Lumbee's investment is estimated at $2.6 million and will create between 30 to 50 jobs in the upcoming years.

Portsmouth
Corporate Village at Victory, a mixed-used development, is one of Portsmouth's largest developable tracts of land and the second planned business park in the city. The 135-acre park will host office buildings, retail, and Tidewater Community College's Portsmouth Campus.

Richmond (North)/ Henrico County
A 100-year power plant, which overlooks the James River, is being converted into mixed residential, office and retail paces. The estimated investment is $84 million.

Roanoke (Zone 2)
Vista Corporation renovated an old vacant building to house their production of power assemblies for locomotive engines. The total level of investment was $511,603 and over 30 new jobs were created.

Rocky Mount
Mod-U-Kraf Homes, a regional leader in the manufacture of systems-built, single-family homes, has chosen Franklin County and the Town of Rocky Mount to locate a new production facility. Virginia successfully competed with North Carolina, Ohio, Florida, and West Virginia for the $2.8 million project. This project will create 50 jobs.

Saltville/Smyth County
The Saltville/Smyth County Enterprise Zone had a new industry announcement in 2005. The new industrial project involved a $505,000 investment from the Town of Saltville to develop the Battleground Shell Building into a multi-tenant Technology Park. Engineered Products of Virginia located in roughly a third of the building and plans to invest $363,000 and create 16 new jobs over the next 30 months.

South Boston
Lindstrand USA, Inc., a manufacturer of inflatable structures, such as flood barriers and portable bridges, opened it first U.S. aeronautical fabric and manufacturing facility in South Boston's J. Aubrey Houghton Industrial Park. Virginia competed successfully with California, Kentucky, and Texas for the project.

Staunton
In downtown Staunton, the Stonewall Jackson Hotel and Conference Center opened on South Market Street. The project involved rehabilitation of the existing, historic hotel building and the addition of a conference center and lodging tower connected to the historic building. The finished project has 124 rooms and 11,000 square feet of meeting space. The total project investment was over $21 million.

Warren County
The relocation of Interbake Foods to the Enterprise Zone marked the successful completion of the sale of the Bering Truck Building, a facility that was vacant for more than three years. Interbake Foods has invested over $36 million to date. The projected workforce is 350 employees.

Wythe County
In June 2005, it was announced that the PepsiCo had chosen the Wythe County Progress Park as the site of the company's eighth Gatorade production facility. The Gatorade project is one of the largest economic development projects in Virginia for the year.

Pepsi Co immediately began construction of a 922,000 square feet facility for manufacturing and distribution of the flavored sports drink. Phase I will create 250 jobs with above-local average wages and Phase II has the potential to double the scope of the plant. The project includes $140 million in capital investments.

APPENDIX C: NUMBER OF PARTICIPATING BUSINESSES BY ZONE LOCATION, 1997-2005

Zone Location	Requests for State Incentives		Designation Date
	1997-2005	2005	
Accomack/ Northampton	197	20	1995
Alexandria	6	0	1994
Alleghany/Covington/Clifton Forge	13	1	2001
Bedford City	2	1	2005
Brunswick/ Lawrenceville	3	0	1996
Carroll/ Hillsville	10	2	1995
Charlotte/Lunenburg/Prince Edward	14	11	2000
Chesapeake	81	5	1985
Chesterfield (Jefferson Davis)	92	9	1994
Chesterfield (Walthall)	86	9	1996
Danville	76	20	2004
Dickinson/Clintwood/Haysi	4	1	2000
Dinwiddie/Petersburg	19	2	1998
Galax	5	0	1988
Greensville	10	0	1996
Halifax/South Boston	50	12	1988
Hampton (Hampton Roads Center)	94	16	1996
Hampton (Urban)	255	22	1985
Henry County/Martinsville	116	0	1996
Henry/ Martinsville	12	10	2001
Hopewell	14	2	1985
James City	18	4	1996
Lee County	0	0	2005
Lunenburg County/Kenbridge/Victoria	6	2	2001
Lynchburg (Zone 1)	125	18	2004
Lynchburg (zone 2)	9	3	1996
Mecklenburg / South Hill / LaCrosse	28	2	1996
Mecklenburg County/Clarksville	1	1	2001
Narrows	6	0	1994
Newport News (Mid-City)	90	9	1995
Newport News (North)	52	5	1995
Newport News (Zone 1)	121	9	2004

Zone Location	Requests for Incentives		Designation Date
	1997-2005	2005	
Norfolk/ Portsmouth	481	54	1984
Northern Neck	18	5	2000
Orange	14	0	1996
Patrick County/Town of Stuart	23	9	2002
Petersburg	76	6	1985
Pittsylvania County/Danville	19	7	2001
Prince George	50	10	1990
Pulaski County (New River)	10	1	1996
Pulaski County (Zone 1)	37	1	1994
Pulaski Town	2	0	1996
Richmond (East)	92	16	1995
Richmond (North)/Henrico County	238	46	1995
Richmond (South)	212	19	1993
Roanoke (Zone 1)	118	6	2004
Roanoke (zone 2)	59	5	1996
Rocky Mount	16	7	1994
Saltville/Smyth County	4	0	2004
Scott	16	1	1996
Smyth County / Washington County / Chilhowie / Glade Spring	21	6	2000
South Hill	25	2	1985
Staunton	30	8	1990
Suffolk	143	23	1990
Tazewell	30	2	1996
Warren	19	1	1996
Waynesboro	13	1	1988
Wise	0	0	2000
Wythe/ Carroll	6	1	1985

APPENDIX D: PRIVATE INVESTMENT

PRIVATE INVESTMENT BASED ON BUILDING PERMITS, 1984-2005

YEAR DESIGNATED	ZONE #	ENTERPRISE ZONE LOCALITY	1984-2003	2004	2005	TOTAL PRIVATE INVESTMENT
1995	26	Accomack/Northampton	$221,961,251	$52,813,273	$4,392,626	$279,167,150
1994	20	Alexandria	$2,373,799,552	$8,780,744	$19,772,317	$2,402,352,613
2001	53	Alleghany County/Covington/Clifton Forge	$21,010,000	$410,000	$600,000	$22,020,000
2005	12	Bedford City			$208,000	$208,000
1996	32	Brunswick/Lawrenceville	$14,770,394	$1,486,450	$0	$16,256,844
1995	27	Carroll/Hillsville	$11,513,685	$0	$228,925	$11,742,610
2000	48	Charlotte/Lunenburg/Prince Edward Counties	$5,000,000	$1,817,000	$29,627,762	$36,444,762
1994	21	Chesterfield County (Jefferson Davis)	$90,690,795	$2,914,399	$11,669,908	$105,275,102
1996	33	Chesterfield County (Walthall)	$74,440,067	$12,814,777	$8,497,142	$95,751,986
1984	1	Danville	$134,289,647	$19,588,886	$4,394,644	$158,273,177
2000	49	Dickinson County/Clintwood/Haysi	$30,541,533	$8,750,626	$7,372, 917	$39,292,159
1998	47	Dinwiddie/Petersburg (Dinwiddie County)	$509,510,820	$0	$564,100	$510,074,920
2005	10	Petersburg			$808,400	$808,400
1988	13	Galax	$17,420,258	$777,925	$327,460	$18,525,643
1996	34	Greensville*	$55,085,593	$372,000	No annual report received	$55,457,593
1988	15	Halifax/South Boston (South Boston only)	$86,122,938	$4,920,591	$1,730,931	$92,774,460
1996	35	Hampton Roads Center	$77,302,859	$12,213,475	$28,153,167	$117,669,501
1985	8	Hampton Urban	$99,496,081	$31,650,417	$13, 890, 745	$131,146,498
1996	36	Henry/Martinsville	$121,034,472	$10,745,436	$597,100	$132,377,008
2001	54	Henry County/Martinsville	$9,928,799	$0	$0	$9,928,799
1985	9	Hopewell	$24,948,829	$1,357,062	$27,632,000	$53,937,891
1996	37	James City	$56,550,163	$30,060,966	$1,056,960	$87,668,089
2000	50	Lancaster/Northumberland/Westmoreland/Kilmarnock/Warsaw	$27,867,239	$1,150,675	$2,020,795	$31,038,709
2005	7	Lee County			$0	$0
2001	55	Lunenburg County/Town of Kenbridge/Town of Victoria	$2,290,310	$785,305	$1,370,600	$4,446,215
1984	2	Lynchburg (zone 1)	$105,627,155	$11,287,680	$14,937,432	$131,852,267
1996	46	Lynchburg (zone 2)	$41,910,446	$172,997	$6,646,380	$48,729,823

YEAR DESIGNATED	ZONE #	ENTERPRISE ZONE LOCALITY	1984-2003	2004	2005	TOTAL PRIVATE INVESTMENT
1996	**38**	Mecklenburg/South Hill/LaCrosse	$66,747,057	$921,280	$7,274,439	$74,942,776
2001	**56**	Mecklenburg County/Town of Clarksville	$625,160	$12,096,804	$401,000	$13,122,964
1994	**24**	Narrows	$1,154,407	$552	$140,575	$1,295,534
1995	**30**	Newport News (Mid City)	$40,694,881	$4,839,336	$2,649,824	$48,184,041
1995	**31**	Newport News (North)	$74,820,522	$2,223,934	$7,379,881	$84,424,337
1984	**3**	Newport News (South)	$170,934,147	$7,883,563	$9,509,118	$188,326,828
1984	**4**	Norfolk/Portsmouth	$462,108,380	$175,479,138	$157,850,749	$795,438,267
1996	**39**	Orange	$5,074,590	$0	$0	$5,074,590
2002	**22**	Patrick/Stuart	$2,212,103	$3,304,925	$11,891,803	$17,408,831
1985	**10**	Petersburg	$25,083,282	$5,166,260	$8,808,400	$39,057,942
2001	**57**	Pittsylvania County/Danville (Pittsylvania County)	$8,676,772	$2,304,299	$6,733,458	$17,714,529
1990	**16**	Prince George	$21,785,143	$202,095	$29,232	$22,016,470
1996	**41**	Pulaski Town	$3,199,840		$1,432,806	$4,632,646
1994	**25**	Pulaski County (zone 1)	$28,550,396	$121,274	$2,784,750	$31,456,420
1996	**40**	Pulaski County (zone 2)	$21,597,409	$5,307,000	$3,196,082	$30,100,491
1995	**29**	Richmond (East)	$176,156,306	$54,191,004	$58,445,725	$288,793,035
1995	**28**	Richmond (North)/Henrico County	$467,265,976	$125,221,149	$133,542,386	$726,029,511
1993	**19**	Richmond (South)	$498,027,667	$32,948,736	$50,528,618	$581,505,021
1984	**5**	Roanoke (zone 1)	$214,840,453	$9,393,261	$12,083,491	$236,317,205
1996	**42**	Roanoke (zone 2)	$26,834,024	$4,622,328	$268,088	$31,724,440
1994	**23**	Rocky Mount	$18,456,591	$5,160,200	$3,964,421	$27,581,212
1984	**6**	Saltville	$10,163,000	$14,057,500	$212,920	$24,433,420
1996	**43**	Scott	$25,213,964	$980,050	$2,583,372	$28,777,386
2000	**51**	Smyth/Washington Counties/Chilhowie/Glade Spring	$55,976,690	N/A	$23,041,200	$79,017,890
1990	**17**	Staunton	$55,099,430	N/A	$4,825,186	$59,924,616
1990	**18**	Suffolk	$106,287,546	$15,287,499	$11,589,830	$133,164,875
1996	**44**	Tazewell	$12,231,307	$1,273,090	$3,858,107	$17,362,504
1996	**45**	Warren	$105,441,417	$5,500,450	$568,862	$111,510,729
1988	**14**	Waynesboro	$16,941,433	$593,236	$2,024,873	$19,559,542
2000	**52**	Wise	$6,112,000	$1,554,100	$1,445,300	$9,111,400
1985	**11**	Wythe/Carroll (Wythe County)	$9,033,499	$5,918,100	$0	$14,951,599
TOTALS			**$6,950,475,178**	**$ 711,421,846**	**$ 694,301,146**	**$ 8,356,198,170**

* Locality's Annual Report not yet received as of September 28, 2006.