The Virginia Enterprise Zone Program

2006 Qualification Year Annual Report

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REQUESTS FOR INCENTIVES

- **421 applicants qualified for the Enterprise Zone incentives**
- **273 businesses and investors received the Grant incentives**
- **148 applicants received the Pre-2005 incentives**

GRANT INCENTIVES

REAL PROPERTY INVESTMENT GRANT

- **240 zone investors received $15,534,003**
- **$246,911,178 of qualified real property investments was spent on the following properties:**
  - **139 commercial**
  - **54 industrial**
  - **47 mixed-use**

- **140 existing facilities rehabilitated**
- **68 new facilities constructed**
- **32 existing facilities expanded**

JOB CREATION GRANT

- **33 businesses received $736,237**
- **1,174 net new full-time jobs were created**

PRE-2005 INCENTIVES

INVESTMENT TAX CREDIT

- **One business received $3,844,851**

JOB GRANT

- **35 businesses received $229,760**

GENERAL INCOME TAX CREDIT

- **112 businesses received $3,655,149**
- **1,195 net new jobs were created**
- **24% of the net new jobs were filled by low-to-moderate income individuals**

Since 1995:

- **There have been approximately 40,876 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 38,084 positions.**
- **Over 1,000 Virginia businesses and investors have spent over $1 billion in qualified real property investments within Enterprise Zones.**

The Virginia Department of Housing and Community Development administers the Virginia Enterprise Zone Program.

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ENTERPRISE ZONE GRANT PROGRAM: OVERVIEW

The 2006 qualification year marked the second year under the Enterprise Zone Grant Act. The statute replaced the former tax credit and job grant incentive package with two new grant incentives. In addition to the grant incentives supporting the new program's overall policy, the grants also reflect shifts in business practices and development trends that have occurred over the past decade.

The new program's overall policy intent continues to be:

- A tool to help distressed localities versus a general economic development incentive.
- A means to increase fiscal accountability associated with state incentives reflected in new grant monitoring and attestation components.
- A way to focus on economic situations that can maximize the use of financial incentives and target businesses that create high quality jobs.

Under the statute, transition provisions exist 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 are able to complete them provided they continue to meet the eligibility 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 includes information on the usage of the grants and pre-2005 incentives. It is important to note that under the statute, zones are designated for a 10-year period with two possible five-year renewal periods. Four new designations will be available for 2008 due to the expiration of zones in Galax, Waynesboro, and South Boston/Halifax County on December 31, 2007 and the termination of the Wise County zone. DHCD is holding a competitive application round for the available designations.

2006 ENTERPRISE ZONE STATE INCENTIVES REPORTED

Businesses and qualified zone investors requesting state incentives in 2006 accessed two 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.

Grant 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.

The 2007 General Assembly session changed important features of the Enterprise Zone statute relating to the Real Property Investment Grant. These changes are in effect for the 2007 grant year and onward. Qualified zone investors investing in industrial, commercial, or mixed-use property may receive a cash grant in an amount equal to *20 percent* of the qualified real property investment. The second tier of investment for this grant was increased from $2 million to *$5 million*. Now, in order to receive the maximum grant amount of $250,000, investors must invest at least $5 million. For applicants investing less than $5 million, the maximum grant available is $125,000.

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[1] ($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 personal service positions are 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

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[1] As of July 24, 2007, Congress increased the federal minimum wage from $5.15 per hour to $5.85 per hour. With these changes, 175 percent of the wage amounts to $10.24/hour and 200 percent of the wage is $11.70/hour. This will affect applicants for the 2007 calendar year.

residents and up to $500 for any other positions for each year in a three-year period. The 2006 calendar year was the last year the Job Grants were available.

Annual Fiscal Limitations on State Incentives

For fiscal year 2007 (in which the 2006 grants are paid), $16.5 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 requested exceeded $29.1 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 2006 grant year, DHCD prorated all grants at 57 percent.

An annual fiscal limit of $7.5 million was applied to the General Income and Investment Tax Credits for FY 2007, the year in which the 2006 credit requests are taken. Tax credit requests totaled approximately $14.6 million, leading to a pro-ration of 51 percent. These tax credits were last prorated in 1996. The increased demand reflects the desire of firms to be grandfathered into eligibility for the 2004 tax credits.

PROGRAM PERFORMANCE

For the 2006 qualification year, a total of 421 businesses and zone investors qualified for Enterprise Zone incentives. A total of 273 businesses and zone investors received the new grant incentives in 2006 and 148 applicants received the Pre-2005 incentives.

The number of qualified applicants represents a slight decrease (2%) in incentive requests from the 2005 qualification year. The number of the new grant requests, however, significantly increased, up 35 percent from the 2005 qualification year.

The decrease in overall incentive usage is attributable to a lower number of pre-2005 incentive requests. The decline in usage of these incentives continued from 2005 and was expected in 2006. 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, with 2006 being the last year firms could qualify for the pre-2005 Job Grant, many firms completed their 3-year qualification period in 2004-2005 and fewer firms were eligible to apply for the Job Grant in 2006.

As previously stated, the new grant incentive usage increased substantially from the 2005 qualification year—specifically, the Job Creation Grant by 83 percent and the Real Property Investment Grant by 30 percent. Factors contributing to the increase will be discussed further in subsequent sections.

Figure 1 shows the number of qualifying businesses and investors per incentive from the 2004 to 2006 qualification years. Figure 2 illustrates the amount disbursed for the incentives.

Figure 1

Qualifying Businesses/Investors for State Incentives, 2004-2006				
Incentive				
		2004	**2005**	**2006**
Pre-2005 Incentives	Real Property Improvement Tax Credit	158		
	General Income Tax Credit	199	147	112
	Investment Tax Credit	1	0	1
	Job Grants	148	84	35
	Subtotal	*506*	*231*	*148*
New Incentives	Real Property Investment Grant		184	240
	Job Creation Grant		18	33
	Subtotal		*202*	*273*
Overall Total		**506**	**433**	**421**
Data current as of July 2007				

For 2006, a total of $24,000,000 was awarded-- $7,500,000 in tax credits and $16,500,000 in grants. The tax credit allocation was $7.5 million, covering the General Income Tax Credit and Investment Tax Credit requests. Tax credit requests exceeded $14 million and hence were pro-rated at 51 percent. A total of $16.5 million was allocated to fund the Real Property Investment Grants, Job Creation Grants, and Job Grants. All grants were prorated at 57 cents on the dollar.

Figure 2

Amount Awarded for State Incentives, 2004-2006				
Incentive				
		2004	**2005**	**2006**
Pre-2005 Incentives	Real Property Improvement Tax Credit	$11,848,959*		
	General Income Tax Credit	$6,818,310*	$6,881,797	$3,655,149*
	Investment Tax Credit	$332,731	$0	$3,844,851*
	Job Grants	$1,960,000*	$944,393*	$229,760*
	Subtotal	*$20,960,000*	*$7,826,190*	*$7,729,760*
New Incentives	Real Property Investment Grant		$12,319,787*	$15,534,003*
	Job Creation Grant		$235,820*	$736,237*
	Subtotal		*$12,555,607*	*$16,270,240*
Overall Total		**$20,960,000**	**$20,381,797**	**$24,000,000**
**Pro-rated amounts*				
Data current as of July 2007				

Enterprise Zone Grants

In 2006, the Real Property Investment Grants and Job Creation Grants were offered for the second year under the Enterprise Zone Grant Program.

The awards for these two grants, as well as for the pre-2005 Job Grant came from a budget allocation of $16.5 million. A total of $29,175,495 was requested in grant funds, far exceeding this fiscal limit. As a result, the 308 grant requests were pro-rated at 57 cents per dollar requested.

In 2005, the grant awards were pro-rated at 61 percent, marking the deepest pro-ration and the highest number of affected applicants than at any time in the program's history. The 35 percent increase in the grant requests in 2006 marked an even deeper pro-ration than in 2005, affecting an additional 22 applicants. Additionally, the tax credits were pro-rated last in 2004 (at 77 percent) due to the increased demand from the desire for firms to be grandfathered into the program. Similar to the level of pro-ration for the grants, the 2006 pro-ration on the tax credits at 51 percent marked the deepest pro-ration for the tax credit incentives in the program's history.

Figure 3

Grant Amount Requested and Issued

	Amount Requested		*Amount Issued*	
Grants	**2005**	**2006**	**2005***	**2006****
Real Property Investment Grant	$20,326,883	$27,467,407	$12,319,787	$15,534,003
Job Creation Grant	$389,088	$1,301,823	$235,820	$736,237
Job Grant	$1,558,190	$406,265	$944,393	$229,760
Total	**$22,274,161**	**$29,175,495**	**$13,500,000**	**$16,500,000**

**Prorated at 61 percent*
***Prorated at 57 percent*
Data current as of July 2007

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

Real Property Investment Grant

As highlighted earlier, in 2005 the Real Property Investment Grant had many significant changes that have contributed heavily to the increase in incentive demand and, in turn, the need for pro-ration. 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. The 2005 statutory changes made to the Real Property Investment Grant adjusted the real property incentive to reflect current development and business practice trends that have changed greatly since 1995.

For the 2006 grant year, 94 percent of the total grant allocation of $16.5 million, or $15,534,002, was issued in Real Property Investment Grants to 240 zone investors. Zone investors spent a total of $246,911,178, representing an approximately 56 percent increase in the 2005 level of investment. The increase of the level of investment as well as the increase in the number of applicants (30 percent) indicates the growing popularity of the real property grant as an incentive for rehabilitation, expansion, and new construction.

Figure 4 shows the number of qualified applicants, total investment, and total amount issued for the Real Property Investment Grant in 2005 and 2006 and the Real Property Improvement Tax Credit for the 2004 tax year. **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. The investment amount leveraged increased from $13 in 2005 to almost $16 per grant dollar awarded in 2006 with the new grant program.

Figure 4

Real Property Investments, 2004-2006			
	2004*	2005	2006
Qualified Businesses/ Zone Investors	158	184	240
Total Investments	$82,095,801	$157,293,677	$246,911,178
Total Amount Issued	$11,545,338	$12,319,787	$15,534,003

** Based on businesses qualifying for Real Property Improvement Tax Credit*
Data current as of July 2007

The following subsections will further describe the utilization of the Real Property Investment Grant.

QUALIFIED REAL PROPERTY INVESTMENTS

Under the Real Property Investment Grant, a minimum threshold of $50,000 is required for rehabilitation and expansion projects. This change occurred with the 2005 statute to enable smaller projects to qualify for the grant.

The minimum amount invested in 2006 was $50,330, slightly less than the minimum investment in 2005 ($51,172). The number of zone investors spending between $50,000 to $99,000 increased from 19 to 30 investors from 2005 to 2006.

For the 2006 grant year, the median qualified real property investment slightly increased from $424,647 in 2005 to $462,768.[2]

The most significant change under the 2005 grant program is the higher levels of investment reported. The maximum amount invested under the grant in 2006 was $14,545,775. Forty-three zone investors (18% of the total) invested at least $2 million on qualified real property investments, almost double the number of investors in 2005 (25) within the same investment range. This is a significant increase in the investment amounts reported under the Real Property Improvement Tax Credit, for in 2004, only 3 percent, or 5 investors, spent at least $2 million on qualified real property improvements.

The level of investment in the grant applications is commonly underreported. Zone investors have to spend at least $417,000 to reach the first grant cap and at least $2 million to reach the second tier of grants. Thus, many applicants within the higher investment ranges tend to report only the level of investment needed to reach the applicable grant cap. Therefore, the actual dollar amount spent by zone investors may be higher than the amount reported.

[2] The median amount is reported because of the wide range of investment, from $50,330 to $14,545,775; it better represents the 2005-2006 qualified real property investments than would the average.

Figure 5

Qualified Real Property Investment Ranges, 2006		
Range of Real Property Investments	Qualified Zone Investors	
	#	%
$50,000 - 99,000	30	13%
$100,000-249,000	49	20%
$250,000-399,000	25	10%
$400,000-549,000	32	13%
$550,000-699,000	19	8%
$700,000-849,000	8	3%
$850,000-under 1 Million	13	5%
$1Million -under 2 Million	21	9%
$2 Million and over	43	18%
Total	**240**	**100%**
Data current as of July 2007		

AMOUNT OF REAL PROPERTY INVESTMENT GRANTS REQUESTED

Another factor contributing to the increased number of applicants and investment is the upper grant cap for qualified real property investments of $2 million or more. For these investments, grants are capped at $250,000 per building or facility over a five-consecutive year period. As previously mentioned, the new 2007 threshold was increased from $2 million to $5 million or more for investors to receive $250,000. This change was instituted by the General Assembly in an effort to lessen the need for pro-ration of the grants.

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 (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.

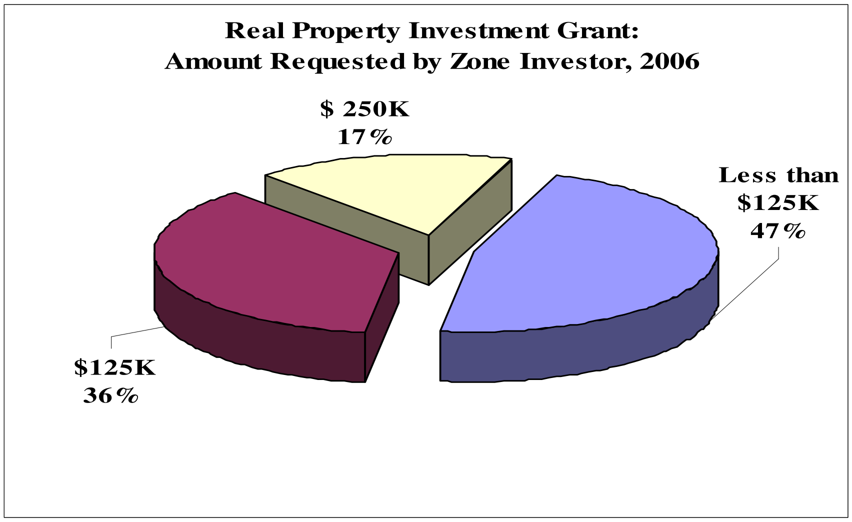
The percentages of zone investors within each grant request category in 2006 were fairly consistent with the percentage reported in 2005. The slight variations were more attributable to the increase number of applicants in 2006 rather than shifts in investment patterns.

- 112 applicants or 47 percent—compared to 49 percent in 2005—requested less than $125,000, indicating that they incurred less than $417,000 in qualified real property investments.

- 85 zone investors or 36 percent—compared to 37 percent in 2005—requested $125,000. These investors spent at least $417,000 in qualified real property investments.

- 41 zone investors or 17 percent—compared to 14 percent in 2005—requested $250,000, spending at least $2 million in qualified real property investments.

Figure 6

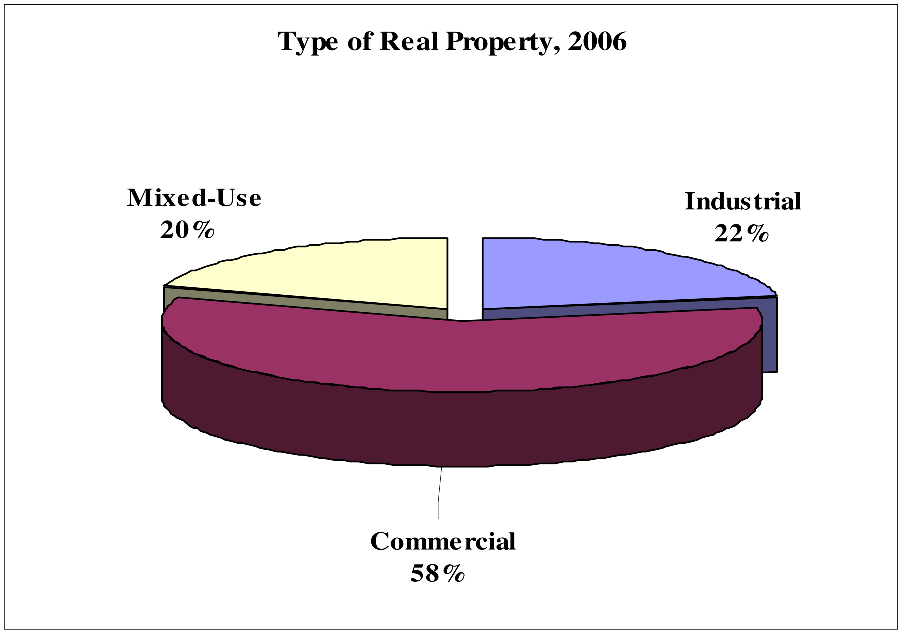


TYPE OF QUALIFIED REAL PROPERTY

The 2006 grant year was the second 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" (§59.1-548).

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 (47) of the qualified zone properties, thereby contributing to the increased incentive usage. This is the same percentage of mixed use properties reported in 2005.

Figure 7



TYPE OF ZONE INVESTOR

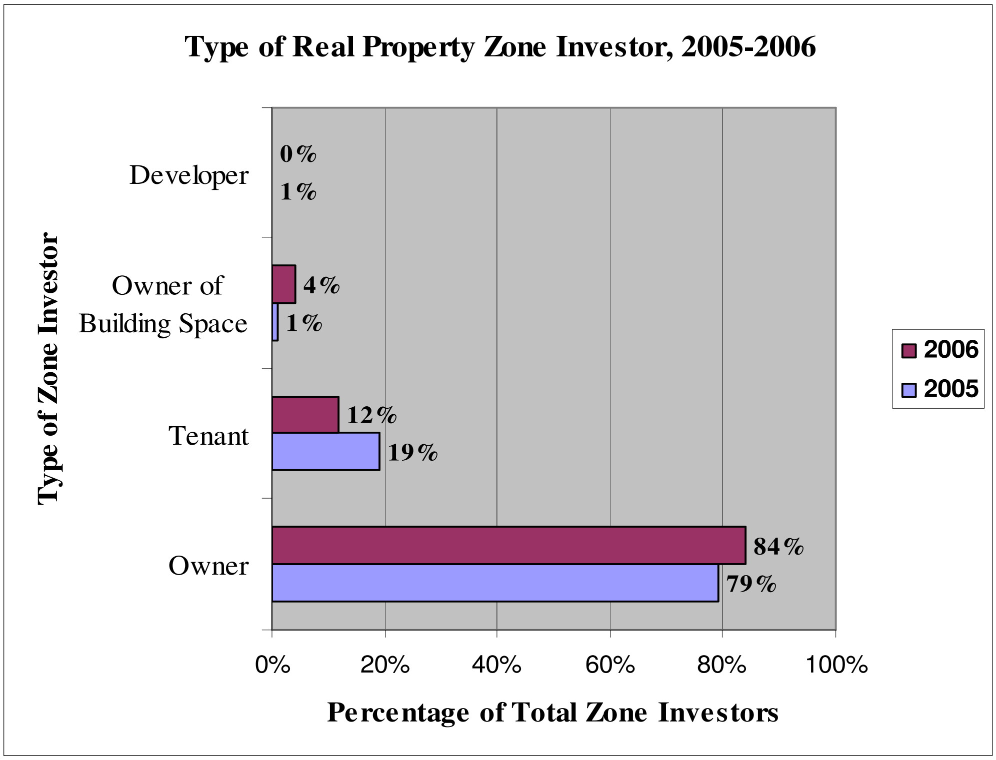
The 2005 statute eliminated the investor's occupancy or conduct of business qualification requirement. This change has contributed to greater usage and qualification. This change reflects the common business practice of establishing, for liability reasons, a legal entity separate from the operating company to hold a business's real estate. For the 2006 grant year, 89 of the 202 applicants submitted by owners were non-occupant owners. For the grant, the individual or entity that incurs the costs of the investment is termed the "zone investor."

In the 2006 grant year, the majority **(51 percent)** of the applicants were either occupant or non-occupant owners of the real property. Figure 8 indicates the type of zone investor, dividing the owner category into occupant and non-occupant. Figure 9 compares the percentage of type of zone investor between 2005 and 2006.

Figure 8

Type of Real Property Zone Investor	2006	
	#	%
Occupant Owner	113	47%
Non-Occupant Owner	89	37%
Tenant	28	12%
Owners of Building Space (i.e. condos)	10	4%
Data current as of July 2007		

Figure 9



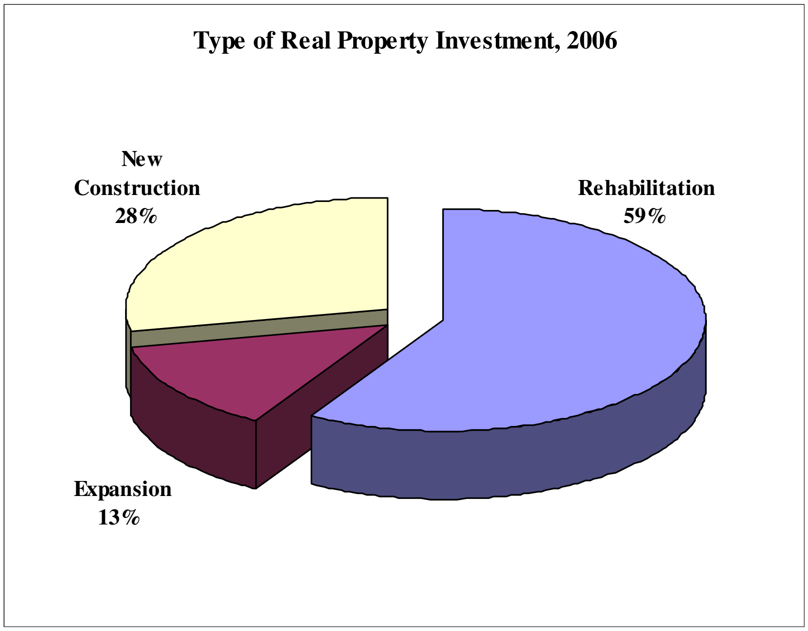
Type of Real Property Investment

Figure 10 below 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 2006 grant year:

- 140 qualified zone investors (59 percent) rehabilitated existing structures.
- 68 qualified zone investors (28 percent) constructed new buildings.
- 32 qualified zone investors (13 percent) expanded existing buildings.

Figure 10



In addition to the Real Property Investment Grant, the Job Creation Grant was also offered for the second time in 2006. 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 Job Creation Grants are based on net new permanent full-time job creation exceeding a 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. Retail, personal service and food and beverage service positions are not eligible for grants.

For the 2006 grant year, 33 businesses qualified for the Job Creation Grant, representing an 83 percent increase over the number of qualified businesses in 2005, and $736,237 was issued. Approximately four percent of the total $16.5 million grant allocation was issued in Job Creation Grants. Eighteen firms qualified for the first time, and 15 firms applied for their second qualification year.

There are two factors that contributed to the increase in grant usage. First, the 2006 General Assembly replaced the previous the restriction on local service with a restriction on personal service positions, a much more narrowly defined classification. This change accounted for approximately four new firms qualifying for the grant that were previously restricted. Secondly, 2006 was the last year the pre-2005 Job Grant was available and consequently, there was a significant decline in usage as many businesses completed their qualification periods in 2004 and 2005. This decrease of pre-2005 grant usage is attributable to the increase in the usage of the new Job Creation Grant. The Job Creation Grant usage is expected to continue to increase in the future.

Figure 11

Job Creation Grant Activity, 2005-2006		
	2005	2006
Qualified Businesses	18	33
Total Grant Amount Requested	$389,088	$1,301,823
Total Grant Amount Issued	$235,819*	$736,237**
Data current as of July 2007.		
**Pro-rated at 61 percent*		
***Pro-rated at 57 percent*		

POSITIONS CREATED

The 33 qualified firms created a total of 1,367 positions, with 1,174 qualified grant eligible positions. The firms who qualified for the grant for the first time created a total of 702 positions. Firms in their second year of qualification created a total of 665 net new positions. Ten out of the 15 firms in year two continued to increase their employment level over the 2005 grant year employment, creating an average of 71 net new positions in 2006.

Figure 12

Permanent Full-Time Positions Created by Job Creation Grant Qualified Firms, 2005-2006		
Year	**Total Positions**	**# of Eligible Positions**
2005	584	493
2006	1,367	1,174
Data current as of July 2007		

USAGE BY SECTOR

In the 2005 grant year, only three business sectors comprised all qualified firms: manufacturing, transport/warehousing, and construction. With the lifting of the local service position restriction, the 2006 grant year marked a significant diversification in business sectors. Qualifying service-oriented firms accounted for approximately 12 percent of the 2006 Job Creation Grant firms.

Figure 13 compares the type of business firms and percentage of total qualified firms for the Job Creation Grant in 2005 and 2006.

Figure 13

Job Creation Grant Qualified Firms				
	2005		2006	
Type of Business Firm	**#**	**%**	**#**	**%**
Manufacturing	15	83%	23	70%
Transport/Warehousing	2	11%	2	6%
Construction	1	6%	1	3%
Wholesale Trade			2	6%
Information			1	3%
Profesional/ Scientific Services			1	3%
Health Care/Social Assistance			1	3%
Accomodation			1	3%
Other Services			1	3%
Total	**18**		**33**	

Pre-2005 Incentives

The Enterprise Zone statute had provisions that allowed businesses meeting certain conditions to receive incentives available under the previous program, referred to as 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 147 businesses qualified for the Job Grants and General Income Tax Credit in 2006.

One business 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 up to $1,000 if a zone resident fills the position, with a maximum of $100,000 per year for three consecutive years. Grant year 2006 was the last year the Job Grants were available.

In 2006, 35 businesses received Job Grants. Job Grant usage decreased from 2005 and previous years due to the grandfathered firms completing their qualification period. With the 2006 grant year being the last year the Job Grants was available, grant usage was expected to be the lowest since availability. Additionally, under the grant, the net new job creation also declined substantially because of the grant phase-out.

The amount of Job Grants issued to businesses was $229,760 prorated at 57 cents on the dollar. Approximately 1 percent of the total grant allocation of $16.5 million was issued in Job Grants to 35 business firms.

Figure 14

Job Grant Activity, 2004 - 2006			
	2004	2005	2006
Qualified Businesses	148	84	35
Total Grant Amount Requested	$2,500,760	$1,558,190	$406,265
Total Grant Amount Issued	$1,960,000	$944,393*	$229,760**
Data current as of July 2007			
**Pro-rated at 61 percent*			
***Pro-rated at 57 percent*			

USAGE BY SECTOR

- Manufacturing and retail trade firms made up almost one-fourth of all the businesses qualifying for the 2006 Job Grants.
- Professional/scientific service and accommodation businesses each accounted for 11 percent of all firms qualifying for the Job Grant.

Figure 15

2006 Job Grant Qualified Firms		
Type of Business Firm	***# Firms Qualified***	***% Qualified Firms***
Manufacturing	8	23%
Retail Trade	8	23%
Professional/Scientific Services	4	11%
Accommodation	4	11%
FIRE	3	8%
Construction	2	6%
Transport/Warehousing	2	6%
Wholesale Trade	1	3%
Health Care/Social Assistance	1	3%
Other Services	1	3%
Utilities	1	3%
TOTAL	**35**	
Data current as of July 2007		

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. Large qualified firms could receive a negotiated amount of this credit.

For the 2006 tax year, DHCD issued $2,655,148 in General Income Tax Credits to 112 businesses. General Income Tax Credit usage declined from previous years, but the amount of tax credit requests has increased. This was expected; growing businesses incur higher tax liabilities, resulting in larger tax credit requests. This increase in credit requests coupled with a firm applying for the Investment Tax Credit led to the 51 percent pro-ration on all credit requests. The tax credits were pro-rated last in 2004 (at 77 percent) due to the increased demand from the desire for firms to be grandfathered into the new program. As previously stated, the 2006 pro-ration on the tax credits at 51 percent marked the deepest pro-ration for the tax credit incentives in the program's history.

Figure 16

General Income Tax Credit, 2004-2006			
	2004	2005	2006
Qualified Businesses	199	147	112
Total Tax Credit Requested	$8,243,648	$6,881,797	$7,129,954
Total Tax Credit Amount Issued	$6,818,310*	$6,881,797	$3,655,148**
Data current as of July 2007			
** Pro-rated at 77 percent*			
***Pro-rated at 51 percent*			

POSITIONS CREATED

Businesses qualifying for the 2006 General Income Tax Credits created a total of 1,195 net new jobs during the 2006 tax year. When compared to 2004, 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 both 2005 and 2006 is expected as only grandfathered firms remained qualified, with some completing their 10-year qualification period.

Figure 17

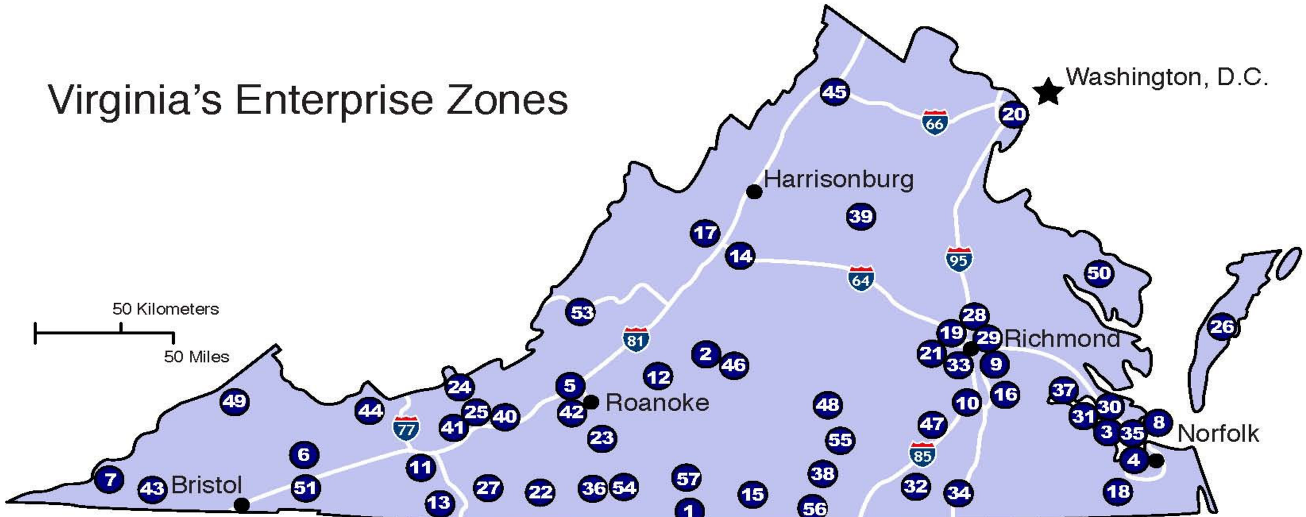
Total New Jobs Created for General Income Tax Credit, 2004-2006	
Tax Year	Number of New Jobs Created
2004	4,903
2005	1,792
2006	1,195
Data current as of July 2007	

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 1,195 new jobs created, 290 were filled by low-to moderate income persons. This amount represents about 24 percent of the total new jobs created.

Figure 18

New Jobs Created for General Income Tax Credit, 2004-2006	
Tax Year	**Number of New Jobs filled by Low-to-Moderate Income Persons**
2004	1,111
2005	676
2006	290
Data current as of July 2007	

APPENDIX A: MAP OF ZONES



Source: VEDP, 2005

- 26 Accomack/Northampton
- 20 Alexandria
- 53 Alleghany/Clifton Forge/ Covington
- 12 Bedford
- 32 Brunswick/Lawrenceville
- 27 Carroll/Hillsville
- 48 Charlotte/Lunenburg/ Prince Edward
- 21 33 Chesterfield
- 1 Danville
- 49 Dickenson/Clintwood/Haysi
- 47 Dinwiddie/Petersburg
- 13 Galax
- 34 Greensville
- 15 Halifax/South Boston
- 8 35 Hampton
- 9 Hopewell
- 37 James City
- 50 Lancaster/Northumberland/ Richmond/Westmoreland/ Kilmarnock/Warsaw
- 7 Lee
- 55 Lunenburg/Kenbridge/Victoria
- 2 46 Lynchburg
- 36 54 Martinsville/Henry
- 56 Mecklenburg/Clarksville
- 38 Mecklenburg/South Hill/ LaCrosse
- 24 Narrows
- 3 30 31 Newport News
- 4 Norfolk/Portsmouth
- 39 Town of Orange
- 22 Patrick/Stuart
- 10 Petersburg
- 57 Pittsylvania/Danville
- 16 Prince George
- 25 40 Pulaski
- 41 Town of Pulaski
- 19 29 Richmond City
- 28 Richmond City/Henrico
- 5 42 Roanoke
- 23 Rocky Mount
- 6 Saltville/Smyth County
- 43 Scott
- 51 Smyth/Washington/Chilhowie/ Glade Spring
- 17 Staunton
- 18 Suffolk
- 44 Tazewell
- 45 Warren
- 14 Waynesboro
- 11 Wythe

* In July 2006, the Wise County Enterprise Zone was terminated due to the lack of usage of state incentives over a five-year period (as required in §59.1-284 of the Virginia Enterprise Zone Act).

APPENDIX B: ZONE HIGHLIGHTS

The information below was obtained from the 2006 Annual Reports submitted by the local enterprise zone administrators. These annual reports were due by July 16, 2007 per the requirement for annual zone reporting in the Enterprise Zone Program Regulations.

Danville/Pittsylvania
The City of Danville and Pittsylvania County jointly announced Swedwood, a furniture manufacturer that will be located in the county's portion of the joint zone. Swedwood's investment of $281 million will lead to over 740 new jobs for the area.

Greensville
Oran Safety Glass located in the Greensville County Industrial Park and has committed to $4.1 million in investments and 30 new jobs within 24 months.

Halifax County
Governor Kaine announced that ABB, Inc., a provider of power and automation products, systems, solutions, and services, will expand its plant in Halifax County. The expansion involves a $25.3 million investment and will create 127 new jobs. The facility manufactures liquid-cooled transformers for large utility, industrial, and government users. Virginia successfully competed with Mexico, Colombia, China, and Missouri for the project.

Henry County
Commonwealth Laminating and Coating, Inc. completed a 3,600 sq. feet office expansion and broke ground for a 15,308 square feet warehouse expansion and 680 sq. feet water storage building to completed in 2007.

James City County
A major facility, Volvo Rents, opened its new 10,000 square foot, $1.3 million heavy equipment sales and rental facility at the James River Commerce Center

Marion
U.S. Solutions, a customer service firm, located in the Dewberry & Davis building in the town of Marion. The company is projected to hire 90 people and spend approximately $1.3 million on property improvements and equipment.

Martinsville
Tier Technologies opened a new call center at the Commonwealth Center, creating 77 new jobs and a $3.1 million investment.

Newport News
International Communications Group, located in Oakland Industrial Park, was named one of the Virginia's Fantastic 50—one of the fifty fastest growing companies in Virginia—by the VA Chamber of Commerce.

Petersburg
The former Rebco City Engine Warehouse was renovated and converted to 43 market rate apartments. The building is now worth more than $4 million after renovations. Based on the success of this project, the developers have purchased other warehouses in the Central Business District with the intent of constructing additional apartments.

Richmond
Philip Morris USA Research and Technology Center in the Biotech Park started construction of the research complex in downtown Richmond during 2006. The total investment is $350 million, with an estimated 600 new jobs and completion scheduled for 2007.

Roanoke
FreightCar of Roanoke added a new shift, creating 200 new full-time positions. In addition, they created a new line for the Norfolk Southern contract, which totaled $6 million in track renovations.

Scott County
Holston Medical Group (HMG) announced in October 2006 they will build a medical/data center in Duffield. The $5.5 million project will create 65 jobs in the former Penn Virginia building in Duffield. HMG's Duffield location will access and store digital medical records of patients for multiple practices and hospitals in Northeast Tennessee and Southwest Virginia.

Suffolk
Flexa Furniture completed construction of a 88,000 square-foot manufacturing climate controlled facility at Suffolk Industrial Park and opened in November of 2006. The new facility is an innovative manufacturer of modular children's bedroom furniture. The project will create 30 new jobs and bring capital investment of over $6 million in the new facility.

Tazewell County
On July 28, 2006, Governor Timothy Kaine announced that the Jennmar Corporation will invest $6 million to build a new facility in Tazewell County. The plant, which will create 70 new jobs, manufactures corrugated metal for the mining and construction industry. The new facility is located in the Wardell Industrial Park.

Waynesboro
The Waynesboro Redevelopment and Housing Authority announced and began construction of a $2 million-plus renovation of the former First National Bank Building, located in the heart of downtown Waynesboro. The first floor will house the Waynesboro Heritage Museum as well as retail and commercial space. The second floor boasts six newly renovated loft-style apartments. This project recently won a Valley Conservation Council Better Models of Development Award for excellence in adaptive reuse.

Wythe County
Significant development took place in Wythe County Progress Park during the past year. Two new manufacturing facilities, Amcor PET Packaging and Coalfield Services, were announced. Amcor is a leading supplier of packaging material to the food and beverage industry. The facility will make over one billion plastic bottles per year for the nearby Blue Ridge Gatorade facility. Coalfield Services is a locally owned mining services contractor and will invest approximately $600,000 and employ ten people. Major infrastructure improvements were undertaken to serve current and future park tenants.

APPENDIX C: NUMBER OF PARTICIPATING BUSINESSES BY ZONE LOCATION, 1997-2006

Zone Location	Requests for Incentives		Designation Date
	2006	1997-2006	
Accomack/ Northampton	16	213	1995
Alexandria	0	6	1994
Alleghany/Covington/Clifton Forge	0	13	2001
Bedford City	1	3	2005
Brunswick/ Lawrenceville	0	3	1996
Carroll/ Hillsville	1	11	1995
Charlotte/Lunenburg/Prince Edward	16	30	2000
Chesapeake	5	86	1985
Chesterfield (Jefferson Davis)	8	100	1994
Chesterfield (Walthall)	13	99	1996
Danville	22	98	2004
Dickinson/Clintwood/Haysi	0	4	2000
Dinwiddie/Petersburg	1	20	1998
Galax	0	5	1988
Greensville	0	10	1996
Halifax/South Boston	11	61	1988
Hampton (Hampton Roads Center)	11	105	1996
Hampton (Urban)	13	268	1985
Henry County/Martinsville	12	128	1996
Henry/ Martinsville	0	12	2001
Hopewell	0	14	1985
James City	4	22	1996
Lee County	0	0	2005
Lunenburg County/Kenbridge/Victoria	2	8	2001
Lynchburg (Downtown)	16	141	2004
Lynchburg (Lynchpin)	6	15	1996
Mecklenburg / South Hill / LaCrosse	2	30	1996
Mecklenburg County/Clarksville	1	2	2001
Narrows	0	6	1994
Newport News (Mid-City)	12	102	1995
Newport News (North)	7	59	1995
Newport News (South)	7	128	2004

Zone Location	Requests for Incentives		Designation Date
	2006	1997-2006	
Norfolk/ Portsmouth	43	524	1984
Northern Neck	5	23	2000
Orange	0	14	1996
Patrick County/Town of Stuart	2	25	2002
Petersburg	8	84	1985
Pittsylvania County/Danville	9	28	2001
Prince George	12	62	1990
Pulaski County (New River)	2	12	1996
Pulaski County (Zone 1)	3	40	1994
Pulaski Town	0	2	1996
Richmond (East)	11	103	1995
Richmond (North)/Henrico County	44	282	1995
Richmond (South)	22	234	1993
Roanoke (Zone 1)	17	135	2004
Roanoke (Zone 2)	3	62	1996
Rocky Mount	4	20	1994
Saltville/Smyth County	2	6	2004
Scott	1	17	1996
Smyth County / Washington County / Chilhowie / Glade Spring	6	27	2000
South Hill	2	27	1985
Staunton	9	39	1990
Suffolk	24	167	1990
Tazewell	1	31	1996
Warren	1	20	1996
Waynesboro	2	15	1988
Wythe/ Carroll	1	7	1985

APPENDIX D: PRIVATE INVESTMENT

PRIVATE INVESTMENT BASED ON BUILDING PERMITS, 1984-2006

YEAR DESIGNATED	ZONE #	ENTERPRISE ZONE LOCALITY	1984-2004	2005	2006	TOTAL PRIVATE INVESTMENT
1995	26	Accomack/Northampton	$274,774,524	$4,392,626	$4,197,273	$283,364,423
1994	20	Alexandria	$2,382,580,296	$19,772,317	$2,857,666	$2,405,210,279
2001	53	Alleghany County/Covington/Clifton Forge	$21,420,000	$600,000	$625,500	$22,645,500
2005	12	Bedford City		$208,000	$312,213	$520,213
1996	32	Brunswick/Lawrenceville	$16,256,844	$0	$0	$16,256,844
1995	27	Carroll/Hillsville	$11,513,685	$228,925	$0	$11,742,610
2000	48	Charlotte/Lunenburg/Prince Edward Counties	$6,817,000	$29,627,762	$7,055,405	$43,500,167
1994	21	Chesterfield County (Jefferson Davis)	$93,605,194	$11,669,908	$5,047,695	$110,322,797
1996	33	Chesterfield County (Walthall)	$87,254,844	$8,497,142	$9,378,588	$105,130,574
1984	1	Danville	$153,878,533	$4,394,644	$4,854,807	$163,127,984
2000	49	Dickinson County/Clintwood/Haysi	$39,292,159	$7,372, 917	$3,850,300	$43,142,459
1998	47	Dinwiddie/Petersburg (Dinwiddie County)	$509,510,820	$564,100	$528,684	$510,603,604
2005	10	Petersburg		$808,400	$510,000	$1,318,400
1988	13	Galax	$18,198,183	$327,460	$213,455	$18,739,098
1996	34	Greensville	$55,457,593	$2,882,967	$1,231,527	$59,572,087
1988	15	Halifax/South Boston	$91,043,529	$1,730,931	$2,755,541	$95,530,001
1996	35	Hampton Roads Center	$89,516,334	$28,153,167	$27,473,902	$145,143,403
1985	8	Hampton Urban	$131,146,498	$13, 890, 745	$43,225,820	$174,372,318
1996	36	Henry/Martinsville	$131,779,908	$833,285	$2,792,885	$135,406,078
2001	54	Henry County/Martinsville	$9,928,799	$0	$0	$9,928,799
1985	9	Hopewell	$26,305,891	$27,632,000	$314,896	$54,252,787
1996	37	James City	$86,611,129	$1,056,960	$2,804,000	$90,472,089
2000	50	Lancaster/Northumberland/Westmoreland/Kilmarnock/Warsaw	$29,017,914	$2,020,795	$14,840,600	$45,879,309
2005	7	Lee County		$0	$2,337,000	$2,337,000
2001	55	Lunenburg County/Town of Kenbridge/Town of Victoria	$3,075,615	$1,370,600	$88,000	$4,534,215
1984	2	Lynchburg (Downtown)	$116,914,835	$14,937,432	$4,890,693	$136,742,960
1996	46	Lynchburg (Lynchpin)	$42,083,443	$6,646,380	$528,658	$49,258,481

YEAR DESIGNATED	ZONE #	ENTERPRISE ZONE LOCALITY	1984-2004	2005	2006	TOTAL PRIVATE INVESTMENT
1996	38	Mecklenburg/South Hill/LaCrosse	$67,668,337	$7,274,439	$2,629,600	$77,572,376
2001	56	Mecklenburg County/Town of Clarksville	$12,721,964	$401,000	$1,000,000	$14,122,964
1994	24	Narrows	$1,154,959	$140,575	$100,000	$1,395,534
1995	30	Newport News (Mid City)	$45,534,217	$2,649,824	$2,110,710	$50,294,751
1995	31	Newport News (North)	$77,044,456	$7,379,881	$916,500	$85,340,837
1984	3	Newport News (South)	$178,817,710	$9,509,118	$10,076,535	$198,403,363
1984	4	Norfolk/Portsmouth	$637,587,518	$157,850,749	$90,158,127	$885,596,394
1996	39	Orange	$5,074,590	$0	$578,750	$5,653,340
2002	22	Patrick/Stuart	$5,517,028	$11,891,803	$2,315,000	$19,723,831
1985	10	Petersburg	$30,249,542	$8,808,400	$510,000	$39,567,942
2001	57	Pittsylvania County/Danville	$10,981,071	$6,733,458	$3,200,000	$20,914,529
1990	16	Prince George	$21,987,238	$29,232	$6,670,342	$28,686,812
1996	41	Pulaski Town	$3,199,840	$1,432,806	$123,426,030	$128,058,676
1994	25	Pulaski County (zone 1)	$28,671,670	$2,784,750	$4,931,899	$36,388,319
1996	40	Pulaski County (New River)	$26,904,409	$3,196,082	$1,801,764	$31,902,255
1995	29	Richmond (East)	$230,347,310	$58,445,725	$83,664,205	$372,457,240
1995	28	Richmond (North)/Henrico County	$592,487,125	$133,542,386	$134,671,513	$860,701,024
1993	19	Richmond (South)	$530,976,403	$50,528,618	$33,216,629	$614,721,650
1984	5	Roanoke (zone 1)	$224,233,714	$12,083,491	$12,247,944	$248,565,149
1996	42	Roanoke (zone 2)	$31,456,352	$268,088	$1,865,741	$33,590,181
1994	23	Rocky Mount	$23,616,791	$3,964,421	$8,820,000	$36,401,212
1984	6	Saltville	$24,220,500	$212,920	$216,000	$24,649,420
1996	43	Scott	$26,194,014	$2,583,372	$997,800	$29,775,186
2000	51	Smyth/Washington Counties/Chilhowie/Glade Spring	$55,976,690	$23,041,200	$3,328,759	$82,346,649
1990	17	Staunton	$55,099,430	$4,825,186	$1,223,109	$61,147,725
1990	18	Suffolk	$121,575,045	$11,589,830	$4,008,453	$137,173,328
1996	44	Tazewell	$13,504,397	$3,858,107	$5,139,550	$22,502,054
1996	45	Warren	$110,941,867	$568,862	$3,571,453	$115,082,182
1988	14	Waynesboro	$17,534,669	$2,024,873	$1,852,350	$21,411,892
1985	11	Wythe/Carroll (Wythe County)	$14,951,599	$0	$21,513,174	$36,464,773
		TOTALS	$ 7,654,214,024	$ 695,974,998	$ 709,477,044	$ 9,059,666,066