Report to the Chairs of the House Appropriations Committee and the Senate Finance and Appropriations Committee

Report of the Virginia Enterprise Zone Work Group Established Pursuant to HB2163 (2025)

Submitted by:
The Department of Housing and Community Development
November 2025

Executive Summary

The Enterprise Zone Work Group (Work Group) was established by HB2163 (2025) to review the utilization of currently designated enterprise zones and make recommendations on renewals or terminations. The Work Group was facilitated by the Department of Housing and Community Development (DHCD) and composed of representatives from the Virginia Economic Development Partnership, Virginia Economic Developers Association, Virginia Association of Counties, Virginia Municipal League, Virginia First Cities, and local zone administrators. Additional input was gathered through a survey sent to existing zone administrators and communities without zone designations.

The Work Group came to a general agreement on several legislative recommendations and considerations for the General Assembly. Recommendations address zone utilization and how utilization affects termination, the renewal process, and termination of zones under certain circumstances.

Background

HB2163 (2025), as approved by the General Assembly and signed by the Governor, directed DHCD, in collaboration with the Virginia Economic Development Partnership Authority, to convene a work group to review the enterprise zone program and make legislative recommendations to be considered during the 2026 General Assembly Session. The Work Group was tasked with considering:

i. Reviewing the utilization of the Enterprise Zone grants by current localities;
ii. Reviewing current zone renewal process and if any recommendations should be made to the process; and
iii. Reviewing the current zone termination process and if any recommendations should be made to the process.

The legislation directed the Work Group to consist of representatives from the Virginia Economic Developers Association, Virginia Association of Counties, Virginia Municipal League, Virginia First Cities, and other interested parties as deemed appropriate by DHCD. The Work Group also included local zone administrators (LZAs) from localities that currently have an enterprise zone and representatives of other localities currently without an enterprise zone.

The Work Group met four times from June to October 2025, and meeting summaries from each of those meetings are appended to this report (Appendixes 1-6). A survey was also provided to all Work Group members, all LZAs, and localities that could qualify for an enterprise zone but do not currently have one. The survey questions and results are appended to this report (Appendix 7).

Program History

The Enterprise Zone Program

The VEZ program is a partnership between state and local government that encourages job creation and private investment. VEZ accomplishes this by designating Enterprise Zones throughout the state and providing two grant-based incentives, the Job Creation

Grant (JCG) and the Real Property Investment Grant (RPIG), to qualified investors and job creators within those zones, while the locality provides local incentives.

Over the past five years, the VEZ program has prompted more than $1.7 billion in private investment in economically distressed communities across the Commonwealth, delivering more than $25 in private capital for every $1 in state support. This performance-driven incentive has also supported the creation and retention of nearly 15,000 jobs. Importantly, VEZ grants are awarded only after businesses meet strict eligibility criteria and demonstrate real results, ensuring that public dollars reward proven performance.

The following table illustrates the impact and fund utilization over the past five years.

Table 1: Enterprise Zone Program Impact

Grant Year	Appropriation	Total Grant Funds Disbursed	Total # Grants	Leveraged Private Investment Total	Jobs Created
2024	$15,750,000	$13,688,642	153	$233,617,720	2,957
2023	$16,250,000	$15,216,949	180	$295,972,629	3,274
2022	$16,250,000	$11,152,980	142	$470,167,426	2,745
2021	$14,750,000	$13,582,808	164	$362,610,314	4,115
2020	$14,500,000	$14,500,000	196	$347,809,651	2,740

Legislative History

The current VEZ Program was established in 2005 with the passage of the Virginia Enterprise Zone Grant Act (the Act) (**§§ 59.1-270-59.1-284**). Its purpose is to stimulate local economic growth and revitalization, specifically targeting distressed localities. Prior to 2005, a version of the program existed that provided tax credits instead of grants. At that time, there were 60 zone designations available, each of which received a 20-year designation. The Act limited the number of zone designations to 30 zones, each of which was to have an initial 10-year designation. The Act and its subsequent amendments provide for potential renewals of both zones designated prior to 2005 and those designated after 2005. Currently, zones designated prior to 2005 retain their initial 20-year designation and are additionally eligible for two five-year renewal periods for a total of 30 years; zones designated after the Act are eligible for their initial 10-year period and four five-year renewal periods for a total of 30 years. During the 2024 session, the General Assembly extended all enterprise zones in effect at the beginning of FY2025 for an additional four years beyond their prior statutory eligibility period, making all zones eligible for 34 years.

When a zone's designation concludes and it becomes eligible for a renewal, DHCD assesses each zone's application for renewal based on the locality's performance of its enterprise zone responsibilities, the continued need for such a zone, and its effectiveness in creating jobs and capital investment. The current Code section (§ 59.1-546) specifies that designated localities that are unwilling or unable to provide local incentives shall be terminated. If no business firms have qualified for incentives within a five-year period, the zone shall be terminated.

As a result of the continued extension of eligibility periods, there are currently 45 zones across the Commonwealth, with 15 designated prior to 2005 and 30 that have been designated since then. The last enterprise zone designation round took place in 2016, and the oldest current zones were designated in 2000, with the oldest enterprise zones in Virginia are set to expire in 2034. If current zones are successful with all future renewals, the governor could not designate any new zones until 2038.

Table 2: Enterprise Zone Legislative Timeline

Year	Zones Existing Prior to 2005	Zones Designated After 2005	Total Eligibility Period (Including Renewals)
2005	• 20-year designation period	• 10-year designation period • Potential 5-year renewals at years 10 and 15	20
2019	• 20-year designation period • 5-year extension at year 20	• 10-year designation period • Potential 5-year renewals at years 10, 15, and 20	25
2024	• 20-year designation period • Potential 5-year renewals at years 20 and 25 • Additional 4-year extension	• 10-year designation period • Potential 5-year renewals at years 10, 15, 20, and 25 • Additional 4-year extension	34

Work Group Discussion

Zone Utilization

There are currently 45 designated enterprise zones across the Commonwealth, including 19 joint zones that are shared by two or more localities. Over the last 10 years, enterprise zones have supported 1,920 projects including 1,437 Real Property Investment Grants and 483 Job Creation Grants. Work Group members agreed that the VEZ Program provides value and benefit to the localities with zones, as well as to the Commonwealth.

Zone utilization is evaluated by calculating an impact score at the time of renewal. Impact scores are based on the population of the zone locality and the total number of grants awarded by the state to the enterprise zone locality (state incentive qualification). The median state incentive qualification for each population classification during the past 5 years is calculated by DHCD. Zones that achieve state incentive qualification above the median in their population classification are awarded 100 points. Zones that achieve median qualification are awarded 50 points. Zones that experience qualification below the median are awarded 25 points. Zones with no utilization are awarded 0 points.

Forty-four of the 45 zones have had utilization in the past five years, demonstrating the widespread impact and relevance of the program. Joint zones are evaluated based on the utilization of all member localities, which allows localities that are designated as part of a joint zone, but do not have utilization, to retain their zone designation. Also, localities that are part of a joint zone often have partnership agreements, including Regional Industrial Facility Authorities, and other collaborative economic development partnerships and benefits.

Zone Renewal

When enterprise zones become eligible for renewal, DHCD reviews the zones based on the locality's/localities' distress scores and zone utilization, as well as a narrative application.

Currently, the renewal applications are weighted as follows:

- 50% Narrative—Economic Development Strategy
- 25% Impact Score—Described above
- 25% Distress Factor—Calculated using Commission on Local Government's Fiscal Stress Index + Unemployment +Median Household Income

The Work Group agreed that the current renewal criteria is effective and should continue to include these factors; however, the Work Group believed that the Distress Factor should be determined using two variables, including:

1. The annual unemployment rate relative to the statewide average unemployment rate as of the most recent calendar year for which such data is available; and

2. The poverty rate relative to the statewide average poverty rate as of the most recent calendar year for which such data is available.

The Work Group discussed the current five-year renewal time period extensively . The Work Group had consensus that this time period is too short to see results due to the length of time it often takes for an economic development project to come to fruition, as well as turnover in the local government LZA positions and other challenges the locality may face.

The Work Group agreed that longer periods between renewals, such as seven years, would be more effective and less administratively burdensome; however, they acknowledged that the shorter periods ensure a level of frequency of review of the economic conditions of the locality and its zone activity and utilization.

Termination of Zones

If, at time of renewal, 1) the locality is unable or unwilling to provide local incentives or 2) there is no business firms that have qualified for incentives within the zone within the previous five years, the zone will be terminated.

The Work Group discussed the termination of enterprise zone designations and whether this process, as outlined in the Administrative Code, is fair or necessary. The Work Group reached consensus that zones should not be terminated solely due to a lack of utilization.

Work Group members noted that it can take many years for a project to come to fruition; therefore, the five-year termination rule for lack of utilization can be detrimental to potential projects, especially in rural, highly distressed areas with fewer business announcements. In addition, businesses may qualify for incentives such as job creation or property investment grants but may choose not to apply.

The Work Group further recognized that termination should align more closely with designation and renewal processes by also recognizing the economic condition of the locality. Reviewing whether a locality maintains a distress or double-distress rating over the previous renewal period would allow for a more accurate assessment of its continued need for an enterprise zone. This approach also accounts for the fact that poverty and unemployment data are updated at different intervals.

Finally, the Work Group emphasized the unique challenges faced by smaller localities—such as limited resources, staff turnover, and business-size thresholds—and stressed the importance of ensuring decisions that are fair and consistent with the overall purpose of the program.

Other Considerations

Based on current designation and renewal periods, no new zones may be designated until 2038. Legislators may wish to consider whether to increase the number of zones that may be designated by the Governor. Most of the Work Group participants agreed that if there is an increase in the number of zones, then funding must be available to support the additional zones. Currently, Job Creation Grants are prioritized, and Real Property Investment Grants are distributed based on available funds, through a process called proration. Participants expressed concern about possible proration if the number of zones is increased and funding is also not increased. Proration is also of concern even without an increase in the number of zones, as it is likely that the last few years of VEZ applications have included smaller projects and smaller grant requests, as well as fewer grant requests, due to Covid and the supply chain issues and high costs that followed it.

Legislators may wish to consider editing the language of the code to clarify whether the number of zones by the Governor is in addition to the current number of zones.

Legislative Recommendations

Zone Utilization

- Lack of zone utilization should not be the only criteria by which a zone is terminated.

Zone Renewal

- The Distress Factor should be determined using two variables, including:
  1. The annual unemployment rate relative to the statewide average unemployment rate as of the most recent calendar year for which such data is available, and
  2. The poverty rate relative to the corresponding statewide average poverty rate as of the most recent calendar year for which such data is available.
  3. Distress Factor scoring for zone renewal should consider if neither, one, or both of the variables exceed state averages.

  Revise State Code to remove additional 4-year extension that was added in the 2024 General Assembly Session. This addition was made due to the House and Senate versions of the bills both passing with slightly different language and signed into law. The order of the signing of the bill caused the Senate bill to take precedence. (Currently designated zones would not be impacted by this change until 2030.)

Termination of Zones

- At time of renewal, if a zone is located in a locality that does not meet one or more of the distress factors for three out of the prior five years, it will terminate.
- Zones should not be terminated solely for not having a qualified business investment after five years; other factors should be considered prior to termination.

Link to Grant Year 2024 Annual Report

Appendix 1

VIRGINIA ACTS OF ASSEMBLY - 2025 SESSION

CHAPTER 250

An Act to amend and reenact § 59.1-548 of the Code of Virginia, relating to enterprise zone grant program work group; report.

[H 2163]

Approved March 21, 2025

Be it enacted by the General Assembly of Virginia:
1. That § 59.1-548 of the Code of Virginia is amended and reenacted as follows:
§ 59.1-548. Enterprise zone real property investment grants.
A. As used in this section:

"Facility" means a complex of buildings, co-located at a single physical location within an enterprise zone, all of which are necessary to facilitate the conduct of the same trade or business. This definition applies to new construction as well as to the rehabilitation and expansion of existing structures.

"Major qualified zone investor" means a qualified zone investor making qualified real property investments in excess of $20 million.

"Mixed use" means a building incorporating residential uses in which a minimum of 30 percent of the useable floor space will be devoted to commercial, office, or industrial use.

"Qualified real property investment" means the amount expended for improvements to rehabilitate, expand, or construct depreciable real property placed in service during the calendar year within an enterprise zone provided that the total amount of such improvements equals or exceeds (i) $100,000 with respect to a single building or a facility in the case of rehabilitation or expansion or (ii) $500,000 with respect to a single building or a facility in the case of new construction. *Such real property may include a child day center as such term is defined in § 22.1-289.02.*

"Qualified real property investment" includes any such expenditure regardless of whether it is considered properly chargeable to a capital account or deductible as a business expense under federal Treasury Regulations.

*"*Qualified real property ~~investments~~ ~~include~~ *investment" includes* expenditures associated with (a) any exterior, interior, structural, mechanical, or electrical improvements necessary to construct, expand, or rehabilitate a building for commercial, industrial, or mixed use; (b) excavations; (c) grading and paving; (d) installing driveways; and (e) landscaping or land improvements. *"*Qualified real property ~~investments shall include~~ *investment" includes*, but *is* not ~~be~~ limited to, costs associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing, flashing, exterior repair, cleaning, and cleanup.

*"*Qualified real property investment ~~shall~~*" does* not include:

1. The cost of acquiring any real property or building.

2. Other costs including: (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering, surveying, and interior design fees; (iii) loan fees, points, or capitalized interest; (iv) legal, accounting, realtor, sales and marketing, or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, and inspection fees; (vi) bids, insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; (vii) utility connection or access fees; (viii) outbuildings; (ix) the cost of any well or septic or sewer system; and (x) roads.

3. The basis of any property: (i) for which a grant under this section was previously provided; (ii) for which a tax credit under § 59.1-280.1 was previously granted; (iii) which was previously placed in service in Virginia by the qualified zone investor, a related party as defined by Internal Revenue Code § 267 (b), or a trade or business under common control as defined by Internal Revenue Code § 52 (b); or (iv) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom it was acquired or Internal Revenue Code § 1014 (a).

"Qualified zone investor" means an owner or tenant of real property located within an enterprise zone who expands, rehabilitates, or constructs such real property for commercial, industrial, or mixed use. In the case of a tenant, the amounts of qualified zone investment specified in this section shall relate to the proportion of the building or facility for which the tenant holds a valid lease. In the case of an owner of an individual unit within a horizontal property regime, the amounts of qualified zone investments specified in this section shall relate to that proportion of the building for which the owner holds title and not to common elements.

B. *1.* Grants shall be calculated at a rate of 20 percent of the amount of qualified real property investment in excess of $500,000 in the case of the construction of a new building or facility.

Grants shall be calculated at a rate of 20 percent of the amount of qualified real property investment in excess of $100,000 in the case of the rehabilitation or expansion of an existing building or facility.

For any qualified zone investor making $5 million or less in qualified real property investment, a real property investment grant shall not exceed $100,000 within any five-year period for any individual building or facility. For any qualified zone investor making more than $5 million *but not more than $20 million* in qualified real property investment, a real property investment grant shall not exceed $200,000 within any five-year period for any individual building or facility.

2. On and after July 1, 2025, grants to major qualified zone investors shall be calculated at a rate of 25 percent of the amount of qualified real property investment in excess of $500,000 in the case of the construction of a new building or facility.

On and after July 1, 2025, grants to major qualified zone investors shall be calculated at a rate of 25 percent of the amount of qualified real property investment in excess of $100,000 in the case of the rehabilitation or expansion of an existing building or facility.

A real property investment grant to a major qualified zone investor shall not exceed $300,000 within any five-year period for any individual building or facility.

C. A qualified zone investor shall apply for a real property investment grant in the calendar year following the year in which the property was placed in service.

2. That the Department of Housing and Community Development (the Department), in collaboration with the Virginia Economic Development Partnership Authority, shall convene a work group to review the utilization of currently designated enterprise zones and make recommendations on renewals or terminations of such zones. Such work group shall include representatives of the Virginia Economic Developers Association, the Virginia Association of Counties, the Virginia Municipal League, Virginia First Cities, and other interested parties as deemed appropriate by the Department. The work group shall report its findings and recommendations, including specific legislative recommendations to be considered during the 2026 Regular Session of the General Assembly, to the Chairmen of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations by November 1, 2025.

Appendix 2

Work Group Members

Aileen Martz, Virginia Economic Development Partnership
Greg Hitchin, Virginia Economic Developers Association & City of Waynesboro
Laura Bateman, Virginia First Cities
Joe Lerch, Virginia Association of Counties
Alicia Cundiff, City of Roanoke
Samantha Bagbey, Virginia Municipal League & City of Danville
Mallory Butler, City of Newport News
Madison Hool, City of Newport News
Sheila Scott, Henry County
Kendra Hayden, Smyth County
Yoti Jabri, Prince George County
John Kilgore, Scott County
Leslie Litton, Lee County
Stacey English, Dinwiddie County
Victoria Hanson, Amherst County

DHCD Staff

Sara Dunnigan, Department of Housing & Community Development
Trish Lindsey, Department of Housing & Community Development
Tory McGowan, Department of Housing & Community Development
Mandy Archer, Department of Housing & Community Development
Kate Pickett Irving, Department of Housing & Community Development
Chase Sawyer, Department of Housing & Community Development
Amy Fottrell, Department of Housing & Community Development

Appendix 3

Virginia Enterprise Zone Program Work Group
Thursday, May 29, 2025, from 1:00PM-2:30PM
TEAMS Virtual Meeting

IN ATTENDANCE

Trisha Lindsey, DHCD
Sara Dunnigan, DHCD
Tory McGowan, DHCD
Mandy Archer, DHCD
Kate Pickett Irving, DHCD
Amy Fotrell, DHCD
Chase Sawyer, DHCD
Aileen Martz, VEDP
Greg Hitchin, VEDA President & LZA for Waynesboro
Alicia Cundiff, LZA for Roanoke
Samantah Bagbey, VML & LZA for Danville
Maddison Hool, LZA for Newport News
Kendra Hayden, LZA for Smyth County
Laura Bateman, Virginia First Cities
Joe Lerch, VACO
Sheila Scott, LZA for Henry County
Yoti Jabri, LZA for Prince George County

MEETING MINUTES

POWERPOINT PRESENTATION

Tory McGowan (TM) led the group in introductions, reviewed the agenda, and gave an overview of the purpose of the work group.

Kate Pickett Irving (KPI) reviewed the Job Creation Grant eligibility requirements.

Mandy Archer (MA) reviewed the Real Property Investment Grant eligibility requirements.

KPI reviewed the program's annual timeline, Grant Year 2023 data, and the EZ map.

Appendix 3

TM reviewed the program's legislative history and changes that have been made in recent years.

MA reviewed designation criteria, renewal criteria and evaluation, as well as expirations and terminations.

BREAK FOR QUESTIONS

Questions were entered in the chat and the questions were addressed at this time.

Alicia Cundiff (AC) asked 1) Does the program allow surplus dollars to be rolled over into the next grant year? 2) Was the appropriation the same for 2024? 3) Do you expect a surplus for grant year 2024? TM responded- Yes. Prior to 2023 funds went to IRF. But when IRF received ARPA allocation the budget language was amended and allowed for leftover funds to roll over and stay in the EZ program. We expect a small surplus for GY24.

Joe Lerch (JL) asked: Have any localities elected to not apply for eligible renewals? Has DHCD ever denied a renewal application? How common are expirations and/or terminations? TM responded-No, there has not be a time when a locality elected to not apply. No, we have not terminated anyone.

Kendra Hayden (KH) stated that we had mistakenly switched the zone utilization information for Smyth County zones 6 & 51. KPI replied that we will get that edited.

OVERVIEW OF DATA

KPI reviewed 10-year utilization data for all the zones, including population, population classification, GOVA region, designation, expiration, 10-year RPIG total, 10-year JCG total, 10-year total, and number of year since utilization.

FACILITATED DISCUSSION

Sara Dunnigan (SD) led the facilitated discussion below.
SD reviewed legislation that did not pass in the last session. The legislation contained information about the amount zones. We have more zones right now than the Governor can authorize. Next expiration is 2033.

SD asked: Does anyone have more information they need?

JL stated that it would be helpful to understand from LZAs why they are having difficulty in utilizing zones. He has heard from members of economic development that say it is just head winds and the way things go. Joe would like to hear more about that. SD restated the question: Can we get more context why the zones are not utilized?

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KH asked: How many people are leveraging EZ to utilize other state funds/ using local incentive as match to things such as COF.

Yoti Jabri (YJ) asked: Do we know if these localities have economic development directors? SD responded: Yes. MA and KPI know that but it may be a data point to add to spreadsheet. Does someone wake up every day with full-time capacity for EZ. Is there an ED in the locality? (MA sent chat to EZ team that we can add that into the LZA survey AND ask how long have you been in the position? How long as the position existed?)

Sheila Scott (SS) asked: The localities that are not utilizing – are they completing and turning in annual reports? Agree with Joe – need information as to why EZs are not being utilized. Can we add to report? SD-Yes, we can take that into advisement but will be general answers.

Laura Bateman (LB) stated: Earlier today she was looking at JLARC 2024 for economic development incentives – part of holistic look – are they getting other incentives? Should we look at that? SD responded: Zones are a scarce resource. If we did a scan of the Commonwealth, do other locations qualify? The bill to increase zones was not successful. Will need 2-step process.

AC asked: Why do zones have to renew and potentially expire? TM responded: concern for designation length of time at 20-25 years – more zones stay for longer. Needing to renew is a way people are required to do some work. Funding was lower and pro-ration was higher. SD added: Rather than increase funding, they made effort to reduce number of localities eligible for EZ and thought it would create an equal effect. We gave not had proration for several years, but probably a tailwind coming out of pandemic.

KPI: In almost all of the localities with low utilization there is someone dedicated to EZ. The small towns that are in joint zones with larger counties do not have anyone. Also, turnover is issue.

KH shared why one zone is not utilized in her locality. Saltville is such a small town with only a handful of businesses. Just two in the industrial or manufacturing industry. Largest company is federally funded and doesn't like anyone to know about them. Main Street is getting attention (Saltville) but b/c of the way the are doing development, they are not putting enough money in at one time and cannot meet threshold. At the end of day, we can only give them information and the rest is on their own. Flip side is potential – ask for renewal so keep it there so that businesses have access to it.

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SD asked LB her perspective. LB stated that she understands the chicken and egg scenario and trying to reach critical mass. SD stated that it costs the Commonwealth nothing to have zone when not utilized, except for reports and review.

SD called on Aileen Martz (AM), who stated: As far as utilization goes, VEDP is working with local economic developers and when making incentive packages will look to see if business is in the EZ. ED's point out it is in EZ. Some of them are in rural localities and might be only incentive available but want it to be useful. Also, she has heard from local administration that think there is varying levels of local support for outreach to companies to utilize zone. If zone hasn't had use for 10+ years what has been level.

JL recommend lower threshold to be able to get needle moving. SD: not question at hand but hears him. SD stated it's possible to improve utilization by having lower threshold for certain zones with certain categories and stated she is hearing they want more customized data. More info about why no utilization. Look forward to next designation period (2033).

SD asked: Do you think number of zones should be increased, decreased through attrition or denial of renewal, or remain the same? Zone program is locked in place right now.

TM stated: We did invite a few localities without a zone that wanted one and no response or interest.

KH stated: She personally thinks it should be increased. Understands proration is a factor and it's hard to market with the potential of proration but more opportunity without impacting current zones is good. Maybe modifications can be made to be more active and appropriate.

AC stated: Has no problem with zones increasing but concern is proration. If the number of zones increases, she feels strongly that appropriation needs to be increased. Thinks surplus was because of covid but sees proration coming even with current zones.

TM provided overview of funding but reminded all that we have about $8M in the pot not being used in addition to next year's amount of $14.75M.

KH added: There aren't a lot of other "by right" incentives which is a big benefit, even considering proration. If they meet the eligibility, they don't have to do anything else.

LB stated: VA First Cities hears from members that grant proration is the biggest concern, especially for highly used areas. As someone goes to ask for money, that can be a worry.

SD asked– Can we increase the number of zones without impacting the current zones and the amount of money available to them?

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Greg Hitchin (GH) stated: He agrees with everyone but why not have as many zones as we can if it's a performance-based incentive? Pandemic probably messed up stats and we will get back to normal cycle – window of no activity until 2033 – opportunity to see how that changes. Thought – If we do end up in a year of proration and it is below 75%, can the budget have a mechanism that allows applicants to carry over expenses into the next year with priority funding? Maybe this only kicks in if proration is below 75%.

SD stated: Eliminating unused zones doesn't affect budget or proration right now but can keep localities from having the opportunity to have it.

AM stated: Companies are uncomfortable with proration -- feels like there needs to be some turnover in zones. Need avenue for localities without zones to have the opportunity to get one. Nice to have more zones but having zones for 35 years is a long time. Economics change in 3+decades. Go back to 20 years and get zones to turnover more. Give other localities with need and opportunity to have their shot. Balance between length of zone and budget.

KH stated: In terms of eligibility, think of a rural community. We have less tools in our basket than other municipalities. Thinking about zone expiring – are things considered for larger vs smaller resources to be in consideration for localities that don't have as many resources?

Madison Hool (MH) added that she agrees with Aileen on her points and proration. Newport News utilizes EZ a lot but for businesses that don't qualify we have other incentives they can offer. See KH point that if EZ only resource they have, can the qualification be different?

Samantha Bagbey asked: Could you leave the 30-year designation with performance milestones in place that could determine if you are able to keep the 30-year designation? If your locality goes X number of years without utilization, your term is shortened? Would allow for others to apply for it and utilize it.

SS stated: She thinks we need more zones but not sure how and doesn't want proration. Every town has their own story. Henry would not have qualified because they had most billionaires per capita but everything changed. People moved away with no jobs. Still building and taking 30-40 years for rebuild. Even if we must do proration, it's bad for the company but great you have that many people investing. See both sides. Not sure how to handle but do need open it up more zones.

SD stated: Bill did have part about aligning distress scores but we are using something now that we feel is the way the legislation is intended. MA added- some factors are no longer relevant such as free lunch.

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SD put link to full bill in the chat. Reiterated that she heard that they want more zones but what is the mechanism and how do we do it?

TM went over action items. We will work on minutes to share. Will send PowerPoint, data, and survey link for next meeting time. Survey to be sent to all LZA's with questions for them. Meeting availability email for the second session will also be sent out in upcoming weeks.

LB asked SD: What were you saying about aligning the "distress" definitions?

TM responded: The bill that did not pass was set to change distress definition to align with VEDP of distress or double distress. Same when applying. Is that part of the work group?

SD responded: No, but important to think about as part of this work group. VEDA was advocating for parts of this bill and that doesn't affect money, etc.

AC stated that Sara mentioned that no utilization is the kill switch, but DHCD has not denied renewals.

TM responded: All of those with no utilization are in areas of joint zones. Other parts of the zone had utilization. Many cases it is town vs counties. How we looked at it in renewal – if one locality had utilization, but not the other, we allowed them both to keep their zone.

Meeting closed.

Appendix 3

Virginia Enterprise Zone Program Work Group Session #2
Thursday, July 17, 2025, from 2:00PM-3:30PM
TEAMS Virtual Meeting

IN ATTENDANCE

Sara Dunnigan, DHCD
Tory McGowan, DHCD
Mandy Archer, DHCD
Kate Pickett Irving, DHCD
Chase Sawyer, DHCD
Aileen Martz, VEDP
Greg Hitchin, VEDA President & LZA for Waynesboro
Alicia Cundiff, LZA for Roanoke
Samantha Bagbey, VML & LZA for Danville
Madison Hool, LZA for Newport News
Kendra Hayden, LZA for Smyth County
John Kilgore, LZA for Scott County
Laura Bateman, Virginia First Cities
Joe Lerch, VACO
Yoti Jabri, LZA for Prince George County
Leslie Litton, representative for Lee County
Stacey English, representative for Dinwiddie County
Victoria Hanson, representative from Amherst County

MEETING MINUTES

POWERPOINT PRESENTATION

Tory McGowan (TM) led the group in introductions, reviewed the agenda, and gave an overview of House Bill 2163. He introduced two new participants to the group, Leslie Litton from Lee County, and Stacey English from Dinwiddie County, both who represent localities that currently do not have an Enterprise Zone.

Sara Dunnigan (SD) reviewed why the group is completing this work and what the group has been tasked with to complete-to review the utilization of currently designated zones and to make recommendations on renewals and terminations. She reminded us that the report for the work group is due by November 1st to the General Assembly.

Mandy Archer (MA) reviewed the designation criteria for localities to become designated Enterprise Zones, which is a provision in the Code of Virginia. She then reviewed the criteria for zone renewals.

TM reviewed the provision of the Code of Virginia regarding Enterprise Zone expirations and terminations. He then discussed VEDP's proposed bill that would have made DHCD and VEDP's definitions of distress and double-distressed uniform. Aileen Martz (AM) provided more details regarding the factors utilized to measure distress and double-distress. TM reviewed the initial period of time for designation and renewals.

FACILITATED DISCUSSION

SD asked the group why do they think there is an Enterprise Zone program and what is it designed to do? She facilitated discussion about the number of distressed areas in Virginia and the resources available. SD reviewed the issue of changing the number of zones and extending the amount of time zones can renew.

Greg Hitchin (GH) suggested that to eliminate the applications, if a locality or community meets the definition of distressed or double-distressed, then it would automatically qualify. The locality or community could be an EZ until it's no longer distressed or double-distressed. How much acreage would qualify?

Laura Bateman (LB) stated that it's an interesting idea. Some of the VA First Cities members that are urban, the poverty rate information and fiscal distress is complicated, as it is everywhere. There are census tracts that you can get that granular poverty rate that's off the charts. She added that the distress criteria of free and reduced lunch is important within VA First Cities because the cities tend to have large numbers of students receiving free and reduced lunch, but in the current environment that program is going away; moving forward, is that a valid method to use?

Joe Lerch (JL), referring to Greg's thought/idea, he brought up that under current code the locality is responsible for local incentives and that would have to be part of it if localities were automatically considered as zones based solely on distress.

Yoti Jabri (YJ) asked if we have looked at other states that have a similar model to the EZ and what they do. TM responded that we have not recently and that most are similar to the old tax credit program, which is a different model than what we currently have.

Appendix 3

John Kilgore (JK) stated the EZ is very effective in rural counties. On a major project with a large investment the match for COF might be $500,000 and a small county would have to borrow money to come up with that match and EZ allows them to have something else to offer. SD agreed that's a good example of the importance of EZ.

Samantha Bagbey (SB) said that in Danville they use EZ mainly for their smaller projects that are not investing enough to trigger larger state incentives, but are eligible for EZ. She's concerned about making the zone designation solely based on distress because there could be a time when a locality like Danville, which is growing, is no longer distressed but still needs the EZ incentives as an option.

SD responded that the hope is that the EZ program incentivizes enough private investment that you move out of those levels of poverty and unemployment, which is a good thing. Usually investment follows investment, but it's a good observation about the small projects. TM added that we have survey data to review before we have further discussion.

POWERPOINT PRESENTATION OF SURVEY DATA

Kate Pickett Irving (KPI) reviewed the survey data, which included both quantitative and qualitative information. She reviewed the information regarding the sample size and target audience, as well as the demographics of the respondents. She reviewed more survey data, including quotes from respondents. MA also reviewed survey questions and results.

FACILITATED DISCUSSION

KPI: What changes should be made to designation and scoring?

TM reminded everyone that the code currently mentions free/reduced lunch as part of the distress score for designation.

GH feels that the 50% ratio used as scoring criteria is ok. He does think we need to look at the definition of distress and consider making the distress scoring criteria the same as VEDP.

LB stated that free and reduced lunch is vitally important to VA First Cities' urban localities and something that can be decided down the road. She recommends evaluating the free and reduced lunch criteria.

Appendix 3

KPI: Does anyone else think the distress score should be same as VEDP for more congruency?

Kendra Hayden (KH) agrees it needs to be more congruent.

SB agreed via chat that the scoring needs to be same.

Alicia Cundiff (AC) agreed that distress scoring should align with other programs at VEDP.

YJ agreed via chat.

Aileen Martz (AM) stated the more we can align the distress criteria among programs the easier it is to determine what programs are available. She agrees that the 50/50 designation scoring criteria is fine the way it is. AM Is not sure how she feels about distress including percentage of students receiving free or reduced lunch and suggested switching to a poverty rate percentage which aligns with other incentive programs.

KPI: Does anyone have a different opinion on the designations criteria scoring (specifically the 50/50 split of narrative and distress) or does anyone want to say anything different about this application criteria?

AC was surprised to see that Roanoke is in the same bucket as Richmond and Newport News regarding rural, micropolitan, and metropolitan. Where do those categories come from? KPI stated that these come from the US Census bureau population designations, and she mentioned that in the survey we did receive a few suggestions of incorporating a "per capita" metric system for categorizing. AC stated that at time her concern was they were "competing" against larger metropolitan areas and when talking about those categories they are so broad. KPI stated that we can visit that again in the future.

TM stated that the renewal scoring is an administrative process, not through code.

KPI: What changes should be made to renewal criteria?

KPI shared current factors and survey results. KPI reviewed the distress scoring and asked again if it should align with VEDP? KPI opened the discussion to talk about various sections of the renewal process and how they are weighted.

LB stated in the chat that the scoring system seems fair.

Appendix 3

GH stated the bonus points perplex him a little, but his locality (as an LZA) typically scores high. Overall, he thinks it makes sense.

KPI explained the thought and rationale about bonus points.

Victoria from Amherst County feels like the distress should be weighed a little higher.

KH states overall she agrees with how the layout of scoring works well but she agrees that the distress score could be a little bit heavier weighted just because the need is probably higher in those distressed communities, but the scoring works as it is.

Maddie Hool (MH) added in the chat that she thinks the higher weight/importance on the narrative makes sense for renewals specifically, especially if there was low incentive utilization during that timeframe.

KPI: How often should zones be required to renew?

AC felt that it should be every 10 years because 5 years is short.

Victoria – as someone that has never had a zone does the shorter renewal period provides an opportunity for those that have not had a zone to potentially get a zone designation. She understands it is a lot of work but as a double distressed community that would like to have an EZ, she feels that the shorter renewal may give more opportunity for a new locality to have a chance to go for an enterprise zone designation.

KPI responded that we do talk about whether zones should be able to be decreased by attrition or if the number of zones should be increased.

KPI – is there anyone that thinks 5 years is a good amount of time for renewal or if that time is too short?

KH feels it is too short purely for the fact that lifecycle of projects can take a lot of time to come to fruition.

GH agrees it is too short but likes the perspective that renewing, terminating, disqualifying allows additional zones but it is a lot of work on both sides to do the renewal every five years.

LB wondering if there is a medium between 5 and 10 years that might seem suitable or palatable.

Appendix 3

TM asked the group if a seven-year renewal seems fair and LB agreed that it seemed more suitable.

AM wanted to throw out that she isn't sure if just having a designated time-period for the zone would be better rather than having the renewal to allow for more churn for zones. Then you automatically must reapply for a zone – would that work – to get more churn on zones. If you must reapply for the designation after 10-15-20 years, then you must reapply instead of incremental 5-year renewals.

TM mentioned that if you make all your renewals the zone is designated for 34 years. Originally it was 20 years with no renewals unless it was terminated for no usage or not providing local incentives. Even though it is not specifically stated it is important for us to look at it and should the potential designation of a zone stay in the 34-year cycle or should it be backed to 20-25 years. TM realizes that it may require some currently designated localities to apply for a new designation.

KPI: This leads to the next question. Do we think the 34-year designation is too long or should it be reduced?

AM thinks 34 years is an extremely long time to have a zone, but she does not think they would want it shorter than 20 years.

AC doesn't think this is too long because if you are a double distressed community it is going to take time for business to be able to utilize those incentives. It will take time for businesses to get the working capital and make improvements in the community. Some projects take several years before they are eligible to apply for incentives.

KH agrees with AC and stresses that in stressed and double distressed communities that private investment is extremely difficult and getting information to people who want to invest into the community and getting them agreeable to those incentives takes time. Even though 30 years seems like a long time, in a rural community it takes an extreme amount of time for trust and interest to be built.

GH agrees that if you are distressed there is a ramp up period. In his area they are building an industrial park in the zone and that takes about 15 years if going from zero to a viable industrial park and under current rules that is what you need to do.

TM reminded everyone that even if the designation is 20 years, after that amount of time you can apply for redesignating provided there is availability of zone designations.

Appendix 3

SB asked if there is consideration for projects that take a long time and are in the pipeline, so it doesn't look like the zone is not being utilized but instead consideration on knowing what is coming. Is that an option? KPI responded that in the annual report we do have a location for you to talk about upcoming projects, and we believe it is in the renewal application as well. Other localities have talked about that in their reports, and this shows that it is important to have the narrative sections so localities can bring up long term projects and other important information.

GH added that as projects take time and as an example you have been talking to a company/investor for 5 years about a project and they don't sign until after your zone has expired then there should be some way to cover that and take it into consideration.

TM did share that if a company is in the zone and receiving JCG but your zone goes away then the company can still apply for JCG for the remainder of their eligible years. But RPIG is different and if you lose your zone, they but the company doesn't get a COO until next year then they will be out of luck.

AC wanted to make sure we mentioned this about renewals and terminations—have we talked about if a locality has moved from distressed or double distressed to no longer distressed, would they no longer be eligible for a zone?

TM responded that under current rubric for renewal the distress is 100 points out of 400 so a locality could still receive enough points on the narrative and bonus points to qualify for renewal. That is when having the designation, a lower number than 34 years will be helpful. It is possible that after 20-25 years the locality can go to no longer distressed. At that point they could reapply but the distressed is a higher scoring weight in designation level. TM did acknowledge that some individuals mentioned increasing the distress score weight in the renewal side of the process.

Victoria (Amherst County) did ask if there is a possibility of localities adjacent to the current zone being able to join the existing zone. TM did respond that there is language to that in the code that allows it under certain circumstances. Maybe a consideration is allowing joint zones to be approved but it would need to happen during a renewal process and if they meet the criteria of a joint zone along with getting approval and buy-in from the existing zones. The proposed joint zone will need to have a common area or connection such as a RIFA or jointly funded area. They would need to do it at renewal and if meets criteria of a joint zone along with approval and buy in of that locality that you want to join, along with a common area or connections such as RIFA or jointly funded area.

KPI thanked everyone for their time and participation. We will get information out to everyone. Meeting closed.

Appendix 3

Virginia Enterprise Zone Program Work Group Session #3
Thursday, August 28, 2025, from 1:00PM-2:30PM
TEAMS Virtual Meeting

IN ATTENDANCE

Sara Dunnigan, DHCD
Tory McGowan, DHCD
Mandy Archer, DHCD
Kate Pickett Irving, DHCD
Chase Sawyer, DHCD
Amy Fottrell, DHCD
Aileen Martz, VEDP
Greg Hitchen, VEDA President & LZA for Waynesboro
Alicia Cundiff, LZA for Roanoke
Samantha Bagbey, VML & LZA for Danville
Madison Hool, LZA for Newport News
John Kilgore, LZA for Scott County
Sheila Scott, LZA for Henry County
Laura Bateman, Virginia First Cities
Joe Lerch, VACO
Yoti Jabri, LZA for Prince George County (left early)

MEETING MINUTES

POWERPOINT PRESENTATION

Tory McGowan welcomed the group and reviewed the agenda. He shared that the original plan was for this to be the last meeting, but we may need to have one more after the draft recommendations can be shared with the group to allow for final questions and comments.

Appendix 3

Mandy Archer reviewed the purpose of the group and items outlined in House Bill 2163. She then reviewed the designation criteria and number of allowed zones under the program guidelines.

Kate Pickett Irving reviewed the renewal criteria in the Virginia Code, explaining that zones designated before July 1, 2005, may receive two five-year renewals, while those designated after that date may receive four five-year renewals. All zones also receive an automatic four-year extension. Tory McGowan clarified that this results in a maximum of 34 years of designation for all zones.

Kate Pickett Irving then explained the termination criteria: zones must be terminated if localities are unwilling or unable to provide local incentives, or if no businesses qualify for incentives within five years. Tory McGowan provided historical context, noting that the original program allowed for 30 zones with a 20-year limit. Legislative changes in 2019 and 2024 extended zone durations, delaying attrition and pushing new designation availability to 2038.

FACILITATED DISCUSSION

Gregory Hitchin asked about joint zones, and Tory McGowan explained that they must be contiguous and involve shared revenue mechanisms. Sara Dunnigan noted that legislative extensions have disrupted the intended attrition process, and the group must now consider how to move forward responsibly.

Tory McGowan discussed a proposal to increase the number of zones from 30 to 40 or 50 and reduce the designation period to 21 years (three 7-year terms). He explained that this would allow for new designations while requiring some current zones to reapply. Alicia Cundiff expressed concern about retroactive application and the competitive nature of reapplying. Sara Dunnigan reminded the group that enterprise zones were never meant to be permanent and were designed to support communities temporarily.

Laura Bateman added that while enterprise zones help, they are not a cure-all for fiscal distress. Tory McGowan noted that only one locality (a county, not on the call) would be ineligible under the proposed new distress definitions. Sheila Scott asked how the 21-year limit would affect zones up for renewal this year, and Tory McGowan explained that new legislation would likely override previous renewals.

Appendix 3

Joe Lerch raised concerns about funding, and Tory McGowan shared that the current budget is $14.75 million, with an additional $9 million in unspent funds. Gregory Hitchin and Alicia Cundiff supported including a funding trigger in the recommendations to ensure adequate resources if the number of zones increases. Sara Dunnigan emphasized the strong return on investment from the program. Tory McGowan reminded everyone that the 2025 legislation did add a third tier of funding to the RPIG program.

Gregory Hitchin and Alicia Cundiff noted that there are over 90 distressed or double-distressed localities, but only 45 zones, highlighting the need for more designations. Tory McGowan explained that joint zones can include multiple localities and are counted as one zone.

Discussion shifted to renewal and termination criteria. Tory McGowan proposed that zones no longer meeting distress criteria be terminated at renewal. Gregory Hitchin and others supported this, but Joe Lerch requested more data before agreeing. Aileen Martz asked about joint zones losing members, and Tory McGowan clarified that only the non-qualifying locality would lose its designation.

Sara Dunnigan and Gregory Hitchin discussed whether termination should occur mid-cycle or only at renewal. The group leaned toward requiring three consecutive years of non-distress before termination. Alicia Cundiff and Aileen Martz raised concerns about penalizing zones with low utilization, especially in highly distressed areas. Sara Dunnigan suggested considering local effort and intent in promoting the zone.

The group discussed delaying implementation of the 21-year limit until 2028 to give localities time to prepare. John Kilgore and Sheila Scott expressed concern about losing zones too soon, especially when they are actively working on projects. Sara Dunnigan acknowledged the need for a smoother transition and suggested including historical utilization in future designation scoring.

The meeting concluded with agreement to draft a framework and reconvene in mid-to-late September. Tory McGowan and Sara Dunnigan committed to providing data on affected zones and joint zone structures. The group thanked DHCD staff for their work and agreed to continue refining recommendations before the November 1 deadline.

Meeting closed.

Appendix 3

Virginia Enterprise Zone Program Work Group Session #4
Thursday, October 16, 2025, from 1:00PM-2:30PM
TEAMS Virtual Meeting

IN ATTENDANCE

Sara Dunnigan, DHCD
Tory McGowan, DHCD
Mandy Archer, DHCD
Kate Pickett Irving, DHCD
Chase Sawyer, DHCD
Aileen Martz, VEDP
Greg Hitchen, VEDA President & LZA for Waynesboro
Alicia Cundiff, LZA for Roanoke
Madison Hool, LZA for Newport News
Mallory Butler, City of Newport News Economic Development Manager
Sheila Scott, LZA for Henry County
Laura Bateman, Virginia First Cities
Victoria Hansen, Amherst County

MEETING MINUTES

POWERPOINT PRESENTATION

Tory McGowan welcomed the group and reviewed the agenda. He reminded everyone that the draft report was emailed for review. Following the short presentation and review of recommendations we will have time for comments and discussions from work group members.

Mandy Archer reviewed the purpose of the group and items outlined in House Bill 2163. She then reviewed the current regulations and work group recommendations gleaned from previous meetings for zone utilization and zone renewals, criteria and number of allowed zones under the program guidelines.

Appendix 3

Kate Pickett Irving reviewed the current regulations and recommendations for termination of zones. She also reviewed additional considerations being provided in the report regarding number of zone designations available.

FACILITATED DISCUSSION

Tory began the discussion by asking the following questions.

1. Does the report reflect the discussions we had as a work group? Is there anything we may have missed that is not included in the report?

Laura Bateman does think it reflects the discussions and acknowledges it does reflect the discussion, but noted that Virginia First Cities sees an issue with the definitions and wants to discuss that when being reviewed.

Victoria Hansen could not attend the second work group meeting but did share concern that even as a double-distressed community the opportunity for a new zone designation is 12-13 years and that feels so long away. Tory McGowan did confirm that under the current code the next opportunity to become a zone will be a significant amount of time but after looking at the items we were tasked with addressing there was not a specific question about length of zone designation, so it is something that was included as part of the report's additional considerations in the work group report. Sara Dunnigan did state Victoria made a great point but it was core to the discussion so it is incorporated into other considerations so legislators may consider updating legislation to allow up to a certain number of zones at any given time. She also noted we understand the work group did have concerns if zones were increased, they want to make sure the resources are available to support the number of zones.

Greg Hitchin brought up the section of renewals and time periods and clarifying that we are not making any recommendations for changes to that renewal time frame. Tory stated it was clear from the work group that reducing the current version of the zone designations was not supported. The only recommendation we are looking to make is to reduce the 4-year extension that was put in accidentally in the adopted bill. This will give designated localities 30 years instead of 34 years if they meet all the renewal requirements. Greg clarified he was discussing the 5-year renewal time period. It is mentioned it in the report, but it does not clarify if any decision has been made. Tory did bring it up for discussion. Should we continue with the current zone designation and renewal time periods of initial 10 years and renewal every 5 years according to the code versus the proposed 7 year renewal periods? Sara Dunnigan clarified that the 7-year renewal period was up for discussion when there was a proposal on the table about changing the maximum designation for each zone to 21 years. That proposal was not something supported by the work group. It is a discussion for the work group if they feel like 5 years is still a sufficient timeline for renewals. Five years seems to be a good time period that a community can move from distressed to not distressed. While we do not want the renewal process to be an administrative burden we welcome feedback from the group. Victora Hansen shared that for those that aspire to be an enterprise zone, it makes it harder to become one when the designations and renewals are longer times. She went on to share that keeping those renewals shorter can allow opportunity for other localities to receive an enterprise zone designation.

Sheila Scott asked for clarification on the recommendation of renewal period and when renewals take place after initial designation. Tory clarified zones receive their initial 10-year designation and then they are required to apply every 5 years until it's expiration.

Victoria Hansen shared her thoughts on trying to make the legislation more flexible to allow new legislation to allow for joint zones for localities that are adjacent to a current zone.

Greg Hitchin suggests that we update the paragraph in the report that addresses the renewal extensions because currently it seems to be an unfinished thought. Sara Dunnigan provided suggested verbiage to the work group and received consensus from everyone to add some language about the longer renewal was suggested but the shorter renewal allows more oversight.

2. Are these recommendations generally reflective of the discussion in those areas the workgroup was directed to review?

To help review the recommendations we brought the slides back up. Mandy reviewed all the points on the slide. We went to the renewal slide to discuss recommendations.

Laura Bateman shared Virginia First Cities has dissent on the definition of "distressed" and "double-distressed" definitions under the VEDP Commonwealth Opportunity Fund. Based on their research they do not want current enterprise zone localities to lose their designation if they are not distressed. The fiscally distressed factors of those localities may be on other criteria that is not based on unemployment and poverty rates. After discussions among work group members, it was determined that we will remove the reference to VEDP Commonwealth Opportunity Fund and instead list the methodology using unemployment and poverty rates to determine distress or double distressed.

Appendix 3

As a reminder, there are two factors that determine "distress" and/or "double-distressed," including the locality has an annual unemployment rate greater than the corresponding statewide average unemployment rate as of the most recent calendar year for which such data is available and the locality has a poverty rate that exceeds the corresponding statewide average poverty rate as of the most recent calendar year for which such data is available.

If a locality does not meet either of these requirements, it is considered "not distressed." If it meets one of these requirements, it is considered "distressed." If it meets both requirements, it is considered "double-distressed."

3. Did we accomplish our mission?

Tory shared that we will take these comments and make some additional edits to the report, so they are included.

Greg Hitchin asked for more information about request to remove the 4-year extension that was added to the last bill and clarifying the number of zones versus the number of zones a Governor can designate.

Tory McGowan & Sara Dunnigan shared that there were conflicting bills because the bills were not reconciled prior to being sent to the Governor for signature. The bill that was signed added the additional four years of designation.

Greg Hitchin also suggested the report highlight information about the return on investment of the program for private investment.

Alicia Cundiff shared that she would not be able to provide consensus on removing the 4-year extension as a recommendation. When they read the report both she and the director had concerns. They may need to talk to the City Manager for input. Alicia will be happy to provide a letter with her comments but wants to share this with the work group members today.

Sheila Scott asked for clarification about the potential shortened designation times and how that will impact existing or incoming businesses. Does the report provide any language that will protect a locality from losing their designation sooner than what is currently in code. Tory did state that this only applied when the discussion arose about shortening the designation time to 21 years. The current recommendations are to remove the 4-year added extension which still allows all current zones to have their designation until 2030.

Appendix 3

Alicia Cundiff did ask for information about the reconciliation of bills. Tory reviewed the process of the bill signing and which bill was signed. Our staff was surprised when the bill was signed that added the 4-year extension. Chase Sawyers did state it was something that got missed with no additional context.

Tory McGowan thanked everyone for their time and participation. If anyone wants to provide a letter of comment, we need to receive them by close of business on Monday, October 20, 2025. Those letters will be included in the full packet that will be put together and sent to the Governor's office for review prior to being submitted to the money committee prior to the November 1st deadline.

Laura Bateman stated she will update the letter after reviewing the changes in the recommendations.

Sara Dunnigan said we will send out an updated report to the entire work group as soon as possible for final review.

Meeting closed.

Appendix 4

Statements and Comments

Email Statements

Given the nature of joint zones as regional, geographic partnership agreements, VACo does not support the automatic termination of one of the partners (and their geographic boundaries) from the zone due to them not meeting one or more of distress factors at the time of renewal.

Also, thanks again for the draft report. We are continuing to review with our members, particularly as it relates to all the legislative recommendations.

Regards,

Joe Lerch
VACo Director of Local Government Policy
Office - 804-343-2503
Mobile - 804-640-5615

October 20, 2025

Enterprise Zone Work Group (HB2163 – 2025)
Virginia Department of Housing and Community Development

On behalf of the more than 650 members of the Virginia Economic Developers Association (VEDA), we appreciate the opportunity to have been a part of the Enterprise Zone Work Group as defined in HB2163 (2025).

The Enterprise Zone program is a critical program that has benefited our member communities, both urban and rural, revitalize distressed areas. We encourage opportunities for expansion of the designations and fair and complete evaluation of existing zone designations.

VEDA supports the refinement of the program, and we look forward to working with our members to gain consensus on any future legislation.

Thank you for providing the opportunity to provide feedback.

Sincerely,

Gregory E. Hitchin, CEcD
President, VEDA
City of Waynesboro Economic Development & Tourism

Connie W. Long
Executive Director, VEDA

869 Lynnhaven Parkway, Suite 113, #264 \ Virginia Beach, Virginia 23452
757.412.2664 \ www.GoVEDA.org \ VEDA@associationbuilders.com

newport news BUILT ON BREAKTHROUGHS

Department of Development
City of Newport News
2400 Washington Avenue, 3rd Floor
Newport News, VA 23607

October 20, 2025

Mr. Tory McGowan
Virginia Department of Housing and Community Development
600 E Main Street, Suite 300
Richmond, Virginia 23219

RE: Letter of Support- Enterprise Zone Work Group Recommendations

Dear�

On behalf of the City of Newport News Department of Development, I am writing to express our support for the Enterprise Zone Work Group's Findings and Recommendations report prepared in response to House Bill 2163 (HB2163).

The Virginia Enterprise Zone (VEZ) Program is an essential driver of economic growth within Newport News and across the Commonwealth. Through the combination of state and local incentives afforded by the VEZ Program, our City has been able to attract and retain businesses, encourage redevelopment, and create quality jobs for residents.

The thoughtful analysis and recommendations presented in the Work Group's report reflect a deep understanding of both the challenges and opportunities localities face in utilizing and sustaining VEZs. In particular, Newport News is supportive of the proposed updates to the zone renewal and termination processes,

The City of Newport News values our partnership with DHCD and is appreciative of DHCD's efforts to enhance the VEZ program and leadership in supporting local economic development *efforts.* We appreciate the opportunity to provide input throughout this process and look forward to our continued partnership.

Sincerely,

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Florence G. Kingston
Director

FGK:mlh
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ROANOKE
OFFICE Of THE CITY MANAGER
Noel C. Taylor Municipal Building
215 Church Avenue, SW, Suite 364
Roanoke, Virginia 24011
540.853.2333
www.roanokeva.gov

October 20, 2025

Department of Housing and Community Development
Attn: Sara Dunnigan, Deputy Director of Economic Development and Community Vitality
600 E Main Street, Suite 300
Richmond VA 23219

Re: HB 2163 Enterprise Zone Legislative Workgroup

Ms. Dunnigan,

Thank you for the opportunity for the City of Roanoke to participate in the Enterprise Zone legislative workgroup the past several months. The City of Roanoke's Enterprise Zone is a vital part of our economic development attraction and retention efforts.

We would like to express our concerns with one of the legislative recommendations coming from the workgroup: "Revise State Code to remove additional 4-year extension that was added in the 2024 General Assembly Session."

While we understand DHCD's desire to clean up state code for administrative purposes, the City of Roanoke does not support removing the four-year extension from its Enterprise Zone designation, as this extension is already codified into law and the current expectation of not only the City of Roanoke, but the other forty-four Enterprise Zones across the Commonwealth.

We respectfully request that state code remain as is, which states, "Notwithstanding any provision to the contrary, any enterprise zone in effect as of June 30, 2024, shall be extended for an additional four-year period, in addition to any renewal periods provided by this section." (§ 59.1-542. Enterprise zone designation.)

Thank you,

Valmarie H. Turner
City Manager

SMYTH COUNTY ECONOMIC DEVELOPMENT

Smyth County Economic Development Authority
121 Bagley Circle, Suite 100
Marion, Virginia 24354

October 20, 2025

Department of Housing & Community Development
Virginia Enterprise Zone Program
600 East Main Street, Suite 300
Richmond, VA 23219

To Whom It May Concern:

On behalf of Smyth County, I am writing in strong support of the Enterprise Zone Workgroup and the recommendations proposed to strengthen and expand Virginia's Enterprise Zone program.

The Enterprise Zone program remains one of the most impactful tools available for encouraging private investment and supporting business growth, particularly in rural communities like Smyth County. These incentives have directly supported job creation, infrastructure reinvestment, and redevelopment of underutilized properties across our region. For localities with limited fiscal resources, the program serves as an essential bridge between community readiness and private-sector opportunity.

I strongly support the recommendation to allow additional Enterprise Zones to be designated through legislative change. While this may cause some level of proration, recent years have shown consistent evidence of unspent funds remaining within the program. Expanding eligibility would not diminish existing opportunities, it would simply allow both established and emerging communities to participate in economic growth.

It is also critical that zones are not terminated solely due to a lack of recent usage. Rural communities often face time and staffing constraints that limit their ability to educate businesses and developers within the short window allowed prior to renewal. Economic development is a long game built on sustained effort, relationship development, and incremental progress and the incentives that support it should align with that pace.

The Enterprise Zone program is a proven, practical tool that continues to deliver real results in rural Virginia. Implementing the Workgroup's recommendations will allow the program to evolve responsibly, ensuring that communities like Smyth County can continue leveraging its benefits while new areas gain access to the same opportunities for growth.

Sincerely,

Kendra Hayden

Director of Community & Economic Development
Local Zone Administrator, Smyth County

Appendix 5

Enterprise Zone Designations and Expirations (September 2025)			
Locality	Zone #	Designation Year	Expiration Date
Charlotte County | Lunenburg County | Prince Edward County	48	2000	12/31/2033
Dickenson County | Town of Clintwood | Town of Haysi	49	2000	12/31/2033
Lancaster County | Northumberland County | Richmond County | Westmoreland County | Town of Kilmarnock | Town of Warsaw	50	2000	12/31/2033
Washington County | Town of Chilhowie | Town of Glade Spring	51	2000	12/31/2033
Alleghany County | Town of Covington | Town of Clifton Forge	53	2001	12/31/2034
Henry County | Town of Martinsville	54	2001	12/31/2034
Lunenburg County | Town of Kenbridge | Town of Victoria	55	2001	12/31/2034
Pittsylvania County | City of Danville	57	2001	12/31/2034
Patrick County | Town of Stuart	22	2002	12/31/2035
City of Richmond | Henrico County	28	2003	12/31/2036
City of Danville	1	2004	12/31/2037
City of Lynchburg (Zone 1)	2	2004	12/31/2037
City of Newport News (South)	3	2004	12/31/2037
City of Roanoke (Zone 1)	5	2004	12/31/2037
Town of Saltville | Smyth County	6	2004	12/31/2037
ZONES DESIGNATED UNDER THE 2005 EZ GRANT ACT			
Locality	Zone #	Designation Year	UPDATED w/ 4 yr extension
City of Hampton (Urban)	8	2005	12/31/2038
City of Hopewell	9	2005	12/31/2038
City of Petersburg	10	2005	12/31/2038
Wythe County	11	2005	12/31/2038
Town of Bedford	12	2005	12/31/2038
City of Waynesboro	14	2008	12/31/2041
Halifax County	15	2008	12/31/2041
Wise County | City of Norton	52	2008	12/31/2041
City of Franklin | Southampton County | Isle of Wight County	18	2010	12/31/2043
City of Portsmouth	4	2010	12/31/2043
Prince George County	16	2010	12/31/2043
City of Staunton	17	2010	12/31/2043
City of Norfolk	7	2010	12/31/2043
Pittsylvania County	24	2010	12/31/2043
Greensville County | City of Emporia	43	2013	12/31/2046
City of Richmond	19	2013	12/31/2046
City of Portsmouth	20	2014	12/31/2047
City of Winchester	21	2014	12/31/2047
Scott County	23	2014	12/31/2047
City of Radford | Pulaski County	25	2014	12/31/2047
Accomack County | Northampton County	26	2015	12/31/2048
Carroll County | Grayson County | City of Galax	27	2015	12/31/2048
City of Bristol	29	2015	12/31/2048
Page County	30	2015	12/31/2048
City of Newport News	31	2015	12/31/2048
Mecklenburg County | Brunswick County	32	2016	12/31/2049
City of Hampton (HRC)	35	2016	12/31/2049
City of Martinsville | Henry County	36	2016	12/31/2049
Tazewell County	44	2016	12/31/2049
City of Lynchburg	46	2016	12/31/2049
Contact Information: **KP Kate Pickett**		**Phone:** (804) 370-2137	katherine.pickett
MA Mandy Archer		**Phone:** (804) 371-7113	mandy.archer@

Appendix 6 - Zone Utilization Chart

Zone Information					Number of Grants Per Year					Summary of 2024 Grants	
Zone #	Community	Acreage	Designation	Expiration	2024	2023	2022	2021	2020	Total Amount of Grant Funding	Percent of Total Amount
48	Charlotte County	773	2000	2033	0	0	1	0	0	$0.00	0.00%
	Lunenburg County	405			0	0	0	0	0	$0.00	0.00%
	Prince Edward County	2,859			2	0	1	0	3	$153,143.24	1.12%
49	Dickenson County	3,645	2000	2033	0	0	0	0	0	$0.00	0.00%
	Town of Clintwood	237			1	0	1	0	0	$200,000.00	1.46%
	Town of Haysi	163			0	0	0	0	0	$0.00	0.00%
50	Town of Warsaw	961	2000	2033	1	1	2	1	4	$100,000.00	0.73%
	Lancaster County	3,696			1	0	0	0	1	$100,000.00	0.73%
	Northumberland County	2,496			1	1	0	1	0	$100,000.00	0.73%
	Richmond County	1,140			1	0	1	0	0	$73,004.13	0.53%
	Westmoreland County	3,786			4	1	3	2	2	$342,954.94	2.51%
	Town of Kilmarnock	374			1	3	1	3	0	$70,495.72	0.51%
51	Smyth County	3,572	2000	2033	3	2	3	4	2	$215,455.80	1.57%
	Washington County	3,594			5	6	4	2	1	$509,944.00	3.73%
	Town of Chilhowie	505			0	0	0	0	0	$0.00	0.00%
	Town of Glade Spring	289			0	0	0	1	1	$0.00	0.00%
53	Alleghany County	3,608	2001	2034	1	0	1	2	0	$17,949.83	0.13%
	Town of Clifton Forge	246			0	0	0	0	1	$0.00	0.00%
	City of Covington	639			1	0	0	0	3	$84,436.95	0.62%
54	Henry County	2934	2001	2034	2	5	2	1	2	$292,655.00	2.14%
	City of Martinsville	527			0	1	0	0	2	$0.00	0.00%
55	Lunenburg County	364	2001	2034	0	0	0	0	0	$0.00	0.00%
	Town of Kenbridge	310			1	2	1	0	0	$100,000.00	0.73%
	Town of Victoria	220			0	0	0	0	0	$0.00	0.00%
57	Pittsylvania County	3,428	2001	2034	2	4	5	3	4	$117,892.00	0.86%
	City of Danville	1,608			2	3	4	4	3	$98,888.00	0.72%

Appendix 6 - Zone Utilization Chart

Zone Information					Number of Grants Per Year					Summary of 2024 Grants	
Zone #	Community	Acreage	Designation	Expiration	2024	2023	2022	2021	2020	Total Amount of Grant Funding	Percent of Total Amount
22	Patrick County	3,621	2002	2035	1	2	1	0	0	$9,610.00	0.07%
	Town of Stuart	176			0	0	0	0	0	$0.00	0.00%
28	City of Richmond (North)	3,588	2003	2036	7	13	11	15	22	$719,049.00	5.25%
	Henrico County	3,811			6	20	17	13	17	$334,959.60	2.45%
1	City of Danville	1,911	2004	2037	5	4	3	7	8	$348,693.34	2.55%
2	City of Lynchburg	2,198	2004	2037	10	8	5	10	11	$984,881.60	7.19%
3	City of Newport News	3,839	2004	2037	10	24	4	10	15	$1,198,870.25	8.76%
5	City of Roanoke	1,904	2004	2037	7	2	6	7	11	$690,332.05	5.04%
6	Smyth County	619	2004	2037	0	0	0	0	0	$0.00	0.00%
	Town of Saltville	357			0	0	0	0	0	$0.00	0.00%
8	City of Hampton	3,233	2005	2038	5	4	3	3	3	$425,969.58	3.11%
9	City of Hopewell	2,183	2005	2038	0	2	1	2	2	$0.00	0.00%
10	City of Petersburg	922	2005	2038	3	3	2	2	1	$400,000.00	2.92%
11	Wythe County	3,421	2005	2038	1	1	1	3	3	$100,000.00	0.73%
12	Town of Bedford	636	2005	2038	4	1	1	0	1	$454,374.90	3.32%
14	City of Waynesboro	608	2008	2041	2	0	0	0	2	$204,832.00	1.50%
15	Halifax County	2,853	2008	2041	3	7	5	5	4	$349,030.00	2.55%
52	Wise County	3,808	2008	2041	0	1	2	1	0	$0.00	0.00%
	Norton	3,687			2	n/a	n/a	n/a	n/a	$112,656.00	0.82%
4	City of Portsmouth	1,468	2010	2043	1	5	5	4	3	$33,277.20	0.24%
7	City of Norfolk	2,371	2010	2043	6	9	7	8	13	$312,255.37	2.28%
16	Prince George County	3,754	2010	2043	1	2	2	2	1	$16,000.00	0.12%
17	City of Staunton	699	2010	2043	2	1	1	2	3	$300,000.00	2.19%
18	City of Franklin	878	2010	2043	0	2	0	2	0	$0.00	0.00%
	Southampton County	3412			0	0	0	0	0	$0.00	0.00%
	Isle of Wight County	2,438			0	0	1	1	1	$0.00	0.00%
24	Pittsylvania County	3,132	2010	2043	0	1	0	0	0	$0.00	0.00%
19	City of Richmond (South)	3,611	2013	2046	8	3	3	6	7	$694,451.93	5.07%
43	Greensville	3,280	2013	2046	0	0	0	0	0	$0.00	0.00%
	City of Emporia	631			1	2	1	2	0	$100,000.00	0.73%

Appendix 6 - Zone Utilization Chart

Zone Information					Number of Grants Per Year					Summary of 2024 Grants	
Zone #	Community	Acreage	Designation	Expiration	2024	2023	2022	2021	2020	Total Amount of Grant Funding	Percent of Total Amount
20	City of Portsmouth	3,659	2014	2047	2	1	2	3	2	$101,656.00	0.74%
21	City of Winchester	607	2014	2047	4	4	2	0	1	$225,039.85	1.64%
23	Scott County	3,133	2014	2047	2	2	2	1	0	$198,310.00	1.45%
25	Pulaski County	3,748	2014	2047	6	3	2	4	3	$637,587.00	4.66%
	City of Radford	1,289			2	2	2	2	4	$129,335.80	0.94%
26	Accomack County	3,361	2015	2048	3	0	0	0	0	$225,562.61	1.65%
	Northampton County	2,993			1	1	2	2	1	$100,000.00	0.73%
27	Carroll County	3,658	2015	2048	0	0	1	0	0	$0.00	0.00%
	Grayson County	1,231			0	0	0	1	0	$0.00	0.00%
	City of Galax	638			0	0	0	1	3	$0.00	0.00%
29	City of Bristol	634	2015	2048	0	3	2	3	4	$0.00	0.00%
30	Page County	2,084	2015		0	0	0	0	4	$0.00	0.00%
31	City of Newport News	3,236	2015	2048	5	6	3	2	2	$503,556.31	3.68%
32	Mecklenburg County	2,738	2016	2049	0	0	1	2	1	$0.00	0.00%
	Brunswick County	273			1	0	1	1	1	$100,000.00	0.73%
35	City of Hampton	3,636	2016	2049	3	2	2	3	2	$275,387.60	2.01%
36	Henry County	3,840	2016	2049	3	4	4	3	4	$316,260.00	2.31%
	City of Martinsville	630			2	0	1	0	1	$200,000.00	1.46%
44	Tazewell County	3,786	2016	2049	1	1	2	2	2	$100,000.00	0.73%
46	City of Lynchburg	2,176	2016	2049	4	5	1	5	4	$209,885.00	1.53%
										$13,688,642.60	100.00%

Appendix 7

Survey Results Summary

As part of our ongoing efforts to gather feedback and assess program impact, a survey was distributed to approximately 100 stakeholders, with a request that each locality submit one response. We received a total of 30 responses by the requested response date, which offered meaningful input and helped guide the discussions and direction of the work group.

1. What is the population size of your locality?

- Metropolitan (≥50,000): 26.67% (8 localities)
- Micropolitan (10,000–49,999): 66.67% (20 localities)
- Rural (<10,000): 6.67% (2 localities)

2. Does your locality currently have an Enterprise Zone?

- Localities with EZ: 73.33% (22)
- Localities without EZ: 26.67% (8)

3. Do you think the number of zones should be increased, decreased (through attrition or denial of renewal) or remain the same? Why?

- Increase: 66.67% (including 5 who said “only if funding increases”)
- Decrease: 3.33%
- Remain the Same: 3.33%
- No Opinion: 6.67%
- Additional Info Needed/N/A: 20%

“Increasing the number of Enterprise Zones would create more equitable access to these vital tools, especially for rural areas like ours.”

Appendix 7

4. What do you think should be the most important factors in determining designation? (Currently, 50% Narrative & 50% Distress Score*)

- Distress Score: 30%
- Narrative: 20%
- Distress + Program Management Ability: 6.67%
- Locality Economic Strategy: 10%
- Local Incentives (mentioned): 10%

5. What do you think should be the most important factors in determining renewal? (Currently, 50% Narrative, 25% Distress*, and 25% Impact Score)

- Narrative: 23.33%
- Impact: 20%
- Distress: 16.67%
- Other: 13.33%
- No Response: 3.33%

"Narrative should remain the most important factor in determining renewal."

6. Do you think zones should be required to complete a renewal process every five years or should there be no renewal requirement after designation?

- Yes (support renewal): 83.33% (6 said >5 years, most suggested 10 years)
- No: 10%
- Other: 6.67%

"A 10-year renewal process would provide enough time for zones to demonstrate meaningful impact."

Appendix 7

7. What are the biggest benefits of having an Enterprise Zone designation? (If your locality is not currently designated, how would designation help your locality with its economic development goals?)

- Competitive advantage
- Attraction of new businesses
- Support for small businesses
- Increased private investment
- Job creation
- Tax base diversification

"The EZ has served as a huge catalyst for development and revitalization in our City."

8. If your locality currently has an Enterprise Zone, do you believe your zone designation is a significant factor in a firm's decision to locate, invest, and/or create jobs?

- Common theme: Enterprise Zone is a factor, but not the only factor
- Often cited as a catalyst or supporting incentive

9. Do you think the current grant levels for the state Enterprise Zone incentives are appropriate for your locality's economic development goals?

- Yes (appropriate): 55%
- No: 25%
- More funds needed: 6.67%
- No response/N/A: 13.33%

"The incentive amounts have not kept pace with inflation."

Appendix 7

10. If your locality does not currently have an Enterprise Zone and designation become available, would your locality be interested and what local incentives would you hope to be able to provide based on your locality's economic development goals?

- Pair with employment credits
- Loan/grant programs
- Permit/utility fee waivers
- Property tax abatements
- Regulatory relief
- Dedicated project manager

* Distress Score is calculated using Commission on Local Government's Fiscal Stress Index + Unemployment +Median Household Income.