

# Virginia Enterprise Zones

## YOUR GUIDE TO GETTING IN THE ZONE

WEBINAR: November 21, 2024



# Today's Presenters

---



Jennifer French, CPA

*Partner,  
Construction & Real Estate  
Team Leader*



Shawn Middleton, CPA

*Partner,  
Enterprise Zone Program  
Leader*

- What is an Enterprise Zone (EZ) and what are the benefits of being located in one?
- Where are the Enterprise Zones?
- Who is eligible to apply for an EZ grant?
- What type of EZ grants are available?
- What are the grant qualifications and timing of the application process?

# Enterprise Zones

---

Enterprise Zones are geographical areas of a county, city or town designated by the governor. Incentives are offered to:

- Encourage construction and renovation in targeted areas of the state.
- Bring new jobs to targeted areas of the state.
- Encourage businesses to relocate to a new area.
- Reward growth and investment in the city.



# Polling Question

Does this impact basis?

# Qualifying for State Incentives

---

- Qualification for the RPIG and the JCG is based on the **calendar year** and administered annually.
- The cash grants are performance-based, therefore the jobs must be created and the real property improvements must be completed in the calendar year **before** the grant applications are submitted.
- Grant applications are always due **April 1<sup>st</sup>** of the year after the calendar year when the real property improvements and job creation are completed.

# Enterprise Zones

Enterprise Zone incentives – two types:

- Real Property Investment Grant (RPIG)
- Jobs Creation Grant (JCG)

Enterprise Zone incentives are available to:

- Owners
- Tenants
- Developers





# Polling Question

What is the deadline again?



# Real Property Investment Grants (RPIG)

# RPIG – Eligible Properties

---

- The property (building or facility) must be located within the boundaries of a Virginia Enterprise Zone.
- The building or facility must be:
  - Commercial (includes office space)
  - Industrial
  - Mixed-use: At least 30% of useable floor space is devoted to commercial, office, or industrial use.
- Facility: A group of buildings, co-located at a single physical location, involved in related operations, under common ownership and management.

A “Qualified Zone Investor” is any entity or individual incurring costs associated with the real property investment that is properly chargeable to a capital account or deductible as a business expense under federal Treasury Regulations, such as

- Property Owners (occupant or non-occupant)
- Multiple Owners: Must coordinate grant request with all other owners of the property.
- Tenant: Tenants making leasehold improvements may apply for the RPIG with the owner’s permission, if the improvements are capitalized on the books of the tenant, and not the property owner.
- Developers

## RPIG – Eligible Projects

---

Minimum investment thresholds:

- Rehab & Expansion: \$100,000 in qualified real property investment
- New Construction: \$500,000 in qualified real property investment
- These thresholds must be met each year a RPIG is applied for, and do not carry over.

Note: thresholds are reduced if solar improvements are involved



# RPIG Qualified Investments

- Hard Construction Costs
  - Structurally Part of the Building/Facility
- Examples of Qualified Real Property Investments (QRPI):

- Carpentry
- Ceilings
- Demolition
- Doors/windows
- Drywall
- HVAC
- Painting
- Plumbing
- Masonry
- Roofing



# RPIG: Ineligible Costs

---

## Examples of Unqualified Investments:

- × Architectural fees
- × Closing costs
- × Capitalized interest
- × Furnishings (window treatments and appliances)
- × Leasing and legal fees
- × Insurance
- × Permits, inspection fees
- × Signage
- × Utilities
- × Utility hook-up fees



# RPIG Application Process

- The Calendar Year the property is Placed in Service determines the eligible Grant Year (GY) for the project. To be eligible for GY 2024 (This Round!), a property must be placed in service during Calendar Year 2024.
  - January 1, 2024 – December 31, 2024
- A copy of the Placed In Service documentation must be submitted with all RPIG applications. Examples include:
  - Final Certificate of Occupancy
  - Final Building Inspection
  - Final Third Party Inspection (Only acceptable if the project does not require any permits!)

# Jobs Creation Grant (JCG)



# Job Creation Grants

Encourages creation of higher quality jobs.

Eligible positions:

- Net new to Virginia
- Over four-job threshold (must create 5 jobs to qualify)
- Permanent full-time positions
- Earn at least 150% of Federal minimum wage (currently \$16.50)
- Offer health benefits
- Must offer to pay at least 50% of employee's premium



# Job Creation Grants

---

Grant is determined by wages of grant eligible positions.

- Up to \$500 per position filled by employee earning at least 150% of federal minimum wage and offered health benefits (125% in high unemployment areas).
- Up to \$800 per position filled by employee earning at least 175% of federal minimum wage and offered health benefits.
- Maximum of 350 grant eligible positions per year.

# Job Creation Grants

- Grant excludes retail, personal service, or food and beverage positions.
- Grant excludes local, state and federal governments, semi-governmental organizations, and **most non-profit organizations**.
- Available for a five-consecutive year term.
- Can start a new five-year term but must reset your base year each five years.



# Agreed Upon Procedures for RPIG and JCG

# CPA Agreed-Upon Procedures

---

- CPA attestation to application information is required by statute §59.1-549.
- The attestation must be performed through DHCD's Agreed-Upon Procedures under the attestation standards established by the American Institute of CPAs.
- The attestation report and documented procedures are used by DHCD when processing & monitoring grants.
- Any discrepancies between Attestations and DHCD findings will be reported to the Board of Accountancy and may require repayment of some or all of the grant award.

# CPA Attestation Requirements

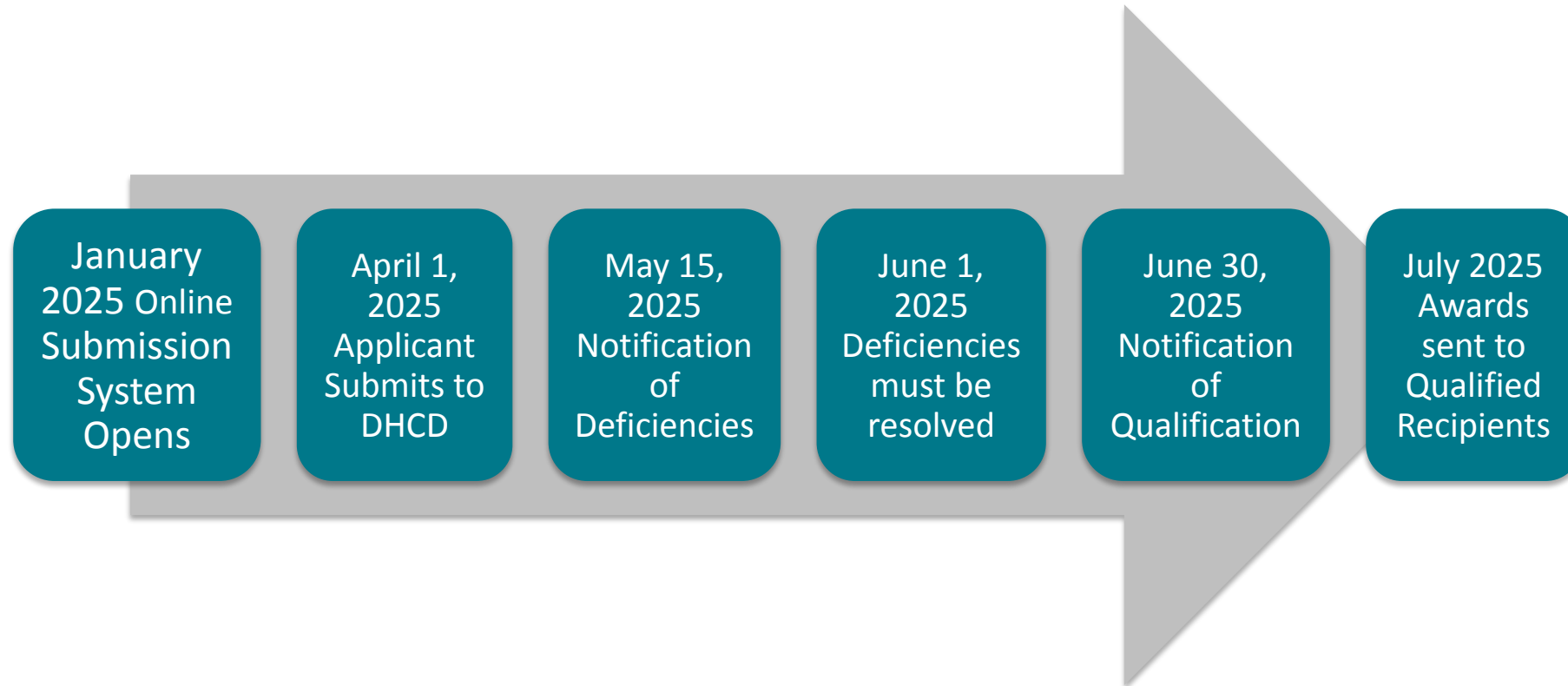
---

- Applications submitted without the Attestation will be considered LATE.
- Late applications will be processed on a first-come, first served basis if funds remain after on-time applications are processed.
- Historically, no late applications are considered, as all allocated funds are typically expended on the initial round of applicants.

# Grant Year 2024 Application Submittal Process

# Grant Year 2024 Timeline

**GY 2024 applications are due Monday, April 1, 2025.**



*\*Source: Virginia Department of Housing and Community Development*



# Enterprise Zones

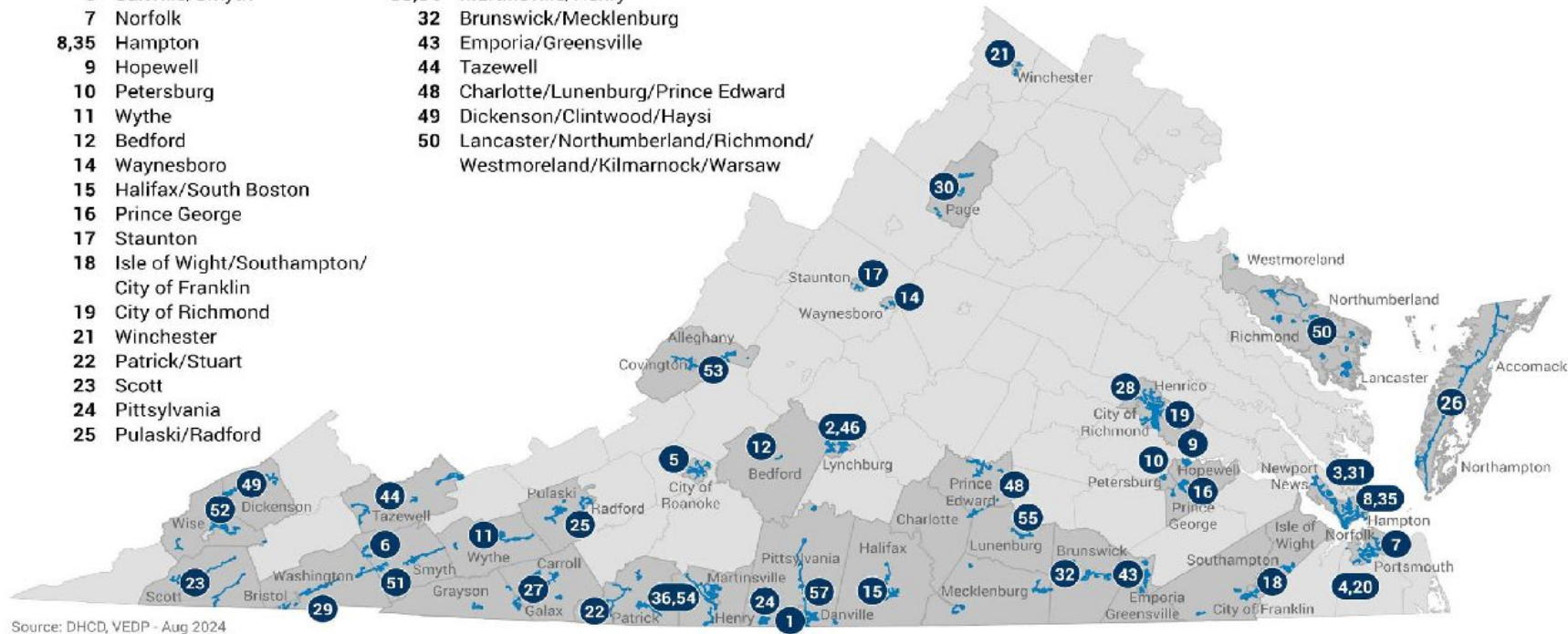
---

- Most localities also offer enterprise zone incentives.
- There is typically no certification needed for local incentives and the incentives vary from locality to locality.
- Examples: real property tax abatement, business license fee refund, utility tax refund

# Enterprise Zones

## Enterprise Zones

- |   |   |  |
|---|---|--|
| 1 Danville  | 26 Accomack/Northampton   | 51 Smyth/Washington/Chilhowie/Glade Spring |
| 2,46 Lynchburg                                    | 27 Carroll/Galax/Grayson  | 52 Wise                                    |
| 3,31 Newport News                                 | 28 City of Richmond/Henrico   | 53 Alleghany/Covington/Clifton Forge       |
| 4,20 Portsmouth                                   | 29 Bristol  | 55 Lunenburg/Kenbridge/Victoria            |
| 5 City of Roanoke                                 | 30 Page   | 57 Pittsylvania/Danville                   |
| 6 Saltville/Smyth                                 | 36,54 Martinsville/Henry  |  |
| 7 Norfolk   | 32 Brunswick/Mecklenburg  |  |
| 8,35 Hampton                                      | 43 Emporia/Greenville   |  |
| 9 Hopewell  | 44 Tazewell   |  |
| 10 Petersburg                                     | 48 Charlotte/Lunenburg/Prince Edward                                    |  |
| 11 Wythe  | 49 Dickenson/Clintwood/Haysi  |  |
| 12 Bedford  | 50 Lancaster/Northumberland/Richmond/<br>Westmoreland/Kilmarnock/Warsaw |  |
| 14 Waynesboro                                     |   |  |
| 15 Halifax/South Boston                           |   |  |
| 16 Prince George                                  |   |  |
| 17 Staunton                                       |   |  |
| 18 Isle of Wight/Southampton/<br>City of Franklin |   |  |
| 19 City of Richmond                               |   |  |
| 21 Winchester                                     |   |  |
| 22 Patrick/Stuart                                 |   |  |
| 23 Scott  |   |  |
| 24 Pittsylvania                                   |   |  |
| 25 Pulaski/Radford                                |   |  |



Source: DHCD, VEDP - Aug 2024

- Enterprise Zone Designation
- Enterprise Zone Boundary
- Locality with Enterprise Zone



# Polling Question

Do you know where your nearest EZ is?

## Questions to Ask

- What is the address of the building?
- What is the “place in service” date?
- What is the value of the project?
- Is the structure new or expanded?
- Will the CO be obtained by December 31?
- What is the name of the owner/tenant?
- What is the number of new jobs to be created?
- What is the minimum salary of the new jobs created?
- Is health insurance available to the new employees?





# Polling Question

Do you know a CPA that will help you with this ?

# Resources

- DHCD hosts How-to-Qualify workshops annually.
- Additional information about the EZ Program and the application process can be found on the VEZ page on DHCD website: <https://www.dhcd.virginia.gov/vez>

And remember...applications are due by **April 1, 2025**

# Contact

---



Jennifer French, CPA

*Partner, Construction & Real Estate Team Leader*  
PBMares, LLP  
701 Town Center Drive, Suite 900  
Newport News, VA 23606  
Phone: (757) 941-0806  
jfrench@pbmares.com



Shawn Middleton, CPA

*Partner, Enterprise Zone Program Leader*  
PBMares, LLP  
701 Town Center Drive, Suite 900  
Newport News, VA 23606  
Phone: (757) 941-0819  
smiddleton@pbmares.com



[www.pbmares.com](http://www.pbmares.com)

MARYLAND – Rockville    NORTH CAROLINA – Morehead City • New Bern • Wilmington  
VIRGINIA – Fairfax • Fredericksburg • Harrisonburg • Newport News • Norfolk • Richmond • Warrenton • Williamsburg



*Forbes America's*  
Best Tax & Accounting Firm 2023

*Accounting Today*  
Top 100 Firm & Regional Leader 2024

*Accounting Today*  
National Leader in Tax Specialty 2024

*USA Today & Statista R*  
America's Most Recommended TAX AND ACCOUNTING FIRMS

