

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **July 28, 2015**

AGENDA ITEM NO.: 1

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Conduct a Public Hearing and Adopt a Resolution for an Enterprise Zone Designation Application**

RECOMMENDATION: Pass a resolution stating the City of Lynchburg's intent to apply for the Enterprise Zone designation, as mandated by the Virginia Department of Housing and Community Development (DHCD). The Resolution will include the City's intent to apply for Enterprise Zone Designation; authorize its Chief Administrator (or designee) to submit all information needed to apply for Zone designation, and authorize its Chief Administrator (or designee) to meet all program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the Zone.

The City of Lynchburg's Virginia Enterprise Zone #46 expires on December 31, 2015. The City must apply in order for the Zone to be considered for re-designation.

SUMMARY: Lynchburg is an active participant in the Virginia Enterprise Zone Program, with two Enterprise Zones identified by DHCD as #2 and #46. The zones were established by the State of Virginia to provide incentives for businesses to locate or expand, stimulating economic development within the designated areas. Although the General Assembly has changed the benefits of Enterprise Zone designation over the years, two primary incentives remain for businesses: job creation grants and real estate improvement grants. The City of Lynchburg Office of Economic Development is the designated administrator for both of the City Zones. Enterprise Zone #46 was established in 1995 and expires on December 31, 2015. The Office of Economic Development has amended Zone #46 over the last five years to maximize the benefits to our commercial and industrial property owners and businesses. The recipients of these awards and the amounts awarded are attached for your review.

There are fourteen zones expiring on December 31st, 2015 and only four designations available on January 1, 2016. Obtaining a designation will be extremely competitive. The application process is open to all cities and counties; however, the program is targeted towards economically distressed localities.

PRIOR ACTION(S): Council approved a resolution to conduct a special meeting to hold a public hearing at their July 14 regular meeting.

FISCAL IMPACT: May positively impact tax receipts as business growth and expansion is incentivized.

CONTACT(S): Marjette Upshur, 434-455-4490

ATTACHMENT(S): Application Overview and Enterprise Zone # 46 Impact

REVIEWED BY: lkp

RESOLUTION:

VIRGINIA: At a special meeting of the Lynchburg City Council held on Tuesday, July 28, 2015, the following resolution was presented and adopted:

WHEREAS, City of Lynchburg has a designated Enterprise Zone, identified as Zone #46, that provides a combination of State and Local incentives to promote economic development, and

WHEREAS, there is a current need to apply for designation of the existing Enterprise Zone #46, in the City of Lynchburg to continue to increase economic growth opportunities,

WHEREAS, this proposed designation will serve to benefit economic and industrial expansion of the City of Lynchburg to meet the goals and objectives of the Virginia Enterprise Zone program, then

THEREFORE, BE IT HEREBY RESOLVED that the City of Lynchburg is applying for Enterprise Zone Designation and Lynchburg City Council authorizes the City Manager Administrator (or designee) to submit all information needed to apply for Zone designation and authorizes the City Manager (or designee) to meet all program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the Zone.

Adopted:

Certified: _____
Clerk of Council

071V

July 14, 2015

City of Lynchburg Re-designation Application Overview and Impact of Enterprise Zone #46

ENTERPRISE ZONE BACKGROUND INFORMATION

According to the Virginia Enterprise Zone Act passed in 2005, the Department of Housing and Community Development has the authority to designate up to 30 Enterprise Zones. As of January 1st, 2015, DHCD has designated 26 of these 30 zones. Therefore, there are currently four Virginia Enterprise Zone designations available for designation on January 1st, 2016. While only 4 designations are available, the following zones will expire on December 31, 2015:

- Brunswick County/Lawrenceville
- Chesterfield County (Walthall Zone)
- Greenville County
- Hampton (Hampton Roads Center)
- Henry County/Martinsville
- James City County
- Mecklenburg County / South Hill/Lacrosse
- Town of Orange
- Pulaski County (Zone 2)
- Town of Pulaski
- City of Roanoke (Zone 2)
- Tazewell County
- Warren County
- City of Lynchburg (Zone 2)

As a result, the Department of Housing and Community Development (DHCD) is holding a competitive application process to fill the 4 remaining positions. The new zones will be designated on January 1, 2016. Following the designation of these 4 zones, the Enterprise Zone Program will have reached the maximum number of zones available through the Enterprise Zone Act of 2005.

Therefore, the next regularly-scheduled competitive designation round will occur in 2024, to fill available designations due to the expiration of the 5 zones designated in 2005. Until then, should any zones (designated since 2005) get terminated due to inactivity or failure to offer local incentives, a competitive application process will be held to fill those positions. The remaining 17 zones that were designated between 1998 and 2004 do not contribute to the 30-zone quote and will remain in effect for their full 20-year term, provided all other statutory requirements are met. The City of Lynchburg's other Enterprise Zone, state Zone #2, will expire December 31, 2024.

The application process is open to all cities and counties; however, the program is targeted towards economically distressed localities. The application is worth a total of 1500 points of which 750 will be determined on the basis of a locality-wide distress score. The remaining 750 points will be awarded based on answers to questions regarding strategy, impact and capacity. The City of Lynchburg's distress score is 555 out of 750. The deadline for application submittal is August 1, 2015.

IMPACT

Since 2010, through the Enterprise Zone program, businesses in Zone #46 have received \$1.6 Million with a capital investment of \$27 Million. 208 jobs have been created and 647 jobs have been retained. There are 315 commercial and/or industrial parcels currently in Enterprise Zone #46.

Real Property Improvement Grant				
Year	Company	Capital Investment	Grant Amount	
2010	Wegmann	\$761,571.00	\$100,000.00	
2010	NovaTech	\$981,629.00	\$100,000.00	
2010	AMG	\$484,069.00	\$100,000.00	
2011	True Value	\$866,608.00	\$100,000.00	
2011	Dotter Par V	\$210,261.00	\$22,052.00	
2012	Belvac	\$763,275.00	\$100,000.00	
2012	Clarion Investments	\$2,064,586.00	\$100,000.00	
2012	J.Crew	\$7,581,707.00	\$200,000.00	
2013	Lakeside Crossing	\$5,518,578.00	\$200,000.00	
2013	Liberty	\$624,606.00	\$100,000.00	
2013	Tessy Plastics	\$795,626.00	\$100,000.00	
2013	Red Lobster	\$441,946.00	\$68,389.00	
2014	Apple Ford	\$629,231.00	\$100,000.00	
2014	Automated Conveyor Systems	\$1,460,409.00	\$100,000.00	
2014	Hammersley	\$444,274.00	\$100,000.00	
2014	Lynchburg Humane Society	\$3,740,057.00	\$100,000.00	
TOTAL		\$27,368,433.00	\$1,690,441.00	
Job Creation Grant				
Year	Company	Jobs Retained	Jobs Created	Grant Amount
2012	Belvac	133	33	\$23,563.00
2013	Belvac	134	48	\$35,368.00
2013	Hanwha Azdel, Inc.	123	37	\$26,432.00
2014	Belvac	134	50	\$39,760.00
2014	Hanwha Azdel, Inc.	123	40	\$32,008.00
TOTAL		647	208	\$157,131.00

LOCAL INCENTIVES

Local Enterprise Zone Job Creation Program

Businesses that qualified for the Virginia Enterprise Zone Job Creation Grant were eligible to receive a reimbursement of their “net new” taxes paid. This refund requires proof of qualification and receipt of the Virginia Enterprise Zone Job Creation Grant during each year of eligibility.

- Business & Professional License Tax (BPOL) - refund of 100% in Years 1-3 and 50% in Years 4-5—based on gross receipts.
- Machinery & Tools Tax—refund of 100% in years 1-3 and 50% in years 4-5.

This incentive was removed from City Code in 2014 at the request of the Virginia Department of Housing and Community Development. This incentive was replaced by the Local Enterprise Zone Redevelopment Program. Five businesses were “grandfathered” when the incentive change took place, Azdel, Griffin Pipe, Belvac, Delta Star, and Porter’s Fabrication. In Fiscal Year 2015, these companies received \$149,108 in reimbursements for job creation.

Local Enterprise Zone Redevelopment Program

The Local Enterprise Zone Redevelopment Program provides an investment overlay district corresponding to existing Enterprise Zone boundaries. Designed to support small business real property investments and expand real estate tax receipts for the city, the grant has been effective in incentivizing public-private partnerships and private investments. In 2014, \$74,115 in grants generated \$1,860,071 in capital investment across the city.

Real Estate Rehabilitation and Renovation Program

This program grants real estate tax exemptions for eligible and qualified properties under rehabilitation/renovation. The tax exemption is equal to the increase in assessed value resulting from the substantial rehabilitation/ renovation of a structure as determined by the City Assessor. This program does not freeze taxes; however, the exemption is subtracted from the fair market value assessment before taxes are calculated.