

Community Incentives:

A strategy for attracting
entrepreneurs



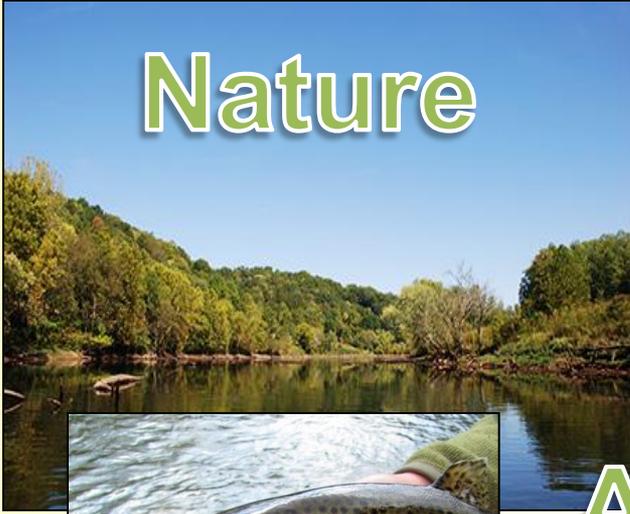
**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**

Partners for Better Communities

www.dhcd.virginia.gov

So you've identified your assets...

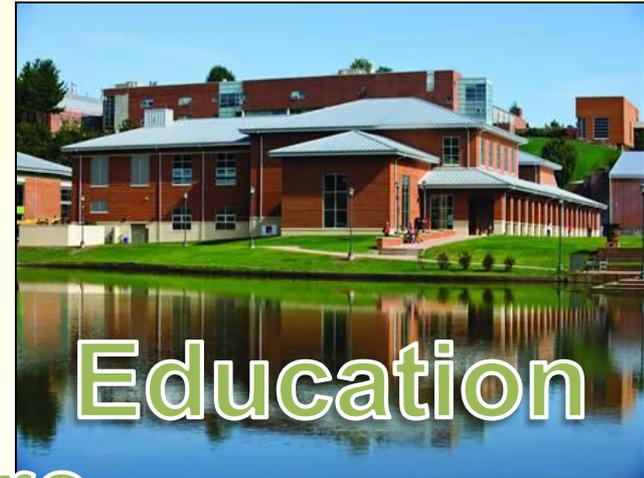
Nature



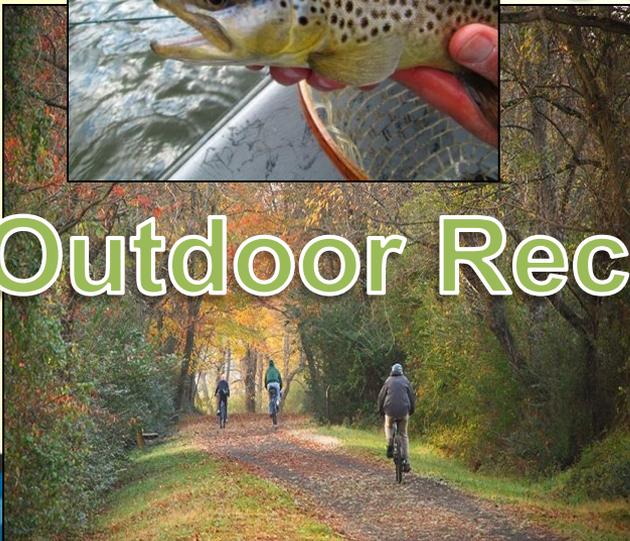
Arts & Culture



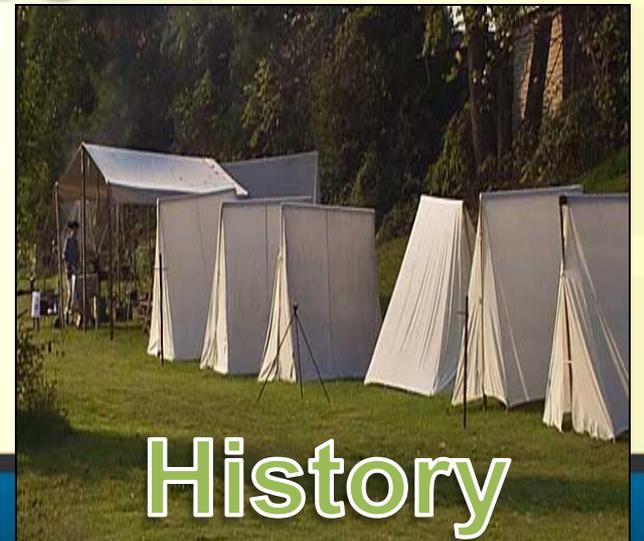
Education



Outdoor Rec.



History



...and developed a plan based on what you have...

To become a premier destination for:

- Outdoor Recreation Enthusiasts
- Foodies
- Arts & Crafts
- History Buffs
- Technology/Innovation
& Entrepreneurship
- Etc...



How do you grow & attract businesses that support your strategy?



Local Incentives

- Be strategically aligned: your vision & plan
- Targeted
- Support existing, expanding, and new businesses
- Phased in & out

Avenues for Offering Local Incentives

To legally offer financial incentives, Virginia localities can pursue one or more of the following:

- Arts & Cultural Districts
- Tourism Zones
- Technology Zones
- Enterprise Zones
- Local Ordinance

Arts & Cultural Districts

- Arts and cultural districts are an increasingly popular economic development tool for local governments across the country.
- Cultural center = draw for public & increased investment



Under §15.2-1129.1 of the Code of Virginia, localities may establish arts and cultural districts for the purpose of increasing awareness and support for the arts and culture in the locality.

Localities have the authority to grant tax incentives and provide certain regulatory flexibility in these arts and cultural districts.

Tourism Zones

- *Under § 58.1-3851 of the Code of Virginia, any city, county, or town may establish, by ordinance, one or more tourism zones to provide tax incentives and regulatory flexibility to encourage tourism related business development.*



- Tourism Zone programs should serve both new and existing businesses whose primary purpose is to establish desirable destinations to attract tourists from outside of the community and create an environment for those visitors that will deliver a memorable experience or promote educational opportunities while increasing travel-related revenue.
 - Attractions
 - Lodging or Bed & Breakfasts
 - Restaurants
 - Retail – Ex. Outdoor Sporting Goods
Merchandising, Antique Merchandising,
Gift Shops, etc...

The tax incentives may be provided for up to 20 years

- To qualify for incentives, businesses should have to meet certain criteria:
 - Fits the definition of a “tourism business”
 - Capital investment thresholds
 - Job Creation thresholds
 - Other, at the discretion of the locality...
- More Information & examples of Virginia Tourism Zones are available on the Virginia Tourism Corporation website.

<http://www.vatc.org/home/>



Technology Zones

Under § 58.1-3850. Any city, county or town may establish, by ordinance, one or more technology zones. Each locality may grant tax incentives and provide certain regulatory flexibility in a technology zone.

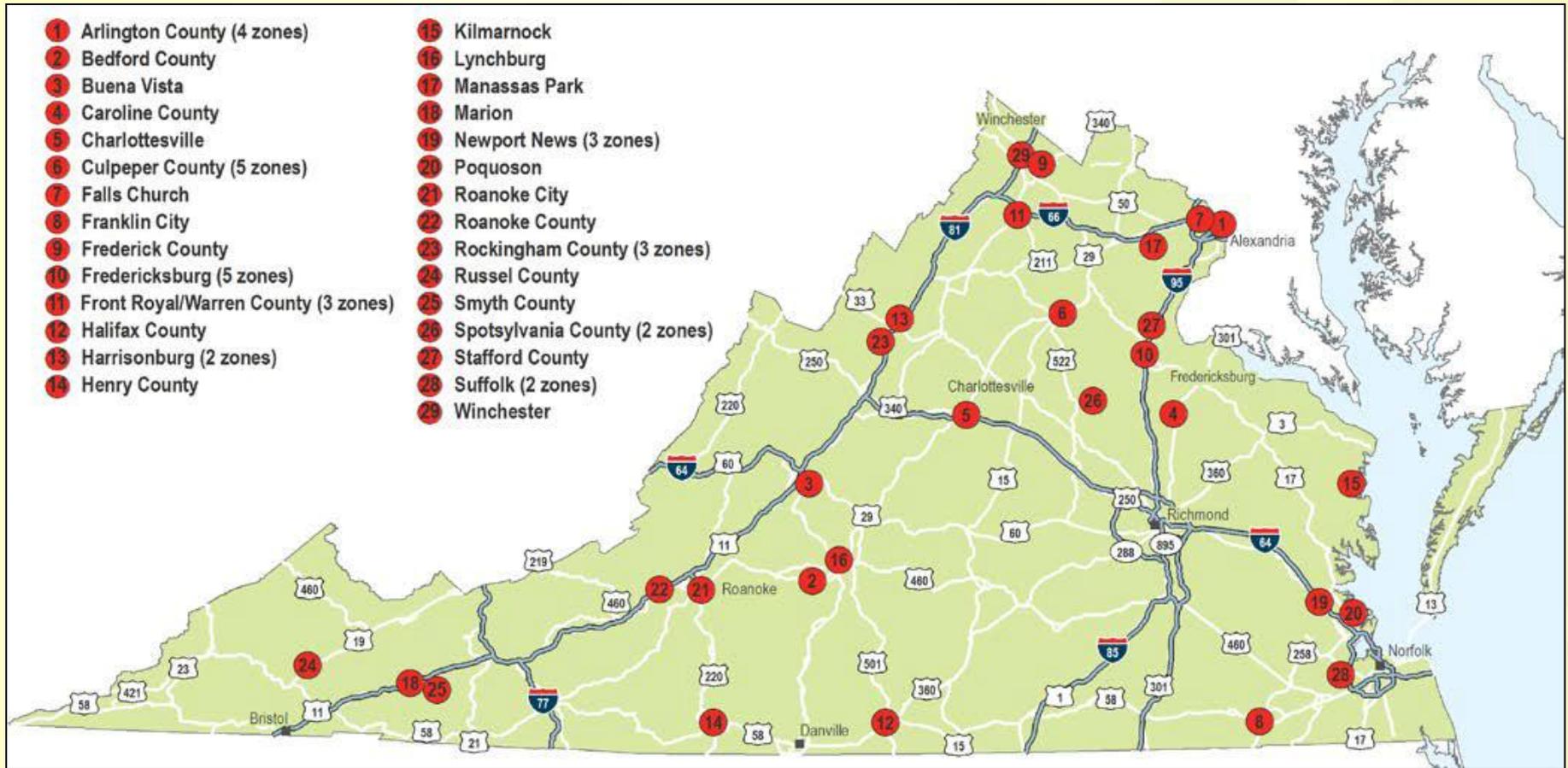
- A technology zone can be a valuable tool for the encouragement of new and expanding technology businesses in a locality.
- Incentives for qualified businesses locating or expanding operations in a zone. The definition of “Qualified” is up to the locality

Incentives may be offer up to 10 years

- The ordinance should specifically identify what businesses will be eligible for Tech Zone Incentives
 - Example: To qualify, a business must be engaged in research, design, development or manufacture of commodities; biotechnology; chemicals; computer hardware, software, or systems; defense; energy; environmental; advanced materials; medical; pharmaceuticals; photonics; telecommunications or transportation.



- Each locality designs and administers its own program.



Enterprise Zones

The Virginia Enterprise Zone (VEZ) program is a partnership between state and local government to encourage job creation and private investment in certain designated areas of the state. VEZ accomplishes this by 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.

- *§ 59.1-542. Enterprise zone designation – enabling legislation*
- Cannot be designated through local ordinance alone.
 - Enterprise Zone designation is a competitive application process and the number of zones is restricted.
 - Propose local incentives as part of application

Virginia Main Street Communities:

Designated

- Abingdon
- Altavista
- Ashland
- Bedford*
- Berryville
- Blackstone
- Bristol
- Culpeper
- Farmville*
- Franklin*
- Fredericksburg
- Harrisonburg
- Hopewell*
- Luray
- Lynchburg*
- Manassas
- Marion*
- Martinsville*
- Orange*
- Radford*
- St. Paul
- South Boston*
- Staunton*
- Warrenton
- Waynesboro*
- Winchester*

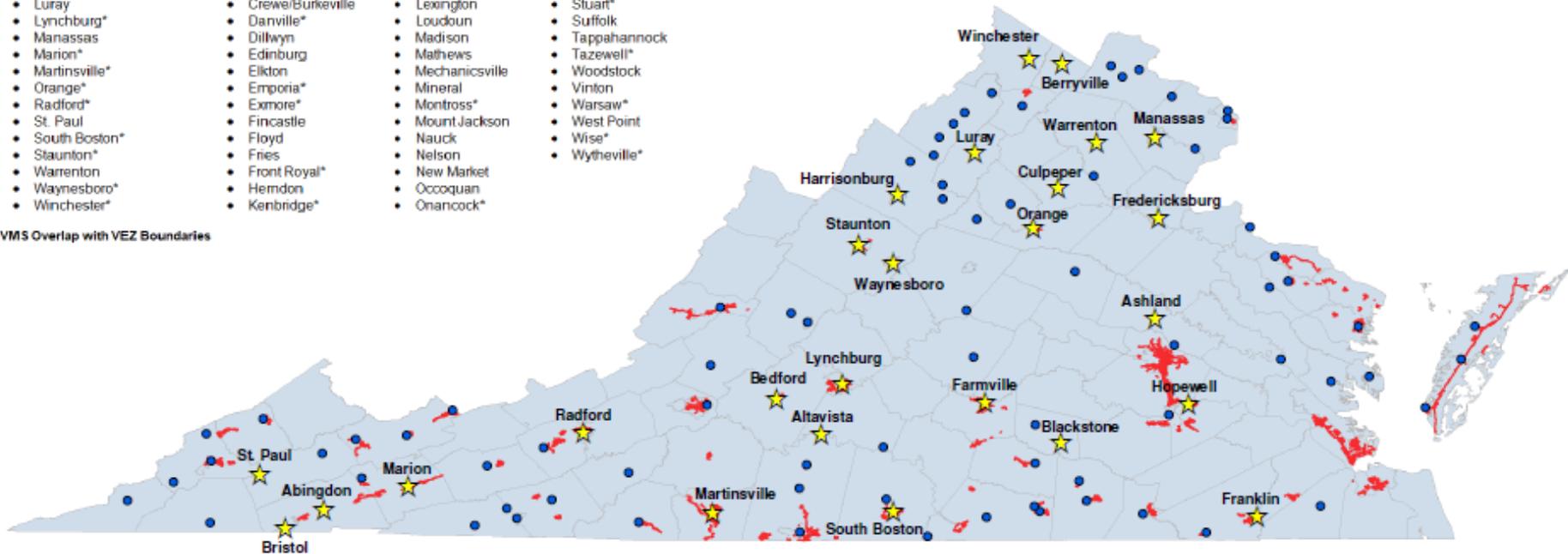
Affiliate

- Alberta
- Big Stone Gap
- Bluefield*
- Boydton
- Boykins*
- Broadway
- Brookneal
- Buena Vista
- Cape Charles*
- Chatham
- Clarendon
- Clifton Forge*
- Colonial Beach
- Crewe/Burkeville
- Danville*
- Dillwyn
- Edinburg
- Elkton
- Emporia*
- Exmore*
- Fincastle
- Floyd
- Fries
- Front Royal*
- Hemdon
- Kenbridge*
- Hillsville*
- Honaker
- Independence
- Galax*
- Gate City*
- Halifax*
- Haysi*
- Gloucester
- Gretna*
- Kilmarnock*
- La Crosse*
- Lawrenceville*
- Leesburg
- Lexington
- Loudoun
- Madison
- Mathews
- Mechanicsville
- Mineral
- Montross*
- Mount Jackson
- Nauck
- Nelson
- New Market
- Occoquan
- Onancock*
- Pennington Gap
- Petersburg*
- Pound
- Pulaski*
- Purcellville
- Remington
- Richlands*
- Saltville*
- Scottsville
- Shenandoah
- South Hill*
- Standardsville
- Strasburg
- Stuart*
- Suffolk
- Tappahannock
- Tazewell*
- Woodstock
- Vinton
- Warsaw*
- West Point
- Wise*
- Wytheville*

* VMS Overlap with VEZ Boundaries

Virginia Main Street Communities & Virginia Enterprise Zones

- ★ VMS - Designated
- VMS - Affiliate
- Enterprise Zone Boundaries



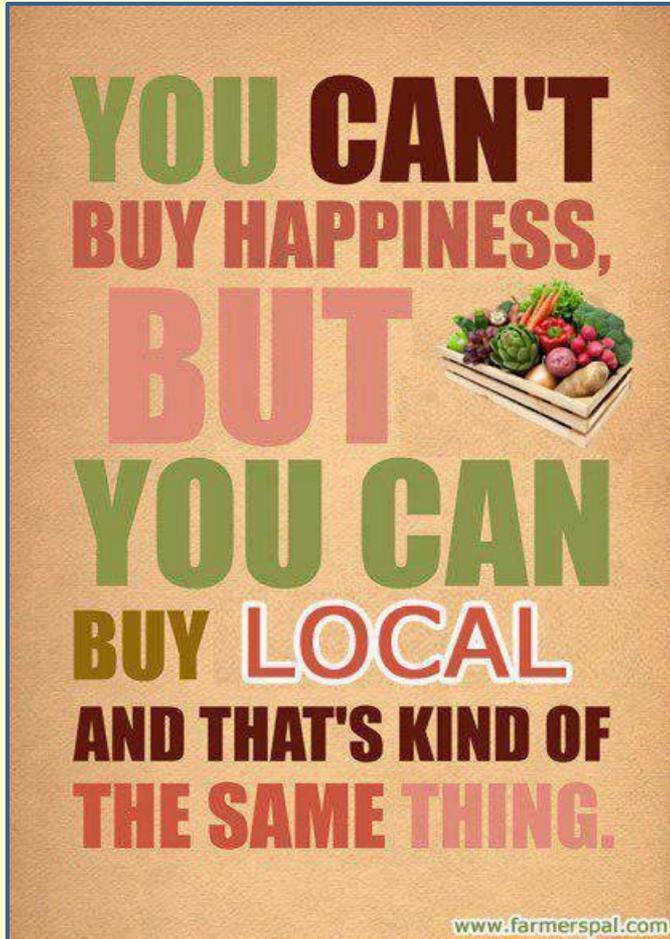
Map by: Lauren Fink
Updated 1/15/2014

Types of Local Incentives

- Tax-based Grants
- User Fees Reduction or waiver
- Other Grants
- Regulatory Flexibility



Types of Local Incentives



- Permit and Other Fees Reduction
- Loans
- Marketing
- Shop local strategies
- Memberships
- Free support from non-profit partner

Example: Paducah, Kentucky

- Retail/Office Space
 - Façade Loans
 - Matching marketing
 - Property acquisition & rehab funding
- LowerTown Restaurant
 - Incentive of \$25K to establish a full service restaurant in the LowerTown Arts District



Example: Paducah, Kentucky

Artist Relocation Incentives

1. Moving Assistance up to \$2500
2. Start Up Business Assistance up to \$2500
3. Make Ready/ Rehab Costs up to \$5000
4. Acquisition Assistance up to \$15,000
5. Restaurant Incentive up to \$25,000



Example: Staunton, Virginia

Creative Class – Entrepreneurship:

In order to attract entrepreneurial based business in target sectors, the City of Staunton supports a micro-lending institution to ensure access to capital for emerging and start-up small businesses.

In addition, new and expanding qualifying businesses may access any combination of the following incentives up to a total value of \$3,000.



Example: Staunton, Virginia



Destination Retail:

For new destination retailers in the Central Business District of the EZ, marketing incentives will include both:

1. A 50% reimbursement of marketing expenses.
2. Free membership to SDDA, which includes marketing opportunities through the e-blast, newsletter, and website.

If the marketing is conducted with or through a Staunton-based business, reimbursement is available at a 100% rate rather than a 50% match

Example: St. Paul, Virginia (pop. 1K)

- Town-owned “caboose” – leased to Outfitter for \$1/year to get River kayaking/tubing business started.
- Designated Tourism Zone



Example: Haysi, Virginia (pop. 350)



- Created a “Starting your Business in Haysi” document – outlines resources
- Partnered with a local building owner offering 12 months – Rent Free
- Business license waiver
- Enterprise Zone
- Revolving Loan fund (CDBG)
- Mentorship opportunities with long-standing business owners
- Publicly owned telecommunications – no connection fees

Moving Forward with YOUR Goals

- Main Street stakeholders: Partner with Local Government to incorporate or strengthen local incentives into your economic restructuring strategy.
 - Remember to tailor incentives to specifically target the types of businesses and activities you've identified in your plan.
 - Talk to your entrepreneurs and find out what incentives would be meaningful to them!
- Help market any existing incentives and programs to your local entrepreneurs and small business owners
- Measure your success – keep track of how/when incentives are used

Questions???

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