

Virginia Enterprise Zone
Agreed Upon Procedures
For CPA Attestation
Grant Year 2019



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TABLE OF CONTENTS

TABLE OF CONTENTS	1
ABOUT THIS MANUAL	2
ENTERPRISE ZONE GRANT FUNDING PRIORITIES.....	2
GRANT YEAR 2019: JCG Timeline	3
GRANT YEAR 2019: RPIG Timeline	3
  ACCESSING THE APPLICATION AND ADDITIONAL INFORMATION.....	4
AGREED-UPON PROCEDURES ENGAGEMENT	4
CPA ATTESTATION REPORT: FORM REQUIREMENTS	5
SUBMITTAL REQUIREMENTS	6
 Online Submittal.....	6
 Paper Submittal.....	6
Submittal of Multiple Applications.....	7
 Application Confirmations.....	7
JOB CREATION GRANTS.....	9
HIGH UNEMPLOYMENT AREAS.....	10
 REQUIRED JCG APPLICATION MATERIALS	11
 RECORD KEEPING REQUIREMENTS	11
CPA ATTESTATION RESPONSIBILITIES	12
JCG APPLICANT RESPONSIBILITIES	12
JCG AGREED-UPON PROCEDURES	13
JCG GLOSSARY: DEFINITIONS FOR JOB CREATION GRANTS.....	17
REAL PROPERTY INVESTMENT GRANTS	21
 REQUIRED AND SUPPLEMENTAL RPIG DOCUMENTATION.....	22
 RECORD KEEPING REQUIREMENTS	22
CPA ATTESTATION RESPONSIBILITIES	23
RPIG APPLICANT RESPONSIBILITIES	23
RPIG AGREED-UPON PROCEDURES	24
RPIG GLOSSARY: DEFINITIONS FOR REAL PROPERTY INVESTMENT GRANTS	30

ABOUT THIS MANUAL

This document provides instructions for CPAs performing the Agreed-Upon Procedures outlined by the Department of Housing and Community Development. These procedures test and report on the assertion of a business or qualified zone investor as to their qualification to receive Job Creation Grants (JCGs) or Real Property Investment Grants (RPIGs). The findings from these procedures are reported in the CPA Attestation Report. This report is a required application component for both the Job Creation Grant and Real Property Investment Grant.

Agreed-Upon Procedures for the Job Creation Grant are provided in the first half of this document and in the second half for the Real Property Investment Grant. In an effort to provide more user-friendly instructions, specific icons have been used throughout the manual.

- Frequently asked questions have been included within each grant section and are denoted by a question mark symbol  within a text box.
- Details pertaining to required application materials (including the JCG Worksheet in Excel) have been indicated by .
- Details specific to online submittals & electronic worksheets have been indicated by .
- Details pertaining to the timeline for submission are indicated by .
- Lastly, for your convenience, the definitions of key terms are included in the glossary on Pages 17-19 (JCG) and 30-32 (RPIG). These terms are defined by statute and program regulations, and must be followed.

Each respective grant section contains information regarding:

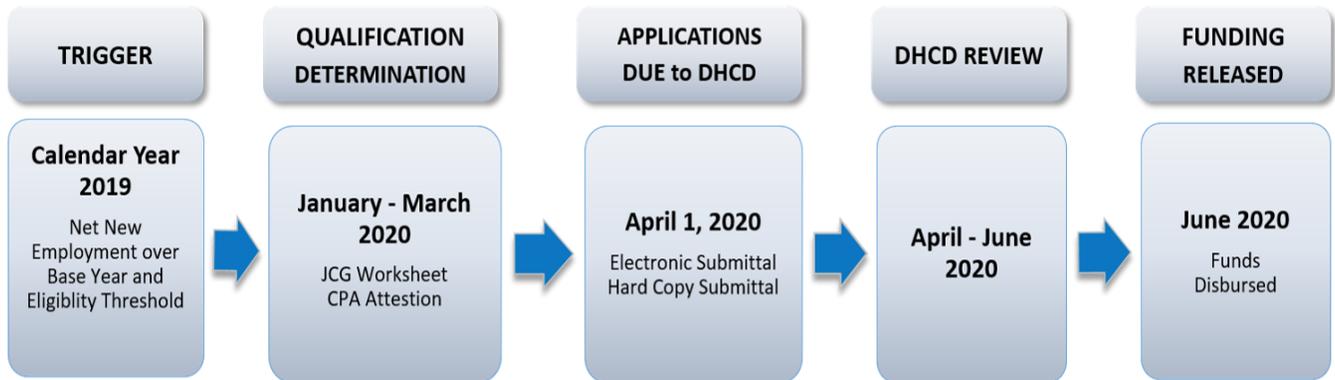
- An overview of the grant amount and eligibility criteria;
- Required grant documentation;
- The CPA's attestation responsibilities;
- The applicant firm's responsibilities;
- And purpose and procedures for each attestation requirement.

As provided in §59.1-547 of the Code of Virginia, business firms with Base Year employment of 100 or fewer permanent full-time positions that create 25 or fewer grant eligible positions are exempt from the attestation requirement for that qualification year. However, the firm is not exempt from completing the required Job Creation Grant Worksheet. The JCG Worksheet must be completed each year the firm seeks qualification for the JCG.

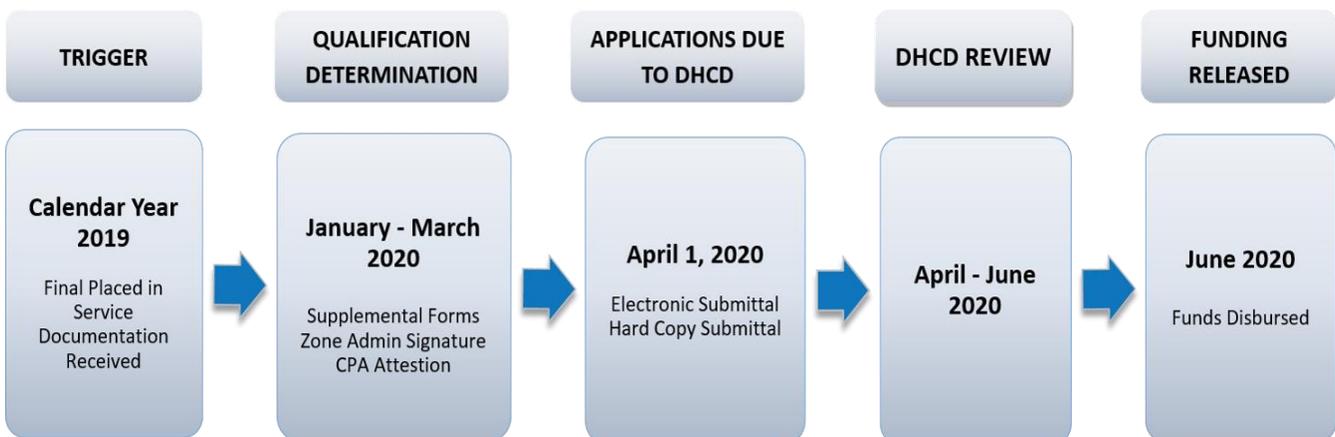
ENTERPRISE ZONE GRANT FUNDING PRIORITIES

Enterprise Zone grants are subject to an annual appropriation by the General Assembly. By statute, the Job Creation Grant is required to receive funding priority. After fully funding the JCGs, remaining funds will be allocated to the Real Property Investment Grants. The amount paid to each RPIG applicant will be prorated proportionally should grant requests exceed the remaining funds. In Grant Year 2018, RPIGs were funded at a prorated amount of approximately 74 cents per qualified dollar requested. In Grant Year 2017, RPIGs were funded at a prorated amount of approximately 70 cents per qualified dollar requested.

GRANT YEAR 2019: JCG TIMELINE



GRANT YEAR 2019: RPIG TIMELINE



ACCESSING THE APPLICATION AND ADDITIONAL INFORMATION

The Qualified Zone Investor is expected to complete and submit all required application components. The application form, supplemental materials, and all supporting information are available on the EZ Application Submission System site under the *Job Creation Grant (JCG)* header. The EZ Application Submission System site can be found here: <https://dmz1.dhcd.virginia.gov/EZApplication/>.



As part of the application process, an independent Certified Public Accountant (CPA), licensed in Virginia, must attest to these application materials. The **CPA Attestation Report** is required and must be submitted with most JCG grant applications, unless otherwise noted in this manual. The **Agreed upon Procedures for CPA Attestations** and **Attestation Report Templates** are available on the [EZ Application Submission System](#).

AGREED-UPON PROCEDURES ENGAGEMENT

As required by statute, a CPA must perform the [Agreed-Upon Procedures](#) outlined by DHCD in this document. The CPA selected to perform these procedures must be [independent](#) of the company and currently licensed in the State of Virginia. The CPA will apply tests to specified documentation and calculations used to prepare the Job Creation Grant application and will report on these procedures and their findings in the attestation report signed and submitted by the CPA on behalf of their client. The following pages outline the step-by-step reporting requirements for the wage-based Job Creation Grant.

The Attestation Report Form for both grant programs and a sample engagement letter are available on the [EZ Online Submission](#) site.

The Agreed-Upon Procedures Engagement outlines specific procedures to be performed on a subject matter whereby a CPA is engaged by a client to issue a report of findings. Distribution of the report based on such an engagement is limited to specific, identified users (in this case, the applicant and DHCD). Guidance for the performance of such engagements can be found in [AT Section 201](#) of the American Institute of Certified Public Accountants (AICPA) Professional Standards. Under the Enterprise Zone Statute, Enterprise Zone grant applicants must hire an independent CPA currently licensed in Virginia to perform the Agreed-Upon Procedures established by DHCD. The CPA's attestation report must be submitted to DHCD with the grant application materials by the April 1st deadline in order for the application to be considered on time.



How is an attestation different from an audit?

The American Institute of Certified Public Accountants (AICPA) has promulgated standards for attestation engagements, other than those involving audits of financial statements, in the "AT" section of professional standards.

CPA ATTESTATION REPORT: FORM REQUIREMENTS

 Findings from the Agreed-Upon Procedures are to be reported on the required CPA Attestation Report forms. The forms have been created to ensure that all CPAs are reporting on the procedure as indicated. The forms and use of the forms have the support of the VA Society of CPAs. CPAs must use the Attestation Report templates provided by DHCD to document findings. Attestation report forms for both the Real Property Investment Grant and the Job Creation Grant are available for download on the [EZ Online Submission System](#) site under the CPA Attestation Report header.

The link to the EZ Online Submission System to access the appropriate forms as shown below:
<https://dmz1.dhcd.virginia.gov/EZApplication/>.

Select the hyperlinks below to access applications and forms
General Information
RPIG - Real Property Investment Grant
JCG - Job Creation Grant
HUA JCG- High Unemployment Area Job Creation Grant
CPA Attestation Report (RPIG and JCG)
Real Property Investment Grant Attestation Report Form
Job Creation Grant Attestation Report Form
CPA Sample Engagement Letter
CPA Agreed Upon Procedures Manual (RPIG and JCG)
Guidance on CPA Attestation Report Format and Documentation of Findings
General Income Tax Credit
Investment Tax Credit

The attestation report that accompanies the application must be submitted on the appropriate DHCD Attestation Report form or the application will be deemed incomplete. Do not retype the procedures or submit findings using any document other than what has been provided by DHCD. Applications will have to be resubmitted using the correct form in order to be processed.

Additionally, any reports submitted that do not state the findings for each procedure are also considered incomplete. The AICPA professional standards set forth in [Section AT 201.25](#), states that the “practitioner should report all findings from the application of the Agreed-Upon Procedures.” Furthermore, [Section AT 201.26](#) specifies that “a practitioner should avoid vague or ambiguous language in reporting findings.” Please see the examples of appropriate and inappropriate descriptions of findings within [Section AT 201.26](#).

Based on the professional standards set forth, **providing one’s initials by each procedure does not constitute an adequate description of findings.** In instances where no findings are reported or only the CPA’s initials are listed as the findings, the report will be deemed incomplete and the application will not be processed until the report is re-submitted.

SUBMITTAL REQUIREMENTS

 The application process for an Enterprise Zone Grants involves two components; the electronic submittal and the submittal of a signed **hard copy of the application form (EZ-RPIG or EZ-JCG)**, as well as the required attachments including the JCG Worksheet and the CPA Attestation Report.

 The application form(s), final CPA Attestation Report form, and all required documentation are due by April 1st of the calendar year subsequent to the grant year (Form EZ-JCGG Part II, Box 1).

 Any application submitted without the required CPA Attestation Report or submitted after the deadline will be considered **late**. Such applications are held until DHCD determines that funds remain after fully funding on-time applications. At such time, DHCD will review and process late applications on a first-come, first served basis. **Please keep in mind that DHCD is unable to pre-qualify any applicants.**

Online Submittal

 All applicants are required to submit electronically via the [EZ Application Submission System](#). Online applications offer an auto-calculation feature and enable a more efficient processing. Online applications must be submitted through the system by no later than **11:59 PM, April 1, 2020 (EST)**. Applicants will be prompted to save and print the completed application as part of the online submittal process.

Once the “Submit” button is clicked, applicants will be automatically prompted to print a PDF of the completed application. This is the copy to be signed by the [Local Zone Administrator](#) and mailed in with the required supplemental materials.

Paper Submittal

 The signed hard copies of all applications and other supplemental materials must also be submitted by the April 1st deadline (or next business day if weekend or holiday). The signed application materials should be mailed via United States Postal Service certified mail, return receipt requested and postmarked no later than April 1st; or shipped via UPS, Fed Ex or another service where shipping can be tracked with a shipped date no later than April 1st. The hand delivery of applications is discouraged.

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Submittal of Multiple Applications

If submitting more than one application, each grant application and associated materials **should be sent separately** via certified mail, return receipt requested. Due to the high volume of applications received, DHCD cannot guarantee proof of the receipt of each application when multiple applications are submitted together.

Application Confirmations

Email confirmations will be sent throughout the submittal process to keep the applicant informed of the status of the application and to bring any submittal issues to the applicant's attention prior to certain deadlines. Applicants will receive confirmation emails in the following order:

1. Successful submission of the online application

This email will indicate the date and time of the submittal and will also include a reminder to print the application and send in the signed hard copy and all other required materials (including the CPA Attestation Report and supplemental forms) by the April 1st deadline (or next business day if weekend or holiday). DHCD recommends applicants retain confirmation emails with their grant records.

2. Receipt of hard copy application and required materials

Once the hard copy of the application is received, an email will be sent to the applicant stating the date of receipt. If this email is not received within 10 business days of delivery, please contact DHCD. DHCD recommends applicants print and keep a copy of this email with their grant records. DHCD strongly recommends that applications are mailed with delivery confirmation, as DHCD is not responsible for items lost in the mail.

3. Notification of Deficiencies

DHCD will notify applicants by May 15th in cases where any additional information is required due to application deficiencies.

4. Notification of Resolution of Deficiencies

Applicants must resolve any identified deficiencies by June 1st. Once the applicant provides the requested information, a final email will be sent to the applicant confirming DHCD's receipt of the requested material.



Job Creation Grant
Agreed Upon Procedures
For CPA Attestation
Grant Year 2019

JOB CREATION GRANTS

<p>Job Creation Grants are based on net new permanent full-time job creation exceeding a four-job threshold. Positions over the four-job threshold must meet wage and health benefits requirements to be eligible.</p>	
<p>Eligibility Requirements</p> 	<ul style="list-style-type: none"> The business must be located within the boundaries of an Enterprise Zone. The business must create at least four net new permanent full-time positions over the base calendar year. <ul style="list-style-type: none"> Base Year employment can be either of the two calendar years immediately preceding the first grant year. Base Year employment is established in the first grant application and remains static for the full five-year period. These positions must meet wage and health benefit requirements. <ul style="list-style-type: none"> Positions must earn at least 175% of the Federal Minimum Wage¹, 150% in High Unemployment Areas. Firms must offer to cover at least 50% of employee’s health insurance premium.
<p>Ineligible Applicants</p> 	<ul style="list-style-type: none"> The following entities are prohibited from applying for the JCG: <ul style="list-style-type: none"> Units of local, state, or federal government Non-profit, other than those classified as NAICS 813910 and 813920. The following entities and positions are prohibited from applying for the JCG: <ul style="list-style-type: none"> Personal service, food and beverage, and retail positions
<p>Grant Term</p> 	<ul style="list-style-type: none"> Five-year periods beginning with the first grant year in which a JCG was awarded. <ul style="list-style-type: none"> To be eligible for the JCG in years two through five, the firm must maintain or increase the number of eligible permanent full-time positions (above the four-job threshold) over base year employment. Firms may apply for a subsequent five-year period given they meet the grant eligibility requirements. See Appendix A for more information on subsequent five-year periods.
<p>Grant Calculations</p> 	<ul style="list-style-type: none"> Job Creation Grant awards are determined by the wages paid and the number of months positions were filled during the Grant Year. Grants are available in amounts of: <ul style="list-style-type: none"> Up to \$500 per grant eligible position filled by an employee earning at least 175% (150% in HUAs) of the FMW who was offered health benefits. Up to \$800 per grant eligible position filled by an employee earning 200% of the FMW who was offered health benefits. Firms can receive grants for up to 350 positions per year.

¹ The Federal Minimum Wage (FMW) is currently \$7.25 per hour. In order to be eligible for the Job Creation Grant, net new positions must be paid at least \$12.69/hour (\$10.88 in HUAs) to be eligible for the \$500 grant and at least \$14.50/hour to be eligible for the \$800 grant.

HIGH UNEMPLOYMENT AREAS

Any business applying as an HUA applicant must use **Form EZ-JCG-HUA** and fill out the **JCG-HUA Worksheet**. These documents are specifically tailored to accommodate the reduced wage rate threshold.

2019 High Unemployment Areas (HUA)			
Dickenson County (Clintwood & Haysi)	49	Northampton County	26*
City of Covington	53*	City of Petersburg	10
City of Danville	1, 57*	Tazewell County	44
City of Hopewell	9	Wise County	52
City of Martinsville	36, 54*		
<p style="font-size: small; margin: 0;">* The following communities in joint zones are NOT HUAs: Alleghany County, Town of Clifton Forge, Henry County, Accomack County, and Pittsylvania County. Businesses in these communities are not eligible for the reduced wage threshold.</p> <p style="font-size: x-small; margin: 0; text-align: center;">Source: DHCD based on the LAUS Unit and Bureau of Labor Statistics 2018 Annual Virginia Unemployment Report.</p>			

The City of Covington and Northampton County are now considered a High Unemployment Area (HUA) zone. Businesses in this zone are eligible to apply for the \$500/PFTE Job Creation Grant at the reduced wage rate threshold of 150% of the Federal Minimum Wage (FMW) or \$10.88 per hour.

The following localities are no longer considered HUA zones: City of Emporia, City of Portsmouth, and Brunswick County. Businesses in these zones that have previously applied for the JCG as HUA applicants may continue to qualify for the \$500 grant at the reduced wage threshold of \$10.88/hour for the remainder of their 5-year grant period. However, **any new business applying for the JCG in these zones must pay a wage rate threshold of at least 175% of the FMW (\$12.69/hour) to be eligible for the grant.**

REQUIRED JCG APPLICATION MATERIALS

Form EZ-JCG or EZ-JCG-HUA must be submitted online by **11:59 PM on April 1st, 2020 (EST)**. After submitting the online form, applicants should print the completed EZ-RPIG application from the EZ Online Submission System site, then mail the signed hard copy in addition to the materials listed in the table below.

Job Creation Grant Submission Materials	
Materials	Submission Deadline
<ul style="list-style-type: none"> • Form EZ-JCG or EZ-JCG-HUA • Commonwealth of Virginia Form W-9 • JCG Worksheet Sheet * • CPA Attestation Report <p>*In Year 1, all firms are required to submit Sheets 1 & 2 from the JCG Worksheet. In Years 2-5, only firms that are exempt from the attestation are required to submit the JCG Worksheet Sheets 1 & 2.</p>	<p>All application materials are due to DHCD on April 1, 2020</p> <p>Applicants must submit their application electronically and then send original application materials using one of the following mechanisms: 1) United States Postal Service certified mail, return receipt requested and postmarked no later than April 1st; 2) UPS, Fed Ex or another services where shipping can be tracked with a shipped date no later than April 1st. Hand delivery is accepted but not preferred and must be received by DHCD by the close of business on April 1st.</p>

RECORD KEEPING REQUIREMENTS

The Department may at any time review an applicant’s records related to qualification under this section to assure that information provided in the application process is accurate. Qualified Zone Investors shall maintain all documentation regarding JCG qualification for a minimum of **three years** following the receipt of the grant.

All JCG grantees are monitored for their first Grant Year. Job Creation Grants that do not have adequate documentation regarding permanent full-time positions, [report to work](#) criteria, wage rates, or the provision of health benefits may be subject to repayment. The digital version along with a hard copy print out must be kept on file with other grant request records.

CPA ATTESTATION RESPONSIBILITIES

The Job Creation Grant attestation procedures outlined in the following pages are structured to ensure that:

- The company is not a [personal service](#), [food or beverage](#), or [retail establishment](#) as such businesses are prohibited from applying for the grant;
- The company only includes permanent full-time positions (PFTP) in the Base Year and Grant Year on the JCG/JCG-HUA Worksheet and that the wage rates for the net new equivalent PFTPs in the Grant Year are accurately indicated; and
- Employment dates and wage rates for positions listed on the JCG/JCG-HUA Worksheet are accurate and identical to the information on payroll and personnel documentation.



Can the CPA prepare the application and accompanying materials and attest?

Professional standards (AICPA) provide that a CPA can offer assistance provided the CPA does not assume management responsibilities, such as making management decisions or performing any management functions. The decision to follow any advice provided remains with management of the entity.

JCG APPLICANT RESPONSIBILITIES

The business firm will provide the CPA with the following:

- A **JCG/JCG-HUA Worksheet** that includes all employees filling permanent full-time positions in the Base Year (in alphabetical order) followed by all employees filling permanent full-time positions in the Grant Year (in alphabetical order). Failure to provide a complete and accurate list of **all employees**, the dates they were employed, and their wage rates may result in an under- or overpayment of grant funds. **The Commonwealth will require the grantee to return any overpayment to the Treasurer of Virginia.**
 - **Employees receiving raises (or decreases) in pay during the Grant Year must be listed on a separate line for each wage fluctuation. Applicants may not use their average wage rate OR ending wage rate to represent an employee's annual wages.**
- **I-9s and paystub/payroll records** indicating the first work date, last work date, and wage rates in the Base Year and Grant Year for each employee listed on the JCG Worksheet, where applicable.
- **Health benefits documentation (including written benefit waivers).**
- **The business firm representative must provide his/her signature verifying the following:**
 - No retail, food or beverage, or personal service positions are listed on the worksheet.
 - All employees listed are permanent full-time positions and have not been churned from another location within the Commonwealth of Virginia.
 - All employees listed on the worksheet (Grant & Base Year) meet the report to work requirement.

JCG AGREED-UPON PROCEDURES

Procedure 1 - Attestation Regarding Prohibited Positions

The CPA will read the NAICS code listed on the Form EZ-JCG (Part I, Box 5) to determine that the NAICS code listed on the Form EZ-JCG is one other than NAICS 441-454 ([retail](#)); 722 ([food/beverage](#)) or 812 ([personal service](#)), which are NOT eligible to receive JCG.



***A business is not a retail business, but has retail positions.
Is this firm eligible for the Job Creation Grant?***

Yes, but only positions that are not retail, food/beverage, or personal service can be included in the JCG/JCG-HUA Worksheet for the purposes of qualifying for the Job Creation Grant.

Procedure 2 - Attestation of Permanent Full-Time Positions on JCG/JCG-HUA Worksheet

The CPA will follow the sampling procedure explained below to obtain employment documentation and the **JCG/JCG-HUA Worksheet for Employees Filling Permanent Full-Time Positions (EF- PFTPs)** during the Base Year and/or Grant Year. The CPA will report the applicable procedure he/she followed in establishing a sample of permanent full time positions:

Rules for Sampling: The following procedures should be used in establishing a sample of PFTPs:

- **Firms with 100 or fewer Employees Filling Permanent Full-time Positions (EF-PFTPs)**
The CPA will obtain a random sample of the documentation for 20 EF-PFTPs on the worksheet and read to ensure the start/end work dates for such employees agrees without exception to the information provided on payroll records using the random sampling techniques established below. If there are 20 or fewer EF-PFTPs, the documentation and worksheet calculations for all employees will be included in the CPA's sample.
- **Firms with More than 100 Employees Filling Permanent Full-time Positions (EF-PFTPs)**
For firms with more than 100 EF-PFTPs on the worksheet, the CPA will obtain a random sampling of payroll records and health benefits documentation for 20 percent of all employees shown. The CPA will read to ensure the start/end work dates for such employees agrees without exception to the information provided on payroll records using the random sampling techniques established below.

Random Sampling

The CPA will obtain a random sampling for the greater of 20 employees or 20 percent of employees listed on the worksheet based on the above criteria. The random sampling will be based on the use of a table of random numbers. The CPA will first assign each employee listed on the JCG Worksheet a unique identification number. Then, the CPA will select cases for the 20 employees or 20 percent sample when their identification number corresponds to the number chosen from the table. The CPA will indicate in Column B of the JCG Worksheet which employees have been selected to be sampled. The CPA will stop selecting cases when they have reached the desired sample size. If an identification number is selected more than once, the CPA will ignore the repeats.

Non-reconciled errors

Should the CPA find any non-reconcilable errors (any unexplained difference between information on the documentation provided and what is entered on the Worksheet) in the sample population, the CPA should repeatedly select another 20 employees or 20 percent sample from the original population until the subsequent sample produces no non-reconcilable errors. The CPA shall submit by name any non-reconcilable errors found during this procedure in the attestation report. If the client chooses to revise the Worksheet and application to remove the non-reconcilable item(s), the CPA shall read to ensure that the revised Worksheet has omitted the non-reconcilable item(s) and that there are no resulting changes from the original Worksheet.

Procedure 3 - Attestation of Required Documentation

For each employee from the sample population, the CPA will compare the **JCG/JCG-HUA Worksheet** for Base and Grant Year employment information listed on the Worksheet to the required documentation (I-9, first payroll, last payroll for Base Year and/or Grant Year, and health benefits enrollment information) provided by the company. In the case of a business in a qualification year other than its first year, the sample should only include the Grant Year information. The Base Year employment should only be sampled in the first Grant Year along with Grant Year employment.



Employees should only be listed on the JCG Worksheet one time UNLESS:

- *They have worked two or more separate times in the Base or Grant Year.*
- *The grant-year employee's wage fluctuated during the Grant Year.*

To accurately calculate grant awards, separate rows should be included showing the start date and end date for each separate employment period or wage fluctuation (grant year employees only) based on the employee's I-9 or payroll record documentation.

Since the JCG/JCG-HUA Worksheet is equipped with formulas to apportion the eligible months employees were earning at least 175% of the FMW or 150% in HUAs, please note that employees should only be listed more than once if the business firm increased/decreased the employee's wage rate (irrespective of the increase in the federal minimum wage).

- A. I-9:** The CPA will obtain the sample population's I-9s, to determine the Base Year and/or Grant Year employee's name, social security number, address, and start date of employment. In cases where the I-9 was signed prior to the actual hire date (for example, required as part of the job application), the CPA will read and compare the I-9 in conjunction with the supporting employee payroll documentation and attest to the hire date of the employee.
- B. Payroll records for [Base Year](#) and/or Grant Year employees** (first and last payroll records for the time the employee worked in the Base Year and/or Grant Year). The CPA will:
- A.** Compare the employee's name and employee number (where assigned) with the information included on the Worksheet.
 - B.** Read and compare records to attest that the first and last work date for each employee within Base Year and/or Grant Year correspond to those dates listed for the employee on the Worksheet.

C. Compare the [wage rates](#) as indicated on the first and last payroll records for those sampled employees hired in the Grant Year (i.e. net new employees) with the specific wage rates listed in column O of the JCG Worksheet and report any differences.

D. If an employee received raises (or a decrease in pay) during the Grant Year, the employee **MUST be listed on a separate line for each wage fluctuation. DO NOT use their average wage rate OR ending wage rate.**

The CPA will read the Worksheet and determine that employees with wage fluctuations during the Grant Year have been listed in the spreadsheet as many times as payroll records show wage fluctuations.

For sampled employees with information in column(s) P, Q, R and/or S, the CPA will read the employment documentation to determine that the employees reflected on the Worksheet are permanent and full-time.

E. If the sampled employee's wage rate was converted from salary to hourly, the CPA will determine that it is mathematically correct by dividing the annual salary, inclusive of shift premiums and commissions by **1,820 hours**.

C. [Health benefits](#) information:

A. The CPA will obtain and read the **signed health benefits enrollment** agreements and compare to insurance coverage materials indicating employer contribution to payroll documents indicating employee contribution. The CPA should compare the individual employee information on these documents to the information presented in Column N indicating they were offered/received health benefits and for which wages are listed in Column O (as such employees are net new over the Base Year employment), and report on these findings. The CPA should report all instances where the firm does not offer to contribute at least 50% of the cost of the health insurance premium.

B. For employees filling grant-eligible PFTPs that have declined health insurance coverage, the CPA will obtain and read the employee's **signed waiver of health benefits**. For firms that self-insure their employees' medical claims, a copy of the firm's policy signed by the EF-PFTP (with wages listed in Column O) is acceptable documentation.



A business does not make health insurance benefits available for new permanent full-time positions until after a 90-day employment period. How should this be documented on the JCG/JCG-HUA Worksheet?

*The initial 90 day employment period during which health benefits were not available **can** be included in the Worksheet. The firm should list the first date and last date the employee filling the net new permanent full-time position met the wage requirement for those employees whose health benefits were effective after a specified employment period, provided they were offered by the start date.*

Procedure 4 - Attestation of Grant Eligible Positions with Qualifying Wage Rates and Health Benefits

The CPA will read the qualification information on Part II of **Form EZ-JCG** to compare whether the information entered on Part II, Boxes 4 A-B and Boxes 5 E-F corresponds with the auto-calculated values in the following cells of second sheet of the Worksheet: B3, B4, B5, and B6 (respectively) and indicate any discrepancies in the Attestation Report.

JCG GLOSSARY: DEFINITIONS FOR JOB CREATION GRANTS

Agreed upon procedures engagement:

Means an engagement between an independent Certified Public Accountant licensed by the Commonwealth and the business or qualified zone investor seeking to qualify for Enterprise Zone incentive grants whereby the independent Certified Public Accountant, using procedures specified by the Department, will apply tests and report regarding the assertion of the business or qualified zone investor in connection with its qualification to receive the Enterprise Zone incentive pursuant to § 59.1-549 of the Code of Virginia.

Base Year, for wage-based Job Creation Grants:

Means either of the two calendar years immediately preceding the firm's first year of grant eligibility, at the choice of the business firm.

Business firm:

Means any corporation, partnership, electing small business (subchapter S) corporation, limited liability company, or sole proprietorship authorized to do business in the Commonwealth of Virginia. This shall also include business and professional organizations and associations whose classification falls under sectors 813910 and 813910 of the North American Industry Classification System (NAICS) and that generate the majority of their revenue from customers outside the Commonwealth.

Common control:

Means such firms as defined by Internal Revenue Code § 52(b).

Federal Minimum Wage (FMW):

Means the minimum wage standard as currently defined by the United States Department of Labor in the Fair Labor Standards Act, 29, U.S.C. 201 et seq. Such definition applies to permanent full-time employees paid on an hourly or wage basis.

Food and beverage service:

Means a business whose classification falls under subsector 722 Food Services and Drinking Places of North American Industry Classification Systems (NAICS).

Full month:

Means the number of days that the permanent full-time position must be filled in order to count in the calculation of the grant amount. A full month is equivalent to 30.416666 days.

Grant-eligible position:

Means a new permanent full-time position created above the threshold number at an eligible business firm. Positions in retail, personal service or food and beverage service shall not be grant eligible positions.

Health benefits:

Means that at a minimum, medical insurance is offered to employees and the employer shall offer to pay at least 50 percent of the cost of the premium at the time of employment and annually thereafter.

High Unemployment Areas (HUA):

Means Enterprise Zone localities with unemployment rates one and one-half times or more than state average based on the most recent annualized unemployment data published by the Virginia Employment Commission.

Independent Certified Public Accountant:

Means a public accountant certified and licensed by the Commonwealth of Virginia who is independent of the entity 'in fact' and in appearance. The CPA must comply with the independence requirements in the AICPA Code of Professional Conduct. Potential scenarios that may impair a CPA's independence include financial interest in the client, business relationships with the client, family or personal ownership of or employment by the client (present or former), and being on the Board of Directors or a Trustee of the client. This list is not all-inclusive and other situations may arise that impair the independence of the CPA.

Local Zone Administrator:

Means the chief executive of the city or county in which an Enterprise Zone is located, or his or her designee. Pursuant to Enterprise Zone designations made prior to July 1, 2005, this shall include towns.

Permanent full-time position:

Means a job of indefinite duration at a business firm located in an enterprise zone, requiring the employee to [report to work](#) within the enterprise zone; and requiring (i) a minimum of 35 hours of an employee's time per week for the entire normal year of a business firm's operation, which a normal year must consist of 48 weeks, (ii) a minimum of 35 hours of an employee's time per week for the portion of the calendar year in which the employee was initially hired for or transferred to the business firm, or (iii) a minimum of 1,680 hours per year. Such positions shall not include: (i) seasonal, temporary, or contract positions, (ii) a position created when a job function is shifted from an existing location in the Commonwealth to a business firm located with an Enterprise Zone, (iii) any position that previously existed in the Commonwealth, or (iv) positions created by a business that is simultaneously closing facilities in other areas of the Commonwealth.

Personal Service:

Means such positions as classified under NAICS 812.

Regular basis:

Means at least once a month as related to "[report to work](#)" requirements for the wage-based job creation grants.

Related party:

Means those as defined by Internal Revenue Code § 267(b).

Report to work:

Means that the employee filling a permanent full-time position reports to the business' zone establishment on a [regular basis](#).

Retail:

Means a business whose classification falls under sector 44-45 Retail Trade of the North American Industry Classification System (NAICS).

Seasonal employee:

Means any employee who normally works on a full-time basis and whose customary annual employment is less than nine months. For example, individuals hired by a CPA firm during the tax return season in order to process returns who work full-time over a three month period are seasonal employees.

Subsequent Base Year:

Means the Base Year for calculating the number of grant eligible positions in a second or subsequent five consecutive calendar year grant period. If a second or subsequent five-year grant period is requested within two years after the previous five-year grant period, the subsequent Base Year will be the firm's last Grant Year. The calculation of this subsequent Base Year employment will be determined by the number of permanent full-time positions in the preceding Base Year, plus the number of threshold positions, plus the number of grant eligible positions in the final year of the previous grant period. If a business firm applies for a subsequent five-consecutive-year grant period beyond the two years immediately following the completion of the previous five-year grant period, the business firm shall use one of the two preceding calendar years as subsequent Base Year, at the choice of the business firm.

Threshold number:

Means an increase of four permanent full-time positions over the number of permanent full-time positions in the Base Year or subsequent Base Year.

Transferred employee:

Means an employee of a firm in Virginia that is relocated to an enterprise zone facility owned or operated by that firm.

Wage rate:

Means the hourly wage paid to an employee inclusive of shift premiums and commissions. In the case of salaried employees, the hourly wage rate shall be determined by dividing the annual salary, inclusive of shift premiums and commissions by 1,820 hours. Bonuses, overtime, and tips are not to be included in the determination of wage rate.



**Real Property
Investment Grant
Agreed Upon Procedures
For CPA Attestation
Grant Year 2019**

REAL PROPERTY INVESTMENT GRANTS

<p>RPIGs are available for investments made to industrial, commercial, or mixed-use properties located within the boundaries of Enterprise Zones. Grants are available to Qualified Zone Investor in amounts up to 20% of the qualified real property investment, not to exceed \$200,000 per building or facility within five years.</p>	
<p>Eligible Properties</p> 	<ul style="list-style-type: none"> The property must be located within the boundaries of an Enterprise Zone. The building or facility must be commercial, industrial, or mixed-use. <ul style="list-style-type: none"> Mixed-use is defined as a building incorporating residential uses in which a minimum of 30% of the useable floor space is devoted to commercial, office, or industrial use.
<p>Eligible Investments & Thresholds</p> 	<ul style="list-style-type: none"> For the rehabilitation or expansion of an existing structure, the total amount of improvements must exceed \$100,000 in Qualified Real property Investments for the Qualified Zone Investor to be eligible (\$50,000 for projects that include solar panels and installation costs totaling \$50,000 or more). For new construction projects, the total amount of improvements must exceed \$500,000 in Qualified Real Property Investments for the Qualified Zone Investor to be eligible (\$450,000 for projects that include solar panels and installation costs totaling \$50,000 or more). Projects based solely on solar panels and installation costs of at least \$50,000 and not more than \$100,000. There is no threshold for this type of investment. Investments in Machinery & Tools and Business Personal Property are not considered Real Property and should not be included in RPIG calculations (with the exception of solar panels and installation totaling \$50,000 or more).
<p>Eligible Applicants</p> 	<ul style="list-style-type: none"> Applicant must be the entity that capitalizes the investment on their books or deducts the investment as a business expense under federal Treasury Regulations for tax purposes. The following entities are prohibited from receiving the RPIG: <ul style="list-style-type: none"> Units of local, state, or federal government (typically FEIN 546) Any entity that does not incur the cost of the investment
<p>Grant Term</p> 	<ul style="list-style-type: none"> Five-year periods beginning with the first qualification year in which a grant was awarded for the subject building or facility. After the conclusion of a five-consecutive-year period, the property begins another eligibility period and the grant cap is restored.
<p>Grant Cap</p> 	<ul style="list-style-type: none"> Grant awards are capped per building/ facility over a five-year term based on the cumulative level of investment starting with the qualification year in which a grant was first awarded. Grants may not exceed \$100,000 per building or facility in a five-consecutive-year period, where the total investment is less than \$5 million. Grants may not exceed \$200,000 per building or facility in a five-consecutive-year period, where the total investment is more than \$5 million.
<p>Grant Calculations</p> 	<ul style="list-style-type: none"> The dollar amount of an RPIG is determined by the amount spent on qualified real property investments. Grants are available in amounts up to <u>20%</u> of the qualified real property investment <u>OVER</u> the respective eligibility threshold, capped based on the limits indicated above. Real property investment expenditures funded by a federal, state, or local grant of public funds are not eligible for an RPIG and must be excluded from the RPIG application (private foundation grants remain eligible).

📄 REQUIRED AND SUPPLEMENTAL RPIG DOCUMENTATION

Form EZ-RPIG must be submitted online by **11:59 PM on April 1, 2020 (EST)**. After submitting the online form, applicants should print the completed EZ-RPIG application from the EZ Online Submission System site, then mail the signed hard copy in addition to the materials listed in the table below.

Real Property Investment Grant Submission Materials	
Materials	Submission Deadline
<ul style="list-style-type: none"> Form EZ-RPIG Placed in Service Documentation CPA Attestation Report Form Form EZ-RPIG Multiple Owner* Form EZ-RPIG Tenant-Owner Consent* Form EZ-RPIG Tenant Coordination* Form EZ-RPIG Mixed-Use* Commonwealth of Virginia Form W-9 <p><i>*If Applicable</i></p>	<p>All application materials are due to DHCD on April 1st, 2020</p> <p>Applicants must submit their application electronically and then send original application materials using one of the following mechanisms: 1) United States Postal Service certified mail, return receipt requested and postmarked no later than April 1st; 2) UPS, Fed Ex or another services where shipping can be tracked with a shipped date no later than April 1st. Hand delivery is accepted (but not preferred) and must be received by DHCD by the close of business on April 1st.</p>

📄 RECORD KEEPING REQUIREMENTS

The Department may at any time review an applicant’s records related to qualification under this section to assure that information provided in the application process is accurate. Qualified Zone Investors shall maintain all documentation regarding RPIG qualification for a minimum of three years following the receipt of the grant. **Real Property Investment Grantees are annually monitored by DHCD at random.** Grants that do not have adequate documentation regarding qualified real property investments may be subject to repayment.

CPA ATTESTATION RESPONSIBILITIES

CPAs will apply the procedures specified in this document to satisfy the attestation requirement of the Code of Virginia § 59.1-549 Policies and Procedures for allocation of Enterprise Zone grants. This attestation should report on the following:

- The Form EZ-RPIG and all other required attachments are complete;
- The zone investor only includes [qualifying real property investments](#) and that all costs listed on the schedule on Part III of Form EZ-RPIG were either capitalized or expensed by the [qualified zone investor](#). Further, the EZ-RPIG application should exclude real property investments that were funded from public grants from federal, state, or local sources;
- The real property for which the qualified real property investments were made has been placed in service during the applicable Grant Year (2019);
- In the case of mixed-use buildings, the square footage information and use is accurately indicated on the supplemental form, EZ-RPIG Mixed-Use;
- And, in the case of zone investors owning a space within a building or zone investors applying as tenants, the square footage information is accurately indicated on the supplemental form(s) and the grant application process has been coordinated with all other owners/tenants within the building. For more information regarding the required steps of coordination, see Pages 8-9 and 21-22 of the Real Property Investment Grant Instruction Manual.

RPIG APPLICANT RESPONSIBILITIES

The zone investor will provide the CPA with the following:

- The Real Property Investment Grant **Form EZ-RPIG** and all other required attachments;
- **All invoices and receipts** for qualified real property investments **capitalized or expensed** by the zone investor;
- The final [placed in service documentation](#) issued by the locality for the completed real property improvements;
- For [mixed-use](#) buildings, **the measured drawings** for the building indicating the square footage and use of the building;
- For zone investors applying as owners of space within a building, **the closing documents** or deed of trust indicating the building's square footage;
- For zone investors applying as tenants, **the current lease agreement** indicating the building's square footage.

RPIG AGREED-UPON PROCEDURES

Procedure 1 - Attestation of Completed Application

The CPA will read the Real Property Investment Grant Form EZ-RPIG and report that all required attachments have been prepared in the prescribed format and Form EZ-RPIG contains the signed declaration.

1. Completed and signed Form EZ-RPIG;
2. Completed and signed [Commonwealth of Virginia W-9](#);
3. Copy of final placed in service documentation;
 - **Final Placed in Service Documentation** for the same physical address as referenced on the application and approval/issuance date within the current Grant Year (2019).
4. Completed, signed and seal/notarized supplemental form for a mixed-use building (if applicable);
 - For [mixed-use](#) buildings, **supplemental Form EZ-RPIG Mixed-Use** must be filled out to indicate the [useable floor space](#) in the building (by use). The form will be completed by the individual/firm that prepared the measured drawings/plans submitted to the local building official to obtain necessary permits for improvements to the mixed-use building. If the preparer cannot be contacted, the applicant may obtain Third Party Verification by a licensed, independent third party. The useable floor space as documented on the measured drawings must be indicated on this form. The form must also include a statement to be signed by the preparer of the measured drawings. Stamped and sealed measured drawings will be provided to DHCD at their request. If they are not provided at DHCD's request, the applicant may be denied a grant.
5. Completed, signed, and notarized supplemental form for owners of space in building (if applicable);
 - For buildings with multiple owners, supplemental **Form EZ-RPIG Multiple-Owner** must be filled out to indicate the useable floor space occupied by each owner. The applicant completing the form will need to obtain information on the total building square footage if not specified in the closing documents (condo owner). The form must include coordination with all other owner(s) of space within the building; otherwise DHCD will use proration procedures to determine the grant amount based on the level of investment made to the building and the percentage of the useable floor space owned by the applicant.
6. Completed, signed, and notarized supplemental consent forms for a tenant in a building (if applicable);
 - For buildings with one or more tenants, supplemental **Form EZ-RPIG Tenant-Owner Consent** must be filled out to obtain the owner's consent to apply for grant funds. The owner can either give unconditional consent or may require the applicant tenant to coordinate with all other tenants within the building/facility. The owner's signature must be notarized. The applicant completing the form will need to contact the building owner/management company to obtain information on the total building square footage if not specified in the current lease agreement.
 - If the owner of the building/facility has required tenant coordination, supplemental **Form EZ-RPIG Tenant Coordination** must be filled out to indicate the useable floor space occupied by each tenant. The applicant completing the form will need to contact the building owner/management company to obtain information on the total building square footage if not specified in the current lease agreement (tenant). The form will be completed to include coordination with all other tenants(s) of space in the building otherwise DHCD will use proration procedures to determine the prorated grant amount based on the level of investment made to the building and the percentage of the useable floor space leased by the applicant.

Procedure 2 - Attestation of Qualified Real Property Investments

The CPA will read the schedule of [Qualified Real Property Investments](#) included on Part III of Form EZ-RPIG as well as supporting documentation in the form of invoices, receipts, contracts, etc. to determine that only qualified real property investments are listed on the schedule; to ensure that the amount and type of qualified real property investments listed on the schedule accurately reflects the amount and type of qualified real property investments made by the qualified zone investor; and to ensure that the total cost of qualified real property investments indicated on the invoices or receipts equals the amount reported by the zone investor. Management's written representation should be obtained from the Zone Investor to determine that federal, state, and local source grant monies were not used to obtain the real property investments

- A. The CPA will obtain and read the schedule of [Qualified Real Property Investments](#) (Part III of Form EZ-RPIG) including the cost categories qualifying for the Enterprise Zone "qualified real property investments" per § 59.1-548. (Enterprise zone real property investment grants) of the Code of Virginia, and 13VAC5-112 of the Virginia Administrative Code, which defines Qualified Real Property Investment as "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 (\$50,000 for projects that include solar panels and installation costs totaling \$50,000 or more); (ii) \$500,000 with respect to a single building or a facility in the case of new construction (\$450,000 for projects that include solar panels and installation costs totaling \$50,000 or more); OR (iii) projects based solely on solar panels and installation costs of at least \$50,000 and not more than \$100,000. Qualified real property investments include 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, but not be limited to, costs associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing, flashing, exterior repair, cleaning, cleanup, and solar panels and installation costs."
- B. In the case of cost categories listed on the schedule that include more than one type of work (such as drywall and demolition), a breakdown of the work included in such category will obtain by the CPA and read to ensure that all cost categories are [Qualified Real Property Investments](#) according to § 59.1-548A of the Code of Virginia. The CPA will report any items whose qualifications are uncertain, including the exact dollar amount of the corresponding qualified real property investments submitted on the electronic and hard copies of Form EZ-RPIG.
- C. The CPA will compare the schedule of [Qualified Real Property Investments](#) to the general ledger entries to determine that the items and costs listed on the schedule were charged to the appropriate capital (asset) account or expense account. The CPA will read the schedule and note any items that are not charged to the capital account or expense account. In cases where not all qualified real property investments under the Final CO charged to the capital account or expensed have been paid for, a charge to a capital account or an expense account with a corresponding recorded entry to a liability account and proof of subsequent payment thereof within 60 days of the calendar year end is satisfactory proof to count those qualified real property investments.
- D. Next, the CPA will obtain and read 100 percent of the invoices, receipts, AIA reports, and any other relevant documentation of construction expenses. The CPA shall compare these documents to the dollar values presented on the Schedule of Qualified Real Property Investments and report on whether the charges agree.

- E. The CPA shall obtain and read the schedule of Qualified Real Property Investments and the contents of their Attestation Report, to determine whether the total Qualified Real Property Investment reported on Form EZ-RPIG meets the APPLICABLE minimum investment threshold, as established by § 59.1-548 and 13VAC5-112 of the Virginia Administrative Code. Enterprise zone Real Property Investment Grants BASED ON THE TYPE OF PROJECT INDICATED IN PART I, BLOCK 7 OF THE EZ-RPIG.
- F. The CPA shall inquire of the source of all grant monies used to fund the Qualified Real Property Investment, by obtaining management representation, to determine that federal, state, and local source grants of public funds were not used to purchase items on the schedule of Qualified Real Property Investments.

Procedure 3 - Attestation of Placed in Service Documentation

The CPA will read the Placed In Service Documentation which indicates that work is complete and up to code as evidenced by the “placed in service date” (the date of the final Certificate of Occupancy (CO), final building inspection, or the date of the third party inspection report for the building). The “placed in service date” dictates the calendar year in which the qualified zone investor applies for the grant.

For All Types of Placed in Service Documentation

- A. The CPA will read to ensure that the placed in service document is final and no other documentation was issued or is pending (for example, a final building inspection issued before a CO) by confirming with the locality’s Building Code Office the final documentation issued for the rehabilitation/expansion/new construction project for which a grant is being sought.
- B. In cases in which the final placed in service documentation issued was only for a portion of the building/facility (for example, a CO for the first floor in a four story building), the CPA will read the qualified real property investment amount listed on Part IV, Box 3A of Form EZ-RPIG to determine that it only includes work completed on the portion of the building/facility covered under the CO. The CPA may contact the agency that issues the final certificate of occupancy or inspection documentation to determine the scope of work approved in Placed in Service documentation.

When Placed in Service Documentation is a Final CO

- A. The CPA will compare the physical address on the final Certificate of Occupancy (CO) for the building to determine it is the same physical address as listed on the EZ-RPIG application.
- B. The CPA will read the final CO to determine that the date of issuance is within Grant Year 2019.
- C. The CPA will read the final CO to determine that it indicates that it was final, not temporary or pending. Applications will not be accepted for work done under a temporary, pending, or failed CO.
- D. In the case of a shell CO, the CPA will read EZ-RPIG Part I, Box 2 to determine that the zone investor is not a tenant of the building, unless they have signed a [capital lease agreement](#) and have coordinated with the building owner.
- E. The CPA will read the final CO to determine that the name listed on the final CO matches the name of the [qualified zone investor](#) on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the final CO, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the CO has been included in Part II, Section B of the RPIG application.

When Placed in Service Documentation is a Final Building Inspection

- A. In cases where the building was in continual service during the rehab/expansion work, or there was no change in use or final CO required, the CPA will read the final building inspection to determine that the physical address on the final building inspection is the same physical address as listed on the EZ-RPIG application.
- B. The CPA will read the final building inspection to determine that the date of issuance is within Grant Year 2019.
- C. The CPA will read the final building inspection report to determine that the final inspection is marked as approved and not pending or temporary. In cases in which localities issue multiple inspections for a project (building, electrical, mechanical, etc.), the CPA will read all final inspection documents to determine that all the inspections indicate they are fully approved/passed in order for the corresponding dollar amounts under each inspection to be included in the total qualified real property investment amount.
- D. The CPA will read the final building inspection to determine that the name listed on the final inspection matches the name of the qualified zone investor on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the final inspection, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the final building inspection has been included in Part II, Section B of the RPIG application.

When Placed in Service Documentation is a Third Party Licensed Inspector's Report

- A. In cases where the locality did not require any building permits or other permits for ANY of the qualified real property investments listed on the schedule in Part III of Form EZ-RPIG, the CPA will read an official letter from the building code official to determine that it references the physical address and states that such permits were not required for the work.
- B. The CPA will read the licensed third party inspector's report to determine that the physical address on the report is the same physical address as listed on Form EZ-RPIG.
- C. The CPA will read the third party inspector's report to determine that the date the report was issued was within Grant Year 2019.
- D. The CPA will read the third party inspector's report to determine that it indicates that all work was complete in Grant Year 2019 with no outstanding or failed items reported.
- E. The CPA will read the licensed third party inspector's report to determine that the name listed on the report matches the name of the qualified zone investor on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the report, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the third party inspector's report has been included in Part II, Section B of the RPIG application.



What is the required format of the Third-Party Inspector's Report?

*Based on [Section 113.7.1](#) ("Third-Party Inspectors") of the Virginia's Uniform Statewide Building Code: "Each building official charged with the enforcement of the USBC shall have a written policy establishing the minimum acceptable qualifications for third-party inspectors. The policy shall include the format and time frame required for submission of reports, any prequalification or pre-approval requirements and any other requirements and procedures established by the building official." Hence, the **Third-Party Inspector's Report must meet the guidelines set forth by the local jurisdiction in which the project was completed.***

Procedure 4 - Attestation of Square Footage for Mixed-Use Buildings

When building is mixed-use:

- A. The CPA will read to determine that if the applicant has indicated “Mixed-Use” in Part I of Form EZ-RPIG on Box 5, the applicant has provided the CPA with the supplemental **Form EZ-RPIG Mixed-Use** where Part II of the form has been “completed by the preparer (or the representative of the preparer) of the measured drawings/plans submitted to the locality” and that it contains the professional seal (AIA) or notarized signature of the preparer (or representative of the preparer) of the drawings, if not an architect. In the case where no formal drawings were required by the locality or the zone investor prepared their own measured drawings, the CPA will determine that a licensed third party architect or contractor has signed and sealed the form certifying that at least 30 percent of the useable floor space in the building is devoted to commercial, industrial, or office use. To determine that validity of an architect or contract license in the State of Virginia, the CPA should reference the Virginia Department of Professional and Occupational Regulations (<http://www.dpor.virginia.gov/LicenseLookup/>).
- B. The CPA will determine that Part II, Box 4 of the **Form EZ-RPIG Mixed-Use** is mathematically correct based on information on Part II, Boxes 2a, 2b, and 3 and **is at least 30 percent**.

Procedure 5 - Attestation of Owners of Space in Building

When building has multiple owners of space in the building/facility (condo):

The CPA will determine that the square footage information indicated in the closing documents or deed of trust is accurately indicated on the supplemental form for zone investors who own space in a building. The qualified zone investor must provide the CPA with access to the closing documents or the deed of trust. Additionally, the CPA must determine that the zone investor has coordinated qualification with all other owners of the building; otherwise DHCD’s proration procedures will be used to determine the grant amount. For more information regarding the required steps of coordination for owners of space within a building, see Page 20 of the Real Property Investment Grant Instruction Manual.

- A. The CPA will determine that if the applicant has indicated “owns space in a building (i.e. office condo)” in Part I of the **Form EZ-RPIG** Box 2, that a supplemental **Form EZ-RPIG Multiple-Owner** has been completed and signed by the applicant. The CPA should compare Part II Boxes 1 and 2 of the supplemental **Form EZ-RPIG Multiple Owner** to any backup documentation provided by the applicant (deed of trust or other closing documents) and report on these findings.
- B. The CPA will determine that Part II, Box 3 of the supplemental form is mathematically correct.
- C. The CPA will determine that information in Part III of the supplemental form agrees with the grant requested by the zone investor on **EZ-RPIG** Part IV, Box 3D indicating that either the grant request is being prorated or has been coordinated with all other owners of space in the building. In the case of coordination, the CPA will determine that all the building/facility’s square footage has been accounted for by the other owners’ notarized signatures such that the sum of the square feet listed in Part III Box C and the square footage listed in Part II, Box 1 equals Part II, Box 2 (building’s total square footage).

Procedure 6 - Attestation of Tenant(s) in a Building

When applicant firm is a tenant in the building/facility:

The CPA will determine that the square footage information indicated in the current lease agreement is accurately indicated on the supplemental form for buildings with tenant(s). The qualified zone investor must provide the CPA with access to the lease. Additionally, the purpose is to ensure that the zone investor has obtained the consent of the building owner and (if required by the owner) has coordinated qualification with all other tenants in the building, otherwise DHCD's proration procedures will be used to determine the appropriate grant amount.

- A. The CPA will determine that if the applicant has indicated "tenant in building" in Part I of the **Form EZ-RPIG** Box 2, a supplemental **Form EZ-RPIG Tenant-Owner Consent** has been completed and the applicant has provided the CPA with documentation (valid lease) that agrees with Part III Boxes 1 and 2 of the supplemental **Form EZ-RPIG Tenant-Owner Consent**.
- B. The CPA will determine that Part IV & V of **Form EZ-RPIG Tenant-Owner Consent** have been completed whereby the owner of the building gives consent to the tenant to apply for the grant.
- C. The CPA will determine that Part III, Box 3 of **Form EZ-RPIG Tenant-Owner Consent** is mathematically correct.
- D. The CPA will determine that in the supplemental **Form EZ-RPIG Tenant-Owner Consent** agrees with the grant requested by the zone investor on **Form EZ-RPIG** Part IV, Box 3D which indicates that the grant request is either being prorated, has been coordinated with all other owners/tenants within the building, or the owner has given consent without requiring coordination. In the case of coordination, the CPA will determine that the building/facility's square footage has been accounted for by the other owners' or tenants' notarized signatures such that the sum of the square feet listed in Part III Box C of the supplemental **Form EZ-RPIG Tenant Coordination** and the square footage listed in Part II, Box 1 equals Part II, Box 2 (building's total square footage).



Multi-Tenant/Owner Proration Formula

*If the required coordination has not been performed, DHCD will implement its **proration procedures** for such buildings based on the [useable floor](#) space leased/owned by the zone investor.*

The maximum grant amount available (either \$100,000 or \$200,000) be will determined by the cumulative qualified real property investments made to the building/facility within the consecutive five-year period starting with the qualification year in which a grant was first awarded.

- *DHCD will then multiply the applicable grant cap by the percent of the building's useable floor space for which the tenant has a lease or for which the owner has a deed of trust (or other closing documents).*
- *The grant cannot exceed this amount or 20% of the applicant's qualified real property investment (not exceeding the investment threshold cap), whichever is less.*

RPIG GLOSSARY: DEFINITIONS FOR REAL PROPERTY INVESTMENT GRANTS

Agreed upon procedures engagement:

Means an engagement between an independent Certified Public Accountant licensed by the Commonwealth and the qualified zone investor seeking to qualify for Enterprise Zone incentive grants whereby the independent Certified Public Accountant, using procedures specified by the Department, will test and report regarding the assertion of the qualified zone investor in connection with its qualification to receive the Enterprise Zone incentive pursuant to § 59.1-549 of the Code of Virginia.

Building:

Means any construction meeting the commonly ordinarily accepted meaning of the term (building, *n*, a usually roofed and walled structure built for permanent use) where 1) areas separated by interior floors or other horizontal assemblies; and 2) areas separated by fire walls or vertical assemblies shall not be construed to constitute separate buildings, irrespective of having separate addresses, ownership or tax assessment configurations, unless there is a property line contiguous with the fire wall or vertical assembly.

Capital lease:

Means a lease that meets one or more of the following criteria and as such is classified as a purchase by the lessee: the lease term is greater than 75 percent of the property's estimated economic life; the lease contains an option to purchase the property for less than fair market value; ownership of the property is transferred to the lessee at the end of the lease term; or the present value of the lease payments exceed 90 percent of the fair market value of the property.

- **Special information for Tenant applicants:** Investments to real property made under an operating lease do not qualify as investment capitalized by a tenant. Only leasehold improvements made directly by a tenant or improvements made under a capital lease are considered grant-eligible.

Investment	Applicant
Leasehold improvements made directly by tenant	Tenant applies for RPIG
Improvements made under a capital lease	Tenant applies RPIG
Improvements paid for as part of an operating lease	Tenant may not apply for RPIG

Common control:

Means those firms as defined by Internal Revenue Code § 52(b).

Expansion:

Means an increase in square footage or the footprint of an existing nonresidential building via a shared wall, or enlargement of an existing room or floor plan. Pursuant to Real Property Investment Grants this includes mixed-use buildings.

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.

Independent Certified Public Accountant:

Means a public accountant certified and licensed by the Commonwealth of Virginia who is independent of the entity 'in fact' and in appearance. The CPA must comply with the independence requirements in the AICPA Code of Professional Conduct. Potential scenarios that may impair a CPA's independence include financial interest in

the client, business relationships with the client, family or personal ownership of or employment by the client (present or former), and being on the Board of Directors or a Trustee of the client. This list is not all-inclusive and other situations may arise that impair the independence of the CPA.

Local Zone Administrator:

Means the chief executive of the city or county, in which an enterprise zone is located, or his or her designee. Pursuant to Enterprise Zone designations made prior to July 1, 2005, this shall include towns.

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. Buildings where less than 30 percent of the useable floor space is devoted to commercial, office or industrial use shall be considered primarily residential in nature and shall not be eligible for the Real Property Investment Grant under 13 VAC 5-112-330. This definition applies only for the purpose of qualifying for Enterprise Zone incentives.

Mobilization:

Mobilization includes preparatory work and operations necessary for the movement of heavy equipment and supplies (construction supplies NOT office supplies) to the project site, necessary for work on the project.

New construction:

Means a single, nonresidential facility built on previously undeveloped land of a nonresidential structure built on the site/parcel of a previously razed structure with no remnants of the prior structure or physical connection to existing structures or outbuildings on the property. Pursuant to Real Property Investment Grants this shall include mixed-use buildings.

Placed in service:

Means the final Certificate of Occupancy has been issued or the final building inspection has been approved (as well as all associated trades inspections) by the local jurisdiction for real property improvements or real property investments, or in cases where a project does not require permits, the licensed third party inspector's report indicating that the project is complete.

Qualified real property investment:

Means the amount expended for improvements to rehabilitate, expand, or construct depreciable real property, regardless of whether it is considered properly chargeable to a capital account or deductible as a business expense under Federal Treasury Regulations. The improvements must be 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 (\$50,000 for projects that include solar panels and installation costs totaling \$50,000 or more); (ii) \$500,000 with respect to a single building or a facility in the case of new construction (\$450,000 for projects that include solar panels and installation costs totaling \$50,000 or more); or (iii) for projects based solely on solar panels and installation costs totaling at least \$50,000 and not more than \$100,000. Qualified real property investments include 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, but 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, and solar panels and installation costs.

Qualified real property investment shall not include: The cost of acquiring any real property or building; 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. 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 of the Code of Virginia 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, tenant, or developer 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 property for which the tenant holds a valid lease. Units of local, state and federal government or political subdivisions shall not be considered qualified zone investors.

Rehabilitation:

Means the alteration or renovation of all or part of an existing nonresidential building without an increase in square footage. Pursuant to Real Property Investment Grants this shall include mixed-use building.

Same trade or business:

Means the operations of a single company, related companies, or companies under common control.

Solar Panels:

Means the cost of solar equipment and shipping, supporting structural frames and foundations, fasteners, professional installer costs, and electricians. The costs of engineering, permits, and consulting fees do not qualify.