


Virginia Economic Development Partnership



2007-08

Virginia Guide to Business Incentives

Virginia  #1
Best State | Ranking by
for Business | Forbes.com



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Introduction

Virginia's best business incentive is its pro-business climate. Virginia strives to maintain traditions of sound fiscal management: a growing, diversified economy; moderate and stable taxes; and a conservative, results-oriented approach to business regulation. This advantageous climate—together with assets such as a strategic location, a highly productive workforce and excellent quality of life—makes Virginia a good place to do business.

In support of this pro-business environment, Virginia offers a range of incentives and services to assist business growth and reduce the costs of opening or expanding a business facility within the Commonwealth. Incentives include financial assistance, infrastructure development grants, tax credits and exemptions, customized training and technical support programs.

This guide mainly focuses on state incentive programs. Local governments may offer additional business incentives to further reduce the costs of locating a business in Virginia.



CORPORATE INCOME TAX INCENTIVES

Virginia's corporate income tax rate is 6 percent, and no unitary tax is levied on Virginia companies' worldwide profits. To further enhance Virginia's favorable tax treatment, the sales factor in the state's income apportionment formula is double weighted, benefiting companies with significant Virginia payroll and property.

Major Business Facility Job Tax Credit. Qualified companies locating or expanding in Virginia receive a \$1,000 corporate income tax credit for each new full-time job created over a threshold number of jobs.

- Companies locating in Enterprise Zones or economically distressed areas are required to meet a 50-job threshold; all other locations have a 100-job threshold.
- The \$1,000 credit is available for all qualifying jobs in excess of the threshold and is taken in equal installments over three years (\$333 per year).
- Non-qualifying jobs include seasonal positions, building and grounds maintenance, security, and other positions ancillary to the principal activities of the facility.
- Credits are available for taxable years beginning on or after January 1, 1995, but before January 1, 2010. Unused credits may be carried over for up to 10 years.

Recycling Equipment Tax Credit. An income tax credit is available to manufacturers for the purchase of certified machinery and equipment used for processing recyclable materials in taxable years beginning on or after January 1, 1999, but before January 1, 2015. The credit is equal to 10 percent of the total original capitalized cost of

the equipment. In any taxable year, the amount of credit allowed cannot exceed 40 percent of the company's Virginia income tax liability before the credit. The unused amount of the credit may be carried over for 10 years.

The Virginia Department of Environmental Quality certifies that equipment to be credited is integral to the recycling process.

Day Care Facility Investment Tax Credit. Businesses may claim a tax credit equal to 25 percent of all expenditures incurred in the construction, renovation, planning, or acquisition of facilities for the purpose of providing day care for children of company employees. Any credit not usable for the taxable year may be carried over to the extent usable for the next three taxable years. The maximum credit is \$25,000. The Virginia Tax Commissioner at the Department of Taxation approves applications for this program.

Worker Retraining Tax Credit. Virginia employers will be eligible to receive an income tax credit equal to 30 percent of all expenditures made by the employer for eligible worker retraining. The credit has a spending cap of \$2.5 million in any taxable year. Eligible worker retraining consists of courses at Virginia community colleges and private schools, certified by the Department of Business Assistance, or retraining programs through apprenticeship agreements approved by the Virginia Apprenticeship Council.



PROPERTY TAX INCENTIVES

Virginia does not tax property at the state level; real estate and tangible personal property are taxed at the local level. Moreover, Virginia differs from most states in that its counties and cities are separate taxing entities. A company pays either county or city taxes, depending on its location. If the company is located within the corporate limits of a town, it pays town taxes as well as county taxes. In addition, Virginia localities do not have separate school district taxes.

Virginia does not tax:

- Intangible property
- Manufacturers' inventory
- Manufacturers' furniture, fixtures or corporate aircraft

Localities have the option to fully or partially exempt the following property from taxation:

- Certified pollution control facilities and equipment
- Certified recycling equipment
- Rehabilitated commercial/industrial real estate for up to 15 years
- Manufacturers' generating and co-generating equipment
- Certified solar energy devices
- Environmental restoration sites (eligible real estate in the Virginia Voluntary Remediation Program)

Localities may elect to tax the following tangible personal and real property at reduced rates:

- Research and development tangible personal property
- Equipment used for biotechnology research, development and production
- Semiconductor manufacturing machinery and tools
- Computer hardware and peripherals
- Aircraft
- Clean-fuel vehicles
- Tangible personal property used in the provision of certain Internet services
- Energy-efficient buildings

SALES AND USE TAX EXEMPTIONS

The rate of Virginia's combined state and local sales and use tax is 5 percent (4 percent state and 1 percent local) and among the lowest in the nation. A seller is subject to a sales tax imposed on gross receipts derived from retail sales or leases of tangible personal property, unless the retail sales or leases are specifically exempt by law. When a seller does not collect the sales tax from the purchaser, the purchaser is required to pay a use tax on the purchase, unless the use of the property is exempt. Some important exemptions include:

- Manufacturers' purchases used directly in production, including machinery, tools, spare parts, industrial fuels and raw materials
- Items purchased for resale by distributors
- Certified pollution control equipment and facilities
- Custom computer software
- Utilities delivered through lines, pipes or mains
- Purchases used directly and exclusively in research and development
- Most film, video and audio production-related purchases
- Charges for Internet access, related communications services and sales of software via the Internet
- Purchases used directly and exclusively in activities performed in cooperation with the Virginia Commercial Space Flight Authority
- Semiconductor clean rooms or equipment and other tangible personal property used primarily in the integrated process of designing, developing, manufacturing or testing a semiconductor product

For additional information, please contact:

*Virginia Department of Taxation
Post Office Box 1115
Richmond, Virginia 23218-1115
(804) 367-8037
<http://www.tax.virginia.gov>*

ENTERPRISE ZONES

The Virginia Enterprise Zone Program, administered by the Virginia Department of Housing and Community Development (DHCD), assists with business development and expansion in specially targeted areas throughout the state called Enterprise Zones. Virginia's Enterprise Zone Program offers two state incentives to qualified businesses and zone investors located in a Virginia Enterprise Zone.

Enterprise Zone Job Creation Grants. Qualified businesses in an Enterprise Zone are eligible for cash grants for permanent net new jobs created over a four-job threshold. Qualifying jobs must provide health benefits and pay at least 1.75 times the federal minimum wage rate ($\$5.85 \times 1.75 = \10.24 an hour). Positions created over the four-job threshold that pay at least \$10.24 per hour are eligible for a maximum grant of \$500 per position per year for up to five years. Positions created over the four-job threshold that pay at least twice the federal minimum wage rate ($\$5.85 \times 2 = \11.70 an hour) are eligible for a maximum grant of \$800 per position per year for up to five years. Jobs with pay rates below the threshold or without health care benefits as well as positions in retail, personal service or food and beverage service are not grant-eligible.

Grants are calculated based on the number of full months worked during a calendar year. In cases where a position is filled or is grant-eligible for only a portion of the year, the grant is prorated based on the number of full months the position was filled and/or grant-eligible. This applies to cases where there is a change in the wage rate, health benefits or the federal minimum wage rate.

Businesses must qualify for the grants annually. A business can receive grants for a maximum of 350 jobs annually above the four-job threshold. Businesses may qualify for additional five-year grant periods with additional job creation. Businesses electing to receive this grant are not eligible to receive the Major Business Facility Job Tax Credit.

Enterprise Zone Real Property Investment Grant. Qualified zone investors (entities and individuals) making a qualified investment in industrial, commercial or mixed-use real property located within an Enterprise Zone are eligible for a cash grant. The grant is equal to 20 percent of the investment up to a maximum of \$125,000 for companies investing less than \$5 million in qualified real property investments. For companies investing \$5 million or more, the maximum grant is \$250,000. Total grant awards may not exceed the maximums specified above within any five-year period for a specific building or facility. Investment in rehabilitation/expansion projects must equal at least \$50,000. New construction projects must invest at least \$250,000 in qualified real property investments.

State Enterprise Zone incentives are subject to proration if the grants requested exceed the allocated statewide funding.

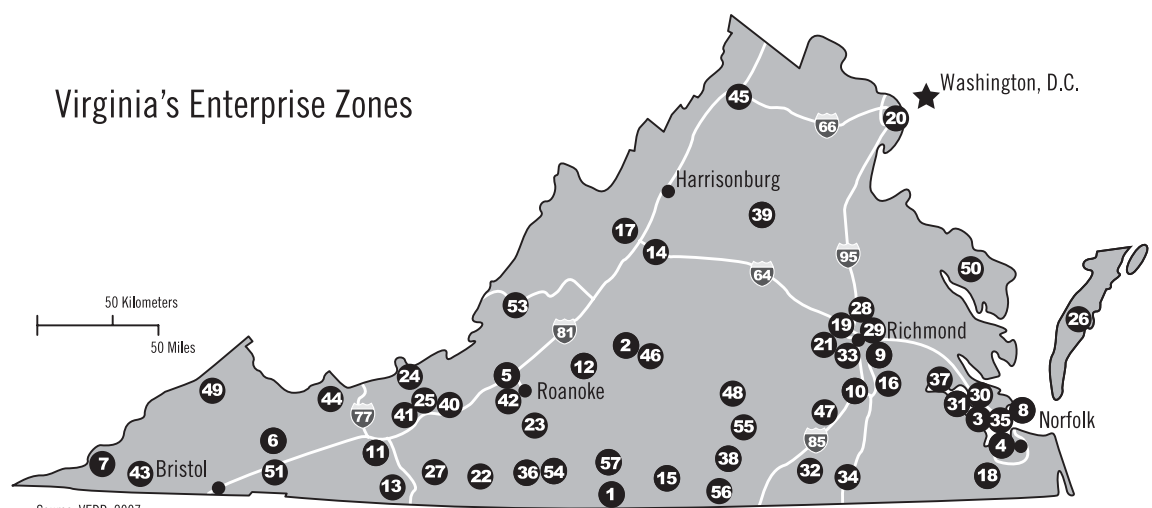
Currently, 56 zones have been designated. In addition to state incentives, each zone community offers additional local incentives to qualified businesses.

For additional information about Virginia's Enterprise Zone Program, please contact:

*Virginia Department of Housing and
Community Development
501 North Second Street
Richmond, Virginia 23219
Phone: (804) 371-7030
Fax: (804) 371-7093
<http://www.dhcd.virginia.gov>*



Virginia's Enterprise Zones



Source: VEDP, 2007

- | | | |
|---|---|--|
| 1 Danville | 19 29 Richmond City | 43 Scott |
| 2 46 Lynchburg | 20 Alexandria | 44 Tazewell |
| 3 30 31 Newport News | 21 33 Chesterfield | 45 Warren |
| 4 Norfolk/Portsmouth | 22 Patrick/Stuart | 47 Dinwiddie/Petersburg |
| 5 42 Roanoke | 23 Rocky Mount | 48 Charlotte/Lunenburg/
Prince Edward |
| 6 Saltville/Smyth County | 24 Narrows | 49 Dickenson/Clintwood/Haysi |
| 7 Lee | 25 40 Pulaski | 50 Lancaster/Northumberland/
Richmond/Westmoreland/
Kilmarnock/Warsaw |
| 8 35 Hampton | 26 Accomack/Northampton | 51 Smyth/Washington/Chilhowie/
Glade Spring |
| 9 Hopewell | 27 Carroll/Hillsville | 53 Alleghany/Clifton Forge/
Covington |
| 10 Petersburg | 28 Richmond City/Henrico | 55 Lunenburg/Kenbridge/Victoria |
| 11 Wythe | 32 Brunswick/Lawrenceville | 56 Mecklenburg/Clarksville |
| 12 Bedford | 34 Greenville | 57 Pittsylvania/Danville |
| 13 Galax | 36 54 Martinsville/Henry | |
| 14 Waynesboro | 37 James City | |
| 15 Halifax/South Boston | 38 Mecklenburg/South Hill/
LaCrosse | |
| 16 Prince George | 39 Town of Orange | |
| 17 Staunton | 41 Town of Pulaski | |
| 18 Suffolk | | |

TECHNOLOGY ZONES

Virginia cities, counties and towns have the ability to establish, by ordinance, one or more technology zones to attract growth in targeted industries.

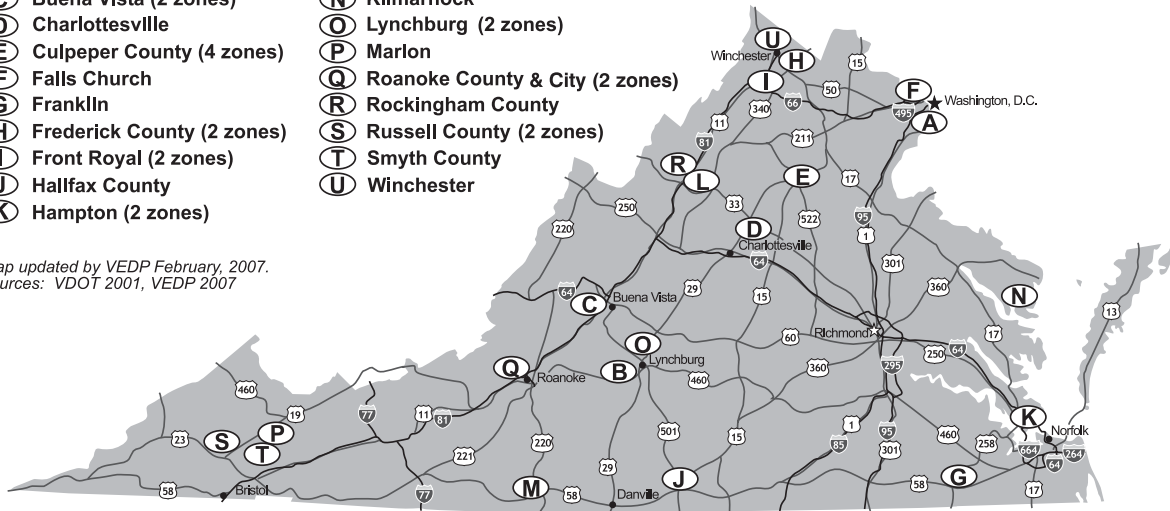
Qualified businesses locating or expanding operations in a zone may receive local permit and user fee waivers, local tax incentives, special zoning treatment or exemption from ordinances. Once a local technology zone has been established, incentives may be provided for up to 10 years. Each locality designs and administers its own program.

Localities that have established technology zones include the counties of Arlington, Bedford, Culpeper, Frederick, Halifax, Henry, Roanoke, Rockingham, Russell and Smyth; the cities of Buena Vista, Charlottesville, Falls Church, Franklin, Hampton, Harrisonburg, Lynchburg, Roanoke and Winchester; and the towns of Front Royal in Warren County, Kilmarnock in Lancaster County and Marion in Smyth County. In addition, the City of Virginia Beach has an approved technology zone ordinance, but has not yet designated a zone.

Virginia Technology Zones

- | | |
|-------------------------------------|--|
| A Arlington County (3 zones) | L Harrisonburg (2 zones) |
| B Bedford County | M Henry County |
| C Buena Vista (2 zones) | N Kilmarnock |
| D Charlottesville | O Lynchburg (2 zones) |
| E Culpeper County (4 zones) | P Marlon |
| F Falls Church | Q Roanoke County & City (2 zones) |
| G Franklin | R Rockingham County |
| H Frederick County (2 zones) | S Russell County (2 zones) |
| I Front Royal (2 zones) | T Smyth County |
| J Halifax County | U Winchester |
| K Hampton (2 zones) | |

Map updated by VEDP February, 2007.
Sources: VDOT 2001, VEDP 2007



VIRGINIA JOBS INVESTMENT PROGRAM

The Virginia Department of Business Assistance's Virginia Jobs Investment Program (VJIP) provides customized recruiting and training services to companies creating new jobs or experiencing technological change. As a business development incentive supporting economic development efforts throughout Virginia since 1965, the program reduces the human resource development costs of new and expanding companies throughout the Commonwealth. VJIP offers consulting services, organizational development, electronic media services, and funding.

Eligibility for assistance in any of the VJIP program offerings is limited to for-profit companies that create basic employment (not engaged in retail) paying a minimum wage of \$10.00 per hour. In areas that have unemployment of two times or more the state level, the wage minimum may be waived. Only full-time jobs are eligible for funding. Companies in the following business sectors will qualify:

- Manufacturing
- Distribution centers
- Corporate headquarters for companies with multiple facilities
- Inbound call centers
- Information technology services exclusively for businesses
- Research and development facilities

New Jobs Program. The New Jobs Program is a vital part of the Commonwealth of Virginia's economic development efforts. The program targets expansions of existing companies or new facility locations which involve competition with other states or countries. Expansions of existing companies or new company locations must create a minimum of 25 net new jobs within 12 months from the date of the first hire and make a capital investment of at least \$1,000,000.

Small Business New Jobs Program. The Small Business New Jobs Program supports existing Virginia companies which have 250 employees or less companywide. Companies must create a minimum of five net new jobs within a 12-month period and making at least \$100,000 new capital investment.

Retraining Program. The Retraining Program provides services and funding to companies to assist in upgrading the skills of existing employees identified as essential to the production or distribution of a product. Companies participating in the program are typically those which are undergoing an integration of new technology into their production processes, changing product lines in keeping with marketplace demands, or substantially changing service delivery processes, requiring an assimilation of new skills and technological capabilities. Companies must have a minimum of 10 full-time employees needing to be retrained, and a new capital investment of at least \$500,000 is required as the catalyst for the project.

For more information and application instructions, please contact:

*Virginia Department of Business Assistance
Post Office Box 446
Richmond, Virginia 23218-0446
(804) 371-8120
wfs@vdba.virginia.gov
<http://www.dba.virginia.gov/workforce>*

THE WORKFORCE INVESTMENT ACT

The Workforce Investment Act (WIA) of 1998 (H.R. 1385) rewrote federal statutes governing programs of job training, adult education and literacy, and vocational rehabilitation, replacing them with streamlined and more flexible components of workforce development systems.

The WIA created a new governance structure consisting of state and local workforce investment boards and a streamlined one-stop delivery system. Virginia has also made strides to more closely match workforce training with economic development needs. Local workforce areas in the Commonwealth are now required to create an annual demand plan based on a survey of local and regional businesses that reflects the local employers' needs and the availability of trained workers to meet those needs. Key elements in the workforce investment system are the state workforce investment board (the Virginia Workforce Council), the local workforce investment boards (LWIBs) and their youth councils, and the local one-stop delivery systems, which comprises multiple state agencies, local and non-profit partner programs.

The one-stop system directly delivers employment and training services, such as:

- Labor market information job search, job referral, and placement assistance
- Career counseling
- Assessment of skills and needs
- Individual employment plan development
- Adult education and literacy
- Job readiness training
- Occupational skills training
- Skills upgrading and retraining

Of particular interest to the employer community are the following training options that may be locally available under WIA funding:

- Individual Training Accounts (ITAs) which are pre-paid by the LWIB with no cost to the employer
- On-the-job training (OJT) which allows the LWIB to reimburse the employer for up to 50 percent of the participant's wage rate to compensate for employer costs
- Customized training which allows a LWIB to cover up to 50 percent of an employer's training costs

Separate funding streams are provided for adults, dislocated workers and youth. In Virginia, annual federal funding levels have recently averaged in the range of \$30-35 million. The majority of this funding is passed directly to the 16 LWIBs located throughout Virginia for direct service delivery and leveraging of funds at the local level. It is the intent of the legislation that the WIA funds are leveraged with other resources to support a demand-driven and responsive system that meets both employer and individual needs.

Virginia has received waivers from the federal government and developed state policies to make the use of WIA funds more flexible. Examples include the ability of LWIBs to provide incumbent worker funding regardless of an individual's income (previously not permitted) and the use of WIA funds for certain economic development activities other than training.

For each of the WIA funding streams, up to 15 percent may be reserved for statewide workforce investment activities. Broad authority is given to the Governor for use of these statewide funds. In addition, WIA can reserve 25 percent of dislocated worker funds at the state level to assist business with layoff aversion strategies and to fund rapid-response services to workers affected by plant closings and other dislocations.

For additional information, please contact:

Governor's Office for Workforce Development
1001 East Broad Street, Suite 135
Richmond, Virginia 23219
(804) 371-2359
www.workforce.virginia.gov



ECONOMIC DEVELOPMENT ACCESS PROGRAM

The Virginia Department of Transportation (VDOT) administers a program that assists localities in providing adequate road access to new and expanding manufacturing and processing companies, research and development facilities, distribution centers, regional service centers, corporate headquarters or other basic employers. The program may be used to:

- Improve existing secondary highway system roads and city streets to handle additional or type of traffic generated by an eligible economic development site
- Construct a new road from a publicly maintained road to the new eligible establishment's primary entrance when no road exists

Access road construction is scheduled for completion simultaneously with the start-up of plant operations. The access road is not intended to serve as a haul road during plant construction.

Before VDOT can act on a particular proposal, a resolution from the local governing body requesting the allocation of access road funds must be submitted to the department through the office of VDOT's local representative.

The maximum award for an economic development access road is \$300,000. However, the state will fund an additional \$150,000 if the amount is matched on a dollar-for-dollar basis from sources other than the Department of Transportation. The amount of the award is limited by the eligible capital investment of the company and the estimated cost of the access road. The total yearly allocation for the Economic Development Access Program and the Rail Industrial Access Program is \$5.5 million.

For additional information, please contact:

*Director of Local Assistance Division
Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219
(804) 786-2746
<http://www.virginia-dot.org/business/local-assistance.asp>*

RAIL INDUSTRIAL ACCESS PROGRAM

The Rail Industrial Access Program provides funds to construct railroad tracks to new or substantially expanded industrial and commercial projects having a positive impact on economic development in Virginia.

Financial assistance to any one county, city or town is limited to \$450,000 in one fiscal year, and the locality may utilize the entire allocation for one project. The state program will provide a maximum of \$300,000 in unmatched funds. Additional funds up to the annual limit must be matched on a dollar-for-dollar basis.

Funds may be used to construct, reconstruct or improve part or all of the necessary tracks and related facilities on public or private property. Funds may not be used for mainline switch, right-of-way acquisition or adjustment of utilities.

Each application must be accompanied by a resolution from the local governing body requesting the allocation of the funds.

For additional information, please contact:

*Virginia Department of Rail and Public Transportation
1313 East Main Street, Suite 300
Post Office Box 590
Richmond, Virginia 23218-0590
(804) 786-4440
<http://www.drpt.virginia.gov>*

TRANSPORTATION PARTNERSHIP OPPORTUNITY FUND

The Virginia Department of Transportation administers the Transportation Partnership Opportunity Fund (TPOF) which may be used, among other purposes, to address transportation aspects of economic development opportunities.

TPOF monies are awarded at the discretion of the Governor in the form of grants, revolving loans or other financial assistance to an agency, political subdivision of the Commonwealth or to certain private entities for transportation development activities.

Projects that are developed with monies from the TPOF do not become private property and are maintained by the appropriate entity pursuant to relevant agreements following completion.

Economic development projects seeking TPOF funding to assist with transportation aspects must meet the minimum criteria established in the Governor's Opportunity Fund Guidelines.

For application process and additional information, please contact:

Virginia Department of Transportation
Director, Innovative Finance and Revenue Operations Division
1401 East Broad Street
Richmond, Virginia 23219
(804) 786-0606
<http://www.virginiadot.org/projects/tpof.asp>

FOREIGN TRADE ZONES

Foreign trade zones (FTZs) allow businesses to defer paying U.S. Customs duties on imported goods held within the zones until the goods enter the United States for domestic consumption. No duties are paid if goods are re-exported. Companies also receive the benefit of not having to pay duties on broken or wasted product.

Businesses are allowed to store goods within foreign trade zones for an unlimited period of time. They are also allowed to manufacture products within zones and pay duties on either the foreign parts used or on the finished product, whichever is most advantageous to the company.

Virginia offers six general-purpose FTZs designated by the U.S. Department of Commerce. These zones are geographically dispersed around the state and include the following:

Suffolk FTZ #20. The Virginia Port Authority administers Virginia's first foreign trade zone. With over 3,300 acres, this zone is primarily located in Hampton Roads at the Norfolk, Portsmouth and Newport News marine terminals, but also includes 490 acres at the Virginia Inland Port near Front Royal in Warren County. Other sites under zone #20 include industrial parks in Suffolk, Chesapeake, Portsmouth, Virginia's Eastern Shore and Front Royal. There are also several subzones in operation. Contact: Kevin Burwell, (757) 683-2120; http://www.vaports.com/port_information/FAC-ftz-locations.html

Dulles FTZ #137. Foreign trade zone #137 consists of approximately 271 acres at Washington Dulles International Airport and the following expansion sites: Victory International warehouse near Washington Dulles; Ft. Collier Industrial Park in Winchester; a 90,000 square foot warehouse in Stonewall Industrial Park in Winchester; property adjacent to Winchester Airport; Wrights Run property - 155 acres zoned for light industrial and commercial; and Hazout expansion site west of Dulles Airport. Contact: Anita Kayser, (703) 572-8714.

Culpeper FTZ #185. Located in north-central Virginia, the Culpeper zone has an 85-acre general-purpose site. Contact: Norma Dunwody, (540) 825-8628.

Tri-Cities TN/VA FTZ #204. Foreign trade zone #204 consists of one subzone and eight general-purpose sites located throughout the Tri-Cities, including the Linden/Hairston Industrial Park in Bristol, VA. The zone project will be expanded to include a general-purpose site in Washington County. The grantee of FTZ #204 is the Tri-Cities Airport Commission. Contact: Mark Canty, (423) 325-6090.

Richmond FTZ #207. Central Virginia's zone is located at Richmond International Airport. FTZ #207 consists of on-airport warehousing options and over 100 acres available for development on-airport. Additionally, there are off-airport sites consisting of 10 acres with general-purpose warehousing in an industrial park in Hanover County and 221 acres in a Prince George County industrial park. Contact: Russ Peaden, (804) 226-8520; rpeaden@flyrichmond.com; <http://www.ftz207.com>

New River Valley Airport FTZ #238. The New River Valley Economic Development Alliance administers Virginia's newest foreign trade zone. FTZ #238 includes a 35-acre general-purpose zone at the New River Valley Airport in Dublin and a 200,000-square-foot warehouse on a 15-acre site in Pulaski. Contact: Aric H. Bopp, (540) 267-0007.

All zones provide space for storage, distribution and light assembly operations. Additionally, through these general-purpose zones, Virginia has the capacity and capability to provide companies with subzone designation.

For additional information about Virginia's foreign trade zones, please contact the individual zones above or:

Virginia Department of Business Assistance

Post Office Box 446

Richmond, Virginia 23218

Phone: (804) 371-8221

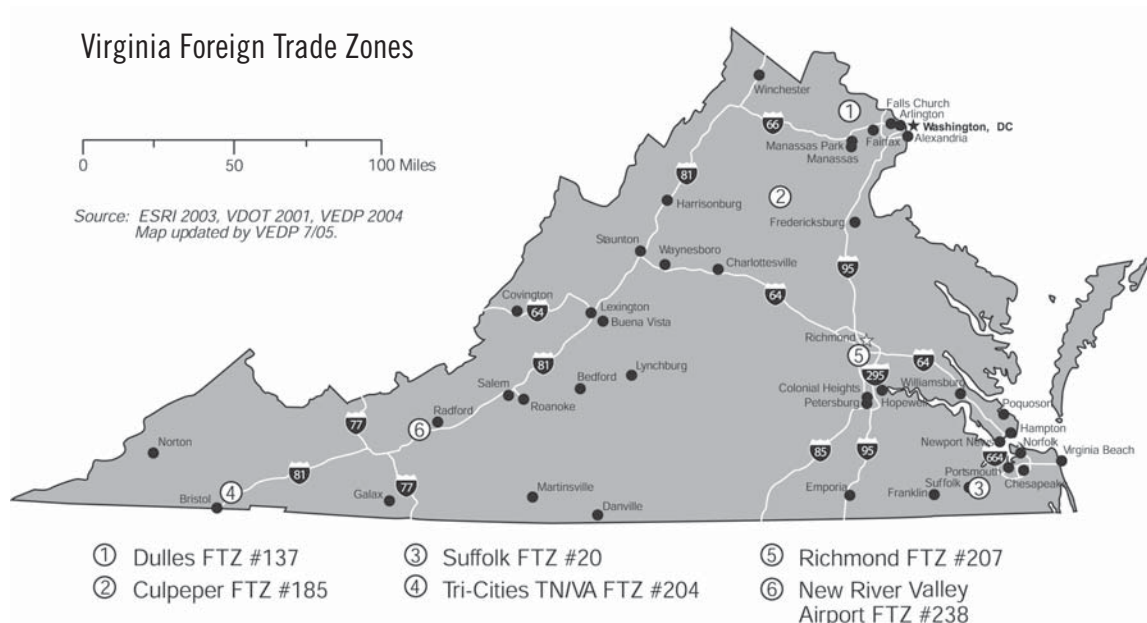
Fax: (804) 371-2142

<http://www.dba.virginia.gov>

National Association of Foreign Trade Zones

(202) 331-1950

<http://www.naftz.org>



GOVERNOR'S OPPORTUNITY FUND

The Governor's Opportunity Fund (GOF) is designed as a "deal closing" fund to be employed at the Governor's discretion when necessary to secure a company location or expansion in Virginia. The GOF serves as a final resource for Virginia in the face of serious competition from other states or countries. A GOF grant is awarded to the Virginia locality (county, city, town or Industrial/Economic Development Authority) for the benefit of the company, with the expectation that the grant will result in a favorable decision for the Commonwealth.

Grants are made at a locality's request for a project under the following conditions:

- Project investment, job creation and wage minimums are achieved
- The locality participates with a matching financial commitment
- The project is not an intrastate relocation
- A performance agreement is executed between the community and the company to ensure fulfillment of promised job creation and investment
- Public announcement of the project is coordinated by the Virginia Economic Development Partnership (VEDP) and the Governor's Office

The GOF grant is a negotiated amount determined by the Secretary of Commerce and Trade, based on the recommendation of VEDP and subject to the approval of the Governor.

Monies may be used for such things as public and private utility extension or capacity development on- and off-site; public and private installation, extension, or capacity development

of high-speed or broadband internet access whether on- or off-site; road, rail or other transportation access costs beyond the funding capability of existing programs; site acquisition; grading, drainage, paving and any other activity required to prepare a site for construction; construction or build-out of publicly owned buildings; grants or loans to an Industrial Development Authority, Housing and Redevelopment Authority or other political subdivision pursuant to its duties or powers; training; or anything else permitted by law.

Once a company decides on one potential Virginia location, the locality works with the VEDP within the guidelines of this program to seek the funds necessary to apply toward the project. The success of the GOF application is based on the project's eligibility and the locality's financial support for the project, as well as the actual project requirements and availability of funds. As with all Virginia incentives, the Commonwealth's investment must make good fiscal sense for both sides, and must carry a suitable return for Virginia, based on a return on investment computed for every project.

For additional information, please contact:

Virginia Economic Development Partnership
Post Office Box 798
Richmond, Virginia 23218-0798
(804) 545-5610
<http://www.YesVirginia.org>



VIRGINIA INVESTMENT PARTNERSHIP GRANT

The Virginia Investment Partnership (VIP) Grant is a discretionary performance incentive designed to encourage continued investment by Virginia companies, resulting in added capacity, modernization, increased productivity, or the creation, development and utilization of advanced technology. The program is targeted at companies that have operated in Virginia for at least five years and propose projects that fall into one of the following two categories:

1. Virginia manufacturers, or research and development services supporting manufacturing, that make a capitalized investment of at least \$25 million while at least maintaining stable employment levels.
2. Virginia major basic employers (manufacturing and nonmanufacturing) that make a capitalized investment of at least \$100 million and create at least 1,000 new jobs (a minimum of 400 jobs, if average pay is at least twice the area's prevailing average wage).

The performance grant is determined by the Secretary of Commerce and Trade, based in part on the Virginia Economic Development Partnership's return on investment analysis and recommendation, and is subject to the approval of the Governor. VIP grants are paid in five equal annual installments, beginning in the third year after the capital investment and job creation are completed, or in the second year after if the company is locating in a fiscally distressed area of the state. Companies are required to execute a performance agreement before receipt of the grant to ensure that performance expectations are met and the project must not be publicly announced prior to award of a grant.

For additional information, including guidelines and application information, please contact:

Virginia Economic Development Partnership
 Post Office Box 798
 Richmond, Virginia 23218-0798
 (804) 545-5610
<http://www.YesVirginia.org>

VIRGINIA ECONOMIC DEVELOPMENT INCENTIVE GRANT

The Virginia Economic Development Incentive Grant (VEDIG) is a discretionary performance incentive, designed to assist and encourage companies to invest and create new employment opportunities by locating significant headquarters, administrative or service sector operations in Virginia. Selected companies must meet the following eligibility requirements:

- A company locating in a Metropolitan Statistical Area with a population of 300,000 or more in the 2000 Census must:
 - create 400 new full-time jobs with average salaries at least 50 percent greater than the prevailing average wage
 - make a capital investment of at least \$5 million or \$6,500 per job, whichever is greater
- A company locating elsewhere in Virginia must:
 - create 200 new full-time jobs with average salaries at least 50 percent greater than the prevailing average wage
 - make a capital investment of at least \$6,500 per job
- The company is not currently participating in another Virginia performance grant program

The performance grant is determined by the Secretary of Commerce and Trade, based in part on the Virginia Economic Development Partnership's return on investment analysis and recommendation, and is subject to the approval of the Governor. VEDIG grants are paid in five equal annual installments, beginning in the third year after the capital investment and job creation are completed. Companies are required to execute a performance agreement before receipt of the grant to ensure that performance expectations are met and the project must not be publicly announced prior to award of a grant.

For additional information, including guidelines and application information, please contact:

Virginia Economic Development Partnership
 Post Office Box 798
 Richmond, Virginia 23218-0798
 (804) 545-5610
<http://www.YesVirginia.org>

TOBACCO REGION OPPORTUNITY FUND

The Tobacco Region Opportunity Fund makes grants to localities in Virginia's tobacco-producing regions to assist with specific projects that result in the creation of new jobs and investment. Grants are made at the discretion of the Tobacco Indemnification and Community Revitalization Commission. The goal of the fund is to attract competitive projects expected to have a regional impact due to the magnitude of new employment and investment, and the possibility of follow-on industry. No matching funds are required from the locality applying for the grant.

Eligible projects must include a minimum new private capital investment of \$1 million. Grant funds may be used for such things as public and private utility extension or capacity development on- and off-site; road, rail, or other transportation access costs; grading, drainage, paving, and any other activity required to prepare a site for construction; construction or build-out of publicly owned buildings; grants or loans to an Industrial Development Authority; training; or anything else permitted by law.

The Tobacco Region consists of the 34 counties and 7 cities in Southside and Southwest Virginia: Sussex, Greensville, Brunswick, Dinwiddie, Amelia, Nottoway, Lunenburg, Mecklenburg, Cumberland, Prince Edward, Charlotte, Halifax, Buckingham, Appomattox, Campbell, Pittsylvania, Henry, Bedford, Franklin, Patrick, Floyd, Carroll, Grayson, Wythe, Bland, Smyth, Washington, Tazewell, Russell, Scott, Buchanan, Dickenson, Wise, and Lee counties, and the cities of Emporia, Danville, Martinsville, Bedford, Galax, Bristol, and Norton.

For additional information, please contact:

*The Virginia Tobacco Indemnification and
Community Revitalization Commission*
7th & Franklin Building
701 East Franklin Street, Suite 501
Richmond, Virginia 23219
(804) 225-2027
<http://www.vatobaccocommission.org>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

Virginia's e-Region. The Virginia Coalfield Economic Development Authority (VCEDA) works to enhance the economic base of Virginia's e-Region, the seven counties and one city of far southwestern Virginia (Buchanan, Dickenson, Lee, Russell, Scott, Tazewell and Wise counties and the City of Norton). Virginia's e-Region focuses on electronic information technology, energy, education and existing industries.

The Authority provides low-interest loans to qualified new or expanding businesses through its financing program. The loans may be used for real estate purchases, construction or expansion of buildings, and the purchase of machinery and equipment.

To be eligible for the VCEDA loans, private businesses must be basic employers who will bring new income to the area. Priority will be given to loans requiring \$10,000 or less for each new basic job created, and the average minimum hourly wage should equal or exceed 1.5 times the current federal minimum wage rate at the end of one year of employment. Any project providing at least 25 jobs within 12 months of start-up will be given priority.

Program funding is derived primarily from the local coal and gas road improvement tax and the natural gas severance tax.

VCEDA also administers other funding programs designed to encourage economic development and diversification in Virginia's e-Region, including the Coalfield Regional Opportunity Fund (CROF), the VCEDA Tourism Capital Improvement Matching Fund, and the VCEDA Seed Capital Matching Loan Fund. Eligibility requirements vary by program.

For additional information, please contact:

Virginia Coalfield Economic Development Authority
Post Office Box 1060
Lebanon, Virginia 24266
(276) 889-0381
mail@vaceda.org
<http://www.vaceda.org>
<http://www.e-Region.org>

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

The Virginia Small Business Financing Authority (VSBFA), which is housed within the Virginia Department of Business Assistance, offers programs to provide businesses and communities with access to capital needed for economic growth and expansion.

Industrial Development Bonds (IDBs) and the Umbrella Bond Program. The VSBFA issues both tax-exempt and taxable bonds to provide businesses and 501c3 corporations with access to long-term, fixed asset financing at favorable interest rates and terms. IDBs can be used to finance the acquisition and construction of land and buildings and for the purchase of other capital assets, including equipment. Eligible borrowers include new or expanding manufacturing companies, “exempt” facilities such as solid-waste disposal facilities and 501c3s. Through IDBs, credit-worthy manufacturers and 501c3 corporations can finance up to 100 percent of the cost of acquiring, constructing and equipping a facility, including site preparation, at favorable interest rates. IDBs may also be used to allow manufacturers to lease facilities and equipment at tax-exempt rates. All projects financed with IDBs must meet federal tax code eligibility requirements. The maximum manufacturing project size is \$10 million; 501c3 corporations and exempt projects are not subject to this limitation. Projects under \$1 million are generally not cost-effective due to the initial transaction costs associated with bond financing.

Virginia Economic Development Loan Fund. The Virginia Economic Development Loan Fund facilitates capital investment in Virginia’s eligible communities by providing eligible borrowers direct loans which fill the “gap” financing need not met by equity or conventional financing. Community eligibility is determined based on guidelines set by the federal Economic Development Administration and are generally those with an unemployment rate one percent higher than the national average for the most recent 24-month period for which data is available, or that have a per capita income no greater than 80 percent of the national average based on the most recent data available. Eligible borrowers include local Industrial or Economic Development Authorities and businesses engaged in technology, biotechnology, tourism, engine and vehicle manufacturers for the professional motor sports industry, basic industries, manufacturing, and those businesses

or entities that provide for a locality’s economic and “quality of life” development. Businesses that derived 15 percent or more of their revenues from defense-dependent activities and can demonstrate economic hardship related to defense downsizing may also apply.

Eligible projects must provide some economic benefit to the community through job creation or retention or by enhancing a locality’s ability to attract private capital investment. A minimum hourly wage of \$8.00 is required for jobs created. Additionally, businesses must meet the VSBFA definition of “small” business.* As the lender, the VSBFA can finance a maximum of 40 percent of a business project or \$1 million, whichever is less. Generally, loans have five-year maturities with amortizations based on the life of the asset or the borrower’s ability to repay. Rates are market-based and based on risk profile. Loans are secured by assets and personal guaranties.

Loan Guaranty Program. The Loan Guaranty Program is designed to reduce a bank’s risk in making loans and, thereby, increase the availability of short-term capital for small businesses. The maximum guaranty under the program is 75 percent of the loan or line of credit up to a maximum guaranty of \$500,000, and the guaranty is available for up to five years. Eligible businesses must meet the VSBFA definition of a “small” business.* Typical borrowings include lines of credit to finance accounts receivable and inventory, and term loans for permanent working capital and fixed asset purchases. Interested businesses apply to the bank for assistance. The bank applies to the VSBFA for the guaranty support. There is a 1.5 percent fee on the guaranteed portion of the loan.

Virginia Capital Access Program (VCAP). VCAP provides a form of loan portfolio insurance for participating banks through special loan loss reserve accounts. These accounts are funded by loan enrollment premiums paid by the borrower and then matched by the VSBFA. The bank can request claims on the reserve account to offset losses in its VCAP portfolio. A loan can be enrolled up to a maximum of \$250,000 or 100 percent of the loan amount, whichever is less. Enrollment fees range from 3 to 7 percent of the enrolled loan amount.

Southside Region Tobacco Capital Access Program (TCAP)

TCAP operates like the VCAP except that it is available solely for businesses that are operating or plan to operate within the Tobacco Region of Southside Virginia (defined as the counties of Amelia, Appomattox, Bedford, Brunswick, Buckingham, Campbell, Charlotte, Cumberland, Dinwiddie, Franklin, Greensville, Halifax, Henry, Lunenburg, Mecklenburg, Nottoway, Patrick, Pittsylvania, Prince Edward, Sussex, and the cities of Bedford, Danville, Emporia and Martinsville).

Small Business Environmental Compliance Assistance Fund (ECAAF)

ECAAF is designed to provide Virginia businesses with financing for the purchase of 1) equipment to comply with the federal Clean Air Act, 2) equipment to implement voluntary pollution prevention measures, or 3) equipment or structures to implement voluntary agricultural best management practices (BMP). These direct loans from the VSBFA can be up to \$100,000 at a three percent fixed interest rate. Amortizations are typically tied to the useful life of the equipment purchased or the life of the BMP. This fund is for small businesses employing 100 people or fewer. Eligible projects are certified by the Department of Environmental Quality for air quality or pollution prevention projects, or by the Department of Conservation and Recreation for agricultural best management practices.

Child Day Care Financing Program (CDC)

The CDC program can provide direct low-interest-rate loans to regulated childcare providers for quality enhancement projects or to maintain childcare standards. Borrowers may be child day care centers (\$50,000 maximum loan amount) or family home providers (\$5,000 maximum loan amount). Eligible loan uses include fixed asset purchases related to childcare such as playground equipment; equipment for infant care; minor renovations or repairs necessary to comply with health and safety standards or to meet necessary requirements for children with special needs; and learning aids, tools or programs to aid in the development of children.

New Markets Tax Credit Program (NMTC)

The NMTC program provides financing for owner-occupied real estate and major business equipment. The program—a first-of-its-kind tax credit to investors who make qualified equity investments in privately managed investment vehicles—is aimed at stimulating private investment in low-income communities.

By making an equity investment in an eligible “community development entity,” investors can receive tax credits worth more than 30 percent of the amount invested. The VSBFA markets and underwrites financing requests for New Markets Tax Credit business loans. The eligible requests are sent to Community Reinvestment Fund, USA (CRF), a Minneapolis-based nonprofit organization (the lender), for underwriting and a decision. If approved, the loan will be closed by the VSBFA staff and funded, owned and serviced by CRF. CRF is using the NMTC program to help its lending partners drive capital into communities. Loan amounts range from \$50,000 to \$2.5 million. Terms for real estate are up to 25 years and for equipment seven years or useful life. The borrower must meet the definition of a Qualified Active Low-Income Community Business (QALICB), which means that 50 percent of its employees and property must be located in qualifying low-income census tract(s).

Virginia Community Reinvestment Program (VACRP)

VACRP provides financing to acquire, improve, expand, and/or rehabilitate owner-occupied commercial real estate. Funds can also be used to purchase an existing business or restructure existing debt. The VSBFA markets and underwrites financing requests for Community Reinvestment Program (CRP) loans. The eligible requests are sent to Community Reinvestment Fund, USA (CRF), a Minneapolis-based nonprofit organization (the lender), for underwriting and a decision. If approved, the loan will be closed by the VSBFA staff and funded, owned and serviced by CRF. CRF is using the New Markets Tax Credit program to help its lending partners drive capital into communities. Loan amounts range from \$50,000 to \$2.5 million. Terms for real estate are up to 25 years and for equipment seven years or useful life. Borrowers must meet VSBFA’s definition of small business*.

** VSBFA’s definition of “small” business is \$10 million or less in annual revenues over each of the last three years; or net worth of \$2 million or less; or fewer than 250 employees.*

For additional information, please contact:

Virginia Small Business Financing Authority
Post Office Box 446
Richmond, Virginia 23218-0446
(866) 248-8814
<http://www.dba.virginia.gov/financing>

COMMUNITY DEVELOPMENT BLOCK GRANTS

Community Development Block Grants (CDBGs) are available to eligible cities, counties and towns to support local economic development activities. Funds may be used for off-site activities such as water and sewer line extensions or treatment facilities, and road and rail access. Funds may also be available as loans for on-site assistance that supports economic development, subject to underwriting.

CDBG funds are available for micro-enterprise development and central business district revitalization. Funds are awarded to localities on a competitive basis during an annual application cycle. Funds are also awarded noncompetitively, provided certain thresholds are met; applications for these funds may be submitted at any time from January 1 through September 30. At least 51 percent of jobs created or retained by a project using CDBG funding must be held by or made available to low- and moderate-income persons.

The Virginia Department of Housing and Community Development administers the non-entitlement portion of the federal CDBG program for cities and towns with populations under 50,000 and counties with populations under 200,000. The U.S. Department of Housing and Urban Development administers the CDBG entitlement program for metropolitan areas.

For additional information, please contact:

*Virginia Department of Housing and
Community Development
Project Management Office
501 North Second Street
Richmond, Virginia 23219
(804) 371-7061
<http://www.dhcd.virginia.gov>*

VIRGINIA'S CENTER FOR INNOVATIVE TECHNOLOGY

The Center for Innovative Technology (CIT) has been creating technology-based economic development opportunities and strategies for the Commonwealth of Virginia since 1984. Two service lines—CIT Entrepreneur and CIT Connect—help small innovative companies find access to new and unique market and investment opportunities.

CIT Entrepreneur. Making Virginia a global leader in the development of entrepreneurial technology ventures requires CIT to leverage both federal and private investments. Federal dollars play a substantial role in research and development funding for small businesses in Virginia, offering a non-diluting source of capital as well as a validation for early-stage innovation. CIT helps Virginia's small technology companies compete more effectively for Small Business Innovative Research awards, Small Business Technology Transfer awards, Advanced Technology Program awards and other government contracts.

The CIT Entrepreneur offering also helps close Virginia's "funding gap" for pre-seed and seed-stage technology companies with its new Growth Acceleration Program, or GAP Fund. The GAP Fund invests up to \$100,000 in early-stage technology companies with a high potential for technology commercialization, rapid growth and downstream private equity financing. The GAP Fund gives companies access to CIT experts, who assist them in evaluating their prospects for debt and equity funding with institutional and angel investors. With a "funding roadmap" established, CIT guides qualifying, high-potential companies to take advantage of CIT's strategic relationships with a variety of early-stage investment organizations and individuals.

CIT Connect. Sensing a growing market opportunity for Virginia's small, innovative entrepreneurs, CIT's newest service line, "CIT Connect," is dedicated to helping large-scale consumers of technology, such as the federal government and Fortune 500 technology companies, identify and assimilate innovation created in private sector start-up companies. This new service will accelerate adoption of new technology on a national scale and serve to open up new economic opportunities for CIT's clients.

For more information, please visit the Web site at <http://www.cit.org>.

VSBC: VIRGINIA'S SMALL BUSINESS DEVELOPMENT CENTER NETWORK

The Virginia Small Business Development Center Network (VSBC) provides professional business counseling, training and information resources to help grow and strengthen Virginia businesses. SBDC professionals assist with business planning, marketing, financial analysis, and access to capital and business start-up issues. For established firms, emerging companies or aspiring entrepreneurs, the SBDC is where business comes to talk business.

The SBDC Network is the most extensive business development program in Virginia, with 29 local centers across the state. The Network is a partnership between the U.S. Small Business Administration, Mason Enterprise Center at George Mason University's School of Public Policy, and local sponsors including universities, community colleges, chambers of commerce, municipalities and economic development organizations.

For additional information and to find a center nearest you, please contact:

Virginia SBDC Network
Mason Enterprise Center - George Mason University
4031 University Drive, Suite 200
Fairfax, Virginia 22030
(703) 277-7700
www.virginiاسبdc.org



INTERNATIONAL TRADE

The Virginia Economic Development Partnership's (VEDP) Division of International Trade helps Virginia companies sell their manufactured goods and services to the billions of people outside the United States. Through the Accessing International Markets (AIM) and the Virginia Leaders in Export Trade (VALET) programs, VEDP works with all types of companies to assist with export activities into new markets. Virginia businesses benefit from these programs and services by increasing their international sales.

AIM: ACCESSING INTERNATIONAL MARKETS

Virginia's Accessing International Markets (AIM) program provides Virginia companies support to develop an export strategy and to take the first steps of entering a new market overseas. AIM provides assistance to support companies new to international trade in their efforts to create and implement an export program. Participants explore the basics of exporting "one step at a time" in one market at a time.

In addition to strategic research and counseling, the AIM program provides each participant capital funding, customized pro-bono counseling from private sector professionals, and numerous opportunities to network with Virginia manufacturers who have successfully sold products and services internationally.

The competitive program selects candidates based on their commitment to developing an export strategy in a new market overseas. AIM participants must visit their target market (country) and are encouraged to fully develop a successful sales program and distribution channel in that market. From there, they can advance into a second market and then a third.

To learn more about the AIM program, please contact:

*Virginia Economic Development Partnership
Division of International Trade
Post Office Box 798
Richmond, Virginia 23218-0798
(804) 545-5768
<http://www.exportvirginia.org>*

VALET: VIRGINIA LEADERS IN EXPORT TRADE

Virginia Leaders in Export Trade (VALET) is the VEDP's marquee international trade program that helps Virginia companies gain a profitable foothold in global markets. VALET combines three essential ingredients—planning, expertise and capital—to create new sales opportunities for Virginia businesses.

Companies who participate share a commitment to international success with VEDP and private sector service providers. Regularly scheduled planning sessions will identify new international market opportunities and needs. Capital investment by the participating company is enhanced with matching resources from VEDP to meet identified needs.

In addition, international professionals provide a match of in-kind services in a concentrated team approach. Attorneys, CPAs, bankers, translators and freight forwarders, all with established international credentials, contribute essential skills required for a successful international launch. Since its inception, over 100 companies representing a wide cross-section of industry have been accepted into and graduated from the VALET program.

To learn more about the VALET program, please contact:

*Virginia Economic Development Partnership
Division of International Trade
Post Office Box 798
Richmond, Virginia 23218-0798
(804) 545-5753
<http://www.exportvirginia.org>*

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1-1-1, Uchisaiwai-cho
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Samsung-dong, Kangnam-gu
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Avenue Louise 479, Box 55
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