

ENTERPRISE ZONE BOUNDARY & INCENTIVE AMENDMENT RESOLUTION

BACKGROUND BRIEFING

Virginia Enterprise Zone Program Overview

- The Virginia Enterprise Zone (VEZ) program is a partnership between the state and a local government that encourages job creation and private investment. VEZ accomplishes this by designating Enterprise Zones throughout the state and providing two state grant-based incentives to qualified investors and job creators within those zones.
- The last major updates occurred to Richmond's Enterprise Zones in 2012.
- As a state program, an amendment application to change the Enterprise Zone boundaries and incentives must be submitted to the Commonwealth for consideration. That application must include a resolution approving the proposed changes by the local governing body.

Virginia Enterprise Zone Incentives

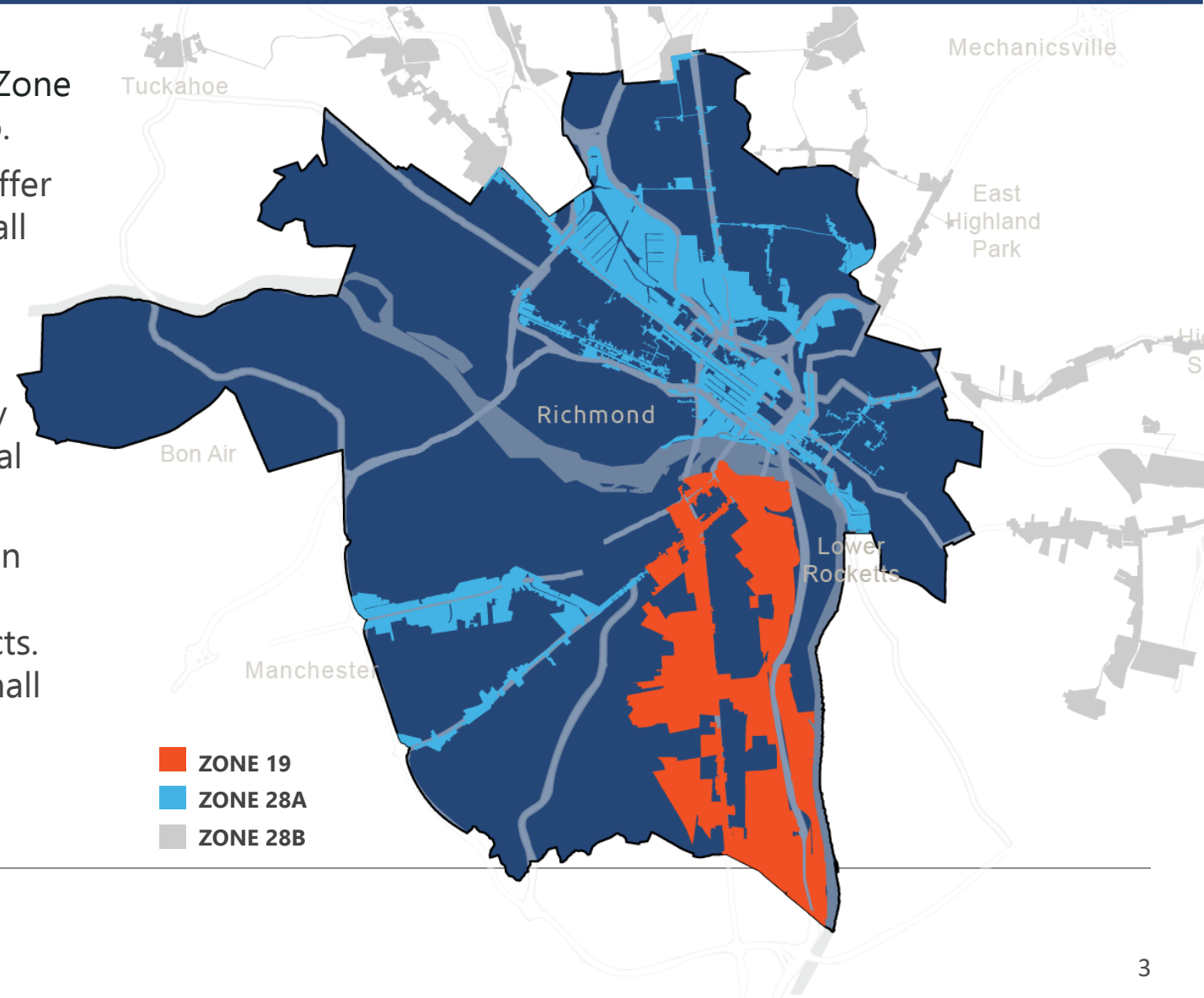
Over the past three funding cycles, Richmond projects have received a total of \$3.1M from the Commonwealth.

Job Creation Grant (JCG) – Provides grants to companies* that create more than 4 FTEs in calendar year that meet certain wage requirements (between 125% and 175% of state minimum wage).

Real Property Investment Grant (RPIG) – Provides grants to businesses/property owners that are undertaking rehabilitation, expansion, or new construction projects within the boundaries, with a maximum award of \$300k

Local Enterprise Zone Overview

- Richmond has two state approved Enterprise Zones - Zone 28A and 19 – one of which is a joint zone with Henrico.
- To participate in the State's program, a locality must offer local incentives, which Richmond does through six small grant programs with awards ranging from \$1,000 - \$10,000.
- The program is administered through a cooperation agreement between the City and the EDA approved by City Council and the EDA at the beginning of each fiscal year.
- Over FY25 and FY26 YTD, more than \$500,000 has been awarded through 135 grants, leveraging \$40 million in private capital investment associated with these projects. These awards predominately go to new or growing small businesses.



Enterprise Zone Amendment Evaluation

The City of Richmond Department of Economic Development is proposing amendments to the Enterprise Zone (EZ) program to ensure it continues to encourage the revitalization, redevelopment, job creation, and business attraction and expansion within targeted areas of the City.

- **Boundary evaluation:** Reviewed existing boundaries in light of development patterns, City policy (Richmond 300, Small Area Plans, Code Refresh), and socioeconomic factors, and recommend adjustments in line with state Enterprise Zone size and composition regulations.
 - Boundary changes shall not exceed the maximum size provision of 3,840 acres per zone
 - An enterprise zone may consist of no more than three noncontiguous areas
- **Incentive evaluation:** Reviewed existing incentive structure, past awards, and recommend updates to increase effectiveness as a (1) business attraction, retention, and expansion tool to encourage new business investment and job creation, and (2) revitalization tool to encourage new commercial investment

Enterprise Zone Amendment Process

1

Data Analysis & Research

- Historical analysis
- Comparative analysis
- Business growth and development analysis

2

Site Visits & Cross-Departmental Collaboration

- Staff workshops
- Participation in community tours and PDR planning efforts
- Tour and inventory of existing zones
- PDR alignment with Richmond 300 & Code Refresh

3

Community Outreach

- Business owner/recipient Interviews
- Community/business organization interviews/meetings
- Roundtable with PDR, commercial brokers/developers
- Meet with DHCD

4

Approval Process

- Public Hearing & City Council Resolution Supporting Application
- Henrico Joint Zone Amendment Approval
- Application submitted
- DHCD Approval
- FY27 Cooperation Agreement w/new incentives approved by Council

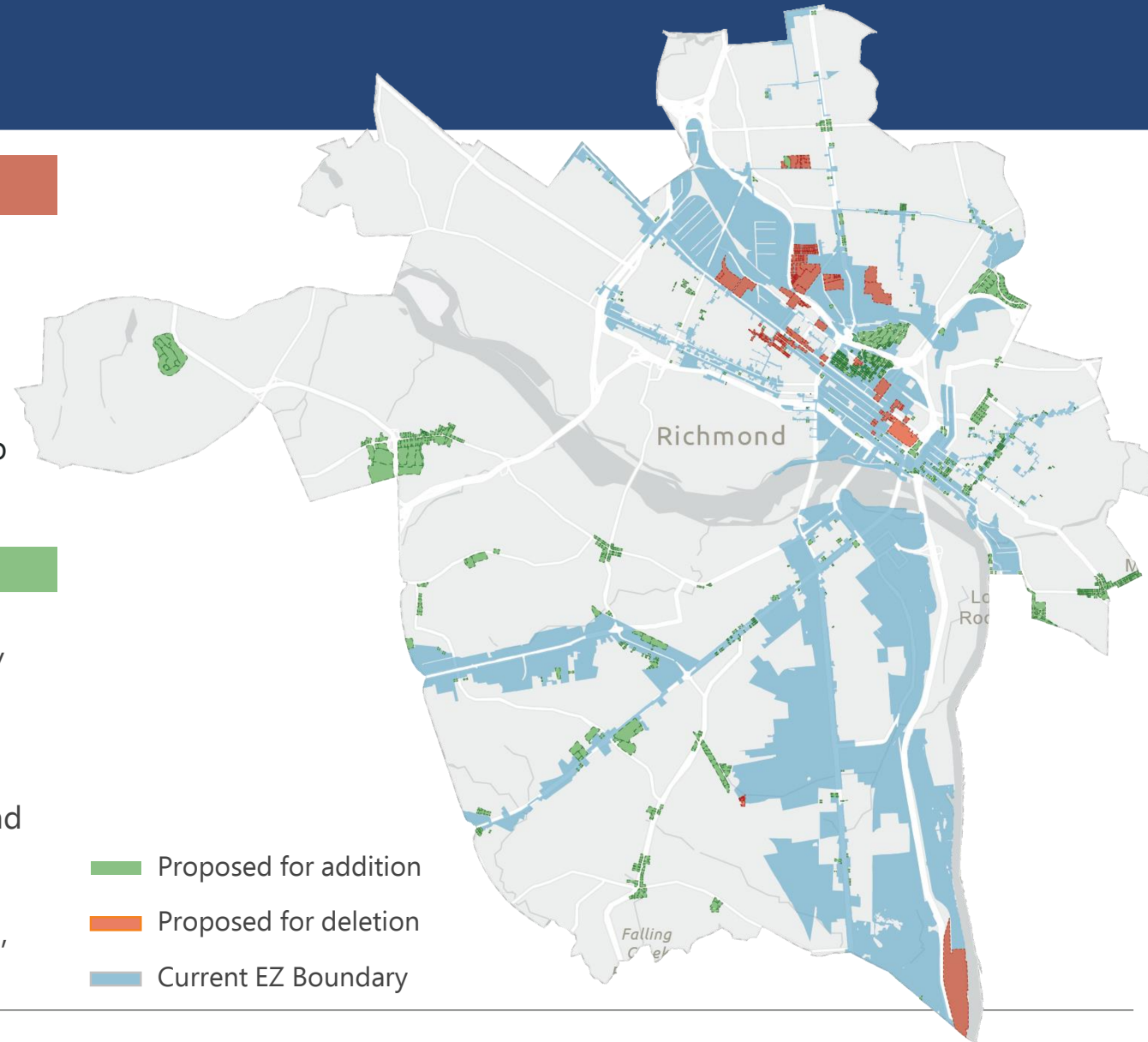
Proposed Changes to Boundaries

Deleted Parcels (Red):

- EZ parcels that can not take advantage of the state's incentives are recommended for removal. These parcels are institutional, publicly owned, or residential. Examples: Richmond Marine Terminal, Science Museum, University campuses, State-owned property.
- By removing these parcels, the available acreage can be used to add additional parcels.

Added Parcels (Green):

- Boundaries were analyzed in consideration of development patterns, socioeconomic factors, and City policy (Richmond 300/ Code Refresh)
- Additions reflect
 - (1) missing parcels that were adjacent to existing boundaries (i.e., select parcels in Shockoe, Church Hill, areas on Hull St. and Midlothian Tpke, & Chamberlayne Ave.
 - (2) further alignment with Richmond 300 nodes, commercial corridor redevelopment, and mixed-use development (Fulton, Stony Point, Hull/Warwick, Walmsley)

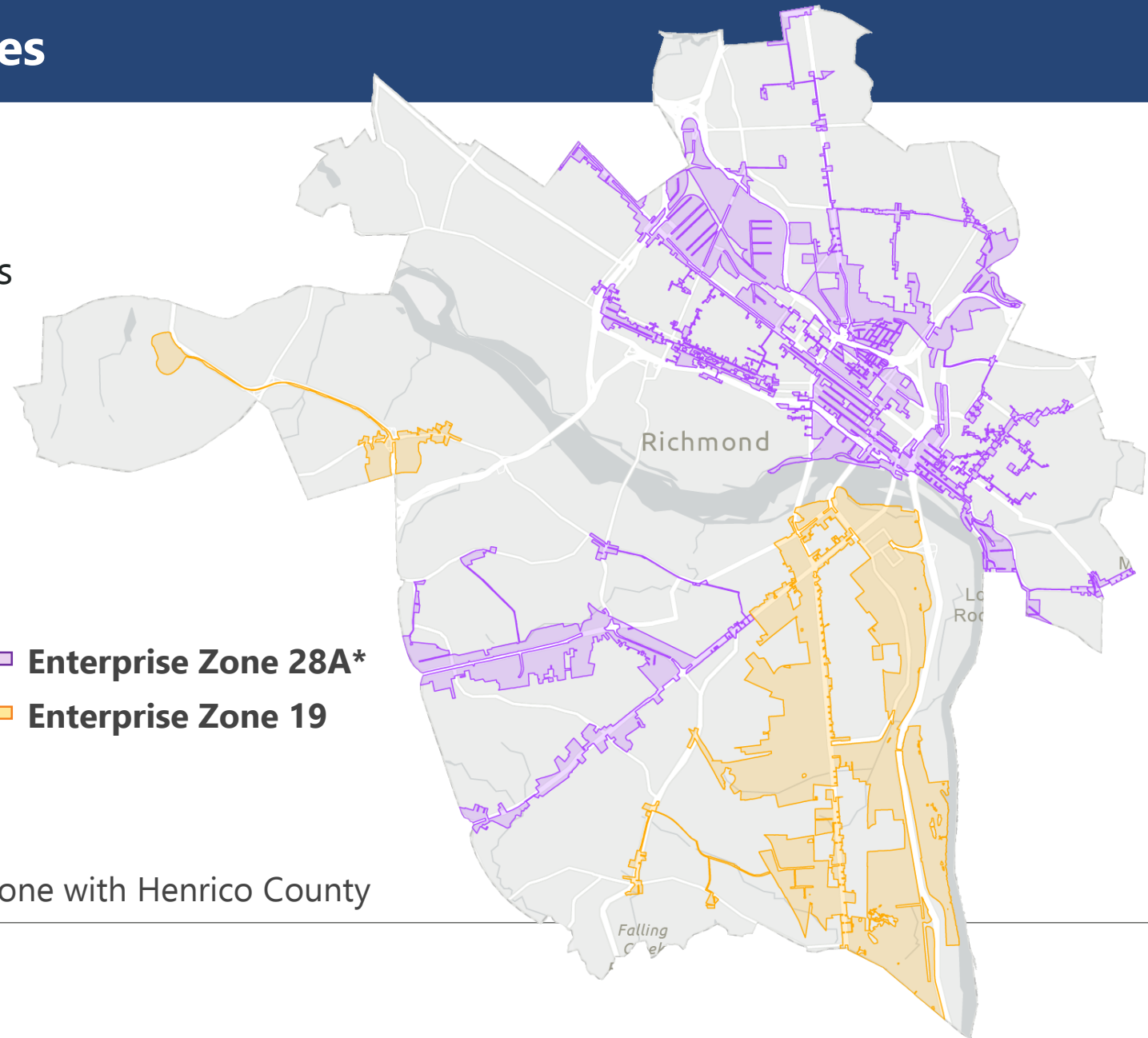


Proposed Updated Boundaries

With the proposed adjustments, the City's two Enterprise Zones (19 (Zone 28A and 19) stay within the 3840-acre limit and contiguous parcel requirements

- Enterprise Zone 28A*
- Enterprise Zone 19

*Joint Zone with Henrico County



Incentive Analysis

To evaluate the EZ incentives, the City and its consultant analyzed past awards and comparative programs and conducted interviews with awardees and stakeholder organizations.

Findings

- Incentives have not kept pace from inflation
- Machinery and Equipment Rebate represented the majority of awards, and that those businesses were mostly small businesses
- Need for low-friction/simpler user experience (many small programs with individual applications) for businesses and more promotion, outreach, and engagement to increase awareness on programs

Framework for Incentive Updates

- **Support Business Investment.** Move to fewer, more catalytic, targeted tools that influence location decisions and support expanding companies' growth needs, and complement, not duplicate, other tools (State incentives, CARE, etc.)
- **Simplify.** Focus on incentives that the EDA can administer efficiently, without undo administrative burden on businesses

Proposed Incentive Amendments – Discontinued Incentives

Existing Incentive

Development Fee Rebate

Provides a reimbursement grant of up to \$3,000 for eligible permit fees

Rationale for Discontinuing

The program's small incentive value and reimbursement structure have limited influence on investment decisions. The program represents 8% of the dollars awarded during the study period.

Loan Fee Rebate

The program provides a one-time incentive covering incurred loan-financing fees up to a maximum of \$1,000.

The program's small incentive value and reimbursement structure has limited influence on investment decisions. Represents 4% of dollars awarded during the study period.

Brownfield Assessment Rebate

The program provides reimbursements of up to \$3,500 for the cost of a Phase I Site Assessment and up to \$7,500 for a Phase II Site Assessment

Delayed, low-dollar awards are unlikely to affect decision-making, and there are additional state-level grant programs to support brownfields. Represents 8% of awards by dollar.

Proposed Incentive Amendments – Enhanced Incentives

Existing Incentive	Proposed Incentive	Rationale
<p>Relocation Rebate The current program provides up to \$10,000 to reimburse a company for 50% of eligible costs for moving into an enterprise zone (moving company costs, moving vehicle rental, packing materials, storage costs, etc.).</p>	<p>Business Investment Grant The proposed program provides a grant of up to \$25,000 to offset 50% of a business owner’s interior upfit costs associated with opening or expanding a facility within an EZ.</p>	<p>The proposed grant program is better tailored to recruit new businesses and keep expanding businesses in Richmond by offsetting a portion of costs for opening/expanding into a new establishment.</p>
<p>Machinery and Equipment Rebate The current program provides a reimbursement grant of 50% eligible purchases of specialized machinery or equipment up to a maximum benefit of \$10,000 (updated from \$5,000 in FY26).</p>	<p>Machinery and Equipment Rebate (Tiered) The proposed program provides a tiered reimbursement grant of 50% of eligible purchases of specialized machinery or equipment:</p> <ul style="list-style-type: none"> • Tier 1: Up to 50% of eligible purchases of specialized machinery or equipment up to \$10,000 (existing program) • Tier 2: Up to 50% of eligible purchases of specialized machinery or equipment up to \$50,000. To be used in competitive location decision projects and in targeted sectors (life sciences/biotech, advanced manufacturing, food and beverage manufacturing, or grocery stores in certain locations in the City) 	<p>The existing program typically supports new and growing small businesses. The proposed program keeps the existing small business support program and creates a new tool for site selection projects.</p>
<p>Employee Assistance Grant The current program provides a grant equivalent to \$400 per new eligible permanent full-time position for new and expanding businesses located within an EZ. Maximum benefit is \$7,200.</p>	<p>Employee Assistance Grant (Updated) The proposed program provides a grant equivalent of \$1,000 per new full-time position created for new and expanding businesses. The maximum grant is \$10,000. New and expanding restaurant, retail, and personal services businesses, which are ineligible for the state’s Job Creation Grant, are eligible for this program. Businesses in industries eligible for the Job Creation Grant will be supported through state incentives.</p>	<p>The existing program duplicates a state-level program, but with less resources. The updated program is focused on just those industries ineligible for the Job Creation Grant.</p>

Amendment Process

Date	Action
April 27 th	City Council introduction
After April 28 th	1 st advertisement is published
By May 8 th	Mailing to property owners to notify of proposed removal from Enterprise Zone
By May 18 th	2 nd advertisement is published
May 20 th	Finance and Economic Development Committee
May 26 th	City Council Meeting
June / July	Supporting Resolution for Zone 28A approved by Henrico County Board of Supervisors <i>Zone 28A is a joint zone with Henrico (28B)</i>
June / July	Application submitted to Commonwealth
Summer 2026	State Approves Enterprise Zone – new parcels in EZ are retroactively eligible for state incentives for investments made as of Jan. 1, 2026.
Summer 2026	City Council and EDA approves FY27 Cooperation Agreement – terms of new local incentives finalized for FY27 administration.

Thank You