



Virginia Department of Planning and Budget **Economic Impact Analysis**

13 VAC 5-112 Enterprise Zone Grant Program Regulation
Department of Housing and Community Development
Town Hall Action/Stage: 5628 / 9099
December 16, 2020

Summary of the Proposed Amendments to Regulation

The Board of Housing and Community Development (Board) proposes to no longer require that applications for grants under the Virginia Enterprise Zone (VEZ) program be submitted in hard copy.

Background

The VEZ program is a partnership between state and local government that is designed to encourage job creation and private investment. VEZ accomplishes this by designating enterprise zones throughout the state and providing two grant-based incentives, the Job Creation Grant (JCG) and the Real Property Investment Grant (RPIG), to qualified investors and job creators within those zones, while the locality provides local incentives.

The current regulation states that applications for the JCG and the RPIG “must either be hand-delivered by the date specified in this section or sent by certified mail with a return receipt requested and postmarked no later than the date specified in this section.” The Board proposes to amend the text to state that applications for the JCG and the RPIG “must be received by the Department, as specified by the Department, no later than the date specified in this section.” In practice, the Department of Housing and Community Development has indicated that it would accept applications either electronically or in hard copy.¹

¹ According to the Department of Housing and Community Development, this information would be in a guidance document.

Estimated Benefits and Costs

The proposal in practice appears to be beneficial in that it would provide greater flexibility for firms in delivering applications for the JCG and the RPIG, and may moderately reduce costs. By sending applications electronically, travel and printing costs could be saved versus the hand delivery of applications, and the costs of postage and printing could be saved versus applying by certified mail.

Businesses and Other Entities Affected

The proposed amendments affect the approximate 200 annual applicants for VEZ grants, as well as about 40 certified public accountants.² The existing and proposed regulations require that the accuracy and validity of information provided in applications be attested to by an independent certified public accountant licensed by the Commonwealth. The proposal does not produce cost for any affected entity.

Small Businesses³ Affected:

The proposed amendments do not appear to adversely affect small businesses.

Localities⁴ Affected⁵

The proposed regulation particularly affects localities with enterprise zones. The following cities contain enterprise zones: Bristol, Covington, Danville, Emporia, Franklin, Galax, Hampton, Hopewell, Lynchburg, Martinsville, Newport News, Norfolk, Petersburg, Portsmouth, Radford, Richmond, Roanoke, Staunton, Waynesboro, and Winchester. The following counties contain enterprise zones: Accomack, Alleghany, Bedford, Brunswick, Carroll, Dickenson, Grayson, Greensville, Halifax, Henrico, Henry, Isle of Wight, Lancaster, Lunenburg, Mecklenburg, Northampton, Northumberland, Page, Patrick, Pittsylvania, Prince Edward, Prince George, Pulaski, Richmond, Scott, Smyth, Southampton, Tazewell, Washington, Westmoreland, Wise, and Wythe.⁶

The proposal does not introduce costs for local governments.

² Data source: Department of Housing and Community Development

³ Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

⁴ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

⁵ § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.

⁶ Source: <https://www.dhcd.virginia.gov/sites/default/files/Docx/vez/vez-map.pdf>

Projected Impact on Employment

The proposal does not appear to affect total employment.

Effects on the Use and Value of Private Property

The proposal may modestly reduce application costs for private firms that apply for either the JCG or the RPIG, which may very modestly positively affect their value.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order 14 (as amended, July 16, 2018). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.