

## PUBLIC NOTICE

The Greene County Board of Supervisors will hold a public hearing on Tuesday, July 14, 2020 at 7:30 p.m. to consider an amendment to the Greene County Code Chapter 66 – Taxation – Article X: Defense Production Incentive Zone. The proposed amendment would establish Greene County as a defense production incentive zone. **Public participation will be available remotely via telephone and/or electronic means. Detailed instructions for the remote participation will be provided on the Greene County Website ([www.greencountyva.gov](http://www.greencountyva.gov)) prior to the public hearing. This hearing will be hosted live.**

A copy of the Ordinance is available for review at the County Administrator's Office, 40 Celt Road, Stanardsville, VA or online at: [www.greencountyva.gov](http://www.greencountyva.gov)

Mark B. Taylor, Clerk  
Greene County Board of Supervisors



MEMORANDUM

**TO:** Greene County Board of Supervisors  
**FROM:** Alan Yost, Director of Economic Development and Tourism  
**SUBJECT:** Defense Production Zone  
**DATE:** June 19, 2020

**Recommended Action:**

Approve attached ordinance (Appendix A) to designate Greene County as a Defense Production Zone.

**Background:**

State code § 58.1-3853 (Appendix B) allows a locality to “establish, by ordinance, one or more defense production and support services zones” as to grant tax incentives and provide certain regulatory flexibility to defense production businesses. State Code defines a qualifying business as:

“Defense production business” means a business engaged in the design, development, or production of materials, components, or equipment required to meet the needs of national defense. A locality may also include as a defense production business any business that performs functions ancillary to or in support of the design, development, or production of such materials, components, or equipment.”

The defense industry remains one of Greene County’s primary target industries. Our proximity to Rivanna Station and other unique qualities makes the defense industry one of our key opportunities to recruit businesses. Defense production businesses that focus on design and development associated with Rivanna Station have very limited impact on the community and surrounding properties. In addition, these businesses create high paying jobs that attract citizens who will contribute positively to our community. This is an opportunity for Greene County to play an indirect role in the mission of these businesses that are critical to the security of our country.

While for five years the ordinance reduces the BPOL and Machine/Tools tax burden for qualifying businesses, our community will immediately benefit from the quality jobs, indirect economic impact, and the real property tax.

Appendix A (Proposed Ordinance)

**Chapter 66 - TAXATION**

**ARTICLE X: DEFENSE PRODUCTION INCENTIVE ZONE**

In accordance with Code of Virginia, § 58.1-3853, there are hereby established Greene County as defense production incentive zone plan as of the date of adoption of the ordinance from which this article derives.

**Sec. 66-340. - Qualifying businesses.**

(a) A new or expanded defense production business or defense contractor as defined herein located within the county shall be eligible for the economic incentives set forth hereafter in section 66-341.

(b) An existing business located in the county may apply for a determination that it is a qualified defense production business or defense contractor if it is expanding its operations.

(c) An eligible business which relocates to another site or sites within the county shall remain eligible for the incentives provided for herein.

**Sec.66-341. - Definitions.**

*"Defense contractor"* means a business, other than a defense production business, that is primarily engaged in providing services in support of national defense, including but not limited to logistics and technical support.

*"Defense production business"* means a business engaged in the design, development, or production of materials, components, or equipment required to meet the needs of national defense, including any business that performs functions ancillary to or in support of the design, development, or production of such materials, components or equipment.

*"New businesses Investments"* means those investments, facilities or employees, by businesses that do not currently operate facilities (leased or owned) nor have applied for a business license in the county within 12 months of the application date. In addition, businesses that are moving from a leased facility to owning real property within the county qualify as a new business investment.

*"Existing business investments"* means those investments, facilities or employees, by business that have current facilities (leased or owned) and have a current business license.

**Sec. 66-342. - Application.**

Application for designation as a qualifying defense production business or a defense contractor shall be made to the director of the department of economic development. The application shall include the following information:

(1) *Investment:*

- a. *New business investment.* A capital investment of a minimum of five hundred thousand dollars (\$500,000.00) in land, building and/or machinery shall be required to qualify for designation unless otherwise authorized by resolution of the board of supervisors.

- b. *Existing business expansion investment.* A capital investment of a minimum of two hundred fifty thousand dollars (\$250,000.00) in land, building and/or machinery shall be required to qualify for designation unless otherwise authorized by resolution of the board of supervisors.

**(2) Employment:**

- a. *New business investment.* Ten (10) new full-time jobs having salaries at least ten (10) percent above the average county wage level as listed by the Virginia Employment Commission for the prior calendar year shall be created within the first calendar year of operation.
- b. *Existing business investment.* Three (3) new full-time jobs having salaries at least ten (10) percent above the average county wage level as listed by the Virginia Employment Commission for the prior calendar year shall be created within the first calendar year of operation.

The director and the county administrator shall review the project to determine whether the project meets the criteria for a qualified defense business and qualifies for defense production zone incentives pursuant to this ordinance. If project is determined to be eligible for incentives, the county administrator will direct community development functions to grant accelerated review to the project and petition the Greene County Economic Development Authority to issue a grant back to the qualifying business equal to the permit fees collected, to be paid upon the issuance of the permit to occupy the completed (or expanded) facilities. The director shall forward the request with a recommendation of such other incentives as are appropriate to the county administrator for consideration by the board of supervisors. The board shall review the proposed project and accompanying request. The board shall evaluate the request and make a decision based upon the project's positive impact on the county. The board retains the sole authority to designate incentives for the implementation of economic development projects.

**Sec. 66-343. - Incentives.**

Incentives shall apply for five (5) years from the later of the: (i) date a business is determined to be a qualified defense business; (ii) the date the business commences operation; or (iii) the date that an existing business completes a qualifying expansion. Incentives to qualifying firms are as follows:

**(1) Tax Reduction—New businesses.**

- a. One hundred (100) percent reduction on business, professional and occupational license tax imposed by the county pursuant to Chapter 22, Article II of the County Code; and
- b. One hundred (100) percent reduction on tangible business personal property and machinery and tools tax imposed by the county pursuant to **chapter X article X** of the County Code.

**(2) Tax reductions—Existing businesses.** For those qualified defense businesses that are existing defense businesses, reductions shall only be applicable to taxes assessed on the portion of gross receipts or acquired tangible business personal property, machinery and tools directly attributable to the expansion of the business. The amount of each tax reduction shall be a percentage of that portion of taxes paid by the qualified defense business each year of the incentive period that is directly attributable to the expansion of the business.

- (3) **Permit fee grants.** For those qualified new and existing defense businesses site plan, building and zoning permit fees will receive grants to be paid through the Greene County Economic Development Authority.
- (4) **Additional incentives for substantial job creation or substantial investment.** For businesses which are deemed by the board to create the potential for substantial job creation or substantial investment, the board in its discretion may, pursuant to a performance agreement authorized by the board, grant additional full or partial tax reductions for any tax authorized by Code of Virginia, § 58.1-3853 and the Virginia Constitution, and may grant any such other incentives as are authorized therein. In granting such additional incentives the board may consider such factors as the number and quality of jobs to be created, the level of investment and envisioned impact on the local economy, and prospects for growth of the business within the county.
- (5) **Targeted industry status.** The County Administrator will direct community development functions to grant accelerated review to any qualifying defense production project. Nothing herein shall be construed as limiting the board's power to grant additional incentives as may be permitted by law to defense businesses on a case-by case basis including, but not limited to, incentives granted pursuant to performance agreements and individualized arrangements with or without the involvement of the Greene County Economic Development Authority.

**Sec. 66-344. - Administration.**

- (a) After a defense business has been certified as a qualified defense business, it shall annually submit a defense zone program annual review application to the Director of Economic Development and Tourism on or before March 1st of each year of the incentive period, indicating the number of full-time employees employed by the qualified defense business, an official Virginia Employment Commission report for wage verification, the amount of business personal property and/or machinery and tool taxes paid by the qualified defense business during the incentive period, and any other information as requested by the commissioner of revenue or the office of economic development for purposes of administering the defense zone. Applications must be signed by an official representative of the qualified defense business authorized to sign on its behalf. Applications received after March 1st will not be eligible to receive defense zone incentives for that year.
- (b) An existing defense business shall not qualify for defense zone incentives by reorganizing or changing its form in a manner that does not alter the basis of the defense business assets or result in a taxable event.
- (c) If a qualified defense business fails to pay in full the taxes imposed by the county by the due date, this will result in the forfeiture of the defense zone incentives for that year.
- (d) If a qualified defense business files for bankruptcy during the three-year incentive period, this will result in disqualification and the business will be ineligible to receive defense zone incentives for the remainder of the incentive period.
- (e) In the event that the defense business ceases to be a qualified defense business, ceases to meet the minimum employment and capital investment criteria, or removes itself from operation from the county during any year within any three-year incentive period or such longer period as may be authorized herein, it shall be required to repay the total amount of defense zone incentives received. A defense business must sign an agreement to this effect prior to receiving defense zone incentives.

## **Appendix B (State Code)**

### **§ 58.1-3853. Creation of local defense production zones.**

A. As used in this section, unless the context requires a different meaning:

"Defense contractor" means a business, other than a defense production business, that is primarily engaged in providing services in support of national defense, including but not limited to logistics and technical support.

"Defense production business" means a business engaged in the design, development, or production of materials, components, or equipment required to meet the needs of national defense. A locality may also include as a defense production business any business that performs functions ancillary to or in support of the design, development, or production of such materials, components, or equipment.

B. Any city, county, or town may establish, by ordinance, one or more defense production and support services zones. Each locality may grant incentives and provide certain regulatory flexibility in a defense production and support services zone.

C. The incentives may be provided to defense contractors or defense production businesses located in a defense production and support services zone for up to 20 years and may include, but not be limited to (i) reduction of permit fees, (ii) reduction of user fees, and (iii) reduction of any type of gross receipts tax. In addition, local governing bodies are authorized to enter into agreements for the payment of economic development incentive grants to defense contractors or defense production businesses located in defense production and support services zones with payment of the grants conditioned upon the businesses making certain real property or capital investments, creating and maintaining new jobs, or performing or meeting other economic development objectives.

D. The governing body may also provide for regulatory flexibility in such zone that may include, but not be limited to (i) special zoning for the district, (ii) permit process reform, (iii) exemption from ordinances, and (iv) any other incentive adopted by ordinance, which shall be binding upon the locality for a period of up to 20 years.

E. Each locality establishing a defense production and support services zone pursuant to this section may also adopt a local enterprise zone development taxation program for the defense production and support services zone as provided in § 58.1-3245.12.

F. The establishment of a defense production and support services zone shall not preclude the area from also being designated as an enterprise zone.