



County of Louisa Economic Development Incentives Policy

Purpose:

The appropriate process and use of incentives is to broaden and diversify the tax base, create new job opportunities for the citizens of Louisa County, and promote the economic growth and welfare of Louisa County. Economic Development incentives are necessary because of the inherent competition between localities for new businesses and jobs. The Louisa County Board of Supervisors has adopted this policy with the recognition that the provisions are applicable to only taxes levied on businesses by the County of Louisa and the provisions do not apply to taxes levied by the Town of Louisa or Town of Mineral. The intent of these guidelines is to complement the existing and all future versions of any incentive program that is offered by other municipalities in Louisa County and by the State of Virginia.

All requests by businesses for local incentives will have a Return on Investment (ROI) calculation completed prior to consideration by the Louisa County Board of Supervisors. The Louisa County Economic Development Department will conduct the ROI analysis and report the findings to the board for consideration. The ROI analysis will be used to determine the amount of the incentive awarded to the applicant and must show a positive economic impact upon Louisa County.

Eligibility:

To be eligible for public incentives of any kind, a business must meet the minimum wage, job creation and capital investment requirements set forth in this policy and must be engaged in one or more of the following activities:

- a) **Manufacturing:** Determined by appropriate NAICS code.
- b) **Service Sector:** Activities where people offer their knowledge and time to improve productivity, performance, potential, and sustainability. (Education, finance, communications, health care, utilities, wholesale and retail trade, and transportation.)
- c) **Research and Development:** The conducting of research, development or testing for scientific, medical, food product or industrial purposes
- d) **Warehousing and Distribution:**
- e) **Corporate Headquarters:** May include back office operations and customer service activities.

- f) **Transportation**: Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
- g) **Tourism**: Attraction and events considered likely to attract at least 30% of attendees from outside of Louisa County.

Wages:

A business shall be considered for public incentives only if the average wage paid to its employees equal \$18.00* per hour or \$37,440* per year.

* Average wages in the County of Louisa are artificially inflated due to the effects of a single large private sector employer, whose average wages are approximately \$70,000 annually. Inclusion of this average annual wage increases the average hourly wage to \$21.63 or \$45,000 per year. Satisfying wage requirements at this level would result in a loss of the County's advantage when competing for our targeted industries*.

Wages shall be calculated based on the following formula:

Total Annual Payroll / Full Time Employees / 2080 Hours

In addition to the above wage criteria, in making a decision to approve or disapprove an incentive, the Louisa County Board of Supervisors should consider the following information:

- a) The size of the project based upon private investment in the site development, plant facilities and infrastructure;
- b) The total number of jobs, benefits and types of jobs created;
- c) The relationship between job development and total investment;
- d) Potential for future expansion and increased employment;
- e) Potential for retention of existing employment;
- f) Potential for diversification of the local economy;
- g) Potential for inclusion of disadvantaged minority or women owned businesses as contractors, suppliers, etc;
- h) Project specific incentives that may be pursued to stimulate other development areas that the Louisa County Board of Supervisors deems a significant benefit to the community i.e. designated growth areas.
- i) Economic development incentives from other local governments and/or the State of Virginia;
- j) Financial impact and budget ramifications.
- k) Economic impact on existing Louisa County businesses.

Compliance:

All local Economic Development incentives will be formalized in a written agreement between the County of Louisa, the Louisa County Industrial Development Authority and the recipient company. The recipient company will be required to meet the following performance criteria:

- a) Jobs created as announced
- b) Capital investment in real property as announced
- c) Compliance with wage requirements
- d) Compliance with all applicable governmental laws, rules and regulations
- e) Compliance with any conditions imposed by the Economic Development Incentive Performance Agreement.

The County of Louisa reserves the right to audit a company to assure compliance with the Economic Development Incentive Agreement. The Louisa County Board of Supervisors may discontinue any ongoing incentives and require the incentives already received to be repaid in full or in part, as set forth in the Economic Development Incentive Performance Agreement, if the performance criteria are not met.

Application Process:

The application process is a multi step process.

The ability to provide the applicant with timely, pre-qualified incentive amounts is critical in maintaining a competitive advantage over our competition.

This policy gives discretion to the Louisa County Finance Director to Pre-Qualify the applicant up to 50% of the qualifying incentive amount determined by the number of jobs created, wages paid, capital investment and the Return on Investment (ROI).

The Louisa County Board of Supervisors must approve the reward of all Economic Development Incentives via resolution.

Process Step Description:

- 1) Economic Development Director discusses incentives with the applicant.
- 2) Return on Investment is calculated based on project parameters provided by the company.
- 3) Economic Development Director drafts pre-qualifying memo.
- 4) Finance Director pre-qualifies the applicant.
- 5) Pre-qualifying amount is conveyed to the applicant.
- 6) Letter is sent to the company and incentives application is generated.
- 7) The project is presented to the Louisa County Industrial Development Authority for their recommendation.
- 8) The project is presented to the Louisa County Board of Supervisors by resolution for final approval.
- 9) Notification to the applicant.

- 10) Louisa County and the company enter into a formal Economic Development Incentive Performance Agreement.
- 11) Company submits request for rebate payments.
- 12) Economic Development Department ensures compliance with project parameters as stated by the company and outlined in the Economic Development Incentive Performance Agreement.
- 13) Economic Development Department requests the rebate check from the Treasurers Office.
- 14) Economic Development Department sends a letter to the Louisa County Industrial Development Authority transmitting funds.
- 15) The Louisa County Industrial Development Authority issues the rebate check to the company.
- 16) Review of the company's compliance with the Economic Development Incentive Performance Agreement will be conducted upon request of subsequent annual rebate payments.

Project Evaluation:

Each project will be evaluated on an individual basis. Changing economic conditions and availability of funds may cause the County of Louisa to modify, amend, or discontinue any economic development incentive program. Should an incentive program be discontinued, the Louisa County Board of Supervisors should consider honoring any incentive committed to before discontinuing the program. Economic development incentives should not be transferred or otherwise conveyed to another party, unless agreed to by the Louisa County Board of Supervisors.

Incentive Level Matrices:

Economic development incentives available from the County of Louisa may include, but are not limited to industrial revenue bonds (IRBs), real estate tax rebates, machinery and tools tax rebates,, business personal property tax rebates, forgivable loans, infrastructure improvements, real property write-downs, permit fee reductions/waivers, utility tie-in, extensions and fee reductions. The Louisa County Board of Supervisors will determine the amount, terms and conditions of all incentives based on the matrices that determine the ROI which will be equated using job creation numbers, wage levels and capital investment.

Payments of Tax Rebates:

Due to the Uniformity of Taxation Clause in the Virginia Constitution, it is generally not acceptable to abate taxes in the State of Virginia. Due to this clause, all businesses that qualify for Economic Development Incentives as approved by the Louisa County Board of Supervisors will be required to pay 100% of their taxes to the County. Upon payment of all taxes to the County, the approved incentive amount will then be transferred to the Louisa County Industrial Development Authority via check from the Louisa County Treasurers Office. The Louisa County Industrial Development Authority will then issue a rebate check for the approved incentive amount to the qualifying business. The Louisa County Board of Supervisors reserves the right to use the Louisa County Industrial Development Authority as a rebate pass through entity based on the following Virginia Code Sections:

15.2-1205: Allocation of county funds or property to authorities created by the county.

The Governing body of any County may give, lend or advance in any manner that it deems proper funds or other county property, not otherwise specifically allocated or obligated, to any authority created by such governing body pursuant to law.

15.2-4905: Powers of authority.

Subdivision 13: To make loans or grants to any person, partnership, association, corporation, business, or governmental entity in furtherance of the purposes of this chapter including for the purposes of promoting economic development, provided that such loans or grants shall be made only from revenues of the authority which have not been pledged or assigned for the payment of any of the authority's bonds, and to enter into such contracts, instruments, and agreements as may be expedient to provide for such loans and any security therefore. An authority may also be permitted to forgive loans or other obligations if it is deemed to further economic development. The word "revenues" as used in this subdivision includes contributions, grants and other financial assistance, as set out in subdivision 12.

Subdivision 12: To borrow money and to accept contributions, grants and other financial assistance from the United States of America and agencies or instrumentalities thereof, the Commonwealth, or any political subdivision, agency, or public instrumentality of the Commonwealth, for or in aid of the construction, acquisition, ownership, maintenance or repair of the authority facilities, for the payment of principal of any bond of the authority, interest thereon, or other cost incident thereto, or in order to make loans in furtherance of the purposes of this chapter of such money, contributions, grants, and other financial assistance, and to this end the authority shall have the power to comply with such conditions and to execute such agreements, trust indentures, and other legal instruments as may be necessary, convenient or desirable and to agree to such terms and conditions as may be imposed.

Qualifications for Tax Rebates:

Property taxes may be rebated for new improvements to real property and for newly acquired items of personal property used by an eligible business in connection with an expansion or relocation of business operations within Louisa County. Land and existing buildings should not generally be eligible for property tax rebates. Existing buildings in the County of Louisa may only be considered for tax rebates if the building has been vacant for at least three years and was acquired by a party not related to the previous owner. Motor vehicles should not be eligible for property tax abatement under this policy.

Terms:

The term tax rebate on real property improvements under this policy shall be for an initial term of one to five years, plus an additional one to five year term based upon review and approval from the Louisa County Board of Supervisors at the end of the initial term. Tax rebates on eligible items of personal property should be limited to a term of five years. The recommended percentage of property taxes to be rebated should be based on new job creation and capital investment by the eligible business, as follows:

Job Creation: For the purpose of determining the recommended percentage of tax rebate, the number of new full-time equivalent (FTE) jobs created by the project will be adjusted by a factor based on the relationship between the wages to be paid for the new jobs and the average wage benchmark set forth in this policy.

Example: The average wage benchmark for this policy is \$37,440 and the average wage for the new jobs created is \$50,000, the factor for adjusting the number of created FTE jobs would be 134% (\$50,000 equals 134% of \$37,440). If the actual number of jobs created is 60, the adjusted number of FTE jobs used to determine the recommended rebate is 81 (81 equals 134% of 60).

For the purpose of this policy, FTE jobs are defined as full-time employees who are paid to work at least 2,080 hours per year, or part-time or temporary employees consolidated to obtain the full-time equivalent of 2,080 hours per year.

The amount and types of incentives based solely on FTE job creation should be based on a sliding scale that allows a smaller project to benefit. Incentives may be recommended for each new FTE job as follows: 3% for the first five (5) new FTE jobs, 2% for 6 to 10 new FTE jobs, 1.5% for 11 to 20 new FTE jobs, 1% for 21 to 50 new FTE jobs and 0.6% for each new FTE job in excess of 50, up to a maximum tax rebate for job creation of 100%.

Capital Investment: Incentives may be recommended for every \$50,000 of private investment in plant and equipment as follows: Between \$50,000 and \$500,000 – 1%; between \$500,000 and \$1 Million - 0.75%, between \$1 Million and \$2 Million - 0.5%; between \$2 Million and \$5 Million- 0.25%; above \$5 Million .10%. The maximum recommended tax rebate for capital investment is 100%.

Location Premium: Businesses in the County of Louisa are encouraged to locate and/or expand within the designated growth areas of the County. To foster this action, businesses may receive additional recommended tax rebates equal to 20% for locating into growth areas, as may be determined from time-to-time by separate action of Louisa County Board of Supervisors.

Exceptions:

Exceptions to the conditions set forth in this policy may be made by the Louisa County Board of Supervisors.