

## Establishment of Defense Production Zones

A defense production zone can be a valuable tool for the encouragement of new and expanding national defense-related businesses in a locality. Virginia's cities, counties, and towns have the ability to establish, by ordinance, one or more defense production zones to attract growth in targeted industries.

Establishment of a defense production zone allows localities to create special incentives and certain regulatory flexibility for qualified businesses locating or expanding operations in a zone. These incentives may include: a reduction of user and permit fees, special zoning treatment, exemption from local ordinances or other incentives adopted by ordinance.

Once a defense production zone has been established, incentives may be provided for up to 20 years. Each locality designs and administers its own program. The establishment of a defense production zone shall not preclude the area from also being designated as an enterprise zone.

Two localities currently have an established Defense Production Zone: **Fauquier County and the City of Manassas Park**. Henrico County will create individual defense production zones based around individual projects on a case by case basis.

If your locality has established a defense production zone, please contact us so that you may be included in our marketing literature. You may contact Michelle Mende at (804) 545-5785 or at [mmende@yesvirginia.org](mailto:mmende@yesvirginia.org). We would like a copy of the ordinance establishing the zone for our records, as well as an aerial or map showing the defense production zone boundaries.

Virginia Code provisions governing Defense Production Zones can be found in section 58.1-3853.

# DEFENSE PRODUCTION ZONE INCENTIVES

## FAUQUIER COUNTY, VIRGINIA

### **Business Type:**

Businesses primarily engaged in providing services in support of national defense, including but not limited to logistics and technical support and businesses 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.

### **Business Qualification:**

New businesses:

- A capital investment of a minimum of \$500,000.00 in land, building and/or machinery.
- Ten new full-time jobs having salaries at least 10 percent above the average county wage level as listed by the Virginia Employment Commission for the prior calendar year must be created within the first calendar year of operation.

Existing businesses:

- A capital investment of a minimum of \$250,000.00 in land, building and/or machinery.
- Three new full-time jobs having salaries at least 10 percent above the average county wage level as listed by the Virginia Employment Commission for the prior calendar year must be created within the first calendar year of operation.

### **Area:**

Designated areas.

# DEFENSE PRODUCTION ZONE INCENTIVES

## FAUQUIER COUNTY, VIRGINIA

### Incentives:

Tax rebates-new businesses:

- 100 percent rebate on business, professional and occupational license tax
- 100 percent rebate on tangible business personal property and machinery and tools

Permit fee rebates. County fees for site plan, building and zoning permits.

Tax rebates—Existing businesses: Rebates 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.

Additional incentives may be available for substantial job creation or substantial investment.

Incentives shall apply for three 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.

# DEFENSE PRODUCTION ZONE INCENTIVES

## MANASSAS PARK, VIRGINIA

### **Business Type:**

A company or identifiable subdivision of a company that is engaged in, or performs functions ancillary to or in support of, the design, development, or production of materials, components, or equipment required to meet the needs of national defense and that expands or locates in a defense production zone. In no case shall a use be permitted by a defense production business that is likely to be dangerous or offensive because of odor, dust, fire, explosion, or other reasons, or that uses equipment and/or processes that are likely to produce objectionable noise, vibration, explosion, fire, smoke, or other effect.

### **Business Qualification:**

- The subject real estate must be zoned to the appropriate incentive zoning district.
- The expansion or establishment of the qualifying defense business must be completed prior to the business becoming fully eligible for the incentives.

### **Area:**

Conner Center Redevelopment District.

### **Incentives:**

- ❖ Eighty percent (80%) of the additional or new gross receipts shall be eligible for exemption from the BPOL tax. Each eligible business will receive a declining BPOL tax exemption for an incentive period(s) that will be determined using a point system, as follows:

One point will be awarded for each performance measure achieved by the eligible business. The number of points awarded will correspond to the number of years in the incentive period. A business shall not be awarded more than ten (10) points.

Example: A new defense business has located in a defense production zone. It hires 10 new employees, expands an existing structure by 10,000 square feet, increases the assessed value of the real estate by \$100,000, and is awarded 4 points for performance measures. Assuming all eligibility requirements had been met, the length of the incentive periods for a real estate property tax exemption and a BPOL tax exemption would each be 4 years.

For the first year of an incentive period, the amount exempt from BPOL tax shall be the amount eligible for tax exemption (see above).

## **DEFENSE PRODUCTION ZONE INCENTIVES**

### **MANASSAS PARK, VIRGINIA**

Example: The new defense business had \$50,000 in new gross receipts and increased the assessed value of the real estate by \$100,000. In year 1 the amount of new gross receipts exempt from BPOL tax would be \$40,000 (80% of \$50,000) and the amount of new assessed value exempt from real estate property tax \$80,000 (80% of \$100,000).

For subsequent years, if any, in an incentive period, the amount exempt from real estate property tax and/or BPOL tax shall be incrementally reduced by a pro rata amount each year, said amount to be determined by dividing the amount exempt in the first year by the number of years in the incentive period.

Example: If the incentive period is 4 years in length and the new gross receipts exempt from BPOL tax in the first year is \$40,000, the amount exempt in each subsequent year would be reduced by \$10,000 ( $\$40,000 \div 4$ ), so that in year 2 the amount exempt would be \$30,000; in year 3 the amount exempt would be \$20,000; and in year 4 the amount exempt would be \$10,000.