


**ACTION ITEM
BOARD OF SUPERVISORS**

DATE: December 15, 2009

TO: Board of Supervisors

FROM: Timothy J. Baroody 
Deputy County Administrator

ISSUE: Authorize Public Hearing to Establish Technology Zones

STAFF RECOMMENDATION: Approval

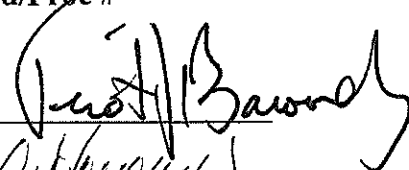
BUDGET IMPACT: N/A

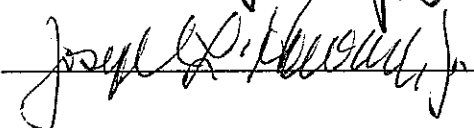
ATTACHMENTS: (4)

[1] Background Report [4] Reso/Ord/Proc #R09-380

[2] Proposed Ordinance O10-02 [] Reso/Ord/Proc #

[3] Procedures [] Reso/Ord/Proc #

REVIEW: [X] County Administrator's Office 

[X] Legal 

- [] Consent Agenda
- [] Discussion Item
- [] New Business

- [X] Other Business
- [] Presentation

- [] Public Hearing
- [] Unfinished Business

PRESENTATION BY: N/A

ELECTION DISTRICT: N/A

BACKGROUND REPORT

Establishment of a Technology Zone allows Virginia localities to create special economic development incentives for qualified businesses locating or expanding operations within a zone. Incentives may include a reduction of user and permit fees, local tax rebates, expedited review process, exemption from local ordinances, or other incentives adopted by local ordinance. Zones are authorized under the Virginia Code provisions found in Section 58.1-3850.

Technology Zones have proven to be valuable tools in the encouragement of new and expanding technology businesses in the Commonwealth of Virginia. Thus far, some 23 Virginia localities have established Technology Zones. Zones must be adopted by local ordinance and can be implemented in specific targeted areas of a locality, or locality wide. Once a local Technology Zone has been established, incentives may be provided for up to ten years.

The creation of a Stafford Technology Zone(s) was recommended as part of the 2006 Economic Development Strategic Plan, adopted by the Board. The Board of Supervisors was briefed on Technology Zones by the Department of Economic Development on December 2, 2008. Following that presentation, the Board of Supervisors appointed a Subcommittee, comprised of Mr. Sterling and Mr. Crisp, to further study the matter. The DRAFT ordinance attached has been created with extensive input from the Subcommittee.

The matter was sent to the Economic Development Authority for comment in November 2009. The EDA will meet at a special meeting on December 11, 2009 to discuss and provide input on the matter of Technology Zones.

Staff recommends sending proposed Ordinance 010-02 to Public Hearing.

O10-02

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

ORDINANCE

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 19th day of January, 2010:

MEMBERS:

- George H. Schwartz, Chairman
- Harry E. Crisp II, Vice Chairman
- M. S. "Joe" Brito
- Mark Dudenhefer
- Paul V. Milde III
- Cord A. Sterling
- Robert "Bob" Woodson

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

AN ORDINANCE TO ENACT AND AMEND STAFFORD COUNTY
CODE TO ADD A NEW CHAPTER 23A TO ESTABLISH
TECHNOLOGY ZONES

WHEREAS, a technology zone can be a valuable tool for the encouragement of new and expanding technology in Stafford; and

WHEREAS, establishment of a technology zone allows localities to create special incentives for qualified businesses locating or expanding operations in a zone; and

WHEREAS, the technology zone was recommended as part of the 2006 Economic Development Strategic Plan adopted by the Stafford County Board of Supervisors; and

WHEREAS, the Board has carefully considered the recommendations of the staff, and the testimony at the public hearing; and

WHEREAS, establishing technology zones will serve the public health and welfare of the County and its citizens;

NOW, THEREFORE, BE IT ORDAINED by the Stafford County Board of Supervisors on this the 19th day of January, 2010, that Stafford County Code, Chapter 23A, be and it hereby is enacted and amended as follows, all other portions remaining unchanged:

Chapter 23A. Technology Zones

Sec. 23A-1. Purpose.

The Board finds that the creation of local technology zones, with incentives for economic growth, will foster the development, maintenance and expansion of commercial and industrial businesses engaged in technological research and design.

State law references: Similar provisions, Virginia Code § 58.1-3850.

Sec. 23A-2. Administration.

This chapter shall be administered and enforced by the County Administrator or his designee. The County Administrator or his designee shall determine and publish the procedures for obtaining the benefits created by this chapter. The County Administrator or his designee shall be responsible for determining whether a business is a qualified technology business as defined below or an existing qualified business and, when necessary, shall interpret the extent and boundaries of the technology zone as set out in this chapter. Final incentive benefit packages shall be approved by the Board in its discretion.

Sec. 23A-3. Definitions.

For the purpose of this chapter, the following words and phrases shall have the following meanings, unless clearly indicated to the contrary:

Board means the Board of Supervisors of Stafford County.

Capital investment means it is measured as the change in the most recent assessed value, as determined by the Commissioner of the Revenue, of real property, personal property, and machinery and tools. This does not include an increase in real property values based upon market increase due to any general reassessment. Capital investment also includes the assessed value of leased office space when the total lease equals \$1,000,000 spent in a two-year period.

County means Stafford County.

Existing business means one that was actively engaged in the conduct of trade or business in the county prior to an area being designated as a technology zone.

New business means a business not previously located in and actually engaged in the conduct of business in the county and that begins operation in a technology zone after the technology zone was designated.

Qualified technology business means a technology business that has met the qualifications set forth in Section Sec. 23A-4.

Technology business includes, but is not limited to, research, development, manufacture, or associated training of: biotechnology, chemicals, computer hardware, computer security, computer software, energy, environmental, homeland security, manufacturing equipment, advanced materials, medical, finance related companies, pharmaceuticals, photonics, subassemblies and components, test and measurement, telecommunications, or transportation. In no case shall the use of computers or telecommunication services by a business in its administrative operations, by itself, qualify the business as a technology business.

Sec. 23A-4. Qualifications.

(a) Existing business. For an existing technology business to become a qualified technology business, the firm must add a minimum of ten (10) full-time employees whose combined average salary is at least 150% of the average annual wage countywide based on the most recent quarterly data as prepared by the Virginia Employment Commission. In addition, the firm must increase capital investment in the technology zone by at least \$500,000.

(b) New business. For a new technology business to become a qualified technology business the firm must create a minimum of twenty (20) full-time job positions whose combined average salary is at least 150% of the average annual wage countywide based on the most recent quarterly data as prepared by the Virginia Employment Commission. In addition, the firm must increase capital investment in the technology zone by at least \$1,000,000.

(c) Existing and new businesses. The following requirements shall apply to all businesses seeking the incentives provided in this chapter:

1. Businesses must be engaged in a technology business.
2. The increases in capital investment and new or additional full-time job positions required to qualify must occur within the same twelve-month period.
3. Any assets owned by a business which are moved into a technology zone from another location within the County shall not be included in the increased new investment.

Sec. 23A-5. Boundary of technology zone.

There is hereby created one (1) local technology zone within the County, to be named "The Stafford County Technology Zone." The boundary of the technology zone is the territorial boundary of Stafford County. In order to qualify for the incentives under this chapter, the technology business must be located within the Urban Services Area as defined by the Board in the adopted Comprehensive Plan, unless the technology business is required to be located outside the Urban Services Area to meet Federal security requirements.

Sec. 23A-6. Technology zone incentive package.

(a) Technology zone incentives may be offered to a qualified technology business as a one-time contribution towards the development costs associated with a project, or may be provided as a reimbursement or rebate, depending upon the nature and scope of the development. The approval of incentives and their relative amount are at the complete discretion of the Board. Under this discretion, qualified technology businesses may be granted incentives on a case-by-case basis. These incentives may include fee and tax rebates, Economic Development Grants, an expedited review process, and/or assistance in obtaining other sources of funding. In determining the amount and terms of such incentives, the Board will give consideration to: the number, quality, type, and average salary of new full-time job positions to be created or added; the specific type of technology work to be performed at the location; the amount of capital investment; the long-term company and industry outlook; and the company's overall positive impact on the County in the short and long terms.

(b) A qualified technology business may also be eligible to receive up to a full rebate, after receipt of final occupancy permit, of the fees associated with new construction, including, but not limited to building permit, plan review, and land disturbance fees, based upon the level of employment and capital investment generated by the business.

(c) A qualified technology business may also be eligible, based upon the level of employment and investment generated by the business and at the discretion of the Board, for the following rebate in taxes:

- (1) Machinery and Tools Tax. Up to a full rebate of all machinery and tools taxes.
- (2) Tangible Personal Property Taxes:
 - (i) Up to a 30% rebate for the first two (2) years;
 - (ii) Up to a 50% rebate for the next two (2) years; and
 - (iii) Up to a 70% rebate for the final year.
- (3) Business-based taxes. Up to a full rebate of any business-based taxes.

(d) The reductions authorized in subsections (c) (1), (2), and (3) above shall apply for up to a period of five (5) calendar years or until such time that the business no longer operates as a qualified technology business, ceases to meet the minimum criteria for a qualified technology business, or removes its operation from the County during a year in which the reduction applies; whichever occurs first.

(e) All technology businesses accepting incentives under this chapter must acknowledge that financial information provided in connection with the payment of incentives becomes public information and must waive any expectation of confidentiality to such information.

State law references: Similar provisions, Virginia Code § 58.1-3850.

Sec. 23A-7. Zoning Ordinance not affected.

This chapter is an economic development incentive and is not a zoning change. Nothing herein shall be construed to affect any provision or requirement of the County Zoning Ordinance.

Sec. 23A-8. Waiver.

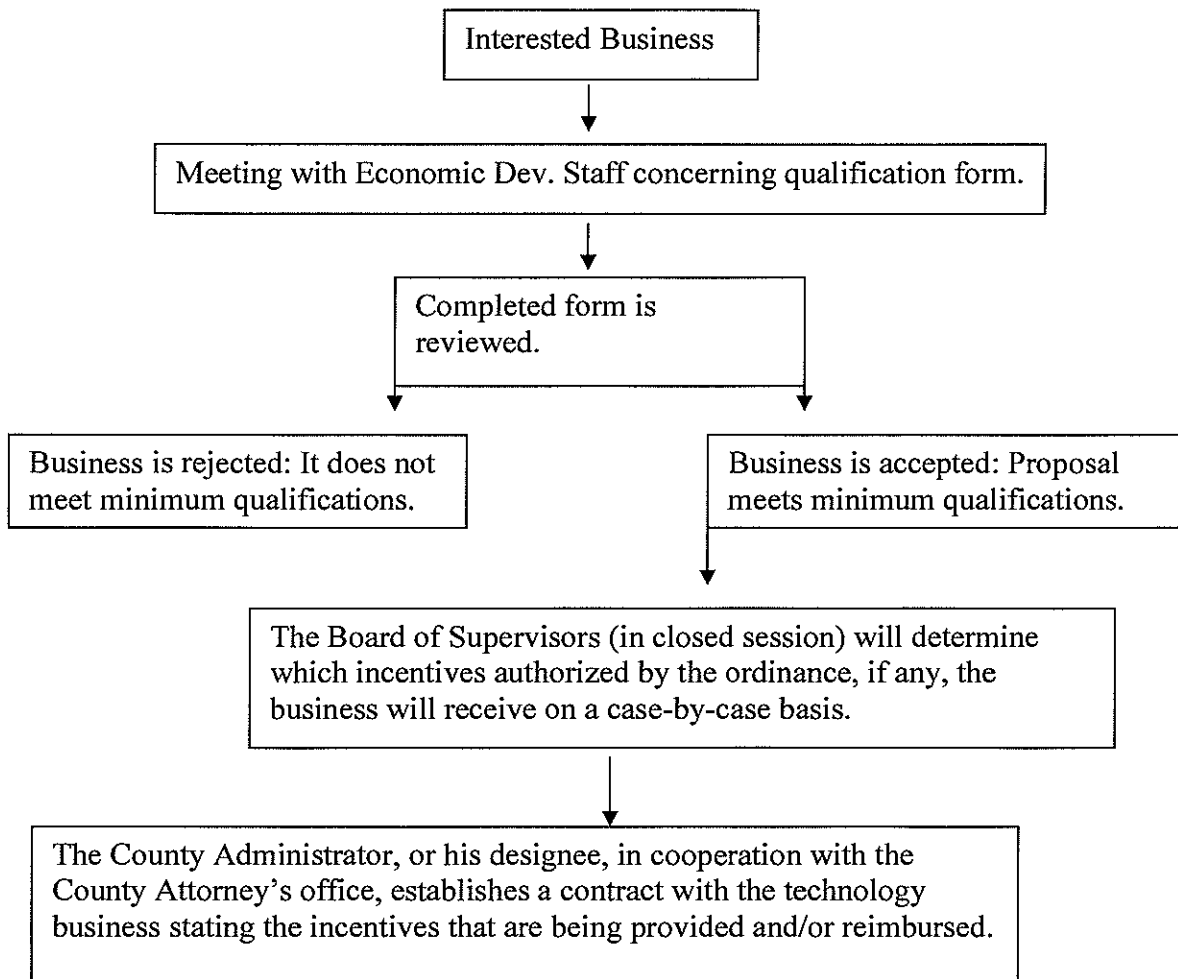
Unless expressly stated herein, this chapter shall not be construed to waive the requirement of any ordinance, regulation or policy of the County, including, but not limited to, those ordinances, regulations, and policies that require permits and approvals for land use and construction. Additionally, unless stated otherwise herein, nothing in this chapter shall be construed as waiving the right of the County to enforce its ordinances, regulations, or policies or to collect any taxes, fees, fines, penalties, or interest imposed by law on a qualified technology business or upon real or personal property owned or leased by a qualified technology business.

Sec. 23A-9. Effective date.

This Ordinance shall be in effect on and after the date of its adoption.

Technology Zones – Administrative Procedures

Program Overview



The initial stage in the technology zone program establishes whether or not the business is qualified to become a part of the program given what they have offered in their business proposal. The qualification process begins with the interested party meeting with economic development staff in order to receive a qualification form. If the proposal meets the requirements set forth in the Technology Zone Ordinance, then the company is eligible to potentially receive incentives. Final approval of all incentives is at the sole discretion of the Board of Supervisors (“Board”).

In order to qualify for the incentives, a new business must create a minimum of 20 new employees whose combined average salary must be at least 150% of the average annual wage countywide based on the most recent quarterly data as prepared by the Virginia Employment Commission and must include new capital investment as identified by the Technology Zone Ordinance. (The salary qualification is determined by adding

the annual salaries of all new full-time job positions created and dividing by the number of new full-time job positions created.) If the business meets these requirements, the Board has the following incentives to choose from:

1. Expedited site plan review, and reimbursement of site plan and permits fees. Permits include: grading, building, electrical, mechanical, final and temporary occupancy permits, as well as conditional use permit fees;
2. Increasing scale tax reimbursement beginning with up to a 30% rebate on tangible personal property taxes on: aircraft, automobiles, all trucks, personal property tax used for R&D, computer equipment, general business property, and furniture/fixtures for R& D in years one and two. Up to 50% reimbursement for years three and four. Up to 70% reimbursement for year five ; and
3. Up to full Reimbursement of Machinery and Tools tax and other business-based taxes.

The ordinance allows the Board, in a closed session meeting, to decide on a case-by-case basis which of the incentives, if any, to offer. The Board may approve all or some of the incentives depending on the nature of the business, the number of full-time job positions created or added, the capital investment, and other factors that the Board may deem appropriate. After the Board determines which of the incentives, if any, it will offer the interested technology business, the County Administrator or his designee and the County Attorney's office will draft a contract stipulating the parameters of the incentive agreement.

The tax and fee incentive portion of this policy is structured around the reimbursement of fees and taxes paid. It requires the cooperation of several county agencies. The County Administrator or his designee must coordinate with both the Commissioner of the Revenue and the Treasurer at different stages of the reimbursement process. After the project is complete (with the issuance of the final occupancy permit ("OP"), all permitting and plan review fees will be totaled. County staff will then work with the business to reimburse the fees that are reimbursable under the incentive agreement.

Tax incentives will not be reimbursed until the end of the first calendar year beginning from the issuance of the final occupancy permit. As noted earlier, the percentage of tax reimbursements may increase after the first year. Thus, at the end of each calendar year, the County Administrator or his designee will have to coordinate with the Commissioner of the Revenue to identify the specific amount of the tax reimbursement. The County Administrator or his designee must receive that reimbursement from the general fund and pass that onto the business. After five calendar years, the technology zone benefits become void. However, a firm may apply as an existing business to potentially receive new tax incentive benefits.

Existing Businesses and Renewal of Benefits

Existing businesses are also invited and encouraged to take part in applying for the technology zone incentives. Similar to the application procedure for new businesses, existing businesses must complete and submit a qualification form to the Department of Economic Development. If the existing business adds at least ten new full-time job positions and increases capital investment as required by the Technology Zone Ordinance, then the business can qualify to receive incentives subject to the discretion and authorization of the Board. The County Administrator or his designee and the County Attorney's office will draft a contract setting out the incentive agreement. The County Administrator or his designee will also administer existing business incentives.

The technology zone benefits expire after five years. A new business that exhausts the five years' worth of benefits may reapply as an existing business. To be eligible, the business must meet all the qualifications as an existing business under the Technology Zone Ordinance.

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 15th day of December, 2009:

MEMBERS:

George H. Schwartz, Chairman
Harry E. Crisp II, Vice Chairman
M. S. "Joe" Brito
Mark Dudenhefer
Paul V. Milde III
Cord A. Sterling
Robert "Bob" Woodson

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

A RESOLUTION TO AUTHORIZE A PUBLIC HEARING TO ESTABLISH
TECHNOLOGY ZONES

WHEREAS, a technology zone can be a valuable tool for the encouragement of new and expanding technology in Stafford; and

WHEREAS, establishment of a technology zone allows localities to create special incentives for qualified businesses locating or expanding operations in a zone; and

WHEREAS, the technology zone was recommended as part of the 2006 Economic Development Strategic Plan adopted by the Stafford County Board of Supervisors

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the 15th day of December, 2009, that it be and hereby does authorize a public hearing to be advertised for the establishment of a technology zone in Stafford County to be scheduled as soon as can be properly advertised in accordance with Virginia law.

AJR:TJB:jmf