

VIRGINIA ACTS OF ASSEMBLY - 2025 SESSION

CHAPTER 250

An Act to amend and reenact § 59.1-548 of the Code of Virginia, relating to enterprise zone grant program work group; report.

[H 2163]

Approved March 21, 2025

Be it enacted by the General Assembly of Virginia:

1. That § 59.1-548 of the Code of Virginia is amended and reenacted as follows:

§ 59.1-548. Enterprise zone real property investment grants.

A. As used in this section:

"Facility" means a complex of buildings, co-located at a single physical location within an enterprise zone, all of which are necessary to facilitate the conduct of the same trade or business. This definition applies to new construction as well as to the rehabilitation and expansion of existing structures.

"Major qualified zone investor" means a qualified zone investor making qualified real property investments in excess of \$20 million.

"Mixed use" means a building incorporating residential uses in which a minimum of 30 percent of the useable floor space will be devoted to commercial, office, or industrial use.

"Qualified real property investment" means the amount expended for improvements to rehabilitate, expand, or construct depreciable real property placed in service during the calendar year within an enterprise zone provided that the total amount of such improvements equals or exceeds (i) \$100,000 with respect to a single building or a facility in the case of rehabilitation or expansion or (ii) \$500,000 with respect to a single building or a facility in the case of new construction. *Such real property may include a child day center as such term is defined in § 22.1-289.02.*

"Qualified real property investment" includes any such expenditure regardless of whether it is considered properly chargeable to a capital account or deductible as a business expense under federal Treasury Regulations.

~~"Qualified real property investments include investment"~~ *includes* expenditures associated with (a) any exterior, interior, structural, mechanical, or electrical improvements necessary to construct, expand, or rehabilitate a building for commercial, industrial, or mixed use; (b) excavations; (c) grading and paving; (d) installing driveways; and (e) landscaping or land improvements. ~~"Qualified real property investments shall include investment"~~ *includes*, but ~~is not be~~ limited to, costs associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing, flashing, exterior repair, cleaning, and cleanup.

~~"Qualified real property investment shall"~~ *does not* include:

1. The cost of acquiring any real property or building.
2. Other costs including: (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering, surveying, and interior design fees; (iii) loan fees, points, or capitalized interest; (iv) legal, accounting, realtor, sales and marketing, or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, and inspection fees; (vi) bids, insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; (vii) utility connection or access fees; (viii) outbuildings; (ix) the cost of any well or septic or sewer system; and (x) roads.

3. The basis of any property: (i) for which a grant under this section was previously provided; (ii) for which a tax credit under § 59.1-280.1 was previously granted; (iii) which was previously placed in service in Virginia by the qualified zone investor, a related party as defined by Internal Revenue Code § 267 (b), or a trade or business under common control as defined by Internal Revenue Code § 52 (b); or (iv) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom it was acquired or Internal Revenue Code § 1014 (a).

"Qualified zone investor" means an owner or tenant of real property located within an enterprise zone who expands, rehabilitates, or constructs such real property for commercial, industrial, or mixed use. In the case of a tenant, the amounts of qualified zone investment specified in this section shall relate to the proportion of the building or facility for which the tenant holds a valid lease. In the case of an owner of an individual unit within a horizontal property regime, the amounts of qualified zone investments specified in this section shall relate to that proportion of the building for which the owner holds title and not to common elements.

B. 1. Grants shall be calculated at a rate of 20 percent of the amount of qualified real property investment in excess of \$500,000 in the case of the construction of a new building or facility.

Grants shall be calculated at a rate of 20 percent of the amount of qualified real property investment in excess of \$100,000 in the case of the rehabilitation or expansion of an existing building or facility.

For any qualified zone investor making \$5 million or less in qualified real property investment, a real property investment grant shall not exceed \$100,000 within any five-year period for any individual building or facility. For any qualified zone investor making more than \$5 million *but not more than \$20 million* in qualified real property investment, a real property investment grant shall not exceed \$200,000 within any five-year period for any individual building or facility.

2. On and after July 1, 2025, grants to major qualified zone investors shall be calculated at a rate of 25 percent of the amount of qualified real property investment in excess of \$500,000 in the case of the construction of a new building or facility.

On and after July 1, 2025, grants to major qualified zone investors shall be calculated at a rate of 25 percent of the amount of qualified real property investment in excess of \$100,000 in the case of the rehabilitation or expansion of an existing building or facility.

A real property investment grant to a major qualified zone investor shall not exceed \$300,000 within any five-year period for any individual building or facility.

C. A qualified zone investor shall apply for a real property investment grant in the calendar year following the year in which the property was placed in service.

2. That the Department of Housing and Community Development (the Department), in collaboration with the Virginia Economic Development Partnership Authority, shall convene a work group to review the utilization of currently designated enterprise zones and make recommendations on renewals or terminations of such zones. Such work group shall include representatives of the Virginia Economic Developers Association, the Virginia Association of Counties, the Virginia Municipal League, Virginia First Cities, and other interested parties as deemed appropriate by the Department. The work group shall report its findings and recommendations, including specific legislative recommendations to be considered during the 2026 Regular Session of the General Assembly, to the Chairmen of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations by November 1, 2025.