State Enterprise Zones

Opportunities for Revitalization within Underdeveloped Census Tracts
in Georgia

Georgia Department of Community Affairs

Local, State & Federal Incentives Working Together

In limited census areas, opportunities exist to combine local tax and investment incentives with direct assistance and tax credits from the state and federal governments

Opportunities for ALL Businesses within the Zone

In addition to discretionary, “transaction-based” incentive models that must be reinvented for a specific project or business, a “geographic-based” program can be created by local ordinance to provide incentives for all businesses within the Zone.

Enterprise Zone Employment Act

OCGA §36-88-1 et seq.

Statute has been in existence since 1997. Local governments interested in the Act should consult closely with their city or county attorney and obtain proper legal counsel and advice before enacting a program.

Available Incentives

- Property tax exemption
  - OCGA §36-88-3(1)
- Abatement or reduction in occupation taxes, regulatory fees, building inspection fees, and other fees that would otherwise be imposed on qualifying business
  - OCGA §36-88-9(a)

Qualifying business or service enterprise

- “business enterprise” means retail, manufacturing, warehousing & distribution, processing, telecommunications, tourism, research & development, new residential construction and rehabilitation
- “service enterprise” means finance, insurance, real estate activities listed under SIC 60 – 67 or entities engaged in day-care

Public Benefit Thresholds

- Qualifying business or service enterprise must
  - Create five or more new full-time jobs
  - Provide “economic stimulus” with sufficient quantity and quality as shall be determined by local government(s) that designated zone; and
  - “when possible”, 10% of new employees shall be low-and moderate-income individuals
  - If residential and/or rehab of an existing structure where value of improvements > 500% of land value, exemptions apply to ANY entity

Designation

- Area may include one or more abutting parcels that meet designation criteria
- County & Cities may jointly designate zones
- Area may be re-designated if it continues to meet criteria after expiration of initial 10 yr. term
- Property tax exemptions capped at 10% of digest

Criteria for Designation

OCGA §36-88-6

- Area must meet at least four of five criteria:
  - Pervasive poverty established using the most current United States decennial census prepared by the U. S. Bureau of Census:
    - a) each block group must have at least 20% poverty and
    - b) 50% of block groups must have at least 30% poverty
  - Unemployment Rate (average for preceding yr.) at least 10% higher than State or significant job dislocation
  - Underdevelopment evidenced by lack of building permits, .licenses, land disturbance permits, etc. at least 20% lower .than development activity within local body's jurisdiction
  - General Distress and adverse conditions (crime, etc.)
  - (General Blight as evidenced by the inclusion of any portion of nominated area in an urban redevelopment area as defined by OCGA 36-61-2)

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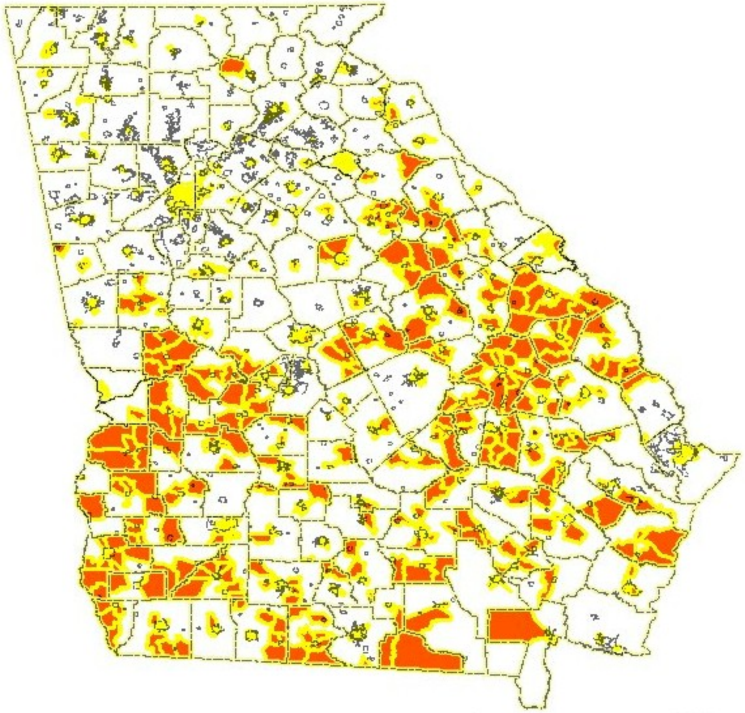
- Georgia 2000 Census Block Groups by Poverty Status



Red 20% or greater poverty

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- Property Tax Exemption for Qualifying Enterprises Not to Exceed
  - 100% for first five years
  - 80% for next two years
  - 60% for year eight
  - 40% for year nine
  - 20% for year ten

  - ✖ School taxes, sales and use taxes, and taxes imposed for G.O. debt are excluded
  - ✖ Enterprise must maintain a minimum of five jobs
  - ✖ Total exemptions limited to 10% of tax digest

Synergy With Other Efforts

- State’s BEST Census Tract Program - Tier One Benefits for qualifying census tracts or [2 or more block groups with 20%> poverty where an Urban Redevelopment Plan has been adopted] (includes withholding deductions!)

- CDBG, EIP, Redevelopment Fund and Local RLF’s include a “presumption of 100% LM benefit” for any job created if located within census tract with at least 20% poverty rate

- Numerous Federal Programs including the
  - New Market Tax Credit Program

Advantages

- Coherent and easily understood policy that enhances existing local incentives
- Limits to applicability and costs
- Clear and coherent public benefits
- Local control increases availability to existing businesses & entrepreneurs
- Conforms to existing local admin structures
- Easier “layering” with existing federal and state financial assistance programs

Disadvantages

- Some ambiguity within statute
- Educational curve for communities currently reliant on discretionary, “transaction based” incentives to attract development
- Other?

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