

# Grant Year 2015

## **Enterprise Zone Agreed Upon Procedures For CPA Attestation**



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## ABOUT THIS MANUAL

This document provides instructions for CPAs performing the Agreed-Upon Procedures outlined by the Department of Housing and Community Development. These procedures test and report on the assertion of a business or qualified zone investor as to their qualification to receive Job Creation Grants (JCGs) or Real Property Investment Grants (RPIGs). The findings from these procedures are reported in the CPA Attestation Report. This report is a required application component for both the Job Creation Grant and Real Property Investment Grant.

Agreed-Upon Procedures for the Job Creation Grant are provided in the first half of this document and in the second half for the Real Property Investment Grant. In an effort to provide more user-friendly instructions, specific icons have been used throughout the manual. Frequently asked questions have been included within each grant section and are denoted by a question mark symbol ( ? ) within a text box. Details pertaining to required application materials have been indicated by , while details pertaining to online submittals & electronic worksheets have been indicated by . Details pertaining to the timeline for submission are indicated by . Lastly, for your convenience, the definitions of key terms are included in a glossary following each section. These terms are defined by statute and program regulation and must be followed.

Each respective grant section contains information regarding:

- An overview of the grant amount and eligibility criteria;
- Required grant documentation;
- The CPA’s attestation responsibilities;
- The applicant’s responsibilities;
- Purpose and procedures for each attestation requirement.

## HIGH UNEMPLOYMENT AREAS

The list of High Unemployment Areas (HUAs) has been updated for Grant Year 2015. This list is updated twice a year; once prior to the qualification year and once during the qualification year as updated data becomes available from the Virginia Employment Commission.

2015 Enterprise Zone Grant Application			
High Unemployment Areas (HUA)			
Brunswick County #32	City of Hopewell #9		
Town of Chilhowie #51**	Town of Lawrenceville #32		
Town of Clintwood #49	City of Martinsville #36**, #54**		
City of Covington #53**	Page County #30		
City of Danville #1, #57**	City of Petersburg #10, #47**		
Dickenson County #49	Prince Edward County #48**		
City of Emporia #43**	Town of Saltville #6		
City of Franklin #18**	Town of South Boston #15		
Halifax County #15	Smyth County #6, #51**		
Town of Haysi #49	Tazewell County #44		
**The following communities in joint zones are NOT HUAs: Alleghany County (Clifton Forge), Charlotte County, Dinwiddie County, Greensville County, Henry County, Isle of Wight County, Lunenburg County, Pittsylvania County, Southampton County, Washington County (Glade Spring). Businesses in these communities are not eligible for the reduced wage threshold. Source: DHCD based on the LAUS Unit and Bureau of Labor Statistics 2014 Annual Virginia Unemployment Report.			

Dickenson (including Clintwood and Haysi), Page and Tazewell Counties are now considered HUA zones. Businesses in these zones are eligible to apply for the \$500/PFTE Job Creation Grant at the reduced wage rate threshold of 150% of the Federal Minimum Wage (FMW) or \$10.88 per hour.

The following localities are no longer considered HUA zones: The City of Galax, Greensville County, Henry County, Mecklenburg County (including LaCrosse and South Hill), Richmond County and Wise County. Businesses in these zones that have previously applied for the JCG as HUA applicants may continue to qualify for the \$500 grant at the reduced wage threshold of \$10.88/hour for the remainder of their 5-year grant period. However, **any new business applying for the JCG in these zones must pay a wage rate threshold of at least 175% of the FMW (\$12.69/hour) to be eligible for the grant.**

## AGREED-UPON PROCEDURES ENGAGEMENT

The Agreed-Upon Procedures Engagement outlines specific procedures to be performed on a subject matter whereby a CPA is engaged by a client to issue a report of findings. Distribution of the report based on such an engagement is limited to specific, identified users (in this case, the applicant and DHCD). Guidance for the performance of such engagements can be found in [AT Section 201](#) of the American Institute of Certified Public Accountants (AICPA) Professional Standards. Under the Enterprise Zone Statute, Enterprise Zone grant applicants must hire an independent CPA currently licensed in Virginia to perform the Agreed-Upon Procedures established by DHCD. The CPA's attestation report must be submitted to DHCD with the grant application materials by **April 1, 2016** in order for the application to be considered on time.



### *How is an attestation different from an audit?*

*The American Institute of Certified Public Accountants (AICPA) has promulgated standards for attestation engagements, other than those involving audits of financial statements, in the "AT" section of professional standards.*

**As provided in §59.1-547 of the Code of Virginia, business firms with Base Year employment of 100 or fewer permanent full-time positions that create 25 or fewer grant eligible positions are exempt from the attestation requirement for that qualification year. However, the firm is not exempt from completing the required Job Creation Grant Worksheet. The JCG Worksheet must be completed each year the firm seeks qualification for the JCG.**

## CPA ATTESTATION REPORT: FORM REQUIREMENTS

 Findings from the Agreed-Upon Procedures are to be reported on the required CPA Attestation Report forms. The forms have been created to ensure that all CPAs are reporting on the procedure as indicated. The forms and use of the forms have the support of the VA Society of CPAs. CPAs must use the Attestation Report templates provided by DHCD to document findings. Attestation report forms for both the Real Property Investment Grant and the Job Creation Grant are available for download on the EZ Online Submission System site under the CPA Attestation Report header.

The link to the EZ Online Submission System to access the appropriate forms as shown below:  
<https://dmz1.dhcd.virginia.gov/EZApplication/>.

**Select the hyperlinks below to access applications and forms**

- RPIG - Real Property Investment Grant**
- JCG - Job Creation Grant**
- HUA JCG- High Unemployment Area Job Creation Grant**
- CPA Attestation Report (RPIG and JCG)**
  - [CPA Sample Engagement Letter](#)
  - [CPA Agreed Upon Procedures Manual \(RPIG and JCG\)](#)
  - [Guidance on CPA Attestation Report Format and Documentation of Findings](#)
  - [Real Property Investment Grant Attestation Report Form](#)
  - [Job Creation Grant Attestation Report Form](#)
- General Income Tax Credit**
- Investment Tax Credit**

**The attestation report that accompanies the application must be submitted on the appropriate DHCD Attestation Report form or the application will be deemed incomplete. Do not** retype the procedures or submit findings using any document other than what has been provided by DHCD. Applications will have to be resubmitted using the correct form in order to be processed.

Additionally, any reports submitted that do not state the findings for each procedure are also considered incomplete. The AICPA professional standards set forth in [Section AT 201.25](#), states that the “practitioner should report all findings from the application of the Agreed-Upon Procedures.” Furthermore, [Section AT 201.26](#) specifies that “a practitioner should avoid vague or ambiguous language in reporting findings.” Please see the examples of appropriate and inappropriate descriptions of findings within [Section AT 201.26](#).

Based on the professional standards set forth, **providing one’s initials by each procedure does not constitute an adequate description of findings.** In instances where no findings are reported or only the CPA’s initials are listed as the findings, the report will be deemed incomplete and the application will not be processed until the report is re-submitted.

## SUBMITTAL REQUIREMENTS

 Firms and zone investors are required to submit electronic applications via the EZ Online Submission System site. Online applications must be submitted to DHCD no later than **11:59 PM, April 1, 2016 (EST)**. Applicants will be prompted to print the completed application as part of the online submittal process. **The required signed hard copy and all other supplemental materials must also be submitted by the April 1<sup>st</sup> deadline.**

Link to the EZ Online Submission System: <https://dmz1.dhcd.virginia.gov/EZApplication/>

 The CPA Attestation Report is a required component to all RPIG applications and (non-exempt) JCG applications. **Attestation Reports must be submitted with all other application materials by April 1, 2016 for the application to be considered on-time.** Original application materials should be mailed via United States Postal Service certified mail, return receipt requested and postmarked no later than April 1<sup>st</sup>; shipped via UPS, Fed Ex or another service where shipping can be tracked with a shipped date no later than April 1<sup>st</sup>; or hand delivered by the close of business on April 1<sup>st</sup>. Hand delivery is not preferred.

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🕒 DHCD reviews all applications for completeness. Any application submitted without the required CPA Attestation Report or submitted after the April 1<sup>st</sup> deadline will be considered **late**. Such applications are held until DHCD determines that funds remain after fully funding on-time applications. At such time, DHCD will review and process late applications on a first-come, first served basis. **Please keep in mind that DHCD is unable to pre-qualify any applicants.**

**SUBMITTAL OF MULTIPLE APPLICATIONS**

If submitting more than one application, each grant application and associated **materials should be sent separately** via certified mail, return receipt requested. Due to the high volume of applications received, DHCD cannot guarantee proof of the receipt of each application when multiple applications are submitted together.

**GRANT YEAR 2015 TIMELINE**

🕒 **Virginia Enterprise Zones Grant Year 2015 Timeline**

- **April 1, 2016:**  
Applicant submits required application materials to DHCD
- **May 15, 2016:**  
DHCD notifies applicant of any deficiencies
- **June 1, 2016:**  
Deadline to resolve deficiencies
- **June 30, 2016:**  
DHCD notifies applicant of qualification
- **July 2016:**  
Virginia Dept. of Treasury sends Enterprise Zone Grant payment to applicant

## JOB CREATION GRANTS

The chart below summarizes the eligibility criteria and grant amounts available for the JCG.

<p><i>Job Creation Grants are based on net new permanent full-time job creation exceeding a four-job threshold. Positions over the four-job threshold must meet wage and health benefits requirements to be eligible for the JCG. Firms can receive grants for <b>up to 350 positions</b> per year.</i></p>	
<p><b>Grant Restrictions</b></p> 	<ul style="list-style-type: none"> <li>The following positions are ineligible for the JCG:                             <ul style="list-style-type: none"> <li><a href="#">Personal service, food and beverage</a>, and <a href="#">retail</a> positions (<i>as defined in Glossary</i>)</li> </ul> </li> <li>The following entities are prohibited from applying for the JCG:                             <ul style="list-style-type: none"> <li>Units of local, state, or federal government</li> <li>Non-profit, other than those classified as NAICS 813910 and 813920.</li> </ul> </li> </ul>
<p><b>Eligibility Requirements</b></p> 	<ul style="list-style-type: none"> <li>The business's operations must be located within the boundaries of an Enterprise Zone.</li> <li>The <a href="#">business</a> must create at least four net new permanent full-time positions over the <a href="#">base calendar year</a>.</li> <li>The net new permanent full-time positions created over the four-job <a href="#">threshold</a> must meet wage and health benefit requirements.                             <ul style="list-style-type: none"> <li>Positions must earn at least 175% of the Federal Minimum Wage<sup>1</sup>, 150% in High Unemployment Areas.</li> <li>Firm must offer to cover at least 50% of employee's health insurance premium.</li> </ul> </li> </ul>
<p><b>Term</b></p> 	<ul style="list-style-type: none"> <li>Five-year periods beginning with the first qualification year in which a job creation grant was awarded.                             <ul style="list-style-type: none"> <li>To be eligible for the JCG in years two through five, the firm must maintain or increase the number of eligible permanent full-time positions (above the four-job threshold) over Base Year employment.</li> <li>Base Year employment levels are established during the first Grant Year and will remain consistent throughout the 5-year grant period.</li> </ul> </li> <li>Firms may apply for a <a href="#">subsequent</a> five-year period given they meet the grant eligibility requirements. See <a href="#">Appendix A</a> for more information on subsequent five-year periods.</li> </ul>
<p><b>Amount</b></p> 	<ul style="list-style-type: none"> <li>Job Creation Grant awards are determined by the <b>wages</b> paid and the number of months positions were filled during the Grant Year.</li> <li>Grants are available in amounts of:                             <ul style="list-style-type: none"> <li>Up to \$500 per grant eligible position filled by an employee earning at least 175% (150% in HUAs) of the FMW who was offered health benefits.</li> <li>Up to \$800 per grant eligible position filled by an employee earning 200% of the FMW who was offered health benefits.</li> </ul> </li> </ul>

<sup>1</sup> The Federal Minimum Wage (FMW) is currently \$7.25 per hour. In order to be eligible for the Job Creation Grant, net new positions must be paid at least \$12.69/hour (\$10.88 in HUAs) to be eligible for the \$500 grant and at least \$14.50/hour to be eligible for the \$800 grant.

## CPA ATTESTATION OF JOB CREATION GRANTS

As required by statute, a CPA must perform the [Agreed-Upon Procedures](#) outlined by DHCD. The CPA selected to perform these procedures must be [independent](#) of the company and currently licensed in the State of Virginia. The CPA will test specified documentation and calculations used to prepare the Job Creation Grant application and will report on these procedures and their findings in the attestation report signed and submitted by the CPA on behalf of their client. The following pages outline the step-by-step reporting requirements for the wage-based Job Creation Grant.

The Attestation Report Form for the Job Creation Grant and a sample engagement letter are available on the EZ Online Submission site at the following link: <https://dmz1.dhcd.virginia.gov/EZApplication/>.



**Can the CPA prepare the application and accompanying materials and attest?**

*Professional standards (AICPA) provide that a CPA can offer assistance provided the CPA does not assume management responsibilities, such as making management decisions or performing any management functions. The decision to follow any advice provided remains with management of the entity.*

## REQUIRED DOCUMENTATION FOR ALL JCG APPLICATIONS

1. Completed **Form EZ-JCG or Form EZ-HUA**, as appropriate.
2. **JCG/JCG-HUA Worksheet**, as appropriate for all permanent full-time positions in the base and Grant Years.
3. Completed and signed **W-9** form (required for grant payment).

## RECORD KEEPING REQUIREMENTS

The Department may at any time review an applicant's records related to qualification under this section to assure that information provided in the application process is accurate. Qualified Zone Investors shall maintain all documentation regarding JCG qualification for a minimum of three years following the receipt of the grant.

**All JCG grantees are monitored for their first Grant Year.** Job Creation Grants that do not have adequate documentation regarding permanent full-time positions, [report to work](#) criteria, wage rates, or the provision of health benefits may be subject to repayment. The digital version along with a hard copy print out must be kept on file with other grant request records.

## CPA ATTESTATION RESPONSIBILITIES

The Job Creation Grant attestation procedures outlined in the following pages are structured to ensure:

- The company is not a [personal service](#), [food or beverage](#), or [retail establishment](#) as such businesses are prohibited from applying for the grant;
- The company only includes permanent full-time positions (PFTP) in the Base Year and Grant Year on the JCG/JCG-HUA Worksheet and that the wage rates for the net new equivalent PFTPs in the Grant Year are accurately indicated; and

- Employment dates and wage rates for positions listed on the JCG/JCG-HUA Worksheet are accurate and identical to the information on payroll and personnel documentation.

## JCG APPLICANT RESPONSIBILITIES

The business firm will provide the CPA with the following:

- A **JCG/JCG-HUA Worksheet** that includes all employees filling permanent full-time positions in the Base Year (in alphabetical order) followed by all employees filling permanent full-time positions in the Grant Year (in alphabetical order). Failure to provide a complete and accurate list of **all employees**, the dates they were employed, and their wage rates may result in an under- or overpayment of grant funds. **The Commonwealth will require the grantee to return any overpayment to the Treasurer of Virginia.**
  - **Employees receiving raises (or decreases) in pay during the Grant Year must be listed on a separate line for each wage fluctuation. Applicants may not use their average wage rate OR ending wage rate to represent an employee’s annual wages.**
- **I-9s and paystub/payroll records** indicating the first work date, last work date, and wage rates in the Base Year and Grant Year for each employee listed on the JCG Worksheet, where applicable.
- **Health benefits documentation (including written benefit waivers).**
- **The business firm representative must provide his/her signature verifying the following:**
  - No retail, food or beverage, or personal service positions are listed on the worksheet.
  - All employees listed are permanent full-time positions and have not been churned from another location within the Commonwealth of Virginia.
  - All employees listed on the worksheet (Grant & Base Year) meet the report to work requirement.

## JCG AGREED-UPON PROCEDURES

### Procedure 1 - Attestation Regarding Prohibited Positions

The CPA will review that the NAICS code listed on the Form EZ-JCG (Part I, Box 5) to determine that the NAICS code listed on the Form EZ-JCG is one other than NAICS 441-454 ([retail](#)); 722 ([food/beverage](#)) or 812 ([personal service](#)), which are NOT eligible to receive JCG.

### Procedure 2 - Attestation of Permanent Full-Time Positions on JCG/JCG-HUA Worksheet

The CPA will follow the sampling procedure explained below to review employment documentation and the **JCG/JCG-HUA Worksheet for Employees Filling Permanent Full-Time Positions (EF- PFTPs)** during the Base Year and/or Grant Year. The CPA will report the applicable sampling procedure he/she followed in establishing a sample of permanent full time positions:

**Rules for Sampling:** The following procedures should be used in establishing a sample of PFTPs:

- **Firms with 100 or fewer Employees Filling Permanent Full-time Positions (EF-PFTPs)**

?

*A business is not a retail business, but has retail positions. Is this firm eligible for the Job Creation Grant?*

*Yes, but only positions that are not retail, food/beverage, or personal service can be included in the JCG/JCG-HUA Worksheet for the purposes of qualifying for the Job Creation Grant.*

The CPA will review a random sample of the documentation of 20 EF-PFTPs on the worksheet and reconcile the start/end work dates for such employees with the information provided on payroll records using the random sampling techniques established below. If there are 20 or fewer EF-PFTPs, the documentation and worksheet calculations for all employees will be reviewed.

- **Firms with More than 100 Employees Filling Permanent Full-time Positions (EF-PFTPs)**

For firms with more than 100 EF-PFTPs on the worksheet, the CPA will review a random sampling of payroll records and health benefits documentation for 20 percent of all employees shown. The CPA will reconcile the start/end work dates for such employees with the information provided on payroll records using the random sampling techniques established below.

### **Random Sampling**

The CPA will review a random sampling for the greater of 20 employees or 20 percent of employees listed on the worksheet based on the above criteria. The random sampling will be based on the use of a table of random numbers. The CPA will first assign each employee listed on the JCG Worksheet a unique identification number. Then, the CPA will select cases for the 20 or 20 percent sample when their identification number corresponds to the number chosen from the table. The CPA will indicate in Column B of the JCG Worksheet which employees have been selected to be sampled. The CPA will stop selecting cases when they have reached the desired sample size. If an identification number is selected more than once, the CPA will ignore the repeats.

### **Non-reconciled errors**

Should the CPA find any non-reconcilable errors (any unexplained difference between information on the documentation provided and what is entered on the Worksheet) in the sample population, the CPA should repeatedly select another 20 position or 20 percent sample from the original population until the subsequent sample produces no non-reconcilable errors. The CPA shall submit by name any non-reconcilable errors found during this procedure in the attestation report. If the client chooses to revise the Worksheet and application to remove the non-reconcilable item(s), the CPA shall verify that the revised Worksheet has omitted the non-reconcilable item(s) and that there are no resulting changes from the original Worksheet.

## **Procedure 3 - Attestation of Required Documentation**

For each employee from the sample population, the CPA will compare the **JCG/JCG-HUA Worksheet** for base and Grant Year employment information listed on the Worksheet to the required documentation (I-9, first payroll, last payroll for Base Year and/or Grant Year, and health benefits enrollment information) provided by the company. In the case of a business in a qualification year other than its first year, the sample should only include the Grant Year information. The Base Year employment should only be sampled in the first Grant Year along with Grant Year employment.

1. **I-9:** The CPA will review the sample population's I-9s, to determine the Base Year and/or Grant Year employee's name, social security number, address, and start date of employment. In cases where the I-9 was signed prior to the actual hire date (for example, required as part of the job application), the CPA will review the I-9 in conjunction with the supporting employee payroll documentation and attest to the hire date of the employee.

2. **Payroll records for Base Year and/or Grant Year employees** (first and last payroll records for the time the employee worked in the Base Year and/or Grant Year). The CPA will:

- A. Compare the employee's name and employee number (where assigned) with the information included on the Worksheet.
- B. Review records to attest that the first and last work date for each employee within Base Year and/or Grant Year correspond to those dates listed for the employee on the Worksheet.
- C. Compare the wage rates as indicated on the first and last payroll records for those sampled employees hired in the Grant Year (i.e. net new employees) with the specific wage rates listed in column O of the JCG Worksheet and report any differences.
- D. **If an employee received raises (or a decrease in pay) during the Grant Year, the employee MUST be listed on a separate line for each wage fluctuation. DO NOT use their average wage rate OR ending wage rate.**

**The CPA will review the Worksheet to verify that employees with wage fluctuations during the Grant Year have been listed in the spreadsheet as many times as payroll records show wage fluctuations.**

For sampled employees with information in column(s) P, Q, R and/or S, the CPA will review the employment documentation to determine that the employees reflected on the Worksheet are permanent and full-time.

- E. If the sampled employee's wage rate was converted from salary to hourly, the CPA will test the calculation by dividing the annual salary, inclusive of shift premiums and commissions by **1,820 hours**.

3. **Health benefits information:**

- A. The CPA will review the **signed health benefits enrollment** agreements and then compare insurance coverage materials indicating employer contribution to payroll documents indicating employee contribution. The CPA should compare the individual employee information on these documents to the information presented in Column N indicating they were offered/received health benefits and for which wages are listed in Column O (as such employees are net new over the Base Year employment), and report on these findings. The CPA should report all instances where the firm does not offer to contribute at least 50% of the cost of the health insurance premium.

**?**

**Employees should only be listed on the JCG/JCG-HUA Worksheet once UNLESS:**

- They have worked two or more separate times in a single base or Grant Year.
- The employee's wage fluctuated during the Grant Year.

*To accurately calculate grant awards, separate rows should be included showing the start date and end date for each separate employment period or wage fluctuation based on the employee's I-9 or payroll record documentation.*

*Since the JCG/JCG-HUA Worksheet is equipped with formulas to apportion the eligible months employees were earning at least 175% of the FMW or 150% in HUAs, please note that employees should only be listed more than once if the business firm increased/decreased the employee's wage rate (irrespective of the increase in the federal minimum wage).*

**?**

**A business does not make health insurance benefits available for new permanent full-time positions until after a 90-day employment period. How should this be documented on the JCG/JCG-HUA Worksheet?**

*The initial 90 day employment period during which health benefits were not available **can** be included in the Worksheet. The firm should list the first date and last date the employee filling the net new permanent full-time position met the wage requirement for those employees whose health benefits were effective after a specified employment period, provided they were offered by the start date.*

- B. For employees filling grant-eligible PFTPs that have declined health insurance coverage, the CPA will review the employee's **signed waiver of health benefits**. For firms that self-insure their employees' medical claims, a copy of the firm's policy signed by the EF-PFTP (with wages listed in Column O) is acceptable documentation.

#### Procedure 4 - Attestation of Grant Eligible Positions with Qualifying Wage Rates and Health Benefits

The CPA will review the qualification information on Part II of **Form EZ-JCG** and compare whether the information entered on Part II, Boxes 4 A-B and Boxes 5 E-F corresponds with the auto-calculated values in the following cells of second sheet of the Worksheet: B3, B4, B5, and B6 (respectively) and indicate any discrepancies in the Attestation Report.

#### REQUIRED JCG APPLICATION MATERIALS

After completing the four procedures pertaining to the Job Creation Grant, the findings are to be reported using the CPA Attestation Report form. The report must be submitted in addition to Form EZ-JCG or EZ-JCG-HUA and the firm's W-9 form.

The **JCG/JCG-HUA Worksheet** must be used to complete all JCG applications. Qualified zone businesses do not have to submit their JCG/JCG-HUA Worksheet (unless the firm is exempt from the CPA Attestation requirement), but a digital version along with a hard copy must be kept on file with all other grant request documentation. Job Creation Grants that do not have adequate documentation regarding permanent full-time positions, wage rates, [report to work](#) criteria, and the provision of health benefits may be subject to repayment by the qualified zone business.

 **Form EZ-JCG** must be submitted no later than **11:59 PM, EST April 1<sup>st</sup>, 2016**. Once the "Submit" button is clicked, applicants will be automatically prompted to print a PDF of the completed application. This is the copy to be signed by the [Local Zone Administrator](#) and mailed in with the required supplemental materials. **The signed hard copy and all other supplemental materials must also be submitted by the April 1<sup>st</sup> deadline.**

 If April 1<sup>st</sup> falls on a weekend or holiday, applications are due the next business day. Original application materials should be sent via United States Postal Service certified mail, return receipt requested and postmarked no later than April 1<sup>st</sup>; shipped via UPS, Fed Ex or another service where shipping can be tracked with a shipped date no later than April 1<sup>st</sup>, or hand delivered by the close of business on April 1<sup>st</sup>. Hand delivery is not preferred.

Any application submitted without the required CPA Attestation Report form or submitted after the April 1<sup>st</sup> deadline (but before May 15<sup>th</sup>, 2016) **will be considered late**. Such applications are held until DHCD determines that funds remain after fully funding on-time applications. At such time, DHCD will review and process late applications on a first-come, first served basis.



**Can a CPA submit the online application for their client?**

*A CPA can enter in the information online so long as they are performing a clerical function and not making any management decisions.*

*However, a representative of management from the qualified zone business must also review and approve the data entered before the application is submitted.*

## GLOSSARY: DEFINITIONS FOR JOB CREATION GRANTS

**Agreed upon procedures engagement:**

Means an engagement between an independent Certified Public Accountant licensed by the Commonwealth and the business or qualified zone investor seeking to qualify for Enterprise Zone incentive grants whereby the independent Certified Public Accountant, using procedures specified by the Department, will apply tests and report regarding the assertion of the business or qualified zone investor in connection with its qualification to receive the Enterprise Zone incentive pursuant to § 59.1-549 of the Code of Virginia.

**Base Year, for wage-based Job Creation Grants:**

Means either of the two calendar years immediately preceding the firm's first year of grant eligibility, at the choice of the business firm.

**Business firm:**

Means any corporation, partnership, electing small business (subchapter S) corporation, limited liability company, or sole proprietorship authorized to do business in the Commonwealth of Virginia. This shall also include business and professional organizations and associations whose classification falls under sectors 813910 and 813910 of the North American Industry Classification System (NAICS) and that generate the majority of their revenue from customers outside the Commonwealth.

**Common control:**

Means such firms as defined by Internal Revenue Code § 52(b).

**Federal Minimum Wage (FMW):**

Means the minimum wage standard as currently defined by the United States Department of Labor in the Fair Labor Standards Act, 29, U.S.C. 201 et seq. Such definition applies to permanent full-time employees paid on an hourly or wage basis.

**Food and beverage service:**

Means a business whose classification falls under subsector 722 Food Services and Drinking Places of North American Industry Classification Systems (NAICS).

**Full month:**

Means the number of days that the permanent full-time position must be filled in order to count in the calculation of the grant amount. A full month is equivalent to 30.416666 days.

**Grant-eligible position:**

Means a new permanent full-time position created above the threshold number at an eligible business firm. Positions in retail, personal service or food and beverage service shall not be grant eligible positions.

**Health benefits:**

Means that at a minimum, medical insurance is offered to employees and the employer shall offer to pay at least 50 percent of the cost of the premium at the time of employment and annually thereafter.

**High Unemployment Areas (HUA):**

Means Enterprise Zone localities with unemployment rates one and one-half times or more than state average based on the most recent annualized unemployment data published by the Virginia Employment Commission.

**Independent Certified Public Accountant:**

Means a public accountant certified and licensed by the Commonwealth of Virginia who is independent of the entity 'in fact' and in appearance. The CPA must comply with the independence requirements in the AICPA Code of Professional Conduct. Potential scenarios that may impair a CPA's independence include financial interest in the client, business relationships with the client, family or personal ownership of or employment by the client (present or former), and being on the Board of Directors or a Trustee of the client. This list is not all-inclusive and other situations may arise that impair the independence of the CPA.

**Local Zone Administrator:**

Means the chief executive of the city or county in which an Enterprise Zone is located, or his or her designee. Pursuant to Enterprise Zone designations made prior to July 1, 2005, this shall include towns.

**Permanent full-time position:**

Means a job of indefinite duration at a business firm located in an enterprise zone, requiring the employee to [report to work](#) within the enterprise zone; and requiring (i) a minimum of 35 hours of an employee's time per week for the entire normal year of a business firm's operation, which a normal year must consist of 48 weeks, (ii) a minimum of 35 hours of an employee's time per week for the portion of the calendar year in which the employee was initially hired for or transferred to the business firm, or (iii) a minimum of 1,680 hours per year. Such positions shall not include: (i) seasonal, temporary, or contract positions, (ii) a position created when a job function is shifted from an existing location in the Commonwealth to a business firm located with an Enterprise Zone, (iii) any position that previously existed in the Commonwealth, or (iv) positions created by a business that is simultaneously closing facilities in other areas of the Commonwealth.

**Personal Service:**

Means such positions as classified under NAICS 812.

**Regular basis:**

Means at least once a month as related to "[report to work](#)" requirements for the wage-based job creation grants.

**Related party:**

Means those as defined by Internal Revenue Code § 267(b).

**Report to work:**

Means that the employee filling a permanent full-time position reports to the business' zone establishment on a [regular basis](#).

**Retail:**

Means a business whose classification falls under sector 44-45 Retail Trade of the North American Industry Classification System (NAICS).

**Seasonal employee:**

Means any employee who normally works on a full-time basis and whose customary annual employment is less than nine months. For example, individuals hired by a CPA firm during the tax return season in order to process returns who work full-time over a three month period are seasonal employees.

**Subsequent Base Year:**

Means the Base Year for calculating the number of grant eligible positions in a second or subsequent five consecutive calendar year grant period. If a second or subsequent five-year grant period is requested within two years after the previous five-year grant period, the subsequent Base Year will be the firm's last Grant Year. The calculation of this subsequent Base Year employment will be determined by the number of permanent full-time positions in the preceding Base Year, plus the number of threshold positions, plus the number of grant eligible positions in the final year of the previous grant period. If a business firm applies for a subsequent five-consecutive-year grant period beyond the two years immediately following the completion of the previous five-year grant period, the business firm shall use one of the two preceding calendar years as subsequent Base Year, at the choice of the business firm.

**Threshold number:**

Means an increase of four permanent full-time positions over the number of permanent full-time positions in the Base Year or subsequent Base Year.

**Transferred employee:**

Means an employee of a firm in Virginia that is relocated to an enterprise zone facility owned or operated by that firm.

**Wage rate:**

Means the hourly wage paid to an employee inclusive of shift premiums and commissions. In the case of salaried employees, the hourly wage rate shall be determined by dividing the annual salary, inclusive of shift premiums and commissions by 1,820 hours. Bonuses, overtime, and tips are not to be included in the determination of wage rate.

## REAL PROPERTY INVESTMENT GRANTS

The chart below summarizes the eligibility criteria and grant amount available for the RPIG.

<p><i>RPIGs are available for investments made to industrial, commercial, or mixed-use properties located within the boundaries of Enterprise Zones. Grants are available to Qualified Zone Investor in amounts up to 20% of the qualified real property investment, not to exceed \$200,000 per building or facility within a five-year period.</i></p>	
<p><b>Eligibility Properties</b></p> 	<ul style="list-style-type: none"> <li>The property must be located within the boundaries of an Enterprise Zone.</li> <li>The <a href="#">building</a> or <a href="#">facility</a> must be commercial, industrial, or mixed-use.                             <ul style="list-style-type: none"> <li>Mixed-use is defined as a building incorporating residential uses in which a minimum of 30% of the useable floor space is devoted to commercial, office, or industrial use.</li> </ul> </li> </ul>
<p><b>Eligible Investments &amp; Thresholds</b></p> 	<ul style="list-style-type: none"> <li>For the <a href="#">rehabilitation</a> or <a href="#">expansion</a> of an existing structure, the Qualified Zone Investor must spend at least \$100,000 in Qualified Real property Investments to be eligible.</li> <li>For <a href="#">new construction</a> projects, the Qualified Zone Investor must spend at least \$500,000 in Qualified Real property Investments to be eligible.</li> <li>Investments in Machinery &amp; Tools and Business Personal Property are <u>not</u> eligible for RPIG.</li> </ul>
<p><b>Eligible Applicants</b></p>	<ul style="list-style-type: none"> <li>Applicant must be the entity that capitalizes the investment on their books for tax purposes.</li> <li>The following entities are prohibited from applying for the RPIG:                             <ul style="list-style-type: none"> <li>Units of local, state, or federal government (typically FEIN 546)</li> <li>Any entity that does not capitalize the investment.</li> </ul> </li> </ul>
<p><b>Grant Cap</b></p> 	<ul style="list-style-type: none"> <li>Grant awards are capped per building/ facility over a five-year term based on the cumulative level of investment starting with the qualification year in which a grant was first awarded.</li> <li>Grants may not exceed \$100,000 per building or facility in a five-consecutive-year period, where the total investment is less than \$5 million.</li> <li>Grants may not exceed \$200,000 per building or facility in a five-consecutive-year period, where the total investment is less than \$5 million.</li> </ul>
<p><b>Grant Term</b></p> 	<ul style="list-style-type: none"> <li>Five-year periods beginning with the first qualification year in which a grant was awarded for the subject building or facility.</li> <li>After the conclusion of a five-consecutive-year period, the property begins another eligibility period and the grant cap is restored.</li> </ul>
<p><b>Grant Calculations</b></p> 	<ul style="list-style-type: none"> <li>The dollar amount of an RPIG is determined by the amount spent on <a href="#">qualified real property investments</a>.</li> <li>Grants are available in amounts up to <u>20%</u> of the qualified real property investment <u>OVER</u> the respective eligibility threshold, capped based on the limits indicated above.</li> </ul>

## CPA ATTESTATION OF REAL PROPERTY INVESTMENT GRANTS

As required by statute, a CPA must perform the [Agreed-Upon Procedures](#) outlined by DHCD. The CPA performing these procedures must be [independent](#) from the [Qualified Zone Investor](#) and currently licensed in the State of Virginia. The CPA will apply procedures specified in this document to the documentation and calculations used to prepare the Real Property Investment Grant application and will report on these procedures and the CPA's findings in the attestation report signed and submitted by the CPA. The following pages outline the step-by-step reporting requirements for the Real Property Investment Grant.

The Attestation Report Form for the Real Property Investment Grant and a sample engagement letter are available on the EZ Online Submission site at the following link: <https://dmz1.dhcd.virginia.gov/EZApplication/>.



**Can a firm's own CPA prepare the application and accompanying materials (schedules) and attest?**

*Professional standards (AICPA) provide that a CPA can offer assistance provided the CPA does not assume management responsibilities, such as making management decisions or performing management functions. The decision to follow any advice provided by a CPA remains with management of the entity.*

## REQUIRED AND SUPPLEMENTAL RPIG DOCUMENTATION

1. Completed **Form EZ-RPIG**.
2. **Final Placed in Service Documentation** for the same physical address as referenced on the application and approval/issuance date within the current Grant Year (2015).
3. For [mixed-use](#) buildings, **supplemental Form EZ-RPIG Mixed-Use** must be filled out to indicate the [useable floor space](#) in the building (by use). The form will be completed by the individual/firm that prepared the measured drawings/plans submitted to the local building official to obtain necessary permits for improvements to the mixed-use building. The useable floor space as documented on the measured drawings must be indicated on this form. The form must also include a statement to be signed by the preparer of the measured drawings. Stamped and sealed measured drawings will be provided to DHCD at their request. If they are not provided at DHCD's request, the applicant may be denied a grant.
4. For buildings with multiple owners, supplemental **Form EZ-RPIG Multiple-Owner** must be filled out to indicate the useable floor space occupied by each owner. The applicant completing the form will need to obtain information on the total building square footage if not specified in the closing documents (condo owner). The form must include coordination with all other owner(s) of space within the building; otherwise DHCD will use proration procedures to determine the grant amount based on the level of investment made to the building and the percentage of the useable floor space owned by the applicant.
5. For buildings with one or more tenants, supplemental **Form EZ-RPIG Tenant-Owner Consent** must be filled out to obtain the owner's consent to apply for grant funds. The owner can either give unconditional consent or may require the applicant tenant to coordinate with all other tenants within the building/facility. The owner's signature must be notarized. The applicant completing the form will need to contact the building owner/management company to obtain information on the total building square footage if not specified in the current lease agreement.
6. If the owner of the building/facility has required tenant coordination, supplemental **Form EZ-RPIG Tenant Coordination** must be filled out to indicate the useable floor space occupied by each tenant. The applicant completing the form will need to contact the building owner/management company to obtain

information on the total building square footage if not specified in the current lease agreement (tenant). The form will be completed to include coordination with all other tenants(s) of space in the building otherwise DHCD will use proration procedures to determine the prorated grant amount based on the level of investment made to the building and the percentage of the useable floor space leased by the applicant.

## RECORD KEEPING REQUIREMENTS

The Department may at any time review an applicant's records related to qualification under this section to assure that information provided in the application process is accurate. Qualified Zone Investors shall maintain all documentation regarding RPIG qualification for a minimum of three years following the receipt of the grant. **Real Property Investment Grantees are annually monitored by DHCD at random.** Grants that do not have adequate documentation regarding qualified real property investments may be subject to repayment.

## CPA ATTESTATION RESPONSIBILITIES

CPAs will apply the procedures specified in this document to satisfy the attestation requirement of the Code of Virginia § 59.1-549 Policies and Procedures for allocation of Enterprise Zone grants. This attestation should report on the following:

- The Form EZ-RPIG and all other required attachments are complete;
- The zone investor only includes [qualifying real property investments](#) and that all costs listed on schedule on Part III of Form EZ-RPIG were capitalized by the [qualified zone investor](#);
- The real property for which the qualified real property investments were made has been placed in service during the applicable Grant Year (2015);
- In the case of mixed-use buildings, the square footage information and use is accurately indicated on the supplemental form, EZ-RPIG Mixed-Use;
- And, in the case of zone investors owning a space within a building or zone investors applying as tenants, the square footage information is accurately indicated on the supplemental form(s) and the grant application process has been coordinated with all other owners/tenants within the building. For more information regarding the required steps of coordination, see page 9-10 and 22-23 of the Real Property Investment Grant Instruction Manual.

## RPIG APPLICANT RESPONSIBILITIES

The zone investor will provide the CPA with the following:

- The Real Property Investment Grant **Form EZ-RPIG** and all other required attachments;
- **All invoices and receipts** for qualified real property investments **capitalized** by the zone investor;
- The final [placed in service documentation](#) issued by the locality for the completed real property improvements;
- For [mixed-use](#) buildings, **the measured drawings** for the building indicating the square footage and use of the building;
- For zone investors applying as owners of space within a building, **the closing documents** or deed of trust indicating the building's square footage;

- For zone investors applying as tenants, **the current lease agreement** indicating the building's square footage.

## RPIG AGREED-UPON PROCEDURES

The following sections outline the six Agreed-Upon Procedures for the Real Property Investment Grant.

### Procedure 1 - Attestation of Completed Application

 The CPA will read the Real Property Investment Grant Form EZ-RPIG and report that all required attachments have been prepared in the prescribed format and Form EZ-RPIG contains the signed declaration.

1. Completed and signed Form EZ-RPIG;
2. Completed W-9;
3. Copy of final [placed in service documentation](#);
4. Completed, signed, and notarized supplemental form for owners of space in building (if applicable);
5. Completed, signed, and notarized supplemental forms for a tenant in a building (if applicable);
6. Completed, signed and seal/notarized supplemental form for a mixed-use building (if applicable).

### Procedure 2 - Attestation of Qualified Real Property Investments

The CPA will read the schedule of [Qualified Real Property Investments](#) included on Part III of Form EZ-RPIG as well as supporting documentation in the form of invoices, receipts, contracts, etc. to determine that only qualified real property investments are listed on the schedule; to ensure that the amount and type of qualified real property investments listed on the schedule accurately reflects the amount and type of qualified real property investments made by the qualified zone investor; and to ensure that the total cost of qualified real property investments indicated on the invoices or receipts equals the amount reported by the zone investor.

- A. The CPA will review the schedule of [Qualified Real Property Investments](#) (Part III of Form EZ-RPIG) including the cost categories qualifying for the Enterprise Zone “qualified real property investments” per § 59.1-548. (Enterprise zone real property investment grants ) of the Code of Virginia, which defines Qualified Real Property Investment as “the amount properly chargeable to a capital account 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. Qualified real property investments include 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, but 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.”
- B. In the case of cost categories listed on the schedule that include more than one type of work (such as drywall and demolition), the CPA will obtain a breakdown of the work included in such category and verify that all cost categories are [Qualified Real Property Investments](#) according to § 59.1-548A of the Code of Virginia. The CPA will report any items whose qualifications are uncertain, including the exact dollar amount of the corresponding qualified real property investments submitted on the electronic and hard copies of Form EZ-RPIG.

- C. The CPA will compare the schedule of [Qualified Real Property Investments](#) to the general ledger entries to determine that the items and costs listed on the schedule were charged to the appropriate capital (asset) account. The CPA will read the schedule and note any items that are not charged to the capital account. Any investments/items that have been expensed cannot be included on the schedule of qualified real property investment. In cases where not all qualified real property investments under the Final CO charged to the capital account have been paid for, a charge to a capital account with a corresponding recorded entry to a liability account and proof of subsequent payment thereof within 60 days of the calendar year end is satisfactory proof to count those qualified real property investments.
- D. Next, the CPA will review 100 percent of the invoices, receipts, AIA reports, and any other relevant documentation of construction expenses and the capitalization of such expenses. The CPA shall compare these documents to the dollar values presented on the Schedule of Qualified Real Property Investments and report on whether charges were properly chargeable to the capital (asset) account under generally accepted accounting principles or another recognized basis of accounting.
- E. The CPA shall review the schedule of Qualified Real Property Investments and the contents of their Attestation Report, to determine whether the total Qualified Real Property Investment reported on Form EZ-RPIG meets the minimum investment threshold, as established by § 59.1-548. Enterprise zone Real Property Investment Grants.

### **Procedure 3 - Attestation of Placed in Service Documentation**

The CPA will read the Placed In Service Documentation which indicates that work is complete and up to code as evidenced by the “placed in service date” (the date of the final Certificate of Occupancy (CO), final building inspection, or the date of the third party inspection report for the building). The “placed in service date” dictates the calendar year in which the qualified zone investor applies for the grant.

#### ***For All Types of Placed in Service Documentation***

- A. The CPA will ensure that the placed in service document is final and no other documentation was issued or is pending (for example, a final building inspection issued before a CO) by verifying with the locality’s Building Code Office the final documentation issued for the rehabilitation/expansion/new construction project for which a grant is being sought.
- B. In cases in which the final placed in service documentation issued was only for a portion of the building/facility (for example, a CO for the first floor in a four story building), the CPA will review the qualified real property investment amount listed on Part IV, Box 3A of Form EZ-RPIG to determine that it only includes work completed on the portion of the building/facility covered under the CO. The CPA may contact the agency that issues the final certificate of occupancy or inspection documentation to determine the scope of work approved in Placed in Service documentation.

#### ***When Placed in Service Documentation is a Final CO***

- A. The CPA will compare the physical address on the final Certificate of Occupancy (CO) for the building to determine it is the same physical address as listed on the EZ-RPIG application.
- B. The CPA will read the final CO to determine that the date of issuance is within Grant Year 2015.
- C. The CPA will read the final CO to determine that it indicates that it was final, not temporary or pending. Applications will not be accepted for work done under a temporary, pending, or failed CO.

- D. In the case of a shell CO, the CPA will read EZ-RPIG Part I, Box 2 to determine that the zone investor is not a tenant of the building, unless they have signed a [capital lease agreement](#) and have coordinated with the building owner.
- E. The CPA will read the final CO to determine that the name listed on the final CO matches the name of the [qualified zone investor](#) on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the final CO, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the CO has been included in Part II, Section B of the RPIG application.

**When Placed in Service Documentation is a Final Building Inspection**

- A. In cases where the building was in continual service during the rehab/expansion work, or there was no change in use or final CO required, the CPA will read the final building inspection to determine that the physical address on the final building inspection is the same physical address as listed on the EZ-RPIG application.
- B. The CPA will read the final building inspection to determine that the date of issuance is within Grant Year 2015.
- C. The CPA will read the final building inspection report to determine that the final inspection is marked as approved and not pending or temporary. In cases in which localities issue multiple inspections for a project (building, electrical, mechanical, etc.), the CPA will read all final inspection documents to determine that all the inspections indicate they are fully approved/passed in order for the corresponding dollar amounts under each inspection to be included in the total qualified real property investment amount.
- D. The CPA will read the final building inspection to determine that the name listed on the final inspection matches the name of the qualified zone investor on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the final inspection, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the final building inspection has been included in Part II, Section B of the RPIG application.

**When Placed in Service Documentation is a Third Party Licensed Inspector’s Report**

- A. In cases where the locality did not require any building permits or other permits for ANY of the qualified real property investments listed on the schedule in Part III of Form EZ-RPIG, the CPA will read an official letter from the building code official to determine that it references the physical address and states that such permits were not required for the work.
- B. The CPA will read the licensed third party inspector’s report to determine that the physical address on the report is the same physical address as listed on Form EZ-RPIG.
- C. The CPA will read the third party inspector’s report to determine that the date the report was issued was within Grant Year 2015.
- D. The CPA will read the third party inspector’s report to determine that it indicates that all work was complete in Grant Year 2015 with no outstanding or failed items reported.



**What is the required format of the Third Party Inspector’s Report?**

Based on [Section 113.7.1](#) (“Third-Party Inspectors”) of the Virginia’s Uniform Statewide Building Code:

*“Each building official charged with the enforcement of the USBC shall have a written policy establishing the minimum acceptable qualifications for third-party inspectors. The policy shall include the format and time frame required for submission of reports, any prequalification or pre-approval requirements and any other requirements and procedures established by the building official.”*

**Hence, the Third Party Inspector’s Report must meet the guidelines set forth by the local jurisdiction in which the project was completed.**

- E. The CPA will read the licensed third party inspector’s report to determine that the name listed on the report matches the name of the qualified zone investor on EZ-RPIG Part I, Box 1. If a different entity or individual is listed on the report, the CPA will determine that the required explanation of the relationship between the applicant and the entity listed on the third party inspector’s report has been included in Part II, Section B of the RPIG application.

#### Procedure 4 - Attestation of Square Footage for Mixed-Use Buildings

##### When Building is Mixed-Use:

- A. The CPA will determine that if the applicant has indicated “Mixed-Use” in Part I of Form EZ-RPIG on Box 5, the applicant has provided the CPA with the supplemental **Form EZ-RPIG Mixed-Use** where Part II of the form has been “completed by the preparer (or the representative of the preparer) of the measured drawings/plans submitted to the locality” and that it contains the professional seal (AIA) or notarized signature of the preparer (or representative of the preparer) of the drawings, if not an architect. In the case where no formal drawings were required by the locality or the zone investor prepared their own measured drawings, the CPA will determine that a licensed third party architect or contractor has signed and sealed the form certifying that at least 30 percent of the useable floor space in the building is devoted to commercial, industrial, or office use. To determine that validity of an architect or contract license in the State of Virginia, the CPA should reference the Virginia Department of Professional and Occupational Regulations (<http://www.dpor.virginia.gov/LicenseLookup/>).
- B. The CPA will determine that Part II, Box 4 of the **Form EZ-RPIG Mixed-Use** is mathematically correct based on information on Part II, Boxes 2a, 2b, and 3 and **is at least 30 percent**.

#### Procedure 5 - Attestation of Owners of Space in Building

The CPA will determine that the square footage information indicated in the closing documents or deed of trust is accurately indicated on the supplemental form for zone investors who own space in a building. The qualified zone investor must provide the CPA with access to the closing documents or the deed of trust. Additionally, CPA must determine that the zone investor has coordinated qualification with all other owners of the building; otherwise DHCD’s proration procedures (described in the text box on page 23) will be used to determine the grant amount. For more information regarding the required steps of coordination for owners of space within a building, see page 9-10 and 22-23 of the Real Property Investment Grant Instruction Manual.

- A. The CPA will determine that if the applicant has indicated “owns space in a building (i.e. office condo)” in Part I of the **Form EZ-RPIG** Box 2, that a supplemental **Form EZ-RPIG Multiple-Owner** has been completed and signed by the applicant. The CPA should compare Part II Boxes 1 and 2 of the supplemental **Form EZ-RPIG Multiple Owner** to any backup documentation provided by the applicant (deed of trust or other closing documents) and report on these findings.
- B. The CPA will determine that Part II, Box 3 of the supplemental form is mathematically correct.
- C. The CPA will determine that information in Part III of the supplemental form agrees with the grant requested by the zone investor on **EZ-RPIG** Part IV, Box 3D indicating that either the grant request is being prorated or has been coordinated with all other owners of space in the building. In the case of coordination, the CPA will determine that all the building/facility’s square footage has been accounted for by the other owners’ notarized signatures such that the sum of the square feet listed in Part III Box C and the square footage listed in Part II, Box 1 equals Part II, Box 2 (building’s total square footage).

## Procedure 6 - Attestation of Tenant(s) in a Building

The CPA will determine that the square footage information indicated in the current lease agreement is accurately indicated on the supplemental form for buildings with tenant(s). The qualified zone investor must provide the CPA with access to the lease. Additionally, the purpose is to ensure that the zone investor has obtained the consent of the building owner and (if required by the owner) has coordinated qualification with all other tenants in the building, otherwise DHCD's proration procedures will be used to determine the appropriate grant amount.



### **Multi-Tenant/Owner Proration Formula**

*If the required coordination has not been performed, DHCD will implement its **proration procedures** for such buildings based on the [useable floor](#) space leased/owned by the zone investor.*

*The maximum grant amount available (either \$100,000 or \$200,000) will be determined by the cumulative qualified real property investments made to the building/facility within the consecutive five-year period starting with the qualification year in which a grant was first awarded.*

- *DHCD will then multiply the applicable grant cap by the percent of the building's useable floor space for which the tenant has a lease or for which the owner has a deed of trust (or other closing documents).*
- *The grant cannot exceed this amount or 20% of the applicant's qualified real property investment (not exceeding the investment threshold cap), whichever is less.*

- A. The CPA will determine that if the applicant has indicated "tenant in building" in Part I of the **Form EZ-RPIG** Box 2, a supplemental **Form EZ-RPIG Tenant-Owner Consent** has been completed and the applicant has provided the CPA with documentation (valid lease) that agrees with Part III Boxes 1 and 2 of the supplemental **Form EZ-RPIG Tenant-Owner Consent**.
- B. The CPA will determine that Part IV & V of **Form EZ-RPIG Tenant-Owner Consent** have been completed whereby the owner of the building gives consent to the tenant to apply for the grant.
- C. The CPA will determine that Part III, Box 3 of **Form EZ-RPIG Tenant-Owner Consent** is mathematically correct.
- D. The CPA will determine that in the supplemental **Form EZ-RPIG Tenant-Owner Consent** agrees with the grant requested by the zone investor on **Form EZ-RPIG** Part IV, Box 3D which indicates that the grant request is either being prorated, has been coordinated with all other owners/tenants within the building, or the owner has given consent without requiring coordination. In the case of coordination, the CPA will determine that the building/facility's square footage has been accounted for by the other owners' or tenants' notarized signatures such that the sum of the square feet listed in Part III Box C of the supplemental **Form EZ-RPIG Tenant Coordination** and the square footage listed in Part II, Box 1 equals Part II, Box 2 (building's total square footage).

## REQUIRED RPIG APPLICATION MATERIALS

After completing the six procedures pertaining to the Real Property Investment Grant, the findings are to be compiled in the CPA Attestation Report. The report must be submitted in addition to the other required application materials as listed below:

- Form EZ-RPIG
- Final [placed in service documentation](#)
- W-9
- Form EZ-RPIG Multiple-owner, if applicable
- Form EZ-RPIG Tenant Owner Consent, if applicable
- Form EZ-RPIG Tenant Coordination, if applicable
- Form EZ-RPIG Mixed-Use, if applicable

 Form EZ-RPIG must be submitted online via the EZ Online Submission System site by **no later than 11:59 PM, EST April 1<sup>st</sup>, 2016**. Once the “Submit” button is clicked, applicants will be automatically prompted to print a PDF of the completed application. This is the copy to be signed by the [Local Zone Administrator](#) and mailed in with the required supplemental materials. **The signed hard copy and all other supplemental materials must also be submitted by the April 1<sup>st</sup> deadline.**

 If April 1<sup>st</sup> falls on a weekend or holiday, applications are due the next business day. Original application materials should be sent via United States Postal Service certified mail, return receipt requested and postmarked no later than April 1<sup>st</sup>; shipped via UPS, Fed Ex or another service where shipping can be tracked with a shipped date no later than April 1<sup>st</sup>, or hand delivered by the close of business on April 1<sup>st</sup>. Hand delivery is not preferred.

Any applications submitted without the required CPA Attestation Report or those submitted after April 1<sup>st</sup> (but before May 15<sup>th</sup>, 2016) will be held until the Department determines that it will not have to pro-rate grant awards. At such time, the Department will review and process such applications on a first-come, first-serve basis. If grant requests exceed available funding, RPIG’s are subject to proration.

## GLOSSARY: DEFINITIONS FOR REAL PROPERTY INVESTMENT GRANTS

### **Agreed upon procedures engagement:**

Means an engagement between an independent Certified Public Accountant licensed by the Commonwealth and the qualified zone investor seeking to qualify for Enterprise Zone incentive grants whereby the independent Certified Public Accountant, using procedures specified by the Department, will test and report regarding the assertion of the qualified zone investor in connection with its qualification to receive the Enterprise Zone incentive pursuant to § 59.1-549 of the Code of Virginia.

### **Building:**

Means any construction meeting the commonly ordinarily accepted meaning of the term (building, *n*, a usually roofed and walled structure built for permanent use) where 1) areas separated by interior floors or other horizontal assemblies; and 2) areas separated by fire walls or vertical assemblies shall not be construed to constitute separate buildings, irrespective of having separate addresses, ownership or tax assessment configurations, unless there is a property line contiguous with the fire wall or vertical assembly.

### **Capital lease:**

Means a lease that meets one or more of the following criteria and as such is classified as a purchase by the lessee: the lease term is greater than 75 percent of the property's estimated economic life; the lease contains an option to purchase the property for less than fair market value; ownership of the property is transferred to the lessee at the end of the lease term; or the present value of the lease payments exceed 90 percent of the fair market value of the property.

- **Special information for Tenant applicants:** Investments to real property made under an operating lease do not qualify as investment capitalized by a tenant. Only leasehold improvements made directly by a tenant or improvements made under a capital lease are considered grant-eligible.

<b>Investment</b>	<b>Applicant</b>
Leasehold improvements made directly by tenant	Tenant applies for RPIG
Improvements made under a capital lease	Tenant applies RPIG
Improvements paid for as part of an operating lease	Tenant may not apply for RPIG

### **Common control:**

Means those firms as defined by Internal Revenue Code § 52(b).

### **Expansion:**

Means an increase in square footage or the footprint of an existing nonresidential building via a shared wall, or enlargement of an existing room or floor plan. Pursuant to Real Property Investment Grants this includes mixed-use buildings.

### **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.

### **Independent Certified Public Accountant:**

Means a public accountant certified and licensed by the Commonwealth of Virginia who is independent of the entity 'in fact' and in appearance. The CPA must comply with the independence requirements in the AICPA Code of Professional Conduct. Potential scenarios that may impair a CPA's independence include financial interest in

the client, business relationships with the client, family or personal ownership of or employment by the client (present or former), and being on the Board of Directors or a Trustee of the client. This list is not all-inclusive and other situations may arise that impair the independence of the CPA.

**Local Zone Administrator:**

Means the chief executive of the city or county, in which an enterprise zone is located, or his or her designee. Pursuant to Enterprise Zone designations made prior to July 1, 2005, this shall include towns.

**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. Buildings where less than 30 percent of the useable floor space is devoted to commercial, office or industrial use shall be considered primarily residential in nature and shall not be eligible for the Real Property Investment Grant under 13 VAC 5-112-330. This definition applies only for the purpose of qualifying for Enterprise Zone incentives.

**Mobilization:**

Mobilization includes preparatory work and operations necessary for the movement of heavy equipment and supplies (construction supplies NOT office supplies) to the project site, necessary for work on the project.

**New construction:**

Means a single, nonresidential facility built on previously undeveloped land of a nonresidential structure built on the site/parcel of a previously razed structure with no remnants of the prior structure or physical connection to existing structures or outbuildings on the property. Pursuant to Real Property Investment Grants this shall include mixed-use buildings.

**Placed in service:**

Means the final Certificate of Occupancy has been issued or the final building inspection has been approved by the local jurisdiction for real property improvements or real property investments, or in cases where a project does not require permits, the licensed third party inspector's report indicating that the project is complete.

**Qualified real property investment:**

Means the amount properly chargeable to a capital account 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. Qualified real property investments include 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, but 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 not include:** The cost of acquiring any real property or building; 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. 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 of the Code of Virginia 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, tenant, or developer 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 property for which the tenant holds a valid lease. Units of local, state and federal government or political subdivisions shall not be considered qualified zone investors.

**Rehabilitation:**

Means the alteration or renovation of all or part of an existing nonresidential building without an increase in square footage. Pursuant to Real Property Investment Grants this shall include mixed-use building.

**Same trade or business:**

Means the operations of a single company, related companies, or companies under common control.

**Useable floor space:**

Means all space in a building finished as appropriate to the use(s) of the building as represented in measured drawings. Unfinished basements, attics, and parking garages would not constitute useable floor space. Finished common areas such as stairwells and elevator shafts should be apportioned based on the majority use (i.e. 51%).

## APPENDIX

### A. Requesting a Second or Subsequent five-year Job Creation Grant Period

Business firms who have finished their first 5-year incentive period may qualify for a [subsequent grant period](#) provided that they are still creating new jobs eligible to receive Job Creation Grants.

If a second or subsequent five-year grant period is requested within two years after the previous five-year grant period, the subsequent Base Year will be the last Grant Year.

If a business firm applies for subsequent five consecutive calendar-year grant periods beyond the two years immediately following the completion of the previous five-year grant period, the business firm shall use one of the two preceding calendar years as subsequent Base Year, at the choice of the business firm.

## CONTACT INFORMATION

**If you have any questions about qualifying for the Enterprise Zone grants or other aspects of the program, please contact:**

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