



TOWN COUNCIL

Work Session

Town Hall

February 24, 2011

5:15 PM

At 5:15 p.m. at the Town Hall, Mayor Dora Sullivan, having established a quorum, called to order the Work Session of Town Council. In addition to Mayor Sullivan, present were vice Mayor Bannon, Councilmen Evans, Sullivan and Veber and Councilwoman Natali. Councilman Bennett was not in attendance. Also present were Town Manager Heather Arcos and Town Planner Tom Bonadeo.

Mayor Sullivan announced the business for the evening would be to discuss the Technology and Tourism Zones.

Town Planner Tom Bonadeo stated that there were currently approximately 19-20 Technology Zones throughout the State and information regarding these zones was previously distributed to Council. Tom Bonadeo stated that he reviewed the ordinances from the other localities and compiled some information for Council review as follows: i) Definitions; ii) Business Qualifications; iii) Geographic Area; and iv) Incentives.

Tom Bonadeo went on to state that the proposed Business Type, or definitions, were broken down by manufacturing and non-manufacturing businesses so businesses using applied technology to install, repair or upgrade computer and technology equipment and software, could also be considered in this zone. The phrase "as defined in another jurisdiction of the commonwealth" was also included in the definition to incorporate the definitions from all other localities in the State into the Cape Charles ordinance.

The proposed Business Qualifications were as follows: i) the business must create and maintain a minimum of 25 new, full-time employees for at least a one-year period; ii) each new employee must be compensated at twice the rate of the defined federal minimum wage which was currently \$7.25 per hour; and iii) the business must make a new verified minimum capital investment on the property, either in building improvements or in machinery and tools, of \$ 1M.

Tom Bonadeo proposed that the entire area of the Town of Cape Charles be designated a Technology Zone.

Possible Incentives would be an economic stimulus grant credit for qualified businesses as follows: i) up to 100% of the amount of new or increased machinery and tools tax paid to the Town; ii) up to 100% of the amount of the net increase in real estate tax paid to the Town; iii) up to 100% of the amount of BPOL tax paid to the Town; iv) up to 100% of the facility and connection fees paid to the Town; and v) up to 100% of the building permit fee paid to the Town. The business would pay all applicable fees and taxes to the Town and the Town would issue a credit for fees/taxes paid once the qualifications were fulfilled. Tom Bonadeo proposed that the incentives be offered for up to 5 years. The Code of Virginia permitted going up to 10 years, but most localities used 5 years.

Councilman Veber asked whether existing businesses would be eligible. Tom Bonadeo stated that if an existing business were to create 25 new jobs and met the other requirements; they would qualify for the incentives.

Councilwoman Natali asked if a business would continue to qualify if, after the first year, they reduced the work force from the initial 25 positions. Tom Bonadeo stated that the business hired the new employees and made the necessary capital investment and even though the number of employees may have to be cut after the first year, they could still qualify for some incentives.

Tom Bonadeo went on to review a scenario that he had prepared. In the scenario the business met the capital improvement requirement but only hired 20 employees, 15 of which earned twice the minimum wage. In the example, this business would get a credit for hiring 60% of the required employees.

Mayor Sullivan asked why a business would be required to pay twice the minimum wage. There was some discussion regarding this requirement and Council agreed that individuals qualified to work in the technology field would not work for \$7.25 per hour which equated to approximately \$15K per year.

Councilman Veber asked whether the proposed development on the Tavi property would qualify for these incentives. Councilwoman Natali stated that this development would qualify for incentives under a Tourism Zone. Tom Bonadeo added that similar definitions and qualifications needed to be outlined for a Tourism Zone which would include hotels, restaurants, conference centers, etc. Requirements for jobs in this zone could be lower paying jobs with a higher quantity of employees.

Discussion continued regarding other Federal and State incentives available to property owners and several businesses that have applied for various tax credits. Another incentive which has been utilized by property owners in the past was the 10-year tax “freeze” in which a property owner could apply to have their tax assessment “frozen” at the pre-renovation assessment for a period of 10 years.

Councilman Veber suggested that information regarding the available incentives be distributed to the real estate companies in the area so the agents could inform prospective buyers of the various programs that were currently available.

Tom Bonadeo asked Council to review the recommendations discussed and provide feedback for the next step/meeting. Councilman Veber stated that he was in favor of crediting up to 100% of the fees and taxes paid as proposed.

Heather Arcos asked Council their thoughts regarding the facility and connection fees. Commercial operations could use a large portion of the Town’s capacity. Councilman Sullivan suggested only crediting the amount of the connection fees since the facility fees went into the reserve account for capacity expansion.

There was some discussion regarding the 5-year period for the Town to credit back fees and taxes. Tom Bonadeo stated that he had used 5 years in his proposal since many of the other localities also used 5 years but the number of years could be changed. The Code of Virginia allowed up to 10 years and some localities used a sliding scale after a number of years.

Tom Bonadeo proposed that the incentives be offered for up to 5 years. The Code of Virginia permitted going up to 10 years, but most localities used 5 years.

There was some discussion regarding the required \$1M minimum capital investment and whether that amount could be prorated. Tom Bonadeo stated that Council could change this amount and could prorate anything but he used \$1M as the base for a business to qualify.

Tom Bonadeo stated that this would only affect the Town's taxes, which amounted to approximately 1/3 of the total taxes which would be assessed, and suggested Council talk to our County Supervisor to try to get the County to agree to designate Cape Charles as their Technology Zone as well and offer similar incentives.

Motion made by Vice Mayor Bannon, seconded by Councilwoman Natali and unanimously approved to adjourn the Town Council Work Session.

Mayor Sullivan

Town Clerk