

Rural Zones: Small Towns, Big Impact

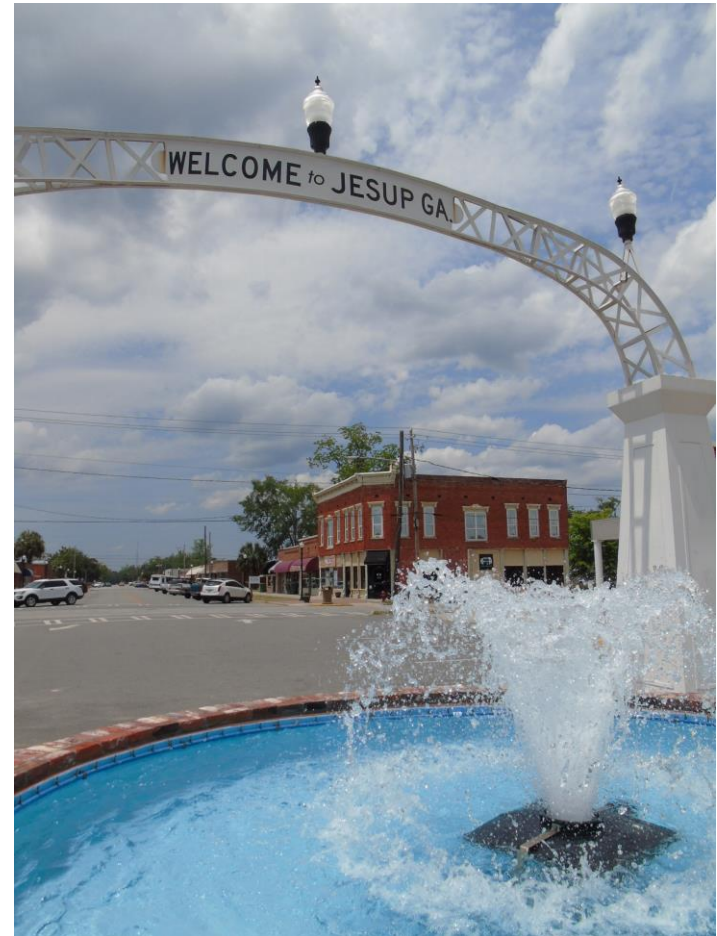


2018

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R.U.R.A.L. Zones

- ❑ Acronym for Revitalizing Underdeveloped Rural Areas Legislation
- ❑ This is a GA House Bill signed into law in May of 2017
- ❑ We are one of the first 18 designated cities in the state



Our Designation

- ❑ This is a 5 year designation that is now in place for Downtown Jesup
- ❑ This designation will be in place until December 31, 2023
- ❑ Any eligible business in downtown can take advantage of this program.



How it works

The purpose behind the Rural Zone designation is to assist in the revitalization of our community by incentivizing new business to come downtown.



How it works

By creating new jobs, investing in commercial property and restoring old buildings through preservation initiatives downtown entrepreneurs can unlock:

- Job Tax Credits
- Investment Tax Credits
- Rehabilitation Tax Credits



What is a Tax Credit?



- It is a dollar-for-dollar reduction of the income tax owed.
- It is not cash in your pocket.
- Deductions only reduce the amount of your income that is subject to tax, whereas, credits directly reduce your tax bill.

Accessing the Job Tax Credit

- Must create 2 jobs or
- 2 Full Time Equivalent* Jobs.
 - \$2,000 credit per new full-time equivalent job
 - Eligible businesses will include professional services or retail
 - Not to exceed \$40,000 credit per year
 - Credit can be taken for 5 years as long as jobs are maintained.

*FTE- means part times jobs that all add up to 40 hours when combined.

Investment Tax Credits

Investment Credit for purchasing property downtown

- Equivalent to 25% of the purchase price,
 - not to exceed \$125,000
- Must be purchased after January 1, 2019
- To claim this tax credit the investment property must be within the designated rural zone district and they must create a minimum of two full-time equivalent jobs. These new jobs created must be maintained or expanded upon in order to continue claiming this tax credit.

Investment Tax Credits continued



- ❑ The credit can be claimed over 5 years and should be prorated equally over that time frame.
- ❑ Sometimes it takes a while for a project to get underway. The tax credits can be claimed over 5 years but businesses have up to a seven year window for eligibility.

Rehab Tax Credits

- Equivalent to 30% of qualified rehabilitation costs,
 - not to exceed \$150,000

- The credit should be prorated equally in three installments over three taxable years,
 - beginning with the taxable year in which the property is placed in service.

- Cannot be combined with any other state tax credit programs.

Claiming the Credit

- ❑ Before claiming the Rural Zone tax credit, a certified entity or certified investor must apply for a certification that the business location where jobs are being created or the investment has been made, including the rehabilitation credit, is located within a currently designated Rural Zone.

- ❑ The Certification Form includes:
 - the address and parcel number;
 - must verify the baseline number of jobs *prior* to the eligibility for the credit, as well as employment during the year for which credits are being claimed.

Meet our local contact!

- The certified entity or certified investor must file the certification with the local government's contact person for the Rural Zone.
- The local jurisdiction must then certify that the certified entity or certified investor location is within the Rural Zone, and that the applicant meets all local ordinances and licensing standards.

Molly Hall

City of Jesup

Downtown Development

(912) 427-1313

(912) 256-4627

mohearon@jesupga.gov

Next Step



The certification must then be forwarded to the Department of Community Affairs for acknowledgment/acceptance.

DCA Contact:

Tricia DePadro

404-679-1585

tricia.depadro@dca.ga.gov

Next Step

- Once certified and acknowledged/accepted, a copy will be provided to the applicant entity or investor, the local jurisdiction, and the Department of Revenue.

Such certification shall be attached to the income tax return when the credit is claimed.



Keep in Mind

- ❑ The Credit can only be used against **Georgia income tax liability**.
- ❑ The amount of the tax credits for a taxable year cannot exceed a certified entity's or certified investor's state income tax liability.
- ❑ Unused income tax credit may be carried forward for up to 10 years and applied against future income tax liability.
- ❑ As a general rule, the teardown of facilities within a Rural Zone will **not** be permitted to claim rehabilitation credits.

FAQ

- ❑ Are these tax credits sellable or transferable?
 - ❑ NO

- ❑ Can rehab tax credits be used to pay for demo?
 - ❑ Only in extenuating circumstances

- ❑ Can I combine this job tax credit with other job tax credits like the Tier credits, Military Zone credits or Opportunity Zone credits?
 - ❑ NO you cannot COMBINE the job tax credits. However, if the new jobs are located within an OZ, the business can decide whether to take the OZ job tax credit or the Rural Zone tax credit.

FAQ

- If the business cannot use all its tax credits, can it receive a refund?
 - No

- If the business's number of employees fall below the required two FTE jobs, what happens?
 - You will not be penalized for previous tax credits but you will be ineligible to keep claiming credits moving forward.

SUPPORTING TOOLS

- DOWNTOWN DEVELOPMENT REVOLVING LOAN FUND
- FAÇADE AND SIGN GRANT PROGRAM



DDRLF

Downtown Development Revolving Loan Fund

What is DDRLF

- ❑ A program of DCA
- ❑ Provides GAP financing to downtown entrepreneurs
- ❑ Can be applied towards acquisition and renovations of historic property
- ❑ Known as a 504 loan
 - ❑ 50% Traditional bank financing
 - ❑ 40% Gap financing
 - ❑ 10% Owner Equity



Typical Terms for DDRLF

- Maximum loan amount: 40% of total project costs or \$250,000
- Interest Rate: Below Market, presently 3%
 - 2% DDRLF for Main Street cities in good standing
- Repayment Period: 15 years
- Equity injection and commercial financing are normally required (e.g. 50-40-10)
- No application fees or loan origination fees

Case Study: Valdosta



- Rehab of a 116-year old building
- DDRLF of \$250,000 requested
- Upon completion, second floor to be used as office space by borrower
- First floor will be offered for rent

Valdosta: Source and Use

Source	Amount	Use	Amount
DD RLF	\$ 250,000	Renovations	\$ 250,000
Bank	\$ 435,000	Renovations	\$ 255,000
		Building Acquisition	\$ 180,000
Owner Equity	\$ 144,908	Renovations	\$ 144,908
Total	\$ 829,908		\$ 829,908

Facade & Sign Grant Program

Facade Improvement Grant monies available are for exterior improvements only and may be applied to a front, side or rear façade, provided the façade faces a public street or parking area. Grants are available on a 50/50 matching basis with a cap of \$2500 per grant.

Sign Grants are available on a 50/50 matching basis with a cap of \$1500 per grant. Grant funds are for signs which may include signboards, projecting signs and pedestrian signage (includes window sign, hanging sign and awning/canopy sign) for commercial buildings located in the downtown district.

Eligible projects must be located in the Historic Downtown District. Funds are approved the Jesup DDA and are limited each year.