

City of Yakima Commercial Revitalization Deduction Program Guidelines and Ranking Criteria

Program Description

The Commercial Revitalization Deduction (CRD) is intended to increase economic development in federally designated Renewal Communities. The incentive is a deduction from income before calculating Federal income tax liability, and provides a way to deduct costs on an accelerated basis.

The amount of deduction is subject to a state limitation of up to \$12 million of "Commercial Revitalization Expenditures" (CRE's) for each Renewal Community (RC) located within a state. CRE's for a particular building cannot exceed the actual qualifying costs and there is an overall limit per building of \$10 million.

CRE's include the depreciable costs of a new building or the costs associated with an existing building that is substantially rehabilitated. Substantial rehabilitation means that, within a 24 month period, rehabilitation expenditures exceed the greater of the adjusted basis of the building (and its structural components) or \$5000.

Rehabilitation expenditures do not include enlarging a building. If the substantial rehabilitation test is met (without taking into account the costs of expansion), the cost of expanding the building could qualify as a CRE.

A taxpayer can include the costs of the building acquisition in taking a CRD, but only to the extent that the acquisition cost does not exceed 30 percent of the aggregate qualifying CRE's (determined without regard to the acquisition cost.). For example, if the building cost \$500,000 to acquire and renovations eligible for CRE's \$1 million, up to \$300,000 of the acquisition cost could qualify as a CRE.

The CRD is permitted only for the cost of acquiring a building and rehabilitating it, not for land costs. Acquisition of land for speculation would not qualify.

Eligibility Criteria

Businesses that construct or rehabilitate commercial property in Renewal communities can deduct a portion of the costs of acquisition and rehabilitation over a shorter period of time than permitted under standard depreciation rules.

A business can elect a deduction of one-half of "qualifying revitalization expenditures " up to \$10 million for any one project in the year the building is placed in service or can deduct all QRE pro rata over 10 years. The project must receive an allocation from the state.

Businesses must be located in RC.

Ineligible Businesses or Projects

The following activities are ineligible for the CRD program:

- ♦ Projects that do not create a federal income tax liability, and therefore not expected to take advantage of accelerated depreciation
- ♦ Residential rental projects
- ♦ Land speculation purchases
- ♦ Building acquisitions that do not involve substantial renovation expenditures.
- ♦ Massage parlors
- ♦ Tanning salons
- ♦ Businesses whose primary activity is the sale of alcoholic beverages for consumption..

PRIORITIZATION & RANKING CRITERIA (50 point scale)

Jobs created/Quality of Jobs:

20 points

The City will consider jobs as the top priority in awarding CRD. We support projects with tangible job creation, and will consider the number and type of jobs created or retained in ratio to the amount of CRD requested. Job retention can count toward this goal if the applicant demonstrates jobs would be lost to Yakima if the project does not occur.

The City will place a priority on projects on projects that will hire residents of the RC or employ individuals from disadvantaged backgrounds.

Project Viability and Readiness to Proceed:

15 points

The City wants to invest CRE credits behind projects with a high probability of success. It will evaluate the strength or experience of the applicant, the nature of the project, and other factors to determine the project's chances for success. Applicants must demonstrate that permits can be obtained and proposed development or redevelopment project can start within six months.

Elimination of Blight/Re-use of Vacant Properties/Historic Preservation:

10 points

The City will place priority on redevelopment of vacant, blighted or historic properties.

Community Impact/Benefit:

5 points

Applicants should demonstrate a strong impact and benefit to the community. CRD's are intended as more than a reward for a construction project. Displacement of businesses or jobs, benefit to neighborhoods and downtown revitalization may be considered in awarding points under this category.

**YAKIMA RENEWAL COMMUNITY
COMMERCIAL REVITALIZATION DEDUCTION
APPLICATION**

APPLICATIONS DUE: June 29, 2007 – 5:00 P.M.

**Submit to: Michael A. Morales
Dept. of Community & Economic Development
129 North 2nd Street, Yakima, WA 98901**

Please answer the following questions and attach the requested information (Note: the entire CRD application is considered to be a public document. Financial and commercial information provided by a private business in the application will be treated as confidential by the City of Yakima to the extent permitted by 42.17.310(o) RCW

Applicant:	_____
Federal Tax Number:	_____
WA State UBI Number	_____
Contact:	_____
Title:	_____
Telephone:	_____
Fax:	_____
Email:	_____
Address:	_____
Alternative Contact	_____

Type of Project (check all that apply)

- New Construction
- Rehabilitation of existing building

Total Commercial Revitalization Deduction allocation requested: \$ _____

Year project scheduled to be placed into service: _____

Project Location

Provide street address or legal description of the facility. Projects must be located within the boundaries of the Renewal Community without exception.

Project Description.

Describe the project that will be supported by the Community Revitalization Deduction.

Project Costs

Acquisition Costs \$ _____

Purchase of land (if separate) \$ _____

New Construction \$ _____

Rehabilitation \$ _____

Infrastructure \$ _____

New Machinery & Equipment \$ _____

Other: \$ _____

TOTAL PRIVATE INVESTMENT \$ _____

Will this project shift existing jobs or a business from any other part of the City of Yakima? Yes___ No__.

If "yes," please describe the circumstances, including the former site of the business and the plans for facilities left vacant in another part of the city.

Evaluation Criteria

Job Creation – 20 points

List the number of jobs, by job type, to be retained and/or created as a direct result of the project.

Jobs must be expressed in Full Time Equivalents (FTEs).

Wage data should exclude fringe benefits.

*Management positions should be indicated as an annual salary.

Job Description	Current # Of Jobs Retained** (In FTEs)	# Of Jobs Created Year 1 (In FTEs)	# Of Jobs Created by Year 3 (In FTEs)	Current or initial Hourly Wages (or salary)
Mgmt./Admin*				
Technical/Prof				
Office/Clerical				
Production				
Sales				
Skilled Crafts				
Others				

a) Number of Jobs **Retained _____.

****Retained jobs are defined as jobs that would otherwise be lost to the City.**

b) Projected annual gross payroll for all job classifications \$_____

c) How many of these positions are for seasonal work? (In FTE) _____

d) What kind of fringe benefits does the company offer to regular full time employees?

How were job projections developed? Explain why the projections are realistic.

Will the project offer expanded employment opportunities to disadvantaged or unemployed workers? How will the firm work to hire people from the Renewal Community area?

Viability & Readiness to Proceed – 15 points

Project Timelines and Permits

Indicate the construction schedule for the proposed private sector project.
(Month/Year)

Private Facility Construction Begins _____

Private Facility Construction Completed _____

Private Facility Operational _____

List all permits required for the project and give their current status (applied for, application being prepared, permit issued, etc.)

PERMIT & NUMBER	ISSUER	STATUS	COMPLETION DATE
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Financing & Private Authorizations

What, if any, private authorizations remain prior to proceeding with the proposed private development project?

Explain how the private sector is financing their capital investment in this project. When will private sector financing be in place?

Please list financial references that can verify financing sources and capacity for this project **or** provide a letter from finance officer that verifies funding is in place for this project.

Contact & Title: _____ Phone: _____

Historic Preservation – Reuse – Elimination of Blight – 10 points

Describe how the project meets one the criteria in under this section. Reviewers may also refer to the project description. Development of vacant lots and may not necessarily qualify for elimination of blight or reuse. A building’s age alone may not qualify it for historic preservation points.

If the project includes demolition of an existing building, what is the age and location of the affected structure?

For Historic Preservation, detail the age and history of the structure and describe how the project will preserve the integrity of the building.

Community Impact & Benefit – 5 points

Describe any circumstances that you believe make the project an exceptional asset to the community. Reviewers may consider a number of factors including new investment or business to the area, downtown revitalization and neighborhood impacts.

Certification by Applicant

Applicant hereby certifies that all information contained above is true to his/her knowledge and belief and is submitted for the purpose of accessing the City of Yakima and State of Washington Renewal Community Commercial Revitalization Deduction program.

Applicant Signature : _____

Date: _____

Print Name: _____