



VIRGINIA INCENTIVES

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MAJOR VIRGINIA INCENTIVES

- **Governor's Opportunity Fund**
- **Virginia Investment Partnership Act**
- **Clean Energy Manufacturing Incentive Grant**
- **Performance-Based Grants**
- **Virginia Jobs Investment Program**
- **Road and Rail Access Programs**
- **Tax Credits and Exemptions**
- **Enterprise Zones and Specialty Zones**
- **Tobacco Region Opportunity Fund**

INCENTIVE CONCEPTS

- **Discretionary incentives / By-right incentives**
- **Population is not an indicator of fiscal stress**
- **Many benefits / enhancements based on a community's fiscal stress**
 - Often based on high unemployment
 - Can be based on high poverty
- **Discretionary incentives are calculated based on a Return-on-Investment analysis**
 - But, it's not always about the \$\$

- **Governor's chance to close the deal**
- **Out-of-state competition for project**
- **Up-front cash grant**
- **Generally, limited to \$1.5MM per project, but Governor can go higher, if he wishes**
- **Local match required: cash, in-kind, foregone revenues**
 - **May be waived at Governor's discretion**
 - **May be paid over time**

GOF ELIGIBILITY CRITERIA

- **General eligibility statewide:**
 - \$5 million / 50 jobs / 100% PAW
 - High unemployment or high poverty: \$2.5 million / 25 jobs / 85% PAW
 - High unemployment and high poverty: \$1.5 million / 15 jobs / 85% PAW
- **Special eligibility:**
 - Statewide: \$100 million / 25 jobs / 100% PAW
 - Statewide: \$5 million / 25 jobs / 200% PAW

GOF AS UP-FRONT CASH GRANT

- **Clawbacks: Want our money back if the Company fails to perform**
- **Use of GOF proceeds: Infrastructure development; training; construction or build-out of buildings; site improvements**
- **Cash can stay with the Locality to fund infrastructure development**

- **Share revenue increases with companies**
- **Payout after Company has performed**
- **Performance agreement**
- **Umbrella for three programs:**
 - **Virginia Investment Partnership Grant (VIP)**
 - **Major Eligible Employers Grant (MEE)**
 - **Virginia Economic Development Incentive Grant (VEDIG)**

VIP: FOCUS ON CAPITAL INVESTMENT

- **For existing manufacturers or R&D companies**
- **Virginia operations for at least 5 years**
- **\$25MM+ capital investment**
- **No required job creation, but maintain jobs after investment and during payout**
- **Up to \$3MM (or \$5MM for special projects) in 5 equal installments beginning in 3rd year after verification of compliance (2nd year in distressed areas)**

MEE: FOCUS ON CAPEX AND JOBS

- **For existing major basic sector employers**
- **Virginia operations for at least 5 years**
- **\$100MM capital investment**
- **1,000 new jobs (400 jobs if paying twice the prevailing wage)**
- **Up to \$25MM paid in 5 – 7 installments beginning in 6th year following verification of compliance (4th year in distressed areas)**

VEDIG: FOCUS ON JOBS

- **For basic sector companies with good jobs**
- **In MSAs \geq 300,000:**
 - **400 jobs paying 150% prevailing wage ; or**
 - **300 jobs paying 200% prevailing wage; and**
 - **Capex of greater of \$5MM or \$6,500 per job**
- **In MSAs $<$ 300,000:**
 - **200 jobs paying 150% prevailing wage**
 - **Capex of \$6,500 per job**
- **Aggregates: \$30MM / \$6MM per year**
- **Paid in 5 installments beginning in 3rd year after verification of compliance**

- **Grants to clean energy manufacturers**
 - **\$50 million / 200 jobs**
 - **Adjust thresholds in localities with 1.25 x statewide unemployment rate**
 - **Adjust thresholds to \$10 million / 30 jobs for wind energy suppliers**
- **Payout up to 6 years**
- **Likely to start some years after performance**
- **\$36 million in aggregate available**

PERFORMANCE-BASED GRANTS

- **Major project**
- **Transformational: Impact direction of economy**
- **Based on job creation / investment / production**
- **May be based on attracting supply chain**
- **Generally, payment after performance has been achieved**

- **Three Programs**
 - **New Jobs Program**
 - **Small Business New Jobs Program**
 - **Retraining Program**
- **Develop complete training program:
recruitment services, pre-employment and
post-employment training**
- **Administered by Va Dept Biz Assistance**

VJIP CONTINUED

- **New Jobs: \$1MM capital investment and 25 jobs, certain basic employers**
- **Small Business: \$100,000 capital investment and 5 jobs per year in program**
- **Retraining: \$500,000 capital investment and 10 employees to be retrained, only for manufacturers and distribution centers**
- **For all: Wages of at least \$10 per hour**

SMALL BUSINESS JOBS GRANT PROGRAM

- **New program created during 2010 General Assembly**
- **Funded by raiding VJIP**
- **Provides between \$500 and \$2,000 for each job over a 5 job threshold**
- **Preference for jobs created in high unemployment areas**

ECONOMIC DEVELOPMENT ACCESS (ROAD) FUND

- **Each locality allowed up to \$650,000 per year**
- **\$500,000 available without local match**
- **Another \$150,000 available with local match**
- **Basic employers: Manufacturing, corporate HQs, processing, R&D, distribution centers**
- **Built to plant boundary**
- **Administered by VDOT**

INDUSTRIAL RAIL ACCESS PROGRAM

- **Each locality allowed up to \$450,000 per year**
- **\$300,000 available without local match**
- **Another \$150,000 available with local match**
- **Two years to construct after contracted**
- **If not used as proposed by 5th year then grant must be repaid**
- **Build track on private or public property**
- **Administered by Dept of Rail and Public Transportation**

- **Sales and Use Tax Exemptions**
 - Equipment used in manufacturing process
 - Computer equipment used in large data centers
 - R&D equipment
- **Equipment used in manufacturing items from recycled materials may qualify for a tax credit**
- **Green jobs tax credit (\$2,500 for each eligible job paying at least \$50K)**

- **Major Business Facilities Job Tax Credit**
 - 50 job threshold (25 jobs in Enterprise Zones and distressed areas with high unemployment)
 - \$1,000 per job created, paid over 2 or 3 years
 - Available to manufacturers and other basic employers
- **3 New Port-Related Tax Credits**
- **New R&D Tax Credit**

VA ENTERPRISE ZONE INCENTIVES

- **Job grants over 4 job threshold:**
 - \$800 per job / year for 5 years / 200% FMW
 - \$500 per job / year for 5 years / 175% or 150% FMW
- **Real estate grants: 20% of investment**
 - new construction projects \geq \$500,000
 - rehabilitation/expansion \geq \$100,000
 - \leq \$5 million eligible for up to \$100,000 grant
 - $>$ \$5 million eligible for up to \$200,000 grant
- **Administered by DHCD / Subject to proration**
- **Preference to job grants over real estate**

- **Discretionary grant used in Tobacco Region**
- **Grant tends to be in line with GOF but will be used aggressively for targeted projects**
- **Grant thresholds lower than GOF**
- **Administered by Tobacco Commission**
- **Requires Locality to be on hook for repayment, if Company does not or cannot pay**

SPECIALTY ZONES

- **Technology Zones**
- **Tourism Zones**
- **Local Defense Production Zone (new 2011)**
- **In these zones, can provide local benefits, such as local regulatory relief, BPOL relief or fee reductions or waivers**
- **In Technology and Local Defense Zones, can create a fund to be used for economic development from increased taxes in zone**

TOURISM FINANCING PROGRAM

- **2011 legislation will allow Localities to provide special funding to Tourism Projects in Tourism Zones**
- **Capture the local 1% sales tax in the Zone, plus a like from the Commonwealth's 4%, plus a like amount from the Developer**
- **Use funds to pay debt service on gap financing**

- **Virginia Small Business Financing Authority**
 - **Economic Development Loan Fund: Provides up to \$3 MM for up to 40% of the cost of capital assets**
 - **Loan Guaranty Program: Guaranty up to lesser of \$750,000 or 85% of business loan**
 - **Virginia Capital Access Program: Provides a bank with a loan loss reserve for business loans up to \$250,000**
- **Center for Innovative Technology**
 - **Commonwealth Research Commercialization Fund**

- www.virginiaallies.org: **GOF, VIP, MEE and VEDIG Guidelines and Form Performance Agreements**
- www.dba.virginia.gov: **VJIP Info and Info re: VDBA and other gov't financing programs**
- www.dhcd.virginia.gov: **Enterprise Zone/CDBG Info**
- www.virginiadot.org : **Industrial Access Road Info**
- www.drpt.virginia.gov : **Rail Access Info**
- www.tax.virginia.gov: **Tax Credit and Exemption Info**