

# VIRGINIA INCENTIVES



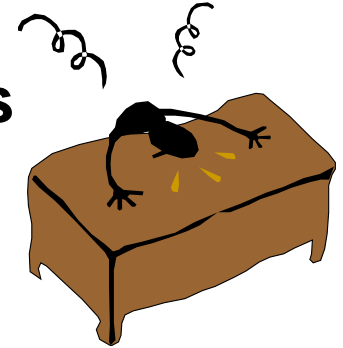
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**General Counsel**  
**March 1, 2017**

VIRGINIA ECONOMIC  
DEVELOPMENT PARTNERSHIP

[YESVIRGINIA.ORG](http://YESVIRGINIA.ORG)



- **Coordinate legal and legislative functions for VEDP**
- **General Counsel**
- **Assistant General Counsel**
- **We can, and do, call upon the OAG and Outside Counsel**
- **Manager of Legislation and Policy**



- **Legal work typical of any 100 + person entity**
  - HR
  - Contracts and Leases
  - Coordinate with OAG and outside counsel
  - Board resource
- **Project due diligence**
  - Serve on Project Review and Credit Committee (“PRACC”)
- **Performance Agreements for grant programs**
  - Draft
  - Negotiate
  - Monitor
- **Process Freedom of Information Act requests**

- **Establish and maintain relationships with key legislators and staff**
- **Advocate for our legislative and budget package**
- **Cheer for, or agitate against, other legislative and budgetary items**
- **All in coordination with the Administration**
- **All in concert with the Board's Legislation and Policy Committee**

# MAJOR VIRGINIA INCENTIVES

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- **Commonwealth's Opportunity Fund**
  - Formerly, the Governor's Opportunity Fund
- **Virginia Investment Partnership Act**
- **Performance-Based Grants**
- **Virginia Jobs Investment Program**
- **Road and Rail Access Programs**
- **Enterprise Zones and Specialty Zones**
- **Tax Credits and Exemptions**
- **Other Programs**

- **Discretionary incentives / By-right incentives**
- **Many benefits / enhancements based on a community's fiscal stress**
  - Often based on high unemployment
  - Some based on high poverty
- **Discretionary incentives are calculated based on a Return-on-Investment analysis**
  - But, it's not always about the \$\$
- **Less than 20% of projects receive discretionary incentives**
- **ED is a team sport: it's a package deal**

- **Discretionary incentives through the lens of our incentives philosophy:**
  - Alignment with strategic sectors and state/regional/local strategies
  - Potential community impact / advancement of the quality of life
  - Maximization of community wealth
  - Diversification of job base and tax base
  - Solving a competitive need / establishing a competitive advantage
  - Leveraging other state/regional/local resources
- **Due diligence review:**
  - Assessment of financial strength and ability to finance project
  - Understanding of project parameters and need
  - PRACC review and independent financial review
  - For a COF, PRACC will recommend any performance milestones
  - PRACC approval needed before recommendation to Administration

# COMMONWEALTH'S OPPORTUNITY FUND





- **Governor's chance to close the deal**
- **Out-of-state competition for project**
- **Basic sector only**
- **Can be an up-front cash grant**
- **Generally, limited to \$1.5 million 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
- **No limit on # of awards per year per locality**

# COF ELIGIBILITY CRITERIA

- **General eligibility statewide:**
  - \$5 million / 50 jobs / 100% Prevailing Average Wage (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

- **We can pay the COF in one lump sum, up-front**
- **PRACC may recommend payment in installments, tied to performance criteria:**
  - Start of construction
  - Receipt of Certificate of Occupancy
  - Number of new jobs created
  - Receipt of a letter of credit securing repayment
- **Clawbacks: Want our money back if the company fails to perform**
- **Use of COF proceeds: Infrastructure development; training; construction or build-out of buildings; site improvements**
- **Cash can stay with the locality to fund infrastructure**

# VA INVESTMENT PARTNERSHIP ACT

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# VA INVESTMENT PARTNERSHIP ACT

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- **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

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- For existing manufacturers or R&D companies
- Virginia operations for at least 3 years
- \$25 million+ capital investment
- No required job creation, but maintain jobs after investment and during payout
- Up to \$3 million (or \$5 million for special projects)
- Requires a local match equal to 50% of the VIP grant

# MEE: FOCUS ON CAPEX AND JOBS

- **For existing major basic sector employers and for corporate headquarters**
- **\$100 million capital investment**
- **1,000 new jobs (or 400 jobs if paying twice the PAW)**
- **Up to \$25 million paid in 5 – 7 installments**
- **Installments start 3 years after the company has achieved its performance criteria**

# VEDIG: FOCUS ON JOBS

- **For basic sector companies with good jobs**
- **In larger MSAs:**
  - 400 jobs paying 150% PAW ; or
  - 300 jobs paying 200% PAW; and
  - Capital investment of greater of \$5 million or \$6,500 per job
- **In smaller MSAs:**
  - 200 jobs paying 150% PAW
  - Capital investment of \$6,500 per job
- **Aggregates: \$30 million / \$6 million per year**
- **Paid in 5 installments**



# OTHER GRANTS ADMINISTERED BY VEDP

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- **Cash grant per job**
- **Develop complete training program: recruitment services, pre-employment and post-employment training**
- **Wages of at least 1.35 x FMW**
- **Was transferred to VEDP as of July 1, 2014**

# INFRASTRUCTURE GRANTS

- **Mega Site Grant Fund**
  - Currently unfunded / cash to localities for the cost of preparing mega sites
- **Brownfields Grant Fund**
  - Funds for Site Assessments
  - Funds for Site Remediation
- **Business Ready Site Grant Fund**
  - Site Characterization Grants to determine site readiness

# PERFORMANCE-BASED GRANTS

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- **Require special legislation – MEI Commission**
- **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**

- **Meant to be a way for us to provide some certainty for a major incentive award, during the General Assembly off-season**
- **To be used if we are requesting a new incentive, modifying an existing one for a project, or offering an incentive package (inclusive of tax credits and exemptions) over \$10 million**
- **10 members:**
  - **Voting members: five members of HAC or House Finance, appointed by the chair of HAC, three members of SFC, appointed by the chair of SFC**
  - **Nonvoting members: Secretaries of Finance and Commerce and Trade**
- **Need 3 House members and 2 Senate members for approval**

# GRANTS ADMINISTERED BY OTHERS



# SMALL BUSINESS JOBS GRANT PROGRAM

- Provides a grant between \$500 and \$2,000 for each job over a 5 job threshold
- Wages of at least 1.35 x FMW
- Requires a capital investment of at least \$100,000
- Preference for jobs created in high unemployment areas
- Administered by Department of Small Business and Supplier Diversity

- **Economic Development Access Fund and Transportation Partnership Opportunity Fund**
- **Modest grants to assist with the cost of getting a public road to a plant boundary or improving public transportation infrastructure**
- **Basic employers: Manufacturing, corporate HQs, processing, R&D, distribution centers**
- **Administered by Department of Transportation**



# INDUSTRIAL RAIL ACCESS PROGRAM

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- **Modest grants to assist with the cost of extending a track to a plant site**
- **Two years to construct after contracted**
- **If not used as proposed by 5<sup>th</sup> year then grant must be repaid**
- **Build track on private or public property**
- **Administered by Department of Rail and Public Transportation**

# VA ENTERPRISE ZONE INCENTIVES

- **Job grants over 4 job threshold:**
  - \$500 or \$800 per job per year for 5 years
- **Real estate grants: 20% of investment up to \$200,000**
- **Administered by Department of Housing & Community Development**
- **Subject to proration**
- **Preference to job grants over real estate**

- **Governor's Agriculture & Forestry Industries Development Fund**
- **For small agricultural or forestry projects or local economic development plans incorporating these industries**
- **Grants up to \$250,000**
- **Localities apply & matching funds are required**
- **Administered by Department of Agriculture and Forestry**

# PORT GRANT INCENTIVES

- **Port Opportunity Fund**
  - Excess port revenues captured to enhance marketing by VPA and to provide incentives to users of the Port
- **Economic and Infrastructure Development Grant**
  - For maritime or logistics-related companies that create at least 25 new jobs
  - \$1,000 - \$3,000 per job created
  - As of July 1, 2014, the program was extended to include the entire Commonwealth

# BY-RIGHT INCENTIVES

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# TAX CREDITS AND EXEMPTIONS

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- **Sales and use tax exemption: Equipment used in manufacturing process**
- **Sales and use tax exemption: Computer equipment used in large data centers**
- **Sales and use tax exemption: R&D equipment**
- **Equipment used in manufacturing items from recycled materials may qualify for a tax credit**

# OTHER TAX CREDITS

- **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 years
  - Available to manufacturers and other basic employers
- **3 Port-Related Tax Credits**
  - International trade facilities
  - Increased rail & barge use
  - Increased port usage
- **R&D Tax Credit**
  - 15% or 20% of increased R&D costs

# OTHER PROGRAMS

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- **Specialty Zones**
  - Technology Zones
  - Tourism Zones
  - Local Defense Production and Support Services Zone
  - Rehabilitation Zones
  - Green Development Zones -- New in 2017
- **In these zones, can provide local benefits, such as local regulatory relief, BPOL relief or fee reductions or waivers**

# TOURISM FINANCING PROGRAM

- **2011 legislation allows localities to provide special funding to Tourism Projects in Tourism Zones**
- **Capture the local 1% sales tax in the Zone, plus a like amount from the Commonwealth's 4.3%, plus a like amount from the Developer**
- **Use funds to pay debt service on gap financing**
- **Developer needs to have 70% of funding in place**
- **For a "Tourism Project of Regional Significance," can capture 1.5% each from the Commonwealth and the locality, and a like amount from the Developer**
  - **\$100 Million +**
  - **Developer has 80% of funding in place**

# GENERAL FINANCING PROGRAMS

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- **Virginia Small Business Financing Authority**
  - Direct loan programs
  - Loan guarantee programs
  - Capital access programs
- **Center for Innovative Technology**
  - Commonwealth Research Commercialization Fund
  - GAP Funds

# FURTHER INFORMATION

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- [www.virginiaallies.org](http://www.virginiaallies.org): **COF, VIP, MEE and VEDIG Guidelines and Form Performance Agreements**
- [www.dhcd.virginia.gov](http://www.dhcd.virginia.gov): **Enterprise Zone/CDBG Info**
- [www.virginiadot.org](http://www.virginiadot.org): **Industrial Access Road Info**
- [www.drpt.virginia.gov](http://www.drpt.virginia.gov) : **Rail Access Info**
- [www.tax.virginia.gov](http://www.tax.virginia.gov): **Tax Credit and Exemption Info**
- [www.portofvirginia.com](http://www.portofvirginia.com): **Virginia Port Authority**