

# VIRGINIA INCENTIVES TOOLS IN THE TOOLBOX

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**VIRGINIA ECONOMIC  
DEVELOPMENT PARTNERSHIP**

# DEPLOYING INCENTIVES TO HELP YOU CLOSE THE DEAL

- Economic development is a team sport
- If incentives are necessary to close the deal, we can help to put together an incentive package
- The package needs to make sense for all parties
- We will prepare the Virginia ROI
- For the development of a local ROI, go to [www.virginiaallies.org](http://www.virginiaallies.org) then click on “Tools”

# CONSIDERING THE USE OF INCENTIVES

- 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
- At VEDP, less than 20% of projects receive discretionary incentives
- Basic sector company or function
- Profit vs. non-profit

# GUIDING PRINCIPLES FOR VEDP-ADMINISTERED INCENTIVES

- Align with strategic sectors
- Impactful
- Maximize community wealth
- Align with local/state strategy
- Diversify the job base in regards to skill sets
- Solve a specific need (versus a by-right expectation)
- Use as real competitive advantage
- Leverage other state resources
- Advance quality of life

# ASSESSING PROJECT VIABILITY

## VEDP AND LOCAL DUE DILIGENCE REVIEW

- Assessment of financial strength and ability to finance project
- Understand project parameters and need
- PRACC review and independent financial review
- VEDP will share its financial review with locality
- For a COF, PRACC will recommend any performance milestones
- PRACC approval needed before recommendation to Administration

# CLOSING THE DEAL

## COMMONWEALTH'S OPPORTUNITY FUND

- Out-of-state competition for project
- Can be up-front cash grant; more often paid upon achievement of performance metrics
- Generally, limited to \$1.5 million per project, but Governor can go higher, if he wishes
- Local match required: cash, in-kind, foregone revenues
- Basic: \$5MM capex / 50 jobs
- Single distress: \$2.5MM capex / 25 jobs
- Double distress: \$1.5MM capex / 15 jobs

# PARTNERING ON BRE PROJECTS

## VA INVESTMENT PARTNERSHIP ACT

- Share revenue increases with companies
- Payout after company has performed
- Umbrella for three programs:
  - Virginia Investment Partnership Grant (VIP): \$25MM capex
  - Major Eligible Employers Grant (MEE): \$100MM capex / 1,000 jobs
  - Virginia Economic Development Incentive Grant (VEDIG): 400 paying 1.5x the prevailing wage or 300 jobs paying 2.0x the prevailing wage
- Requires a 50% local match

# LANDING THE BIG FISH

## PERFORMANCE-BASED GRANTS

- Require special legislation – MEI Commission
- Major projects that can impact direction of economy
- Based on job creation / investment / production
- May be based on attracting supply chain
- Generally, payment after performance has been achieved
  - Rolls-Royce
  - Micron
  - Huntington Ingalls
  - SRI



# HELPING WITH LOCAL INFRASTRUCTURE INFRASTRUCTURE GRANTS

- Brownfields Grant Fund
  - Funds for Site Assessments
  - Funds for Site Remediation
- Business Ready Site Grant Fund
  - Site Characterization Grants to determine site readiness
  - Site Development Grants to take a site to the next tier
- VDOT Road Fund
- VDRPT Rail Fund
- Mega Site Grant Fund
  - Currently unfunded / cash to localities for the cost of preparing mega sites

# CATCHING THE LOW-HANGING FRUIT BY-RIGHT TAX CREDITS AND EXEMPTIONS

- Sales and use tax exemptions
  - Equipment used in manufacturing process
  - Computer equipment used in large data centers
  - R&D equipment
- Green jobs tax credit
- 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
- R&D tax credit
  - 15% or 20% of increased R&D costs

# QUESTIONS?



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