

*MAJOR EMPLOYMENT AND
INVESTMENT (MEI) PROJECTS
APPROVAL COMMISSION ORIENTATION*

August 14, 2020

MEI Project Approval Commission
Freedom of Information Act: Closed Meetings

- The MEI Commission often goes into closed session to discuss potential economic development incentive offers for projects that have not been publically disclosed
- The Virginia Freedom of Information Act (§ 2.2-3700 of the Code of Virginia) puts in place requirements and limitations regarding the use of closed sessions by public bodies

MEI Project Approval Commission

Freedom of Information Act: Closed Meeting Exemptions

- Closed meetings are only authorized for specific purposes set out in the Code of Virginia
 - All exemptions can all be found at § 2.2-3711

2.2-3711(A)(5)

- Discussion of location or expansion of business or industry where not previous announcement of business' interest has been made

2.2-3711(A)(6)

- Discussion of investment of public funds where competition or bargaining is involved

2.2-3711(A)(39)

- Discussion of proprietary information provided by business pursuant to a promise of confidentiality used for economic development
- Discussion of information prepared by a public body regarding economic development where disclosure would adversely affect financial interests of public body

MEI Project Approval Commission

Freedom of Information Act: Closed Meeting Procedures

- § 2.2-3712 sets out the procedures that must be followed for closed meetings

Motion

- A motion to go into closed session must be made in open meeting. Motion must identify the subject matter, state the purpose, and cite the applicable statutory exemption. Motion must be included in meeting minutes.

Discussion

- Only matters identified in the motion may be discussed in the closed session

Certification

- After closed session, the body must reconvene in open session and take roll call vote certifying that to the best of each member's knowledge, only matters discussed were those identified in the motion. Record of the vote must be included in meeting minutes.

August 14, 2020

MEI COMMISSION OVERVIEW

Prepared by House Appropriations and Senate Finance and Appropriations Committee Staff

Purpose

- The MEI Project Approval Commission (“MEI Commission”) is established as an Advisory commission in Chapter 47, Title 30, of the *Code of Virginia*
- The purpose of the MEI Commission is to review financing for individual incentive packages for which:
 - One or more of the incentives in the incentive package is not authorized under current law or an amendment is being sought to one or more currently existing incentives included as part of the incentive package; or
 - The aggregate amount of incentives to be provided by the Commonwealth is in excess of \$10 million in value
- By law, “incentives” include grants, tax incentives such as credits and exemptions, general or nongeneral funds, proceeds from bonds, rights to lease property at below fair market value, or any other incentives from the Commonwealth

Note: “MEI project” means “Major Employment and Investment project.” See Va. Code § 2.2-2260.

Statutory Requirements

- The MEI Commission consists of 14* members as follows:
 - Seven members of the House Committee on Appropriations or the House Committee on Finance appointed by the chair of the House Committee on Appropriations;
 - Five members of the Senate Committee on Finance and Appropriations, appointed by the chair of the Senate Committee on Finance and Appropriations
 - The Secretaries of Finance and Commerce and Trade serve as ex officio, nonvoting members of the Commission
- The members of the Commission elect a chairman and vice-chairman annually, typically alternating between House and Senate chairs
- Meetings are held at the call of the chairman or whenever the majority of the members so request
- An affirmative vote by four of the seven members from the House of Delegates and three of the five members from the Senate is required to endorse any incentive package*

* Reflects expanded membership, effective July 1, 2020, pursuant to Chapter 830 of the 2020 Acts of Assembly (SB 587).

Current Membership

HOUSE MEMBERS	SENATE MEMBERS
The Honorable David L. Bulova	The Honorable Janet D. Howell
The Honorable Eileen Filler-Corn	The Honorable Mamie E. Locke
The Honorable L. Nick Rush	The Honorable Thomas K. Norment, Jr.
The Honorable Mark D. Sickles	The Honorable Frank M. Ruff., Jr.
The Honorable Luke E. Torian	The Honorable Richard L. Saslaw
The Honorable Roslyn C. Tyler	
The Honorable R. Lee Ware, Jr.	

** The Secretary of Commerce and Trade, and the Secretary of Finance serve as ex officio members of the MEI Commission.

Legislative Background

MEI Commission Created in 2009

- In 2009, the General Assembly enacted HB 2550 (Cox) which created the MEI Project Approval Commission to provide a process for legislators to review and grant preliminary approval of incentive packages
- Members were concerned that by the time the General Assembly had the opportunity to consider legislation authorizing new or expanded incentives, the incentive package had already been offered and accepted
 - Prompted by the “Rolls Royce” package which totaled more than \$100 million yet had been signed by the parties prior to the start of Session, leaving the legislature with the option of reneging on a deal, or accepting a high-cost project for which they had given no input
- Originally, the MEI Commission reviewed only projects that required legislative action to authorize new incentives or to amend existing incentives; however, in the past few years, the General Assembly has expanded the MEI Commission’s authority

Expanded Role of the MEI Commission

- In 2015, HB 1842 (James) expanded the MEI Commission's scope to include any incentive package where the total value of all incentives, including tax incentives, exceeds \$10 million
 - Previously, many large incentive packages remained outside the purview of the MEI Commission if the package combined incentives from multiple existing programs
- The 2017 VEDP restructuring bill, HB 2471 (Jones) and SB 1574 (Ruff/Hanger), also required MEI Commission approval if more than one extension to a performance agreement is offered
- Also in 2017, HB 2347 (Byron) required the MEI Commission to review projects where a business proposes to relocate or expand in one or more Virginia localities and simultaneously reduce the number of employees in another Virginia locality

Related Oversight Legislation

- The evolution of the MEI Commission reflects the broader trend in legislative oversight as the Commonwealth's investment in economic development has grown
- In 2012, the General Assembly passed HB 777 (Landes) creating the Joint Subcommittee to Evaluate Tax Preferences
- In 2014, the General Assembly enacted HB 1191 (Massie) which created a process to evaluate and report on all incentives issued in the prior three years, as well as a look-back at projects five years after completion
- The 2016 Appropriation Act established an ongoing oversight function within JLARC to review and evaluate economic development initiatives on a continuing basis
- In 2017, the VEDP restructuring bill, HB 2471 (Jones) and SB 1574 (Ruff/Hanger) improved governance and strengthened administration of state incentive grants

2020 MEI Commission Changes

- SB 587 (Hanger/Howell) makes several changes to the membership and operation of the MEI Commission
- The bill expands the membership from 10 to 14 members by adding two additional House appointments and two additional Senate appointments
- The bill also clarifies the scope of the MEI Commission review to:
 - Include not just economic development projects but also potential film and episodic television projects, and
 - Exclude projects that only involve existing tax incentives currently available to any qualified taxpayer
 - For example, projects that only use the Data Center Retail Sales and Use Tax Exemption would not require a review by MEI. In JLARC's 2019 review of Economic Development Incentives, they found that the data center exemption has grown from an initial \$3 million in FY10 to more than \$86 million in annual exemptions.
- The legislation also requires that materials regarding the potential project be provided to the staffs of the House Committee on Appropriations and Senate Committee on Finance and Appropriations five business days in advance of the Commission's review meeting

MEI Process and Procedures

MEI Meeting Process

1 Meeting Request

Secretary of Commerce and Trade requests a meeting of the MEI Commission, when Virginia has been short listed for a project

2 Proposal Review

HAC/SFAC staff will meet with VEDP to review the proposal draft and provide feedback, and will brief MEI Commission members, as needed

3 Proposal Presented and Reviewed

VEDP presents projects for consideration, allowing up to seven days for the MEI Commission to endorse or reject the proposal

4 Announcement and Legislation

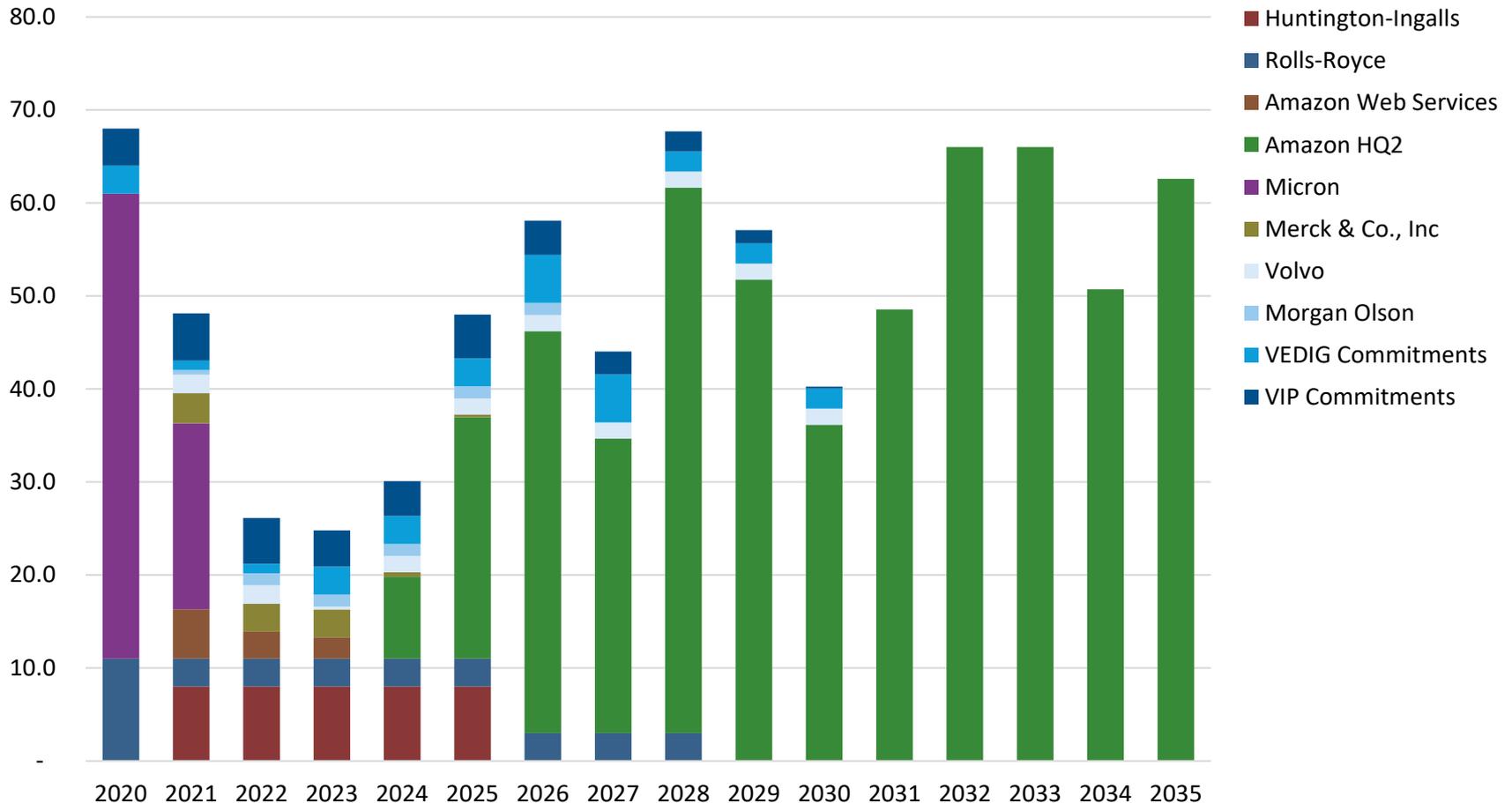
Secretary of Commerce and Trade will alert the MEI Commission when an offer has been accepted. VEDP staff will submit legislation/budget amendment request in August

Review of Incentive Packages

- § 30-310, *Code of Virginia*, requires that the MEI Commission review of incentive packages include, but not be limited to, the following factors:
 - Return on investment,
 - The time frame for repayment of incentives to the Commonwealth,
 - Average wages of the jobs created by the prospective economic development project,
 - The amount of capital investment, and
 - The need for enhanced employment opportunities in the prospective location of the prospective economic development project

Incentive Commitments for Future Budgets

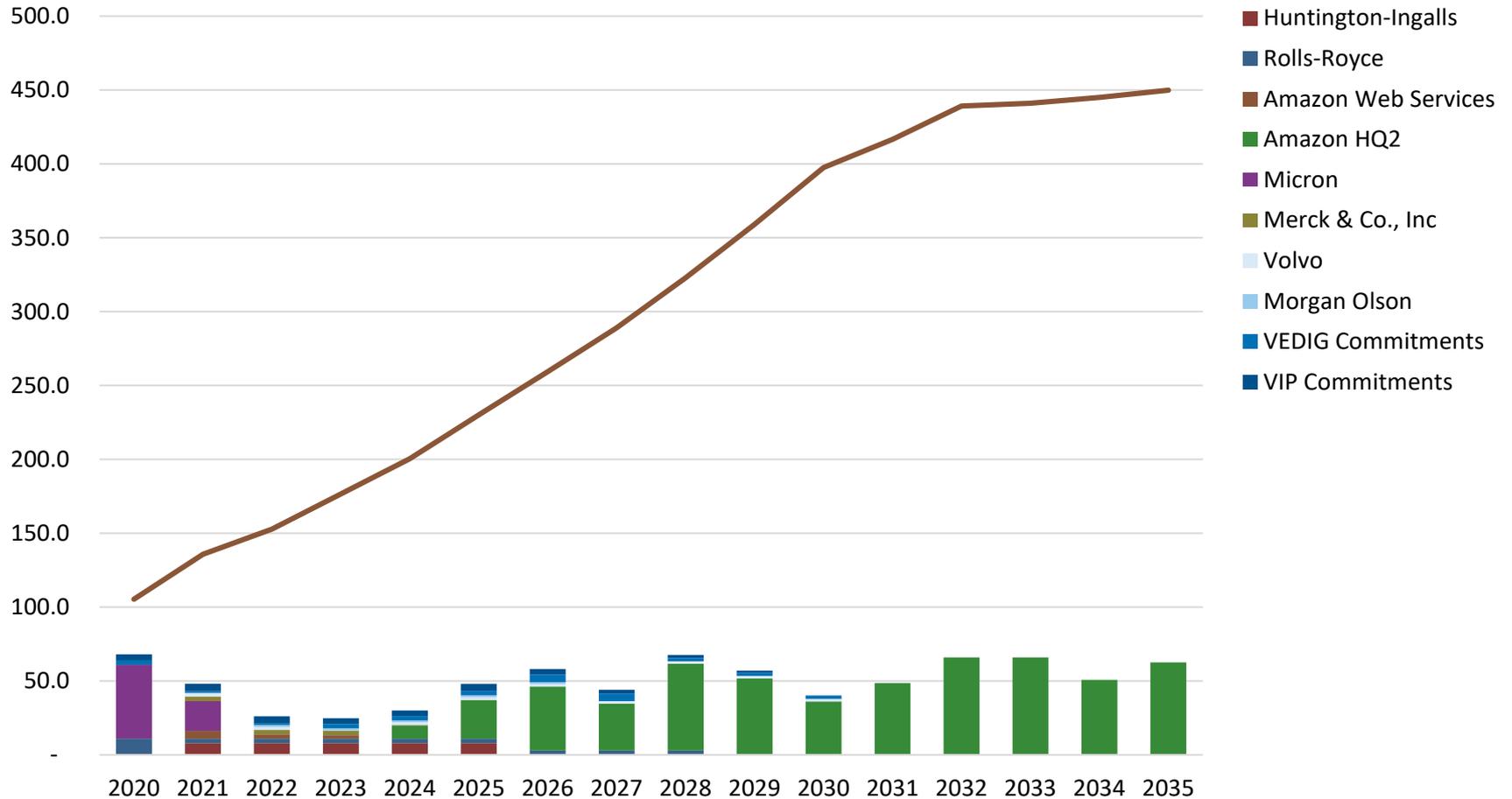
INCENTIVE COMMITMENTS TO COMPANIES THROUGH FY2035 (\$ MILLIONS)



*Source: Virginia Economic Development Partnership

Incentive Commitments for Future Budgets

INCENTIVE COMMITMENTS TO COMPANIES AND ANNUAL SGF THROUGH FY2035 (\$ MILLIONS)



*Source: Virginia Economic Development Partnership

Incentive Commitments for Future Budgets

- When MEI bills are considered during session, the General Assembly commits to future payments in the out years, making constant monitoring of these commitments imperative.
 - Requiring company performance prior to the payment of cash incentives ensures dollars are aligned with desired outcomes and eliminates the need for clawbacks.

Project	Incentives (in millions)	Contract Term	Jobs	Cap. Ex (in billions)
Huntington-Ingalls Industries	\$46.0	4 years	1,120	\$0.8
Rolls Royce	\$35.0	15 years	642	\$0.5
Amazon Web Services	\$10.5	7 years	1,500	less than \$0.1
Amazon HQ2	\$550.0	20 years	25,000	\$2.5
Micron	\$70.0	15 years	1,106	\$3.0
Merck	\$7.5	5 years	152	\$1.0
Volvo	\$16.5	10 years	777	\$0.4
Morgan-Olson	\$7.0	6 years	703	less than \$0.1

*Source: Virginia Economic Development Partnership

Economic Development Incentives and Programs

Discretionary

- Commonwealth Development Opportunity Fund (CDOF)
- Virginia Investment Partnership Grant (VIP)
- Virginia Economic Development Incentive Grant (VEDIG)
- Major Eligible Employer Grant (MEE)
- Governor's Motion Picture Opportunity Fund
- Governor's New Airline Service Fund *

Workforce

- Virginia Jobs Investment Program (VJIP)
- Talent Accelerator Program

Research/ Start-Ups

- Virginia Biosciences Health Research Corp
- Commonwealth Center for Advanced Manufacturing
- Commonwealth Center for Advanced Logistics
- Commonwealth Cyber Initiative
- Commonwealth Commercialization Fund *
- Commonwealth Growth Accelerator Fund
- Small Business Investment Grant Fund

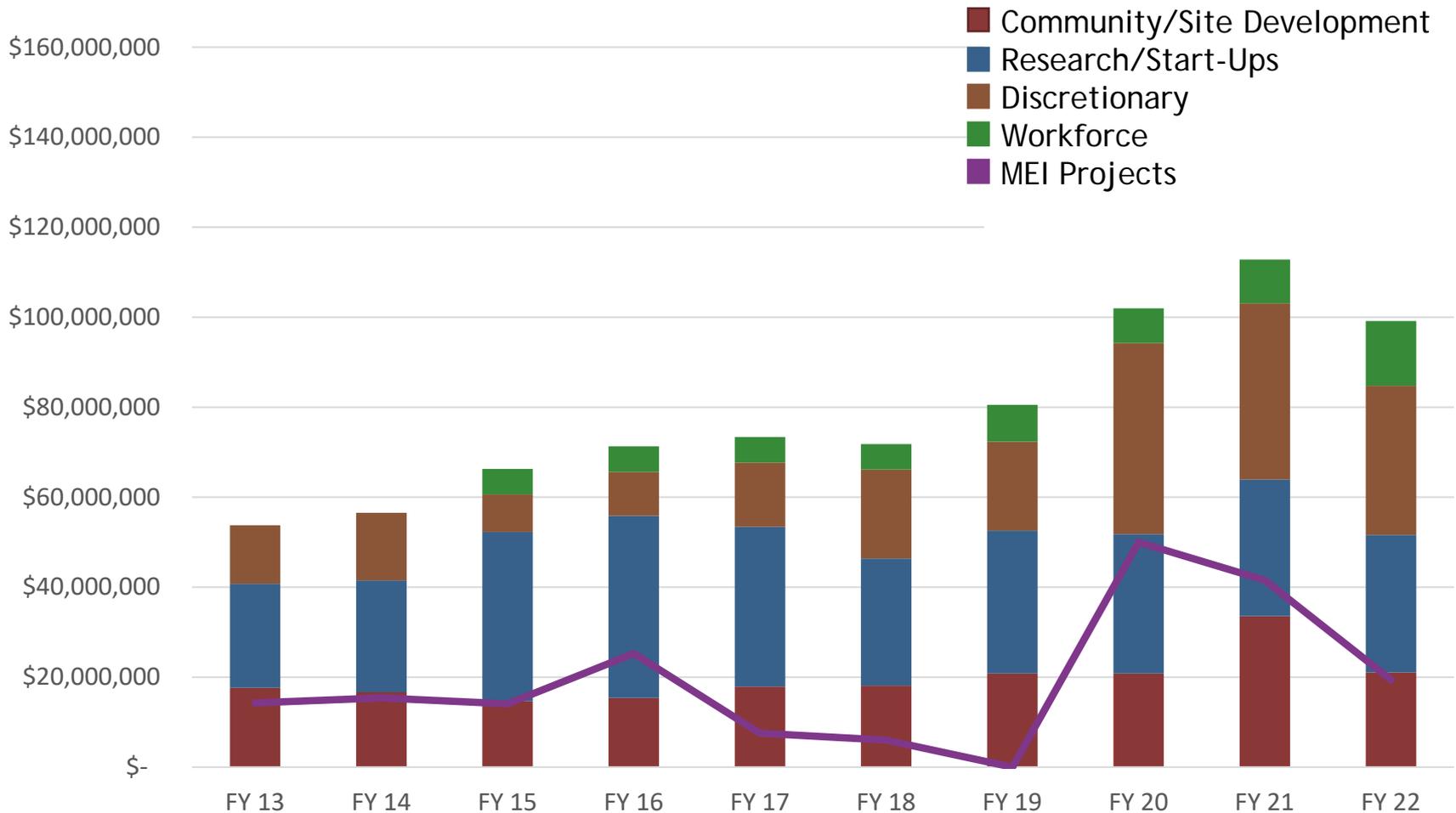
Community/Site Development

- Industrial Revitalization Fund
- Virginia Brownfield Program
- Business Ready Sites Program
- Enterprise Zone Grants
- Virginia Main Street Program

* New as a result of action by the 2020 General Assembly

Economic Development Grant Incentives in the Budget

ECONOMIC INCENTIVE BUDGETS BY TYPE, FY 2013 - FY 2022



NOTE: FY 2021 includes \$20 million in NGF from the sale of CIT's building.

Major Takeaways

- Over the last ten years, Virginia has strengthened its review and management of economic development incentives.
 - MEI has and will continue to play a central role in ensuring fiscal stewardship of the state resources for economic development projects with significant job, investment, and revenue outcomes for the Commonwealth.
- A strong working relationship between MEI and Virginia Economic Development Partnership will continue to strengthen Virginia's approach to economic development and incentive offerings.



MEI BRIEFING

Virginia State Capitol

August 14, 2020

ECONOMIC DEVELOPMENT: POLICIES AND PROGRAMS DESIGNED TO ENCOURAGE GROWTH IN JOBS, WAGES, AND INVESTMENT

VEDP accomplishes this through:



Marketing Virginia to raise awareness of the Commonwealth's advantages for business and cultivate new leads



Recruiting out-of-state firms to select Virginia for new job-creating projects



Encouraging and assisting the **retention and expansion** of existing Virginia firms



Assisting Virginia companies to establish and/or expand international sales (i.e., **trade development**)



Encouraging **coordination** of economic development efforts among local, regional, and state partners



Developing recommended **economic development policies and strategies** to position Virginia and its regions for growth



Conducting **research** to understand and effectively present Virginia's competitive advantages



Administering **performance-based incentives** that encourage job creation and capital investment



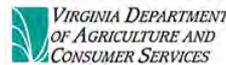
Providing **grants or custom workforce solutions** to address talent recruitment and training needs of expanding firms



Collaborating with localities to develop **project-ready sites** for manufacturing and supply chain projects

VEDP DOES ITS WORK IN COLLABORATION WITH HUNDREDS OF ECONOMIC DEVELOPMENT PARTNERS ACROSS VIRGINIA

Core VEDP partners include the Governor's Administration, Virginia General Assembly, other state agencies, 18 regional economic development organizations, over 100 local economic development partners, utilities, railroads, and trade associations



LIKE ALL OTHER STATES, VIRGINIA'S ECONOMY IS COMPRISED OF TRADED AND NON-TRADED INDUSTRY SECTORS

Traded sector: Businesses that generate most of their sales from out-of-state customers, resulting in new jobs, wages, and tax revenues for the Commonwealth



Corporate HQs



Manufacturing



Technology¹



Business Process Outsourcing



Supply Chain

Non-traded sector: Businesses that primarily serve local (i.e., in-state) customers, typically competing with other non-traded sector businesses for in-state sales



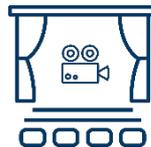
Retail



Restaurant



Hospital



Entertainment



Local Services

Job breakdown by sector

1/3
of Virginia employment is in **traded sector** jobs

2/3
of Virginia employment is in **non-traded sector** jobs

¹For example: Data Centers, Software Development, Cloud Computing, Cybersecurity

VEDP FOCUSES MOST OF ITS BUSINESS DEVELOPMENT EFFORTS ON A SET OF TARGET INDUSTRIES FOR WHICH VA IS COMPETITIVE



Automotive



Software



Headquarters



Aerospace



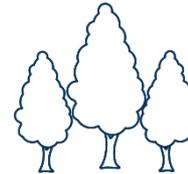
Cybersecurity



Life Sciences



Unmanned Systems



Wood Products



Data Centers



Business Process Outsourcing



Supply Chain Management



Food & Beverage Processing



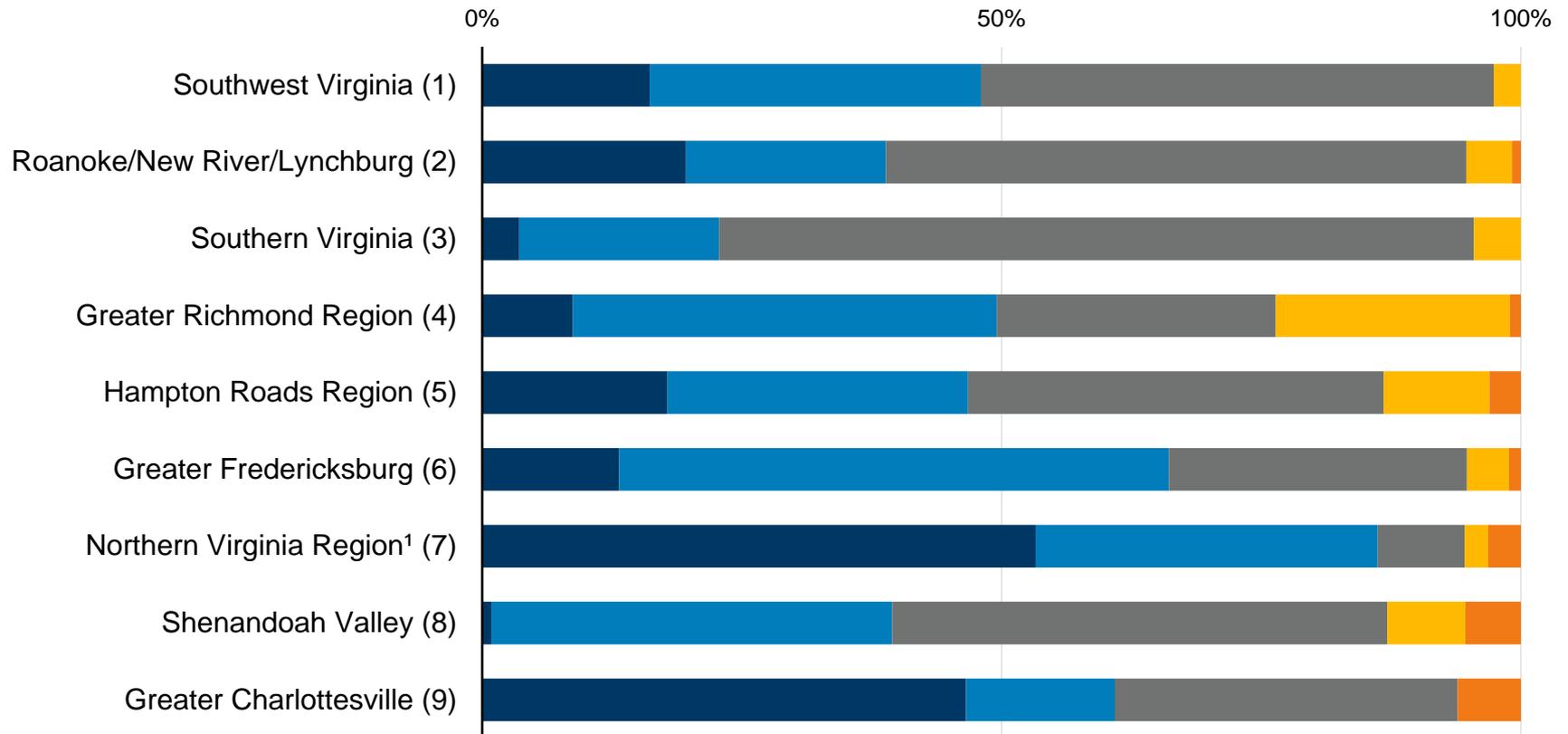
Advanced Materials

VEDP-ASSISTED PROJECT ANNOUNCEMENTS REFLECT SIGNIFICANT DIFFERENCES IN REGIONAL ECONOMIC DIVERSITY

Total new regional employment, including expansions

GO Virginia Region (#), New jobs announced 2014-2019

■ Technology ■ HQ/Professional Services ■ Manufacturing ■ Supply Chain ■ Other



¹Excluding Amazon HQ2

Source: VEDP Announcements Database

FIVE TRANSFORMATIONAL GOALS FOR VEDP AND VA



Virginia State Flag

TRANSFORMATIONAL GOALS FOR THE COMMONWEALTH

1 Robust State Growth

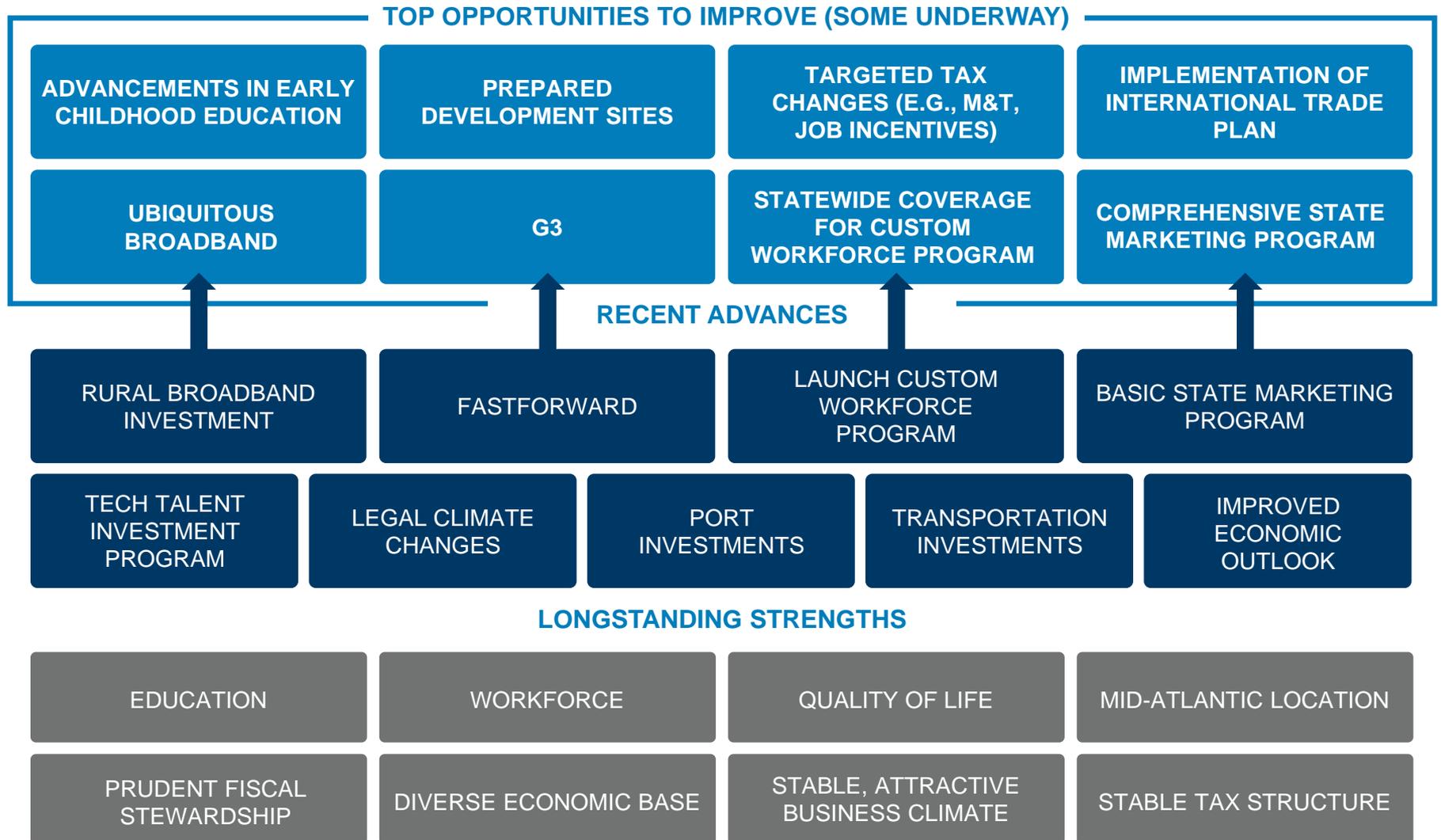
2 Every Region Wins

3 Best State for Business

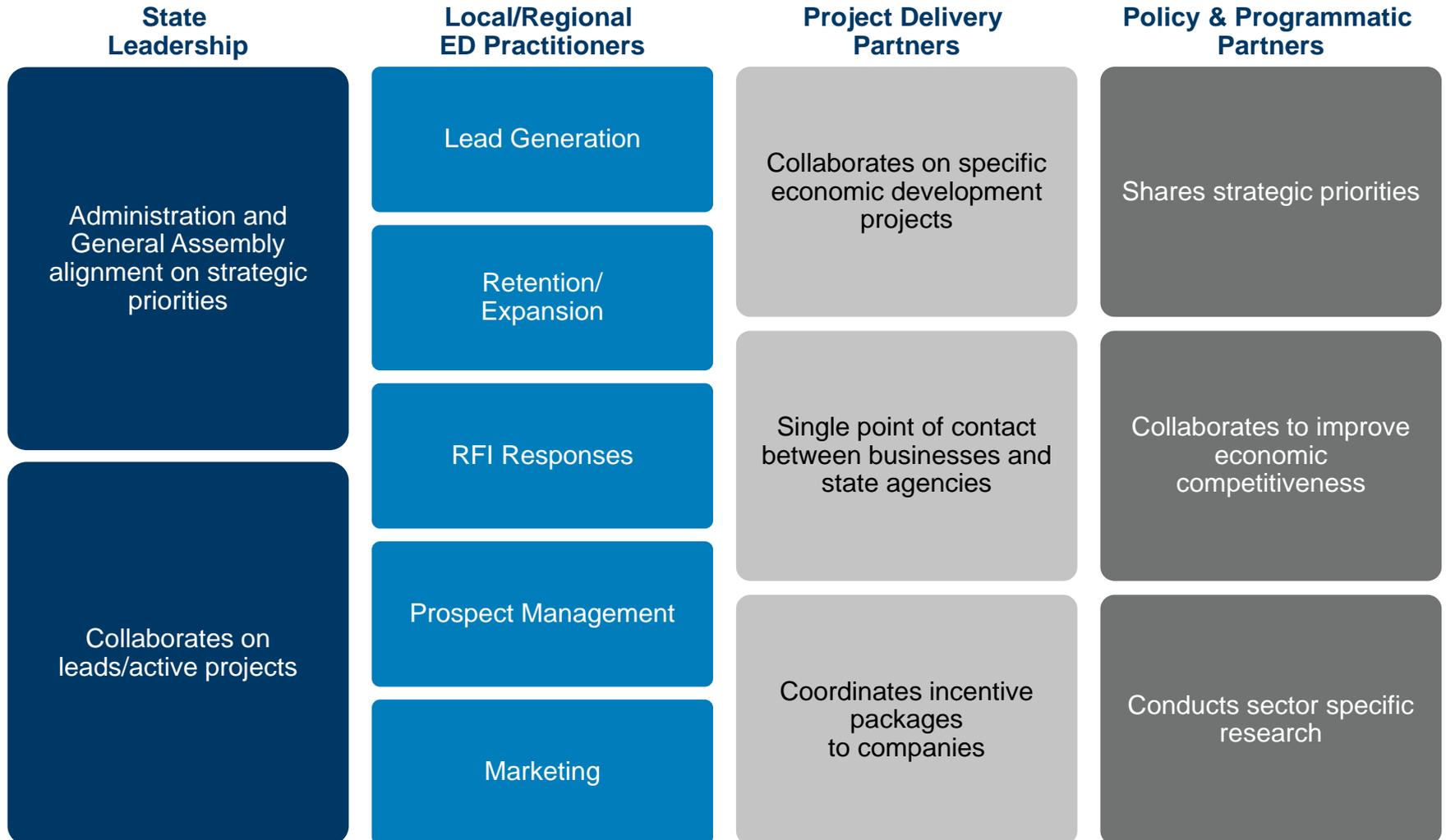
4 Top State EDO

5 Super Collaborator

WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?



VEDP CONDUCTS ITS WORK IN CLOSE PARTNERSHIP WITH OTHERS

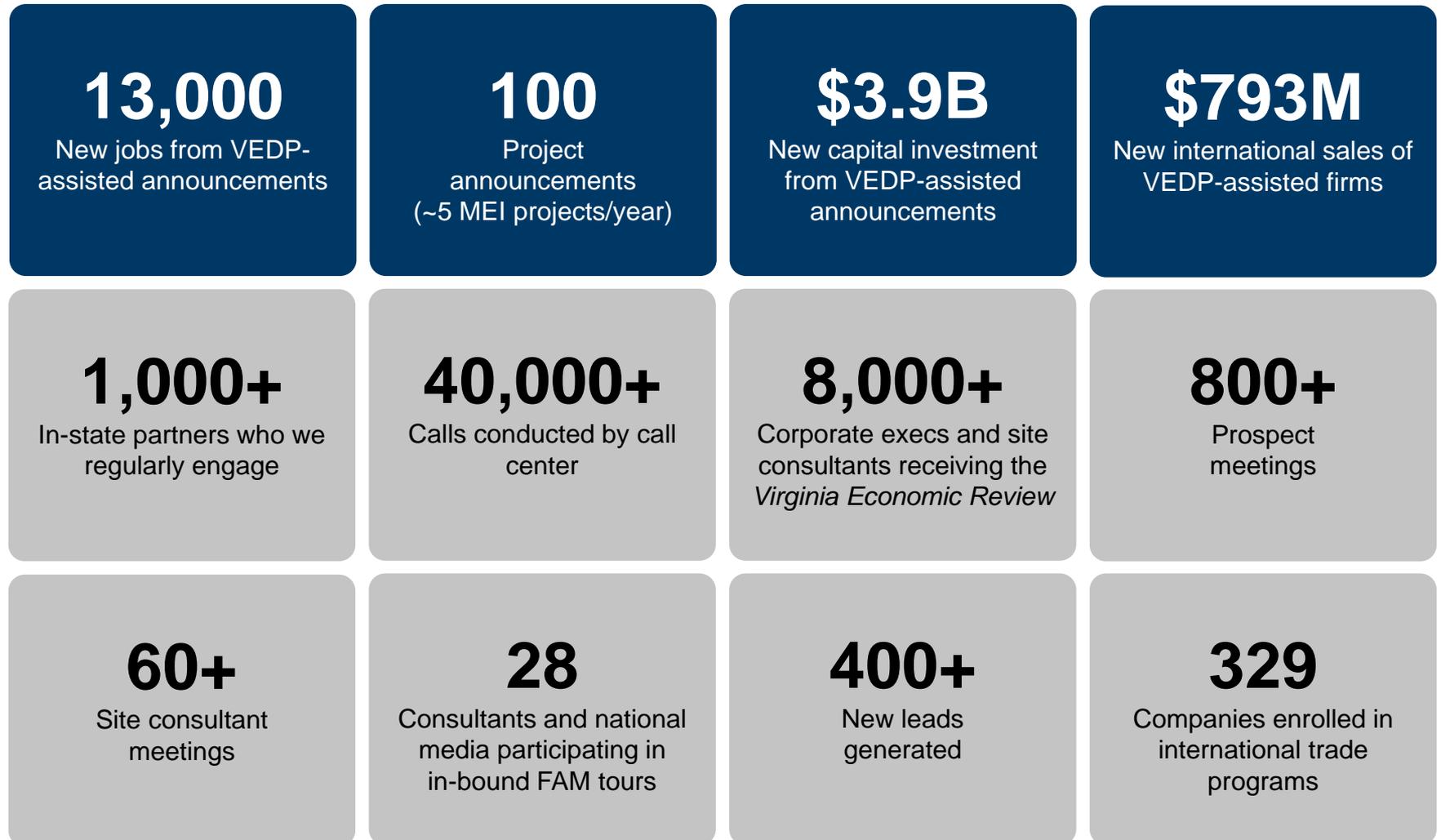




ILLUSTRATIVE VEDP ACTIVITIES

Micron Technology Inc., Manassas City

VEDP BY THE NUMBERS: A TYPICAL YEAR



VEDP'S PROJECT ACTIVITY SPANS ALL REGIONS OF THE COMMONWEALTH

VEDP Business Investment activities by GO Virginia region

Unique VEDP-sourced opportunities referred to a region & project announcement information, FY17 to YTD20

Region 9

Leads	85
DVA	17
CapEx (\$M)	376
Jobs	1,012

Region 7

Leads	124
DVA	93
CapEx (\$M)	6,311
Jobs	41,842

Region 8

Leads	179
DVA	45
CapEx (\$M)	1,754
Jobs	3,546

Region 6

Leads	105
DVA	15
CapEx (\$M)	64
Jobs	608

Region 2

Leads	200
DVA	59
CapEx (\$M)	1,081
Jobs	4,492

Region 4

Leads	329
DVA	62
CapEx (\$M)	2,270
Jobs	7,188

Region 1

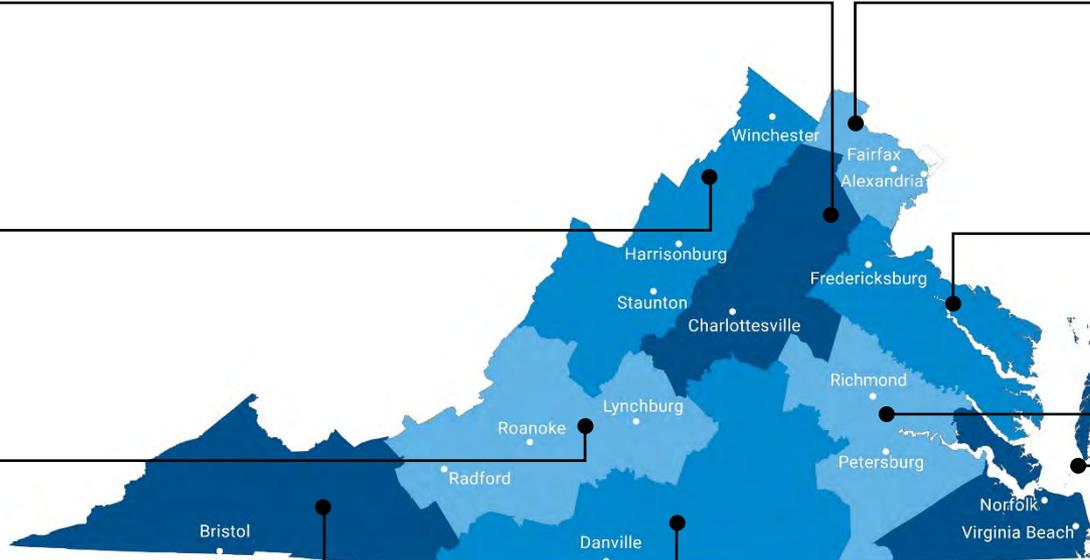
Leads	169
DVA	32
CapEx (\$M)	192
Jobs	1,795

Region 3

Leads	189
DVA	36
CapEx (\$M)	692
Jobs	2,890

Region 5

Leads	258
DVA	60
CapEx (\$M)	855
Jobs	8,403



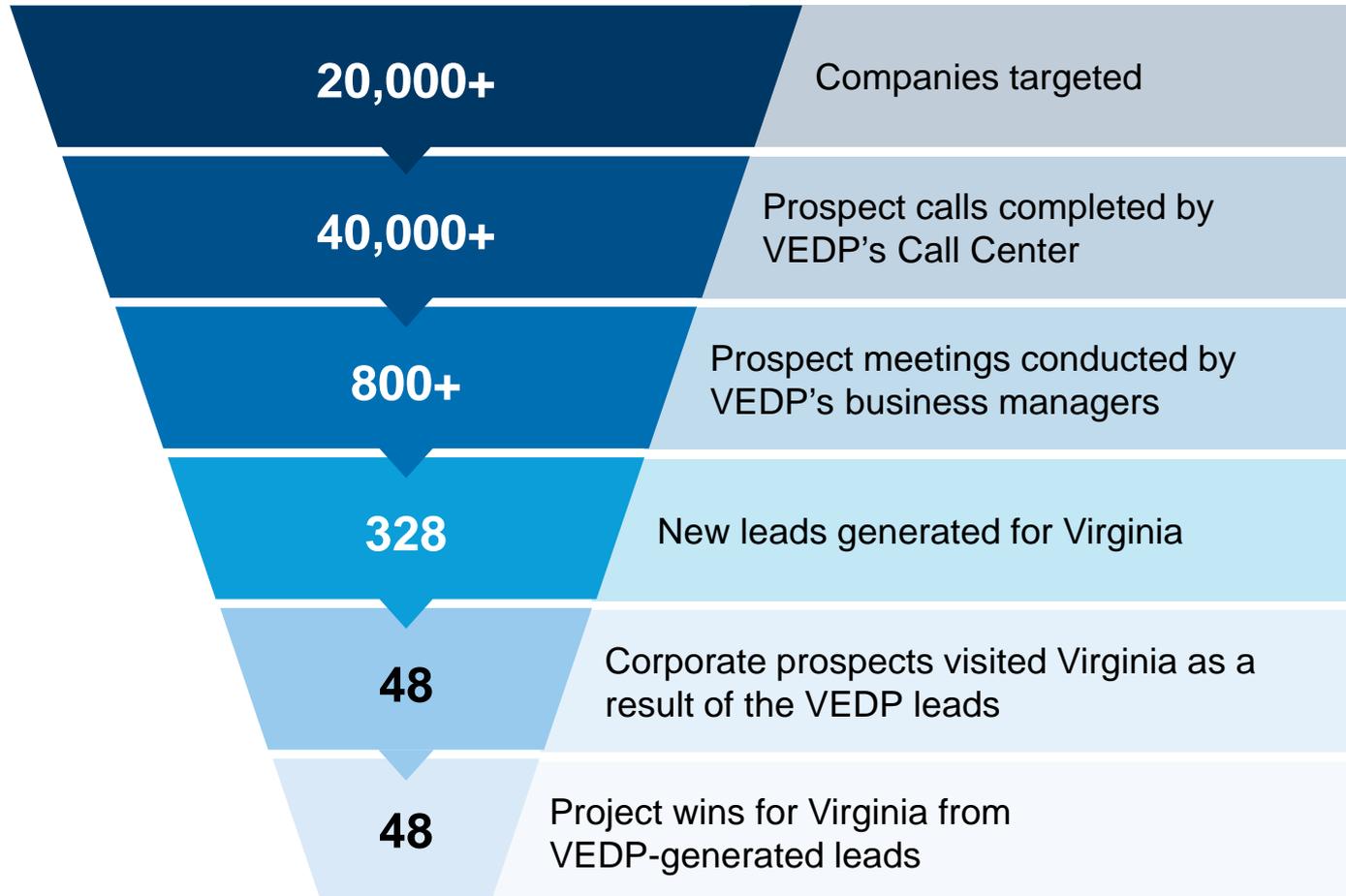
DVA refers to Decisions for Virginia

Note: One opportunity can be counted multiple times across regions. However, multiple properties referred to the same opportunity in the same region are only counted once for that region.

Source: VEDP Salesforce data; VEDP Announcements Database, 06.18.2020

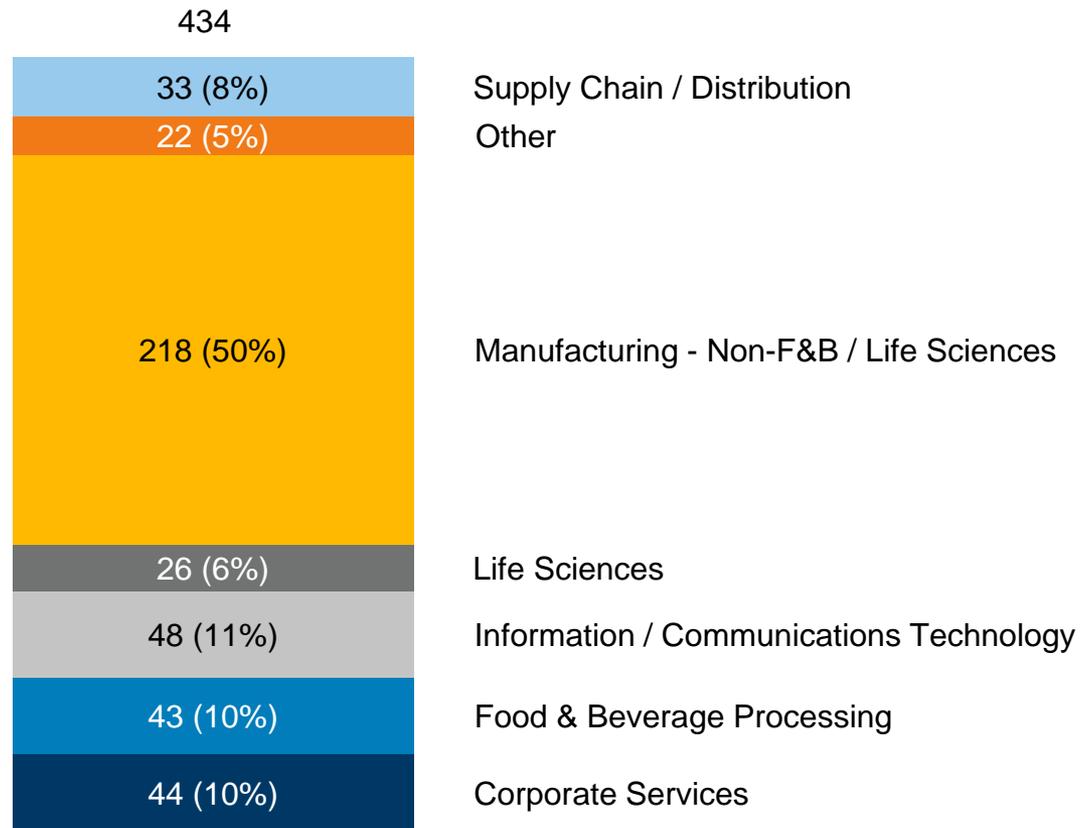
VEDP'S LEAD GENERATION PROGRAM PRODUCES A STRONG PROJECT PIPELINE FOR VIRGINIA

FY20 Lead Generation program by the numbers



HALF OF VEDP'S CURRENT PIPELINE IS REPRESENTED BY MANUFACTURING PROJECTS

VEDP project pipeline by industry sector¹



¹As of June 12, 2020

PRIMARY AND SECONDARY SELECTION FACTORS FOR SITE-SELECTION COMPETITIONS

Primary selection factors*

- Quality, availability, and cost of target workforce
- Proximity to key customers and suppliers
- Availability of target real-estate solution (size, cost, control, water/sewer/rail connectivity, etc.)
- Tax and regulatory climate
- Transportation infrastructure
- Operating costs (electricity, insurance, workers comp, etc.)
- Quality-of-life factors (public K-12 options, regional amenities, crime rate, etc.)
- Accurate and thorough RFI, RFP, and proposal requests

Secondary selection factors**

- Availability and quality of customized recruitment and training solutions
- Customized (discretionary) incentives
- By-right financial incentives
- Level of state-and-community support (e.g., fast-track permitting)
- Personal preferences of executives involved in decision process (e.g., affinity for a particular place)
- Strong business retention program to assist with corporate intelligence and after care
- Creative and innovative solutions to key project decision factors

* Priority of selection factors varies from project to project; however, quality and availability of workforce almost always is one of the top three considerations

** Typically these factors come into play when multiple locations offer relatively comparable characteristics relative to primary site-selection criteria; however, a large incentive package can represent a primary selection factor

Source: VEDP CEO experience with hundreds of site-selection projects; Site Selection (January 2018); VEDP analysis

TOP REASONS VIRGINIA IS NOT CONSIDERED OR LOSES PROJECTS

<p>If Virginia not considered</p>	<ul style="list-style-type: none"> ▪ Company executives unaware of Virginia’s advantages for their industry* ▪ Company only considers states with substantial incentive offerings ▪ Company and/or site consultant screen out states based on high state/local tax burdens on new investment** ▪ Concern over potential shift in public policy environment
<p>Virginia considered but not selected</p>	<ul style="list-style-type: none"> ▪ Lack of suitable site or building option (e.g., not pad-ready, insufficient infrastructure, incomplete due diligence) ▪ Availability of skilled workforce (typically in smaller regions) ▪ Much smaller incentive packages compared to competitors (e.g., Georgia, North Carolina, South Carolina, Alabama, etc.) ▪ Operating costs and regulatory burden (e.g., machinery and tools taxes, market-based sourcing versus cost of performance for service based/HQ projects, zoning, permitting, licensing, reporting requirements) ▪ Inadequate utility/transportation infrastructure

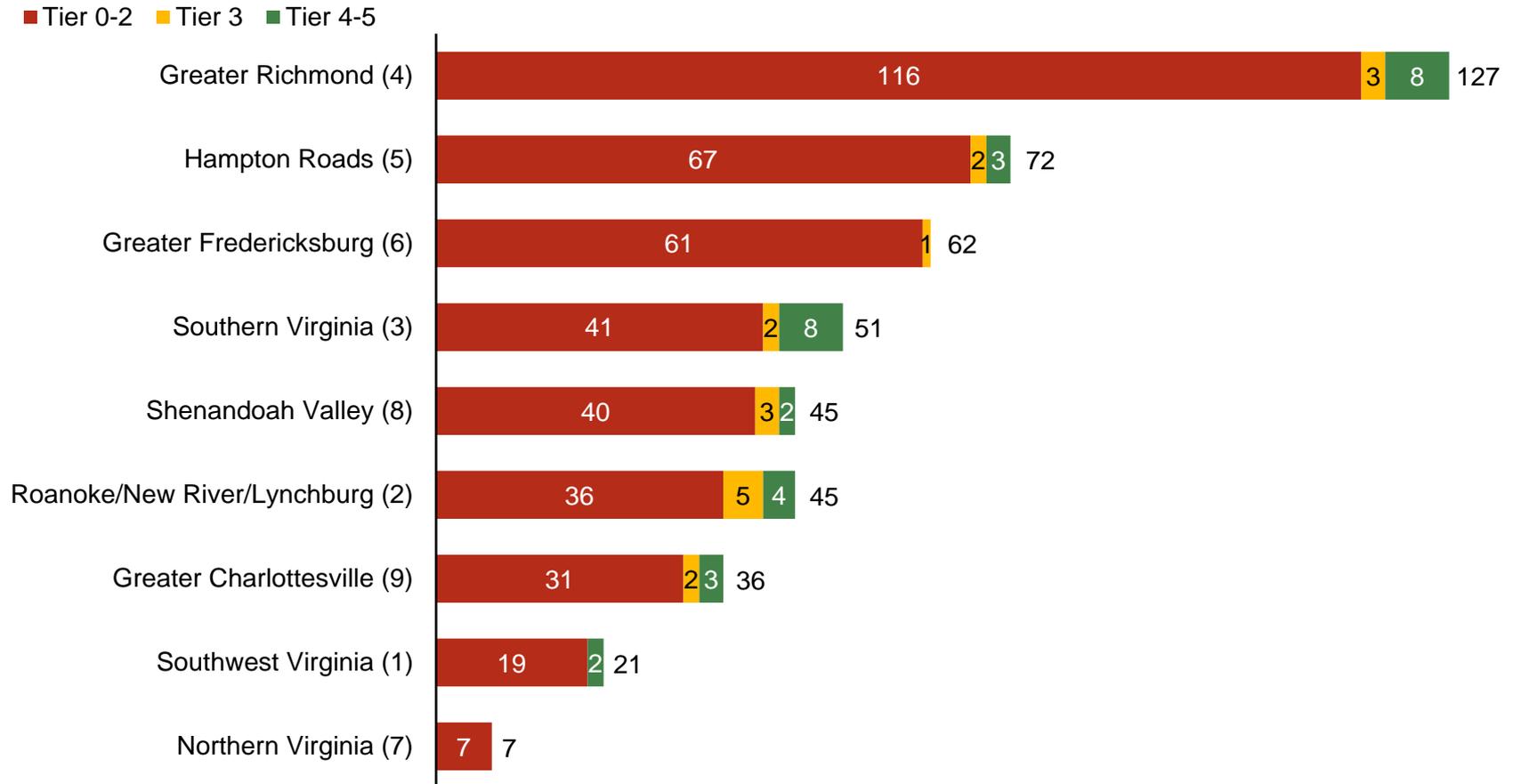
*Largely due to a lack of awareness of Virginia’s advantages for business, the Commonwealth typically ranks well below most of its leading competitors in surveys of corporate execs (e.g., in the latest Chief Executive survey, Virginia ranks no. 16, while Texas, Florida, Tennessee, and North Carolina rank nos. 1, 2, 4, and 6, respectively, i.e., all at least 10 spots ahead of Virginia)

**While Virginia is a relatively low-tax-burden state for existing businesses, it is a relatively high-tax state for most types of new business investment due to its lack of statutory tax credits/incentives for new business investment and job creation

Source: Tax Foundation; interviews with site consultants; Salesforce records; VEDP analysis

THE VAST MAJORITY OF SITES IDENTIFIED FOR PROJECTS IN VIRGINIA ARE NOT PREPARED TO BE COMPETITIVE

GO Virginia Region sites
Region (#), Total Sites, N=466

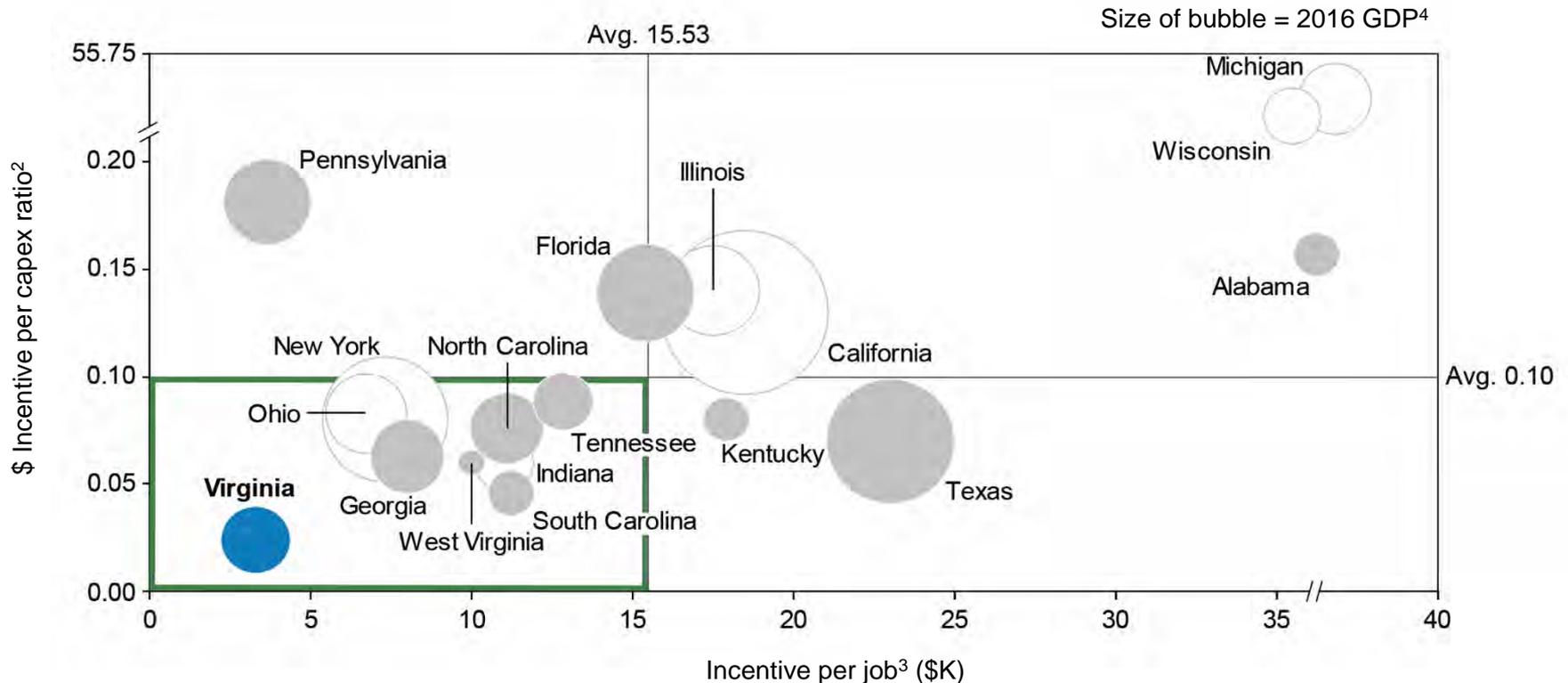


HOW WE THINK ABOUT INCENTIVES IN VIRGINIA

- Virginia primarily makes its case on its total value proposition (note: we periodically lose projects to other southern states with comparable business climates but more robust incentive offerings)
- Typically only for competitive situations (e.g., firm also considering North Carolina and Georgia)
- Performance-based (i.e., companies only receive or keep what they earn)
- Transparent public reporting of post-announcement performance
- Robust enforcement of clawbacks, where applicable (most incentives now paid post-performance)
- Funds typically used to address site-specific needs, on- or off-site infrastructure improvements, and talent recruitment and training efforts
- Same thinking on incentives utilized for existing firms as for new-to-Virginia firms
- HQ2: a potential model for the future (i.e., modest company incentives, targeted industry sector competitiveness investments via Tech Talent Investment Program or something comparable)

ON AVERAGE, VIRGINIA OFFERS THE LOWEST INCENTIVES PER JOB AND PER DOLLAR INVESTED RELATIVE TO COMPETITOR STATES

Incentive per job & capex among peers¹
2013 – 2017



¹As of February 14, 2018 for all states except AL and TN, for which data is as of March 5, 2018

²Total incentives divided by total capital investment agreed upon by state and companies at the time of project announcement

³Total incentives divided by total jobs (new and retained) agreed upon by state and companies at the time of project announcement

⁴2016 real GDP (chained to 2009 USD)

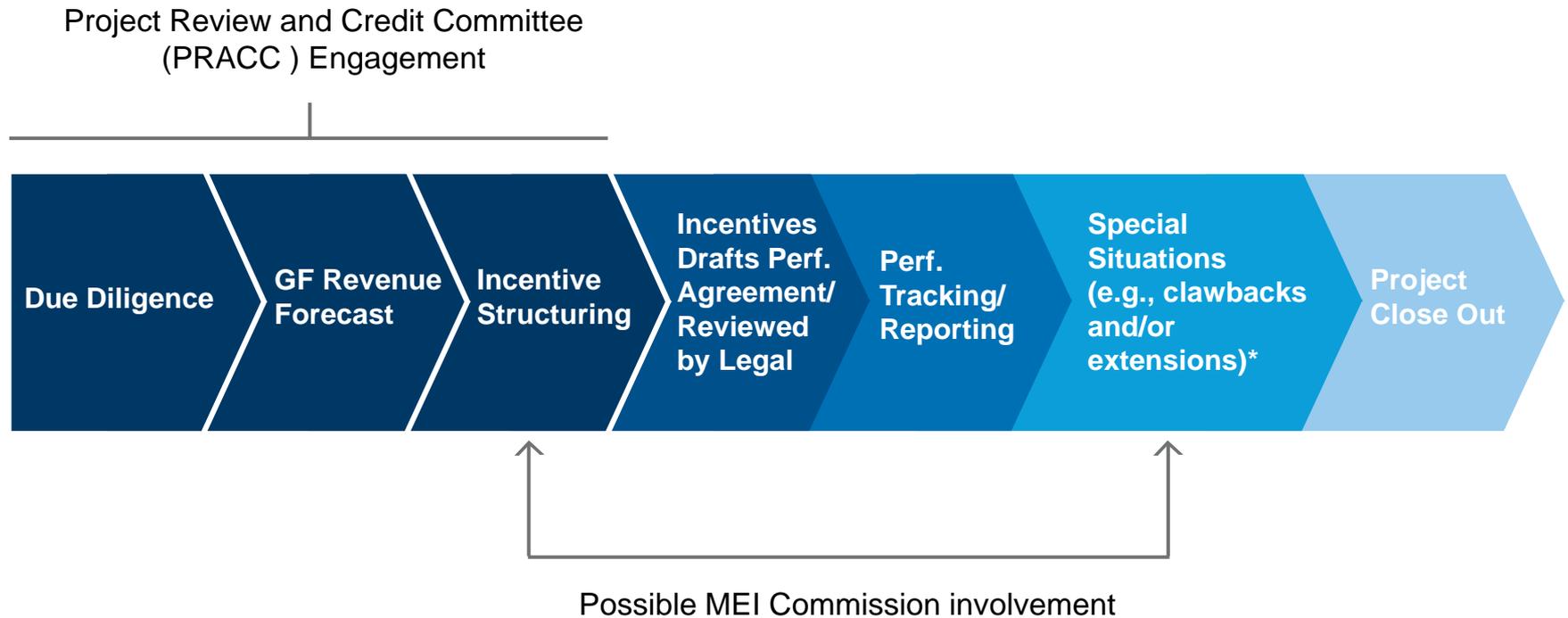
Source: IncentivesMonitor – WAVTEQ (www.IncentivesMonitor.com); Moody's

PERFORMANCE-BASED GRANT PROGRAMS ARE AVAILABLE TO INCENTIVIZE AND ATTRACT COMPANIES

Type of grant program	How incentive works	Examples
By right	<ul style="list-style-type: none"> Awarded automatically to all companies or projects that meet eligibility criteria (no discretion) 	<ul style="list-style-type: none"> Data Center Sales and Use Tax exemption (w/MOU) EZ MBJFTC
Discretionary*: Administration Approval	<ul style="list-style-type: none"> Administered by agencies that have some discretion over grant recipients and amounts awarded Projects and/or companies must meet certain eligibility criteria Payment generally subject to agreed-upon performance May target specific industries, geographies, or projects based on eligibility requirements 	<ul style="list-style-type: none"> COF MEE VEDIG VIP VJIP VA Talent Accelerator
Discretionary*: MEI Approval	<ul style="list-style-type: none"> Awarded on a case-by-case basis Generally no discretion over recipient(s) of grant Typically larger amount Payment generally subject to agreed-upon performance 	<ul style="list-style-type: none"> Custom performance grant (Morgan Olson) Hybrid of custom performance grant and community/competitive investment (e.g., HQ2, Merck)
Capacity building	<ul style="list-style-type: none"> Generally awarded to communities (e.g., industrial park, broadband access) 	<ul style="list-style-type: none"> Brownfields Restoration GOVA VBRSP

*Any discretionary incentive offer that exceeds \$10M either independently or in combination with a by right incentive will be reviewed by the MEI Commission

LIFE CYCLE OF DUE DILIGENCE FOR AN ECONOMIC DEVELOPMENT PROJECT



*Possible increase in extension requests related to Covid-19 crisis

The image shows the Virginia State Capitol building, a neoclassical structure with prominent white columns and a pediment. In the foreground, a large circular seal is embedded in the pavement. The seal features a central figure holding a scale and a sword, surrounded by the Latin motto "EMPER TYRANNIS" and decorative floral patterns. A blue diagonal overlay covers the left side of the image, containing the title text.

MEI PROJECT EXAMPLES AND EXTENSIONS

Virginia State Capitol

A VARIETY OF PROJECT INCENTIVE STRUCTURE MODELS HAVE BEEN APPROVED BY MEI IN THE PAST

- Custom performance grants paid to the company for achieving investment and employment metrics; typically grants are paid post-performance (i.e., after Virginia is projected to have received a comparable or larger amount of general fund revenue) (e.g., Morgan Olson)
- Hybrid of custom performance grants to the company and public competitiveness investments (i.e., education and infrastructure) (e.g., Merck, Amazon HQ2)
- Public infrastructure designed specifically to secure a particular project (e.g., offshore wind manufacturing at The Port of Virginia)*
- Substantial capital investments by companies resulting in significant sales and use tax exemptions, combined with relatively modest discretionary incentives (e.g., Microsoft Data Center, Westrock)



*Project pending MEI approval

OVERVIEW OF BRIEFING MATERIALS PROVIDED TO MEI TO ENSURE MEMBERS CAN MAKE WELL-INFORMED DECISIONS

All projects have certain elements:

- Project overview
 - Capex, jobs, salary
 - Competition (if known)
 - Employment multiplier
- State's incentive recommendation
- Local incentive commitment
- Risk assessment for company and proposed incentive
- Break even period/estimated revenue
- Description of key deal terms planned for performance agreement/MOU
- Review of previously awarded state incentives to company, if any
- Comparison of recently reviewed MEI projects
- State's current commitments for other custom grants
- Details on proposed public competitiveness investments (if applicable)

Additional project-specific information that may be provided for very large projects (e.g., HQ2):

- Analysis of unique project-specific risks and how they will be mitigated (if applicable)
- Impact on regional housing market
- Analysis of competitive landscape

EXTENSION PROCESS

- COF projects generally have a 36-month performance period, but some projects may have up to 60 months
- Any extension request will require the company to demonstrate their plan to successfully achieve their pledged capex and jobs (e.g., received a new contract, actively recruiting)
- Companies that have not met their performance targets within the performance period, can request a first extension of up to 15 months
 - First extensions require PRACC and VEDP Board approval
- In the event a company is unable to meet their targets with the initial extension, a second extension (up to 15 months) may be requested
 - Second, and any subsequent, extensions require PRACC, VEDP Board, and MEI approval
 - Code permits additional extensions (beyond a second extension), however VEDP has never requested one



POST-COVID RECOVERY OPPORTUNITIES

Virginia State Capitol

THE COMMONWEALTH'S STRATEGIC ECONOMIC OPPORTUNITIES FOR THE FUTURE IS DESIGNED AROUND FOUR BIG OPPORTUNITIES



1. Capture manufacturing reshoring and new supply chain opportunities

- Industry analysis and surveys indicate a significant share of manufacturers will likely bring production and sourcing back to the United States in response to the COVID-19 pandemic
- Additionally, as businesses around the world reconfigure their global supply chains and increase resiliency, many new opportunities will emerge for Virginia exporters
- Virginia can capture these job-creation opportunities by investing in targeted business investment, international trade, and related support activities



2. Accelerate Digital Virginia (cloud computing, software, data centers)

- The COVID-19 pandemic has accelerated the transition towards a digital economy for businesses and consumers around the world
- As an established U.S. tech leader, Virginia is well positioned to capitalize on these opportunities in software development, cloud computing, data centers, and other technologies
- Virginia can capture a larger share of this post-COVID tech wave by complementing existing efforts (e.g., TTIP) with targeted enhancements in our incentive programs, tax policy, and broadband infrastructure



3. Seize telework transition opportunities, with special focus on rural and small metro regions

- With the widespread shift to telework during the pandemic, industry experts and business leaders are signaling that telework will become the (permanent) new normal for a much larger share of workers
- Virginia can capture these talented professionals (and the tax revenue they generate) by deploying creative incentive and marketing approaches that focus on both businesses and individuals that telework



4. Retool and reskill Virginia's (unemployed) workforce for post-COVID career opportunities

- Low-skill workers, women, and racial minorities were disproportionately impacted by the economic shock resulting from COVID-19, and likely will make up a significant share of the long-term unemployed in the absence of targeted efforts
- In addition to new job creation opportunities for the Commonwealth, we have an opportunity to connect displaced workers with higher-wage employment opportunities through workforce initiatives such as “Get Skilled, Get a Job, Give Back” (G3), Virginia Talent Accelerator Program, Virginia Jobs Investment Program (VJIP), and targeted investments in sub-baccalaureate fields

Impact

- Secures roughly 10,000 new direct jobs each year (~20,000 total jobs per year)
- Generates roughly \$50-75 million per year in additional state general fund revenue

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MAJOR EMPLOYMENT AND INVESTMENT (MEI) COMMISSION

- Pursuant to § 30-310, Code of Virginia, the MEI Commission reviews proposed incentive packages, including but not limited to economic development projects recommended by VEDP, that would entail special appropriations requiring the creation of legislation and/or that are expected to receive a state incentive package in excess of \$10 million in combined cash grants, tax incentives, such as credits and exemptions, and other incentives
- Any discretionary incentive package that would entail an in-state relocation of a Virginia employer will be reviewed by the MEI Commission
- All second extensions of performance agreements also require MEI review and approval

Codified membership:

- 7 members from the House of Delegates
- 5 members from the Senate
- 2 ex-officio:
 - Secretary of Commerce and Trade
 - Secretary of Finance

CHANGES TO THE MEI COMMISSION IN THE 2020 GA SESSION

	Prior to July 1, 2020	Present day (SB587)
Membership	5 members from the House of Delegates 3 members from the Senate Secretary of Commerce and Trade Secretary of Finance	7 members from the House of Delegates 5 members from the Senate Secretary of Commerce and Trade Secretary of Finance
Types of Projects	Economic development projects	Economic development, <i>film, and episodic television projects</i>
Projects with only by right tax benefits	Review	No review required
Materials to be presented	Value of the incentive ROI Time frame for repayment Average wages Cap ex required The need for enhanced employment opportunities	Value of the incentive ROI Time frame for repayment Average wages Cap ex required The need for enhanced employment opportunities <i>Total amount of state incentives provided in the past to the sponsor</i> <i>List of all other nondiscretionary tax credits or exemptions for which the sponsor may qualify</i>
Materials to be provided	48 hours prior to the scheduled meeting	<i>Five business days</i> prior to the scheduled meeting

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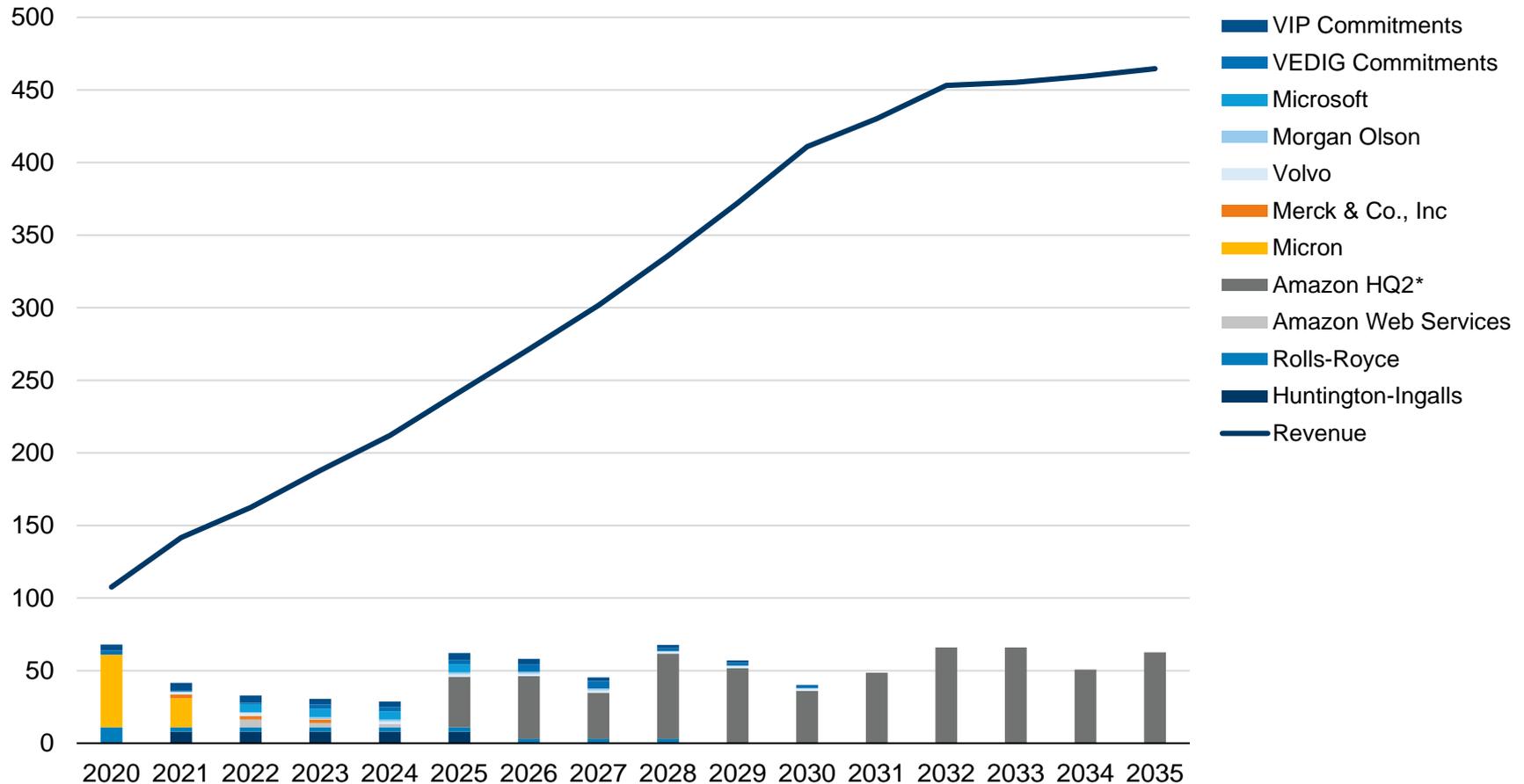
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ANNUAL GENERAL FUND REVENUE FAR EXCEEDS INCENTIVE COMMITMENTS TO COMPANIES

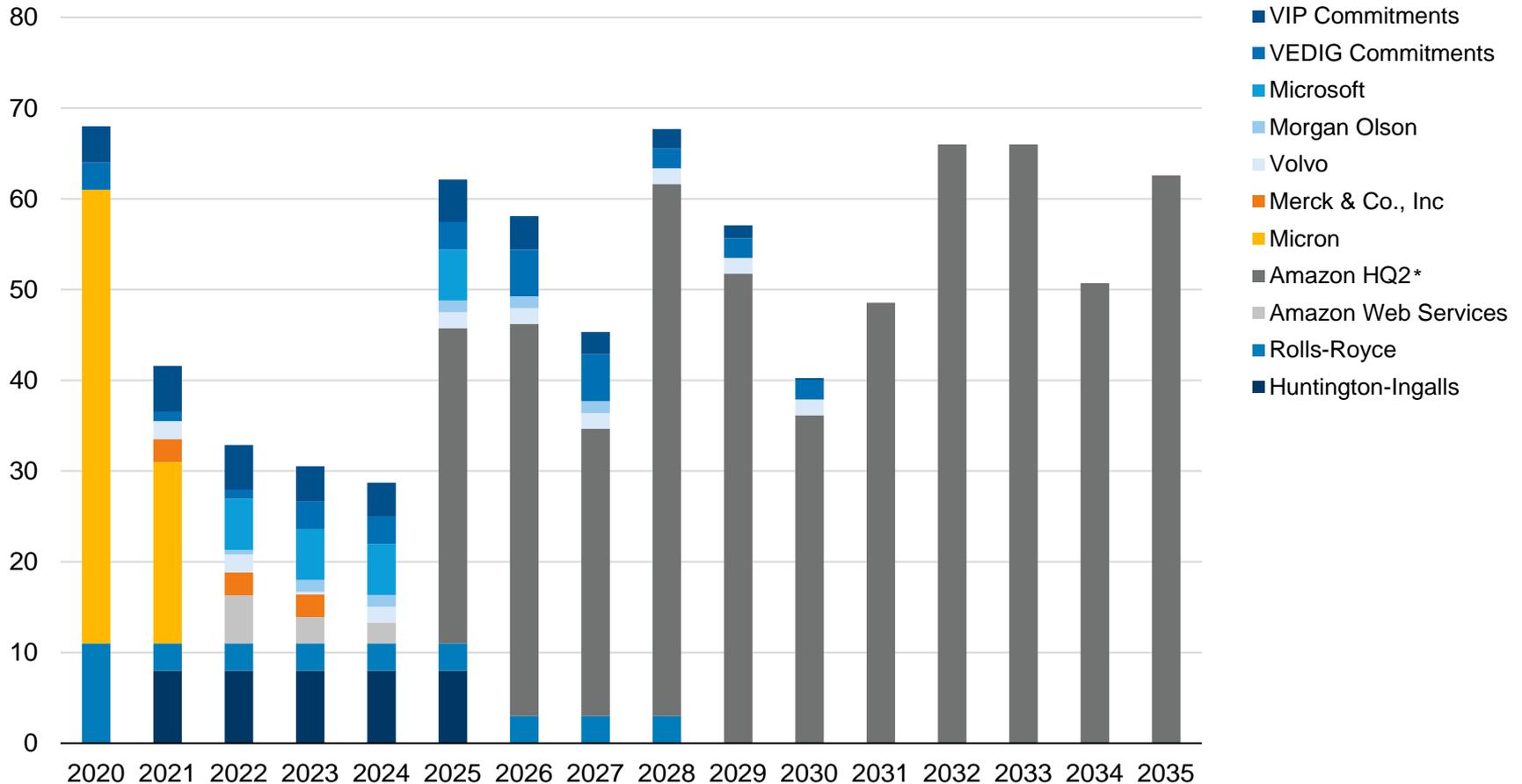
Incentive commitments to companies and annual SGF revenue
Through FY2035 (\$M)



*Amazon HQ2 incentive payments by year are estimates based on the company's job-creation forecast shared prior to the project announcement in November 2018; actual incentive payments due to Amazon each year are based on the company's eligible job creation four years prior

INCENTIVE COMMITMENTS TO COMPANIES ARE FAIRLY EVENLY DISTRIBUTED OVER TIME

Incentive commitments to companies
Through FY2035 (\$M)



*Amazon HQ2 incentive payments by year are estimates based on the company's job-creation forecast shared prior to the project announcement in November 2018; actual incentive payments due to Amazon each year are based on the company's eligible job creation four years prior

BACKGROUND ON PENDING CLAWBACK MATTER REFERRED TO THE OFFICE OF THE ATTORNEY GENERAL

- The Code of Virginia (§ 2.2-2237.3) provides a mechanism by which the VEDP Board may refer clawback collection matters to the Office of the Attorney General (OAG):
 - *“If it is determined that a business beneficiary is liable for the repayment of all or a portion of an economic development incentive awarded by the Commonwealth, the Board may refer the matter to the Office of the Attorney General pursuant to § 2.2-518...In any such matter referred to the Office of the Attorney General, a business beneficiary liable to repay all or a portion of an economic development incentive awarded by the Commonwealth shall also be liable to pay interest, administrative charges, attorney fees, and other applicable fees.”*

- VEDP is seeking guidance from the MEI Commission on how to address situation when the company is willing to repay part of the repayment owed:
 - Should we ever settle clawback matters for less than the full amount owed?
 - If so, who should provide consultation and/or approval to the OAG?

POTENTIAL OPTIONS ON HOW TO HANDLE OAG CLAWBACK COLLECTION MATTERS GOING FORWARD

Options*	Pros	Cons
1. Defer to OAG on all settlement matters (i.e., by standing policy, MEI/Board directs VEDP staff to approve OAG recommendations)	<ul style="list-style-type: none"> ▪ Fully leverages OAG expertise and proximity to negotiation to optimize outcome for Virginia 	<ul style="list-style-type: none"> ▪ Periodically may result in settlements that are less than full amount owed (i.e., not “clearest” public message)
2. MEI provides final guidance and/or approval following OAG settlement recommendation (could also involve input from VEDP Board and others)	<ul style="list-style-type: none"> ▪ Ensures GA leaders are comfortable with settlement ▪ May result in some partial repayments (vs. zero) 	<ul style="list-style-type: none"> ▪ Causes delays that may harm our negotiating position in time-sensitive situations ▪ May result in some partial repayments (vs. zero)
3. VEDP provides final guidance and/or approval following OAG settlement recommendation (<\$250K to staff, \$250K+ to Board)	<ul style="list-style-type: none"> ▪ Ensures VEDP Board is engaged in larger matters ▪ May result in some partial repayments (vs. zero) 	<ul style="list-style-type: none"> ▪ <i>Similar to Option 2, plus limits degree of GA buy-in</i>
4. Hybrid of Options 2-3 based on <u>potential reduction</u> vs. amount owed (e.g., <\$100K to Board, \$100K+ to MEI)	<ul style="list-style-type: none"> ▪ <i>Similar to Options 2-3, with larger matters going to MEI</i> 	<ul style="list-style-type: none"> ▪ <i>Similar to Options 2-3</i>
5. Never settle for less than full amount owed	<ul style="list-style-type: none"> ▪ Represents strictest possible clawback enforcement ▪ Likely offers the “clearest” option re: public message ▪ Avoids discretionary decision-making 	<ul style="list-style-type: none"> ▪ Potentially results in nothing collected in some cases (e.g., bankruptcies) where there is an opportunity to receive partial repayment

*Any settlement that would result in reduction of amount owed by \$250K or more would require approval of the Governor

OUTSTANDING CLAWBACK FOR TRANLIN, A PROJECT ORIGINALLY APPROVED BY MEI IN 2014 PRIOR TO VEDP REFORM

- MEI approved a total incentive package of \$31.1M. Of that total package the company received \$5M in COF approved by the Governor on 6/17/2014
- Project did not move forward and VEDP requested the grant to be repaid in full
- Amount repaid:
 - \$150,000 repaid 10/24/2017
 - \$38,274 repaid 9/19/2019
- The remainder was to be repaid in six monthly installments of \$833,561 each, beginning 12/1/2017, the repayments were secured by deed of trust on the land
- The VEDP Board, at its 1/17/18 meeting, directed the Office of Attorney General to enforce collection of clawback
- VEDP is working to secure a majority of the outstanding grant owed through the sale of the land

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Established in 1975, Microsoft is a publicly held corporation with revenues surpassing \$125 billion and nearly 156,000 employees worldwide. The company enables digital transformation for the era of an intelligent cloud and an intelligent edge. Microsoft has had a presence in Virginia since 2002, with corporate locations in Reston and the Richmond area as well as an enterprise data center in Mecklenburg County. The company's new software development and R&D regional hub in Fairfax County also includes a new retail space for engaging directly with customers.

New Jobs | 1,500

Capital Investment | \$64M

Incentives | \$22.5M

“ We’ve had a presence in Reston for many years now, and this expansion will allow Microsoft to deliver even more solutions from a region known for its innovation and passion for technology. ”

Terrell Cox
Microsoft Corp.
May 27, 2020





Morgan Olson, LLC, North America's leading manufacturer of all-aluminum walk-in step vans, will establish a new walk-in step van assembly operation in a 925,000-square-foot plant in Danville-Pittsylvania County currently owned by IKEA. The company is the first to receive support from the new Virginia Talent Accelerator Program.

New Jobs | 703

Capital Investment | \$57.8M

Incentives | \$7M

“ One of the most attractive aspects of locating in Danville-Pittsylvania County is that we will be able to take advantage of the new Virginia Talent Accelerator Program, which will help us quickly attract and train the high-quality workforce we need to deliver for our customers. ”

Mike Ownbey
Morgan Olson
October 25, 2019





Merck & Co., Inc., a publicly held global healthcare company known as MSD outside the United States and Canada, plans to expand its manufacturing operation in Rockingham County. The company will add 120,000 square feet to its existing 1.1 million-square-foot operation in Elkton, Virginia to increase production of its Human Papillomavirus (HPV) vaccines.

New Jobs | 100

Capital Investment | \$1B

Incentives | \$7.5M

“ Our strong partnerships with local and state elected officials, educational institutions, and organizations throughout the Elkton community help us sustain our commitment to the area’s economic growth. ”

Sanat Chattopadhyay
Merck & Co., Inc
May 6, 2019





Amazon, Inc. will establish a major new headquarters in Northern Virginia that will create more than 25,000 high-paying jobs over 12 years. The economic benefits of the Amazon project will be shared throughout the Commonwealth and are expected to result in more than \$3.2 billion in new state general fund revenues over the 20-year incentive term with Amazon, after accounting for direct company incentives. In addition to the 25,000 direct jobs Amazon will create, the Commonwealth estimates the creation of more than 22,000 permanent, direct, and indirect jobs in Virginia.

New Jobs | 25,000

Capital Investment | \$2.5B

Incentives | \$550M

“We’re no stranger to Virginia. We have over 10,000 Amazonians already in the state of Virginia. And we look forward to bringing more jobs to the state.”

Holly Sullivan
Amazon
November 13, 2018





Micron Technology, Inc. will increase memory production at its operation in the City of Manassas. The expansion will position the Manassas site as Micron's Center of Excellence for long-lifecycle memory and will cement the company's position as one of Virginia's largest exporters, as it is expected to increase exports from the Commonwealth by more than \$1 billion annually after completion.

New Jobs | 1,100

Capital Investment | \$3B

Incentives | \$70M

“ Micron's Manassas site manufactures our long-lifecycle products that are built using our mature process technologies, and primarily sold into the automotive, networking and industrial markets. Micron is grateful for the extensive engagement of state and local officials since early this year to help bring our Manassas expansion to fruition. We are excited to increase our commitment to the community through the creation of new highly skilled jobs, expanded facilities and education initiatives. ”

Sanjay Mehrotra
Micron Technology
August 29, 2018



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PROJECT UNIFORM MEI COMMISSION BRIEFING

August 20, 2019

PROPOSED PROJECT FOR MEI REVIEW

Headquartered in Sturgis, Michigan, Project Uniform is one of the largest fabricators/ assemblers of high-capacity delivery vans for UPS, FedEx, and others. In 2003, Project Uniform was purchased by J.B. Poindexter & Co., Inc. (JBPCO), a diversified manufacturing company headquartered in Houston, Texas. JBPCO has eight profitable subsidiaries, with combined revenues of \$1.4 billion and 6,200 employees.

Project Uniform is expecting to expand production of several large- and mid-sized panel vans, including possibly a large contract with Amazon, resulting in the need for one or more new assembly facilities. In Virginia, the project would represent a \$57.8 million investment and the creation of 703 new jobs. The recent announcement of the closure of the IKEA facility in Pittsylvania County enabled Virginia to offer a unique and competitive real estate option to the company. The IKEA building represents a state-of-the-art manufacturing facility and the opportunity for Project Uniform to quickly onboard many of IKEA's roughly 300 existing workers. Considering that IKEA is the second largest private employer in Pittsylvania County, the possibility of another large employer acquiring the facility in such a short timeframe will help minimize the impact of the closure on the region. Company officials toured the facility and met with state and local leaders on July 22nd, and the company owner visited on July 28th. During both site visits, company officials shared Virginia is a strong contender among several competing states, which are believed to include Kentucky, North Carolina, Ohio, and possibly New Mexico.

A location decision is expected in August. An MEI review is being requested in order to offer Project Uniform a \$7.0 million special appropriation to be paid over a six-year period as the company achieves/maintains investment and employment milestones. Virginia's incentive package is also expected to include Enterprise Zone grants (\$1.5M), services from VEDP's new custom workforce recruitment and training program (~\$3.8M in market value; \$0.5M cost to Virginia), Major Business Facility Job Tax Credit (\$0.3M) and by-right sales and use exemptions (\$1.3M), a tax provision that is typical in competitor states.

SUMMARY OF REVISED CAPITAL INVESTMENT AND EMPLOYMENT

Calendar Year	20	21	22	23	24	Total
Acquisition of IKEA Building (\$M)	15.0					15.0
Taxable Construction (\$M)	3.5	0.9		0.3	0.3	4.9
New Machinery & Tools (\$M)	16.3	9.9	2.1	1.0	1.0	30.3
Tangible Personal Property (\$M)	6.0	0.9	0.1	0.3	0.3	7.7
Total Investment (\$M)*	40.8	11.7	2.2	1.6	1.6	57.8
New Jobs (\$34,274/year W2 wage)	373	320	10			703

*Numbers may not total due to rounding

STATE CUSTOM PERFORMANCE GRANT INCENTIVE RECOMMENDATION

Amount (\$M)	Grant Payout (\$M)	Breakeven	Grant per job	Incentive as a % of New State GF Revenue (Discounted)*
7.0	0.5 in FY22 1.3 in each of FY23-27	Immediate	\$10,000	86% Year 5 55% Year 10

*Estimated revenues from the sales/use tax assume 2.025% GF tax rate. Accounts for \$1.5 million in Enterprise Zone grants and \$500,000 in actual costs to VEDP for recruitment and training services from the new Custom Workforce Program

RECAP OF PROJECT ECONOMICS FOR PROJECT UNIFORM PITTSYLVANIA COUNTY

\$57.8M	<p>Capex</p> <ul style="list-style-type: none"> ▪ \$15.0M Building Acquisition ▪ \$4.9M Taxable Construction ▪ \$30.3M Production Equipment ▪ \$7.7M Tangible Personal Property ▪ Benchmark is \$14.5M 	\$7.0M	<p>Special Appropriation</p> <ul style="list-style-type: none"> ▪ \$10,000 per job ▪ \$0.5M FY22 and \$1.3M each in FY23-27
703	<p>Total New Jobs</p> <ul style="list-style-type: none"> ▪ Benchmark Jobs: 144 	\$9.0M	<p>Total State Grants</p> <ul style="list-style-type: none"> ▪ \$7.0M Special Appropriation ▪ \$1.5M Enterprise Zone Grants ▪ \$0.5M Custom Workforce Program (actual costs to VEDP)
\$34,300	<p>Average Salary (W-2)</p> <ul style="list-style-type: none"> ▪ Pittsylvania County: \$35,932 	\$0.8M	<p>5-Year Est. Net Revenues (NPV)*</p>
1.9	<p>Employment Multiplier</p> <ul style="list-style-type: none"> ▪ 336211 (Motor Vehicle Body Manufacturing) 	\$6.4M	<p>10-Year Est. Net Revenues (NPV)*</p>
August	<p>Anticipated Location Decision</p>	Immediate	<p>Positive Return-on-Incentive</p>

*Estimated revenues from the sales/use tax assume 2.025% GF tax rate

COSTS AS A PERCENT OF ESTIMATED NEW REVENUES

	Financial Commitment & Revenues (\$M) ¹	
	5-Year	10-Year
Estimated state revenues²	7.0	16.7
State incentives³	6.1	9.0
State incentives as a percent of estimated state revenues	87%	54%
Estimated local revenues	0.7	1.1
Local incentives⁴	2.3	2.7
Local incentives as a percent of estimated local revenues⁵	328%	245%

Proposed State Incentives (\$M)

- Special Appropriation: 7.0
- Enterprise Zone Incentives: 1.5
- Custom Workforce Program: 0.5⁶
- Tax Credits/Exemptions: 1.6

Incentives Offered by Virginia: 10.6

Incentives from Pittsylvania County (\$M)

- Land Donation: 1.9
- Job Creation Grant: 0.4
- Tax Rebate on New Investment: 0.4
- TROF Loan Repayment: 1.2

Total Local Incentives: 3.9

¹Undiscounted figures; numbers may not total due to rounding

²Estimated revenues from the sales/use tax assume 2.025% GF tax rate

³Includes \$1.5 million in Enterprise Zone grants and \$500,000 in actual costs to VEDP for recruitment and training services, but excludes tax credits and exemptions

⁴Excludes TROF grant loan repayment by Pittsylvania County

⁵Pittsylvania County will be revenue positive by year 17 of the project

⁶Represents actual costs to VEDP for services; market value of services provided by new Custom Workforce Program are estimated at \$3.8 million

PROJECT REVIEW AND CREDIT COMMITTEE (PRACC) FINDINGS

Risk Assessment of Company: Low

- Net income of \$24 million on revenues of \$239 million produced a profit margin of 10% in 2018
- Cash position of (\$2.5 million) is troublesome, but offset by a related-party receivable of \$92.5 million from the parent company
- Net worth and the current ratio both show Uniform's assets are larger than its liabilities

	12/31/2018*	2017	2016
Net Income (\$M)	24	29.6	17.6
Profit Margin	10.0%	8.9%	5.9%
Cash and Cash Equivalents (\$M)	-2.5	-2.8	-.88
Total Assets (\$M)	154	128.8	111.2
Total Liabilities (\$M)	24.4	23.1	35.1
Net Worth (\$M)	129.7	105.7	76.1
Current Ratio (CR)**	6.1	5.4	2.9
Debt to Worth (D/W)** -- No outstanding debt	N/A	N/A	N/A

*Net Income and Profit Margin figures are from the company's income statement covering 01/01/18 to 12/31/18. The remaining categories are from the company's balance sheet as of 12/31/18

**Industry median for current ratio and debt to worth for the motor vehicle body and trailer manufacturing sector is 1.8 and 2.0, respectively for the 12 months ending March 2018

RISK ASSESSMENT OF INCENTIVE: LOW

- Grant payments released to the company only after Uniform reaches and/or maintains capex and net new job creation targets generating sufficient revenues exceeding total state grants; positive return is immediate
- Grants released in annual installments after July 1 based upon previous calendar year performance; \$500,000 in FY22 and \$1.3 million in fiscal years 2023-2027
- Well-capitalized, existing company with a large market presence in the step and panel van sector; the company has several large assembly contracts in place

Calendar Year	20	21	22	23	24	25	26	27	28	29
Est. cumulative revenues (\$M)*	0.6	1.8	3.4	5.2	7.0	8.8	10.7	12.7	14.7	16.7
Cumulative State incentives (\$M)**	0.3	1.4	3.0	4.5	6.1	7.7	9.0	9.0	9.0	9.0
Est. cumulative net revenue** (\$M)	0.3	0.4	0.5	0.6	0.9	1.1	1.7	3.7	5.7	7.7

*Figures are undiscounted and numbers may not total due to rounding. Estimated revenues from the sales and use tax assumes the 2.025% General Fund sales tax rate

**Includes \$1.5 million in Enterprise Zone grants and \$500,000 in actual costs to VEDP for recruitment and training services from the new Custom Workforce Program, but excludes tax credits and exemptions

RETURN ON INCENTIVE SUMMARY

(\$ values in thousands unless noted**)

	5 Year Total		10 Year Total		15 Year Total		20 Year Total	
	Cumulative Total	Net Present Value +						
ESTIMATED STATE REVENUES (Income & Sales Tax)								
Income & Sales Tax Collected - Direct Workers	\$3,933	\$3,626	\$9,632	\$8,360	\$16,062	\$13,119	\$23,310	\$17,895
Income & Sales Tax Collected - Additional Workers	\$2,713	\$2,502	\$6,729	\$5,836	\$11,298	\$9,215	\$16,478	\$12,630
Taxable Equipment / Personal Property	\$155	\$150	\$155	\$150	\$155	\$150	\$155	\$150
Construction Materials	\$54	\$52	\$54	\$52	\$54	\$52	\$54	\$52
Tax Collected- Direct Construction Employment	\$95	\$92	\$95	\$92	\$95	\$92	\$95	\$92
Tax Collected- Additional Construction Employment	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29
ESTIMATED TOTAL REVENUES (Income & Sales Tax)	\$6,981	\$6,452	\$16,695	\$14,520	\$27,694	\$22,657	\$40,122	\$30,849
STATE COSTS								
Grants								
E.Z. Job Creation Grant	\$1,120	\$1,033	\$1,400	\$1,277	\$1,400	\$1,277	\$1,400	\$1,277
E.Z. Real Prop. Investment Grant	\$100	\$95	\$100	\$95	\$100	\$95	\$100	\$95
Custom Performance Grant	\$4,400	\$4,033	\$7,000	\$6,271	\$7,000	\$6,271	\$7,000	\$6,271
Custom Workforce Training Program	\$499	\$483	\$499	\$483	\$499	\$483	\$499	\$483
Total Grants	\$6,119	\$5,645	\$8,999	\$8,126	\$8,999	\$8,126	\$8,999	\$8,126
TOTAL STATE COSTS	\$6,119	\$5,645	\$8,999	\$8,126	\$8,999	\$8,126	\$8,999	\$8,126
ESTIMATED NET REVENUE TO VIRGINIA	\$862	\$807	\$7,695	\$6,394	\$18,694	\$14,531	\$31,122	\$22,723
* Discount Rate = 2.34%								
Average Annual Return on Incentive Benchmark		3%		6%		7%		7%
Cumulative Revenue-to-Cost Ratio Benchmark		1.1		1.8		2.8		3.8
				4.5				9.5

† Sales Tax is the General Fund dedicated portion of state sales tax

Project Analysis			Estimated Positive Cash Flow Attained		
	Project	Benchmark †	Discounted	Project ††	Benchmark
Direct New Employment	703	144	Calendar Year	2020	
			Years into Project	1.0	2.6 (31 mos.)
State Grants (NPV) per New Job	\$11,559**	\$8,886**			
Direct Investment	\$57.8 M	\$14.5 M	Undiscounted		
			Calendar Year	2020	
Company Investment per State Grants (NPV)	\$7.1**	\$38**	Years into Project	1.0	2.5 (30 mos.)

†Averages based on announced ROIs with COF and/or VIP FY011-FY15, except for Direct Investment which is the median. COF (NPV) per New Job is based on projects that were awarded COF. ††Projects are assumed to take at least one year to achieve positive cash flow and are rounded to the nearest quarter.

	Estimated Positive Cash Flow Attained				
	Payout Starts	Annual Payout	Payout Years	Total Payout	Payout Ends
E.Z. Job Creation Grant	2021	N/A	5	\$1,400	2025
E.Z. Real Prop. Investment Grant	2021	\$100	1	\$100	2021
Custom Performance Grant	2021	\$500	6	\$7,000	2026
Custom Workforce Training Program	2020	\$265	3	\$499	2022

Revenue Ratio Year 5	
Employment	95%

KEY TERMS PLANNED FOR PERFORMANCE AGREEMENT

- Creation and retention of jobs, wages, and capital investment consistent with this presentation
- The custom performance grant is envisioned to be released in annual installments of \$500,000 in FY22 and ~\$1,860 per direct new job up to \$1.3 million per year in FY23-FY27 based upon achievement of pledged capex and net new job creation
- The annual performance period for the custom performance grant will run from January 1st to December 31st; incentive payments would be based upon attainment/maintenance of capex and net new job creation reported during the yearly performance period, with the intent to provide each annual incentive payment after July 1st of the following year
- Annual job creation and retention milestones will be based upon the average employment of the four quarters between January 1st and December 31st as reported to the Virginia Employment Commission
- In years of underperformance, the company may request a proportionally reduced grant, deferring the remaining grant payment until a later year, but not beyond the 10-year contract term
- During FY22 – FY27, the company may not receive expedited grant payments for over-achievement of employment targets, but may use jobs in excess of 703 to recoup reduced or foregone grants payments for underperformance; additionally, any grant value not yet received through FY27 may be earned by reaching the 703 target employment level during the remaining years of the 10-year contract term
- Any funds not earned by the company by the end of the 10-year contract term will be forfeited

PROJECT UNIFORM MEI COMMISSION BRIEFING: APPENDIX

TOP 10 LARGEST INCENTIVE GRANTS (ON A DOLLARS-PER-JOB BASIS) IN VIRGINIA SINCE 2005

Company	Fiscal Year	Locality	Total State Grants (\$M)	Jobs	Inv. (\$M)	State Grant/Job (Nominal Value)	Total Grants/Capex
Mennel Milling	2005	Roanoke County	0.7	3	30.8	\$233,333	2.3%
Coors	2005	Rockingham County	2.5	12	160.0	\$212,242	1.6%
SRI International	2007	Rockingham County	22.0	140	2.8	\$157,143	785.7%
Celanese Acetate	2013	Giles County	2.7	22	145.0	\$120,455	1.9%
Maersk/APM Terminals	2004	Portsmouth City	24.9	210	450.0	\$118,524	5.5%
Microsoft	2011	Mecklenburg County	5.4	50	150.0	\$107,000	3.6%
Rolls-Royce	2007	Prince George County	56.8	642	501.0	\$88,547	11.3%
Alpha Natural Resources	2010	Bristol City	5.5	69	21.0	\$79,101	26.2%
Phillip Morris	2003	Henrico County	33.5	450	47.3	\$74,462	70.8%
Philip Morris USA	2005	Richmond City	35.6	500	300.0	\$71,122	11.9%

COMPARISON OF MEI-REVIEWED MANUFACTURING PROJECTS WITH CUSTOM PERFORMANCE GRANTS

Year	Company	Pledged Inv. (\$M)	Pledged New Emp.	Salary	Total State Grants (\$M)	Grants per Job (Nominal)	Breakeven Discounted (Years)
FY20	Uniform	57.8	703	\$34,300	9.0*	\$12,800*	Immediate
FY19	Merck	1,000.0	152	\$100,000	10.0	\$65,800/ \$49,300**	Immediate
FY19	Micron Technologies	2,980.0	1,106	\$92,000	70.0	\$63,300	11.8
FY19	Volvo	400.0	777	\$51,600	16.5	\$21,200	Varies
FY18	Five Layers***	167.4	710	\$47,000	12.5	\$17,600	Immediate

*Includes \$1.5 million in Enterprise Zone grants and \$500,000 in actual costs to VEDP for recruitment and training services from the new Custom Workforce Program (market value is \$3.8M)

**Based upon the \$7.5 million portion of the special appropriation proposed to go directly to the company

***Project cancelled

APPENDIX

MEI Commission

MEI Incentive Commitments

Recent MEI Project Wins

Example of Recent MEI Project Materials

VEDP Governance and Activities

How Virginia Stacks Up

Additional Incentives Information

VEDP ENCOURAGES, STIMULATES, AND SUPPORTS DEVELOPMENT AND EXPANSION OF THE COMMONWEALTH'S ECONOMY

- Created by the Virginia General Assembly in 1995 as the principal state economic development organization for the Commonwealth
- 17-member governing board that provides continuity across gubernatorial terms
- 138 full-time employees
- Offices in Virginia, Germany, Japan, and South Korea

VEDP Divisions



Marketing & Communications

manages marketing of VA and announcements



Business Investment

implements lead generation and business development strategies



International Trade

helps companies expand their international sales



External Affairs

oversees the legislative process, policy development, and partner relations



Economic Competitiveness

develops strategies for economic growth



Research

provides data, analysis, and maps to support VEDP



Incentives

manages incentives, due diligence, reporting, and clawbacks



Talent Solutions

Virginia Talent Accelerator Program and VJIP

VEDP IS GOVERNED BY A 17-MEMBER BOARD OF DIRECTORS WITH EIGHT COMMITTEES AND TWO ADVISORY COMMITTEES

Ex officio members (6)

Secretary of Commerce and Trade
 Secretary of Finance
 Chairman of the Virginia Growth and Opportunity Board
 CEO of the Virginia Port Authority
 Staff Directors of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations

Non-legislative citizen members appointed by the Governor* (7)

Carrie Hileman Chenery, Valley Pike Partners
 Greg B. Fairchild, University of Virginia
 Deborah K. Flippo, Draper Aden Associates, Inc.
 Vincent Mastracco, Kaufman & Canoles PC
 Dan M. Pleasant, Dewberry
 Marianne Radcliff, Kemper Consulting, Inc.
 Xavier Richardson, Mary Washington Hospital & Stafford Hospital Foundations

Non-legislative citizen members appointed by the Joint Rules Committee* (4)

Ned W. Masse - Chair, Croatan Advisors
 William Hayter, First Bank & Trust Company
 C. Daniel Clemente, Clemente Development Company Inc.
 Richard O. Harrell, III, R.O. Harrell, Inc.



■ Board Committees ■ Advisory Committees to the Board

*The Code of VA requires each of the nine GOVA regions to be represented by the board

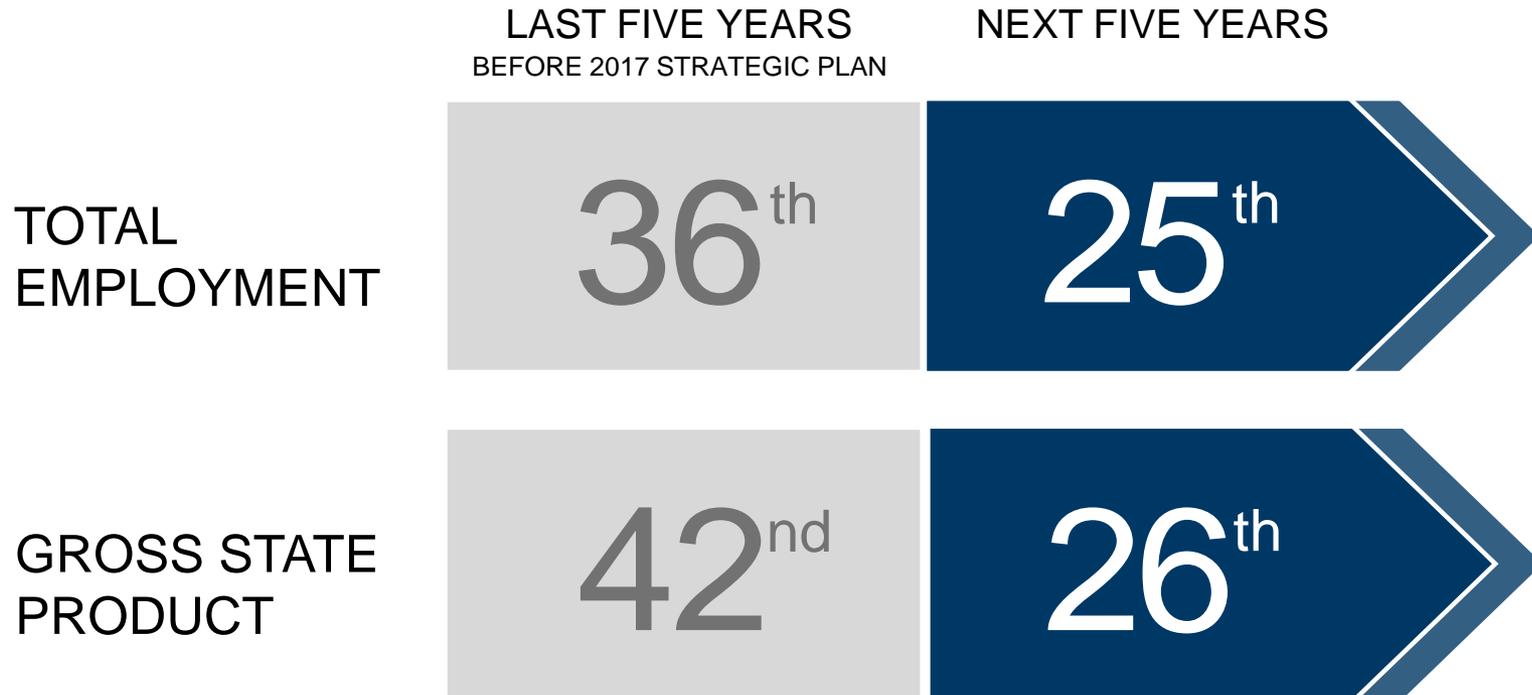
1.

Over the next several years, position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.



STIHL Inc., Virginia Beach City

VIRGINIA'S 5-YEAR GROWTH RANKINGS HAVE IMPROVED SINCE 2017



2.

Ensure that every region participates in the growth of the Commonwealth

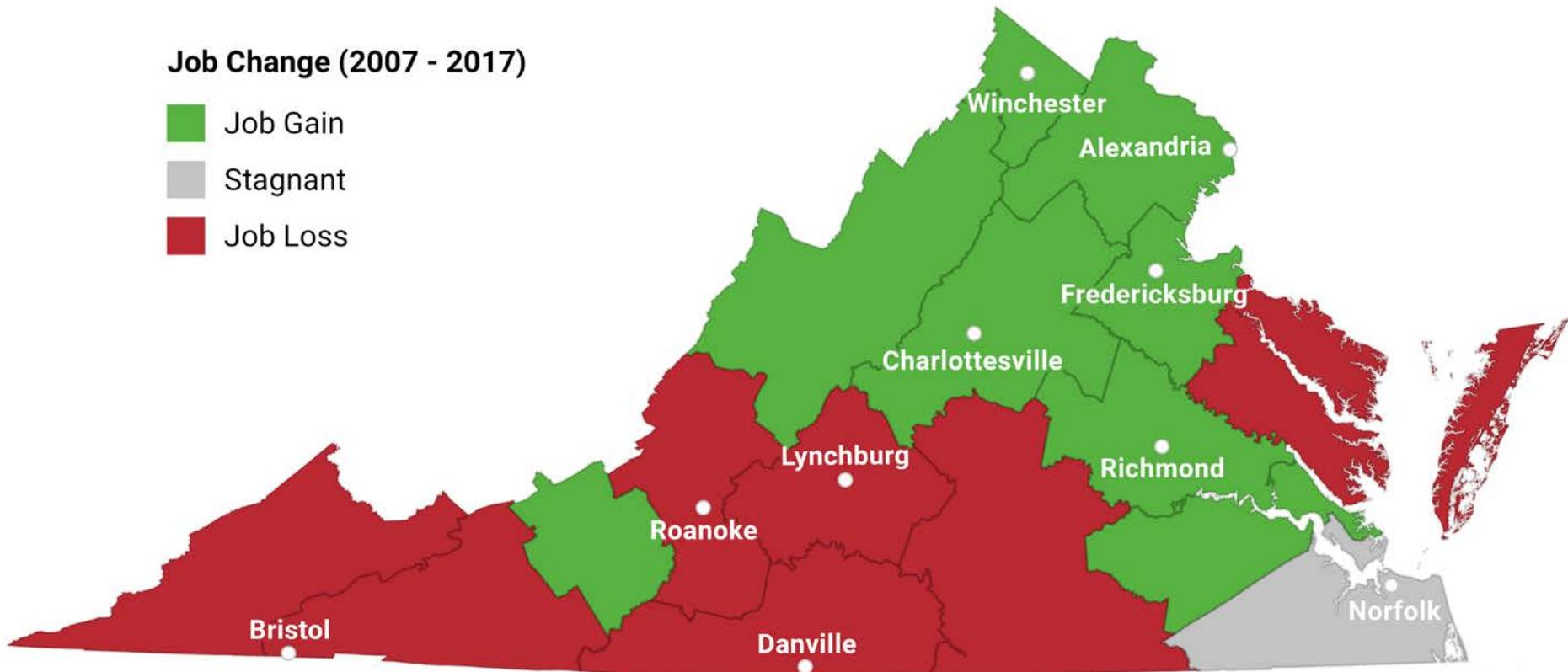


Samuel Pressure Vessel Group, Russell County

MANY RURAL VIRGINIA REGIONS AND SMALL METRO AREAS WERE EXPERIENCING JOB LOSSES PRIOR TO VEDP'S RELAUNCH IN 2017

Job Change (2007 - 2017)

- Job Gain
- Stagnant
- Job Loss

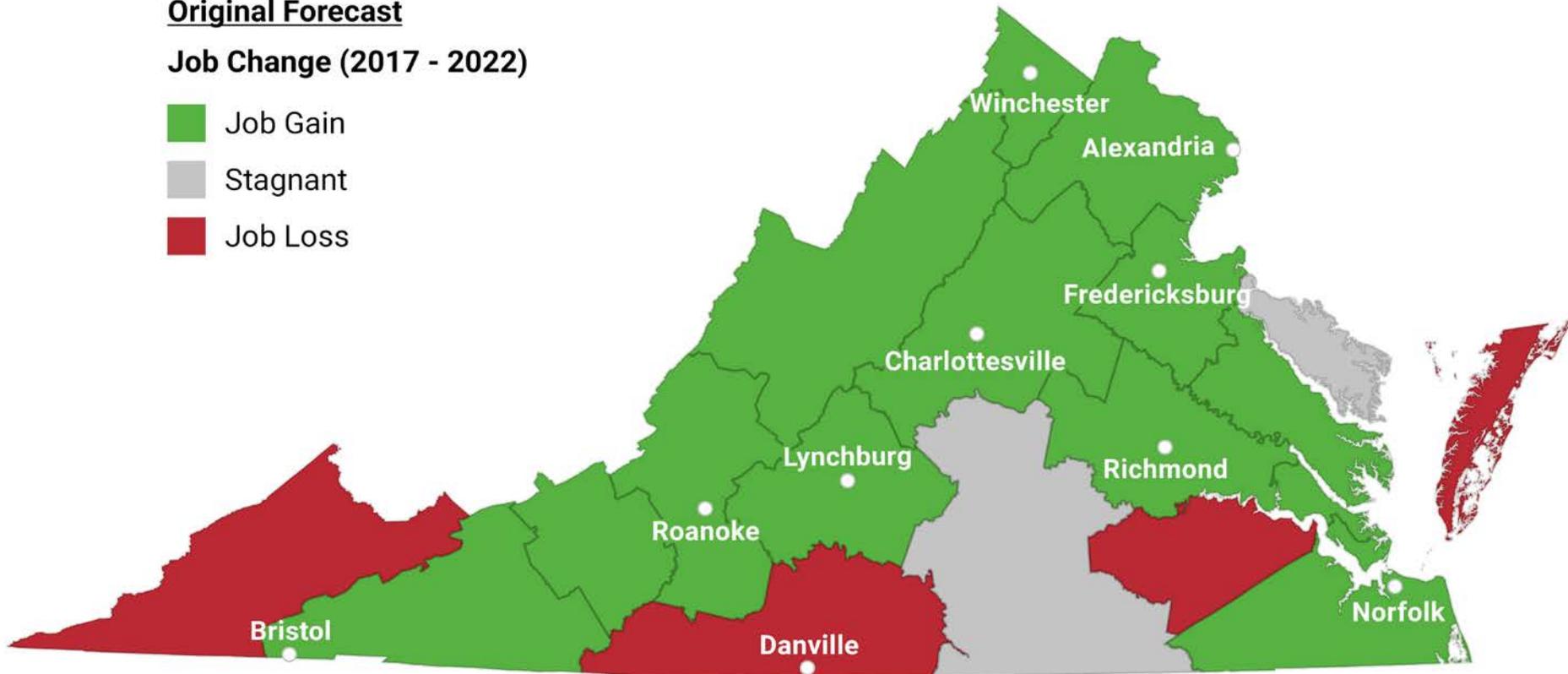


PRE-COVID FORECASTS SHOWED IMPROVEMENTS BUT SUGGESTED MORE WORK NEEDED TO ENSURE SHARED GROWTH ACROSS VA

Original Forecast

Job Change (2017 - 2022)

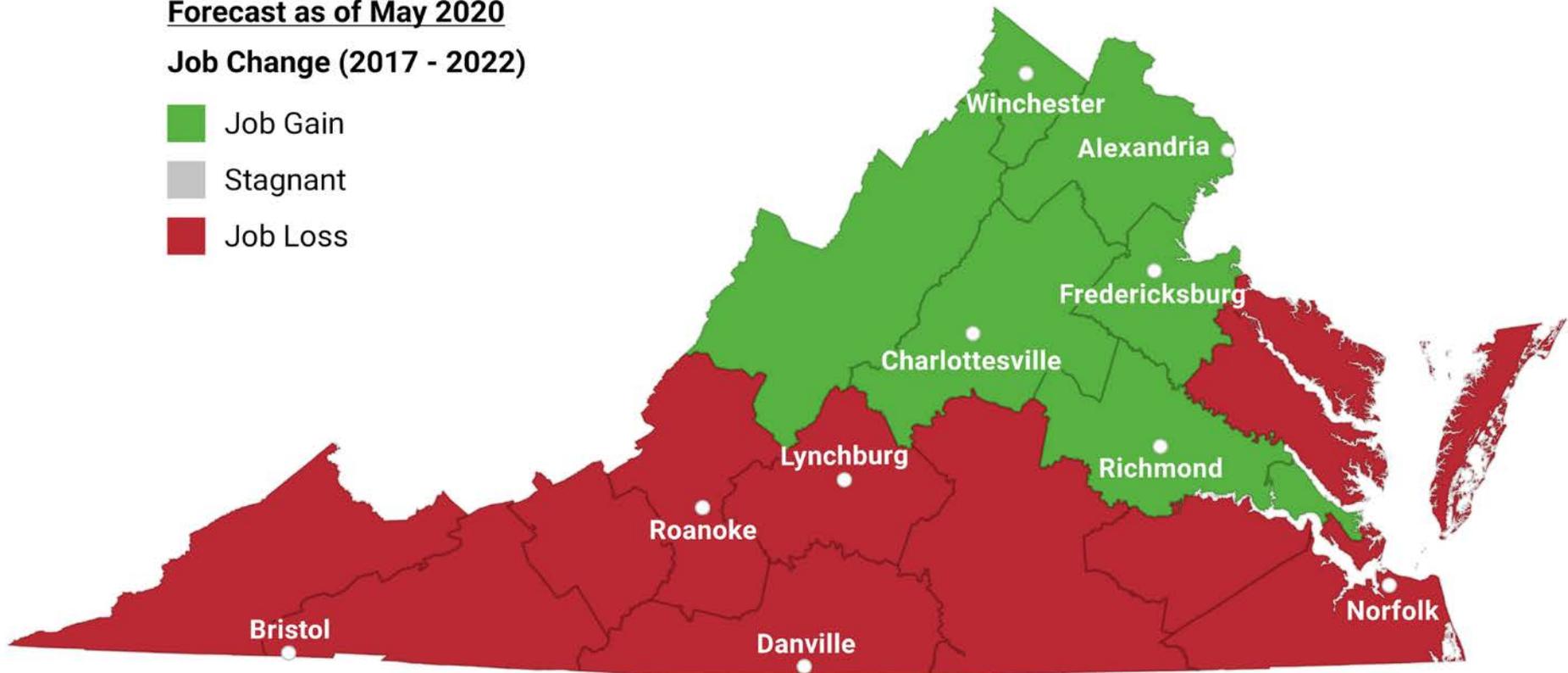
- Job Gain
- Stagnant
- Job Loss



POST-COVID FORECAST INDICATES WIDESPREAD JOB LOSSES THAT WILL REQUIRE EXECUTION OF STRATEGIC PRIORITIES

Forecast as of May 2020
Job Change (2017 - 2022)

- Job Gain
- Stagnant
- Job Loss



3.

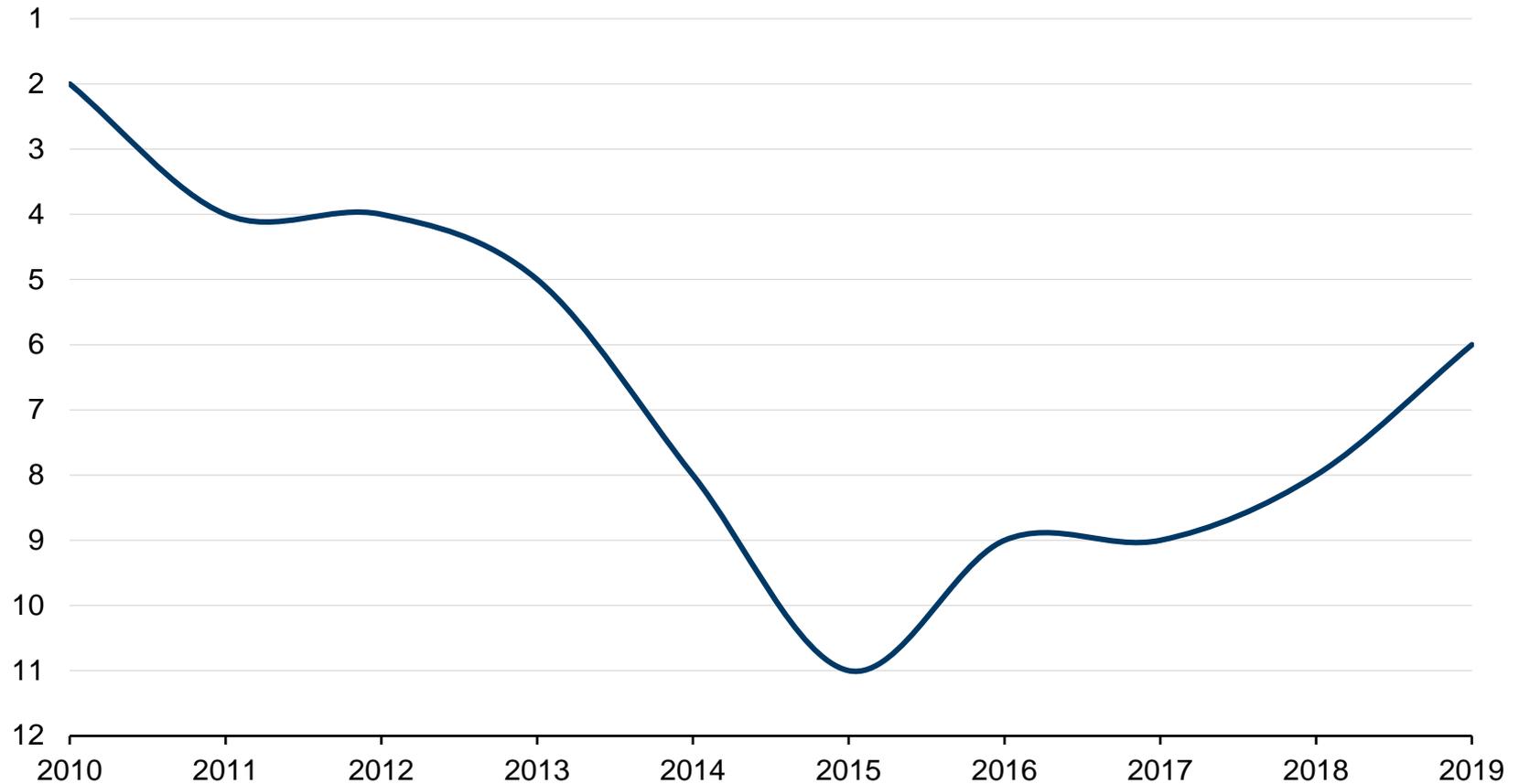
Restore Virginia to its previous leadership position near the top of the national business climate rankings



Rockwell Collins, Loudoun County

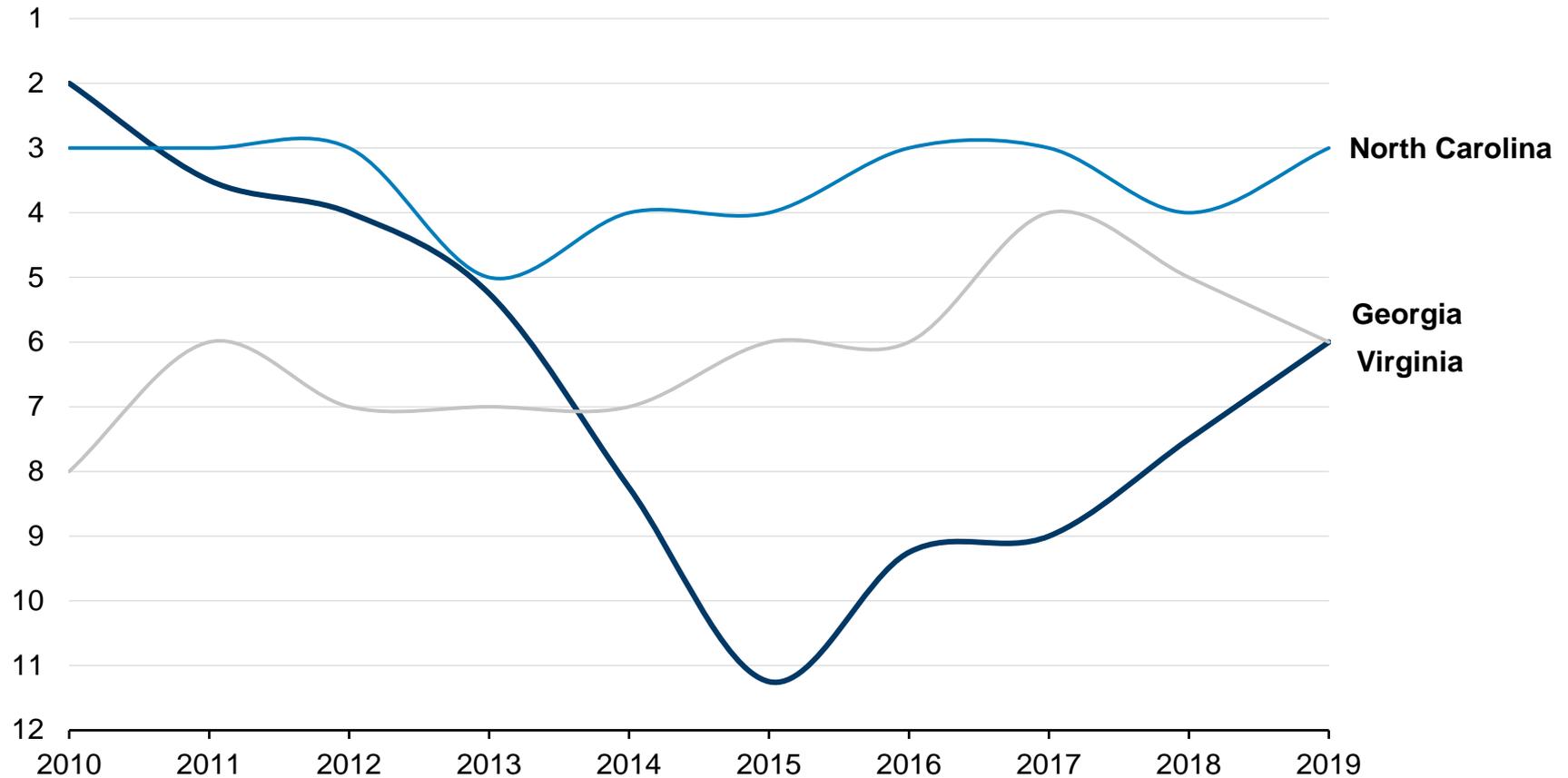
THE COMMONWEALTH'S BUSINESS CLIMATE RANKINGS FELL AFTER 2010 AND VIRGINIA'S STANDING SINCE HAS SOMEWHAT IMPROVED

Virginia's average state rank in selected national business climate rankings



VIRGINIA HAS BEEN CLOSING THE GAP WITH TOP COMPETITORS BUT COULD STAGNATE WITHOUT BOLD ACTION

Average state rank in selected national business climate rankings



WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?

TOP OPPORTUNITIES TO IMPROVE (SOME UNDERWAY)

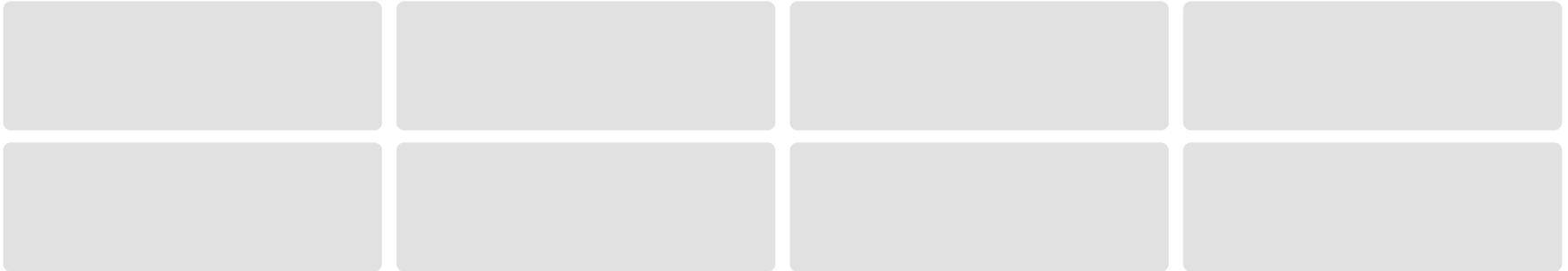
RECENT ADVANCES

LONGSTANDING STRENGTHS

EDUCATION	WORKFORCE	QUALITY OF LIFE	MID-ATLANTIC LOCATION
PRUDENT FISCAL STEWARDSHIP	DIVERSE ECONOMIC BASE	STABLE, ATTRACTIVE BUSINESS CLIMATE	STABLE TAX STRUCTURE

WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?

TOP OPPORTUNITIES TO IMPROVE (SOME UNDERWAY)



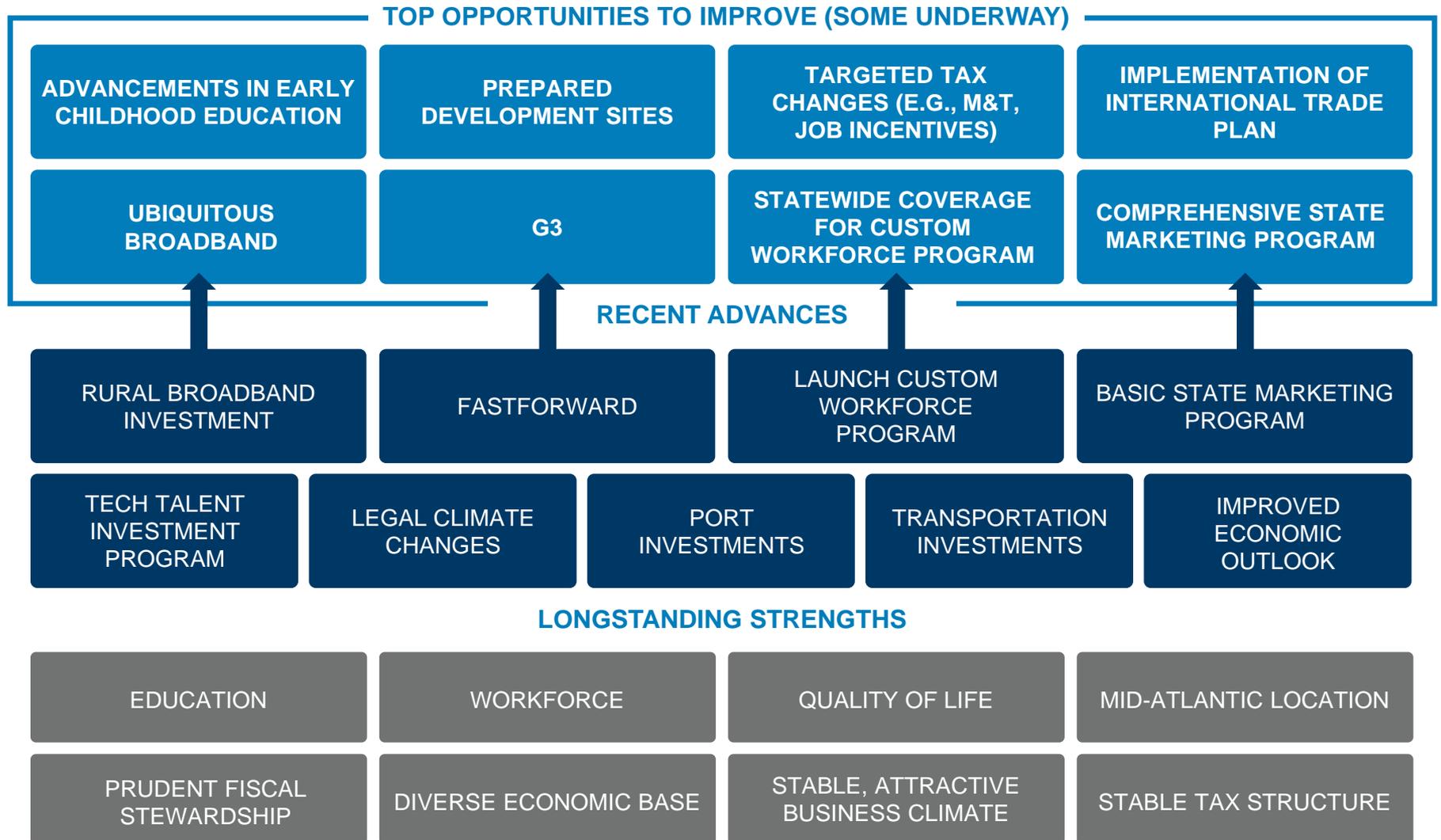
RECENT ADVANCES



LONGSTANDING STRENGTHS



WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?



4.

Reestablish VEDP as a one of America's most effective state EDOs (principally to enable achievement of the top three big goals)



VEDP HAS MADE SWEEPING CHANGES TO IMPROVE ITS PERFORMANCE AND BETTER MANAGE STATE RESOURCES

Notable examples:



Successfully completed implementation of JLARC recommendations



92% increase in leads generated by VEDP since FY17



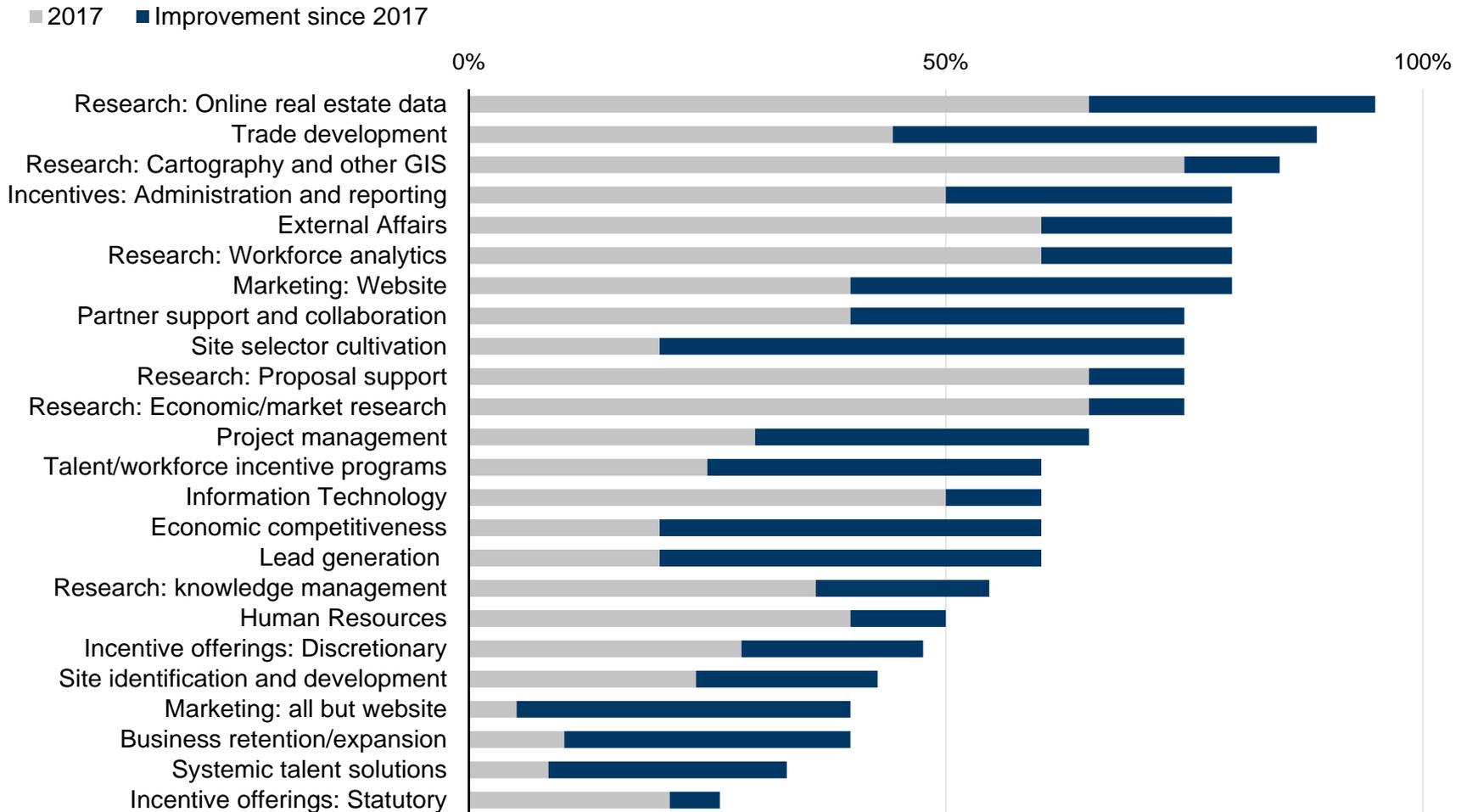
Leading European Business Investment office for a state EDO



Named most competitive state EDO in America in 2019 by Site Selection

VEDP LEADS IN SOME ECONOMIC DEVELOPMENT FUNCTIONS, BUT THERE IS ROOM FOR IMPROVEMENT IN OTHERS (WORKING DRAFT)

VEDP/Virginia functional capabilities, estimated performance relative to top-performing organizations*



* Typically compared to other leading state EDOs; in some cases, compared to other types of leading organizations
 Source: Benchmarking of and interviews with high-performing state EDOs and other organizations; VEDP analysis

5.

Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the “P” in VEDP)



VEDP'S STRATEGIC PLAN INCLUDES 5 TRANSFORMATIONAL GOALS WITH 4 CATEGORIES OF METRICS TO MONITOR PROGRESS

Transformational goals

Robust state job growth

Position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.

Every region wins

Ensure that every region participates in the growth of the Commonwealth

Best state for business

Restore Virginia to its previous leadership position near the top of the national business climate rankings

Top state EDO

Reestablish VEDP as one of America's most effective state economic development organizations

Super collaborator

Exhibit collaboration and coordination as hallmarks of VEDP

Metric category	Description
Commonwealth Economic Performance ¹	<ul style="list-style-type: none"> ▪ Employment growth rate ▪ Median earned income growth rate ▪ Gross state product (GSP) growth rate ▪ Dollar value of exports and exports per capita, growth rates
Commonwealth Economic Competitiveness ¹	<ul style="list-style-type: none"> ▪ (Illustrative, not comprehensive) ▪ Workforce development capabilities ▪ Transportation, infrastructure and housing costs ▪ State/local tax burdens ▪ Average of key state business climate rankings
VEDP Performance Metrics: Inputs	<ul style="list-style-type: none"> ▪ Partner satisfaction measures of organizational performance (based on annual surveys) ▪ Percent of partners touched ▪ Internal organizational employee engagement measures (based on annual surveys) ▪ State economic development organization published rankings (e.g., DCI, <i>Site Selection</i>)
VEDP Performance Metrics: Outputs	<ul style="list-style-type: none"> ▪ VEDP-assisted project announcements: jobs and capital investment ▪ VEDP-generated leads ▪ VEDP Virginia Talent Accelerator Program ▪ VEDP Trade metrics (companies enrolled; projected international sales; projected trade-supported jobs)

¹Measured at the state level, relative to peer state averages

VEDP'S STRATEGIC PLAN INCLUDES A VARIETY OF STRATEGIES DESIGNED TO ACHIEVE THE FIVE TRANSFORMATIONAL GOALS

Cultivate target industry growth clusters	Push new boundaries as a U.S. leader in information technology
	Assemble a world-class transportation and logistics hub
	Position Virginia's manufacturing base to future ready
	Create bus. services and ops. centers of excellence (e.g., HQs) promising disruptive technologies (e.g., unmanned systems, genomics, personalized medicine)
Improve Virginia's economic competitiveness	Strengthen Virginia's human capital development engine
	Assemble an ample, strategic portfolio of project-ready sites and buildings across Virginia
	Rigorously assess and steadily improve Virginia's state, regional, and local economic competitiveness
	Leverage public-private partnerships to strengthen Virginia's digital infrastructure (i.e., broadband)
	Place a special focus on achieving growth in Virginia's rural regions and small metros
Enhance VEDP's capabilities	Cultivate world-class execution at VEDP
	Implement robust marketing/branding, lead generation, and site consultant cultivation programs
	Strengthen and expand business and international trade development programs
	Become a national leader in incentives administration

PROJECT LEADS COME TO VEDP FROM A VARIETY OF SOURCES

Most common lead sources



Site Selection
Consultants



Local and Regional
Partners



VEDP Lead Gen
Program



Company

Additional lead sources



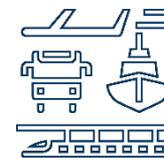
Legislators



Administration



Other State
Agencies



Service Providers



Universities

VEDP Project Funnel

VEDP HAS ADDRESSED ALL OF THE NEW INCENTIVE-RELATED CODE MANDATES AND JLARC RECOMMENDATIONS FROM 2017

	Source	
	New Code	JLARC Report
1. Create dedicated incentives administration division within VEDP	✓	✓
2. Develop written policies/procedures for evaluating/prioritizing projects for incentives		✓
3. Complete due diligence (plus SCT certification) on incentive offers before Gov. approval	✓	
4. Ensure clawback standards are consistently enforced and reported	✓	✓
5. Ensure performance extensions are justified, documented, and approved/reported	✓	✓
6. Work w/ VDT/VEC* on policies/procedures to verify company performance		✓
7. Adopt formal procedures (via Board) to ensure adequate performance verification		✓
8. Establish Board subcommittee to receive/review VEC verification data	✓	
9. Provide semiannual updates on status of all projects awarded incentives to Board	✓	
10. Provide annual Board report on % of firms meeting reporting requirements		✓
11. Develop website to report on status/performance of incentive recipients		✓
12. Develop strategy for coordinating w/ state agencies that administer incentives	✓	

*VEDP also will include local Commissioners of Revenue in relevant policies/procedures (e.g., capital investment)

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CURRENT MAJOR STATEWIDE RANKINGS AT-A-GLANCE

Publication	Rank	Last year published
CNBC Top States for Business	1 	2019 ¹
<i>Business Facilities</i> Best Business Climate*	2 	2020
<i>Forbes</i> : Best States for Business	4 	2019
<i>Site Selection</i> : Top Business Climates	5 	2019
<i>Area Development</i> Top States for Doing Business	10 	2019
<i>Development Counsellors International</i> (DCI) Best Places for Business	14 	2017
<i>Chief Executive</i> Best States for Business*	16 	2020

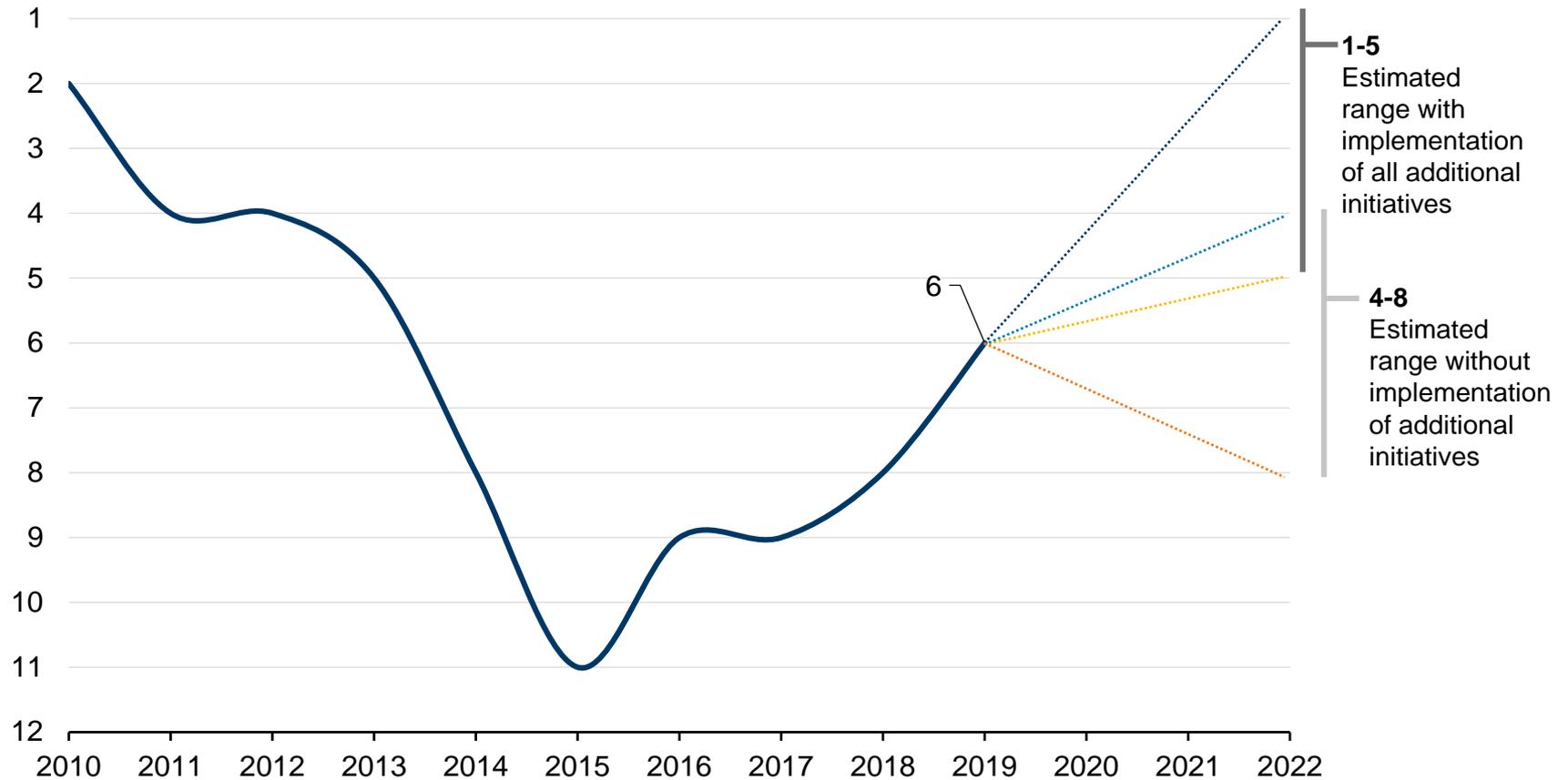
1. CNBC decided not to release its Top States for Business rank in 2020. The next iteration of this ranking will be released in July 2021.

*Recently released

Source: National publications

VIRGINIA RECENTLY HAS BEEN IMPROVING IN BUSINESS CLIMATE RANKINGS – BUT COULD SLIDE WITHOUT ADDITIONAL INITIATIVES

Virginia's average state rank in selected national business climate rankings



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VEDP'S INCENTIVE PORTFOLIO (1 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Commonwealth's Opportunity Fund (COF)	VEDP	<ul style="list-style-type: none"> ▪ Deal closing fund ▪ Designed to secure a company location or expansion ▪ Cash grant (structured upfront or when milestones achieved) 	<ul style="list-style-type: none"> ▪ Min. threshold: \$5M cap. invest. & 50 jobs at PAW; lower for distressed regions ▪ Local match required ▪ Out-of-state competition ▪ Traded sector only 	\$21.5M/yr. (\$18.3M in FY19)
Virginia Investment Partnership (VIP)	VEDP	<ul style="list-style-type: none"> ▪ Designed to encourage continued investment by Virginia manufacturers or R&D firms supporting manufacturers ▪ Cash grant (post-performance) 	<ul style="list-style-type: none"> ▪ Min. threshold: \$25M capital invest. ▪ No net reduction in employment ▪ Local match required ▪ Out-of-state competition ▪ Traded sector only ▪ At least 3 years operating in Virginia 	\$5.2M/yr. (\$2.9M in FY19)
VA Econ. Devel. Incentive Grant (VEDIG)	VEDP	<ul style="list-style-type: none"> ▪ Designed to encourage firms to create high-paying jobs by locating HQs or service-sector operations in VA ▪ Cash grant (post-performance) 	<ul style="list-style-type: none"> ▪ Min. threshold: 400 jobs @ 150% PAW; or 300 jobs @ 200% PAW and \$5M in capital investment ▪ Lower thresholds for smaller MSAs ▪ Traded sector only 	\$4.2M/yr. (\$1.5M in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VEDP'S INCENTIVE PORTFOLIO (2 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Major Eligible Employers Grant (MEE)	VEDP	<ul style="list-style-type: none"> ▪ Designed to encourage investment and job creation by major employers/corp. HQs ▪ Cash grant (post-performance) 	<ul style="list-style-type: none"> ▪ Min. threshold: \$100M cap. invest. and 1,000 jobs ▪ Min. of 400 jobs if avg. wage is at least 2x locality's PAW ▪ Traded sector only 	\$6.8M/yr. (\$0M in FY19)
Business Ready Sites Program	VEDP	<ul style="list-style-type: none"> ▪ Supports site assessment and site remediation ▪ Addresses need for more project-ready sites ▪ Cash grant to locality) 	<ul style="list-style-type: none"> ▪ Consideration based on viability, alignment, economic impact, commitment, and resources leveraged 	\$460,000/yr. (\$1.0M in FY19)
Brownfields Restoration Fund	VEDP	<ul style="list-style-type: none"> ▪ Promotes restoration and redevelopment of brownfield sites ▪ Cash grant typically paid post-performance to locality 	<ul style="list-style-type: none"> ▪ Only localities may apply ▪ Property publicly or privately owned 	\$1.4M/yr. (\$2.1M in FY19)
Virginia Talent Accelerator Program	VEDP	<ul style="list-style-type: none"> ▪ Customized, comprehensive talent recruitment/training soln. ▪ Reduces training costs of new and expanding firms ▪ Services only 	<ul style="list-style-type: none"> ▪ Competitive project ▪ Min. threshold: 15 jobs (mfg.) or 50 jobs (services) ▪ Market-competitive wages ▪ Traded sector only 	TBD

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VEDP'S INCENTIVE PORTFOLIO (3 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Virginia Jobs Investment Program (VJIP)	VEDP	<ul style="list-style-type: none"> Reduces training costs of new and expanding firms Cash grant (post-perf.) Consulting services and funding offered 	<ul style="list-style-type: none"> Min. threshold: \$1M capital invest. and 25 jobs (lower for small business) Wages 1.35x federal minimum Traded sector only 	\$9.3M/yr. (\$6.9M in FY19)
New Company Incentive Program	VEDP	<ul style="list-style-type: none"> Promotes new business invest. in distressed areas Provides CIT exemption, and up to \$2K per job (subject to ROI test via alt. COF mechanism) 	<ul style="list-style-type: none"> Location in qualified locality Min. threshold: \$5M capital invest. and 10 jobs (or 50 jobs) Wages 150% of Virginia min. Traded sector only 	TBD
Performance-based Custom Grants	VEDP	<ul style="list-style-type: none"> Focus on major projects with transformational impact Cash grant (structured up-front or when milestones achieved) 	<ul style="list-style-type: none"> Requires special legislation (MEI Commission) Traded sector only 	\$870.5M awarded in FY19 (Amazon HQ2, Micron, Huntington Ingalls, and AWS)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (1 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Gov.'s Ag. & Forestry Indust. Devel. Fund	Va. Department of Ag. & Consumer Services	<ul style="list-style-type: none"> ▪ Designed to assist businesses adding value to Virginia-grown ag. and forestry products ▪ Cash grant up to \$500K 	<ul style="list-style-type: none"> ▪ Local match required ▪ At least 30% of the ag. products grown in Virginia 	\$1.1 million/yr. (\$814,000 in FY19)
Economic Development Access Fund	Va. Department of Transportation	<ul style="list-style-type: none"> ▪ Designed to assist localities in providing adequate road access ▪ Focus on manufacturers, corp. HQs, R&D, distribution centers ▪ Cash grant to locality up to \$500K 	<ul style="list-style-type: none"> ▪ Localities apply ▪ Some local match required 	\$2.3 million/yr. (\$2.3 million in FY19)
Rail Industrial Access Program	Va. Department of Rail & Public Transportation	<ul style="list-style-type: none"> ▪ Assists with cost of extending track to plant site (private or public property) ▪ Cash grant up to \$450K 	<ul style="list-style-type: none"> ▪ Localities apply ▪ Some local match required 	\$775,000/yr. (\$681,000 in FY19)
Enterprise Zone Job Creation Grant	Department of Housing & Community Development	<ul style="list-style-type: none"> ▪ Encourages job creation in targeted areas of distress ▪ Cash grant (\$500-800 per job per year for 5 years) 	<ul style="list-style-type: none"> ▪ Creation of at least four net new permanent full-time positions. ▪ Caps at 350 jobs ▪ Traded sector only 	\$2.5 million/yr. (\$2.7 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (2 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Enterprise Zone Real Property Investment Grant	Department of Housing & Community Development	<ul style="list-style-type: none"> ▪ Encourages real estate development. in targeted areas of distress ▪ Cash grant up to \$200K 	<ul style="list-style-type: none"> ▪ Up to \$200K for investments in commercial, industrial, or mixed-use buildings or facilities ▪ Subject to proration 	\$10.1 million/yr. (\$8.9 million in FY19)
Governor's Motion Picture Opp. Fund	Virginia Tourism Corp.	<ul style="list-style-type: none"> ▪ Supports film industry activity through grants for production cost and studios producing in VA ▪ Cash grant 	<ul style="list-style-type: none"> ▪ Eligible projects include feature films, children's programs, documentaries, TV 	\$5.1 million/yr. (\$6.8 million in FY19)
Growth Acceleration Program	Center for Innovative Technology	<ul style="list-style-type: none"> ▪ Seed and early-stage investment funds placing equity and mezzanine financing into companies with high growth ▪ Investments up to \$100K 	<ul style="list-style-type: none"> ▪ Must have clearly articulated business plan 	\$2.1 million/yr. (\$2.9 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (3 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Port of Virginia Economic & Infrastructure Devel. Grant	Virginia Port Authority	<ul style="list-style-type: none"> ▪ Designed to incentivize firms to locate new or expand existing maritime-related operations ▪ Focus on maritime or logistics-related companies ▪ Cash grant 	<ul style="list-style-type: none"> ▪ Business must be involved in maritime commerce, or exporting/importing manufactured goods through Port of Virginia 	\$613,000/yr. (\$75,000 in FY19)
Tobacco Region Opportunity Fund	Tobacco Commission	<ul style="list-style-type: none"> ▪ Performance-based grants and loans to tobacco region localities to support new job creation and capital investment ▪ Cash grant 	<ul style="list-style-type: none"> ▪ Min. threshold: capital investment of \$1M within 36 months ▪ Only localities apply ▪ Grants limited to 3 per locality per fiscal year 	\$11.3 million/yr. (\$6.1 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA OFFERS LIMITED TYPES OF TAX PREFERENCES AND FEATURES TO COMPANIES

Type of tax preference	How incentive works	Possible features
Income tax credits	<ul style="list-style-type: none"> Reduce company's state income tax liability 	<ul style="list-style-type: none"> To be usable by companies with low or no tax liability, may be: Carried forward/back against tax liability in other periods Refundable and reimbursable Transferable to other companies
Income tax structure	<ul style="list-style-type: none"> Offers preferential state income tax treatment relative to other industries (e.g., data centers single sales factor apportionment), other states (e.g., market-based sourcing), etc. 	
Income tax exemptions	<ul style="list-style-type: none"> Exempt company's income from state taxation 	<ul style="list-style-type: none"> Can be partial (e.g., temporary, above income threshold) or complete (e.g., not-for-profits)
Income tax subtractions and deductions	<ul style="list-style-type: none"> Reduce company's state taxable income 	
Sales and use tax exemptions	<ul style="list-style-type: none"> Exempt company's purchases from state and local sales and use taxes 	<ul style="list-style-type: none"> Can be limited to specific taxable items (e.g., manufacturing equipment) and/or partial (e.g., reduced rate, above threshold)
Tax abatement	<ul style="list-style-type: none"> Lowers or eliminates local taxes on company's tangible property 	<ul style="list-style-type: none"> Can be achieved by lowering tax rates or property's assessed value

PROJECT REVIEW & CREDIT COMMITTEE (PRACC) EVALUATION FOR ALL PROJECTS

All projects receiving discretionary incentives from VEDP are reviewed by PRACC regardless of size, name recognition, or locality.

- CEO, VPs, AVP, General Counsel, Project Research Manager, and Senior Economist
- Review all elements of the project
- Consider strategic, competitive, and financial implications
- Evaluate Risk Assessment and ROI analysis
- Approve proposed conditions for release of incentive funds
- Determine whether to proceed with SCT preapproval

WHEN IS PRACC APPROVAL NECESSARY?

PRACC review and approval is necessary if any of the below VEDP-administered incentives are sought (PRACC review and approval must occur for preapproval by the Secretary).



Commonwealth's Opportunity Fund (COF)



Virginia Investment Partnership (VIP) Grant



Virginia Economic Development Incentive Grant (VEDIG)



Major Eligible Employer (MEE) Grant



Custom Performance Grants