

Virginia Economic Development Partnership

Economic Development Incentives in Virginia: What's on the Horizon

June 19, 2008

Mission Statement

To enhance the quality of life and raise the standard of living for all Virginians, in collaboration with Virginia communities, through aggressive business recruitment, expansion assistance, and trade development, thereby building the tax base and creating higher income employment opportunities.

Primary Location Factors

- Labor
- Sites/Buildings
- Markets/Transportation/Infrastructure
- Business Climate
- Quality of Life

Major Virginia Incentives-VEDP

- Governor's Opportunity Fund
 - FY09: \$7.6M –FY10: \$7.5M
- Virginia Investment Partnership Act
 - **VIP (Tier 1)**-major manufacturing expansions
 - \$3M max grant; \$15M max outstanding
 - **Major Eligible Employer (Tier 2)**-Major basic sector expansions
 - \$25M max grant; SCT consults HAC & SFC
 - **Va Economic Development Incentive Grant**-High paying jobs 150% of prevailing wage
 - \$6M max payout per year; \$30M max outstanding
- Performance-Based Grants-special legislation
 - (Semiconductor grants, Rolls-Royce)

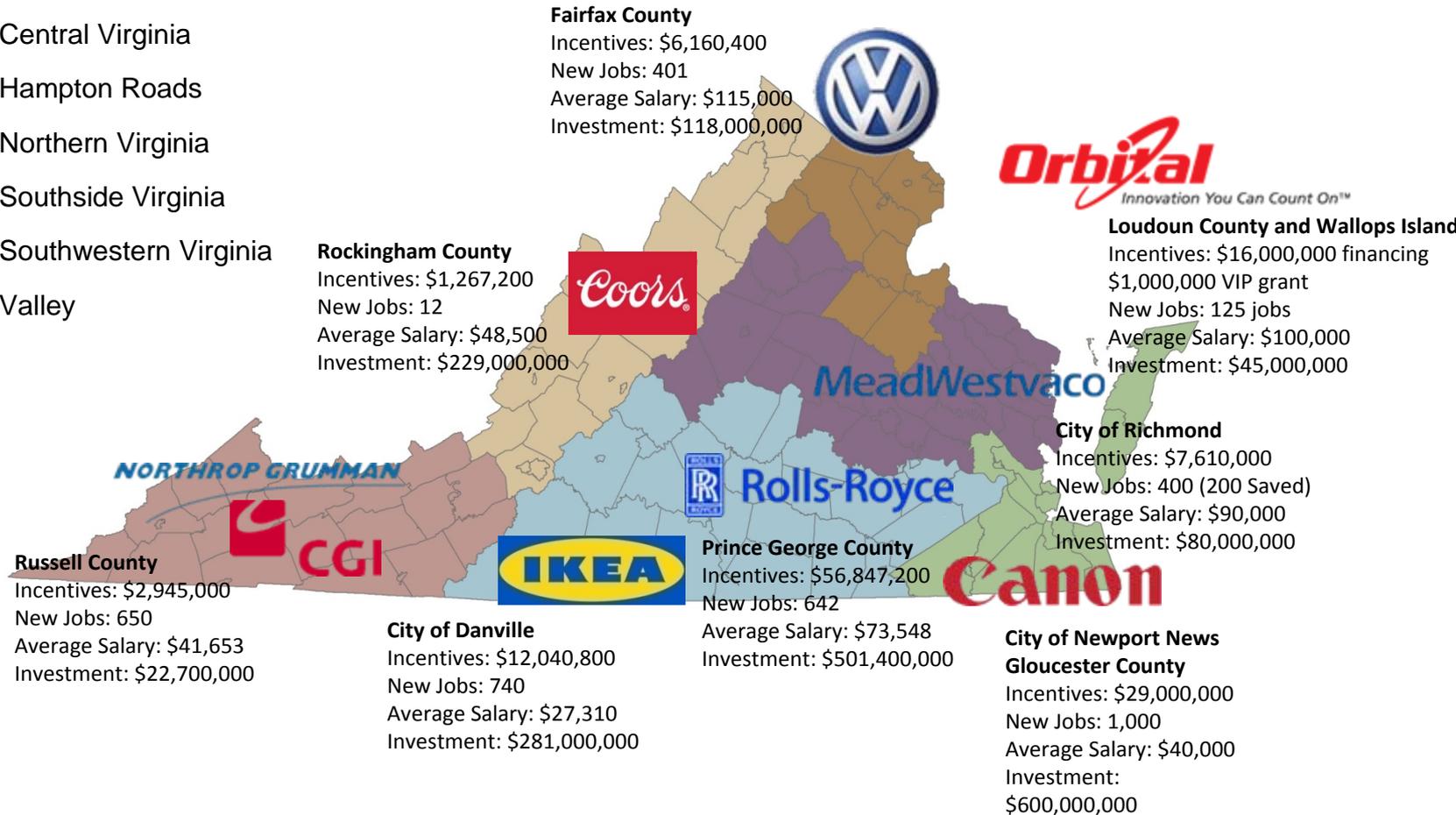
Major Virginia Incentives at Other Agencies

Incentive	Agency
Virginia Jobs Investment Program	DBA
Enterprise Zones & CDBG	DHCD
Tobacco Region Opportunity Fund	TICRC
MBFJTC* & Other credits/exemptions	TAX
Solar PV Manufacturing Incentive Grant*	DMME
Economic Development (Road) Access Program/Industrial Rail Access Program	VDOT / DRPT
Transportation Partnership Opportunity Fund	VDOT
Enhanced Financing Opportunities*	VPBA

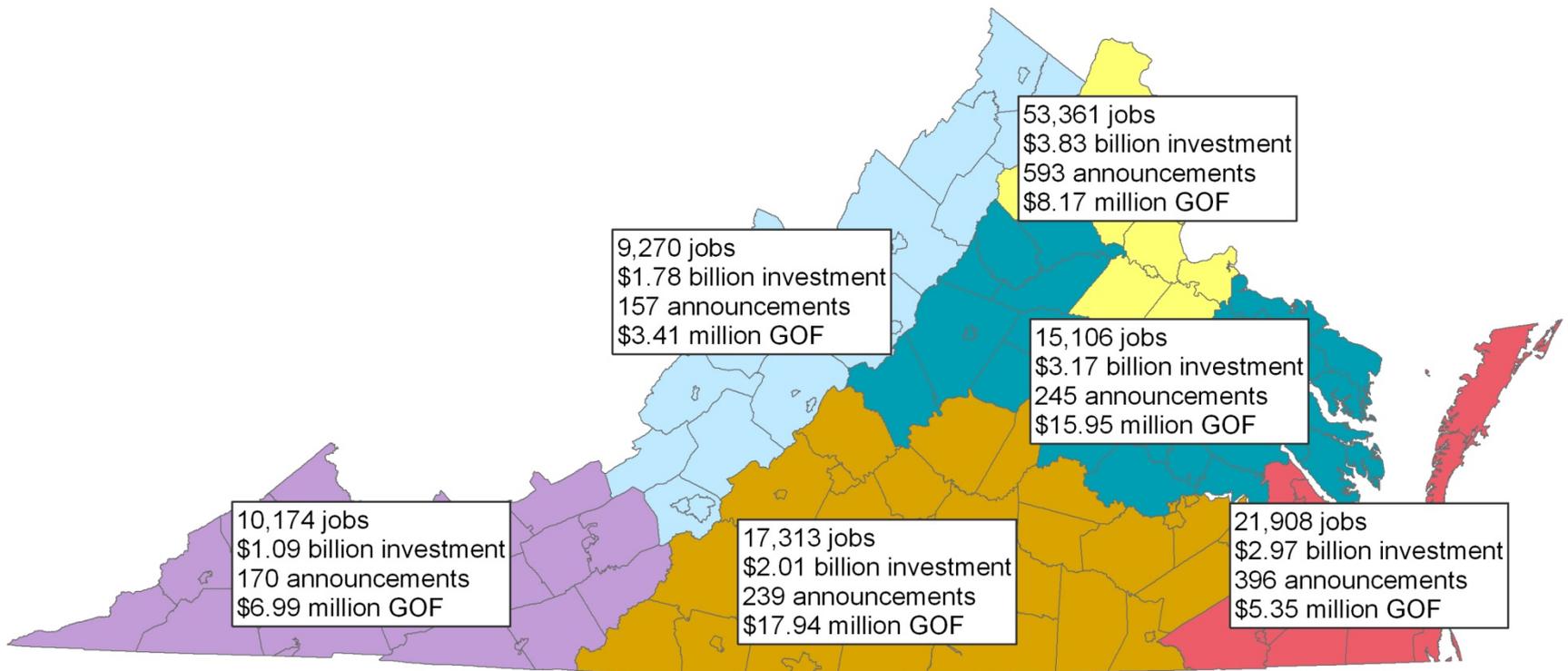
*Indicates possible upcoming legislation

Marquee Announcements Since September 2005

-  Central Virginia
-  Hampton Roads
-  Northern Virginia
-  Southside Virginia
-  Southwestern Virginia
-  Valley



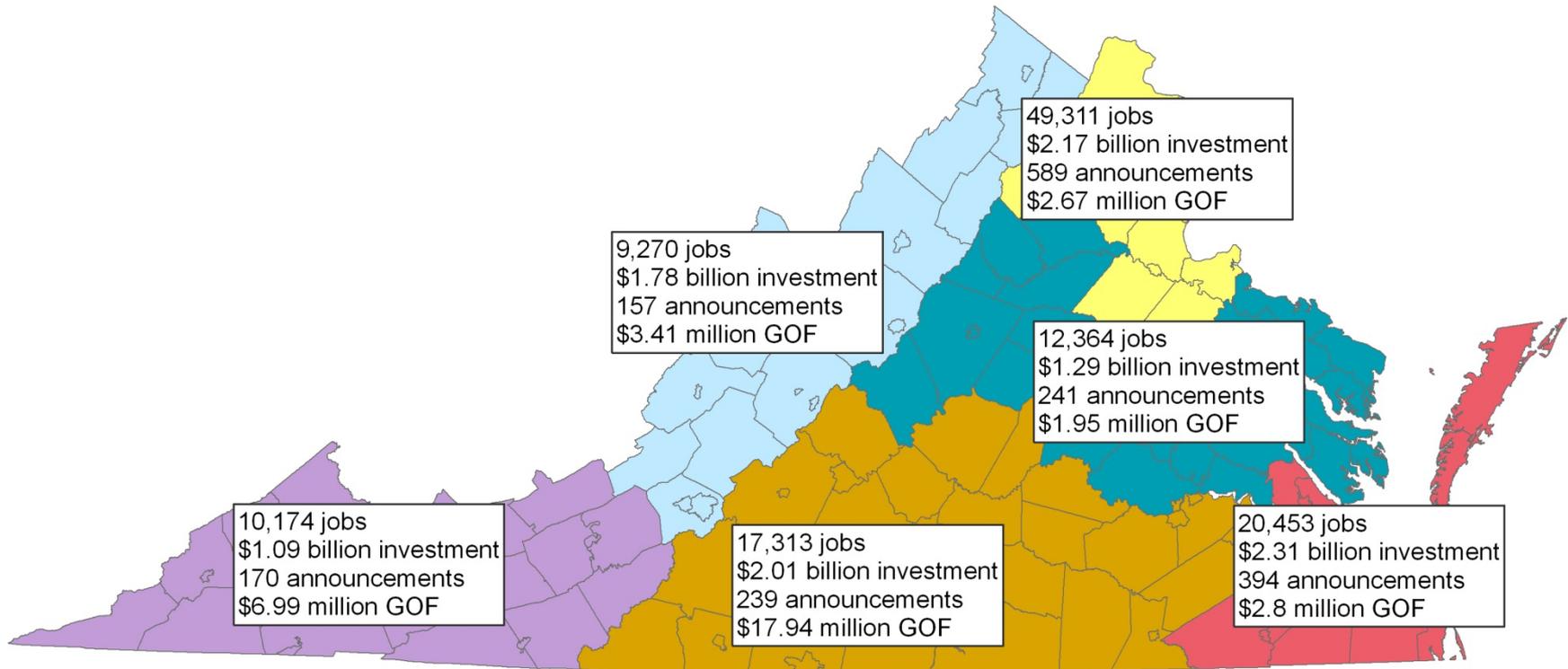
Virginia Announcements of Employment Creation and Capital Investment Regional and GOF Totals



Marquee Projects

<u>Project</u>	<u>Jobs</u>	<u>Capital Investment</u>	<u>GOF Approved</u>
<i><u>Headquarters</u></i>			
Bureau of National Affairs, Inc. (Northern VA)	289	\$110 million	\$1 million
Corporate Executive Board (Northern VA)	2,500	\$227 million	\$1 million
MeadWestvaco Corp. (Central VA)	400	\$80 million	\$2 million
Philip Morris USA (Central VA)	500	\$300 million	\$3 million
Volkswagen of America, Inc.* (Northern VA)	401	\$118 million	\$1.5 million
Wolseley plc* (Hampton Roads)	420	\$32.2 million	\$1.05 million
<i><u>Advanced Manufacturing</u></i>			
Canon Virginia Inc.* (Hampton Roads)	1,035	\$623.5 million	\$1.5 million
Micron Technology, Inc. (Northern VA)	860	\$1.2 billion	\$2 million
Qimonda AG* (Central Virginia)	1,200	\$1 billion	\$3 million
Rolls-Royce* (Central Virginia)	642	\$502.4 million	\$6 million
Totals	8,247	\$4.19 billion	\$22.05 million

Virginia Announcements of Employment Creation and Capital Investment Regional and GOF Totals, Excluding Marquee Projects *



Source: VEDP Research Division, 1/1/2004 - 6/17/2008

* Excluding the ten marquee projects and the \$22 million in GOF funding they received, Southside, Southwest, and the Valley account for 79.3% of the remaining GOF statewide money disbursed.

Return on Investment Analysis Guides VEDP's Actions

- Helps determine the reasonableness of incentives
 - Breakeven point and other benchmarks
- Inputs:
 - Employment: ramp-up, wages, industry (determines multiplier effect)
 - Other issues: in-migrants, commuters, Virginia employees
→ determine any new costs (schools, public safety, etc.)
 - Sales tax and income tax revenues: spending of direct and indirect employees, company purchases of taxable equipment, wages and raises over time, etc.

Governor's Opportunity Fund Return on Invested Capital

VEDP Monitors Actual Return on Invested Capital for Projects Receiving GOF

- Have actual performance data from FY2002-FY2006 (updated quarterly)
- 128 projects received GOF disbursements in 5-year period
- GOF Disbursements- \$53.1 million
- Total Incentive Grants - \$133.1 million (TROF, VJIP, VIP, Ent. Zone, etc.)

Results to Date (since FY2002)

- Gross Revenue \$602.8 million
- Net State Revenue \$469.7 million (net of all cash incentives)

Projected 10 Year Returns on Existing Companies

- Gross Revenue \$1,589.7 million
- Net State Revenue \$1,456.7 million
- State Benefit to Cost Ratio: \$11.9 to \$1

Project		FY 2011	FY 2012
Semiconductor Grants		\$12,850,000	\$6,300,000
Rolls Royce:	Higher Ed	\$9,100,000	\$7,100,000
	Training (\$9k/employee)	\$3,369,000	\$117,000
	Project Management	\$300,000	\$300,000
<u>Total Rolls-Royce</u>		<u>\$12,769,000</u>	<u>\$7,517,000</u>
VIP Payments:	VIP (Tier 1)	\$2,740,966	\$3,415,000
	MEE (Tier 2)	\$3,000,000	\$8,000,000
	VEDIG	\$0	\$900,000
<u>Total VIP, MEE, VEDIG</u>		<u>\$5,740,966</u>	<u>\$12,315,000</u>
SRI		\$3,000,000	\$0

Thank You!

Questions?