



Commonwealth of Virginia

GENERAL ASSEMBLY

RICHMOND

January 10, 2018

To Members of the General Assembly:

Pursuant to § 30-312 of the Code of Virginia, the Major Employment and Investment Project Approval Commission shall report annually to the Virginia General Assembly. Detailed expectations of that report are outlined as follows:

The Commission shall report annually by the first day of each General Assembly Regular Session on all endorsed incentive packages. Staff identified in § 30-311 shall assist the commission in preparing such report, which shall contain the following information: (i) the industrial sector of the MEI project or other economic development project, (ii) known competitor states, (iii) employment creation and capital investment expectations, (iv) anticipated average annual wage of the new jobs, (v) local and state returns on investment as prepared by the Virginia Economic Development Partnership Authority, (vi) expected time frame for repayment of the incentives to the Commonwealth in the form of direct and indirect general tax revenues, (vii) details of the proposed incentive package, including the breakdown of the components into various uses and an expected timeline for payments, and (viii) draft legislation or amendments to the Appropriation Act that propose financing for the endorsed incentive package through the Virginia Public Building Authority or any other proposed funding or financing mechanisms.

The MEI Commission reviewed and endorsed the following packages of incentives during calendar year 2017:

April 4, 2017

Project “Gateway” was endorsed by the Commission as presented:

- i. Industrial Sector: e-commerce and cloud computing
- ii. Known competitor states: Texas and Washington
- iii. Expected capital investment and job creation: \$84.6 million investment / 1,500 employees
- iv. Average annual wage: \$90,000
- v. Ten-year net return on state incentives as prepared by the Virginia Economic Development Partnership (VEDP): \$64.6 million
- vi. Expected timeframe for repayment of incentives: one year
- vii. Incentives endorsed (\$10.5 million total state incentives):
 - Up to \$10.5 million custom performance-based grant to be paid in annual installments of \$7,000 per new job as new jobs and capital investment are verified; first grant payment is expected in FY 2021.
- viii. The incentive grant requires legislation. A draft of the bill to be introduced during the 2018 Session of the General Assembly is attached.

May 17, 2017

Project “CH Confidential” was endorsed by the Commission as presented:

- i. Industrial Sector: advanced manufacturing and research & development
- ii. Known competitor states: Delaware, Maryland, and Pennsylvania
- iii. Expected capital investment and job creation: \$225 million investment / 125 employees
- iv. Average annual wage: \$87,000
- v. Ten-year net return on state incentives as prepared by VEDP: \$8.7 million
- vi. Expected timeframe for repayment of incentives: one year
- vii. Incentives endorsed (\$12.6 million total state incentives):
 - \$2 million Commonwealth’s Development Opportunity Fund grant
 - \$3 million Virginia Investment Partnership grant
 - \$0.1 million Virginia Jobs Investment Program (VJIP) grants
 - State tax incentives include \$7.5 million attributable to the sales and use tax exemption for manufacturing equipment.
 - In addition, the locality is offering \$3 million in grants, water/sewer credits, and infrastructure improvements.
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2018 Session of the General Assembly.

August 21, 2017

Project “Triton” was endorsed by the Commission as presented:

- i. Industrial Sector: enterprise data center
- ii. Known competitor states: New Mexico and Kansas
- iii. \$500 million investment / 50 employees
- iv. Average annual wage: \$78,090
- v. Ten-year net return on state incentives as prepared by VEDP: \$19.5 million
- vi. Expected timeframe for repayment of incentives: one year
- vii. Incentives endorsed:
 - \$10.6 million sales and use tax exemption (total state and local) for the initial investment in data center equipment
 - In addition, the locality is offering \$11.6 million in local incentives.
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2018 Session of the General Assembly.

Project “Covington” was endorsed by the Commission as presented:

- i. Industrial Sector: manufacturing
- ii. Known competitor states: Georgia, North Carolina and South Carolina
- iii. \$248.4 million investment / no new jobs
- iv. Average annual wage of existing jobs: \$84,950
- v. Ten-year net return on state incentives as prepared by VEDP: -\$1.0 million
- vi. Expected timeframe for repayment of incentives: not applicable

- vii. Incentives endorsed (\$12.6 million total state incentives):
 - \$13.2 million sales and use tax exemption (\$10.7 million state and \$2.5 million local)
 - \$2 million Virginia Investment Partnership Grant (VIP)
 - In addition, the locality is offering \$2.7 million in rebates of local machinery and tools taxes.
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2018 Session of the General Assembly.

October 10, 2017

Project “HQ2” was endorsed in concept by the Commission with the understanding that VEDP would return to seek final approval once the details of the incentive offer are finalized.

- i. Industrial Sector: internet retail/technology
- ii. Known competitor states: Multiple sites in competition; top U.S. competitors include NY, IL, CA, MA, GA, CO, and MI.
- iii. Expected capital investment and job creation: \$3.6 billion to \$5 billion investment / up to 50,000 employees
- iv. Average annual wage: \$100,000
- v. Ten-year net return on state incentives as prepared by VEDP: n.d.*
- vi. Expected timeframe for repayment of incentives: n.d.*
- vii. Incentives endorsed: n.d.*
- viii. Legislation will likely be required, however the details of the incentive offer have not been finalized.

Project “Transformer” was endorsed in concept by the Commission with the understanding that VEDP would return to seek final approval once the details of the incentive offer are finalized.

- i. Industrial Sector: technology
- ii. Known competitor states: Louisiana
- iii. Expected capital investment and job creation: 500 employees
- iv. Average annual wage: \$53,000
- v. Ten-year net return on state incentives as prepared by VEDP: n.d.*
- vi. Expected timeframe for repayment of incentives: n.d.*
- vii. Incentives endorsed: n.d.*
- viii. Legislation will likely be required, however the details of the incentive offer have not been finalized.

November 20, 2017

Project “Vireo” was endorsed by the Commission as presented:

- i. Industrial Sector: enterprise data center
- ii. Known competitor states: North Carolina
- iii. Expected capital investment and job creation: \$350 million investment / 50 employees
- iv. Average annual wage: \$92,883
- v. Ten-year net return on state incentives as prepared by VEDP: \$10.6 million
- vi. Expected timeframe for repayment of incentives: one year

- vii. Incentives endorsed: \$10.6 million sales and use tax exemption (total state and local) for the initial investment in data center equipment
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2018 Session of the General Assembly.

*Not disclosed. The terms of the incentive offer have not been finalized.

The MEI Commission continues its work and will provide all relevant updates to the General Assembly by the next annual reporting deadline.

Sincerely,



S. Chris Jones
House Appropriations Committee



Thomas K. Norment, Jr.
Senate Finance Committee



Emmett W. Hanger, Jr.
Senate Finance Committee

cc: The Honorable Todd P. Haymore, Secretary of Commerce and Trade
Mr. Stephen Moret, President and CEO, Virginia Economic Development Partnership