



Commonwealth of Virginia

GENERAL ASSEMBLY

RICHMOND

January 6, 2021

To Members of the General Assembly:

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

The chairman of the Commission shall report annually by the first day of each General Assembly Regular Session on all endorsed incentive packages for which an offer has been made and publicly announced. 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.

Project “Spock” (Microsoft) was endorsed by the Commission as presented on September 16, 2019, and was publicly announced on May 27, 2020. The details of the incentive package are as follows:

- i. Industrial sector: Software publishers (NAICS: 51120).
- ii. Known competitor states: District of Columbia, Georgia, and Texas.
- iii. Employment creation and capital investment expectations: 1,500 new jobs and \$64.0 million investment.
- iv. Average annual wage of new jobs: \$112,215.
- v. Ten-year net return on state incentives as prepared by the Virginia Economic Development Partnership Authority: \$68.3 million.
- vi. Expected timeframe for repayment of incentives: Estimated cumulative revenues are greater than state costs in each year. Incentive grants will be paid in installments, assuming the company has fully achieved its pledged investment and employment.
- vii. Incentives endorsed (\$23.9 million total state incentives):

- \$22.5 million custom performance grant payable to the company over four years, beginning in fiscal year 2022; and
- Major Business Facility Job Tax Credits estimated at \$1.4 million.
- In addition, Fairfax County is offering local incentives in the form of infrastructure improvements valued at \$2.9 million.

viii. The custom performance incentive grant requires legislation. A draft of the bill to be introduced during the 2021 Session of the General Assembly is attached.

The Commission met on November 12, 2020, and endorsed an incentive package for a technology company considering a location in Planning District 8. The incentive offer has not yet been publicly announced.

On December 14, 2020, the Commission met and endorsed an incentive package for an information technology company considering an expansion in Planning District 13. The incentive offer has not yet been publicly announced.

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

Sincerely,



Luke E. Torian
House Appropriations Committee

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

VEDP

Technology Development Grant Program

Draft Legislation

Title 59.1 Trade and Commerce

Chapter 22. Technology Development Grant Fund

§ 59.1-284. Technology Development Grant Program.

A. As used in this section, unless the context requires a different meaning: Capital investment" means an expenditure by or on behalf of the qualified company on or after January 1, 2020, in real property, tangible personal property, or both, at a facility within an eligible county that is properly chargeable to capital account or would be so chargeable with a proper election. The purchase or lease of furniture, fixtures, business personal property, machinery, and tools, including under an operating lease, and expected building expansion and up-fit by or on behalf of the qualified company will qualify as capital investment.

"Eligible county" means Fairfax County.

"Facility" means the building, group of buildings, or corporate campus, including any related machinery and tools, furniture, fixtures, and business personal property, located in the eligible county, that is owned, leased, licensed, occupied, or otherwise operated by the qualified company for use in the administration, management, and operation of its business, including software development and technology research and development.

"Fund" means the Technology Development Grant Fund created under subsection B. .

"Grants" means grants from the Technology Development Grant Fund awarded to a qualified company in an aggregate amount not to exceed \$22.5 million. Grants are intended to pay or to reimburse the qualified company for the costs for workforce development, workforce recruitment, and workforce instruction or training. The qualified company may use the award for any lawful purpose.

"Memorandum of understanding" means a performance agreement or related document entered into on or before August 1, 2020, among a qualified company, the Commonwealth and VEDP, that sets forth the requirements for capital investment and the creation of new full-time jobs for the qualified company to be eligible for grants from the fund.

"New full-time job" means a job position, in which the employee of the qualified company works at the facility, for which the standard fringe benefits are provided by the Company, and for which average annual wage is at least \$112,215. Each such position must require a minimum of either (i) 35 hours of an employee's time per week for the entire normal year of the qualified company's operations, which "normal year" must consist of at least 48 weeks or (ii) 1,680 hours per year. Seasonal or temporary positions, positions created when a job function is shifted from an existing location in the Commonwealth (unless the position in the existing location is backfilled), and positions with construction contractors, vendors, suppliers, and similar multiplier or spin-off jobs shall not qualify as new full-time jobs. The Commonwealth may gauge compliance with the new full-time jobs requirements for the qualified company by reference to the new payroll generated by a qualified company, as indicated in the memorandum of understanding.

"Qualified company" means a technology company, including its affiliates that between January 1, 2020, and June 30, 2025, is expected to (i) make a capital investment at a facility of at least \$64 million and (ii) create at least 1,500 new full-time jobs at the facility related to, or supportive of, its business.

"Secretary" means the Secretary of Commerce and Trade or his or her designee.

"VEDP" means the Virginia Economic Development Partnership Authority.

B. There is hereby created in the state treasury a special nonreverting fund to be known as the Technology Development Grant Fund. The fund shall be established on the books of the Comptroller. All funds appropriated for such fund shall be paid into the state treasury and credited to the fund. Interest earned on moneys in the fund shall remain in the fund and be credited to it. Any moneys remaining in the fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the fund. Moneys in the fund shall be used solely for the purpose to pay grants. Expenditures and disbursements from the fund shall be made by the State Treasurer on warrants issued by the Comptroller pursuant to subsection F.

C. A qualified company shall be eligible to receive grants each fiscal year beginning with the Commonwealth's fiscal year starting on July 1, 2021, and ending with the Commonwealth's fiscal year starting on July 1, 2026, unless such timeframe is extended in accordance with the memorandum of understanding. The grants under this section shall be paid to the qualified company from the fund, subject to appropriation by the General Assembly, during each such fiscal year, contingent upon the qualified company's meeting the requirements set forth in the memorandum of understanding for the number of new full-time jobs created and maintained and the amount of capital investment made. The first grant installment of \$5,625,000 shall not be awarded until the qualified company has made a capital investment of at least \$19,260,000 and has created at least 500 new full-time jobs.

D. The aggregate amount of grants payable under this section shall not exceed \$22.5 million, and grants are expected to be paid in four annual installments of \$5,625,000 each, calculated in accordance with the memorandum of understanding, as follows:

1. \$5,625,000 for the Commonwealth's fiscal year beginning July 1, 2021;
2. \$5,625,000 for the Commonwealth's fiscal year beginning July 1, 2022;
3. \$5,625,000 for the Commonwealth's fiscal year beginning July 1, 2023; and
4. \$5,625,000 for the Commonwealth's fiscal year beginning July 1, 2024.

E. A qualified company applying for a grant installment under this section shall provide evidence, satisfactory to the Secretary, of (i) the aggregate number of new full-time jobs created and maintained in the calendar year that immediately precedes the beginning of the fiscal year in which the grant installment is to be paid, (ii) the aggregate number of existing jobs maintained in certain other facilities operated by the qualified company in the calendar year that immediately precedes the beginning of the fiscal year in which the grant installment is to be paid, and (iii) the aggregate amount of the capital investment made through the calendar year that immediately precedes the beginning of the fiscal year in which the grant installment is to be paid. The application and evidence shall be filed with the Secretary in person, by mail, or as otherwise agreed upon in the memorandum of understanding, by no later than April 1 each year reflecting performance through the prior December 31. Failure to meet the filing deadline shall result in a

deferral of a scheduled grant installment payment set forth in subsection D. For filings by mail, the postmark cancellation shall govern the date of the filing determination.

F. Within 60 days of receiving the application and evidence pursuant to subsection E, the Secretary shall certify to the Comptroller and the qualified company the amount of grants to which such qualified company is entitled for payment. Such grants shall be paid by the State Treasurer on warrant of the Comptroller in the Commonwealth's fiscal year following the submission of such application. The Comptroller shall not draw any warrants for payment of the grants under this section without a specific appropriation for the same.

G. As a condition of receipt of the grants, a qualified company shall make available to the Secretary for inspection, upon request, all documents relevant and applicable to determining whether the qualified company has met the requirements for the receipt of grants as set forth in this section and subject to the memorandum of understanding. All such documents appropriately identified by the qualified company shall be considered confidential and proprietary.