



Commonwealth of Virginia

GENERAL ASSEMBLY

RICHMOND

January 11, 2023

To Members of the General Assembly:

Pursuant to § 30-312 of the *Code of Virginia*, the chair 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.

The following packages of incentives were endorsed by the MEI Commission and publicly announced during calendar year 2023:

May 17, 2022

Project “Discovery” (Lego) was endorsed by the MEI Commission as presented:

- i. Industrial sector: Other Plastic Manufacturing (NAICS: 326199)
- ii. Known competitor states: North Carolina
- iii. Employment creation and capital investment expectations: 1,761 new jobs and \$1.043 billion capital investment
- iv. Average annual wage of new jobs: \$60,569 for new jobs created in Chesterfield County
- v. Ten-year net return on state incentives as prepared by the Virginia Economic Development Partnership Authority: \$7.8 million
- vi. Expected timeframe for repayment of incentives: Breakeven is projected in Fiscal Year 2027

- vii. Incentives endorsed (\$77.6 million total state incentives and \$14.3 million in by-right tax credits and exemptions):
 - \$56.0 million custom performance grant payable to the company (post-performance);
 - \$19.0 million in site development funding (pre-performance), authorized in Chapter 1 (2022 Special Session I);
 - \$2.6 million in incentives through the Virginia Talent Accelerator Program (VEDP cost);
 - \$1.6 million Major Business Facility Jobs Tax Credit (by-right); and
 - \$12.7 million commercial and industrial Sales & Use Tax exemption (by-right)
 - In addition, Chesterfield County will offer incentives and tax rebates estimated to equal \$107.2 million over 20 years
- viii. The custom performance grant requires legislation for consideration by the 2023 General Assembly. (Attached)

Project “Juniper” (Plenty) was endorsed by the MEI Commission as presented:

- i. Industrial sector: Crops Grown Under Cover (NAICS: 111419)
- ii. Known competitor states: Michigan, Ohio, Tennessee, and Wyoming
- iii. Employment creation and capital investment expectations: 300 new jobs and \$300.0 million investment
- iv. Average annual wage of new jobs: \$53,555 for new jobs created in Chesterfield County
- v. Ten-year net return on state incentives as prepared by the Virginia Economic Development Partnership Authority: \$6.7 million
- vi. Expected timeframe for repayment of incentives: Breakeven is immediate; Always cash positive
- vii. Incentives endorsed (\$3.3 million total state incentives and \$7.7 million in by-right Retail Sales and Use Tax exemptions):
 - \$2.4 million Commonwealth Development Opportunity Fund Grant;
 - \$334,000 in incentives through the Virginia Talent Accelerator Program (VEDP cost);
 - \$75,000 Port Opportunity Fund Grant;
 - \$500,000 Agriculture & Forestry Industries Development Fund Grant (post-performance); and
 - \$7.7 million commercial and industrial Sales & Use Tax exemption (by-right)
 - In addition, Chesterfield County will offer incentives estimated to equal \$3.9 million
- 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 2023 Session of the General Assembly.

November 11, 2022

On November 11, 2022, the MEI Commission endorsed one incentive package for a project that has not yet been publicly announced. This includes a headquarters relocation for a major federal government entity considering locating in Planning District 8.

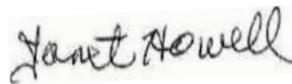
December 13, 2022

On December 13, 2022, the MEI Commission endorsed one incentive package for a project that has not yet been publicly announced. This includes a major international cloud computing and data services provider considering several large data center campuses in multiple Virginia localities.

The MEI Commission endorsed a sales tax recapture for Kalahari Resorts and Conventions, which involves a major tourism project eligible to receive revenue equal to 2.0 percent of state sales and use tax revenues through the Tourism Development Financing Program. The total amount of sales tax recapture is estimated at \$148.2 million over 20 years to assist the developer with obtaining gap financing and making payments of principal and interest thereon. Chapter 468 of the 2022 General Assembly requires the MEI Commission to review and approve major tourism projects that promise to make a new capital investment of at least \$500.0 million and will result in the creation of at least 500 net new jobs. The incentive is authorized under existing law. Accordingly, no additional legislation or appropriation is necessary for consideration by the 2023 General Assembly.

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

Sincerely,



Janet D. Howell

cc: The Honorable Caren Merrick, Secretary of Commerce and Trade
Mr. Jason El Koubi, President and CEO, Virginia Economic Development Partnership

A BILL to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 22.20, consisting of a section numbered 59.1-284.41, relating to Precision Plastic Manufacturing Grant Fund; established.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 22.20, consisting of a section numbered 59.1-284.41, as follows:

CHAPTER 22.20.

PRECISION PLASTIC MANUFACTURING GRANT FUND.

§ 59.1-284.41. Precision Plastic Manufacturing Grant Fund.

A. As used in this chapter, unless the context requires a different meaning:

"Capital investment" means an expenditure by or on behalf of a qualified company on or after June 1, 2022, in real property, tangible personal property, or both, at a facility in an eligible county that is properly chargeable to a 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 construction and up-fit by or on behalf of a qualified company shall qualify as capital investment.

"Eligible county" means Chesterfield County.

"Facility" means the building, group of buildings, or corporate campus, including any related machinery and tools, furniture, fixtures, and business personal property, that is located at or near a qualified company's operations in an eligible county and is owned, leased, licensed, occupied, or otherwise operated by a qualified company as a temporary or permanent manufacturing and distribution facility for use in the administration, management, and operation of its business.

"Fund" means the Precision Plastic Manufacturing Grant Fund.

"Grants" means the grant payments from the Fund awarded to a qualified company in an aggregate not to exceed \$56 million. The proceeds of the grants may be used by the qualified company for payment or reimbursement of the costs of workforce development, costs of construction and development of the facility, or any other lawful purpose.

"Memorandum of understanding" means a performance agreement or related documents entered into on or before June 1, 2022, by a qualified company, the Commonwealth, and VEDP

that sets forth the requirements for capital investment and the creation of new full-time jobs by a qualified company in order for a qualified company to be eligible for grants from the Fund.

"New full-time job" means a job position, in which the employee of a qualified company is principally located at a facility, for which the average annual wage for the applicable year is at least equal to the average annual wage for that year required by the memorandum of understanding and the qualified company provides standard fringe benefits. Such position shall 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" shall consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions 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 job requirements for a qualified company by reference to the new payroll generated by a qualified company, if so indicated in the memorandum of understanding.

"Qualified company" means a company, including its affiliates, that engages in the manufacture and distribution of precision plastic products in an eligible county and that between June 1, 2022, and December 31, 2035, is expected to (i) make a capital investment of at least \$1 billion and (ii) create at least 1,761 new full-time jobs related to or supportive of its business. A qualified company shall be deemed to be engaged in manufacturing for purposes of Chapter 35 (§ 58.1-3500 et seq.) of Title 58.1.

"Secretary" means the Secretary of Commerce and Trade or his 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 Precision Plastic Manufacturing Grant Fund. The Fund shall be established on the books of the Comptroller. All funds appropriated to the 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 to pay grants pursuant to this chapter. 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 expected to begin with the Commonwealth's fiscal year starting on July 1, 2027, and ending with the Commonwealth's fiscal year starting on July 1, 2035, unless such timeframe is extended in accordance with a memorandum of understanding. Grants paid pursuant to this section shall be

subject to appropriation by the General Assembly during each such fiscal year and are contingent on a qualified company meeting the requirements set forth in this chapter and 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 payment shall not be awarded until a qualified company has created at least 500 new full-time jobs.

D. The aggregate amount of grants payable under this section shall not exceed \$56 million. Grants are anticipated to be paid in nine annual installments, calculated in accordance with a memorandum of understanding as follows:

1. \$5,939,900 for the Commonwealth's fiscal year beginning July 1, 2027;
2. \$13,422,500, less the total amount of grants previously awarded pursuant to this subsection, for the Commonwealth's fiscal year beginning July 1, 2028;
3. \$19,582,100, less the total amount of grants previously awarded pursuant to this subsection, for the Commonwealth's fiscal year beginning July 1, 2029;
4. \$25,876,700, less the total amount of grants previously awarded pursuant to this subsection, for the Commonwealth's fiscal year beginning July 1, 2030;
5. \$32,774,300, less the total amount of grants previously awarded pursuant to this subsection, for the Commonwealth's fiscal year beginning July 1, 2031;
6. \$40,103,900, less the total amount of grants previously awarded pursuant to this subsection, for the Commonwealth's fiscal year beginning July 1, 2032;
7. \$46,443,500, less the total amount of grants previously awarded pursuant to this subsection for the Commonwealth's fiscal year beginning July 1, 2033;
8. \$52,783,100, less the total amount of grants previously awarded pursuant to this subsection for the Commonwealth's fiscal year beginning July 1, 2034; and
9. \$56 million, less the total amount of grants previously awarded pursuant to this subsection for the Commonwealth's fiscal year beginning July 1, 2035.

In accordance with a memorandum of understanding, actual payment amounts and fiscal years may differ from the schedule above and may be extended beyond the fiscal year beginning July 1, 2035, but the aggregate amount of grant payments shall not exceed \$56 million.

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 as of the last day of the calendar year preceding the application and (ii) the amount of capital investment made in the calendar year preceding the application. The application and evidence shall be filed with the Secretary in person, by mail, or as otherwise agreed upon in a

memorandum of understanding no later than April 1 each year reflecting performance through the last day of the prior calendar year. 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 an 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. Payment of such grants shall be made by check issued by the State Treasurer on warrant of the Comptroller in the Commonwealth's fiscal year following the submission of an application. The Comptroller shall not draw any warrant to issue checks for grants without a specific appropriation for the same.

G. As a condition of receipt of grants under this section, 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 receipt of a grant as set forth in this section and subject to the memorandum of understanding. All such documents appropriately identified by a qualified company shall be considered confidential and proprietary.

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