

Common Local Incentives

- Cash grants
- Free or Discounted Land
- Free building / Free or Reduced Rent
- Site Prep – other in kind services
- Low interest financing or buy downs
- Waiver of construction or permit fees, utility extension costs
- Free office space
- Tax Abatements

Creative Local Incentives

- Waiver of construction or permit fees
- Utility extension costs
- Tiered muni rates or ED rider
- Occupation tax caps
- Free office space
- Employee relocation assistance
- Concierge
- Auto lease – short term rent assistance
- Flexible depreciation on personal property

Creative Incentives – Flex Depreciation

<u>Depreciation Schedules - Equipment</u>			Reported	Normal	Special	Tax	Tax
Yr	Bond Amount	Depreciation	Investment	100% Taxes	Schedule	Savings	Payments
1	\$105,000,000	92%	\$96,600,000	\$1,159,200	50%	\$579,600	\$579,600
2	\$105,000,000	85%	\$89,250,000	\$1,071,000	50%	\$535,500	\$535,500
3	\$105,000,000	78%	\$81,900,000	\$982,800	50%	\$491,400	\$491,400
4	\$105,000,000	70%	\$73,500,000	\$882,000	50%	\$441,000	\$441,000
5	\$105,000,000	63%	\$66,150,000	\$793,800	50%	\$396,900	\$396,900
6	\$105,000,000	54%	\$56,700,000	\$680,400	50%	\$340,200	\$340,200
7	\$105,000,000	44%	\$46,200,000	\$554,400	50%	\$277,200	\$277,200
8	\$105,000,000	34%	\$35,700,000	\$428,400	50%	\$214,200	\$214,200
9	\$105,000,000	28%	\$29,400,000	\$352,800	50%	\$176,400	\$176,400
10	\$105,000,000	25%	\$26,250,000	\$315,000	50%	\$157,500	\$157,500
				\$7,219,800		\$3,609,900	\$3,609,900
				Company's Potential Savings-Eqpt		50%	
				County+School		Incentive	Proposed

<u>Depreciation Schedules - Equipment</u>			Reported	Normal	Special	Tax	Tax
Yr	Bond Amount	Depreciation	Investment	100% Taxes	Schedule	Savings	Payments
1	\$105,000,000	90%	\$94,500,000	\$1,134,000	50%	\$567,000	\$567,000
2	\$105,000,000	80%	\$84,000,000	\$1,008,000	50%	\$504,000	\$504,000
3	\$105,000,000	70%	\$73,500,000	\$882,000	50%	\$441,000	\$441,000
4	\$105,000,000	60%	\$63,000,000	\$756,000	50%	\$378,000	\$378,000
5	\$105,000,000	50%	\$52,500,000	\$630,000	50%	\$315,000	\$315,000
6	\$105,000,000	40%	\$42,000,000	\$504,000	50%	\$252,000	\$252,000
7	\$105,000,000	30%	\$31,500,000	\$378,000	50%	\$189,000	\$189,000
8	\$105,000,000	20%	\$21,000,000	\$252,000	50%	\$126,000	\$126,000
9	\$105,000,000	20%	\$21,000,000	\$252,000	50%	\$126,000	\$126,000
10	\$105,000,000	20%	\$21,000,000	\$252,000	50%	\$126,000	\$126,000
				\$6,048,000		\$3,024,000	\$3,024,000

Added Benefit with Aggressive Depreciation

\$585,900

An Incentives Strategy – Good Idea!

- Your public partners have approved the offer (ahead of time)
- Confidence/image with the prospect
- Different levels based on jobs and investment thresholds
- Fair for new or existing industry
- Keeps you out of trouble and passing the front page test

Incentives Strategy – Tiered Approach

Tier	Minimum Jobs	Minimum Capital Investment	Targeted Tax Savings	Abatement Schedule
1	15	\$10,000,000	35%	5 years
2	50	\$30,000,000	50%	10 years
3	100	\$50,000,000	65%	10 plus



Incentives Strategy – Tiered Approach

Development Authority Incentives Guide					
Minimum Jobs	Minimum Investment	Tax Schedule	Targeted Tax Savings	Total PILOT	
15	\$10 million	5 years	50%	\$207,581	
25	\$25 million	10 years	60%	\$725,613	
50	\$50 million	15 years	75%	\$1,038,773	
<i>Jobs must be full time jobs and pay 100% of draw area weekly average wage - currently \$850 per week</i>					
<i>Job and investment thresholds are a guide, but 15 full time jobs AND \$10 million investment must be met in order to qualify for tax abatements - note that values depend on the ratio of real property to total investment</i>					
<i>In order to qualify for tier 3 tax savings, at least \$50 million in capital investment AND 50 jobs must be created.</i>					
Fiscal Impact Analysis - Determine if Free Land Will Earn Positive Return					
Jobs	Capital Investment	Net Benefits After Abatements	NPV With No Abatements	Net Benefits @ 30 acres Free Land	
15	\$10 million	\$513,366	\$723,703	\$243,366	
25	\$25 million	\$702,489	\$1,683,236	\$432,489	
50	\$50 million	\$988,421	\$4,021,978	\$718,421	
<i>Projects have graduating abatement schedules - 10 year time horizon except 50 jobs, Tier 3 that uses 15 years</i>					
<i>Assumed Land Value per ac</i>		\$9,000			

Special Tax Schedules

Project Wood Chip - Tax Schedules								
Equipment Investment - phase 1		\$30,000,000						
Depreciation		8 to 12 years						
Millage - school + county		29.00 mills						
				County+School		Incentive	Proposed	
			Reported	Normal	Special	Tax	Tax	
Yr	Bond Amount	Depreciation	Investment	100% Taxes	Schedule	Savings	Payments	
1	\$30,000,000	92%	\$27,600,000	\$320,160	90%	\$288,144	\$32,016	
2	\$30,000,000	85%	\$25,500,000	\$295,800	80%	\$236,640	\$59,160	
3	\$30,000,000	78%	\$23,400,000	\$271,440	70%	\$190,008	\$81,432	
4	\$30,000,000	70%	\$21,000,000	\$243,600	60%	\$146,160	\$97,440	
5	\$30,000,000	63%	\$18,900,000	\$219,240	50%	\$109,620	\$109,620	
6	\$30,000,000	54%	\$16,200,000	\$187,920	40%	\$75,168	\$112,752	
7	\$30,000,000	44%	\$13,200,000	\$153,120	30%	\$45,936	\$107,184	
8	\$30,000,000	34%	\$10,200,000	\$118,320	20%	\$23,664	\$94,656	
9	\$30,000,000	28%	\$8,400,000	\$97,440	10%	\$9,744	\$87,696	
10	\$30,000,000	25%	\$7,500,000	\$87,000	0%	\$0	\$87,000	
				\$1,994,040		\$1,125,084	\$868,956	
			Company's Potential Savings				56%	

Special Tax Schedules

<u>Project Headquarters - Tax Schedules</u>							
Equipment Investment - phase 1			\$30,000,000				
Real Property				100%			
2014 Millage - school + county				29.00	mills		
				County+School		Incentive	Proposed
			Reported	Normal	Special	Tax	Tax
<u>Yr</u>	<u>Bond Amount</u>	<u>Depreciation</u>	<u>Investment</u>	<u>100% Taxes</u>	<u>Schedule</u>	<u>Savings</u>	<u>Payments</u>
1	\$30,000,000	100%	\$30,000,000	\$348,000	90%	\$313,200	\$34,800
2	\$30,000,000	100%	\$30,000,000	\$348,000	80%	\$278,400	\$69,600
3	\$30,000,000	100%	\$30,000,000	\$348,000	70%	\$243,600	\$104,400
4	\$30,000,000	100%	\$30,000,000	\$348,000	60%	\$208,800	\$139,200
5	\$30,000,000	100%	\$30,000,000	\$348,000	50%	\$174,000	\$174,000
6	\$30,000,000	100%	\$30,000,000	\$348,000	40%	\$139,200	\$208,800
7	\$30,000,000	100%	\$30,000,000	\$348,000	30%	\$104,400	\$243,600
8	\$30,000,000	100%	\$30,000,000	\$348,000	20%	\$69,600	\$278,400
9	\$30,000,000	100%	\$30,000,000	\$348,000	10%	\$34,800	\$313,200
10	\$30,000,000	100%	\$30,000,000	\$348,000	0%	\$0	\$348,000
				\$3,480,000		\$1,566,000	\$1,914,000
				Company's	Potential Savings	45%	

Project Rocket

The Project

- International textiles
- 140 direct jobs
- \$90 million investment
- 130 + years in business
- Economic impact exceeds \$7 million
- 2 community finalists, 2 SE states



Critical Needs

- Requires existing building
- 20 acres for two phases will commit to 3rd phase
- More land needed
- Reducing risks and start up costs are critical
- Concerns with utility connections and muni utility costs
- Clarity on property taxes over life of investments

Completing the Deal

- **Use a Qualified Attorney**

- **MOU**
 - 1) **Keep it simple**
 - 2) **Non-threatening**
 - 3) **Balance what you are providing and what the community is getting**
 - 4) **Keep the state project manager in the loop**
 - 5) **Teamwork Wins**