

Incentives 101

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NOT Local Incentives!

- State Statutory Tax Incentives
 - Job Tax Credits, R&D Tax Credits, etc.
- REBA or EDGE Grants
- QuickStart

- If you can't control how it's applied, it isn't your incentive.

Local Incentives

- Support controlled and/or provided by a local entity like:
 - County Government
 - City Government
 - Development Authority

Types of Local Incentives

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

Using Local Incentives



- Match your incentives to meet critical project needs – up front versus deferred
- Determine what's needed to close the deal and determine if you can afford that **BEFORE** you make the offer
- Leverage other grants – make a good deal better!
- Performance standards or clawbacks – non threatening!

Valuing Local Incentives

- Understand the cost of incentives
 - Incentives should be valued as an investment in the community. When will you see a “return”?
- Fiscal Impact Analysis (LOCI) vs. Economic Impact Analysis (IMPLAN)
- What’s most important to your community?
 - The Jobs?
 - The Capital Investment?

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



Special Tax Schedules

Project Wood Chip - Tax Schedules								
Equipment Investment - phase 1		\$30,000,000						
Depreciation		8 to 12 years						
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	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

<i>Project Headquarters - Tax Schedules</i>							
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

Project Rocket – The Answer Is

Community Incentives Offer

- Discounted building and 100 acres
- Cash grant per job for building rehab
- Utility connections – permitting no cost
- Concierge services 1 plus year
- Rent stipends for two key managers
- 15 year customized tax abatements per phase – savings of about 60% over 3 phases