

# Types of 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
- 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!

# 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

| Yr                                 | Bond Amount  | Depreciation | Investment   | County+School |          | Incentive Tax Savings | Proposed Tax Payments |
|------------------------------------|--------------|--------------|--------------|---------------|----------|-----------------------|-----------------------|
|                                    |              |              |              | Reported      | Normal   |                       |                       |
|                                    |              |              |              | 100% Taxes    | Schedule |                       |                       |
| 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             |
| <b>Company's Potential Savings</b> |              |              |              |               |          | <b>56%</b>            |                       |

# Special Tax Schedules

| <b><i>Project Headquarters - Tax Schedules</i></b> |                    |                     |                   |                   |                          |                |                 |
|--|--------------------|---------------------|-------------------|-------------------|--------------------------|----------------|-----------------|
| 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     |
|  |                    |                     |                   | <b>Company's</b>  | <b>Potential Savings</b> | <b>45%</b>     |                 |

# 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 3<sup>rd</sup> 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