

A man in a dark blue sweater is shown from the side, holding a tablet computer. The background is a blurred warehouse or industrial setting with yellow safety lines on the floor and various equipment. The right side of the image is a solid dark blue vertical bar containing white text.

2021 MAEDC Competitiveness Conference

The Changing Landscape
Of Economic Incentives

December 1, 2021

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The universe of Economic Incentives is MUCH more than just tax credits.....

1 Facility Development or Buildout

- Funds for site preparation, grading, utility extensions, rail construction, economic development grants, etc.
- Road construction and signalization
- Land costs
- Building permit, impact and similar fees
- Due diligence costs
- Cash contributions to defray investment costs

4 Alignment with Real Estate Team

- Right of entry
- Option prices and terms
- Site or facility acquisition
- Municipal and conventional financing
- Build-to-suit coordination
- Development agreement
- Lease documentation

2 Taxes

- Property tax rates and abatements
- Inventory taxes
- State and local income tax credits arising from jobs creation or investment
- Tax credit carry-forwards
- Sales tax exemptions and rebates

5 In-Kind and Other Incentives

- Industry-specific incentive programs
- Temporary office space
- Management relocation assistance
- Management travel and lodging during construction and start-up
- Expedited permitting
- Tuition waivers

3 Utilities

- Electricity rates, redundancy systems, method and quality of service, substation and distribution improvements
- Natural gas, water and sewer rates, tap fees, impact fees, capacity reservation fees, wastewater surcharges
- Extension of utilities and infrastructure

6 Recruiting & Training

- Cash incentives tied to job creation
- Recruiting costs
- Pre-hire assessment or testing of applicants
- Pre-hire training programs duration and content
- Post-hire training programs
- Training venue and instructor compensation

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What Works?

- State and Local infrastructure programs
- Early engagement with local permitting authorities

Trends

- As speculative construction of facilities (especially in the logistics use) increases, the ability to enter infrastructure grant agreements without job commitments is imperative and becoming more accepted
- 'Shovel ready' site inventory for industrial investments on the rise

2

Taxes

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What Works?

- Predictably monetized credits and abatements
- Business-friendly local authorities

Trends

- Increasingly polarized opinions regarding real and personal property tax abatements
- Jobs tax credits reverting to original statutory compliance requirements
 - Incentives for out-of-state/hybrid employees?
 - Waivers during 2020 going to be harder to obtain 2021

3

Utilities

- Electricity rates, redundancy systems, method and quality of service, substation and distribution improvements
- Natural gas, water and sewer rates, tap fees, impact fees, capacity reservation fees, wastewater surcharges
- Extension of utilities and infrastructure

What Works?

- Utility organizations with established Economic Development departments
- Early engagement with entire project team to ensure all requirements identified and attainable

Trends

- As a component of site readiness, some utilities expediting extensions to currently unserved areas
- Differing approaches to providing assistance – including capital cost offsets, delivery cost relief, or none

4

Alignment with Real Estate Team

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What Works?

- Whatever the broker wants 😊
- During site evaluation phase, local insights as to any properties that might not be listed, have known issues, etc.

Trends

- Speculative construction increasingly financed by previously conservative companies
- Brokers 'sticking with who they know' in BTS opportunities
- Most responsive local teams win – with the velocity of investments at all time high and available inventories at all time low, speed to market is critical

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In-Kind and Other Incentives

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- Tuition waivers

What Works?

- Creative thinking, especially when conventional incentives have lesser value
- Understanding of other funding sources available

Trends

- Some states now using “Rainy Day” funds to explore creative incentive opportunities
- Eliminating or reducing statutory requirements on usage of grant assistance

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Recruiting & Training

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What Works?

- Broadest use of funds possible, to include OTJ and travel allowances
- Minimized paperwork/administration to receive reimbursements
- Cash and not tax credits

Trends

- Rapid increase in public investments in technical and community colleges to build pipeline of ready-to-work candidates
- Partial outsourcing of initial job screening and hiring to local 3rd party service providers

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Questions?

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