

AMAZON HQ NOVA: BRIEFING FOR HOUSE APPROPRIATIONS COMMITTEE

January 23, 2019

MOST OF VIRGINIA’S PROPOSED COMMITMENTS ARE INVESTMENTS IN THE TECH-TALENT PIPELINE AND TRANSPORTATION INFRASTRUCTURE

Focus area	Component	Description	Size (\$MM)
Company incentive	 Provide post-performance incentive grants	Provide post-performance job-creation grants to offset Amazon’s talent acquisition and development costs associated with standing up HQ2	550*
Tech-talent pipeline initiative	 Expand tech-talent pipeline across Virginia	Expand Virginia’s statewide tech-talent pipeline, adding 12,500-17,500 bachelor’s degrees in computer science and closely related fields in excess of current levels over the next 20 years, as well as invest \$25 million in expanded internship opportunities to connect tech students to tech jobs	Up to 710**
	 Launch tech campus(es) in Northern Virginia	Build a tech campus (or two distinct campuses) alongside a leading anchor university that will attract and retain top talent globally, creating an additional 12,500-17,500 master’s degrees in computer science and closely related fields in excess of current levels over the next 20 years	Up to 375**
	 Broaden K-12 tech-talent pipeline	Boost the tech-talent pipeline of the future by further developing and deploying K-12 tech-talent education programming	25
Regional infrastructure expansion	 Enhance multimodal transportation infrastructure	Provide state support for priority transportation infrastructure projects that will improve mobility in the region	195***
Total of company incentives			550*
Total of state competitiveness investments (tech-talent pipeline initiative and infrastructure expansion)			Up to 1,305****

* Maximum value of \$550 million assumes company creates 25,000 jobs with average annual wages of \$150,000, plus benefits, escalated at 1.5% annually. Up to \$200 million in additional company incentives (for a cumulative total of \$750 million) is available if the company creates a total of 37,850 qualifying jobs within 20 years

** Value represents the maximum new state investment in capital and operational support that may be required to achieve the referenced degree production outcomes. Participating institutions will enter into MOUs that detail their plans for growth, state funding commitments, annual reporting requirements, and future funding parameters associated with performance. The total new state investment to grow bachelor’s-level tech-talent education will be determined in part by how much of the growth in computer science and related fields is associated with an overall increase in college graduates at each institution and how much relates to a shift in the degree-field mix that may occur at some institutions

*** Maximum value of \$195 million assumes company creates 25,000 jobs with average annual wages of \$150,000, plus benefits, escalated at 1.5% annually. Up to \$100 million in additional state infrastructure commitments (for a cumulative total of \$295 million) is available if the company creates a total of 37,850 qualifying jobs within 20 years

**** Maximum value assumes company creates 25,000 qualifying jobs and assumes maximum potential state investment for the tech-talent pipeline initiative

HQ2 IMPACT – BY THE NUMBERS

1 Strengthen Virginia's leadership position in technology, corporate headquarters, business services, and innovation

1x Project HQ2 would directly create about the same number of direct jobs as all greenfield auto plant deals signed in the last 15 years, combined

\$2.5B Capital expenditure at 25,000 jobs would be \$2.5 billion, dozens of times greater than Project Gateway (AWS East Coast Corporate Campus)

\$3.2B The minimum level of cumulative new general fund revenue Virginia expects to receive over 20 years, after accounting for direct company incentives

>6:1 The expected rate of return on Virginia's incentives to Amazon over 20 years

\$150k+ Average salary of Amazon workers is expected to be roughly double the prevailing wages in Northern Virginia

15-25% Jobs created in first decade would close at least 15-25% of the 10-year job gap to Virginia's growth aspiration (i.e., getting back to the top 5-10 states)

AAA Opportunity to diversify state revenue base and enhance state fiscal strength

AMAZON HAS SELECTED TWO LOCATIONS FOR HQ2: ARLINGTON, VIRGINIA AND NEW YORK CITY (LONG ISLAND CITY)

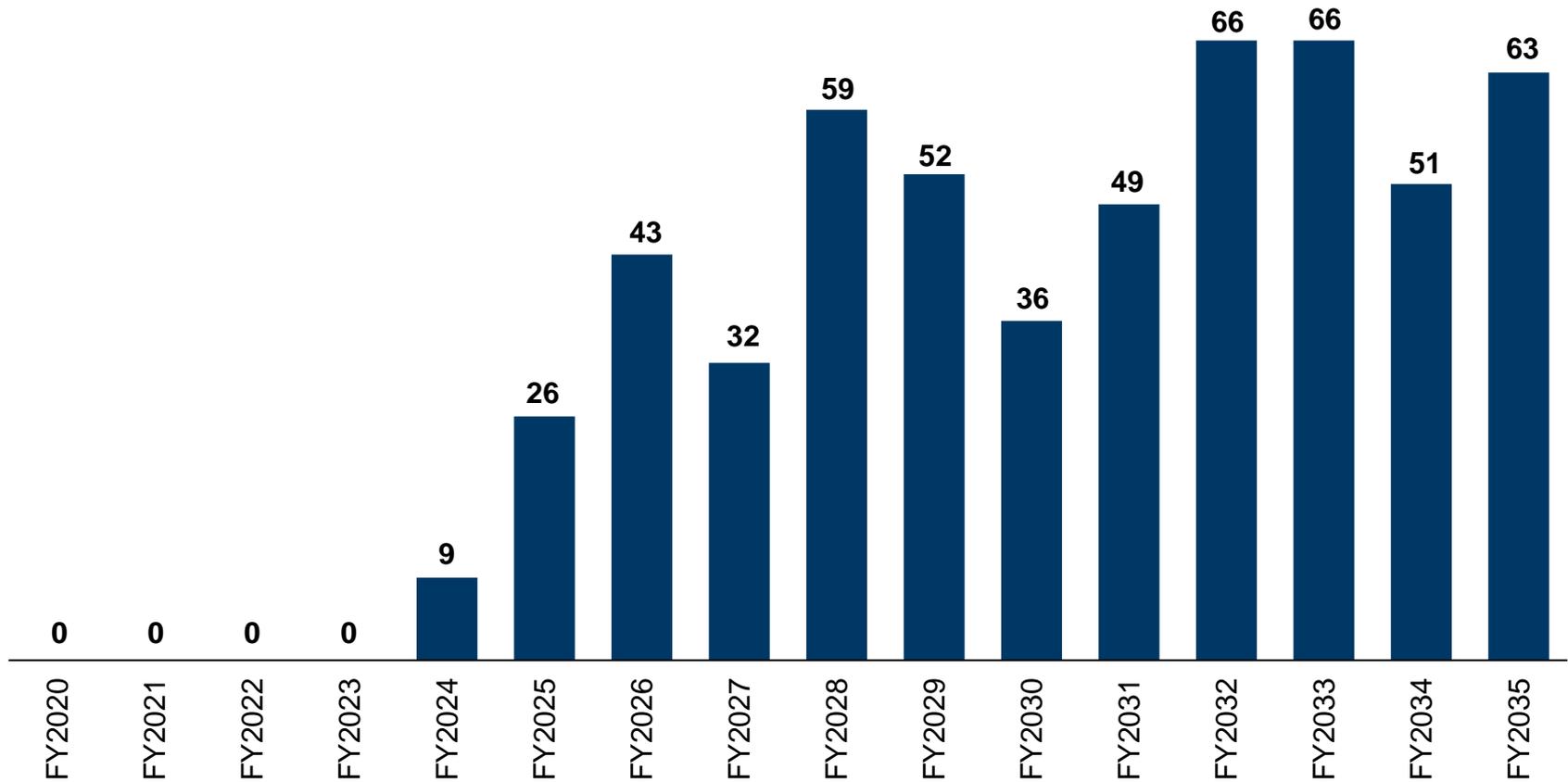
- Amazon received nearly 240 applications for its major headquarters project, and Virginia's proposal was significantly less than what other states offered
- The company has committed to create a minimum of 25,000 jobs in each location, with average annual wages in excess of \$150,000, escalating by at least 1.5% annually
- Our incentive package reflects a minimum of 25,000 jobs (Phase I), with a potential ramp to 37,850 jobs (Phase II)
- *The remainder of this presentation focuses on the 25,000-job phase to which the company has committed*

OUR PROPOSAL FOR AMAZON'S MAJOR NEW HEADQUARTERS INCLUDES A POST-PERFORMANCE INCENTIVE GRANT PROGRAM

- Phase I (up to 25,000 jobs): \$22,000 per job, for a total maximum of \$550 million
- Optional Phase II (25,001-37,850 jobs): \$15,564 per job, for a total potential of \$200 million
- Incentive payments will be paid four years after qualifying jobs (minimum average of \$150,000 per year, plus benefits, escalated at 1.5% annually) are created
- 6:1 return on incentives (ratio of 20-year estimated NPV of general fund revenues to NPV of post-performance company incentive payments)

EXPECTED POST-PERFORMANCE GRANT PAYMENT SCHEDULE FOR PHASE ONE (\$550 MILLION TOTAL BY FY2035)

\$ Millions



RECAP OF MAJOR POINTS

- A transformational opportunity to drive diversification and innovation
- Retention of college grads and reversal of out-migration trend
- Doubling of Virginia's tech-talent pipeline, benefiting all tech firms
- Post-performance incentives, with positive GF revenues from day one
- \$3.2B in net new GF \$s after direct incentives (over 20 years at 25k jobs)
- A winning package for far less than many others offered

DISCUSSION, Q&A

