

amazon in arlington

What to Know

about incentives and revenues

Incentive Agreement

- An agreement will be brought before the County Board for consideration **no earlier than March 2019** outlining all proposed obligations between Arlington and Amazon.
- The **agreement is based on Amazon's commitment** to create up to 37,850 new jobs and occupy over 6,000,000 square feet of office space over 16 years (performance period), beginning in Fiscal Year (FY) 2019 through FY 2034.
 - o Minimum average wage of \$150,000 per year, plus benefits.
 - o At least \$2.5 billion in capital investment in Arlington
 - o See slide 18 of the **Amazon 101 PowerPoint** on our webpage, arlingtonva.us/amazon.
- Financial incentives will be **awarded upon Amazon satisfying performance metrics** stipulated in the agreement.

Arlington Proposal

- Arlington's proposed package consists of **95% investments in infrastructure and affordable housing, and 5% direct financial incentives to Amazon** over 15 years.
- Infrastructure and Affordable Housing
 - o **\$360 million** (\$222 million of committed funding, \$82 million in pending grants, and \$55.7 million in proposed grants) invested in transportation projects serving the Pentagon City, Crystal City and Potomac Yard neighborhoods
 - o **\$70 million** (\$7 million annually over 10 years) towards the implementation of 1,000 affordable housing units in and around the Crystal City, Pentagon City, and Columbia Pike areas
 - o **\$28 million** in strategic investments for public infrastructure projects in Pentagon City and Crystal City from tax increment financing (TIF)-related revenues over 10 years.
- Direct Financial Incentives
 - o Amazon may be eligible for **pay-for-performance grants** from a portion of new incremental revenue generated from the Transient Occupancy Tax (TOT).
 - o The award amount is variable **based on the collection of TOT incremental revenues** above a base amount specified in the agreement.
 - o Based on initial project assumptions, the total grant award is estimated at **\$23 million over 15 years**. As more information becomes available, estimates and projections will be refined.
 - o The TOT grant proceeds will exclusively **pay for or reimburse the cost of the Amazon facility in Arlington**, including, but not limited to, build-out, construction, tenant up-fit and furniture, fixtures, and equipment.
- Amazon may also be eligible for and request incentives from existing programs that are available to any Arlington company (assuming qualifications are met) and outlined on page 249 of the Northern Virginia Proposal for Amazon's New Headquarters. Click the **NOVA Proposal to Amazon link** at arlingtonva.us/amazon and go to page 249.

Virginia Proposal

- The **Commonwealth of Virginia also offered a package** consisting of financial incentives, and investments in infrastructure, affordable housing and education.
- See slides 29, 31, 37 and 38 of the **Amazon 101 PowerPoint** on our webpage, arlingtonva.us/amazon.

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Revenue to Arlington County

The total estimated tax revenue to Arlington County specifically from Amazon and its employees is **\$342 million over 16 years**.

- Includes estimates for property tax (72% of total revenue), business tangible personal property tax (14%), sales tax (6%), meals tax (5%) transient occupancy tax (3%) and business license tax (BPOL) from property rental (<1%)
- Estimates of BPOL tax revenue from the company is not included because it is not known at this time which business units and affiliated entities will be locating in Arlington and if they will be subject to and/or have transactions exempt from BPOL taxes.
- Revenues from construction, indirect and induced employment and spending, or projections associated with other businesses locating nearby (agglomeration) are not included.
- Revenue estimates are based on initial project assumptions and no escalation. As more information becomes available, estimates and projections will be refined.
- See slide 22 of the [Amazon 101 PowerPoint on our webpage, arlingtonva.us/amazon](http://arlingtonva.us/amazon).

Capital Investment and Property Taxes

- Amazon's initial occupancy will be roughly **500,000 square feet in existing buildings**.
 - JBG Smith is planning to **invest approximately \$95 million** in preparation for Amazon's initial occupancy.
 - The Assessor's office will determine value after completion of improvements and occupancy to calculate taxes.
 - The current tax rate is \$1.131 (not including BID taxes) per \$100 of assessed value.
- Amazon also intends to build and occupy up to **4.1 million square feet of new office buildings**.
 - Amazon is planning to **invest \$2.5 billion** for these new buildings.
 - The Assessor's office will determine value after delivery of the buildings and occupancy to calculate taxes.

Business License (BPOL) Taxes

- As mentioned above, Amazon has not yet announced which business units and affiliated entities will be locating in Arlington and if they will be subject to and/or have transactions exempt from BPOL taxes.
- Each of these units entities will be obligated to **pay all applicable business license taxes and fees** as described in Arlington County Code Chapter 11, Article 1.
- The Office of the Commissioner of Revenue (COR) will determine applicable classification and business tax rates for each business license filed.
- BPOL tax rates range from \$0.08 to \$0.43 on each \$100 of gross receipts and taxes will be **collected after the first year**.