

# King George County, Virginia

## Economic Development Revenue Analysis



November 14, 2023

# Background

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- Davenport & Company LLC (“Davenport”) serves as Financial Advisor to King George County (the “County”) and the King George County Service Authority (the “Authority”) in the following ways, amongst others:
  - Reports to the County Board of Supervisors and Authority Board of Directors, and County Administrator and General Manager, respectively;
  - Complements County Staff with annual Budgetary Planning, Capital Planning, and Multi-year Financial Planning; and,
  - Interacts with the National Credit Rating Agencies on behalf of the County.
  
- Davenport is routinely engaged by the County to assist in the review of potential Economic Development Projects and to help analyze the risks/rewards of potential Economic Development Projects/Initiatives.
  
- Davenport was asked by the County to independently review the projected revenues associated with the Economic Development Project proposed by Amazon.
  
- The analysis herein outlines Davenport’s estimated revenue impacts under a variety of scenarios. *Note: All results are preliminary, and subject to change.*

# General Assumptions

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## A. Scenarios Analyzed:

- 1) 1 Data Center.
- 2) 3 Data Centers.
- 3) 6 Data Centers.

**B. Buildout Timing:** For purposes of this revenue estimate, it is assumed that the first data center is complete in calendar year 2026 and the County begins collecting revenue in fiscal year 2027. Scenarios 2 and 3 assume additional data center buildings (as noted above) are added at the rate of one per year.

**C. Tax Rates:** This analysis assumes the following tax rates are held constant for the entire projection period:

- 1) **Real Estate Tax Rate:** 68¢ per \$100 Assessed Value.
- 2) **Personal Property Tax Rate:** \$1.25 per \$100 Assessed Value. (Note: Personal property in the form of network and server equipment is assumed to depreciate at the current depreciation schedule).

# Depreciation Schedule



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A	B
Year	Remaining Asset Value
Year 1	50% of original cost
Year 2	35% of original cost
Year 3	20% of original cost
Year 4	10% of original cost
Year 5+	5% of original cost

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# General Assumptions (cont.)



1) As Davenport currently understands, the Draft Performance Agreement defines an Infrastructure Reimbursement Amount and Investment Performance Bonus due to the Company from the County. Both incentives are payable from the incremental increase in real estate and personal property taxes generated by the project.

a) **Infrastructure Reimbursement Amount:** Equal to \$36,636,000.

— This amount would be repaid via 60% of incremental tax revenues until the \$36.6 million is rebated in full.

b) **Investment Performance Bonus:** Once the Infrastructure Reimbursement Amount is repaid, the County will pay the Investment Performance Bonus in accordance with the following schedule.

A	B
Total Capital Investment	Incremental Tax Revenue Payment %
\$6 billion to \$10 billion	10.0%
Over \$10 billion to \$15 billion	15.0%
Over \$15 billion	20.0%

# Scenario 1: Summary Revenue Impact



- The following estimates assume the project results in 1 (one) shell building.

	A	B	C	D = A - B - C
FY	Gross Real Estate and Personal Property Taxes	Infrastructure Reimbursement Amount	Investment Performance Bonus	Net County Revenues
Totals	\$ 35,689,169	\$ 21,413,501	\$ -	\$ 14,275,668
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	3,038,085	1,822,851	-	1,215,234
2028	3,682,610	2,209,566	-	1,473,044
2029	3,783,768	2,270,261	-	1,513,507
2030	2,844,892	1,706,935	-	1,137,957
2031	2,182,920	1,309,752	-	873,168
2032	1,784,146	1,070,488	-	713,658
2033	2,142,925	1,285,755	-	857,170
2034	2,343,613	1,406,168	-	937,445
2035	2,455,430	1,473,258	-	982,172
2036	1,953,560	1,172,136	-	781,424
2037	1,574,190	944,514	-	629,676
2038	1,378,570	827,142	-	551,428
2039	1,868,570	1,121,142	-	747,428
2040	2,236,070	1,341,642	-	894,428
2041	2,419,820	1,451,892	-	967,928

# Scenario 2: Summary Revenue Impact



- The following estimates assume the project results in 3 (three) shell buildings.

	A	B	C	D = A - B - C
FY	Gross Real Estate and Personal Property Taxes	Infrastructure Reimbursement Amount	Investment Performance Bonus	Net County Revenues
Totals	\$ 99,991,798	\$ 36,636,000	\$ -	\$ 63,355,798
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	3,038,085	1,822,851	-	1,215,234
2028	6,720,695	4,032,417	-	2,688,278
2029	10,504,464	6,302,678	-	4,201,785
2030	10,311,271	6,186,762	-	4,124,508
2031	8,811,581	5,286,949	-	3,524,632
2032	6,811,959	4,087,175	-	2,724,784
2033	6,109,992	3,665,995	-	2,443,997
2034	6,270,685	3,762,411	-	2,508,274
2035	6,941,968	1,488,761	-	5,453,207
2036	6,752,603	-	-	6,752,603
2037	5,983,180	-	-	5,983,180
2038	4,906,319	-	-	4,906,319
2039	4,821,329	-	-	4,821,329
2040	5,483,209	-	-	5,483,209
2041	6,524,459	-	-	6,524,459

# Scenario 3: Summary Revenue Impact



- The following estimates assume the project results in 6 (six) shell buildings.

	A	B	C	D = A - B - C
FY	Gross Real Estate and Personal Property Taxes	Infrastructure Reimbursement Amount	Investment Performance Bonus	Net County Revenues
Totals	\$ 183,154,600	\$ 36,636,000	\$ 7,143,585	\$ 139,375,015
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	3,038,085	1,822,851	-	1,215,234
2028	6,720,695	4,032,417	-	2,688,278
2029	10,504,464	6,302,678	-	4,201,785
2030	13,349,356	8,009,614	-	5,339,742
2031	15,532,276	9,319,366	-	6,212,911
2032	17,316,422	7,149,074	-	10,167,348
2033	16,421,263	-	-	16,421,263
2034	15,082,265	-	-	15,082,265
2035	13,753,927	-	-	13,753,927
2036	12,862,595	-	1,286,259	11,576,335
2037	12,253,864	-	1,225,386	11,028,478
2038	11,848,288	-	1,184,829	10,663,459
2039	11,573,932	-	1,157,393	10,416,539
2040	11,466,389	-	1,146,639	10,319,750
2041	11,430,778	-	1,143,078	10,287,700



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