



Ms. Holly Sullivan
Director of WW Economic Development
Amazon.com, Inc.
2021 7th Avenue
Seattle, WA 98121, USA

November 9, 2018

Dear Holly,

As requested, below is the requested information on Arlington County's proposal dated October 12, 2018 for a direct incentive to Amazon.

We are pleased to offer a Transient Occupancy Tax (TOT) Grant for Amazon. Our offer is based on the understanding that Amazon will occupy at least 6M square feet of office space in Arlington County by 2034. Using a 4% average annual escalation rate of TOT revenues, **we estimate the value of this incentive is \$23M over a 15-year period.**

The details are as follows:

- TOT is a tax on the total cost paid for each room or space rented in any hotel, motel, or tourist home. Currently, Arlington County levies a 5.25% TOT. The .25% is separated for tourism promotion and would not be included in the calculation of a grant. It is expected that Amazon will create new/additional TOT revenue from business-related travelers who will stay in Arlington.
- Using 2019 as the baseline, Arlington County will provide Amazon an annual grant worth up to 15% of Arlington's incremental Transient Occupancy Tax (TOT) revenue generated (new revenue above the baseline) for 15 years. Arlington estimates that value of these grants over 15 years is approximately \$23M.
- The annual grant would be pay-for-performance without repayment provisions.
- Amazon would receive its first grant after its first year of performance.
- After each performance year, Amazon must provide an annual report on its total leased/owned/occupied square feet and total number of full-time employees. Amazon must also be current on taxes.
- The incentive amount would be tied to only the annual leased/owned/occupied square foot target.

Disbursement Provisions for the TOT Grant would be outlined as follows:

- Full annual grant upon meeting at least 90% of the annual target
- Prorated amount for performance between 50%-89% of the annual target
- No payment for performance of less than 50% of the target

Additionally, Arlington County is committed to supporting public infrastructure improvements in the National Landing site. A high-quality public realm and top tier transportation system are integral to the type of urban environment and adopted land use plans Arlington County has envisioned for this area and that Amazon desires in a location. In addition to the TOT Grant,

Arlington County is proposing using a portion of the new incremental revenue generated by Amazon's arrival within the existing Tax Increment Financing (TIF) area to make strategic investments in and around National Landing. For estimation purposes only, using a 4% escalation rate, **half of the new TIF revenue is projected to be a total of \$28M over the 10-year period from 2021 to 2030.**

Additional Information about the TIF area includes:

- In 2010, the County adopted a policy establishing a tax increment financing (TIF) area and created a separate fund comprised by a portion of incremental real property tax revenues in Crystal City, Potomac Yard and Pentagon City to pay for infrastructure improvements. The Arlington portion of the National Landing site falls within the TIF area. The TIF is currently set at 25% of the incremental property tax revenue.
- Starting in year 2021, we would set a baseline and propose dedicating half of the new TIF revenue to public infrastructure projects in the National Landing site for 10 years.
- This is not a grant and the estimated value of the TIF Fund would not be included in a performance agreement. Arlington would not be required to contribute more to the fund if the value was lower than projected.
- At this time, we do not have enough information to identify the specific projects that would be made a priority. We look forward to collaborating with Amazon in the coming months to work out these details.

The County understands that Amazon desires to have a helipad at its Arlington facility. Arlington County staff will assist Amazon in its efforts to obtain required County Board, Commonwealth and Federal approvals for the development, construction, and operation (at the Company's expense) of a helipad at the Facility.

Upon acceptance, further action is required to create the appropriate legislation and subsequent formal approvals from the Arlington County Board and the Arlington County Industrial Development Authority (IDA). Accordingly, this proposed incentive should not be considered as a binding obligation of Arlington County. Any final performance agreement or other necessary legislation will reflect the input of the Arlington County Board and the Arlington County IDA, as well as the final project investment, square footage, employment and wages. A signed performance agreement between Arlington County, the IDA and Amazon will be required, outlining the expectations associated with the project. Any public disclosure concerning this project must be coordinated between the Virginia Economic Development Partnership (VEDP) and Arlington County in order to take full advantage of these incentive programs.

We are truly excited about the prospect of welcoming Amazon to our community. I would enjoy the opportunity to discuss in detail how Arlington can meet your needs. Please do not hesitate to call me personally at (703) 228-3414.

Sincerely,



Mark J. Schwartz
County Manager