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CITY OF CINCINNATI
HAMILTON COUNTY, OHIO

ECONOMIC DEVELOPMENT INCENTIVE SUMMARY



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Hamilton County and the City of Cincinnati are pleased to propose certain economic development incentives that will enable Amazon to develop its proposed HQ2 in an expeditious and cost-effective manner. The incentive structure also ensures that necessary public infrastructure associated with the development of Amazon's HQ2 is also completed. This incentive approach, a true public-private partnership, provides the opportunity for Amazon to not only develop its HQ2 in an urban campus-like environment, but also be an integral stakeholder and leader in the continued transformation of an entire region. Such transformation occurs with partners committed to achieving closely aligned objectives as set forth in Amazon's RFP.

PROPERTY-RELATED ECONOMIC DEVELOPMENT SAVINGS

I. Property Tax Exemption under Section 5709.41 of Ohio Revised Code

Amazon has demonstrated a proven ability to offer sought-after employment opportunities that will attract the highest quality individuals to work and reside within the region. We are confident that employees of that caliber, along with the addition of Amazon as a corporate citizen, will greatly enhance the region economically, socially and culturally.

Based on Amazon's proposed commitment to a long-term employment growth plan and retention, the County, jointly with the City, is willing to grant a thirty (30) year real estate tax exemption on 100% of the real property improvements to parcels constructed or rehabilitated in connection with Amazon's HQ2. The real property exemption shall be effectuated via Section 5709.41 of the Ohio Revised Code (the "Act"). Under the Act and the accompanying authorizing resolution, Amazon would make payments in lieu of taxes (PILOTs) equal to an amount attributable to traditional ad valorem taxes. Of those PILOTs, a portion will be allocated to the Cincinnati City School District, pursuant to compensation agreements with the District. Based on existing Ohio law, Amazon would be reimbursed a percentage of the PILOTs and a portion would also be allocated to the City and County for public infrastructure improvements within the HQ2 development area.

Based on the assumptions set forth below, which have been structured for modeling purposes only, Amazon could receive a property tax reimbursement in the aggregate amount of up to **\$1,629,408,802** over the term of thirty-seven¹ (37) years.

¹ Assumes Phase 1, Phase 2 and Phase 3 are placed on the tax rolls in 2019, 2021 and 2025, respectively, which accounts for thirty-seven (37) total years of exempted properties. This structure optimizes the value of the incentive that accrues to Amazon such that development within each phase is exempted for a maximum of thirty years.

For modeling purposes, tax valuation is based on the estimated initial hard construction cost of eight million square feet of development in three phases from 2019-2025, with standard inflation adjustments.



EARLY RENDERING OF A POTENTIAL "OFFICE CAMPUS HUB" AT THE BANKS – CINCINNATI, OHIO

II. Property Acquisition Savings

In connection with the acquisition and construction of Amazon's HQ2, Hamilton County and/or the City of Cincinnati control approximately fifteen acres (accounting for over 70% of the required Phase I and Phase II HQ2 development square footage of approximately 6 million square feet) which currently has an aggregate market value of approximately **\$62 million**. The Public Parties are amenable to making such public owned and controlled land and/or air rights available to Amazon without any upfront payment. The vehicle for this sale price incentive would take form as a deferred purchase price structure, supported by agreed upon schedules and thresholds. In short, the County and the City have property available today that would essentially enable Amazon to develop Phase I and II of its HQ2 in an urban riverfront environment that

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has as its front door, a nationally recognized park and immediately adjacent residential and retail establishments without acquisition costs. By way of example, the area outlined in red below would be made available for construction in 2018 and without any upfront cost, and can accommodate approximately 1,000,000 square feet of development.



III. Construction Materials Sales Tax Exemption

The Greater Cincinnati Redevelopment Authority is an economic development agency established by the City and the County with operational focus that includes real estate development. The Port will make available incentives which will enable qualified building and construction materials to be exempt from Ohio Sales Tax.

Under this structure, prescribed in Chapter 4582 of the Ohio Revised Code, the Port Authority would obtain a fee or ground lease interest in the property sites, and then lease the project to Amazon or a designated affiliate. This lease/leaseback structure will not impact any other property based incentives because the lease is triple net, and the property would revert to Amazon for a



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nominal fee at the end of the term. Based on an estimated hard construction cost of approximately \$2.06 billion developed over the three phases, we anticipate that the exemption could be worth approximately **\$58 million**, net of Port fees and expenses. This information is for modeling purposes only and assumes that 45% of construction costs of HQ2 will qualify as exempt building and construction materials as set forth in the Ohio Revised Code.

EMPLOYEE BASED ECONOMIC DEVELOPMENT INCENTIVES

I. Municipal Job Creation Tax Credit

For the reasons stated above and more specifically with respect to the potentially more than 50,000 new jobs expected to be created in connection with Amazon’s locating their HQ2 within the City of Cincinnati, the City is prepared to offer Amazon a job creation tax credit (“JCTC”) based on the payroll that Amazon would bring to the City.

The JCTC constitutes a credit against Amazon’s local net profits tax obligation and equates to a defined percentage of the value of the individual earnings tax generated by Amazon employees located at the proposed office campus over a period of fifteen (15) years, provided that such 15 year term shall commence in three phases. Such JCTC is contingent upon Amazon’s occupancy of the respective buildings for an agreed upon term. Historically, it has been the policy of the City to offer non-refundable credits, meaning that benefit to the company receiving the JCTC could not exceed its local net profits tax liability. However, given the magnitude of Amazon’s potential investment within the City, and the resulting benefit to the City and its populace, the City is offering Amazon the JCTC in the form of a refundable credit. A refundable credit will allow Amazon to claim the credit against the full amount of individual earnings tax paid by Amazon employees based in Cincinnati notwithstanding the actual amount of Amazon’s local net profits tax liability.



Historically, it has been the policy of the City to offer non-refundable credits, meaning that benefit to the company receiving the JCTC could not exceed its local net profits tax liability. However, given the magnitude of Amazon’s potential investment within the City, and the resulting benefit to the City and its populace, the City is offering Amazon the JCTC in the form of a refundable credit. A refundable credit will allow Amazon to claim the credit against the full amount of individual earnings tax paid by Amazon employees based in Cincinnati notwithstanding the actual amount of Amazon’s local net profits tax liability.

Based on the employment assumptions stated, the City has modeled projected values of a municipal JCTC for an aggregate benefit of up to **\$1.3 billion**.

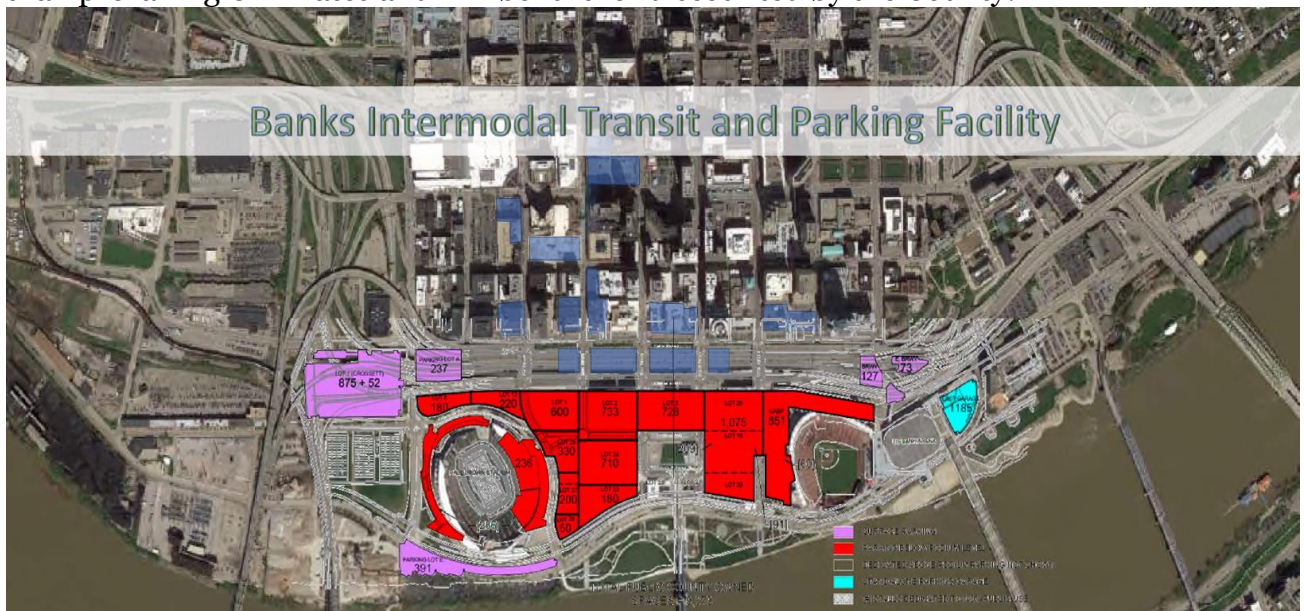
II. Parking Access and Discount

The diagram set forth below shows the location of the Banks Intermodal Transit Facility, which is located below and fully integrated with The Banks mixed-use development and extends over eight city blocks “overbuild.” The proximity to Amazon’s proposed HQ2

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offices and cost flexibility offered under the County Parking Agreement will address Amazon’s parking needs within the Banks Riverfront Parking System. The Banks Riverfront Parking System includes over 8500 spaces currently on the Central Riverfront and, upon completion of the Central Riverfront Parking System, over 9,300 spaces will be available on the Central Riverfront, with approximately 7,000 spaces located in a facility that is fully integrated with Amazon HQ2.

The Banks Parking Facilities will be available to Amazon employees at a rate that is less than prevailing CBD rates and will be further discounted by the County.



OVER 9,300 PUBLIC OWNED PARKING SPACES AT FULL BUILDOUT

All such parking shall be made available to Amazon employees at a bulk rate equal to 70% of the already extremely competitive single-car rates offered to the general public at any time. The chart below reflects the projected monthly single-car parking rates available to the public and the discounted monthly rates applicable to Amazon employees. Such publicly available rates and discounted rates are subject to future increases, at an agreed upon escalation rate, although the 30% discount rate will remain unchanged during the fixed term.

Projected Number of Users	Projected Savings Annually Accruing to Amazon Employees
3,500 - 7,000	\$150,000-300,000

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Summary of Potential Cost Savings

Job Creation Tax Credit (15 year term):	\$1,370,000,000
Property Tax Savings (30 year term) :	\$1,610,000,000
Property Acquisition Savings (Phase I & II):	\$ 62,000,000
Construction Materials Sales Tax Exemption (All Phases):	<u>\$ 58,000,000</u>
Total	\$3,100,000,000

Additional Employee Benefits (Discounted On-Site Parking): \$4.5M–\$9M

All of the values presented above are notional, based on estimates provided in the RFP. The various programs described above, as currently authorized under state law, can be combined in a variety of ways and tailored to Amazon's specific needs. Using these programs, the City and County are committed to creating a package of incentives valued at \$3.1 Billion over 30 years. As we move through subsequent steps in this process, the City and County will work with Amazon to develop additional scenarios within existing and new legislative tools to potentially bring forth additional economic opportunity and benefit. While Amazon finalizes its project design at The Banks, the City and County will work together, and in conjunction with other taxing authorities throughout the region, to structure an incentive package to assure Amazon's success in the Queen City.

