INDUSTRY SECTORS | **AUTOMOTIVE**

Why the Southeast Is Winning EV Projects, With More on the Way

Proximity to existing automotive OEMs and suppliers already located in the southeastern U.S. is just one of the factors drawing new EV projects to the region.

Stephanie Yarbrough, Partner, Womble Bond Dickinson

Jason Myers, Partner, Womble Bond Dickinson (US) LLP

Q3 2023

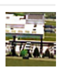
The southeastern United States has become a focal point for electric vehicle (EV) manufacturers and their suppliers as automotive original equipment manufacturers (OEMs) place their bets on EV plants that will usher in the EV era. These new plants are essential to the long-term growth plans of the OEMs, and a company's location decision is particularly critical.

RELATED RESEARCH

Charging Up the Electric Vehicle and Battery Sector

Last Word: A Second Wave of EV Investment

Top-Four Location Considerations for EV Battery Plants



Key Considerations for EV Projects

The Southeast has already landed a significant number of new EV projects from both OEMs and their suppliers, and it is very likely to win even more. Like many competitive economic development projects, key factors for EV projects include logistics and supply chain, available and trained workforce, real estate, utilities, and incentives. When OEMs and their suppliers weigh these factors in their location

PROJECT ANNOUNCEMENTS

Toyota Expands Georgetown, Kentucky, Manufacturing Operations
02/07/2024

South Korea-Based Doowon Climate Control America Plans Metter, Georgia, Operations
02/07/2024

Germany-Based HEYCO-Werk USA Plans Gaston County, North Carolina, Production Operations
01/29/2024

Groupe Touchette Expands Rosser, Manitoba, Operations
01/26/2024

Cummins-Daimler Trucks & Buses-PACCAR Plan Marshall County, Mississippi, Operations
01/19/2024

South Korea-Based Unitech North America Plans Morrison, Tennessee, Operations
01/15/2024

Stardust Power Plans Muskogee, Oklahoma, Lithium Refinery
01/12/2024

All News Items

TIPS: SEND US BUSINESS EXPANSION OR RELOCATION NEWS

decisions, the Southeast emerges as an ideal location. Moreover, southeastern states are making a concerted effort to land these projects as they represent the next generation of major domestic automotive manufacturing.

Many OEMs — such as Toyota, Volvo, Honda, Nissan, BMW, Mercedes, Volkswagen, Mazda, Kia, and Hyundai — have an existing presence in the Southeast and accordingly have existing suppliers nearby. As both OEMs and suppliers make new investments in electrification, the pre-existing relationships between OEMs and suppliers suggest that the OEMs would ideally like to expand or open new plants within the Southeast rather than relocating to another region of the United States and uprooting their existing supplier relationships and supply chains. The same is true for OEM and supplier imports and exports. Absent capacity limitations or poor service by existing logistics providers for trucking, rail, and port, OEMs and suppliers would ideally like to expand or open new facilities in relatively close proximity to their existing facilities in order to streamline their logistics operations.

Finally, workforce availability and training are also major considerations for OEMs and suppliers as they determine where to locate. The Southeast region of the United States has been targeting manufacturing for several decades, including in the automotive sector, and as a result there is a significant existing workforce that has been trained on automotive manufacturing or in a transferrable manufacturing environment.

Available Incentives in the Southeast

The following is a summary of some of the key incentives potentially available to EV projects in each of the southeastern states. This is not an exhaustive list of all potentially available incentives, so it is paramount that companies consult with qualified counsel to ensure that they do not leave any additional funding on the table. Also below is a listing of key state initiatives in the Southeast and recent wins that demonstrate the potential impact of these incentive programs.

ALABAMA

- *Jobs Credit* — Annual cash refunds of up to 3 percent (4 percent in a targeted county) of the previous year's gross payroll (not including benefits) for new eligible employees may be available. An additional 0.5 percent can be claimed for projects located within a former active-duty military installation closed by the Base Realignment and Closure (BRAC) process and another 0.5 percent for companies employing at least 12 percent veterans in their eligible workforce. The annual refund may be claimed for up to 10 years.

- *Investment Credit* — Alabama's investment credit is a tax credit of up to 1.5 percent of qualified capital investment. The credit may be claimed for up to 10 years (15 years if located in a targeted county) and may be applied against Alabama income tax, financial institution excise tax, insurance premium tax, utility tax, and/or utility license tax liability. Unused credits may be carried forward for five years. If approved by the governor, the first three years of the credit may be transferred to another Alabama taxpayer for at least 85 percent or more of face value.

- *Port Credit* — This discretionary program offers a one-time tax credit for increased usage of Alabama public ports. Shippers must be engaged in manufacturing, warehousing, or distribution of goods. The credit is up to $50 per TEU (twenty foot equivalent unit), $3 per net ton, $0.04 per net kilogram, or $2.91 per VEU (vehicle equivalent unit). The port credit is calculated on new cargo above 105 percent of the prior year's cargo. The credit may be taken against Alabama income tax liability and can be carried forward for five years. New distribution or warehouse shippers investing at least $20 million and creating at least 75 net new jobs are eligible to receive up to $100 per TEU over a three-year period if

> ***Like many competitive economic development projects, key factors for EV projects include logistics and supply chain, available and trained workforce, real***

1. 2023's Leading Metro Locations: Hotspots of Economic Growth
Q4 2023

2. 2023 Top States for Doing Business Meet the Needs of Site Selectors
Q3 2023

3. The Logistics Analysis That Drives Industrial Site Selection
Q4 2023

4. The Importance of Understanding Labor Issues in Making the Location Decision
Workforce Q4 2023

5. Clustering Distribution Near Manufacturing Operations: An Old Idea Gaining New Traction
Q4 2023

6. Technology's Influence on Workforce Development
Workforce Q4 2023

7. 2023 Top States Commentary: Top-Ranked States Have What It Takes to Win Mega Projects
Q3 2023

entering into a project agreement with the state.

estate, utilities, and incentives.

- *Enterprise Zone Credit/Exemption* — Businesses that locate in an Enterprise Zone may receive a tax credit or five-year tax exemption for new job creation (up to $2,500 per permanent job), investment tax credits, training grants of up to $1,000 per new employee, and an exemption of sales and use tax on purchases of construction materials. Employers with existing facilities in an Enterprise Zone that create at least five new jobs may also receive incentives.

- *State Industrial Development Grant (Site Prep)* — Grant funds provided to a grantee for use in the preparation of a project site may be utilized for (1) preparation of a means of access to the site; (2) provision for adequate drainage of the site to prevent the accumulation of excess natural waters thereon; (3) boundary and topographical surveying, clearing and grubbing, and excavating; (4) the reasonable rehabilitation of buildings and other structures; and (5) other work relative to site preparation deemed necessary or appropriate.

GEORGIA

- *Investment Tax Credit* — Georgia has an investment tax credit available to existing companies seeking to expand in the state. The value of the credit ranges from 1–5 percent of the qualifying investment expenses. To qualify, a company must have operated a manufacturing facility in Georgia for the last three years and must make a minimum of $50,000 investment in a new or existing facility. Qualified expenses can include land acquisition, improvements, and machinery and equipment.

- *Georgia Job Tax Credits* — Georgia provides a statewide job tax credit for any business or headquarters of any such business creating net new jobs for Georgia and engaged in manufacturing or distribution center activity. The amount of the per-job tax credit depends on the community's designated tier.

  Companies must create between two and 25 net new jobs per year to qualify for Georgia's basic job tax credit depending on the tier of the county. For each year (up to five years) the jobs are maintained, qualified companies can claim a tax credit with a value of $750–$4,000 per job per year. Buildings or properties in state designated opportunity zones or military zones also enjoy Tier 1 status for job tax credit incentives.

If a company creates at least 50 qualifying jobs over a two-year period, it may be eligible for a Quality Jobs Tax Credit, which is paid out in amounts of $2,500–$5,000 per job per year depending on the amount by which the wages for such jobs exceed the average wage in the county.

- *Port Job Tax Credit* — Businesses or the headquarters of any such businesses that meet the eligibility requirements for the job tax credit and that have increased their port traffic tonnage through Georgia ports during the previous 12-month period by more than 10 percent over 75 net tons, five containers or 10 TEUs may qualify for increased job tax credits. The "port bonus" amounts to an additional $1,250 per job credit and can be added to the job tax credit.

- *Property Tax Exemption* — Specific year-to-year schedule of property tax exemption amounts and "payment in lieu of taxes" or PILOT amounts are an additional incentive provided by local community economic development organizations. This incentive is often of significant value to the company, lowering property taxes for 20 to 30 years for the company by locking in a fee "in lieu of" property taxes for the real and personal property of the company.

NORTH CAROLINA

- *Job Development Investment Grant* — There are two major discretionary programs available for competitive projects considering relocating or expanding in North Carolina. The first is the Job Development Investment Grant (JDIG). There are four different categories of JDIGs: traditional, high-yield project, transformative, and transitional.

- *One North Carolina Fund* — The second major discretionary program available for competitive projects considering relocating or expanding in North Carolina is the One North Carolina Fund (OneNC). This is a discretionary cash grant that is administered by North Carolina's Department of Commerce.

SOUTH CAROLINA

- *Job Development Credits* — The Job Development Credit (JDC) is a discretionary incentive that allows entities, typically businesses, to obtain a refund of employee withholding taxes to use for, or reimburse the cost of, certain approved business expenditures. JDCs are awarded by the South Carolina Coordinating Council for Economic Development (CCED).

  Entities eligible for JDC consideration include taxpayers that operate manufacturing, tourism, processing, distribution, research and development, and other facilities. The entity must be planning to create at least 10 new full-time jobs in South Carolina over a five-year period to be eligible for JDCs.

- *State Grants* — South Carolina created an Economic Development Set-Aside Fund and the governor's closing fund that allocates grant funding to local governments to provide incentives for economic development projects. Those governments then approve grant applications for organizations that propose a significant economic benefit to the state as displayed through a cost-benefit analysis. The goal of an economic development grant is to incentivize and to attract new business and expansion of existing businesses into various South Carolina localities. These grants can exceed $1 million.

"Absent capacity limitations or poor service by existing logistics providers……OEMs and suppliers would ideally like to expand or open new facilities in relatively close proximity to their existing facilities in order to streamline

their logistics operations.

- *Property Tax Incentives* — A fee in lieu of tax (FILOT) is a discretionary incentive arrangement provided by counties in South Carolina that provides for payments of annual fees in place of ad valorem real and personal property taxes. FILOT agreements are used to lower the property taxes of companies locating in a South Carolina county. Once a FILOT agreement has been executed, the FILOT agreement governs the responsibilities of the county and the entity making capital investment in the state.

  Counties may also provide companies with Special Source Revenue Credits (SSRCs) to further offset a company's annual FILOT payments under a FILOT agreement. The terms of the SSRCs are documented in the FILOT agreement, and SSRCs are used for the purpose of paying the cost of acquiring, constructing, or improving (1) infrastructure serving the county, municipality or project, or (2) improved or unimproved real estate and personal property including machinery and equipment used in the operation of a manufacturing or commercial enterprise.

TENNESSEE

- *State Grants* — Tennessee's FastTrack Infrastructure Program grant provides for public infrastructure improvements benefitting one or more companies committed to creating new jobs and/or making new capital investment. This grant covers infrastructure including rail, public roadway, site, water, sewer, gas, and telecommunication, and requires a payment in lieu of tax for at least five years on real property.

  Tennessee's FastTrack Economic Development Fund provides the State with the ability to offset costs that companies incur when expanding or locating a business operation in Tennessee. Proceeds from this program can be used for a variety of purposes, including retrofitting buildings, acquiring real property, relocating equipment, and covering other expenditures not otherwise eligible under the Fasttrack Infrastructure Program.

- *Job Tax Credits* — Standard job tax credit provides $4,500 per job to offset up to 50 percent of franchise and excise (F&E) taxes in any given year with a carry forward for up to 15 years. To be eligible, the company must create at least 25 net new full-time positions within a 36-month period and invest at least $500,000 in a qualified business enterprise.

  Enhanced job tax credits allow for an additional annual credit for locations/expansions in designated Tier 2, Tier 3, and Tier 4 Enhancement Counties. Enhanced JTC can offset up to 100 percent of F&E tax liability. Enhanced job tax credits are claimable for additional years and have less stringent job creation and investment requirements depending on the tier of the county in which the project is located.

- *PILOT Program* — Tennessee allows for companies to enter into payment in lieu of tax agreements to reduce their property tax burdens. This incentive is often of significant value, lowering property taxes for 20 to 30 years for the company by locking in a payment "in lieu of" property taxes for the real and personal property of the company.

VIRGINIA

- *Commonwealth Development Opportunity Fund* — Virginia's Commonwealth Development Opportunity Fund (COF) is a discretionary incentive that offers a cash grant to offset/reimburse qualified project-related expenditures. Eligibility is dependent upon the locality in which the project is going to be located.

- *Virginia Investment Performance Grant* — The Virginia Investment Performance Grant (VIP Grant) is available for manufacturing or research and development entities that have a preexisting presence in the state of Virginia (for a minimum of three years) and are planning on investing at least $25 million.

- *Major Eligible Employer Grant Program* — The Major Eligible Employer Grant Program (MEE) is a program that awards up to $25 million to eligible companies. To be eligible, the company must invest $100 million and either 1,000 new net jobs or 400 new net jobs (if the pay is at least double the locality's average wage).

- *Virginia Economic Development Incentive Grant* — The Virginia Economic Development Incentive Grant (VEDIG) offers cash grants to companies looking to locate significant headquarters, administrative, or service sector opportunities.

STATE INITIATIVES TO WIN EV PROJECTS AND RECENT WINS

Alabama

- Key State Initiatives
  - Alabama Electric Vehicle Infrastructure Plan
  - Drive Electric Alabama
- Recent Wins
  - Mercedes-Benz ($1 billion)
  - Hyundai ($300 million)

Georgia

- Key State Initiatives
  - Georgia Electric Mobility and Innovation Alliance
- Recent Wins
  - Hyundai ($5.5 billion)
  - Rivian ($5 billion)

North Carolina

- Key State Initiatives
  - NC Electric Vehicle State Policy Bootcamp and Showcase
  - Governor's Executive Order 271 -- Increasing percentage of NC truck fleets must have zero emissions starting by 2025
- Recent Wins
  - VinFast ($4 billion)
  - Toyota ($3.8 billion)

South Carolina

- Key State Initiatives

- Governor’s EV Summit
- EV Task Force and Working Group for EV Infrastructure and Projects

- Recent Wins
  - Redwood Materials ($3.5 billion)
  - Scout Motors ($2 billion)
  - BMW ($1.7 billion)
  - Envision ($810 million)
  - Proterra ($76 million)

Tennessee

- Key State Initiatives
  - Electric Vehicle Infrastructure Deployment Plan
  - Drive Electric Tennessee
- Recent Wins
  - Ford ($5.6 billion)
  - LG Chem ($3.2 billion)
  - GM/Cadillac ($2 billion)

Virginia

- Key State Initiatives
  - Drive Electric VA
- Recent Wins
  - Volvo Trucks ($400 million)

Editor's Note: *Whit McGreevy, Associate, and Caroline Frey, former associate, at Womble Bond Dickinson (US) LLP, also contributed to this article.*

Stephanie Yarbrough, Partner, Womble Bond Dickinson

Stephanie Yarbrough works closely with domestic and international companies seeking to expand or relocate operations. Her efforts on behalf of clients have led to the creation of thousands of new jobs and billions of dollars in new investments. She works with new and expanding businesses, often international, in identifying and negotiating incentives and in drafting all related documentation for property tax abatement incentives, state grants, job tax credits, job development credits, utility grants, and many other economic development incentives and grants. She is a corporate lawyer. Stephanie's team helps a company through all aspects of a new facility or an expansion of an existing facility (real estate, corporate, tax, environmental, etc.). Stephanie received a BA in Political Science, a Masters in Public Administration, and her Juris Doctorate from SMU School of Law in Dallas, Texas. She is a member of the North Carolina and South Carolina Bar Associations and is on the Global Board of Womble Bond Dickinson, where she also co-chairs the Economic Development Group.

GOVERNMENT POLICY / BUSINESS CLIMATE
Economic Impact and Importance of Social and Policy Issues
Q4 2022

Jason Myers, Partner, Womble Bond Dickinson (US) LLP
Jason Myers brings wide-ranging transactional experience, particularly in finance and real estate, and prior leadership roles in business and in-house legal positions to his capital markets practice focusing on economic development. His experience includes prominent AMLAW 100 and regional law firms in Texas as well as being the head of the financial services legal team for an international private equity firm. Prior to law school, Jason served as Vice President of Asset Management for a real estate developer/hydroelectric power producer, an experience which shaped his business-minded approach as a lawyer.

RELATED TOPICS AND ARTICLES

AUTOMOTIVE
TAXES / INCENTIVES
ADVANCED MANUFACTURING

Critical Considerations for Siting an EV Manufacturing Project

R&D in the EV/Battery Industry Powers New Technologies

Tackling EV Charging Hurdles Together

EV Impacts to Watch in 2023 and 2024

Last Word: A Second Wave of EV Investment

Exclusive Research

LEADING METRO LOCATIONS

2023's Leading Metro Locations: Hotspots of Economic Growth

TOP STATES FOR BUSINESS

2023 Top States for Doing Business Meet the Needs of Site Selectors

ANNUAL ECONDEV AWARDS

EV and Semiconductor Projects Stand Out in States Receiving Area Development's 18th Annual Shovel Awards

CORPORATE EXEC SURVEY RESULTS

37th Annual Corporate Survey: Economic Pressures Exerting Greatest Effect on Decision-Makers

CORPORATE EXEC SURVEY RESULTS

19th Annual Consultants Survey: Clients Challenged by Tight Labor Market, Energy Availability

TOP STATES FOR BUSINESS

2022 Top States for Doing Business Provide an Environment for Business Growth