



MEMORANDUM

To: Finance Committee
From: Rich Olson, City Manager
Date: August 19, 2013
Re: Consideration – Adoption of Business Investment Program

BACKGROUND:

Attached, you will find a modified draft of a policy, which City and County staff entitled “City of Elizabeth City-Pasquotank County Business Investment Program” (BIP). City and County staff shared this proposed policy during the Joint City/County meeting held on July 29, 2013. This policy provides an overview of a grant program, which would provide grants to businesses based on the incremental increase in property taxes. Eligible businesses include aviation, manufacturing, emerging technologies, logistical and distribution and retail, if the retail business provides a substantial increase in sales taxes. Excluding retail, the average wage for aviation, manufacturing, emerging technologies and logistical and distribution is well above Pasquotank County’s median wage. I encourage retail because the City would receive direct benefit due to an increase in sales tax revenue, which in most cases offsets the property taxes that will be part of the grant program.

ANALYSIS:

Eligible Investment Zones include Halstead Boulevard, the Aviation Park and the County’s Commerce Park. The policy is written in such a fashion that about any area within Pasquotank County would be eligible. Staff has modified the policy based on input provided during the Joint City/County meeting. For a business to qualify for a grant, it must meet certain thresholds including a \$2 million investment and the creation of 20 new jobs. Those jobs must pay 100% of the County’s average annual wage. If a business will increase the City/County sales tax revenue by \$150,000 per year, it would qualify. If a manufacturing company creates less than 20 jobs but at least 10 jobs, invests \$6 million and pays 125% of the Pasquotank County average wage, it would also qualify.

The amount of the grants would start at 100% the first year and decrease by 10% each year. Therefore, by the tenth year the grant would only be 10%. Grants would be only for the incremental increase in property tax revenue. The City and

the County have the right to deviate from the policy if the amount of benefit (sales taxes) is more than the value of the grant.

Staff also tried to promote development/redevelopment in the downtown area through the policy as well, but this is very difficult to accomplish. After feedback provided during the Joint City/County meeting and the recent Committee of 100 meeting, City and County staff have removed the downtown component of the policy.

Staff will continue to find a program, which will benefit the downtown businesses. It is staff's intention to bring back a program to address the needs of downtown businesses in the next 60 days.

STAFF RECOMMENDATION:

To recommend that the City Council approve the modified Business Investment Program, which is attached.

RCO/vdw

**City of Elizabeth City-Pasquotank County
Business Investment Program**

What is the Business Investment Program (BIP)?

The Business Investment Program (BIP) seeks to encourage the creation, retention and/or expansion of new or existing businesses and jobs in identified Investment Zones within the community. The program provides grants to companies based upon the amount of property tax generated by the business investment being made.

Eligible Business Growth Clusters

Companies from the following business growth clusters who are relocating or expanding to or within the program's geography may be eligible for participation in the program:

- Aviation
- Manufacturing
- Emerging Technologies & Industries
- Logistical and Distribution
- Retail, which will increase the sales tax base

Eligible Investment Zone Geography

Local Business Investment Zones include: (1) Halstead Boulevard Corridor; (2) Aviation Research and Development Commerce Park; and (3) Pasquotank County Commerce Park. Locations that are consistent with adopted land use policies and plans will also be considered. Additional geographies are considered for projects that meet the program's definition of a "Large Economic Impact Project" (see Attachment II for additional information).

Grants may also be considered for projects that convert or adaptively reuse vacant retail "Big Box" sites, whether inside or outside the development zone, provided that the planned use is consistent with adopted plans for that area.

Program Guidelines and Requirements

- A minimum investment of \$2 million; and
- A minimum of 20 new jobs must be created; and
- Grant recipients must pay an average wage rate for all employees at the investment site equal to or greater than 100% of the average annual wage rate for Pasquotank County. The average wage can be lowered by up to 20% for those companies that pledge to employ Work First participants.

Or

- Have the ability to increase the sales tax dollars or other tax revenue received by the City/County by \$150,000 per year;

Or

- Manufacturing companies creating at least 10 jobs, may be considered for the program with a minimum investment of \$2 million within the Investment Zone and the average salary is 25% above the Pasquotank County average salary.

For all applicants:

- Required investment and employment standards will be set forth in a contractual agreement between the City, County and Grantee. These standards must be maintained throughout the term of the Grant in order for Grant payments to continue. Failure to maintain these levels during the Grant term will result in suspension of Grant payments until such time as the levels are once again met and maintained.
- Grant recipients that relocate outside the County during the term of the Grant – or within 3 years after receipt of the final Grant installment – will be required to repay a proportional amount of the Grant.

Criteria for Evaluating Projects

In making a recommendation for grant approval, the City/County will consider whether there is demonstrated competition from other cities and whether the company's planned relocation or expansion is a realistic choice given the company's product and market. Criteria will include a certification by company executives that the relocation or expansion is contingent upon receiving local incentives.

Grant Amounts

Grants last for a period of up to ten (10) years and are based upon new property tax generated by the investment. Grant criteria may be waived if the business can demonstrate that the City and County will receive other financial benefits from the business. The amount of benefit must be more than the value of the grant.

- Year 1: 100% of new property tax
- Year 2: 90% of new property tax
- Year 3: 80% of new property tax
- Year 4: 70% of new property tax
- Year 5: 60% of new property tax
- Year 6: 50% of new property tax
- Year 7: 40% of new property tax
- Year 8: 30% of new property tax
- Year 9: 20% of new property tax
- Year 10: 10% of new property tax

How does the Program work?

- The Elizabeth City/Pasquotank County Economic Development Commission (EDC), together with the City and County, work to identify candidate companies for the Program. If the candidate meets the criteria of a "Large Economic Impact Project" (see attachment II) then the City and County governments are involved in the process.
- City, County and EDC staff evaluate the prospective project and develop the proposed Grant.
- The Elizabeth City Council and Pasquotank County Board of Commissioners consider approval of the proposed grant at a legally constituted meeting.

- Investment is broadly defined as improvements to land and/or buildings, or the purchase or lease of new equipment or buildings constructed for the qualifying company. Where circumstances warrant, however, Grant calculations may give consideration to the value of leasehold improvements in existing buildings when it can be reasonably demonstrated that the lease will cause additional investment to replace the leased space or that the lease results in a higher value for the building.

For additional information, contact:

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ATTACHMENT II

LARGE ECONOMIC IMPACT PROJECTS

Consideration for participation in the Business Investment Program can also be given to projects that have a larger economic impact than that set forth in the previous program guidelines as identified on page one.

For the purposes of this program, Large Economic Impact Projects will typically be those that consist of:

- Investment of \$10 million or more
- Creation of a minimum of 100 jobs.

It is important to recognize that some Large Economic Impact Projects may create fewer jobs yet more investment, or higher paying jobs with less investment, or a higher number of jobs with lower average wages, etc. For this reason, such Large Economic Impact Projects could still be considered for the program based upon the project's location and overall economic impact.

Eligible Geography for Large Economic Impact Projects

- Elizabeth City and Pasquotank County
- Consistent with adopted land use policies and plans.

Criteria for Evaluating Large Economic Impact Projects

Economic Impact Factors

Number and quality of new jobs
Number of new jobs filled by local residents
Amount of investment
Quality of company
Net tax benefit to City and County
Primary economic impact

Other Factors

Competition from other cities
Demonstrated need for assistance
Location with local development zone

Large Economic Impact Projects Grant Amounts

Year 1: 90% of new property tax
Year 2: 90% of new property tax
Year 3: 90% of new property tax
Year 4: 90% of new property tax
Year 5: 90% of new property tax
Year 6: 80% of new property tax
Year 7: 70% of new property tax
Year 8: 60% of new property tax

Year 9: 50% of new property tax
Year 10: 40% of new property tax

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