

Salisbury City Council Agenda Item Request Form



Please Select Submission Category: Public Council Manager Staff

Requested Council Meeting Date: September 20, 2022

Name of Group(s) or Individual(s) Making Request: Rowan EDC

Name of Presenter(s): Scott Shelton

Requested Agenda Item: Summary Presentation and Public Hearing for 'Project Finishing' Incentive Request

Description of Requested Agenda Item: The Rowan EDC will present a summary of 'Project Finishing' and its incentive request, followed by a public hearing held by Council.

Attachments: Yes No

Fiscal Note: (If fiscal note requires approval by finance department because item exceeds \$100,000 or is related to grant funds, please fill out signature blocks for finance at bottom of form and provide supporting documents)

Action Requested of Council for Agenda Item: Hold public hearing, approve incentive request, and approve resolutions authorizing Mayor and staff to execute and submit state grant documents

Contact Information for Group or Individual: Scott Shelton (704.637.5526 / scott@rowanedc.com)

Consent Agenda (item requires no discussion and will be voted on by Council or removed from the consent agenda to the regular agenda)

Regular Agenda (item to be discussed and possibly voted on by Council)

FINANCE DEPARTMENT INFORMATION:

Finance Manager Signature

Department Head Signature

Budget Manager Signature

*****All agenda items must be submitted at least 7 days before the requested Council meeting date*****

For Use in Clerk's Office Only

Approved

Delayed

Declined

Reason:

September 8, 2022

ROWANEDC

**PARTNERSHIP for ECONOMIC DEVELOPMENT
SALISBURY, NC**

Be an original.

**ECONOMIC
IMPACT
SUMMARY**

**SUMMARY OF PROPOSED LOCATION OF
PROJECT FINISHING IN SALISBURY**



September 8, 2022

The Honorable Karen Alexander
City of Salisbury
Post Office Box 479
Salisbury, NC 28145

Re: Summary of Proposed Location of Project Finishing in Salisbury

Dear Mayor Alexander and Council Members:

On behalf of the Rowan EDC, please allow me to present to you this summary of the proposed location of Project Finishing in Salisbury.

We are optimistic that, with your support, this project will reach a successful conclusion, creating new employment and expanding the nonresidential tax base in the City. This document addresses the primary drivers and impacts of the project and is designed to provide you the information necessary to consider their request for assistance.

We sincerely hope that you find this document a useful resource as you consider this matter. We have expended substantial efforts to gather the most relevant information possible regarding the potential impacts this project could have on our City and its citizens. In order to accomplish this, we have relied on a variety of public and private sector partners. At this time, in addition to company representatives from Project Finishing, we would like to thank:

- Dylan Frick, Research Associate, McGuireWoods Consulting, LLC
- Melanie Underwood, Existing Industry Expansion Manager, Economic Development Partnership of NC
- David Hartigan, Principal, Hartigan Management

In the preparation of this document, we have strived to utilize factual data and realistic projections. It is our intent that this document serves as a resource as you deliberate potential actions.

Please do not hesitate to contact our office with any questions you may have regarding this matter. We look forward to your feedback.

Sincerely,



Scott Shelton
Vice President

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1. Project Description

About The Company

The company behind Project Finishing is a manufacturer based in the northeastern United States. The company is well respected in its field and has been in business for decades.

The Proposed Project

The company is currently evaluating potential sites and buildings in the southeastern United States to relocate the business in order to be closer to its suppliers. The company is considering a vacant facility in Salisbury for this relocation.

If our community were chosen, the company would create 29 new jobs over the next three years. The company would also invest approximately \$6.85 million into the property through building renovations and installation of major equipment. The majority of these improvements would be completed by the end of 2023.

2. Regulatory Approval Process

There does not appear to be any regulatory barriers to this project moving forward. The company will work with City staff as well as the Rowan County Building Inspections Department to navigate the appropriate review and permitting process. There are no components of the proposed project that appear outside the normal scope of operations for these types of facilities.

3. Requested Assistance

The City of Salisbury’s adopted Investment Grant Program provides a five-year grant to companies investing in our community. The grant is established by a contract between the company and the City of Salisbury. The company must pay their taxes in full each year based on the actual tax value of the property or investment to be eligible to receive the grant. If the company meets all the criteria in the contract, a portion of the property tax will be returned as a grant. The amount of the grant is based on a designated percentage level for five consecutive years. Below is a chart that summarizes the categories of grants, including the minimum investment required and the percentage of new taxes paid that would be returned as a grant:

<i>Grant Category</i>	<i>Minimum Taxable Investment Required</i>	<i>Percentage of Paid Taxes Returned as a Grant</i>
Level 1 Grant	\$5 million	75%
Level 2 Grant	\$50 million	80%
Level 3 Grant	\$100 million	85%

The company is requesting a Level 1 Grant under this program for the amount and duration adopted in the policy. In order to illustrate the revenue impact of this potential project on the City of Salisbury we have projected revenue returns over a 10-year period. These projections are provided below in Section 4.

We respectfully ask that the City Council consider approving their request based on the potential impact on our community from the project. A ‘Draft’ copy of the proposed Incentive Agreement is attached.

Other Requested Assistance

The Rowan EDC is working with 'Project Finishing' to pursue a \$150,000 Building Reuse Grant through the State of North Carolina. This grant can help the company with necessary renovations to the proposed building. In addition, we are pursuing a \$50,000 One NC Fund Grant from the State for the project.

If approved, these grants would be awarded to the City of Salisbury who would then disburse funds to the company if it meets the job creation requirements. The required local matches for these grants can be satisfied through the City's Level 1 Grant

The Rowan EDC also requests that the City consider hiring a professional grant administrator for the project. The cost to administer the grant is estimated to be no more than \$6,000.

On August 1st, the Rowan County Board of Commissioners approved its own 'Level 1 Grant' for the project.

4. Model of City Revenue – 10-Year Horizon

If Salisbury were chosen, Project Finishing plans to complete the majority of renovations to the proposed building and new equipment installation by the end of 2022. Additional equipment installations would occur through 2026. The overall investment timeline is based on information provided to the Rowan EDC by the company.

The evolving nature of City tax rates, assessed value of the installed equipment, and construction timelines require certain assumptions in order to develop a functioning model. To establish a baseline, the following constants were applied:

- The City tax rate is fixed at the current rate of .7196
- \$4.2 million of building improvements and equipment installation occurs prior to December 31, 2022
- \$2.65 million of additional building improvements and equipment installation occurs prior to December 31, 2026
- The project is complete by December 31, 2026, with a total investment of \$6.85 million
- Depreciation for business personal property was estimated using the State of North Carolina's 2022 Depreciation Schedule A
- Ten-year lifespans were assumed for all business personal property depreciation
- Although additional investment in the project through the replacement of outdated equipment is expected over the next ten years, those numbers are not available and could not be used in this model.

In application, it is unlikely that all assumptions will hold constant. The model provides general trends of expected revenues and expenditures.

Incorporating the above framework, the following outcomes are projected:

- During the five incentivized years, the City would collect \$182,418 in revenue and provide incentive grants totaling \$136,814. The City would retain \$45,604 of revenue during the incentive term.
- Modeled with a 10-year horizon, the City would stand to collect an estimated \$359,717, disburse a \$136,814 grant and retain an estimated \$222,903 of new revenue.

Project Finishing (Years 1-5):

Fiscal Year	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Calendar Year	2023	2024	2025	2026	2027
Real Property Investment	\$1,700,000	\$1,950,000	\$2,250,000	\$2,600,000	\$3,000,000
<i>Current Real Property Tax Rate</i>	0.7196%	0.7196%	0.7196%	0.7196%	0.7196%
Real Property Taxes	\$12,233	\$14,032	\$16,191	\$18,710	\$21,588
<i>Incentive Grant Rate</i>	75%	75%	75%	75%	75%
Incentive Grant	\$9,175	\$10,524	\$12,143	\$14,032	\$16,191
Net City Revenue	\$3,058	\$3,508	\$4,048	\$4,677	\$5,397
Personal Property - Machinery & Equipment	\$2,500,000	\$2,500,000	\$2,855,000	\$2,913,500	\$3,081,500
<i>Current Personal Property Tax Rate</i>	0.7196%	0.7196%	0.7196%	0.7196%	0.7196%
Personal Property Taxes*	\$17,990	\$17,990	\$20,545	\$20,966	\$22,174
<i>Incentive Grant Rate</i>	75%	75%	75%	75%	75%
Incentive Grant	\$13,493	\$13,493	\$15,408	\$15,724	\$16,631
Net City Revenue	\$4,498	\$4,498	\$5,136	\$5,241	\$5,544
Total Property Taxes (Real & Personal)	\$30,223	\$32,022	\$36,736	\$39,675	\$43,762
Total Incentive Grant (Real & Personal)	\$22,667	\$24,017	\$27,552	\$29,756	\$32,822
Total Net City Revenue (Real & Personal)	\$7,556	\$8,006	\$9,184	\$9,919	\$10,941

Project Finishing (Years 6-10):

Fiscal Year	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	10 Year Sum.
Calendar Year	2028	2029	2030	2031	2032	
Real Property Investment	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	
<i>Current Real Property Tax Rate</i>	0.7196%	0.7196%	0.7196%	0.7196%	0.7196%	
Real Property Taxes	\$21,588	\$21,588	\$21,588	\$21,588	\$21,588	\$190,694
<i>Incentive Grant Rate</i>	0%	0%	0%	0%	0%	
Incentive Grant	\$0	\$0	\$0	\$0	\$0	\$62,066
Net City Revenue	\$21,588	\$21,588	\$21,588	\$21,588	\$21,588	\$128,629
Personal Property - Machinery & Equipment						
Personal Property - Machinery & Equipment	\$2,712,000	\$2,333,000	\$1,890,000	\$1,440,500	\$1,263,000	
<i>Current Personal Property Tax Rate</i>	0.7196%	0.7196%	0.7196%	0.7196%	0.7196%	
Personal Property Taxes*	\$19,516	\$16,788	\$13,600	\$10,366	\$9,089	\$169,023
<i>Incentive Grant Rate</i>	0%	0%	0%	0%	0%	
Incentive Grant	\$0	\$0	\$0	\$0	\$0	\$74,748
Net City Revenue	\$19,516	\$16,788	\$13,600	\$10,366	\$9,089	\$94,275
Total Property Taxes (Real & Personal)						
Total Property Taxes (Real & Personal)	\$41,104	\$38,376	\$35,188	\$31,954	\$30,677	\$359,717
Total Incentive Grant (Real & Personal)	\$0	\$0	\$0	\$0	\$0	\$136,814
Total Net City Revenue (Real & Personal)	\$41,104	\$38,376	\$35,188	\$31,954	\$30,677	\$222,903

5. Closing

This project appears to have a lengthy list of positive attributes and no apparent liabilities. If Salisbury were chosen, Project Finishing would create a total of 29 new full-time jobs, as well as add \$6.85 million to the City's tax base. The project would also generate approximately \$222,903 of net tax revenue for the City over the next ten years.

On behalf of the Rowan EDC, we look forward to providing you any additional information requested, or meeting with you personally to discuss these findings in detail. We hope that you have found this information useful as you consider this matter.

6. Draft Incentive Agreement

AUTHORIZING RESOLUTION BY THE CITY OF SALISBURY

for the

North Carolina Department of Commerce

Building Reuse Program

“Project Finishing Building Reuse Project”

WHEREAS, The North Carolina General Assembly has authorized funds to stimulate economic development and job creation in distressed areas through constructing critical water and wastewater facilities, addressing technology needs, renovating vacant buildings, expansion of existing buildings and implementing research and demonstration projects, and

WHEREAS, the City has need for and intends to assist in the expansion of an existing building in a project described as the "Project Finishing Building Reuse Project"; and

WHEREAS, the City intends to request funding assistance from the North Carolina Department of Commerce from its Building Reuse Program for the project;

NOW THEREFORE BE IT RESOLVED, BY THE SALISBURY CITY COUNCIL:

That the City is in full support of the application and the project, if funding is received, and

That the City will satisfy the local cash match requirement of \$7,500 through the awarding of a tax incentive grant as well as the hiring of a grant administrator for the project, and

That the City has substantially complied or will substantially comply with all State, and local laws, rules, regulations, and ordinances applicable to the project and to the grants pertaining thereto, and that Jim Greene, Jr., City Manager, is authorized to execute any additional documents pertaining to the grant application as requested by the North Carolina Department of Commerce.

Adopted this the 20th day of September 2022 in Salisbury, North Carolina.

Karen K. Alexander, Mayor

ATTEST:

Kelly Baker, Clerk

(Seal)

ONE NORTH CAROLINA FUND INCENTIVE

Authorizing Resolution

“Project Finishing Economic Development Project”

WHEREAS, the City of Salisbury and the Rowan Economic Development Council are currently competing with other communities for the relocation of “Project Finishing”, a company with existing operations in New York, and

WHEREAS, the proposed relocation would create up to 29 new jobs and expand the tax base of the City of Salisbury, and

WHEREAS, the North Carolina Department of Commerce will begin its preliminary review of this economic development project to determine the company’s eligibility for a potential One North Carolina Fund Grant based on the creation of up to 29 jobs by the end of 2025, and

WHEREAS, the One North Carolina Fund Grant program requires a local government to serve as the formal applicant for these incentive grant dollars on behalf of the company, and

WHEREAS, the Salisbury City Council has approved a local incentive to meet the required 50% local grant match, and

WHEREAS, the Salisbury City Council understands that the company currently plans to relocate its existing operations to Salisbury as part of this project, and

WHEREAS, the City of Salisbury elected officials and staff are willing to administer the One North Carolina Fund grant in order to provide assistance to implement this project.

NOW, THEREFORE BE IT RESOLVED, BY THE SALISBURY CITY COUNCIL that the City of Salisbury agrees to formally serve as applicant for the One North Carolina Fund grant on behalf of “Project Finishing” and authorizes Mayor Karen K. Alexander to sign appropriate certifications for the local government portion of the grant application, and authorizes City staff to submit the grant application to the North Carolina Department of Commerce.

Adopted this the 20th day of September 2022 in Salisbury, North Carolina.

Karen K. Alexander, Mayor

ATTEST:

Kelly Baker, Clerk

(Seal)