

		Adopted: XX/XX/XXXX
		Revised: N/A
SUBJECT: ECONOMIC DEVELOPMENT JOBS INVESTMENT POLICY		

I. Background

New Hanover County and the City of Wilmington have determined that the general welfare of the residents of the County and City are directly benefitted by fiducially sound economic development policies, which promote the creation and retention of high quality value added jobs and broadens and diversifies the tax base.

Pursuant to its ruling in Maready v. The City of Winston Salem et al. the North Carolina Supreme Court has made clear that the expenditure of public funds to promote economic development is deemed to be acceptable for these legitimate public purposes.

Due to the current competitive environment among states which regularly compete with North Carolina, and counties and municipalities which regularly compete with the City of Wilmington and / or New Hanover County, for industrial development projects, economic development incentives are necessary and therefore, should be used prudently and in a conservative and fiducially sound manner, in order to remain competitive in recruiting new industry, and encouraging the expansion or retention of existing industries located in the City of Wilmington and / or New Hanover County.

The Economic Development Jobs Investment Policy serves as guidelines only. Each project will be considered on a case-by-case basis. The New Hanover Board of County Commissioners and Wilmington City Council takes this action in adopting these guidelines pursuant to the authority granted by the NC General Statutes 157 – 7.1, as interpreted by the North Carolina Supreme Court in Maready.

For purposes of these guidelines, industrial development projects shall be construed broadly consistent with NC General Statutes 158-7.1.

II. Purpose

The objective of offering Economic Development Jobs Investment Incentives / Grants to businesses demonstrating long-term commitment to the community shall be to encourage the expansion of commerce by:

- Creating and retaining quality value added jobs;
- Broadening and diversifying the tax base;
- Increasing the region’s global competitiveness;
- Promoting the growth and welfare of the City of Wilmington and New Hanover County; and
- Encouraging capital investments;

The governing bodies of both the City and County have adopted this policy with the recognition that certain provisions may be applicable to only one and not both jurisdictions. The intent of these guidelines is to complement any incentive program that may be adopted by other municipalities within New Hanover County or by the State of North Carolina.

III. Definitions

Value Added Job - A value added job produces goods and/or services that are sold (or consumed) predominately outside of the MSA. Importing wealth into the community through value added jobs grows the local economy, whereas non-value added jobs typically re-circulate wealth within the community. For example, most retail establishments would be considered non-value added.

Full time employee / full time equivalent job – Full time equivalent FTE jobs are defined as full-time employees who are paid to work at least 2,080 hours per year.

IV. Eligible Business / Industry Clusters

To be eligible for Economic Development Jobs Investment Incentives / Grant funds, a business must be engaged in one or more of the following activities and create or retain value-added jobs:

- a. **Manufacturing.** Determined by appropriate NAICS codes, and permitted by right in Industrial, Light Industrial, Airport Industrial, Mixed-Use, Community Business District, Regional Business District, Central Business District.
- b. **Research and Development.** The conducting of research, development or testing for aviation, scientific, medical, food product or industrial purposes.
- c. **Warehousing and Distribution.** Majority of goods stored/shipped must be destined for end-users located outside the Wilmington MSA.
- d. **Corporate Headquarters.** May include “back office” operations and customer service activities, but shall not include out-bound call centers. In any case, the majority of revenues must be derived from transactions originating outside the Wilmington MSA.
- e. **Transportation.** Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
- f. **Medical Services.** Regional medical centers and specialty hospitals considered likely to attract at least 30% of patients from outside the Wilmington MSA.
- g. **Speculative Industrial Buildings.** Developer built facilities located in Wilmington or New Hanover County to be leased to one or more tenants operating in the areas of manufacturing, research and development or warehousing and distribution.

Businesses that fall within the following targeted business subsectors (see Appendix A for specific NAICS codes) are eligible for an additional 10% bonus allocation to the incentive formula:

- **Life and Marine Sciences Research and Development Subsectors**
- **High Value Office Operations Subsectors**
- **Precision Manufacturing Subsectors**
- **Aircraft Assembly, Modification and Maintenance Subsectors**

V. Minimum Project Qualifications

- a) **Number of jobs:** A minimum of 25 net new jobs created or retained.
- b) **Wages** - A business may be considered for Economic Development Jobs Investment Incentives / Grant funds if the wages paid to its employees by the applicant are 10% greater than the local wages for that specific industry sector as determined by the most appropriate available wage data by occupations within the Wilmington MSA and/or NHC. In cases where jobs do not meet the wage requirements, the total number of jobs created may be considered.
- c) **Return on Public Investment (ROI):** An estimated fiscal cost/benefit analysis and an estimated economic impact analysis will be prepared for each project by a designated agent on behalf of the County and/ or City, prior to consideration by the appropriate governing body, to ensure the project produces a tangible financial gain for the City and / or County. The analysis will be performed for the number of years that equals the number of years the incentive recipient would be subject to clawback provisions.

Economic Development Jobs Investment Incentive / Grant funds will be measured using an economic impact analysis with a target of a 30% Return on Investment (ROI) over the life of the incentive package. This analysis estimates the difference between two or more scenarios, one assumes an economic event occurs, and one assumes the economic event does not occur. The analysis then draws a conclusion about the effectiveness of using incentives to encourage the event to occur.

1. For the recruitment of a new or the expansion of an existing North Carolina business (not currently located within the City of Wilmington or New Hanover County) to the City of Wilmington and / or New Hanover County, the estimated economic impact to the regional economy must equal the net present value of all cash granted plus 30% thereby generating a return on the value of actual cash plus an additional 30%.
2. For the expansion of existing businesses in the City of Wilmington and / or New Hanover County, if the estimated economic impact of a project is to be less than the original cash value plus an additional 30%; two or more of the following mitigating factors may be cause for approval. Regardless of mitigating factors, the estimated economic impact should be no less than the net present value of all cash offered.
 - The assessed value of taxable real property must be equal to or greater than \$25,000,000.

- Creation or retention of at least 200 jobs.
 - The economic impact to the regional economy is at least \$500,000, based on the economic impact analysis from a (the City of Wilmington and / or New Hanover County’s designated) third party.
3. For the retention of existing businesses in the City of Wilmington or New Hanover County where little to no job growth is expected, the value of all incentive or grant proceeds must be secured with collateral, corporate and/or personal guarantees in an amount sufficient to fund clawbacks if necessary.

VI. Incentive Amount

Economic Development Jobs Investment Incentive / Grant amount will be based on the number of new full-time jobs created or retained multiplied by the appropriate allocation per job below.

Maximum Allocation to a Project Based on Jobs and Wages		
Wage Range (\$/ hr.)	Allocation Per Job Eligible Business / Industry Clusters	Allocation Per Job BONUS Subsectors
\$25.00 and above	\$ 5,000	\$ 5,500
\$20.01 to \$24.99	\$ 4,000	\$ 4,400
\$16.01 to \$20.00	\$ 3,000	\$ 3,300
\$12.01 to \$16.00	\$ 2,000	\$ 2,200
Up to \$12.00	\$ 500	\$ 550

Only those new or retained full-time jobs and persons affiliated with the recipient company for whom unemployment taxes are paid to North Carolina or pay North Carolina income tax subsequent to the incentive / grant being approved will be counted toward Economic Development Jobs Investment Incentives / Grant job and wage verification and payment.

VII. Project Evaluation

Each project will be evaluated on an individual basis. In making recommendations Economic Development Jobs Investment Incentives / Grant approval, the City and / or the County will consider whether there is demonstrated competition from another city or geography and whether the company’s planned relocation or expansion is a realistic choice given the company’s product and market. Criteria will also include a certification by company executives that the relocation or expansion is contingent upon (“but for”) receiving local incentives. Documentation will also need to be provided to verify business / industry cluster eligibility.

In addition to the project qualifications, the City Council and / or County Commission may consider the following information when deciding whether to approve an incentive.

1. The size of the project based upon private investment in the site development, plant facilities and infrastructure;
2. The total number of jobs, wages, benefits and types of jobs created;

3. The relationship between jobs development and total investment;
4. Potential for future expansion and increased employment;
5. Potential for retention of existing employment where it can be demonstrated that without incentives the jobs may be moved away from the area or eliminated, as evidenced by a written statement from the company.
6. Potential for diversification of the regional economy;
7. Potential for inclusion of disadvantaged minority or women-owned businesses as contractors, suppliers, etc.
8. Project specific issues that impact upon local infrastructure responsibilities of the City;
9. Project specific incentives or site specific initiatives that may be pursued to stimulate other development areas that the City and / or County may deem of significant benefit to the community;
10. Economic development incentives from other local governments and/or the State;
11. Financial impact and availability of funds.

VIII. Exclusionary Factors

Although a project may meet all of the minimum project criteria qualifications, a project will not be considered if any of the following factors apply:

1. The expansion will result in a net reduction of the ad valorem tax valuation of all facilities in the City of Wilmington and / or New Hanover County owned by the Company, its parent, subsidiary, or affiliated companies.
2. A grant or incentive payment will not be made if that company, parent, subsidiary, or an affiliated company is not current on all ad valorem tax payments to the local governments.
3. The financial condition of the company receiving the grant / incentive must not be such that the ability of the company to meet its obligations is in doubt.
4. The project would have a detrimental effect on the environment, on the travel and tourism industry, or the general quality of life.

IX. Use of Incentives / Grant Funds

Economic Development Jobs Investment Incentives / Grant funds available from the City of Wilmington and / or New Hanover County may be used for the following:

Training Reimbursement

1. Incentive funds will reimburse actual expenses for pre-employment, classroom and on-the-job training by in-house instructors or vendors. Trainees may receive instruction on the company's production equipment on a plant floor or on similar machinery in a classroom setting. Eligible expenditures include instructor salaries, curriculum planning and development, materials, supplies, textbooks and minor training equipment.

2. The training conducted at a company's facility outside the City of Wilmington and / or New Hanover County for the purposes of training-the-trainer is an eligible expense. Terms of reimbursement are negotiable and cover up to 50% of travel, meals, lodging and training.
3. The construction and set-up of permanent or temporary special-purpose training facilities, training aids, and necessary equipment is allowed.

Infrastructure improvements

1. To establish, relocate, or vacate right-of-ways for infrastructure.

The mandatory enhancements to upgrade, relocate, or remove road, rail, runway, potable water, grey water, waste water, electricity, natural gas, and telecom including design, permitting, and construct costs.

Site improvements

All site improvements must be the minimum for successful and safe operation as determined by the City and / or County. If additional enhancements are desired they will be paid for by the company. The following list of examples will be considered for reimbursements:

1. The mandatory enhancements for entrance and exit to company's site and building(s).
2. The mandatory enhancements for landscaping, storm water management, signage, lighting, fencing, security and noise abatement.
3. The design, purchase and connection of mandatory utility services from point of demarcation to building.

Owner occupied land and building improvements

The cost of land and new building construction.

The renovations to existing buildings required for operations, safety, ADA compliance and other improvements as required for Building Codes compliance.

Build-to-Suite and leasehold improvements

The cost of construction and leasehold improvements paid to a developer or landlord provided the market value of such improvements inures to the financial benefit of the company creating or retaining jobs and does not increase the profit margin of the developer or landlord.

Machinery and equipment

1. All or a portion of the cost to purchase or lease lienable assets which are mission critical such as; manufacturing and pollution control equipment, fixtures, furnishings, computers, telecommunication equipment, office equipment.
2. All or a portion of the cost to purchase non-lienable assets such as; special purpose tooling, patterns, jigs, licenses, patents, intellectual property and standard or customized software..

Relocation expenses

1. The disassembly, transportation, reassembly and certification if required of mission critical equipment.

2. The one-time reimbursement of all or a portion of the cost to relocate and re-establish mission critical management, professional and senior technical employees and their families including packing, moving, and unpacking personal belongings.

Issuance and Repayment of Loans

1. Short-term loans may be available to address extraordinary situations and must be secured by corporate and/or personal guarantees.
2. Loans will only be made in participation with traditional financing and can be subordinated to the first position lender.

Terms of loan repayment and the discount or waiver of any or all repayments will be negotiated and documented in the Performance Agreement.

X. Performance Agreement

All Economic Development Jobs Investment Incentives / Grants will be formalized in a written agreement between the City of Wilmington and / or New Hanover County and the recipient company. The Performance Agreement will include at a minimum:

1. The number of current employees and the number of jobs to be created and/or retained including an estimated time frame over which the jobs will materialize and the estimated compensation packages by occupation / job class.
2. A description of the estimated investments to be made by the company and a time frame for capital investments in real and personal property and all non-lienable assets.
3. A statement from the company regarding how and when any reimbursements and/or loans will be invested as consideration of and as a prerequisite to the company's actions (also known as "But For," i.e., *but for* the reimbursements, cash grants, and/or loans being invested by the City of Wilmington and / or New Hanover County, the company will not undertake the project.)
4. A general description of the industry sector, NAICS code, and the company's role to include a description of the goods produced and / or services provided.
5. The complete agreement for allocation and disbursement of reimbursements, cash grants, and/or loans including all terms, conditions and performance benchmarks to be accomplished by all parties as prerequisite for payments.
6. The terms, conditions and legal consequences for any and all non-performance by all parties including termination of the Agreement and any refunding or punitive damages to be paid by and to all parties. Also known as "Clawback terms."
7. The terms and conditions, under which the Performance Agreement may or may not be assigned, transferred or otherwise conveyed to another party.
8. All necessary attachments, exhibits and security agreements as may be called for in the terms of the project.

The City of Wilmington and / or New Hanover County may amend an incentive agreement to reduce the recipient's obligations regarding employment levels, wage requirements, or non-compliance penalties or extend timelines in the event of a federally-declared disaster. In such event, the economic development incentives may be continued if a majority of compliance criteria are met, including capital investments, actual ROI, and temporarily achieving job creation commitments.

The City and County will include "clawback" provisions (relating to repayment, reduction or cessation of incentives) in all incentive agreements, and the City or County may exercise such provisions when the terms of the incentive agreements have not been met.

A recipient that relocates its operations to another city or county, or ceases its operations in the City of Wilmington and / or New Hanover County during the term of the incentive agreement – or within three (3) years after the receipt of the final incentive installment – will be required to repay a proportional amount of the total incentive package.

XI. Monitoring and Performance

1. Company's operations shall be monitored annually by the City of Wilmington and / or New Hanover County (or by a using a third party selected and paid for by the same). Projects failing to meet the terms, conditions and benchmarks set forth in the Performance Agreement will be subject to Clawback terms. The City of Wilmington and / or New Hanover County (or their designated third party) reserves the right to audit / conduct annual on-site reviews to assure compliance with the written agreement between the City of Wilmington and / or New Hanover County and the recipient company.
2. The City of Wilmington and / or New Hanover County may conduct legal and/or financial research regarding the company as part of making eligibility and compliance determinations.
3. The company will be required to produce, in a timely fashion, all documents necessary for the City of Wilmington and / or New Hanover County to conduct the mandatory monitoring and compliance process.

XII. Disclaimers

Appropriations for Economic Development Jobs Investment Incentive / Grant funds are not made as a matter of right, but are made as a privilege to a business or company strictly at the discretion of the Wilmington City Council and / or New Hanover Board of County Commissioners. This policy does not establish an entitlement by any business or organization desiring an incentive, even if it meets all the requirements, and the neither the City Council nor Board of County Commissioners are obligated to make any grants or incentives.

When considering whether to provide any grants or incentives, and if so, how much, the City Council and / or Board of County Commissioners will take into account grants made by other municipalities, entities, and the State of North Carolina.

Changing economic conditions and availability of funds may cause the Wilmington City Council and / or New Hanover County Board of Commissioners to modify, amend or discontinue the Economic Development Jobs Investment Policy. Should the program be discontinued, the

Wilmington City Council and / or Board of County Commissioners will honor any incentive committed to before the discontinuation of the program.

Economic Development Jobs Investment Incentives / Grants may not be transferred or otherwise conveyed to another party, unless agreed to in writing by the Wilmington City Council and / or New Hanover County Board of County Commissioners.

The City and County may conduct legal and/or financial research regarding the company as part of eligibility determination.

XIII. Alternative Programs

At the discretion of the Wilmington City Council and / or New Hanover Board of County Commissioners, and in accordance with NC General Statutes 158-7.1, other incentives outside of this policy may be provided on a case-by-case basis. This may serve to reduce or preclude any incentive amount normally granted through the program (or programs) listed above.

DRAFT

APPENDIX A: NAICS codes from the targeted business subsectors

Life and Marine Sciences Research & Development Subsectors

NAICS	Description
54171	Research & Development in the Physical, Engineering & Life Sciences
541620	Environmental Consulting Services
62151	Medical & Diagnostic Laboratories
325412	Pharmaceutical Preparation Mfg.
541690	Specialized Scientific & Technical Consulting Services
54138	Testing Laboratories
325414	Biological Product Mfg.

High Value Office Operations Subsectors

NAICS	Description
541611	Administrative Management & General Management Consulting Services
541512	Computer Systems Design Services
541511	Custom Computer Programming Services
522320	Financial Transactions Processing, Reserve & Clearinghouse Activities
541214	Payroll Services
525110	Pension Funds
561422	Inbound Call Centers & Other Contact Centers
523991	Trust, Fiduciary & Custody Activities

Precision Manufacturing Subsectors

NAICS	Description
333314	Optical Instrument & Lens Mfg.
333611	Turbine & Turbine Generator Set Units Mfg.
333612	Speed Changer, Industrial High-Speed Drive & Gear Mfg.
334513	Instruments & Related Products Mfg. for Measuring, Displaying & Controlling Industrial Process Variables
334516	Analytical Laboratory Instrument Mfg.
334519	Specialized Measuring & Controlling Device Mfg.
33911	Medical Equipment & Supplies Mfg.

Aircraft Assembly, Modification & Maintenance Subsectors

NAICS	Description
336411	Aircraft Assembly, Overhaul & Conversion
336412	Aircraft Engine Rebuild & Overhaul
488190	Aircraft Inspection Services