

# Incentive Policy Discussion

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# From Last Session

- 1) Provide context for the proposed incentive / wage table

Maximum Allocation to a Project Based on Jobs and Wages	
Wage Range (\$/ hr.)	Allocation Per Job
\$25.00 and above	\$ 5,000
\$20.01 to \$24.99	\$ 4,000
\$16.01 to \$20.00	\$ 3,000
\$12.01 to \$16.00	\$ 2,000
Up to \$12.00	\$ 500

- 2) How does the proposed policy compare to incentives offered previously?
- 3) Prepare a draft written policy



# Context For Incentive / Wage Table

*QCEW Q3 2014 Data:*

- North Carolina average weekly wage was \$839 (or \$20.98/hr.)
- NHC average weekly wage was \$750 (or \$18.75/hr.)

2015		
HH Size	200% FPL Annual	Implied Hourly Wage*
1	\$23,540	\$11.32
2	\$31,860	\$15.32
3	\$40,180	\$19.32
4	\$48,500	\$23.32
5	\$56,821	\$27.32

\* Assuming worked 2,080 hours / year

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# How Do Incentives Compare?

	nCino / Live Oak	Castle Branch
Company Investment	\$16MM real property 120 jobs(≥ \$80K avg.)	\$9MM real property 400 jobs (≥\$35K avg.)
Awarded Incentive	NHC: \$325,000 City: <u>\$250,000</u> \$575,000	NHC: \$250,000 City: <u>\$250,000</u> \$500,000
Est. Incentive Under New Policy	\$515K - \$545K	\$670K - \$737.5K



# Document Roadmap

Section	Key Provisions
Purpose	Creating and retaining quality value-added jobs Broadening and diversifying the tax base Increasing the region's global competitiveness Promoting growth and welfare of the City and County Encouraging capital investment
Definitions	Value-added job Full-time employment
Eligible Business /Industry Clusters	Manufacturing (by NAICS and permitted by right),  <i>Majority of revenues from outside MSA:</i> Research and Development, Warehousing and Distribution, Corporate Headquarters, Transportation



# Document Roadmap

Policy Section	Key Provisions
Eligible Business /Industry Clusters (cont.)	<p>Medical Services – at least 30% of patients from outside MSA.</p> <p>Speculative Industrial Buildings leased to tenant(s) in manufacturing, research and development, or warehousing and distribution</p> <p><i>Subsectors eligible for an additional 10% bonus allocation to the incentive formula:</i></p> <ul style="list-style-type: none"><li>Life and Marine Sciences Research and Development Subsectors, High Value Office Operations Subsectors, Precision Manufacturing Subsectors, Aircraft Assembly, Modification and Maintenance Subsectors</li></ul>



# Document Roadmap

Policy Section	Key Provisions
Minimum Project Qualifications	<ul style="list-style-type: none"><li>- 25 net new jobs</li><li>- Wages 110% of local wage for industry by occupation</li><li>- 30% Return on Investment (ROI)</li></ul> <p><i>If ROI threshold not met on expansion project, must have 2 out of 3:</i></p> <ul style="list-style-type: none"><li>a) <math>\geq</math>\$25,000,000 taxable real property investment</li><li>b) Create or retain at least 200 jobs</li><li>c) Total economic impact at least \$500,000</li></ul>
Incentive Amount	<p>Chart of incentive allocation per job for eligible and bonus eligible businesses</p> <p>Only counts jobs for whom company pays unemployment ins. or employee pays NC income tax</p>



# Document Roadmap

Policy Section	Key Provisions
Project Evaluation	Assessment of competitiveness, industry eligibility, “But for” certification, and additional criteria
Exclusionary factors	<ul style="list-style-type: none"><li>- If results in net decrease in ad valorem tax</li><li>- If company not current on payments to local governments</li><li>- Company financial condition in doubt</li><li>- Project would have a detrimental affect</li></ul>
Use of Incentive Funds	<p>Training, infrastructure improvements, site improvements, owner occupied land and building improvements, build-to-suit and leasehold improvements, relocation expenses.</p> <p>Short term loans may be available in extraordinary circumstances, with guarantees and in participation with traditional financing</p>



# Document Roadmap

Policy Section	Key Provisions
Performance Agreement	Written document required addressing major key elements of the agreement. Includes requirements, timing, “clawback” terms and provisions; penalties for non-performance; etc.
Disclaimers	<ul style="list-style-type: none"><li>- Policy doesn’t establish an entitlement / right</li><li>- Decision and / or amount of participation at governing board discretion</li><li>- Subject to availability of funding</li></ul>
Alternate Programs	<p>Governing boards have flexibility to do other incentives outside of the policy on a case-by-case basis</p> <p>May reduce or preclude any incentive normally granted through policy</p>

