

Incentive Policy Discussion

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Garner Report Recommendations

Written Incentive Policy

1. Transparency
2. Predictability
3. Common criteria / framework for city and county
4. Tied to desired outcomes



Enabling Legislation GS 158-7.1

- Broad discretionary language modified
- New procedural requirements
 - Expanded notice and hearing requirements for every economic development appropriation
 - Explicit finding of fact
 - All appropriations subject to Local Government Fiscal Control & Budget Act and public disclosure
- Historic rehabilitation explicitly included



Recommended Framework

FROM	TO	WHY?
Requiring a minimum capital investment	Exceeding ROI threshold for total prospective tax revenues and / or income to be received over next 10 years	Several target sectors have low capital investment but provide significant # high wage jobs
Eligible jobs - Paid at NHC average for comparable jobs	Eligible Jobs - Paid 10% above NHC avg. for comparable jobs - Wages above level for qualification for entitlement programs	Increasing average weekly wage by 10%



Recommended Framework

FROM	TO	WHY?
<p>Eligible Sectors</p> <ul style="list-style-type: none">- Manufacturing (any)- Distribution- HQs- R&D (any)	<p>Existing Sectors <u>Plus</u>:</p> <ul style="list-style-type: none">- Garner Report Sectors- Transportation- Medical Services- Warehousing- Speculative Industrial Bldgs. <p>Modify:</p> <ul style="list-style-type: none">- Manufacturing (some)	<ul style="list-style-type: none">- Broadens and diversifies tax base- Creates / retains quality value added jobs (traded)- Additional sectors leverage existing assets and have strong wages across spectrum of skills (jobs for all)- Identify Use NAICS codes for additional clarity and transparency



Recommended Framework

FROM	TO	WHY?
Must involve a facility	Must produce (or supply) goods / services mostly consumed outside county <ul style="list-style-type: none"> - Not eligible if just replacing an existing local business 	<ul style="list-style-type: none"> - Traded clusters bring wealth into the community vs. just re-circulating existing wealth - Desire new jobs vs. paying to rehire existing workers
Requiring a minimum of 75 new qualified jobs created	Requiring minimum of: <ul style="list-style-type: none"> New - 25 new qualified jobs Existing (Any 2 of 3 below) <ul style="list-style-type: none"> - \$500,000 total economic impact - Minimum capital investment - Create or retain minimum # jobs 	<ul style="list-style-type: none"> - Increased flexibility retaining existing businesses / jobs



Recommended Framework

FROM	TO	WHY?
Flexible incentive calculation	Formula based on the number and wages of qualified jobs <ul style="list-style-type: none"> - Sliding scale; Higher incentive per job for higher wage jobs - 10% bonus for Garner Report Sectors 	<ul style="list-style-type: none"> - Incentive amount explicitly tied to more, better jobs - Recognizes need for good jobs across spectrum of skills and wage levels - Clarity / commitment to growing target sectors

Illustration of sliding scale:

Maximum Allocation to a Project		
Wage Range (\$/ hr.)	Eligible Industry Clusters	BONUS Subsectors
\$25.00 and above	\$5,000	\$5,500
\$20.01 to \$24.99	\$4,000	\$4,400
Up to to \$20.00	\$3,000	\$3,300



Context For Incentive / Wage Table

- Average HH size in NHC is 2.64 persons
- Majority of entitlement programs eligibility at \leq 200% FPL
 - 200% FPL for HH of 2.64 is \$37,339

2017		
HH Size	200% FPL Annual	Implied Hourly Wage*
1	\$23,760	\$11.42
2	\$32,040	\$15.40
3	\$40,320	\$19.38
4	\$48,600	\$23.37
5	\$56,880	\$27.35

* Assuming worked 2,080 hours / year

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Retain From Existing Policy

- Elected body discretion
 - Also add ability to consider non-conforming projects with significant # of total jobs
- Monitoring and compliance
- Broad use of funds (locally)
 - Training
 - Site / infrastructure / leasehold / owner occupied land or building improvements and build to suit
 - Relocation expenses
 - Machinery and equipment
 - Loans

