

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



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



# Recommended Framework

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

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

