

ATTACHMENT B

**ALBEMARLE NORTH CAROLINA
ECONOMIC DEVELOPMENT
INVESTMENT POLICY**

PREAMBLE

Albemarle, North Carolina, (the “City”) Board of Commissioners (“Board”), has determined that the public interest and general welfare of the residents of the City is directly benefited by fiducially sound economic development policies which promote growth and diversity of the tax base, and result in the creation of more high quality, well paying jobs. 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 for these legitimate public purposes.

The current competitive environment among states which regularly compete with North Carolina, and counties and municipalities which regularly compete with the City, in industrial recruitment projects, dictates that the City must adopt an Economic Development Investment Policy (“EDIP”), which is conservative and fiducially sound, in order to remain competitive in recruiting new industry, retaining expansions of existing industries currently located in the City; and retaining existing businesses and jobs which are at risk of being lost. It is essential for the City to be successful in recruiting new business facilities and retaining expansions of existing companies in the City in order to effectively address serious indicia of current and anticipated economic shortcomings in the City. These include:

- ◆ Population growth in the City has been extremely stagnant in recent years, with Albemarle remaining neutral or negative in population growth, while Stanly County as a

whole has grown at 1.4% per year. Current census projections show an anticipated decline in population in the City in the next 10 years.

- ◆ The City has an unacceptably low ratio of non residential property tax base (26%) as opposed to its residential property tax base (74%). This will inevitably lead to undesirable increases in the ad valorem property tax rate. A higher percentage of commercial and industrial investment will help to maintain this tax rate at an acceptable level or allow for a reduction in the rate.
- ◆ There is an unacceptable out-migration of citizens from the City, many of whom go elsewhere in order to obtain desirable employment.
- ◆ The City's non-residential tax base declined by 4% in fiscal year 2005-06 alone.
- ◆ Since 1994 16 business closings have been announced within the City eliminating over 2,000 jobs.
- ◆ The unemployment rate in the Albemarle micropolitan statistical area is consistently higher than the State average.
- ◆ The rate of retail sales tax collections has been stagnant and not growing for several years.
- ◆ Where as only 22% of the micropolitan statistical area workers are employed in manufacturing jobs, there has become an over-dependence in our greater community on service sector jobs. Therefore, it is necessary to further diversify the job base in the City with significant increases being made in jobs in manufacturing, high technology electronic commerce, and other industry sectors listed under the last bullet point under "Minimum Project Qualifications."

In combination, the afore mentioned concerns will inevitably lead to an inability to provide services desired by the City's citizens, or require an increase in taxes in order to do so.

For these reasons, the Board hereby establishes EDIP guidelines to encourage new industries to locate and existing industries to retain and expand within the City. This policy contains guidelines only. Each new, expansion or retention industrial project will be considered for incentive support on a case by case basis. The Board takes this action in adopting these

guidelines pursuant to authority granted by N.C. Gen. Stat. §158-7.1, as interpreted by the North Carolina Supreme Court in Maready.

POLICY PRINCIPLES

The EDIP guidelines are based upon, and any EDIP arrangement with a new or existing company must be in compliance with, fiducially sound public policy principles, which at a minimum include:

- ◆ Any EDIP grants must provide the City a high return on investment, taking into account tax and other revenues realized from the project for up to a ten year period from the date of the start-up of the project. NC Gen. Stat. §158-7.1(d2).
- ◆ Any EDIP grant must be preceded by an agreement with the company involved, binding it to minimum levels of taxable capital investment and quality job creation or retention, and providing for recoupment of initial grants and/or reductions in amounts of forward funded grants, in the event that it fails to meet those minimum required levels. NC Gen. Stat. §158-7.1(d2)(2).
- ◆ Investments of City funds by way of EDIP grants shall be in items which leave value in the City in the event of a curtailment or closure of the operations within the industrial facility, such as site acquisition, site preparation, internal infrastructure, job training, etc.
- ◆ The bedrock of the City's economy is the businesses and industries already located in the City. Consequently, the terms and application of the EDIP policy should allow existing industries to receive consideration for grants that are on terms equal to or better than those available to a company considering locating its first facility in the City.
- ◆ The provision of EDIP grants must be competitively necessary in order to induce the company being recruited to locate its new facility in the City. It is a competitive necessity to provide such support when the support is necessary in relation to the prospect of the new facility being located somewhere other than the City; or when the company in question is compelled to expand to be competitive in its market; or when EDIP support is necessary to justify an expansion.

EDIP PROGRAM PARAMETERS

Each project will be considered on a project-by-project basis, using these guidelines established by the Board. These guidelines shall be subject to periodic review and may be modified, amended or terminated, due to changed economic conditions or competitive considerations. In the event of any modification, amendment or termination, EDIP grants to which the City previously committed will not be affected.

In determining whether to make an EDIP grant to a project, and if so, the amount of such grant, the Board will consider, among other relevant factors, the following matters:

- ◆ The total taxable capital investment in the project including site acquisition, site improvement, building cost and equipment.
- ◆ The number, type and quality of full time jobs created or retained.
- ◆ Wage levels and benefits for jobs created by the project.
- ◆ The potential for future expansions and increased employment.
- ◆ Site specific issues that impact positively on public infrastructure expansions which will stimulate development in areas of the City, thereby benefiting overall community development.
- ◆ The potential for the project to attract other companies which would be suppliers to or affiliated with that company.
- ◆ Other factors promoting the public welfare and deemed relevant by the Board in its discretion.

In addition to EDIP grants being utilized to attract new jobs and capital investments by way of companies new to the City or expansion of existing facilities in the City, the Board will consider on a case by case basis the utilization of EDIP grants when necessary to preserve existing jobs and capital investments which are at risk of being lost. This will apply to situations

in which a company is considering the consolidation of operations within a facility in the City or a facility outside of the City; in which a company must modernize its equipment or facility to remain competitive in its market; or in other situations in which a company is considering reducing or eliminating its operations in the City. In the event that an EDIP grant is under consideration, based upon a company needing to modernize its equipment and/or facility, a grant may be made, in the discretion of the Board, when some jobs will be lost due to modernization, and some jobs will be preserved, if the overall amount of taxable capital investment for the subject company will increase.

The Board acknowledges that increasingly, recruitment incentives in this State take the form of concessionary leases and sales of real estate, as opposed to or in addition to cash grants. The terms of this EDIP apply equally to the cash value of the reduction below fair market value of leased or sold real estate, utilized as an incentive.

MINIMUM PROJECT QUALIFICATIONS

In order to qualify for consideration for an EDIP grant from the City, the project must meet certain minimum threshold requirements. Meeting these threshold requirements does not indicate that the project will necessarily receive an EDIP grant, and if so, the amount of such grant, inasmuch as the Board reserves sole discretion in this regard on a project-by-project basis. The minimum project qualifications are as follows:

- ◆ The minimum level of capital investment for a new project in the City is \$2,000,000 and \$1,000,000 for a project which is an expansion of an existing facility in the City.
- ◆ The minimum level of new jobs that must be created for a new project is 20. Expansion of existing facilities must result in the creation of or retention of at least 10 jobs.

- ◆ The project must involve a facility to be used for manufacturing, distribution, corporate or divisional headquarters, motor sports race teams, back office operations (e.g. telemarketing, call center, check clearing, etc.), research and development, air courier hub, or processes which involve the utilization of high technology or innovative new technologies.
- ◆ The City reserves the right to consider projects beyond the parameters outlined in this section. Projects outside of the scope detailed herein will only be considered if it is found that the nature of such project would have a significantly transformative and dramatically positive net economic impact on the City.

For a project to be considered by the Board for an EDIP grant, it must meet all of the above minimum project qualifications. Additional qualifications may be required by the Board in its discretion, on a project-by-project basis.

EXCLUSIONARY FACTORS

Even though a project might meet all of the above minimum project qualifications, it will not be considered by the Board for an EDIP grant if any of the following factors apply:

- ◆ If the expansion project would, for any reason, result in a net reduction of the ad valorem tax valuation of all facilities in the City owned by the company, or its parent, subsidiary or affiliated companies, a grant will not be provided.
- ◆ An EDIP grant will not be made if that company, or a parent, subsidiary or affiliated company, is not current in all ad valorem tax payments to the City.
- ◆ No prior commitment to an EDIP grant shall be binding if the company originally receiving the grant assigns to it to another company, unless the Board has consented to such assignment in writing.
- ◆ The financial condition of the company receiving the grant must not be such that the ability of the company to meet its obligations is in reasonable doubt.

- ◆ No EDIP grant will be provided if the project would result in degradation to the environment in the City or would pose a significant risk of an environmental hazard.

USE OF GRANT FUNDS

EDIP grants under these guidelines will generally be made in installments to be paid in the future, but for extraordinary, high impact projects, such grants may be made at the time of the commitment of the project to locate in the City. Such grants may be used for one or more of the following purposes, depending upon the terms approved by the Board:

- ◆ Site acquisition
- ◆ Site preparation.
- ◆ Internal site infrastructure.
- ◆ External infrastructure
- ◆ Other improvements to the Site.
- ◆ Other capital investments
- ◆ Job training costs not otherwise reimbursed by grants from the Community College system or tax credits pursuant to the state statute.
- ◆ Other purposes which leave value in the community as determined by the Board on a project-by-project basis.

PROCEDURE FOR GRANT CONSIDERATION

The following procedure will be utilized in considering a project for an EDIP grant:

- ◆ The company will negotiate the terms of such grant agreement with the Stanly County Economic Development Commission Director and the City Manager. Such discussions are negotiations only, inasmuch as the Board has the sole discretion and authority to finally agree to such grants.
- ◆ The City will conduct a full financial review of the company, to assure that it can meet its performance requirements.

- ◆ At a time agreeable to the company, given its confidentiality concerns, a public notice and public hearing regarding the proposed grant will be given/held as contemplated by the requirements of N.C. Gen. Stat. §158-7.1.
- ◆ The Board will approve the terms of the grant agreement by resolution, and in doing so must specifically find that such project will benefit the public interest and promote the public welfare of the citizens in the City.
- ◆ An EDIP grant agreement will be executed which contractually binds the City to make the grants, and the company to meet the taxable capital investment and job creation or retention requirements, to which they mutually agreed. A failure of the Company to meet its performance requirements will result in the recoupment of a pro rata portion of any grants given previously or a pro rata reduction of any future grants.
- ◆ The company will provide periodic verification of its compliance with the requirements to which it has agreed as appropriate, and/or at the request of the Stanly County Economic Development Director, and by a means agreed upon between the City and the Company on a case by case basis; provided however that as a minimum level of verification, the Company shall provide to the County's Economic Development Commission Director, the Employment Security Commission reports, which summarize the number of employees, wages paid and unemployment taxes due.

CONCLUSION

All EDIP grants will be considered on a project-by-project basis and by adopting these guidelines, the Board is not obligated to make any grants. In considering whether or provide EDIP grants for a project and if so how much, the Board will take into account grants made by private sources to support the project locating in the City. These guidelines are not retroactive to any project which has been announced prior to the adoption of these guidelines. These guidelines are effective as of November _____, 2006.