

**From:** Roger Stancil  
**Sent:** Tuesday, March 13, 2018 6:08 PM  
**To:** Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins  
**Cc:** Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver  
**Subject:** Council Questions: Item 2: Economic Development Incentives Guidelines  
**Attachments:** Draft ED Guidelines - Chapel Hill February2018.docx

**Council Question:** With regard to the timeline leading up to the development of the Economic Development Incentives Guidelines— what was the reason the County gave for pulling out of the joint-incentive?

**Staff Response:** *The Town Staff continued to work with the Council Committee on Economic Sustainability, as it became clear that there were philosophical differences in the approach being taken toward the development of Incentive Guidelines.*

**Council Question:** If preference is given to “higher wages to the greatest number of new hires,” does this mean we would not grant an equal award to a company creating an equal number of new jobs where the majority are not of a high wage?

**Staff Response:** *Under the Job Creation Scenario, it does state that “Preference is given to companies that pay a higher wage to the greatest number of new hires” but this still remains a Council consideration and vote. Preference does not automatically mean that those that do not meet the “higher wage to the greatest number of new employees” would not be eligible for an equal incentive.*

**Council Question:** Work to date has been on drafting a policy, which now seems to have morphed into guidelines. Are we using these terms interchangeably?

**Staff Response:** *No, we have drafted Guidelines in response to Council Committee conversations, especially the interest in preserving flexibility when considering applications. The ultimate decision is up to Council’s vote, and staff would follow the Guidelines to predetermining whether an application for incentives is one that Council would consider.*

**Council Question:** Will all economic incentives be performance-based and if so should we state that in the guidelines?

**Staff Response:** *All of the incentives that we have considered to-date have been performance based. The Guideline’s Guiding Principles state: “Economic development investments must achieve measurable outcomes to improve the quality of life for all residents and secure Chapel Hill’s future as a vital, livable and sustainable place.” This indicates that they must be performance based.*

**Council Question:** Re. Targets - start-ups were included in the Nov slide deck but not here. What was the thinking behind this?

**Staff Response:** *Start-ups have been added to an amended version of the draft Guidelines. Start-ups were also identified under the award category of **Location, retention or expansion of targeted businesses**.*

**Council Question:** What are the trade-offs of including specific dollar values and tax break %'s for the incentives we are willing to provide? Given that municipalities may be competing for a specific economic development opportunity and/or companies may be "shopping around" to get the best offer, would it behoove us to keep our range of options more flexible?

**Staff Response:** *The Guidelines were drafted to offer the maximum flexibility and do not prevent Council from having specific interest and priorities that can be used to compete with neighboring communities. There are four categories in*

*which awards may be made and are “most desired” by the Town: Building New Space, New Capital Investment, Job Creation, or Location, Retention or Expansion of targeted businesses. These categories may be used singularly or in combination to meet Council’s interest. It is also important to note that these are the “most desirable” by the Town and does not prevent thinking beyond the Guidelines.*

**Council Question:** I would like the Guiding Principles to include a statement on our Town's values re equity and inclusiveness and for the guidelines to require non-discrimination practices and equity in hiring for any recipients of economic incentives - is the latter legally allowable?

**Staff Response:** *This can be added as a Guiding Principle or Goal but not a specific condition. We have added the language into a new draft.*

**Council Question:** For living wage goal, could we require that they be certified by Orange County Living Wage, since their process requires employers to provide proof of adherence to paying a living wage?

**Staff Response:** *We can give preference to companies that pay a living wage and are certified by Orange County Living wage but cannot make this a condition.*

**Council Question:** Consideration of a company's track record with incentive results (if it has one) should be part of the assessment of whether to offer incentives.

**Staff Response:** *We could ask whether they have ever been awarded or received an incentive from any other unit of government or state as a part of the application process.*

**Council Question:** How will the reporting from the recipient to the Town work - can we require externally verifiable sources of data to verify achievement of targets? Do we have the staff resources to track and verify, especially for requirements that may extend for many years?

**Staff Response:** *It is our goal that all considered incentives be performance based, the company is required to certify that they have met all conditions of the Agreement prior to an award being made. In the case of previous incentives, we have asked for a third-party Certified Public Accountant to determine and document that the company has met employment goals prior to an award. In the case of grants related to tax payment, it has to be shown that they have been billed by the County (receipt or other) and paid the taxes prior to an award.*

*Generally, Business Management, would require the certification prior to issuing a check or disbursement relating to the award.*

**Council Question:** How would we connect -and ensure the economic incentives are meeting - the goals described in the guidelines? What is the plan to establish metrics and tracking to ensure return on investment?

**Staff Response:** *We would work with Business Management to set a process for tracking the incentive goals and set parameters to determine if they are meeting the intended interest.*

**Council Question:** Will progress towards economic incentive goals be reported on regularly to Council (similarly, for example, to the affordable housing report)?

**Staff Response:** *Yes, Town Staff can plan to prepare an annual report.*

**Council Question:** How does/would the Town determine the need to offer an incentive?

**Staff Response:** *Incentives are generally requested by the company or developer, specifically if they see a need or for us to compete. We generally know if a company is considering multiple locations and if the State/County is involved. The Guidelines focus on situations where a company desires to locate here but there is a financial barrier or are we are in competition with another location.*

**Council Question:** P. 13 indicates that under certain circumstances, retail facilities may be considered for incentives if they provide certain things. One is an unusual employment opportunity. What are some examples of “unusual employment opportunities”?

**Staff Response:** *Wegmans offered 350 jobs at a minimum of \$12 per hour and benefits to all employees who work 30 hours and that was a good example. The number of jobs, the pay and benefits equaled an unusual opportunity.*

**Council Question:** Under the “New Capital Investment Scenario,” what part of the budget would the grants come out of? Where does the grant money come from for the New Capital Investment (p. 13) and Job Creation incentives (p. 14)?

**Staff Response:** *The intent is to use new property and/or sales tax revenue generated by the project to fund the incentive. As all incentives are projected to be performance based, if the income is not generated, the performance is not met and there would be no award.*

**Council Question:** How do economic incentives protect natural and physical resources? (p. 12)

**Staff Response:** *(This is stated as a Desired Outcome) Incentives should not impact the Town’s underlying ordinances and policies. There might be cases where we could encourage a higher expectation in natural, or physical resources or community supported value interests.*

**Council Question:** Why should projects that get state or county incentives have priority from the town? It seems like it should be the opposite, that the town would give priority to projects that don't get incentives from elsewhere. (p. 13)

**Staff Response:** *State incentives may require a local match and we want to play a role in making sure the company or development says yes to our location. It is partially competitive as other adjacent municipalities offer them if County and State have been authorized.*

**Council Question:** A grant usually means a gift, as opposed to a loan, but text under Job Creation Scenarios (p. 14) refers to "extend[ing] the payback period" for a grant. On p. 13, it sounds as though "grant" is meant to mean a gift. Would you clarify, please?

**Staff Response:** *The Economic Development Grant is the tool we use to return property taxes to a project as a part of an incentive agreement.*

## Chapel Hill, North Carolina Economic Incentive Guidelines

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### *Guiding Principles:*

A strong, vibrant community attracts economic investment.

Quality of life and economic development are interdependent community priorities. Achieving one cannot be at the expense of the other.

Companies should value inclusion and equity being a part of our business community. We desire that companies have non-discrimination policies and equity in their hiring practices.

Outcome-driven economic investment results in long-range financial returns, as well as community benefits that improve quality of life.

Economic development investments must achieve measurable outcomes to improve the quality of life for all residents and secure Chapel Hill's future as a vital, livable and sustainable place.

### *Economic Incentive Goals:*

- Create quality jobs
- Strengthen the economy and build community wealth
- Sustain a high quality of life
- Promote stewardship of the Community's resources
- Maintain and develop affordable, quality housing opportunities
- Promote comprehensive opportunities for education, skills development and lifelong learning

### *Examples of Desired Outcomes of Economic Incentives:*

- An increase in human capital development such as education, job skills, and childcare access;
- An increase in financial capital development, such as job growth, small business development and access to credit;
- The protection of natural capital, including natural and physical resources;
- Pay a living wage as determined by Orange County Living Wage's annual survey
- The betterment of the community, such as blight reduction, poverty reduction, crime reduction and increased recreational opportunities.

Achieving these outcomes consistently requires a clear vision; specific tools for evaluation, decision-making and monitoring individual projects, supported by strong partnerships; creative leadership; and political will.

### *Targets:*

Chapel Hill's target business types are:

- Research and Development
- Applied Sciences,
- Start-ups / entrepreneurial activities and
- Technology.

## Chapel Hill, North Carolina Economic Incentive Guidelines

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Under certain circumstances, retail facilities may be considered for incentives. If a retailer provides strong sales or tax base potential, provides unusual employment opportunities or contribute to our community in a unique way and/or pay a majority of employees a Living Wage<sup>1</sup>, it may be considered.

These target areas may be updated or amended as needed.

### *Qualifying for an Incentive:*

The Town will consider incentives for job creation, tax base growth and helping companies grow and stay in the Town. Incentives are targeted toward job creation and investment in business sectors that add to our tax base. Qualifying jobs may be incented on a scale of \$1,000-\$3,000 per job, up to a total incentive amount equal to 50% of the net new taxes that are on the tax rolls after the improvement.

Applications for Development Incentives may be considered in circumstances that do not meet minimum criteria if an exception is disclosed and proof of reasonable benefit to the Town can be provided.

Projects that receive incentives from Orange County or the State of North Carolina will be given priority consideration by the Town of Chapel Hill.

The Town of Chapel Hill reserves the right to modify or amend this policy as necessitated by changing economic conditions.

### *Examples of Desirable Proposals:*

These examples illustrate the type of proposals that are most desirable to the Town of Chapel Hill. Since market conditions can change quickly, we encourage early conversation with the Town's Economic Development Officer to determine whether a proposal may be considered for an incentive.

**Building New Space:** Development Incentives may be awarded for creating spaces to host businesses in the future. They also may be calculated based on tax base impact while preserving a revenue stream for local governments.

**New Capital Investment Scenario:** (A minimum of \$2.5 million in investment for 35% Grant. Investments exceeding \$10 million may qualify for 50% Grant.)

1. New business
2. Existing business expansion
3. Businesses locating or expanding

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<sup>1</sup> There is an inherent difficulty in measuring wages so whether it is "prioritize or guarantee" the measurement may be difficult.

Chapel Hill, North Carolina  
Economic Incentive Guidelines

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**Job Creation Scenarios:** Full-time equivalency may be considered if the sector or wages meet local target/interest goals. Job creation is typically accomplished in 5 years or less. Jobs are retained at least two years beyond the Incentive Period.

1. New Business — A minimum of 20 net new jobs within 36 months
2. Existing Business Expansion — Minimum of 20 net new jobs created or retained within 36 months, plus retention of currently existing jobs.
3. At least 70% of employees work at the Chapel Hill facility for at least 60% of the time.
4. Preference is given to companies that pay a higher wage to the greatest number of new hires. (Perhaps \$50,000 and over)

| Assistance Level - | Potential award | Minimum Jobs |
|--------------------|-----------------|--------------|
|                    | \$3,000 per job | 100          |
|                    | \$2,000 per job | 75           |
|                    | \$1,000 per job | 50           |
|                    | \$ 750 per job  | 20           |

Normal Return on Investment from net-new property taxes is generally within five (5) years; however the Elected Boards, as deemed appropriate, may extend the payback period up to a maximum of 10 years as permitted by N.C.G.S. 158-7.1. (Generally grant request should not be greater than 50% of the net-new property taxes generated.)

**Location, retention or expansion of targeted businesses:** Location, retention, or expansion of targeted office users including but not limited to technology-based businesses, advanced manufacturing or start-up business. (Type of business, number of employees, square feet occupancy may all be used to determine eligibility of this category.)

#### Incentive Request Approval Process:

The process for considering requests may vary depending on a project's specific needs. These steps are for general information.

1. Site visit with the Town Economic Officer.
2. Fact sheet/application and supporting documentation submittal by the applicant company. The Town reserves the right to request additional relevant supporting documentation to ensure minimum eligibility criteria are met as detailed in this policy.
3. The Economic Development Officer reviews application and determine level of eligibility and report to Town Manager.
4. All requests will require approval by the Town Council.