



TOWN OF SPENCER INVESTMENT GRANT PROGRAM

PURPOSE

The Spencer Board of Aldermen has supported economic development for many years with an emphasis on tax base development, employer diversification and job creation. The Board has recognized the need to provide programs and financial support to strengthen and diversify the Town's economy. Tax base development is a key concern for the Town's fiscal health. It is essential not only to attract new investment but also to encourage existing business to expand and reinvest in their Spencer operations. The Town of Spencer INVESTMENT GRANT PROGRAM is intended to provide an inducement for new businesses considering competitive alternate sites to locate in Spencer, and encourage existing business to expand.

GRANT PROGRAM DESCRIPTION

The program provides a five-year grant to companies investing in the Town of Spencer. The grant will be established by a contract with the Town of Spencer. The company must pay their taxes in full each year based on the actual tax value of the property or investment. If the company meets all of the criteria in the contract, a portion of the property tax will be returned as a grant. The amount of the grant is based on a designated percentage level for five consecutive years.

- Investment Grants will be based on the increase in tax value of all real property, machinery, and improvements above the base year prior to investment. No grant will be given to a company that would reduce their tax payment to an amount lower than the previous tax year.
- Asset purchases of existing companies already paying taxes in the Town of Spencer would not qualify for the program.
- All grant monies will be taken directly from the company's tax payment. The company must be current with all other payments required by the Town of Spencer.
- The Spencer Board of Aldermen may modify or eliminate the program subject to meeting all existing grant obligations in effect at the time.
- No company may transfer grant agreements or contracts without explicit approval by the Spencer Board of Aldermen.
- Any company that under-reports the assessed value of machinery/equipment will be required to pay the assessed property tax and the Grant will not apply to the underreported value.
- If a project is connected to specific job goals, the grant is reduced prorate by the same percentage job goals are not met during any single year of the grant period. The grant is voided where a company shuts down or relocates substantially all jobs to another site

Grants shall not exceed five years in period of award and any one grant award period must be completed not later than seven years after initial award to allow for construction and production start-up time. An extension to these limits may be granted based upon specific project related issues but is not guaranteed or required.

The formal agreement between the parties (grant recipient and Town) shall attempt to specifically identify dates for purposes of establishing the appropriate time period(s) that a grant will be in effect. Dates to be established will include consideration of the date of award, a date for the beginning of construction, production start-up date and the dates for the beginning and ending of the incentive grant awards.

Each project will be dealt with on an individual basis using these guidelines and other directives authorized by the Spencer Board of Aldermen. These guidelines are subject to change and will be reviewed routinely from date of adoption, with the Spencer Board of Aldermen requiring it.

Changing economic conditions, legal issues or other factors may cause the Spencer Board of Aldermen to modify, amend, suspend or terminate the INVESTMENT GRANT PROGRAM subject to contracted grants previously awarded and in effect at that time.

Although increasing and diversifying the local property tax assessment base are the primary initiatives of this INVESTMENT GRANT PROGRAM, several other factors may be considered in authorizing a grant to any specific project. These may include but are not limited to:

- the type of industry as a further diversification of the Town's business base
- the size and scope of the project based upon investment in site development, facilities, buildings and other business infrastructure inclusive of technology
- the diversity, quality and quantity of jobs created by a project and the availability of labor inclusive of job retention and retraining opportunities
- the relationship between workforce development and total project investment
- the potential for future expansion of investment and employment
- site specific issues impacting upon public infrastructure
- actions that if pursued, stimulate development in areas of the Town deemed beneficial
- the ratio of investment in real versus personal property assets
- the environmental impact of the project

PROJECT QUALIFICATIONS

A primary intent of the INVESTMENT GRANT PROGRAM is to expand and diversify the Town's property tax base. Minimum investment will be established, and employee wage factor criteria may be established as a requirement for consideration and award of a grant for eligible projects. These criteria are used as guidelines in project evaluations. They may be expanded upon or added to for a specific project and incorporated in the terms of the formalized grant award agreement between the participants.

- Minimum total project investment (based upon the estimated project's real and personal property assessments to be confirmed by the county assessor)

- Level 1 grant category – at least \$5 million
- Level 2 grant category – at least \$50 million
- Level 3 grant category – at least \$100 million

- Level 1 Grant – a grant award based upon a project’s estimated tax revenue generation value, calculated to equate to approximately 50% of the value of real and personal property tax revenue value anticipated to be generated by the project. The value for real and personal property investments shall be calculated based on a period of five (5) consecutive years in determining value for grant calculation purposes. The beginning date for grant calculations is to be the date of useful occupancy and/or production startup.

- Level 2 Grant – a grant award based upon a project’s estimated tax revenue generation value, to be calculated to equate to approximately 75% of the value of real and personal property tax revenue value anticipated to be generated by the project. The value for real and personal property investments shall be calculated based on a period of five (5) consecutive years in determining value for grant calculation purposes. The beginning date for grant calculations is to be the date of useful occupancy and/or production startup.

- Level 3 Grant – a grant award based upon the project’s estimated tax revenue generation value, to be calculated to equate to approximately 85% of the value of real and personal property tax revenue value anticipated to be generated by the project. The value for real and personal property investments shall be calculated based on a period of five (5) consecutive years in determining value for grant calculation purposes. The beginning date for grant calculations is to be the date of useful occupancy and/or production startup.

- Calculations of the project grant award shall be based upon anticipated new property tax revenues the Town expects to receive from a specific project; the annual grant award due to the grantee will be paid on or before March 30th each year during the grant period subject to the project’s date of useful occupancy and/or production startup.

- During the grant award period, the grantee must remain current with all real property taxes assessed, other fees, taxes or other assessments levied by the grantors to remain eligible for the grant. Failure to do so results in termination of the grant award.

- Rowan County will monitor the assessed valuation of the project during the award period to assure that the process used to determine the award of the grant remains consistent with estimates used. Excessive fluctuations in the estimated project value may be cause for review of the grant inclusive of modification to the terms of the grant subject to review and action by the Spencer Board of Aldermen. (It is not intended that grants and the property taxes of a specific grant project equate exactly for the grant period. Additions, changes in real estate valuations and other factors may impact upon the actual property tax assessment base during the grant period. Estimates are used only to

establish a rational link between a project and its economic impact upon the Town and its citizens).

- Grants are not transferable and may not be otherwise conveyed to another party without the specific consent of the grantors (Spencer Board of Aldermen).
- Grants for expansion of existing industries will account for reductions in value associated with machinery and equipment being phased out, replaced, or retrofitted as part of a project. Factors impacting employment will be evaluated and enter into determinations of grant awards.
- Grants for new projects will only consider estimated enhancements to the property tax assessment base above those existing prior to the project as proposed.
- The Town shall provide detailed reporting processes to monitor and assure compliance with the terms, conditions and other specific requirements of the grant award agreement. The grantee shall comply with the reporting requirements during the grant period. The Town agrees to maintain confidentiality of information deemed to be proprietary in nature. The grantee shall provide the Town access to verifiable grant related support documentation. Failure of the grantee to provide the Town the required grantee documentation shall cause termination of grant.
- The grantee is required to give detailed information on assets to be considered as part of the grant application process, inclusive of anticipated depreciation schedules, leasing arrangements with named parties holding financial interest in assets covered by the grant program, and all business or corporate names that may be applicable for purposes of asset ownership. Signed releases from those holding financial interests in assets may be required as documentation for grant awards.
- Rolling stock inclusive of automobiles, trucks, tractors, trailers or other licensed vehicles shall not qualify as listed assets under personal property for purposes of calculating the proposed projects investment value.
- Town contributions to a specific project's infrastructure costs may be deducted from the calculated INVESTMENT GRANT PROGRAM award available for that specific project.
- The grantee shall provide documentation in support of the fact that the Town's INVESTMENT GRANT PROGRAM was an important factor in its decision to locate or expand facilities in the Town of Spencer.

EXAMPLE OF GRANT AWARD

Level 1 Grant

(Based on a \$5 million project in real property, equipment, and machinery)

Current tax rate .6550/100 for the grant period

Real and personal property investment of \$5,000,000/100 x \$.6550 x 50%

Grant payment = \$16,375/year. Five-year period total grant payments estimated at \$81,875.

Level 2 Grant

(Based on a \$50 million project in real property, equipment, and machinery)

Current tax rate .6550/100 for the grant period

Real and personal property investment of \$50,000,000/100 x \$.6550 x 75% Grant

payment = \$245,625/year. Five-year period total grant payments estimated at \$1,228,125.

Level 3 Grant

(Based on a \$100 million project in real property, equipment, and machinery)

Current tax rate .6550/100 for the grant period

Real and personal property investment of \$100,000,000/100 x \$.6550 x 85% Grant

payment \$556,750/year. Five-year period total grant payments estimated at \$2,783,750.

Calculations for INVESTMENT GRANT PROGRAM awards at other values and at Levels 1, 2 or 3 would be completed in a similar manner.

Note: The ratio of real to personal property (machinery and equipment) will vary significantly among projects. Depreciation schedules will impact estimated tax assessment values depending on the type of project and applicable depreciation schedule.

PROGRAM ADOPTION, AMMENDMENT AND EFFECTIVE DATES

A pre-application meeting with the Spencer Board of Aldermen and elected officials of Rowan County on the proposed project shall be held to validate project specifics and assure that current grant program criteria are applicable. The Economic Development Commission shall provide a fiscal analysis of the project's impact upon the community inclusive of a recommendation from its Board of Director's as to whether the project proposal should be considered for the award of an incentive grant as detailed within policy guidelines.

Only specific action by the Spencer Board of Aldermen shall be deemed acceptance of terms in a formal contractual grant agreement and by award of an INVESTMENT GRANT thereto.

Applicants for the INVESTMENT GRANT PROGRAM shall use these guidelines in applying for a grant for new industrial development projects locating in the Town of Spencer or existing industrial expansions occurring in the Town of Spencer. These guidelines shall be an attachment to each formal grant award contract approved by the Town.

Other specific attachments to the formal agreement shall include but not be limited to:

- A project site plan, brief written description of the project, its scope, number and type of employment positions, phasing and timing of the development and any other information that would be viewed as important in describing the project.
- A survey and legal description of the property along with proof of ownership.
- A copy of the current Town of Spencer investment grants guidelines.
- A copy of Rowan County's investment grant guidelines (if applicable).
- The county tax card of record for the property as of January 1st of the year that the project is being considered. (Used to establish the base value of investment.)
- A copy of the most current State of North Carolina Industrial Incentive Program guidelines (if applicable).
- Other pertinent information that might apply to a specific project.

These guidelines remain in effect until otherwise modified by the Spencer Board of Aldermen.