

CHINA GROVE, NORTH CAROLINA ECONOMIC DEVELOPMENT INVESTMENT POLICY

PREAMBLE

China Grove, North Carolina, (the “Town”) Town Council (“Council”), has determined that the public interest and general welfare of the residents of the Town is directly benefited by fiduciarly sound economic development policies which promote growth and diversity of the tax base and result in the creation of jobs.

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

- ◆ Population growth in Rowan County, including China Grove, has been slower, during the last 10 years, than the State average (6.2% vs. 18.5%)
- ◆ The Town has an unacceptably low ratio of non residential property tax base as opposed to its residential property tax base. 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 Town, many of whom go elsewhere in order to obtain desirable employment.
- ◆ The unemployment rate in Rowan County, including China Grove, is consistently higher than the State average (10.7% vs. 9.7% Statewide at the time of adoption).

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

For these reasons, the Council hereby establishes EDIP guidelines to encourage new industries to locate and existing industries to retain and expand within the Town. 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 Council 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, fiduciarly sound public policy principles, which at a minimum include:

- ◆ Any EDIP grants must provide the Town a positive 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/or 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).

- ◆ The bedrock of the Town's economy is the businesses and industries already located in the Town. 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 Town.
- ◆ The provision of EDIP grants must be competitively necessary in order to induce the company being recruited to locate its new facility in the Town. 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 Town; 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 Council. 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 Town 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 Council 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 Town, 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 Council in its discretion.

In addition to EDIP grants being utilized to attract new jobs and capital investments by way of companies new to the Town or expansion of existing facilities in the Town, the Council 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 Town or a facility outside of the Town; 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 Town. 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 Council, 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 Council 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 Town, 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 Council 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 Town is \$1,500,000 and \$1,000,000 for a project which is an expansion of a existing facility in the Town.
- ◆ The minimum level of new jobs that must be created for a new project is 15. 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, or processes which involve the utilization of high technology or innovative new technologies.
- ◆ The Town 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 Town.

For a project to be considered by the Council for an EDIP grant, it must meet all of the above minimum project qualifications. Additional qualifications may be required by the Council 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 Council 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 Town 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 Town.
- ◆ 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 Council 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 Town 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 Town. Such grants may be used for one or more of the following purposes, depending upon the terms approved by the Council:

- ◆ 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 Council 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 Mayor and the Town Manager. Such discussions are negotiations only, inasmuch as the Council has the sole discretion and authority to finally agree to such grants.
- ◆ The Town 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 Council 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 Town.
- ◆ An EDIP grant agreement will be executed which contractually binds the Town 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 Town Manager, and by a means agreed upon between the Town and the Company on a case by case basis; provided however that as a minimum level of verification, the Company shall provide to 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 Council is not obligated to make any grants. In considering whether or provide

EDIP grants for a project and if so how much, the Council will take into account grants made by private sources to support the project locating in the Town. 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 January 3, 2012.