

Durham County
Economic Development Policy Revisions
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9-3-19

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Economic Development Policy Revision Process

1. Spring Retreat, 2018 - Review of Current Policy, Board Feedback and Revision Goals
2. June Worksession, 2018 - SoG Presentation, ED Fundamentals and Legal Parameters
3. Fall Retreat, 2018 - Policy Benchmarking of NC Peers, Identify Strategies to Revise Policy
4. June Worksession, 2019 - Policy Revisions Phase I, Contract Strengthening, Criteria & Threshold Refinement
5. Sept. Worksession, 2019 - Final Policy Revisions Review, Capture Feedback Prior to Policy Adoption
6. Ongoing - Policy Revisions Phase II, New Policy Strategy Implementation

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Policy Revision Goals From Fall Retreat

Overarching: Update policy with strategies that pursue the County's community goals as informed by best practice and legal parameters while maintaining our *economic competitive and comparative advantage*

Factors that make Durham County an attractive area for businesses to locate and expand that include a skilled workforce, industry clusters, cost of living, quality of sites and economic policies

Long-term: Create a document that clearly defines criteria for incentive consideration so that we are prepared for quick-moving investment opportunities and is mutually understood by interested businesses

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Base Terms

Performance-based Criteria:

- Verification of jobs, investment and contract criteria before payment
- Claw-back provisions are in place if contract criteria are not achieved or maintained
- Only 5 years of capital investment will count towards the incentive calculation
- **Payment requests must be submitted within annual schedule or forfeited**
- **Awards greater than \$1 million are paid out over 7 years**
- **Transferred employees from other NC sites cannot be included in new jobs count**

Color key:

Current Policy language

Proposed Policy revisions

Language added since

June Worksession

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Base Terms

Partnership Guidelines:

- Provide health insurance for FTE, pay 50% of premium
- Average wage to meet/exceed DCo average wage per category
- **Be current on all County and City levied bills**
- **Environmental Standards – Notwithstanding any other regulations or requirements, Companies currently located in Durham County and looking to expand shall be in full compliance with all environmental regulations and standards in accordance with State law and Durham County ordinances in order to be considered for local incentives and if incented shall maintain full compliance of referenced environmental standards for the full period of the incentive agreement. Further, any company seeking an incentive from Durham County to locate a new facility in Durham County shall agree to maintain full compliance with all Durham County environmental standards and ordinances for the full period of the incentive agreement. Failure to maintain such compliance may cause refusal of the County to pay the incentive for that period.**

Community Engagement Standards:

- **Post position openings with NC Works Career Center**
- **Post investment-related RFPs with a local organization that notifies minority vendors of bid opportunities**

Base Terms

Verification of Performance Criteria

Jobs

- Created jobs verified through:
 - Employment Security Commission's NCUI 101 Form provided by Company
 - Company will provide employee information that can be confirmed against the NCUI 101 report to include employee name as well as employee title, SOC Code and Salary or Wage information
 - Provided wages will be verified against Department of Labors' annual report of average wage by occupational code for Durham County
 - Affidavit confirming accuracy of employee information

Investment

- Spending amounts confirmed through:
 - Tax Office valuation of Real Property and Business Personal Property
 - General Contractor summary of spending report
 - Inspections Building Permits' estimated cost of construction
 - Affidavit confirming accuracy of investment information

Community Partnerships

- Confirmed by third party as applicable

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Base Terms

Job-related Definitions

New jobs are defined as a net increase in the company's number of full-time employees working in Durham County.

- For expansion projects, a base number of existing jobs will be determined that were created prior to the start of the project that cannot be counted towards the net new jobs
- **Net new jobs represents the number of full-time jobs in Durham County tied to the incented project and cannot include employees transferred or relocated from another company site in North Carolina**

A full-time employee is defined as a person who is employed by the company for at least 35 hours per week and whose wages are subject to withholding.

“Qualifying Job” means a permanent hourly or salaried position of employment with the Company that requires not less than 1600 hours of work per year at the Property and is intended to be performed by one employee during the entire year and for which the average weekly Wage for a given calendar year (such average weekly Wage calculated over the entire calendar year and not prorated for any reason) equals or exceeds the Specified Wage and for which the employer provides health insurance satisfying the standard established for Job Development Investment Grants in N.C. Gen. Stat. § 143B-437.53(c).

Will merge full-time and qualifying job sections in revised policy document

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Base Terms

Contract Improvements

Section 5: insert “taxable” in front of every occasion of “capital investment.”

Section 13: Add a prohibition on assignment to the agreement. The incentives are constitutionally authorized only for the purpose of inducing a Company to locate in Durham County. A successor company has offered no such consideration and therefore payments to a successor Company are not constitutional. An assignment should terminate any further incentive payments.

For clawbacks:

- The Company shall not be entitled to receive incentive grants after any public announcement by Company of its plan to cease operations at the Facility.
- For any year in which an Annual Grant payment is due, no payment shall be made unless the Company operated the Facility continuously throughout the applicable Grant Year with the exception of brief periods necessary for maintenance or repair, facility closures due to adverse weather or other conditions beyond the Company's reasonable control.
- In the event that performance criteria is not met, a request to review conditions explaining performance may be submitted to the BOCC.

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Base Terms

Required Information for Consideration

Real and Business Personal Property Investments

All requests for incentive calculation must be submitted on the County's Economic Development Project Data Sheet to be assessed by the Durham County Tax Administrator's Office. Information to include:

1. Project physical location and parcel number(s)
2. Estimated value and square footage of the facility/facilities to be constructed or upfitted
3. Estimated value and type of equipment to be installed
4. Estimated costs and schedule of the design and construction of any activity related to the proposed project, including land use costs that are being incurred by the County

New Jobs

All requests for incentives that include new jobs must include the following information:

- Number of net new full-time jobs created
- Position type or classification and salary information
- As available, projected Educational requirements or certifications necessary for new positions
- If applicable, anticipated number of new jobs that will be transferring from out of state
- If applicable, projected number of existing positions that are at risk of relocating if not retained

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Base Terms

Unchanged Language

The Board of Commissioners reserves the right to require a study to be performed by a consultant to establish that the proposed commercial development would not materialize at the proposed level of taxable investment without incentives paid pursuant to this policy. The costs of this study shall be paid in advance by the company or developer requesting the incentive grant.

The Board of Commissioners is not obligated to make any appropriations for a company or developer.

~~The developer or company seeking funds pursuant to this policy must receive approval from the Board of Commissioners after a public hearing prior to undertaking construction of a new facility.~~

Section 14. Referencing clawback provisions

Legally enabling legislation

No appropriation for historic property

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Incentive Calculation

Infrastructure Investments

Current:

The Board of Commissioners may elect to provide structured parking which would serve both the property or properties proposed to be developed and the public parking needs of Durham County government buildings. Any structured parking provided pursuant to this policy shall be located in and limited to the Government Services District of downtown Durham.

New:

Infrastructure investments made by Durham County specific to the execution of the project may be considered as part of the total incentive offer from the County. Infrastructure may include but is not limited to utilities, public amenities, lift stations and roads.

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Incentive Calculation

Criteria 1 – Company Policies, Project Attributes and Partnership Engagement

For Company, please identify the policies or project attributes that apply and will be considered as part evaluation criteria:

- Level of participation in the Workforce Partnership Engagement Plan (Criteria 2)
- Diversity of project's employment opportunities, including jobs that do not require an advanced degree **and/or contain manufacturing jobs (Identify which one)**
- Employers that provide childcare support **or pre-k programming – (Identify which one)**
- Sustainable building design, construction and operating practices
- Employers that hire current or previous justice-involved individuals
- Project location in a Durham County Opportunity Zone
- Companies that have a Diversity Purchasing program or M/WBE targets for purchasing contracts
- Businesses locating in **Research Triangle Park, Treyburn Corporate Park or Downtown**
- Companies locating their Headquarters in Durham County
- Businesses that create clean technology jobs that contribute towards a more sustainable environment
- ~~Value of industry type or Relation to existing industry clusters such as Life Sciences, Information Technology and CleanTech~~
- **Industries that diversifies Durham's economy**
- **Retention of existing jobs at stake**
- Contains high-paying jobs with an increased multiplier effect on the Durham economy

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Incentive Calculation

Criteria 2 – Workforce Partnership Engagement Plan

For Company, please identify the partnerships that you are willing to engage in:

- Holding job fairs with NC Works
- Paid summer Internships and jobs – **Identify High School or College**
- Participate in any of the following Durham Public Schools Career and Technical Education programs:
 - Educational sessions with students to include Guest Speaking and Career Conversations
 - Hosting teachers over the summer or Career Readiness Expo participation
 - Hosting students to include Job Shadowing and the Scholars-At-Work-Program
 - Serving as a Durham Public Schools Career and Technical Education Advisor
- Collaborating with North Carolina Central University's BRITE Center
- Contract with local organizations to advise with minority vendor selection or attend related training events
- Participate in minority purchasing trade events
- Partner with Criminal Justice Resource Center's to identify employment ready participants
- Work with Durham Public Library STEAM Center to provide Job awareness programming
- Collaborating with Durham Technical Community College's BioWorks Advisory Committee and similar local organizations to recruit local talent
- Communicate employment opportunities to with relevant industry networks like DTCC's BioWorks Program, Research Triangle Cleantech Cluster, etc.
- Engage Duke's Office of Durham and Regional Affairs to participate in workforce and community activities

Create supplemental document to further explain organizations and their relationship to continuum

Incentive Calculation

*Investment and Job Creation Thresholds – **SLIDE FROM 6/3/19***

- \$50 million capital investment minimum for a locating company to receive incentive consideration
- \$30 million capital investment minimum for an existing company to receive incentive consideration

Draft Threshold

Investment Minimum	Jobs	Incentive Percentage
\$20-25 million	100-200*	Up to 50% new tax growth

- If investment and jobs minimums are met, use Criteria 1 and 2 to determine the level of incentive

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Incentive Calculation

Investment Thresholds – **NEW SLIDE**

Investment Amount	<i>Projected ROI Over 5 Years</i>		
	Low-End	Average	High-End
\$1,000,000,000	\$11,200,000	\$20,400,000	\$25,600,000
\$500,000,000	\$5,600,000	\$10,200,000	\$12,800,000
\$250,000,000	\$2,800,000	\$5,100,000	\$6,400,000
\$50,000,000	\$560,000	\$1,020,000	\$1,280,000

Projected average derived from 10 projects that the Tax Office has evaluated over the last 1.5 years. Low-end and high end numbers did not include outliers to increase accuracy of the calculation.

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Incentive Calculation

Investment Threshold – NEW SLIDE

- \$50 million capital investment minimum for a company to receive incentive consideration

Draft Threshold

Investment Minimum	Investment Percentage
\$50 Million	Up to 50% Net New Revenue *as informed by Criteria 1 & 2

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Incentive Calculation

Jobs Criteria

For projects seeking incentives related to new jobs, the following thresholds will apply:

- 200-500 jobs \leq \$1 ,000 per job;
- 501-1000 jobs \leq \$ 1,500 per job;
- 1001+ jobs \leq \$2 ,000 per job

Jobs Criteria - JDIG Match

JDIG Match Goal: To unlock the State JDIG award by participating with a required, qualifying local match award

- 200 New Jobs Minimum
- Up to \$1,000 per job
- Use criteria 1 and 2 to determine level of participation

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