



BUSINESS INVESTMENT GRANT PILOT POLICY PROPOSAL

October 7, 2018

City Council Strategy Session



Purpose: We need to revise our policy to address the current state of business in Charlotte. This will allow us to be competitive in our pursuit to bring new jobs for our residents.

Council Action: Allow staff to proceed with the pilot policy for the next 12 months, with quarterly updates to council.



1998





2019





Created: 1998 in partnership with Mecklenburg County

Purpose: Encourages the attraction, retention and/or expansion of businesses and jobs

Fundamentals:

- Provides grants based upon the amount of net new property tax generated by the business choosing Charlotte and investing in real estate
- Requires companies to meet thresholds for capital investment, new jobs and wages
- Competitive in nature - “but for clause”
- Often used as a required match to State incentives



Standard Grant

- \$3 million investment
- 20 new jobs at 100% average annual rate for MSA (\$51,150)
- 3-year grant term at 90%
- Projects must locate in the Business Investment Zone (BIZ)
 - Option for additional two-year term if existing company

Large Impact Grant

- \$30 million investment and/or
- 150 new jobs at 125% average annual rate for MSA
- 5-year grant term at 50% or 90% depending on location
 - Option for additional two year term if existing company

Major Headquarters Provision

- Companies that are Fortune 1000
- Must pay 200% of the regional average wage



Estimated Investment

New Building: \$37M

Business Personal: \$5M

Total: \$42M investment

Projected New Property Tax Generated
for City: \$190 to \$200K per year

7 year, 90% reimbursement grant:

City would reimburse 90% of property
taxes paid for 7 years.



Proposal: Conduct a 12 month Pilot Program

Why:

- The projects that we are currently seeing in Charlotte do not align with the policy we have in place today.

Objectives:

- Adapt policy to be more focused on the **quantity and quality of jobs**
- Meet the goals of City Council and address **community goals**
- Reward companies locating in **targeted business corridors**
- Emphasize **target industries**
- Create **flexibility** within our policy framework



STANDARD GRANT

Pilot Policy

1. \$3 million investment; **and**
2. 20 new jobs at 100% average wage for MSA (\$51,150) **or Standard Occupation Classification**
3. Higher incentive for targeted location or industry

3-year grant term at 50% or 90% reimbursement

- *If located in BCRG, 90% automatically recommended.*
- *Option for additional two-year term if existing company*

Example: Project ABC

- Advanced Manufacturing expansion
- Creates a research and development center
- Capital Investment: \$3.2 million
- Jobs: 24 new jobs
- Average wage: \$110,000
- Industry: Advanced Manufacturing
- Proposed location: Ballantyne

Under current policy: no grant due to location

Under pilot project: Policy would allow up to 5 year, 90% grant



LARGE IMPACT GRANT

Pilot Policy

1. \$30 million investment; and/or
2. 150 new jobs; and/or
3. 125% average wage for MSA or Standard Occupation Classification

Meet 2 of the 3 requirements:

5-year grant term at 50% or 90%

- *If located in BCRG, 90% automatically recommended*
- *Option for additional two-year term if existing company*
- *\$3M minimum investment*



LARGE IMPACT GRANT- EMERGING TARGET BUSINESS

Emerging Target Industry Pilot

1. Create 150 jobs: **and**
2. 125% average wage for MSA or Standard Occupational Code; **and**
3. Targeted Industry; **and**
4. Within 5 years, invest minimum of \$3M in real and business personal property and commit to adding 20 new jobs;

7- year grant term at 90% reimbursement

Change Recap:

- Allows job creation prior to award to count toward large impact requirement.
- Allows companies to make a decision regarding relocation to Charlotte today without requiring an upfront capital investment.
- Indication of staff support for a future grant and not negotiated until investment is going to be made.
- A staff recommended business investment grant would be presented to council in the future for consideration.



LARGE IMPACT GRANT EXAMPLES

Project Gopher – New Company

Capital Investment: \$19 million

Jobs: 212

Salary: \$36,000 to \$87,000

Location: Arrowood and 485 (outside BLZ)

Target Industry: Logistics and Distribution

Current Policy: \$0

Pilot Policy: Policy would allow up to a 5 year 90% grant.

Project Sierra - New Company

Capital Investment: TBD

Jobs: 150

Salary: \$87,000

Location: WeWork

Target Industry: Financial Technology

Current Policy: No Grant *due to lack of upfront capital investment*

Pilot Policy: Future 7 year 90% grant with minimum \$3M future investment + 20 new jobs



TRANSFORMATIVE PROJECTS

Pilot Policy

Transformative Projects Provision

1. \$100 Million in Investment
2. 1,000 new jobs
3. 25% average wage for MSA or Standard Occupation Classification
4. Targeted Sector

Meet 3 of the 4 requirements: ~

Ability to extend term to 10 years.

Example: Lowe's

Capital Investment: \$153 million

Jobs: 1,913

Salary: \$110,000

Target Industry: Technology

Current Policy: 7 year, 90% grant

Pilot Policy: Policy would allow up to a 10 year 90% grant



How will the pilot work:

- 12 month program with success measured by:
 - Ability to bring more jobs to Charlotte
 - Respond to community priorities
 - Become more competitive
 - Policy exceptions are fewer
- Built on trust and transparency
- Report out every quarter
- Continue to conduct research on policy update
- Process remains the same with approvals.

After 12 month pilot:

- Complete year long report out
- Recommendations to Committee for full policy update (from pilot and research)
- Full Council approval of the policy update



Background Slides If needed for reference



Objective:

Adapt policy to be more focused on the
quantity and quality of jobs

Standard Occupational Classification (SOC):

- Laborers and Freight, Stock, and Material Movers, Hand (\$27,802)
- Customer Service Representatives (\$35,143)
- Computer User Support Specialist (\$50,098)
- Machinists (\$40,872)
- Welders, Cutters, Solderers and Brazers (\$43,773)
- Heavy and Tractor Trailer Truck Drivers (\$41,180)
- Bookkeeping, Accounting and Auditing Clerks (\$40,409)



Objective:

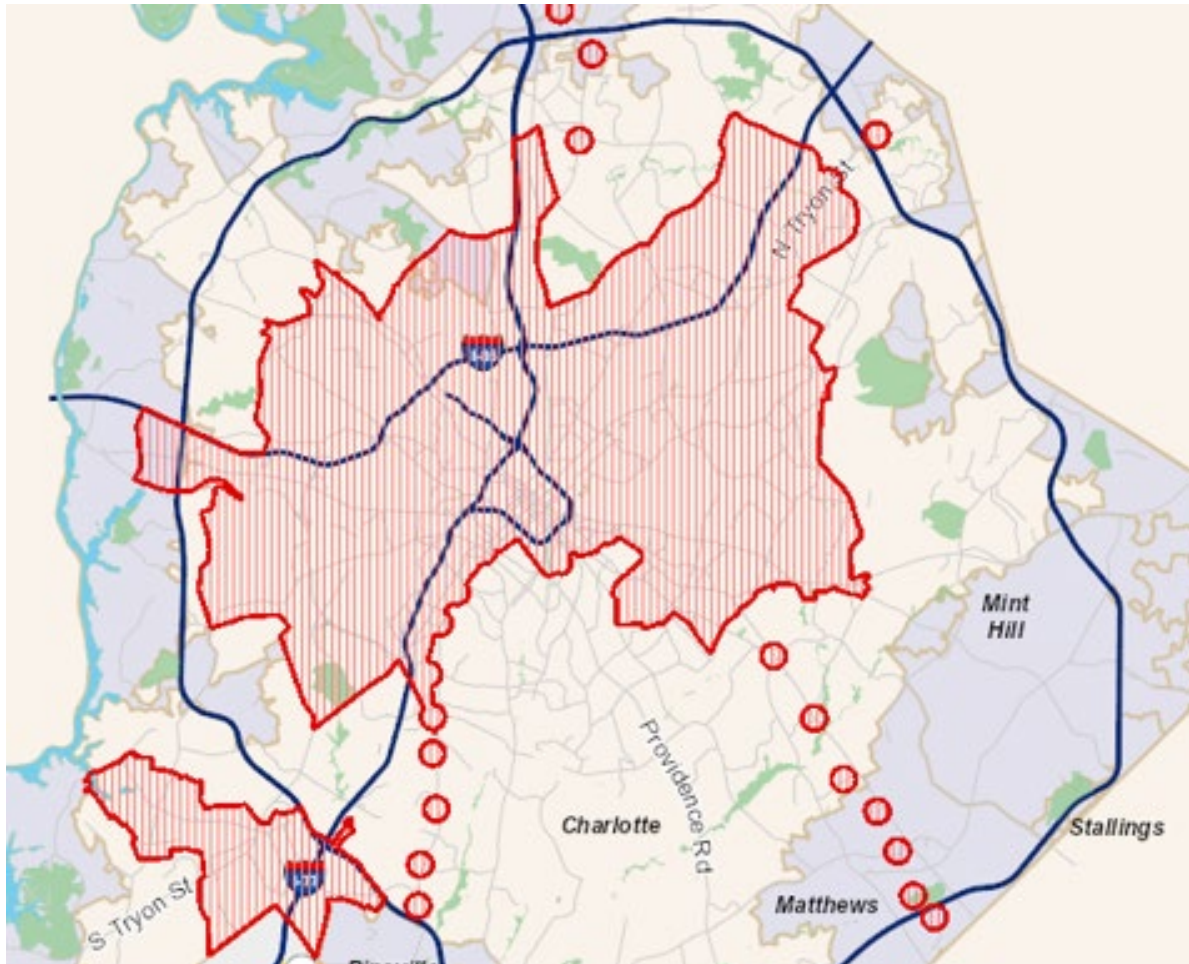
Emphasize **target industries**

Targeted Industries as defined by the Charlotte Regional Business Alliance:

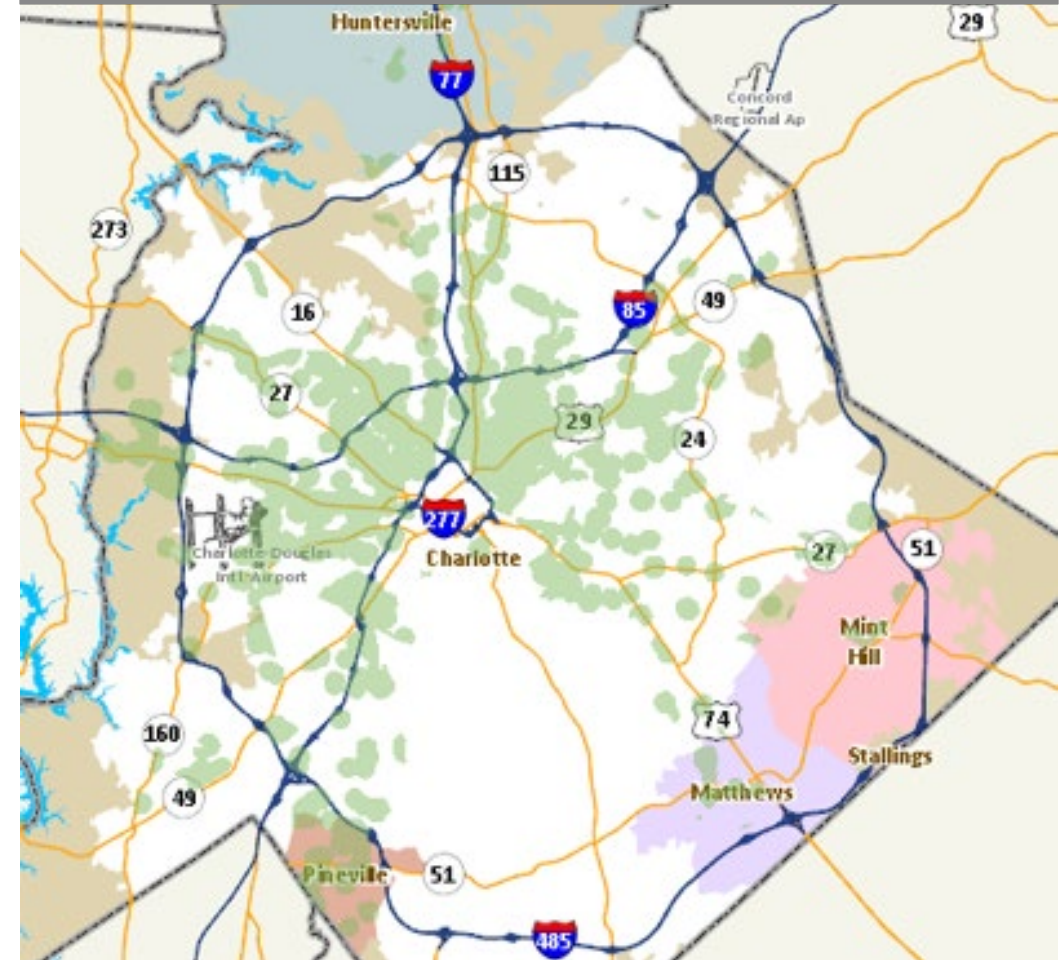
- Advanced Manufacturing
- Technology
- Logistics and Distribution
- Financial Services
- Health Care
- International Business
- Headquarters
- Automotive Industry



City Business Investment Zone- Red



County Opportunity Areas- Green





Objective:

Reward companies choosing to locate in **targeted business corridors**

