



An original town

TOWN OF CHINA GROVE ECONOMIC DEVELOPMENT INVESTMENT POLICY

Section 1. PURPOSE

The Town of China Grove (the “Town”) has recognized that tax base development is a key concern for the Town’s fiscal health. It is essential not only to attract new investment in the Town, but to also encourage existing companies to expand and reinvest in their operations.

The challenging environment in which China Grove competes with other communities, states and nations for industrial projects dictates that the Town adopt a fiscally sound Economic Development Investment Policy (“EDIP”) in order to:

- Remain competitive in recruiting new industry
- Retain expansions of existing businesses and industries currently located in the Town
- Retain existing businesses and jobs located in the Town 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 order to effectively address serious indicators of current and anticipated economic challenges facing the Town. China Grove 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.

In order to expand economic development options for the Town that could diversify or expand the tax base, offer improved employment opportunities for its citizens, and promote the economic growth and welfare of the business and industrial community, the China Grove Town Council (the “Council”) establishes EDIP guidelines to encourage new industry and business location decisions within the Town, as well as to assist existing business or industrial expansions.

The Council adopts these guidelines pursuant to authority granted by North Carolina General Statute §158-7.1, as interpreted by the North Carolina Supreme Court in *Maready v. City of Winston-Salem, 1996*.

Section 2. PROGRAM GUIDELINES

Any agreements for grants, Incentives or other forms of assistance (“Incentives”) with a new or existing company must be in compliance with fiscally sound public policy principles, which at a minimum include:

- Any Incentives 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 as authorized in North Carolina General Statute §158-7.1(d2).
- Any Incentives 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 as required by North Carolina General Statute §158-7.1(d2) (2).
- The foundation of the Town’s economy are the businesses and industries already located in the Town. Consequently, the terms and application of the EDIP policy should allow these existing businesses and industries to receive consideration for Incentives that are on terms equal to or better than those available to a company considering locating its first facility in the Town.
- Any Incentives approved under the terms of this policy must be competitively necessary in order to induce the Company being recruited to locate its new facility or expand its existing facility in the Town. For the purposes of this policy, competitively necessary is defined as when the establishment of a new facility or the expansion of an existing facility is at risk for being located somewhere other than inside the municipal limits of China Grove. Competitively necessary is also defined as when Incentives under the terms of this policy are essential to support the Company in question when it is considering reducing or eliminating its operations in the Town

Section 3. PROGRAM PARAMETERS

Each project will be considered on a case-by-case 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, Incentives to which the Town previously committed will not be affected.

In determining whether to offer Incentives to a project and, if so, the type and amount of such Incentives, the Council will consider among others, the following factors:

- 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 which includes voluntary annexation into the Town Limits.

In addition to Incentives being utilized to attract new jobs and capital investment by way of companies new to the Town or expansion of existing facilities in the Town, the Council will also consider on a case-by-case basis the utilization of Incentives when necessary to preserve existing jobs and capital investment which are at risk of being lost. This will apply to situations which include, but are not limited to, the following:

- The Company in question is considering the consolidation of operations within a facility located outside of the Town
- The Company must modernize its equipment or facility to remain competitive in its market
- Other situations in which a company is considering reducing or eliminating its operations in the Town.

The Council may also consider and approve, on a case-by-case basis, Incentive requests from Companies that need to modernize their equipment and/or facility which would result in the loss of some jobs due to the proposed modernization as long as the overall amount of taxable capital investment will increase.

Section 4. MINIMUM PROJECT QUALIFICATIONS

- In order to be considered for Incentives through the EDIP program, the project must meet certain minimum threshold requirements. Meeting these threshold requirements is not a guarantee that the project will receive Incentives from the Town and, if so, the amount of such Incentives. The Council reserves sole discretion in this regard on a case-by-case 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. For the purposes of this policy, a new project is defined as an investment by a business or industry without a current presence within the municipal limits of the Town at the time of their Incentive request.
- The minimum level of capital investment for the expansion of an existing business or industrial facility within the municipal limits of the Town is \$1,000,000.

- All new jobs that count toward minimum job creation requirements must be Full Time Equivalents (“FTEs”). For the purposes of this policy, an FTE position requires at least 1,600 hours of work per year and is intended to be held by one employee during the entire year.
- The minimum level of new jobs that must be created for a new project is 15 FTEs.
- Expansion of existing businesses or industrial facilities within the municipal limits of the Town must result in the creation of or retention of at least 10 FTEs.
- The project must involve a facility used or to be used for manufacturing, distribution, corporate or divisional headquarters, food processing, 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 advanced technologies.

For a project to be considered by the Council for Incentives through the EDIP program, it must meet all of the above minimum project qualifications. Additional qualifications may be required by the Council in its discretion, on a case-by-case basis.

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.

Section 5. FORMS OF INCENTIVES

The Council may consider various forms of Incentives in order to encourage investment and job creation in Town. These forms of Incentives include, but are not limited to, the following:

Investment Grant – This Incentive would pay new or expanding businesses and industries a grant based on the increase in tax value of all real property, machinery and improvements above the base year prior to investment.

Equipment Grant - This Incentive would be a one-time cash grant for trade-specific equipment purchases, moving costs and other related company expenses. The grant would be structured as a loan, which would be forgiven if the Company creates and maintains job creation goals for a specified period following the loan closing.

Real Estate Sales / Concessions – The Council may consider concessionary leases and sales of Town-owned real estate as opposed to or in addition to other forms of Incentives. The terms of this EDIP apply equally to the cash value of the reduction below fair market value or leased or sold real estate, utilized as an Incentive.

Infrastructure Improvements – The Town may offer to install, extend, repair or improve publicly-owned water and sewer infrastructure to serve a property in order to enable a business

or industry to locate or expand. These infrastructure improvements may be done in partnership with other local or state agencies. Funding may be provided solely by the Town, or as part of a partnership or a grant in which the Town provides a portion of the local match. Any infrastructure improvements for property located outside of the municipal limits of China Grove in which the Town provides funding will require submission of a request for voluntary annexation into the Town by all property owners of the business or industry receiving the benefit of the improvement.

The Council may consider other miscellaneous forms of assistance such as cash grants to satisfy local match requirements for various state and federal programs such as the North Carolina Building Reuse Program, the One North Carolina Fund, the Industrial Development Fund, the Community Development Block Grant Fund, etc.

Section 6. USE OF GRANT FUNDS

Forms of cash grants under these EDIP 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 or Building.
- Other capital investments such as trade-specific equipment
- Company moving costs
- Job training costs not otherwise reimbursed by grants from the North Carolina 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 case-by-case basis

Section 7. PROGRAM EXCLUSIONS

Even though a project might meet all of the above minimum project qualifications, it will not be considered by the Council for Incentives 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, an Incentive will not be provided.
- An Incentive will not be approved 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 Incentive shall be binding if the company originally receiving the grant assigns it to another company, unless the Council has consented to such assignment in writing.

- The financial condition of the company receiving the Incentive must not be such that the ability of the company to meet its obligations is in reasonable doubt.
- No Incentive 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.

Section 8. PROCEDURE FOR INCENTIVE CONSIDERATION

The following procedure will be utilized in considering Incentives through the EDIP program:

- The Company will negotiate the terms of such Incentive agreement with the Mayor and the Town Manager. Such discussions are negotiations only, inasmuch as the Council has the sole discretion and authority to approve such Incentives.
- 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 Incentive will be given/held as contemplated by the requirements of North Carolina General Statute §158-7.1.
- The Salisbury-Rowan Economic Development Commission shall provide a fiscal analysis of the project's impact upon the Town as well as a recommendation from its staff regarding consideration and approval of the Incentive request.
- The Council will approve the terms of the Incentive 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 Incentive 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 certification 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. Such certification shall include a copy of the Company's "Employers Quarterly Tax and Wage Report" (Form NCU1 101 filed with the North Carolina Division of Employment Security) for the quarter a) ending on or immediately preceding the date of the request and b) the number of full-time jobs as of that same date. If the NCU1 101 is discontinued or modified, a successor form performing a comparable function must be submitted. If applicable, the Company shall also provide copies of its One NC Grant reporting to the Town when they have been submitted to the State.


Section 9. CONCLUSION

All Incentive requests will be considered on a case-by-case basis and, by adopting these EDIP guidelines, the Council is not obligated to award any Incentives. While considering requests for Incentives under these guidelines, the Council will take into account Incentives awarded by other sources to support the project locating in the Town. Projects announced prior to the adoption of these guidelines are not retroactively eligible for any Incentives offered through this program. Any incentives (tax incentive grants, equipment grants, infrastructure improvements, etc.) are subject to availability of funds.

These guidelines are effective as of February 2, 2021.



Charles Seaford, Mayor of China Grove

ATTEST: 

Pamela Mills, CMC Town Clerk

