BUSINESS INVESTMENT GRANT

Economic Development Committee
July 22, 2019

AGENDA

• Overview of the program we have today
• Discuss a Pilot Program
• Long-term Thoughts
OVERVIEW OF THE PROGRAM TODAY

- Created in 1998, in partnership with Mecklenburg County
- Encourages the attraction, retention and/or expansion of businesses and jobs
- Competitive in nature
- Provides grants based upon the amount of new property tax generated by the business
- Requires companies to meet thresholds for capital investment, new jobs and wages
- Often used as a required match to State incentives

CURRENT POLICY PROVISIONS

- **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
**RECOMMENDATION**

**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.
- Incentivize target industries rather than location
- Adapt policy to be more focused on the quantity and quality of jobs
- Create flexibility within our policy framework
- Meet the goals of City Council and address community goals

**CURRENT CITY & COUNTY GEOGRAPHY**

[Map showing City Business Investment Zone and County Opportunity Areas]
Focus on investing based on the **quantity and quality of jobs** in our targeted 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
**TYPES OF JOBS**

**OUR ECONOMY: Corporate Headquarters**

- **2X**
  - The national average of headquarters employees

- **4,300**
  - Business-related degrees awarded annually by regional institutions

- **FORTUNE 1000**
  - 14
  - Fortune 1000 companies with 3 more on the way

- **Professional services sector has grown 80% since 2001**

Source: Charlotte Regional Business Alliance Research

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**TYPES OF JOBS**

**OUR ECONOMY: International Business**

- **More than 1,000**
  - International businesses

- **700+**
  - Daily flights to more than 150 destinations including

- **More than 250,000**
  - Internationally born residents

- **Real exports up 238% since 2009**

Source: Charlotte Regional Business Alliance Research, U.S. Census Bureau, Charlotte Douglas International Airport, International Trade Administration
PILOT PROGRAM

How will the pilot work:
• 12 month program where the success is measured by:
  o Ability to bring more quality jobs to Charlotte
  o Respond to council priorities
  o Become more competitive
  o 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.

We endeavor to bring prospective companies to Charlotte with incentive offers that fall within this pilot program.

PILOT: STANDARD GRANT

Existing
  o $3 million investment; and
  o 20 new jobs at 100% average annual rate for MSA ($51,150); and
  o Projects must locate in the Business Investment Zone

Pilot
  o $3 million investment; and
  o 20 new jobs at 100% average wage for MSA ($51,150) or Standard Occupational Code
  o Incentivize based on target industry

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

Option for additional two-year term if existing company
Option for additional two-year term if existing company

Target Industry increases percentage to 90%

Change Recap:
• Location requirement is eliminated.
• Instead of a 90% grant being based on location, it is based on target industry.
• A company is eligible for a 50% grant anywhere in the city if it meets job, salary and investment minimums. This is consistent with Mecklenburg County’s policy today.
• The salary requirement can also be met by meeting Standard Occupation Code.
PILOT: STANDARD GRANT EXAMPLE

**Project Blade**
- Advanced Manufacturing company expansion
- Creates a research and development center in Charlotte
- Capital Investment: $3.2 million
- Jobs: 24 new jobs
- Average wage: $110,000
- Proposed location: Ballantyne

Under current policy: no grant due to location
Under pilot project: 5 year, 90% grant

PILOT: LARGE IMPACT GRANT

**Existing**
1. $30 million investment; and
2. 150 new jobs; and
3. 125% average annual rate for MSA

Meet all 3 requirements:
5-year grant term at 50% or 90%
90% if in the BIZ and 50% if outside
Option for additional two-year term if existing company

**Pilot**
1. $30 million investment;
2. 150 new jobs;
3. 125% average wage for MSA or Standard Occupational Code

Meet 2 of the 3 requirements:
5-year grant term at 50% or 90%
90% if the company is a target industry
Option for additional two-year term if existing company
$3M minimum investment

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**Change Recap:**
- Location requirement is eliminated.
- Instead of a 90% grant being based on location, it is based on target industry.
- The salary requirement can also be met by meeting Standard Occupation Code.
- Ability to shift focus to being on high quantity and quality of jobs
- Addresses current market trends of reducing up front property investment and increased investment in people and programs
PILOT: LARGE IMPACT GRANT FOR EMERGING TARGET INDUSTRY 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%

Change Recap:
- Demonstrate need for competition during recruitment and eliminate need for competition for expansion.
- Allows job creation prior to award of grant to count toward large impact requirement.
- Allows companies to make a decision regarding relocation to Charlotte today without requiring an upfront capital investment.
- Commitment of support for a future grant and not negotiated until investment is going to be made.
- Requires council approval for a BIG prior to investment.

PILOT: LARGE IMPACT EXAMPLES

Project Gopher – Company Expansion
Capital Investment: $7 million
Jobs: 317
Salary: $52,000
Location: Within BIZ
Target Industry: Financial Services Support

Current Policy: 5 year, 90% grant.
Pilot Policy: 7 year 90% grant.

Project Sierra - New Company
Capital Investment: TBD
Jobs: 150
Salary: $103,000
Location: Within BIZ
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
PILOT: TRANSFORMATIVE PROJECTS

Existing
Major Headquarters Provision
- Companies that are Fortune 1000
- Must pay 200% of the regional average wage

Pilot
Transformative Projects Provision
1. $100 Million in Investment
2. 1,000 new jobs;
3. 125% average wage for MSA or Standard Occupational Code
4. Targeted Sector
   Meet 3 of the 4 requirements:
   Ability to extend Large Impact term to 10 years.

Change Recap:
- Additional incentive for high volume of jobs or investment
- Not focused just on Fortune 1000 companies or high paying jobs
- Ability to shift focus to being on high quantity and quality of jobs
- Addresses current market trends of reducing up front property investment and increased investment in people and programs

PILOT: TRANSFORMATIVE EXAMPLES

Project Cameo
Capital Investment: $153 million
Jobs: 1,913
Salary: $110,000
Location: Within BIZ
Target Industry: Technology

Current Policy: 7 year, 90% grant
Pilot Policy: 10 year 90% grant
NEXT STEPS

• Asking that the Economic Development Committee recommend that the Pilot Program be presented to full Council