

Montgomery County Economic Development Incentive Policy

In accordance with the authority provided by North Carolina General Statute 158-7.1, the Montgomery County Board of Commissioners considers it beneficial to incentivize economic development that results from job creation and capital investment by new and existing businesses. The objective of this policy is to encourage job creation and expansion of the ad valorem tax base. In arriving at the amount of incentives a project receives, the Board may consider the expected increase in the ad valorem tax base, prospective increase in sales tax receipts and the economic contribution of additional wages to the local economy. For all projects, the Board must consider the viability and sustainability of the project and the extent to which providing incentives will serve the public purpose. In all cases covered herein, the Board must determine that the business location, retention or expansion would not occur but for the incentives.

All appropriations and expenditures pursuant to this policy shall be subject to the provisions of the Local Government Budget and Fiscal Control Acts of North Carolina General Statutes for counties and shall be listed in the annual financial report the County submits to the Local Government Commission. At the end of each fiscal year, the total expenditure for economic development incentives may not exceed one-half of one percent (0.5%) of the outstanding assessed property tax valuation for the County as of January 1 preceding the beginning of the fiscal year. Any appropriation or expenditure pursuant to this policy must be approved by the Board of Commissioners after a public hearing. The County shall publish notice of the public hearing at least ten days before the hearing is held.

The guidelines herein are not binding and may be modified by the Board of Commissioners in evaluating individual projects.

New or existing businesses may qualify to receive a financial incentive grant based on the actual value, schedule and payment of ad valorem taxes paid for a period of up to five tax years. The tax year is the calendar year. Businesses that do not pay ad valorem taxes will not qualify for any Montgomery County financial incentive program under this policy.

The Board of Commissioners considers that any capital investment in real and business person property and the creation of any qualifying jobs will benefit the county through increasing the population, taxable property, agricultural or manufacturing industries or business prospects of the county. The Board will consider whether the project meets the public purpose test of providing jobs for displaced workers, attracting better paying and more highly skilled jobs, enlarging the tax base and diversifying the economy, and whether failure to provide incentives may result in the business choosing another location. Therefore, these guidelines may be applicable to a broad spectrum of businesses, regardless of the North American Industrial

Classification System (NAICS) code; including, but not limited to, industrial, agricultural, commercial and energy production.

A business may be eligible for incentives under one or more of the following circumstances:

1. Capital investment accompanied by creation of qualifying jobs.
2. Creation of qualifying jobs without capital investment.
3. A partnership between a landlord and tenant business where the landlord provides new capital investment in real property and the tenant provides accompanying qualifying jobs.
4. A partnership between a landlord and a new tenant who creates jobs in a building that has been unoccupied for twelve months or more.

These guidelines are not binding on the County, but may be used as the basis for a contract between the business and the County or the business, landlord and County, which, when executed, will be binding on all parties. Such contract shall clearly state the respective responsibilities of the County and the party/parties being incentivized, including provisions regarding remedies for a breach of responsibilities on the part of the any participating party.

The Montgomery County Economic Development Corporation, in close cooperation with County staff, shall act as the agent for the county in developing incentive agreements recommended for approval by the Board of Commissioners. A cost-benefit analysis will accompany each recommendation.

When a business wishes to apply for incentives, a baseline will be established for the ad valorem tax value of the applicant's applicable real and business personal property and the base employment level. These values will be obtained from the Montgomery County Tax Office and the North Carolina Department of Commerce. The base figures will be established for an agreed upon effective date in the base year of the agreement. Incentive awards will then be calculated on each anniversary date of the effective date. When an existing business is retained or expanded through its purchase by a new owner, incentive eligibility for additional jobs or capital investment will be based on the ad valorem tax values of real and business personal property and the employment level existing at the selling company at the time of sale.

In all cases, the County will require the business to pay in full annually total ad valorem taxes due. If the business has met specific criteria as outlined in a formal agreement, an economic development incentive grant, based on a percentage of ad valorem taxes paid, will be paid to the business. No incentives will be paid unless the business is ongoing and progressing toward accomplishment of its investment and employment goals.

The amount of the incentive grant will be computed each year by comparing the company's ad valorem tax valuation to the base valuation; and comparing the number of qualifying jobs that

have been in place for at least one year with the base employment level. The amount and period of the incentive grant will be based on actual values achieved and actual taxes paid in full.

Capital Investment with Job Creation:

The amount of capital investment shall be calculated as the net increase in the tax valuation of property. For companies purchasing buildings that have been vacant for one or more years, the incentive for capital investment may consider the entire ad valorem tax valuation of the property or the actual purchase price, whichever is less, as new investment.

Grants will be paid for a five year period. The minimum threshold for new capital investment with job creation is \$100,000 with one job, which would qualify for an incentive grant equal to 25% of the ad valorem taxes paid on new investment. The incentive grant will be pro-rated up to a maximum equal to 80% of the ad valorem paid for an investment of \$10,000,000 or more and 100 or more new jobs created.

Number of New Jobs Created				
New Investment	1 - 5	6 -- 24	25 – 100	>100
\$100,000 or More	25%	26% to 49%*	50% to 80%*	80%

** Incentive percentage is interpolated in these ranges*

For example, a new investment of \$2M with 30 jobs created would receive an incentive grant equal to 52% of the ad valorem taxes paid on the \$2M each year for a period of five years, assuming the additional jobs are maintained.

Job Creation with No New Capital Investment:

The threshold for receiving incentives for job creation is one net additional qualifying job located in Montgomery County that remains in place for a minimum of one year (twelve month period). A qualifying job is one that is full time with a salary equal to or greater than the average wage for comparable positions in the County as reported by the North Carolina Department of Commerce, and with benefits that include the payment by the employer of at least 50% of medical insurance for the employee. The grant for job creation will be limited to \$1,000 per job or the following designated percentage of the ad valorem taxes paid, whichever is less.

Number of Net New Jobs	Percentage of Tax as Grant	Number of Years Paid
1 to 5	10% to 19%	3
6 to 10	20% to 29%	4
11 to 25	30% to 39%	5
26 or more	40%	5

Note: The number of jobs is computed each year and compared with the base year to determine the amount of incentive due, and the period for which it will be paid. The percentage of tax as a grant will be prorated based on the number of jobs created.

For example, should a company be credited with a net increase of 20 jobs over the base employment level in any given year, the incentive would be 36% of the ad valorem taxes paid for that year, or \$20,000, whichever is less, and for a period of up to five years.

Landlord/Tenant Partnerships:

- A. Should a landlord construct a building or make capital improvements to a building that enables a tenant to add jobs, the landlord and tenant may enter into an agreement for sharing economic development incentives based on the total ad valorem taxes paid for newly invested capital by both the landlord and tenant and the number of jobs created by the tenant. For example, should a landlord erect an addition or make improvements to a tenant occupied building for a capital investment of one million dollars that results in the tenant creating an additional 10 jobs, an incentive grant equal to 31% of the additional ad valorem taxes paid would be shared for a period of five years by the partnership. The grant could be higher if either party also invests in additional business personal property.

- B. In the case of a new business leasing a landlord owned building that has been vacant for a period of twelve months or more, the incentive grant to the landlord/tenant partnership may consider the total assessed value of the building.

ADOPTED this day of

Dana Dawson, Chairman Montgomery County Board of Commissioners

ATTEST:

Misty Coffin, Clerk to the Board of Commissioners

MONTGOMERY COUNTY, NORTH CAROLINA :: FINANCE DEPARTMENT
 RECAP OF ECONOMIC DEVELOPMENT INCENTIVES POLICY
 DETERMINING APPLICABLE PERCENTAGE

All grants will be paid for a five year period.

Job Creation = a qualifying job is one that is full-time with a salary equal to or greater than the average wages for comparable positions in Montgomery County as reported by the NC Dept of Commerce AND with benefits that include the payment by the employer of at least 50% of medical insurance for the employee

Capital Investment = net increase in property tax valuation (or, for buildings that have been vacant at least one year, use lower of entire property tax valuation or actual purchase price)

JOB CREATION WITH CAPITAL INVESTMENT

Minimum capital investment is \$100,000. See table below for "Applicable Percentage" to use in calculation.

Job Creation	Minimum Investment	Applicable Percentage	Job Creation	Minimum Investment	Applicable Percentage
1 to 5	100,000	25.00	25	100,000	50.00
6	200,000	26.00	30	760,000	52.00
7	300,000	27.25	35	1,420,000	54.00
8	400,000	28.50	40	2,080,000	56.00
9	500,000	29.75	45	2,740,000	58.00
10	600,000	31.00	50	3,400,000	60.00
11	700,000	32.25	55	4,060,000	62.00
12	800,000	33.50	60	4,720,000	64.00
13	900,000	34.75	65	5,380,000	66.00
14	1,000,000	36.00	70	6,040,000	68.00
15	1,100,000	37.25	75	6,700,000	70.00
16	1,200,000	38.50	80	7,360,000	72.00
17	1,300,000	39.75	85	8,020,000	74.00
18	1,400,000	41.00	90	8,680,000	76.00
19	1,500,000	42.25	95	9,340,000	78.00
20	1,600,000	43.50	100	10,000,000	80.00
21	1,700,000	44.75	>100	10,000,000	80.00
22	1,800,000	46.00			
23	1,900,000	47.25			
24	2,000,000	48.50			

JOB CREATION WITHOUT CAPITAL INVESTMENT

Maximum grant is \$1,000.00. See table below for "Applicable Percentage" to use in calculation.

Job Creation	Grant Term (in years)	Applicable Percentage	Job Creation	Grant Term (in years)	Applicable Percentage
1	3	10	11	5	30
2	3	12.25	12	5	31
3	3	14.5	14	5	32
4	3	16.75	15	5	33
5	3	19	17	5	34
6	4	20	18	5	35
7	4	22.25	20	5	36
8	4	24.5	21	5	37
9	4	26.75	23	5	38
10	4	29	25	5	39
			26	5	40
			>26	5	40