

STAFF REPORT

TO: Finance Committee **DATE:** 6/28/16

FROM: Cathy D. Ball, PE, Assistant City Manager

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VIA: Barbara Whitehorn, Chief Financial Officer
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SUBJECT: Economic Development Incentives Update

Summary

This report provides the Finance Committee of City Council with an update on the Economic Development Incentives approved by City Council.

Background

In compliance with N.C.G.S. 158-7.1, the City of Asheville can provide Economic Development Grants to incentivize capital investment and job creation. Five (5) of the projects have received grants from the City to date. A summary of the types of grants the city has approved and provided grant funds to is listed below:

- Biltmore Farms for Biltmore Town Square Annexation – Five year grant (2008 – 2013) in the amount of increased tax base. The tax base in 2007 was \$3,220.88.
- Linamar, Phase I – Interlocal Agreement with Buncombe County in an amount of \$2.2 M to be paid in accordance with the schedule below. Linamar agreed to invest \$125 M and create 400 jobs (by 2020) at 110% the Buncombe County Median Wage.

Tax Year	Grant
2013	\$472,000
2014	\$425,000
2015	\$382,000
2016	\$335,000
2017	\$302,000
Job Creation Benchmark	\$284,000
Total	\$2,200,000

- Plastcard-LockTech (PLI) – 5 Year grant in accordance with the schedule below. PLI agreed to invest \$4.6 in capital and create 42 jobs with wages and benefits of \$12.50 per hour.

Tax Year	Grant
2013	\$13,400
2014	\$13,400

2015	\$13,400
2016	\$13,400
2017	\$13,400
Total	\$67,000

- White Labs, Inc. – The City agreed to lease the building at 172 South Charlotte Street for \$1 per year for 5 years and sell the property same property at 80% of the future market rate. The value of the 5-year rental is \$138,000 per year or \$692,805 for 5 years. The estimate value of the 20% reduction in price in year five is \$535,290. The total incentive for this project including rent and reduced sale price is estimated at \$1,228,095.

White Labs agreed to spend \$8.1 M in capital and create 65 project related jobs with an average wage of \$17.22 per hour plus benefits. White Labs agreed to complete both the capital investment and the job creation goals within 5 years.

While the five year timeline is not complete (December 31, 2020), White Labs has invested in the building and meeting the benchmarks as expected. Additionally, White Labs has extended the option to purchase the adjacent property on South Charlotte Street for future expansion.

- High Wire Brewing, Inc. – High Wire agreed to invest \$1,620,000 in new capital and create 15 new jobs at an average wage of \$37,400 per year plus 50% of the cost of health insurance and other benefits. The City agreed to a total grant in the amount of \$25,000 for a five year term. The City paid the first installment in 2015 of \$5,000.

Financial Impact/Resources

Economic Development Incentive grants have a positive financial impact on the City’s property tax revenues and the local economy.

Goal Alignment

Economic Development Incentives align with the 2036 Council Vision in the follow area:

- **A Thriving Local Economy.** Economic Incentives enable businesses to locate, start, and grow in Asheville, ensuring that the city provides a wide range of career opportunities that pay a living wage.

Conclusion

The active Economic Development agreements have been performing in accordance with the agreements.

Attachments

- Economic Development Incentives Overview for Biltmore Farms, Linamar and PLI