

July 19, 2022



PARTNERSHIP for ECONOMIC DEVELOPMENT
SALISBURY, NC

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ECONOMIC
IMPACT
SUMMARY

SUMMARY OF PROPOSED LOCATION OF PROJECT
FINISHING IN ROWAN COUNTY



Submitted by:
The Rowan EDC

July 19, 2022

The Honorable Gregory C. Edds
Rowan County Board of Commissioners
130 West Innes Street
Salisbury, NC 28144

Re: Summary of Proposed Location of Project Finishing in Rowan County

Dear Chairman Edds and County Commissioners:

On behalf of the Rowan EDC, please allow me to present to you this summary of the proposed location of Project Finishing in Rowan County.

We are optimistic that, with your support, this project will reach a successful conclusion, creating new employment and expanding the nonresidential tax base in the County. This document addresses the primary drivers and impacts of the project and is designed to provide you the information necessary to consider their request for assistance.

We sincerely hope that you find this document a useful resource as you consider this matter. We have expended substantial efforts to gather the most relevant information possible regarding the potential impacts this project could have on our County and its citizens. In order to accomplish this, we have relied on a variety of public and private sector partners. At this time, in addition to company representatives from Project Finishing, we would like to thank:

- Dylan Frick, Research Associate, McGuireWoods Consulting, LLC
- Melanie Underwood, Existing Industry Expansion Manager, Economic Development Partnership of NC
- David Hartigan, Principal, Hartigan Management

In the preparation of this document, we have strived to utilize factual data and realistic projections. It is our intent that this document serves as a resource as you deliberate potential actions.

Please do not hesitate to contact our office with any questions you may have regarding this matter. We look forward to your feedback.

Sincerely,



Scott Shelton
Vice President

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1. Project Description

About The Company

The company behind Project Finishing is a manufacturer based in the northeastern United States. The company is well respected in its field and has been in business for decades.

The Proposed Project

The company is currently evaluating potential sites and buildings in the southeastern United States to relocate the business in order to be closer to its suppliers. The company is considering a vacant facility in Rowan County for this relocation.

If our community were chosen, the company would create 29 new jobs over the next three years. The company would also invest approximately \$6.85 million into the property through building renovations and installation of major equipment. The majority of these improvements would be completed by the end of 2023.

2. Regulatory Approval Process

There does not appear to be any regulatory barriers to this project moving forward. The company will work with City of Salisbury staff as well as the Rowan County Building Inspections Department to navigate the appropriate review and permitting process. There are no components of the proposed project that appear outside the normal scope of operations for these types of facilities.

3. Requested Assistance

Rowan County's adopted Investment Grant Program provides a five-year grant to companies investing in our community. The grant is established by a contract between the company and the County. The company must pay their taxes in full each year based on the actual tax value of the property or investment to be eligible to receive the grant. If the company meets all of the criteria in the contract, a portion of the property tax will be returned as a grant. The amount of the grant is based on a designated percentage level for five consecutive years. Below is a chart that summarizes the categories of grants, including the minimum investment required and the percentage of new taxes paid that would be returned as a grant:

<i>Grant Category</i>	<i>Minimum Taxable Investment Required</i>	<i>Percentage of Paid Taxes Returned as a Grant</i>
Level 1 Grant	\$5 million	75%
Level 2 Grant	\$50 million	80%
Level 3 Grant	\$100 million	85%

The company is requesting a Level 1 Grant under this program for the amount and duration adopted in the policy. In order to illustrate the revenue impact of this potential project on the County we have projected revenue returns over a 10-year period. These projections are provided below in Section 4.

We respectfully ask that the Board of Commissioners consider approving their request based on the potential impact on our community from the project. A 'Draft' copy of the proposed Incentive Agreement is attached.

Other Potential Assistance

The Rowan EDC is working with 'Project Finishing' to pursue a Building Reuse Grant through the State of North Carolina. This grant can help the company with needed electrical, HVAC and roof improvements.

The Salisbury City Council will hold a public hearing on August 16th to consider the submittal of a Building Reuse Grant application to the State on the company's behalf. The City Council will also consider its own Level 1 Grant for the project.

4. Model of County Revenue – 10-Year Horizon

If Rowan County were chosen, Project Finishing plans to complete the majority of renovations to the proposed building and new equipment installation by the end of 2022. Additional equipment installations would occur through 2026. The overall investment timeline is based on information provided to the Rowan EDC by the company.

The evolving nature of County tax rates, assessed value of the installed equipment, and construction timelines require certain assumptions in order to develop a functioning model. To establish a baseline, the following constants were applied:

- The County tax rate is fixed at the current rate of .6575
- \$4.2 million of building improvements and equipment installation occurs prior to December 31, 2022
- \$2.65 million of additional building improvements and equipment installation occurs prior to December 31, 2026
- The project is complete by December 31, 2026, with a total investment of \$6.85 million
- Depreciation for business personal property was estimated using the State of North Carolina's 2022 Depreciation Schedule A
- Ten-year lifespans were assumed for all business personal property depreciation
- Although additional investment in the project through the replacement of outdated equipment is expected over the next ten years, those numbers are not available and could not be used in this model.

In application, it is unlikely that all assumptions will hold constant. The model provides general trends of expected revenues and expenditures.

Incorporating the above framework, the following outcomes are projected:

- During the five incentivized years, the County would collect \$166,676 in revenue and provide incentive grants totaling \$125,007. The County would retain \$41,669 of revenue during the incentive term.

- Modeled with a 10-year horizon, the County would stand to collect an estimated \$328,674, disburse a \$125,007 grant and retain an estimated \$203,667 of new revenue.

Project Finishing (Years 1-5):

Fiscal Year	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Calendar Year	2023	2024	2025	2026	2027
Real Property Investment	\$1,700,000	\$1,950,000	\$2,250,000	\$2,600,000	\$3,000,000
<i>Current Real Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Real Property Taxes	\$11,178	\$12,821	\$14,794	\$17,095	\$19,725
<i>Incentive Grant Rate</i>	75%	75%	75%	75%	75%
Incentive Grant	\$8,383	\$9,616	\$11,095	\$12,821	\$14,794
Net County Revenue	\$2,794	\$3,205	\$3,698	\$4,274	\$4,931
Personal Property - Machinery & Equipment	\$2,500,000	\$2,500,000	\$2,855,000	\$2,913,500	\$3,081,500
<i>Current Personal Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Personal Property Taxes*	\$16,438	\$16,438	\$18,772	\$19,156	\$20,261
<i>Incentive Grant Rate</i>	75%	75%	75%	75%	75%
Incentive Grant	\$12,328	\$12,328	\$14,079	\$14,367	\$15,196
Net County Revenue	\$4,109	\$4,109	\$4,693	\$4,789	\$5,065
Total Property Taxes (Real & Personal)	\$27,615	\$29,259	\$33,565	\$36,251	\$39,986
Total Incentive Grant (Real & Personal)	\$20,711	\$21,944	\$25,174	\$27,188	\$29,989
Total Net County Revenue (Real & Personal)	\$6,904	\$7,315	\$8,391	\$9,063	\$9,996

Project Finishing (Years 6-10):

Fiscal Year	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	10 Year Sum.
Calendar Year	2028	2029	2030	2031	2032	
Real Property Investment	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	
<i>Current Real Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Real Property Taxes	\$19,725	\$19,725	\$19,725	\$19,725	\$19,725	\$174,238
<i>Incentive Grant Rate</i>	0%	0%	0%	0%	0%	
Incentive Grant	\$0	\$0	\$0	\$0	\$0	\$56,709
Net County Revenue	\$19,725	\$19,725	\$19,725	\$19,725	\$19,725	\$117,528
Personal Property - Machinery & Equipment	\$2,712,000	\$2,333,000	\$1,890,000	\$1,440,500	\$1,263,000	
<i>Current Personal Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Personal Property Taxes*	\$17,831	\$15,339	\$12,427	\$9,471	\$8,304	\$154,437
<i>Incentive Grant Rate</i>	0%	0%	0%	0%	0%	
Incentive Grant	\$0	\$0	\$0	\$0	\$0	\$68,298
Net County Revenue	\$17,831	\$15,339	\$12,427	\$9,471	\$8,304	\$86,139
Total Property Taxes (Real & Personal)	\$37,556	\$35,064	\$32,152	\$29,196	\$28,029	\$328,674
Total Incentive Grant (Real & Personal)	\$0	\$0	\$0	\$0	\$0	\$125,007
Total Net County Revenue (Real & Personal)	\$37,556	\$35,064	\$32,152	\$29,196	\$28,029	\$203,667

5. Closing

This project appears to have a lengthy list of positive attributes and no apparent liabilities. If Rowan County were chosen, Project Finishing would create a total of 29 new full-time jobs, as well as add \$6.85 million to the County's tax base. The project would also generate approximately \$203,667 of net tax revenue for the County over the next ten years.

On behalf of the Rowan EDC, we look forward to providing you any additional information requested, or meeting with you personally to discuss these findings in detail. We hope that you have found this information useful as you consider this matter.

6. Draft Incentive Agreement