

November 4, 2021



PARTNERSHIP for ECONOMIC DEVELOPMENT
SALISBURY, NC

Be an original.

ECONOMIC
IMPACT
SUMMARY

SUMMARY OF PROPOSED LOCATION OF
PROJECT BISHOP IN ROWAN COUNTY



November 4, 2021

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

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

Dear Chairman Edds and County Commissioners:

On behalf of your Economic Development Council, please allow me to present to you this summary of the proposed location of Project Bishop 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 Rowan 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 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

Contents

- 1. Project Description**
- 2. Regulatory Approval Process**
- 3. Requested Assistance**
- 4. Model of County Revenue – 10 Year Horizon**
- 5. Additional Project Impact**
- 6. Closing**
- 7. Draft Incentive Agreement**

1. Project Description

About The Company

The company behind Project Bishop is an online retailer that offers thousands of products to its customers and serves them from warehouses and fulfillment centers located throughout the United States.

The Proposed Project

Project Bishop is evaluating locations to establish a new eCommerce Fulfillment Center facility within the southeastern region of the United States.

If our community were chosen, the company would create 1,000 new jobs over the next three years. Approximately 900 of these new jobs would be fulfillment-related positions. The remaining jobs would be comprised of supervisory and administrative positions.

The company would also invest approximately \$400 million into the project through the construction of a new facility and the installation of major equipment. The majority of these improvements would be completed by early 2024.

2. Regulatory Approval Process

Zoned appropriately for the proposed use, there does not appear to be any regulatory barriers to this project moving forward. The company will work with both municipal and Rowan County staff 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

Investment Grant Program

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 Rowan 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 the criteria in the contract, a grant is then paid to the company. 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 used to calculate the 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 would typically qualify for a Level 3 Grant under this program, which would provide them a five-year grant equal to 85% of new taxes paid on the project. This is a highly competitive project with

the potential to have a substantial impact on our community. To strengthen Rowan County's chances toward securing this project, the Rowan EDC proposes that the Board of Commissioners consider extending the Investment Grant from five years to nine years.

- During the first five years, the company would receive a grant equal to 80% of the new taxes paid.
- During years six and seven, the company would receive a grant equal to 40% of the new taxes paid.
- During the final two years, the company would only receive a grant equal to 25% of the new taxes paid.

The length and terms of this incentive grant proposal for Project Bishop are identical to the ones contained in the incentive agreement that was approved by the Board on September 20th for NorthPoint Development's new planned speculative building on Webb Road.

Another project of note that was awarded an incentive grant for a term longer than the standard five years was Chewy. As you may recall, Chewy was awarded a ten-year grant at 80% for the first five years and 50% for the final five years.

Expedited Permitting Review

To make the company's permit approval process as smooth as possible, the Rowan EDC requests that the Board of Commissioners consider offering expedited local permitting review at no charge to the company. The fee for this service is normally \$2,500.

We respectfully ask that the Board of Commissioners consider approving these requests. A 'Draft' copy of the proposed Incentive Agreement is attached.

Other Potential Assistance

The Rowan EDC is working with 'Project Bishop' to pursue a Job Development Investment Grant (JDIG) through the State of North Carolina. The JDIG program typically offers a performance-based, discretionary cash grant directly to new and expanding companies to help offset the cost of locating or expanding a facility in North Carolina.

We have also asked the State of North Carolina to consider applicable grant programs that could assist with any necessary infrastructure improvements to the company's potential site.

In addition, the China Grove Town Council will consider an incentive request for the project at a called meeting on November 16th.

4. Model of County Revenue – 10-Year Horizon

If Rowan County were chosen, construction of Project Bishop's new facility would begin in early 2022 with substantial completion by the end of 2023. Operations at the facility would commence in early

2024. The overall investment timeline is based on information provided to the Rowan EDC by the company's consultants.

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
- \$160 million of new construction and equipment installation occurs prior to December 31, 2022
- \$175 million of additional construction and equipment installation occurs prior to December 31, 2023
- The project is complete by December 31, 2024, with a total investment of \$400 million
- Depreciation for business personal property was estimated using the State of North Carolina's 2021 Depreciation Schedule A
- Ten-year lifespans were assumed for all business personal property depreciation

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 first five years of the proposed incentive, Rowan County would collect \$9,612,651 in revenue and provide incentive grants totaling \$7,690,120. The County would retain \$1,922,531 of revenue during this five-year period.
- During years 6 and 7 of the proposed incentive, Rowan County would collect \$3,238,188 in revenue and provide incentive grants totaling \$1,295,275. The County would retain \$1,942,913 of revenue during this two-year period.
- During years 8 and 9 of the proposed incentive, Rowan County would collect \$2,311,113 in revenue and provide incentive grants totaling \$577,778. The County would retain \$1,733,335 in revenue during this two-year period.
- Modeled with a 10-year horizon, Rowan County would stand to collect an estimated \$15,845,750, disburse grants totaling \$9,563,173 and retain an estimated \$6,282,577 of new revenue.

COMPARISON – STANDARD LEVEL 3 GRANT vs. PROPOSED 9-YEAR INCENTIVE

- If this project were awarded a standard Level 3 Grant (5 years at 85%), Rowan County would collect the estimated \$15,845,750 in revenue, disburse grants totaling \$8,170,753 and retain \$7,674,997.
- By awarding the proposed nine-year incentive instead of a standard Level 3 Grant, Project Bishop would receive an additional \$1,392,420 in grants. This is a difference of approximately 17.04% versus the standard Level 3 Grant.

Project Bishop (Years 1-5)

Fiscal Year	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Calendar Year	2022	2023	2024	2025	2026
Real Property Investment	\$10,000,000	\$35,000,000	\$50,000,000	\$50,000,000	\$50,000,000
<i>Current Real Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Real Property Taxes	\$65,750	\$230,125	\$328,750	\$328,750	\$328,750
<i>Incentive Grant Rate</i>	80%	80%	80%	80%	80%
Incentive Grant	\$52,600	\$184,100	\$263,000	\$263,000	\$263,000
Net County Revenue	\$13,150	\$46,025	\$65,750	\$65,750	\$65,750
Personal Property - Machinery & Equipment					
Personal Property - Machinery & Equipment	\$150,000,000	\$285,000,000	\$308,000,000	\$277,500,000	\$246,500,000
<i>Current Personal Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Personal Property Taxes*	\$986,250	\$1,873,875	\$2,025,100	\$1,824,563	\$1,620,738
<i>Incentive Grant Rate</i>	80%	80%	80%	80%	80%
Incentive Grant	\$789,000	\$1,499,100	\$1,620,080	\$1,459,650	\$1,296,590
Net County Revenue	\$197,250	\$374,775	\$405,020	\$364,913	\$324,148
Total Property Taxes (Real & Personal)					
Total Property Taxes (Real & Personal)	\$1,052,000	\$2,104,000	\$2,353,850	\$2,153,313	\$1,949,488
Total Incentive Grant (Real & Personal)					
Total Incentive Grant (Real & Personal)	\$841,600	\$1,683,200	\$1,883,080	\$1,722,650	\$1,559,590

Project Bishop (Years 6-10 and 10-year Totals)

Fiscal Year	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	10 Year Sum.
Calendar Year	2027	2028	2029	2030	2031	
Real Property Investment	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	
<i>Current Real Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Real Property Taxes	\$328,750	\$328,750	\$328,750	\$328,750	\$328,750	\$2,597,125
<i>Incentive Grant Rate</i>	40%	40%	25%	25%	0%	
Incentive Grant	\$131,500	\$131,500	\$82,188	\$82,188	\$0	\$1,453,075
Net County Revenue	\$197,250	\$197,250	\$246,563	\$246,563	\$328,750	\$1,144,050
Personal Property - Machinery & Equipment						
Personal Property - Machinery & Equipment	\$213,500,000	\$179,000,000	\$142,500,000	\$109,000,000	\$54,000,000	
<i>Current Personal Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Personal Property Taxes*	\$1,403,763	\$1,176,925	\$936,938	\$716,675	\$355,050	\$12,564,825
<i>Incentive Grant Rate</i>	40%	40%	25%	25%	0%	
Incentive Grant	\$561,505	\$470,770	\$234,234	\$179,169	\$0	\$8,110,098
Net County Revenue	\$842,258	\$706,155	\$702,703	\$537,506	\$355,050	\$4,454,727
Total Property Taxes (Real & Personal)						
Total Property Taxes (Real & Personal)	\$1,732,513	\$1,505,675	\$1,265,688	\$1,045,425	\$683,800	\$15,845,750
Total Incentive Grant (Real & Personal)	\$693,005	\$602,270	\$316,422	\$261,356	\$0	\$9,563,173
Total Net County Revenue (Real & Personal)	\$1,039,508	\$903,405	\$949,266	\$784,069	\$683,800	\$6,282,577

5. Additional Project Impact

The proposed project will directly create new jobs and expand the local tax base, and the preceding sections have attempted to evaluate these direct investments. However, the impact of the proposed investment will resonate beyond the site boundaries and company employees. When the unemployed find opportunity, or citizens advance in their career, that personal economic growth is felt throughout the community. Additionally, the company, with increased operations, procures additional services and increases its engagement in the local economy.

Utilizing Jobs EQ software and incorporating information provided by the company, we have estimated the project's additional impact on our community. Jobs EQ is an economic impact assessment software system developed by Chmura (www.chmura.com).

This analysis was conducted to report economic impact results within Rowan County only. As should be expected with estimates of any type, applied outcomes will certainly vary from the model's projections.

RESULTS

- Jobs EQ projects that the 1,000 jobs created by Project Bishop will lead to the creation of an additional 238 indirect* and induced jobs** in Rowan County.
- These 238 indirect and induced jobs will generate \$11,997,746 in employee wages and benefits.
- The additional impacts of Project Bishop will also include the generation of \$30,664,072 in gross revenue for the companies creating these 238 indirect and induced jobs.

**Indirect jobs are ones created by companies supplying goods and services to a new or newly expanded industry.*

***Induced jobs are ones created when new employees from the new industry spend their wages at local establishments; for example, a new manufacturing plant may increase business at a nearby restaurant, leading to increased sales at the restaurant causing it to hire more employees.*

6. Closing

This project appears to have a lengthy list of benefits and no apparent liabilities. If Rowan County were chosen, Project Bishop would create a total of 1,000 new full-time jobs, as well as add \$400 million to the County's tax base. The project would also generate approximately \$6.3 million of new net tax revenue for the County over a ten-year period.

In addition to the creation of 1,000 new jobs by the company, Project Bishop would lead to the creation of 238 indirect and induced jobs in Rowan County according to a Jobs EQ software projection.

On behalf of your Economic Development Council, 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