

January 7, 2022



PARTNERSHIP for ECONOMIC DEVELOPMENT
SALISBURY, NC

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ECONOMIC
IMPACT
SUMMARY

SUMMARY OF PROPOSED LOCATION OF
PROJECT RABBIT IN ROWAN COUNTY



January 7, 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 Rabbit 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 Rabbit 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

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1. Project Description

About The Company

The company behind Project Rabbit 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 Rabbit 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 2,500 full-time jobs by the end of 2028. Approximately 2,450 of these new jobs would be fulfillment-related positions. The remaining jobs would be comprised of supervisory and executive positions. In addition to these full-time jobs, the company also expects to create approximately 2,600 seasonal part-time jobs.

The company would also invest approximately \$584.3 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 the end of 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 tremendous impact on our community. If our community were chosen, this would be the largest new jobs announcement in Rowan County's history. To strengthen Rowan County's chances toward securing this project, the Rowan EDC proposes that the Board of Commissioners consider an Investment Grant offer with the following changes from a standard Level 3 Grant:

- Extend the length of the grant period from five years to fifteen years
- During the length of the grant period, the company would receive a grant equal to 80% of the new taxes paid

There is precedent for the Board awarding incentive grants to high impact projects for terms longer than the standard five years. The most notable of these was Chewy, which was awarded a ten-year grant in 2019. Other projects include Project Popcorn, the new NorthPoint Development speculative building at Webb Road, and Project Bishop.

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 Rabbit' 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 site or infrastructure improvements to the facility's potential location.

In addition, the China Grove Town Council will consider an incentive request for the project at their February 1st meeting.

4. Model of County Revenue – 15-Year Horizon

If Rowan County were chosen, construction of Project Rabbit's new facility would begin in late 2022 with substantial completion by the end of 2023. Operations at the facility would commence in the summer of 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
- \$188.3 million of new construction and equipment installation occurs prior to December 31, 2022
- \$340 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 \$584.3 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 during the incentive period, 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:

- Total Tax Revenue Collected by the County During Incentive Period - \$34,071,124
- Total Value of Incentive Grant - \$27,256,899
- Total Tax Revenue Retained by the County During Incentive Period - \$6,814,225

COMPARISON – STANDARD LEVEL 3 GRANT vs. PROPOSED 15-YEAR INCENTIVE

- If this project were awarded a standard Level 3 Grant (5 years at 85%), Rowan County would collect the estimated \$34,071,124 in revenue, disburse grants totaling \$12,928,550 and retain \$21,142,574.
- By awarding the proposed fifteen-year incentive instead of a standard Level 3 Grant, Project Rabbit would receive an additional \$14,328,349 in grants. This is a difference of approximately 111% versus the standard Level 3 Grant.

Project Rabbit (Years 1-8)

Fiscal Year	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
Calendar Year	2023	2024	2025	2026	2027	2028	2029	2030
Real Property Investment	\$90,000,000	\$171,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000
Current Real Property Tax Rate	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Real Property Taxes	\$591,750	\$1,124,325	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925
Incentive Grant Rate	80%	80%	80%	80%	80%	80%	80%	80%
Incentive Grant	\$473,400	\$899,460	\$941,540	\$941,540	\$941,540	\$941,540	\$941,540	\$941,540
Net County Revenue	\$118,350	\$224,865	\$235,385	\$235,385	\$235,385	\$235,385	\$235,385	\$235,385
Personal Property - Machinery & Equipment	\$98,300,000	\$347,470,000	\$372,519,000	\$365,659,000	\$331,369,000	\$289,856,000	\$244,770,000	\$196,614,000
Current Personal Property Tax Rate	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%
Personal Property Taxes*	\$646,323	\$2,284,615	\$2,449,312	\$2,404,208	\$2,178,751	\$1,905,803	\$1,609,363	\$1,292,737
Incentive Grant Rate	80%	80%	80%	80%	80%	80%	80%	80%
Incentive Grant	\$517,058	\$1,827,692	\$1,959,450	\$1,923,366	\$1,743,001	\$1,524,643	\$1,287,490	\$1,034,190
Net County Revenue	\$129,265	\$456,923	\$489,862	\$480,842	\$435,750	\$381,161	\$321,873	\$258,547
Total Property Taxes (Real & Personal)	\$1,238,073	\$3,408,940	\$3,626,237	\$3,581,133	\$3,355,676	\$3,082,728	\$2,786,288	\$2,469,662
Total Incentive Grant (Real & Personal)	\$990,458	\$2,727,152	\$2,900,990	\$2,864,906	\$2,684,541	\$2,466,183	\$2,229,030	\$1,975,730
Total Net County Revenue (Real & Personal)	\$247,615	\$681,788	\$725,247	\$716,227	\$671,135	\$616,546	\$557,258	\$493,932

Project Rabbit (Years 9-15 and 15-year Totals)

Fiscal Year	FY 32-33	FY 33-34	FY 34-35	FY 35-36	FY 36-37	FY 37-38	FY 38-39	15 Year Sum.
Calendar Year	2031	2032	2033	2034	2035	2036	2037	
Real Property Investment	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	\$179,000,000	
<i>Current Real Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Real Property Taxes	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$1,176,925	\$17,016,100
<i>Incentive Grant Rate</i>	80%	80%	80%	80%	80%	80%	80%	
Incentive Grant	\$941,540	\$941,540	\$941,540	\$941,540	\$941,540	\$941,540	\$941,540	\$13,612,880
Net County Revenue	\$235,385	\$235,385	\$235,385	\$235,385	\$235,385	\$235,385	\$235,385	\$3,403,220
Personal Property - Machinery & Equipment	\$147,978,000	\$110,155,000	\$77,230,000	\$12,000,000	\$0	\$0	\$0	
<i>Current Personal Property Tax Rate</i>	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	0.6575%	
Personal Property Taxes*	\$972,955	\$724,269	\$507,787	\$78,900	\$0	\$0	\$0	\$17,055,024
<i>Incentive Grant Rate</i>	80%	80%	80%	80%	80%	80%	80%	
Incentive Grant	\$778,364	\$579,415	\$406,230	\$63,120	\$0	\$0	\$0	\$13,644,019
Net County Revenue	\$194,591	\$144,854	\$101,557	\$15,780	\$0	\$0	\$0	\$3,411,005
Total Property Taxes (Real & Personal)	\$2,149,880	\$1,901,194	\$1,684,712	\$1,255,825	\$1,176,925	\$1,176,925	\$1,176,925	\$34,071,124
Total Incentive Grant (Real & Personal)	\$1,719,904	\$1,520,955	\$1,347,770	\$1,004,660	\$941,540	\$941,540	\$941,540	\$27,256,899
Total Net County Revenue (Real & Personal)	\$429,976	\$380,239	\$336,942	\$251,165	\$235,385	\$235,385	\$235,385	\$6,814,225

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 – 2,500 FULL-TIME JOBS

- Jobs EQ projects that the 2,500 full-time jobs created by Project Rabbit will lead to the creation of an additional 595 indirect* and induced jobs** in Rowan County.
- These 595 indirect and induced jobs will generate \$29,994,364 in employee wages and benefits.
- The additional impacts of Project Rabbit will also include the generation of \$76,660,182 in gross revenue for the companies creating these 595 indirect and induced jobs.

RESULTS – 2,600 SEASONAL PART-TIME JOBS***

- Jobs EQ projects that the 2,600 seasonal part-time jobs created by Project Rabbit will lead to the creation of an additional 103 indirect and induced jobs in Rowan County.
- These 103 indirect and induced jobs will generate \$5,195,024 in employee wages and benefits.
- The additional impacts of Project Rabbit will also include the generation of \$13,277,543 in gross revenue for the companies creating these 103 indirect and induced jobs.

TOTAL RESULTS – ALL JOBS

- Jobs EQ projects that the 2,500 full-time and 2,600 seasonal part-time jobs created by Project Rabbit will lead to the creation of an additional 698 indirect and induced jobs in Rowan County.

- These 698 indirect and induced jobs will generate \$35,189,388 in employee wages and benefits.
- The additional impacts of Project Rabbit will also include the generation of \$89,937,725 in gross revenue for the companies creating these 698 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.*

****Projections for seasonal part-time jobs were generated using the assumptions of a 20-hour work week for each employee over a four-month period.*

6. Closing

This project appears to have a lengthy list of benefits and no apparent liabilities. If Rowan County were chosen, Project Rabbit would create a total of 2,500 new full-time jobs, as well as add \$584.3 million to the County's tax base. The project would also generate approximately \$6.8 million of new net tax revenue for the County over a fifteen-year period.

In addition to the creation of 2,500 new jobs by the company, Project Rabbit would lead to the creation of 698 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