

<b>SUBJECT – CITY COUNCIL Economic Development Program</b>	<b>Number 115.14</b>	<b>Revised</b>	<b>Effective Date 5-24-10</b>	<b>Page 1 of 8</b>
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Cumberland County and the City of Fayetteville have determined that it is in the best interests of their residents and constituents to implement an economic development program to attract and support private investment to:

- Expand the tax base;
- Redevelop economically challenged areas of the community;
- Increase employment opportunities, wages, and personal incomes;
- Improve the quality of life available to their residents; and
- Increase wealth in the community.

The ultimate objective of this work is to develop a healthy and diverse tax base able to provide the resources necessary for Cumberland County and Fayetteville to provide high quality public services consistent with their missions at a reasonable cost to their residents.

This effort will be coordinated and lead by the Fayetteville-Cumberland County Chamber of Commerce (FCCCC). The purpose of this document is to establish the composition and boundaries of that program.

**Organization:**

FCCCC will serve as the primary point of contact for candidates under consideration for this program throughout the process of Application, Review, and Evaluation (except as otherwise noted below). The FCCCC will manage and coordinate the receipt of application materials and when appropriate make a written recommendations and/or oral presentations to the City Council and Cumberland County Commission as to the eligibility and suitability of each proposal. The FCCCC will not only serve as the initial point of contact for those interested in accessing this incentive program, but will also promote the program.

The FCCCC will pre-screen applicants for preliminary eligibility and provide early notification to the offices of the City and County Managers at the point it appears a potentially viable candidate has begun their due diligence process for sites in Fayetteville and Cumberland County. All proprietary information is to be retained by the FCCCC until such point as the developer authorizes public dissemination of the subject information.

The final decision as to eligibility and suitability leading to a decision to apply any of the development incentives herein to any particular project rests with the City Council of the City of Fayetteville and the Cumberland County Commission.

While the FCCCC will have primary responsibility for project review and incentive plan development, they will do so in coordination with the City and County managers' offices and with technical support from relevant City and County subject matter experts.

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Projects eligible for assistance may receive a combination of the incentives described herein dependent on the project's documented need for assistance, and the projected benefit to the community's economy and quality of life.

The FCCCC may also provide development assistance for eligible projects, including, but not limited to:

- Providing meeting space during planning, negotiation and construction process; and
- Providing project management personnel for local resource guidance, workforce development, facility assistance and government/community interface

The FCCCC is also expected to seek support for economic development projects through federal, state, and other local agencies not inconsistent herewith.

**Public Purpose:**

All projects supported by economic development incentives recommended by FCCCC must serve a Public Purpose. The Public Purposes to be served through the application of this program will include:

- Expanding the tax base by increasing the value of taxable property;
- Increasing employment opportunities, wages, and personal incomes;
- Diversifying the economic base of the community improving economic stability;
- Redeveloping economically challenged areas of the community and removing blight in key corridors identified by one of the jurisdictions;
- Supporting the development of facilities necessary to fill the needs identified by the BRAC RTF Comprehensive Regional Growth Plan for the Fort Bragg Region (September 2008); and
- Improving the quality of life available to Fayetteville and Cumberland County residents.

**Economic Justification:**

The FCCCC will review all requests for incentives to evaluate eligibility of the type and amount of assistance requested. This will include identification of the public purpose(s) to be served by the project and must be supported by evidence that without the assistance requested the project could not be developed with the attributes and benefits necessary to serve the identified Public Purpose.

This will include scrutiny of the gap analysis provided by the applicant's independent financial analysis. The economic impact analysis will forecast the projected outcomes from a particular project, including, but not limited to, job generation, and direct and indirect economic impacts in the community for ongoing operation of the facility. The analysis will be used in consideration of approval of the project as well as in drafting

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potential terms of the Economic Development Incentive Agreement if approved for the program. The FCCCC will provide a written

recommendation to the City and County regarding project eligibility and level and type of assistance.

**General Eligibility Criteria:**

Projects must be:

- located within the City limits of Fayetteville (for City incentive programs) and/or Cumberland County (for all programs);
- permitted under existing zoning and land-use regulations applicable to the subject property without subsequent action by the City Council or County Commission; and
- subject to property tax.

**Programs:**

Without precluding exploration of unique or evolving economic development projects, economic development activities will focus on meeting the needs of potential projects through the following programs:

**Property Tax Grantback Program (City & County)**

The Property Tax Grantback program provides a successful applicant a series of grants based upon ad valorem taxes actually paid and is subject to the following:

Property Tax Grantback benefits will only be paid for completed, operational projects meeting the terms of the Economic Development Incentive Agreement (“EDIA”) and that remain in compliance with all applicable codes, regulations, and requirements including but not limited to those associated with environmental, building, zoning, property maintenance, and specific terms or standards established in the EDIA.

The Property Tax Grantback benefits will be determined based on the documentation of financial need and the Property Tax Grantback Incentive Program Table (Attachment A). The Grantback benefit will be a function of the increased property value over the initial land value as determined by the County Tax Administrator for each year of eligibility. In order for projects to remain eligible, all property taxes must be paid on time in accordance with standard City and County requirements. Eligible projects will receive a Property Tax Grantback payment in accordance with the terms set out in the EDIA.

**Tax Increment Funded Public Infrastructure Program (City & County)**

Public infrastructure required to support a privately financed project may be funded through the dedication of future ad valorem tax revenue (Synthetic “TIF”). The funding provided shall not exceed the amount that can be retired by a dedication of fifty percent (50%) of the projected increase in ad valorem revenue of the property supported by the public infrastructure project over a period of

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twenty (20) years. Any funding for the public infrastructure project not covered by this program must be secured to the satisfaction of the City and/or the County prior to commitment of public resources.

Examples of eligible public infrastructure projects include transportation, stormwater, recreation, and parking improvements. In all cases, the resulting improvement must be dedicated to the City or County for public benefit, use and operation upon completion. The design of the public improvement project must be approved in advance and estimated cost must exceed \$3 million. Any ongoing operational or maintenance requirement for developed improvements must be addressed in the EDIA. Required conditions precedent and other guarantees that may be required to ensure the anticipated tax revenue is generated will also be set out in the EDIA. The project applicant must not seek any other incentive that could result in reducing the tax revenue available to support repayment of the debt incurred to support the construction of the public infrastructure project.

#### **Property Price Grantback (City & County)**

City and/or County owned property acquired and prepared for development or redevelopment may be made available for a price established by market appraisal. The purchase price may, however, be granted back to the developing entity or purchase payments forgiven based upon job creation and other Public Purposes as defined and consistent with terms established in the EDIA.

#### **Support Programs: (City)**

The FCCCC will promote the following programs, but will refer applications to the Community Development Department of the City of Fayetteville for processing.

#### **Downtown Loan Program**

This program is designed to recruit small businesses to the downtown Fayetteville Renaissance Plan area. Loans are available for existing or expanding small businesses to purchase, renovate or construct a downtown commercial property. The minimum loan is \$50,000 and the maximum is \$300,000. The City partners with six banks to fund this loan pool. The City puts in 40% of each loan and offers an attractive fixed interest rate of 4% and the banks share the other 60% at variable prime.

#### **Business Assistance Loan Program**

This program is available to small businesses investing anywhere within the City limits. It offers assistance with gap financing or down payment assistance. The business owner would first make application to a bank for a primary loan and after being approved and identifying a gap in financing, can then make application to this program. The City's loan can be up to \$125,000 or up to 25% of the total loan funds needed. The City offers a low fixed interest rate of 5% and an even lower rate of 3% if the business is located within one of the City's redevelopment plan areas.

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### **Façade Improvement Grant Program**

This program encourages downtown businesses as well as those located within any of the City’s redevelopment plan areas to improve the exteriors of their commercial property. The City will provide a 50% matching reimbursement grant up to a maximum of \$5,000 for each project.

### **Urban Progress Zones**

This incentive program provides economic incentives to stimulate new investment and job creation in economically distressed areas. The designation of these zones offers an enhancement to the Article 3J state tax credits that are available to eligible taxpayers. The City of Fayetteville has two Urban Progress Zones that are effective beginning January 1, 2010 through December 31, 2011.

### **Development Eligibility & Review/Evaluation Criteria:**

To be eligible for this program, the proposed project must identify:

- the financial and technical capacity of the development team as demonstrated by past participation/responsibility for projects of the type proposed;
- the location, site characteristics and preliminary sketch site design;
- the proposed LEED elements to be incorporated into the development, construction and operation of the facility;
- number and type of FTE jobs to be created;
- the preliminary project budget;
- the physical and operational/service elements that will result in the project being eligible for this program;
- the type(s) and fiscal impact estimates of the proposed incentives;
- unique benefits or public contributions to be provided by the project in excess of regulatory requirements;
- a professional independent financial analysis that will determine whether financial gaps exist justifying participation in the incentive program. The entity chosen for the financial analysis must be pre-approved by the City or County Manager; and
- any other information that may be requested by the City or County.

### **Economic Development Incentive Agreement:**

In the event that preliminary approval of a project for this program is provided, an Economic Development Incentive Agreement (“EDIA”) will be drafted providing further detail of the physical and operational attributes of the entire scope of development. In addition, the responsibilities of the Developer and City and/or County will be clearly defined along with appropriate timelines for performance and remedies for breach of contract. Public funds will not be expended for any project specific improvements until a current and favorable market feasibility analysis is completed by an independent,

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nationally recognized third party expert demonstrating the viability of the proposed project and the developer demonstrates the irrevocable financial commitments necessary to carry out the project as agreed upon.

Additionally, once an incentive package has been approved, construction on a project must commence within one year and begin operations within three years. Extensions may be granted only upon approval of the City and County.

The EDIA will also include specific provisions to recapture the value of incentives provided should the project fail to provide the negotiated for public benefit as defined in the EDIA and as demonstrated by specific performance objectives established in the EDIA.

### **Property Tax Grantback Incentive Program Table**

The following table provides grantback eligibility guidelines based upon the scoring categories provided below:

<b>Minimum Score</b>	<b>50</b>	<b>60</b>	<b>70</b>	<b>80</b>	<b>90</b>
<b>Year</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
1	50%	60%	70%	80%	90%
2	50%	60%	65%	70%	80%
3	50%	55%	60%	60%	70%
4	50%	55%	55%	55%	60%
5	50%	50%	50%	50%	50%

The maximum value from each scoring category is provided below:

- |    |  |           |
|----|--|-----------|
| 1. | Jobs (Number, Quality, Hiring Residents) | 40 points |
| 2. | Project Location                         | 25 points |
| 3. | Capital Investment:                      | 20 points |
| 4. | Environmental Impact:                    | 10 points |
| 5. | Industry Cluster/Business Type:          | 10 points |
| 6. | Public Benefit:                          | 10 points |

Depending on the score, new companies and existing company expansions will be eligible to qualify for, but not guaranteed, a financial incentive based on the percentages of annual property taxes paid for each year for a five year period as outlined above. With the exception of a 50 point minimum requirement for program eligibility, the table above and the point system below are important, but not controlling elements of the decision making process. Other qualitative criteria identified elsewhere in this document will be used in the process of considering, approving, rejecting, and/or modifying the incentive amount.

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<b>Number of New Jobs Above the Median Wage</b>	<b>Points</b>
1-9	1
10-20	2
21-50	5
51-75	7
76-100	9
101-150	12
150-200	15
200+	20
<b>Total Possible Points</b>	<b>20</b>
<b>Quality of New Jobs</b>	<b>Points</b>
Partial Employer Paid Health Insurance	1
Entire Employer Paid Health Insurance	3
Retirement Benefits	2
Profit Sharing	2
Employer Paid Vacation	2
Employee-Owned Company	3
<b>Total Possible Points</b>	<b>10</b>
<b>Number of Existing County Residents Hired</b>	<b>Points</b>
1-9	1
10-20	2
21-50	3
51-75	5
76-100	7
101-200	9
200+	10
<b>Total Possible Points</b>	<b>10</b>
<b>Project Location</b>	<b>Points</b>
Adopted Revitalization Zone	25
City or County Business/Industrial Park	10
Military Business Activity Zone	10
<b>Total Possible Points</b>	<b>25</b>
<b>Level of Capital Investment</b>	<b>Points</b>
Under \$500,000	1
\$500,000-\$4,999,999	5
\$5,000,000-\$14,999,999	10
\$15,000,000-\$24,999,999	15
\$25,000,000 and Above	20
<b>Total Possible Points</b>	<b>20</b>

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<b>Environmental Impact</b>	<b>Points</b>	
Reuse of Existing Building	4	
Location in LEED Certified Building	4	
Other sustainable features (recycling, water reuse, etc.)	2	
<b>Total Possible Points</b>	<b>10</b>	
<b>Industry Cluster/Business Type</b>	<b>Points</b>	
Defense Industry Cluster	6	
Company Headquarters	6	
Verified Supply-Chain/Sourcing Relationship with Cumberland County	4	
<b>Total Possible Points</b>	<b>10</b>	
<b>Public Benefit</b>		
Dedication in excess of statutory requirements	5	
Public infrastructure in excess of statutory requirements	5	
Creation of 5 or more jobs for residents within 2 miles	10	
<b>Total Possible Points</b>	<b>10</b>	