

105

GASTON COUNTY
NORTH CAROLINA

COMMISSIONER'S COURT
JANUARY 14, 2010

The Gaston County Board of Commissioners (BOC) held a Special Meeting on January 14, 2010 at 7:25 pm, during its Work Session, Commissioners Room, Gaston County Courthouse to receive citizen comment on the Temporary Tax Incentive.

Chairman Mickey Price presided with Commissioners Allen R. Fraley, Vice-Chair; Joe D. Carpenter, Tom Keigher, Donnie Loftis, Tracy L. Philbeck and John A. Torbett in attendance.

Others present included Jan Winters, County Manager; Charles L. Moore, County Attorney; and Marcella D. McCaskill, Deputy Clerk to the Board.

Public Hearing - Re: Temporary Incentive Program

Chairman Price announced the Public Hearing as advertised and called for the motion to enter into Public Hearing.

On motion introduced by Commissioner Philbeck and seconded by Commissioner Loftis, the BOC unanimously entered into Public Hearing.

Chairman Price stated that the BOC had supported economic development for more than 20 years in an effort to diversify and expand the County tax base; BOC recognizes the devastating impact of the current recession; cited a 15%+/- unemployment rate; BOC proposes an amendment to the current County Investment Grant Program in order to promote new investment during the recession; the 15% grant would be based on net new taxes paid on investments within the parameters of the grant program; called for a motion on the proposed resolution.

Commissioner Philbeck introduced the motion for approval of the proposed grant program and Commissioner Torbett provided the second.

Commissioner Philbeck advised that the proposed program extended a 15% incentive to local businesses; it would also provide an opportunity to better track the property tax rate rather than the previously discussed localized hiring incentive; offered support of the 15% and more if the BOC so chooses; asked the County Attorney to explain asset purchases in the fifth paragraph.

The County Attorney explained that it was a statement of current policy with respect to industrial investment grants and would be based on net new investment and net new taxes to the County; explained that if someone purchases assets already taxed to the County it could not be counted as tax revenue; this program applies to new investment not already on the books.

Commissioner Torbett asked if "merger and acquisition" language could be incorporated for clarity; proposed amending the 15% to 50% in order to help businesses to grow and prosper.

Commissioner Keigher concurred with the increase to 50%; suggested extending the program through January 31, 2011 in order to cover a full year.

COMMISSIONER'S COURT

JANUARY 14, 2010

GASTON COUNTY, NORTH CAROLINA

Commissioner Carpenter asked if the program would cover farmers that qualified as a business.

The County Attorney responded that it pertained to businesses listed with the Tax Office; if a farm was listed as such then it would qualify.

Commissioner Loftis indicated that the program would not be a negative based on the projected zero growth for next year; 50% is better for all sizes of business; suggested taking the program statewide to improve the economy.

Addressing the County Manager, Chairman Price asked how the program would impact the 2010-11 County budget.

The County Manager advised that the average tax base increase was about 3% (\$3M) annually with no projected increase for next budget year; staff projects 9/10 of 1% growth in real property on the revenue side; a real estate increase of up to 1% (about \$1M); a personal property loss of 5/10 of 1%; a ½% reduction in collection rates; a 1% in real property growth. He stated that if the County gets the projected growth and takes ½ that it would be a \$500k loss; cannot project the amount of an increase at this point; it could offset; on the expense side, bonds have been issued at \$4M rounded off and would be in the 2010-11 budget; the County has received a State mandated government employee retirement contribution increase of \$750k; health insurance costs increased at least \$1M+ over last year; Duke Power increased its energy rates; staff would be looking at how to absorb \$7-8M.

Commissioner Keigher related that he believed local businesses would take advantage of the incentive; suggested that it may increase County revenues.

Commissioner Fraley cited positive communications from business people about the incentive; offered his support for the increase to 50%.

Commissioner Philbeck asked for an explanation on Section 5, Paragraph 2; indicated that it was a State law that incentive programs must result in an increase in property tax; asked if it had to be a net revenue increase over and above the previous year.

The County Attorney responded that in order for the incentive to be constitutional, it must be based on: 1) Expanding the tax base; 2) creating new jobs; benefit to the greater good creates a public purpose and makes it constitutional thus the feature is based on increased net taxes; one must take into consideration the depreciation on equipment and assets in addition to new investments in equipment and assets before an increase can be determined.

The County Manager provided an example and stated that there had to be a public benefit and the increase in taxes received by the community would be the public benefit.

Commissioner Philbeck advised of meeting with the Revenue Director to identify staff work impact and related that staff cost would be involved; he requested information from the Tax Department as

to the processing procedure and adequate staff.

Commissioner Philbeck then introduced an **amendment to increase the incentive to 50% and to include "mergers and acquisitions" to "assets and purchases"**; that incentives be retroactive back to January 1, 2010 and ending December 31 to keep the project within the calendar year. He also stated that the BOC would have the option to increase/decrease depending on tax revenues; there should be no impact on schools or other services if getting 50% of something unexpected.

Commissioner Torbett seconded the motion as amended.

Referring to the Manager's earlier calculations, Commissioner Loftis asked for any impact if adopted.

The County Manager indicated that it would be difficult to project the net result of the change; would be a loss of \$500k if no change in behavior; may see an increase in dollars if the program had an effect on peoples behavior; do not have a fix on the numbers on the cost side yet; currently watching every cent on the revenue side.

With discussion coming to a close, Chairman Price restated the amendments and called for the vote.

2010-001 Commissioner Philbeck - County Attorney - To Update the Provisions of the Gaston County Investment Grant Program

On motion introduced by Commissioner Philbeck and seconded by Commissioner Torbett, the BOC unanimously adopted the following, as amended:

- WHEREAS, the Gaston County Board of Commissioners has supported economic development for more than twenty years, with an emphasis on tax base development, employer diversification, and job creation; and,
- WHEREAS, The Commission recognizes the need to provide programs and financial support to strengthen and diversify the County's economy, because tax base development is the key to the County's fiscal health; and,
- WHEREAS, it is important not only to attract new investment but also to encourage existing businesses to expand and reinvest in their Gaston County operations; and,
- WHEREAS, the proposed Gaston County Small Business Investment Grant Program is intended to combat the current recession and high rate of unemployment, and to provide an inducement for new business to locate in Gaston County and encourage existing business to expand in Gaston County; and,
- WHEREAS, the proposed small business program provides a temporary grant to companies investing in Gaston County that is based upon the investment made by the company in calendar year 2010 upon the following conditions:
 - Investment Grants will be based on the net increase in tax value of all real property, machinery and improvements above the base year prior to investment. No grant will be given to a company that would reduce their tax payment to an amount lower than the previous tax year.
 - Asset purchases, **mergers and acquisitions** of existing companies already paying taxes in Gaston County would not qualify for the program.

COMMISSIONER'S COURT

JANUARY 14, 2010

GASTON COUNTY, NORTH CAROLINA

- Grant funds will represent a percentage of the company's tax payment. The company must be current with all other payments required by Gaston County.
- The Gaston County Board of Commissioners may modify or eliminate the program subject to meeting existing grant obligations in effect at the time.
- No company may transfer grant agreement or contracts without explicit approval by the Gaston County Board of Commissioners.

NOW, THEREFORE, BE IT RESOLVED by the Gaston County Board of Commissioners that the Gaston County Investment Grant Program as adopted by Resolution No. 2006-065, dated February 9, 2006, is hereby amended to approve the Gaston County Small Business Investment Grant.

BE IT FURTHER RESOLVED that the Small Business Investment Grant program shall sunset on December 31, 2010, and shall apply to investments made during the 2010 calendar year.

INCENTIVES
LOCAL INVESTMENT GRANT PROGRAM
Availability

The following investment grant program is available in Gaston County, Gastonia, Bessemer City, Belmont, Cherryville, Dallas, Mount Holly and Stanley.

Purpose

The Gaston County Board of Commission has supported economic development for more than twenty years with an emphasis on tax base development, employer diversification and job creation. The Commission has recognized the need to provide programs and financial support to strengthen and diversify the County's economy. Tax base development is a key concern for the County's fiscal health. It is essential not only to attract new investment but also to encourage existing business to expand and reinvest in their Gaston County operations. The Gaston County Investment Grant Program (GCIGP) is intended to provide an inducement for new business to locate in Gaston County and encourage existing business to expand.

Grant Program Description

The program provides grants to companies investing in Gaston County. The grant will be established by an application with Gaston County. The company must pay their taxes in full each year based on the actual tax value of the property or investment. If the company meets all of the criteria in the application, a portion of the property tax will be returned as a grant. The amount of the grant is based on a sliding scale.

Investment Grants will be based on the increase in tax value of all real property, machinery and improvements above the base year prior to investment. No grant will be given to a company that would reduce their tax payment to an amount lower than the previous tax year. Purchases of any existing Gaston County facility or equipment will not qualify for the program.

All grant monies will be taken directly from the company's tax payment. The company must be current with all other payments required by Gaston County.

The Gaston County Board of Commissioners may modify or eliminate the program subject to meeting all existing grant obligations in effect at the time. No company may transfer grant agreements of contracts without explicit approval by the Gaston County Board of Commissioners.

Companies in the following North American Industry Classification System (NAICS) 1997 and 2000 Revisions are eligible for the grants:

Category of Business	NAICS Code
Manufacturing	31-33(NAICS 97)
Warehousing	493 (NAICS 97)
Data Processing	51821 (NAICS 2000)
Retail	44-45 (NAICS 2000)

Industrial Grant 1

All investment in real property, new machinery and equipment over \$1,000,000.00 would be eligible for a grant as shown below.

COMMISSIONER'S COURT

JANUARY 14, 2010

GASTON COUNTY, NORTH CAROLINA

Year 1 - 90% property tax grant
Year 2 - 80% property tax grant
Year 3 - 70% property tax grant

Year 4 - 60% property tax grant
Year 5 - 50% property tax grant

Industrial Grant 2

All investment in real property, new machinery and equipment over \$15,000,000.00 would be eligible for a grant as shown below.

Year 1 - 90% property tax grant
Year 2 - 80% property tax grant
Year 3 - 70% property tax grant
Year 4 - 60% property tax grant
Year 5 - 50% property tax grant

Year 6 - 40% property tax grant
Year 7 - 30% property tax grant
Year 8 - 20% property tax grant
Year 9 - 10% property tax grant

Industrial Grant 3

All investments in real property, new machinery and equipment over \$30,000,000.00 would be eligible for a grant as shown below.

Year 1 - 90% property tax grant
Year 2 - 85% property tax grant
Year 3 - 80% property tax grant
Year 4 - 75% property tax grant
Year 5 - 70% property tax grant

Year 6 - 65% property tax grant
Year 7 - 60% property tax grant
Year 8 - 55% property tax grant
Year 9 - 50% property tax grant
Year 10 - 45% property tax grant

Industrial Grant 4

All investments in real property, new machinery and equipment over \$50,000,000.00 would be eligible for a grant as shown below.

Year 1 - 85% property tax grant
Year 2 - 85% property tax grant
Year 3 - 85% property tax grant
Year 4 - 85% property tax grant
Year 5 - 85% property tax grant

Year 6 - 70% property tax grant
Year 7 - 70% property tax grant
Year 8 - 70% property tax grant
Year 9 - 70% property tax grant
Year 10 - 70% property tax grant

Retail Grant: Only available in Gaston County, Bessemer City, Cherryville and Stanley.

All retail investments with an aggregate investment of \$40,000,000.00 would qualify for a grant as shown below.

Year 1 - 90% property tax grant
Year 2 - 80% property tax grant
Year 3 - 70% property tax grant

Year 4 - 60% property tax grant
Year 5 - 50% property tax grant

The Local Investment Grant Program is intended to diversify the tax base, improve employment opportunities for Gaston County citizens, and create an increase in the net depreciable taxable value of the tax base of Gaston County. The Gaston County Tax Department and the Gaston County Economic Development Commission shall establish procedures for the implementation of the Program. Grant applications shall be reviewed and verified by the Tax Department and the EDC. Any interpretation of the application and/or approved Grant of the program to a specific project shall be subject to a yearly review by the EDC and Tax Department for eligibility in accordance with this policy statement and shall be final.

Small Business Grant: (Temporary-Limited to Investments in Calendar Year 2010)

Business investments made during calendar year 2010 in an amount equal to or greater than \$10,000 and less than \$1,000,000.00 would qualify for the following grant.

50% property tax grant (Applies only to Gaston County at adoption)

Amended 1/14/2010.

On motion introduced by Commissioner Torbett and seconded by Commissioner Loftis, the BOC unanimously closed the Public Hearing.

COMMISSIONER'S COURT

JANUARY 14, 2010

GASTON COUNTY, NORTH CAROLINA

Adjournment

Chairman Price adjourned the Special Meeting of January 14, 2010 at 7:55 pm and resumed the Work Session.

(All aforementioned documents are on file with the Clerk to the Board.)

Mickey Price, Chairman
Gaston County Board of Commissioners

Marcella D. McCaskill
Deputy Clerk to the Board

Martha M. Jordan
Clerk to the Board

SEAL