

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS NORTH CAROLINA

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

NORTH CAROLINA’S RECENTLY AWARDED INCENTIVES (USD M)

| COMPANY | INVESTMENT | JOBS | INCENTIVES |
|---------------------|------------|-------|------------|
| Sanderson Farms | \$139.0 | 1,100 | \$1.0 |
| RAUMEDIC | \$26.3 | 138 | \$0.5 |
| Butterball | \$66.8 | 367 | \$1.3 |
| Argos Therapeutics | \$56.6 | 236 | \$4.6 |
| Patheon | \$159.0 | 488 | \$6.3 |
| Linamar | \$115.0 | 150 | \$0.5 |
| Gordon Food Service | \$58.0 | 275 | \$0.5 |
| Linamar | \$40.0 | 125 | \$1.1 |
| HCL Technologies | \$9.0 | 1,237 | \$19.7 |
| AvidXchange | \$21.4 | 603 | \$7.5 |
| Enviva | \$214.2 | 160 | \$1.7 |
| Sealed Air | \$58.0 | 1,262 | \$39.2 |

OVERVIEW OF MAJOR NORTH CAROLINA INCENTIVE PROGRAMS

JOB DEVELOPMENT INVESTMENT GRANT (JDIG)

The Job Development Investment Grant (JDIG) is a discretionary incentive program that provides a limited number of cash grants directly to new and expanding businesses that will provide economic benefits to the state are competitive with other locations and need the grant to carry out the project in North Carolina. Grants are based on the job creation and investment commitment made by companies in their formal applications to the state prior to a location decision. Grant funds are disbursed annually to approved companies based on a percentage of withholding taxes paid by new employees, following satisfaction of performance criteria set out in grant agreements.

A five member Economic Investment Committee (EIC) evaluates projects and makes decisions regarding JDIG awards, funding levels, grant periods and other terms of the grants. The EIC is authorized to award grants to be disbursed annually for a period of up to 12 years, ranging from 10 to 75 percent of the withholdings associated with eligible positions created by a company over a specified period of time. For projects located in Tier 2 counties, 15 percent of the total JDIG grant is transferred to the state's utility account to fund infrastructure projects in the state's economically distressed counties. In Tier 3 counties, 25 percent of the total JDIG grant is transferred to the utility account.

The JDIG program is subject to a legislative cap on grants made by the EIC in a given year, based on the cumulative financial impact of those grants in any future grant year. Up to 25 grants can be made annually. The maximum amount of total liability for grants provided for in agreements entered into in any single calendar year may not exceed \$15 million. The amount of a grant associated with any specific position may not exceed \$6,500 in any year. Currently, the authority of the EIC to enter into new agreements expires January 1, 2016.

ONE NORTH CAROLINA FUND

The One North Carolina Fund consists of nonrecurring appropriations made available to the governor as a flexible and discretionary tool allowing North Carolina to respond quickly to enable job creation and/or retention for projects competitive with other locations. Awards are based on jobs created, economic impact of the project, the importance of the project to the state, quality of industry and environmental impact.

Awards are allocated to local units of government as part of a negotiated challenge grant. Local governments are required to match the One North Carolina award with cash, fee waivers, in-kind services, donations of land, buildings or other assets or provisions of infrastructure. For a company to be considered for a grant, the company must agree to meet or exceed 100 percent of the average county wage. Funds allocated through One North Carolina are used for:

North Carolina shows an average deal value of \$1.94 million with 166 new jobs created per deal

- Installing or purchasing equipment
- Structural repairs, improvements or renovations of existing buildings to be used for expansion
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines.

COMMUNITY DEVELOPMENT BLOCK GRANT

The Community Development Block Grant (CDBG) Program provides grants for infrastructure development. Funds available are based on an annual federal allocation to North Carolina from the U.S. Department of Housing and Urban Development and may be applied for by a local government for economic development projects. Private businesses cannot apply directly for this funding, but instead work collaboratively with a local government and receive a loan or grant through the local government for the project. Funded projects lead to the creation or retention of jobs. Economic development category projects involve assistance for public facilities needed to serve the target business.

INDUSTRIAL DEVELOPMENT FUND

The Industrial Development Fund (IDF) provides grants and loans for infrastructure development in the counties designated as Tier 1 or Tier 2 under G.S. 143B-437.08. Eligible units of local government may apply for the funds in conjunction with a company that commits to create new jobs or retain existing jobs in North Carolina. To qualify, companies must meet the same eligibility requirements as those outlined in the Article 3J Tax Credits for Growing Businesses.

Funding is based on the availability of monies and the merits of a project. IDF grants and loans for any one project cannot exceed a total of \$10,000 per new job created or current job retained, up to a maximum of \$500,000 per project.

Grants may be awarded to local governments for infrastructure improvements that are publicly owned and maintained, including construction or improvement of water, sewer, gas, rail and electrical utility systems. Loans with a four-percent fixed interest rate may be awarded to the project business, through the unit of local government applicant, for investments in privately owned or maintained assets, such as the purchase of machinery and equipment or building renovations. IDF loan funds may not be used to acquire land or buildings or to construct new buildings. All IDF loans must be made in participation with a North Carolina bank that originates 50 percent of the loan and shares equal risk and collateral with the unit of local government.

In the 25 most distressed counties, there is no local match requirement. Federal or state grant funds may not be used to meet the local match requirement, with the exception of funds granted through the N.C. Rural Economic Development Center.

NORTH CAROLINA PORTS TAX CREDITS

Any business or individual of the N.C. Ports at Morehead City and Wilmington who is subject to payment of North Carolina income taxes can qualify for a tax credit. Basically, by increasing use of ports facilities, a customer — new or existing — can take a credit on income taxes due to the state.

- The tax credit is earned on cargo wharf age and handling fees — in or out — charged by the N.C. Ports Authority.
- The credit is the amount by which current-year fees exceed the average of the past three years.
- The credit applies directly to income taxes due to the state — up to 50 percent of the total tax liability for each tax year.
- Any unused credit may be carried forward for five years.
- The maximum cumulative credit that may be taken may not exceed \$2 million.
- There are some limitations to this credit. For example, bulk cargo through the Port of Wilmington is excluded.

OTHER NORTH CAROLINA INCENTIVE PROGRAMS

- Job Maintenance and Capital Development Fund
- Site and Infrastructure Grant Fund
- Industrial Revenue Bonds
- Industrial Road Access Program
- Industrial Rail Access System
- Foreign Trade Zones
- Interactive Digital Media Tax Credit
- Renewable Energy Property Tax Credit
- Research and Development Tax Credit
- Sales and Use Tax Discounts, Exemptions, Refunds

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