



January 29, 2019

Memo to: Board of Commissioners

From: Timothy Love, Economic Development Director via George Wood, Interim County Manager

Re: Recommendation on Haakon Industries Economic Development Agreement

As you are aware, on September 21st, Haakon Industries (Haakon) announced its plans to open a new facility in Buncombe County at Enka Commerce Park. Haakon is a manufacturer of air handling equipment for large organizations (e.g., hospitals, labs). The company is North America's largest privately owned air handling equipment manufacturer. Currently headquartered in Canada with manufacturing sites in Ontario and Washington State, we have been chosen as the company's southeast location.

Prior to the project announcement, our staff presented initial figures to you on the expansion project and the associated incentives available based on the Buncombe County Economic Development Incentive Policy. Please see the below for the most revised figures.

Project Overview

Haakon plans to build a 140,000 sqft building in Enka Commerce Park. The project will create 100 new jobs and bring a total investment of \$17.9 million to Buncombe County over five years. The average wage for these jobs will be \$19.20 hour and the company will provide for at least half of employee health insurance costs. Based on the information provided, only 20 out of the 100 proposed jobs qualify for the jobs incentive in the Buncombe County Economic Development Incentive Policy, however each job exceeds the 2019 "living wage" published by Just Economics (see Appendix A – Wage Schedule).

Economic Development Agreement

Based on the above information, Buncombe County is eligible to offer an incentive grant not to exceed \$192,298. This incentive grant is contingent upon your review and vote in a public hearing. Further, this grant is contingent on the approval of the EDA between Haakon and Buncombe County. The EDA specifies the terms of the agreement including investment and job schedules, the incentive disbursement schedule, and the required documentation to accompany disbursement requests. The EDA also defines procedures should Haakon not meet job and investment targets.

Prior to any incentive grant disbursements, Buncombe County staff will review investment and job documentation provided by Haakon. The purpose of this review is to maximize the use of public funds by validating expenses associated with the \$17.9 million investment and verifying the creation of jobs in Buncombe County. Additionally, please note that Haakon has received a State grant for the development of customized training with AB-Tech totaling approximately \$160K.

Return on Investment

Our staff have analyzed this project and estimate a positive return on investment. Over the next 10 years, the County will expend a total of \$192,298 in economic development grants and bring in approximately \$750,000 in ad valorem property tax revenues. The 10 year net County impact of this investment is approximately \$550,000 (see Appendix B – 10 Year ROI). Additionally, the County's Economic Development Coalition (EDC)



projects total indirect and induced labor income of approximately \$7,000,000 in annual labor income (see Appendix C – Estimated Job Effects). Please note that all of these projections are estimates and will be impacted by changes to the tax rate, timing of capital investments, and final depreciated valuation of equipment.

Recommendation

Our recommendation is to approve the economic development incentives and agreement prepared by staff. We are excited that Haakon has chosen Buncombe County for its southeastern expansion project. Project Haakon represents an ideal opportunity to continue support for our local economy, further diversify our industry sectors, and stimulate job growth. If you have any questions, or if I can be of any further assistance, please do not hesitate to contact me.



Appendix A: Wage Schedule

Please see the below table for Haakon's wage schedule. For 2019, Just Economics has published the living wage as \$13.65 per hour, or \$28,392 per year, for a full-time living-wage employee without health insurance.

Position	Count	Wage	Incentive Eligible	Living Wage
Plant Manager	1	\$40.00	Yes	Yes
HR Specialist	1	\$30.00	Yes	Yes
Production Engineer	5	\$30.00	Yes	Yes
Quality Control Manager	1	\$30.00	Yes	Yes
Purchasing	2	\$28.00	Yes	Yes
Production Supervisor	7	\$26.78	Yes	Yes
Maintenance	2	\$24.00	Yes	Yes
Electrician	2	\$21.63	Yes	Yes
CNC Machine Operator	2	\$20.60	No	Yes
Welder	9	\$18.54	No	Yes
Sheet Metal Machine Operator	5	\$18.54	No	Yes
Admin Assistant	1	\$18.00	No	Yes
Electrical Helper	5	\$17.51	No	Yes
Receiver/Material Handler	2	\$16.48	No	Yes
Assembler	55	\$16.30	No	Yes
TOTAL	100			



Appendix B: Haakon – 10 Year Return on Investment

Please see the below table for an overview of costs and revenues associated with Haakon. Please note that all of these projections are estimates and will be impacted by changes to the tax rate, timing of capital investments, and final depreciated valuation of equipment.

Payments/Revenues (Estimated)

	OUTFLOW	INFLOW	COUNTY IMPACT
Fiscal Year	Incentives	Tax Revenue	Cost / Gain
2018	\$38,459.60	\$0.00	(\$38,459.60)
2019	\$38,459.60	\$73,002.00	\$34,542.40
2020	\$38,459.60	\$91,358.30	\$52,898.70
2021	\$38,459.60	\$88,834.97	\$50,375.37
2022	\$38,459.60	\$89,147.08	\$50,687.48
TOTAL	\$192,298.00	\$342,342.35	\$150,044.35

Next 5 Years (Estimated)

	OUTFLOW	INFLOW	COUNTY IMPACT
Fiscal Year	Incentives	Tax Revenue	Cost / Gain
2023	\$0.00	\$86,549.69	\$86,549.69
2024	\$0.00	\$83,909.98	\$83,909.98
2025	\$0.00	\$81,079.83	\$81,079.83
2026	\$0.00	\$78,249.68	\$78,249.68
2027	\$0.00	\$75,530.62	\$75,530.62
TOTAL	\$0.00	\$405,319.80	\$405,319.80

Cumulative Impact (10 Year)

TOTAL	\$192,298.00	\$747,662.15	\$555,364.15
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Appendix C: Estimated Job Effects

Below is the EDC's estimated effects of the EDA on local suppliers and household spending. In addition, the EDC estimates \$285K in additional local tax revenue (e.g., sales tax, household property tax). Please note that all of these projections are estimates and will be impacted by changes to the tax rate, timing of capital investments, and final depreciated valuation of equipment.

Impact Type	Description	Employment	Labor Income (\$)
Direct Effect	Haakon jobs	100	\$3,944,717
Indirect Effect	Income for Haakon's local suppliers (i.e., business-to-business transactions)	33	\$1,684,802
Induced Effect	Labor income or paychecks being spent in the region (i.e., household spending)	35	\$1,366,524
Total		168	\$6,996,042