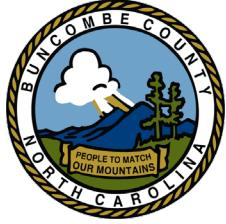


Economic Development Incentive Program

Public Hearing

Linamar, Inc.

4/2/2019



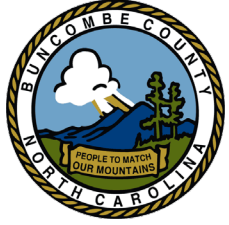
Background and Request

Background:

- In March 2010, the **Skyland Volvo facility closed** resulting in the loss of approximately 230 jobs and nearly \$300,000 in annual property tax revenue.
- On **August 23, 2011** the Board approved an Economic Development Agreement (EDA) to induce investment and job creation at the former location of Skyland Volvo (2169 Hendersonville Road).
- On **November 18, 2014** the County and Linamar entered into a second EDA to expand facility operations.
- Linamar **manufactures automotive components** for heavy-duty and large off-highway truck markets and has numerous international sites, including three sites in North Carolina (Arden, Hendersonville, Wilson).
- Due to economic and industrial conditions outside its control, **Linamar has not met all of its commitments.**
- Linamar has asked for additional time to meet its investment and jobs commitments and the County is willing to do so in exchange for extending the timeline for further incentive payments and **combining the 2011 EDA and the 2014 EDA into a new Consolidated and Modified Economic Development Agreement.**

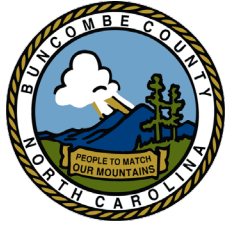
Request:

- Board of Commissioners approval for:
 - Resolution authorizing the Consolidated and Modified agreement.



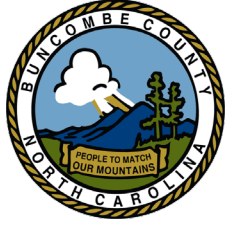
Project Overview/Status

- Based on the Linamar EDAs, the company is committed to the following performance goals:
 - **Jobs:** Create **800 new jobs**;
 - **Capital Investment:** Invest **\$315 million** in real and business personal property; and
 - **Average Wage:** Provide an **average wage of \$39,000 annually, or \$18.75 per hour**, including at least half of employee health insurance costs.
- In 2017, **Linamar was unable to meet its performance commitments** (152 jobs, \$143M in capital investment) and the County began deferring incentive payments.
- Linamar's status as of March 2019 is provided below.
 - **Jobs:** 300
 - **Capital Investment:** \$141M
 - **Average wage:** \$51,000 (~\$24.50/hour)



New EDA Highlights

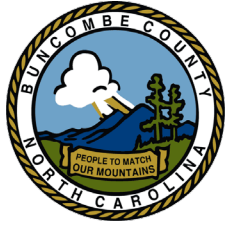
- The County has worked with Linamar to establish a new EDA that consolidates the existing two EDAs. Below are highlights from the agreement.
 - Consolidates two existing EDAs (2011 and 2014) into **one agreement with a single set of performance milestones.**
 - Creates **annual performance targets** for each incentive payment.
 - **Maintains original commitments** for total investment (\$315M), job (800), and incentive (\$19M).
 - **Increases the average wage target to \$43.6K** from \$39K.
 - **Extends performance timeline** by 6 years.
 - **Incentives will only be disbursed if annual performance targets are achieved.**



Performance Schedule

Revised investment, job and incentive schedule.

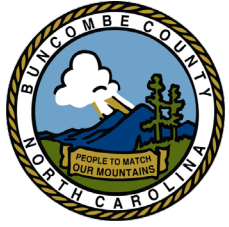
| Calendar Year Ending | Incentives (Annual) | Investment (Cumulative) | Investment (Annual) | Jobs (Cumulative) | Jobs (Annual) |
|------------------------|------------------------|-------------------------|-------------------------|-------------------|---------------|
| 2019 | \$1,000,000.00 | \$120,986,166.00 | \$24,920,162.00 | 400 | 150 |
| 2020 | \$1,000,000.00 | \$175,118,349.00 | \$54,132,183.00 | 500 | 100 |
| 2021 | \$1,000,000.00 | \$214,849,233.00 | \$39,730,884.00 | 600 | 100 |
| 2022 | \$1,000,000.00 | \$231,593,484.00 | \$16,744,251.00 | 700 | 100 |
| 2023 | \$1,000,000.00 | \$273,296,742.00 | \$41,703,258.00 | 750 | 50 |
| 2024 | \$1,000,000.00 | \$315,000,000.00 | \$41,703,258.00 | 800 | 50 |
| TOTAL (CY19-24) | \$6,000,000.00 | \$315,000,000.00 | \$218,933,996.00 | 800 | 550 |
| TOTAL (CY11-24) | \$19,000,000.00 | \$315,000,000.00 | \$315,000,000.00 | 800 | 800 |



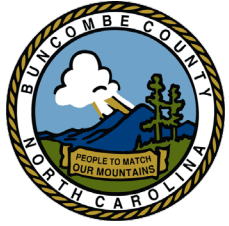
Economic Development Impact

- Creation of **800 jobs** and **\$315M** in investment.
- Historical property **tax revenue of \$1.8M** since **2011**.
- Estimated **\$13M** in **labor income** for its **300 employees**, and approximately \$600k in local taxes (e.g., sales, schools, fire).
- Estimated **future property tax revenue of \$400-500K** annually and approximately \$6M by the end of the EDA (note: varies based on depreciation and investment schedules).

| Impact Type | Description | Employment | Labor Income |
|-----------------|--|------------|--------------|
| Direct Effect | Linamar jobs | 300 | \$13,783,969 |
| Indirect Effect | Income for Linamar's local suppliers (i.e., business-to-business transactions) | 182 | \$9,366,810 |
| Induced Effect | Labor income or paychecks being spent in the region (i.e., household spending) | 147 | \$5,625,476 |
| Total Effect | | 579 | \$28,776,255 |



Appendix



Economic Development Impact

- The table below displays the full economic impact if Linamar meets all performance commitments.
- Estimated **\$34M in labor income for its 800 employees**, and approximately \$1.3M in local taxes (e.g., sales, schools, fire).

| Impact Type | Description | Employment | Labor Income |
|-----------------|--|--------------|---------------------|
| Direct Effect | Linamar jobs | 800 | \$34,880,000 |
| Indirect Effect | Income for Linamar's local suppliers (i.e., business-to-business transactions) | 410 | \$21,427,769 |
| Induced Effect | Labor income or paychecks being spent in the region (i.e., household spending) | 266 | \$10,731,874 |
| Total Effect | | 1,476 | \$67,039,644 |