

# **Economic Development Incentive Program**

**Public Hearing  
Pratt and Whitney  
November 17, 2020**



# Background and Request

## Background:

- **Announced October 22nd**, Pratt & Whitney (PW) has chosen Buncombe County for its expansion.
- Designer and manufacturer of **aircraft engines and auxiliary power** systems for commercial, military, and business aircraft.
- **Fortune 50 Employer with approximately 40K employees** and \$21B in revenue in 2019.
- Further bolsters Buncombe County as an **aerospace hub in the Southeast.**

## Request:

- Board of Commissioners approval for:
  - Economic Development Incentives for PW; and
  - Economic Development Agreement between PW and Buncombe County.



# Site Layout and Location





# Scope of Project

**Pratt and Whitney will:**

- **Construct 1M sqft facility in Biltmore Park West;**
- **Create 800 new jobs;**
- **Invest \$650.0 million in real and business personal property; and**
- **Provide an average wage of \$68K annually (\$32.69 hourly).**

**Aligns to Buncombe 2025 Strategic Plan Goals for increasing average wages and total employment.**





# Pratt & Whitney





P&W Excels at All Types of Gas Turbine Engine Propulsion



BUNCOMBE COUNTY



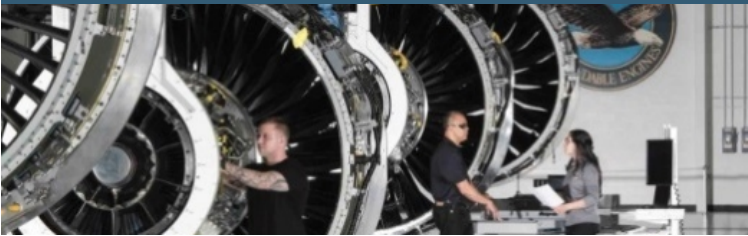
# Pratt & Whitney at a glance

## Global presence

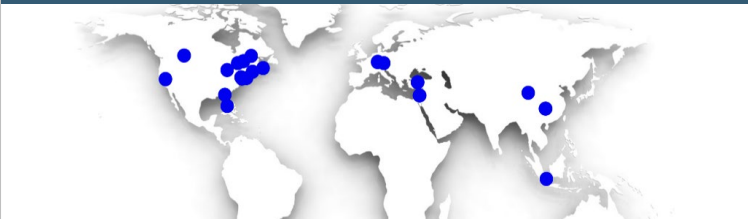
Employees worldwide



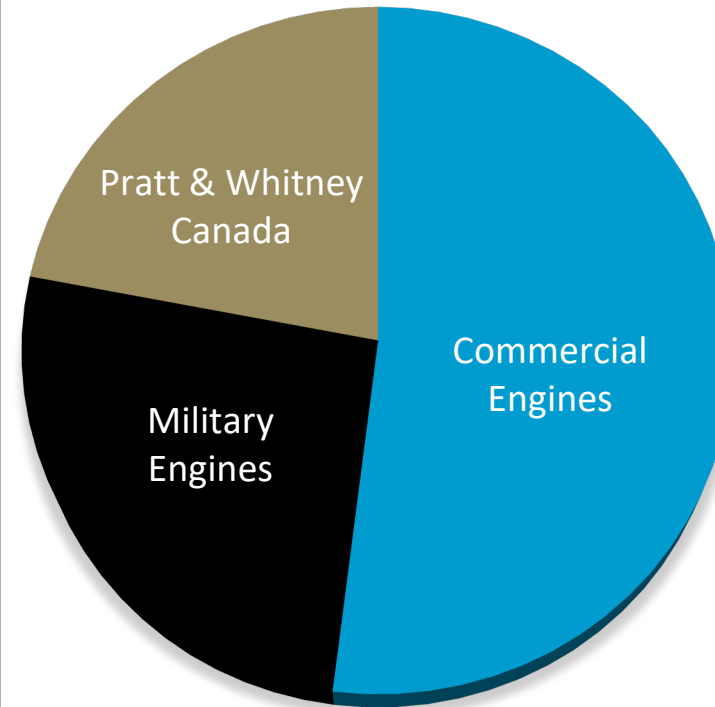
+90,000 Engines in service



Growing capacity worldwide



## Balanced portfolio



\$20.9B Sales (2019)

## Key priorities

Delivery and cost plan execution



Continued innovation



Investment discipline



BUNCOMBE COUNTY



# Environment & Sustainability

BECOMING THE BEST AEROSPACE COMPANY FOR THE WORLD

## 2020 SUSTAINABILITY GOALS

MOVING THE WORLD FORWARD



\*Improvement versus 2015 baseline, factory and service goals. 1 - Further reduce CBE exposures to 50% below OEL. No current CBE exposures above OEL. See [ehs.com](#). 2 - Limit one mistake proofing implements controls to prevent the same injury from occurring again.



Since 2006, Pratt & Whitney has tripled production while ...

Reducing  
total  
Greenhouse  
Gas  
emissions  
equivalent to

518,000  
Passenger vehicles  
driven for one year

Reducing  
total water  
usage  
equivalent to

481,000  
Individuals' water  
needs met for one year



# GTF ENGINE FAMILY

FOR LARGE COMMERCIAL AIRCRAFT  
AND REGIONAL JETS

17,000 – 33,000  
Pounds Thrust Class

16%

Improvement in  
fuel efficiency

50%

Reduction in  
regulated NOx  
emissions

75%

Reduction in  
noise footprint

GTF Technology Provides Major Benefits



# Pratt & Whitney ADVANCED Manufacturing



Investment in facilities  
for productivity

Investment in  
automated  
manufacturing

Investment in  
inspection technology  
for quality

State-of-the-Art Technology to Produce Advanced Aerospace Products



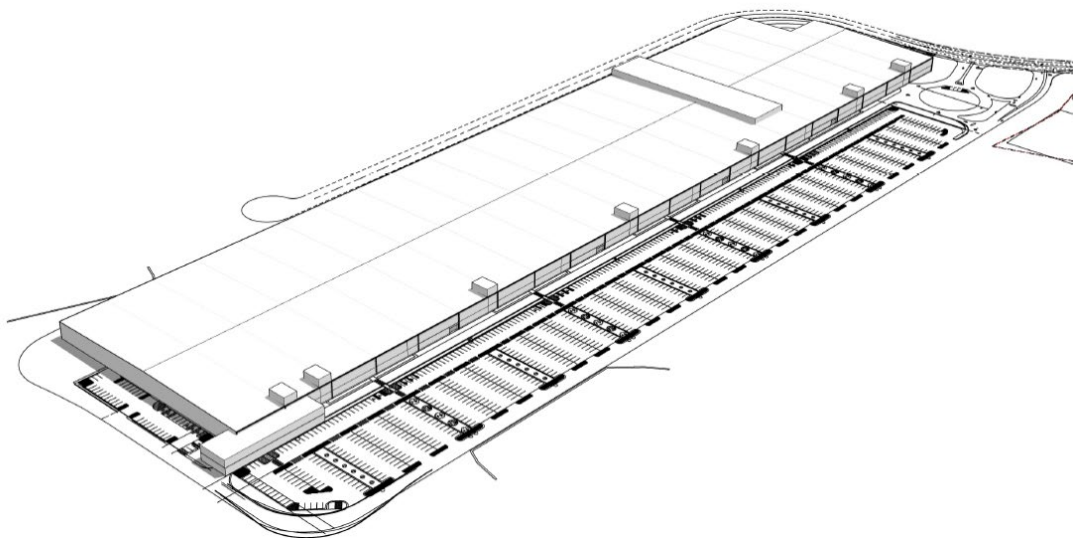
BUNCOMBE COUNTY





# Project Vision

Create a world-class turbine airfoil production facility



\$650M Total potential investment

Highly skilled workforce  
800 Total potential jobs  
\$68K Projected average wage

Highly automated processes

Lean factory

LEED Certified

2020	2021	2022	2023 & beyond
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Site preparation and building construction

Work Force Hiring

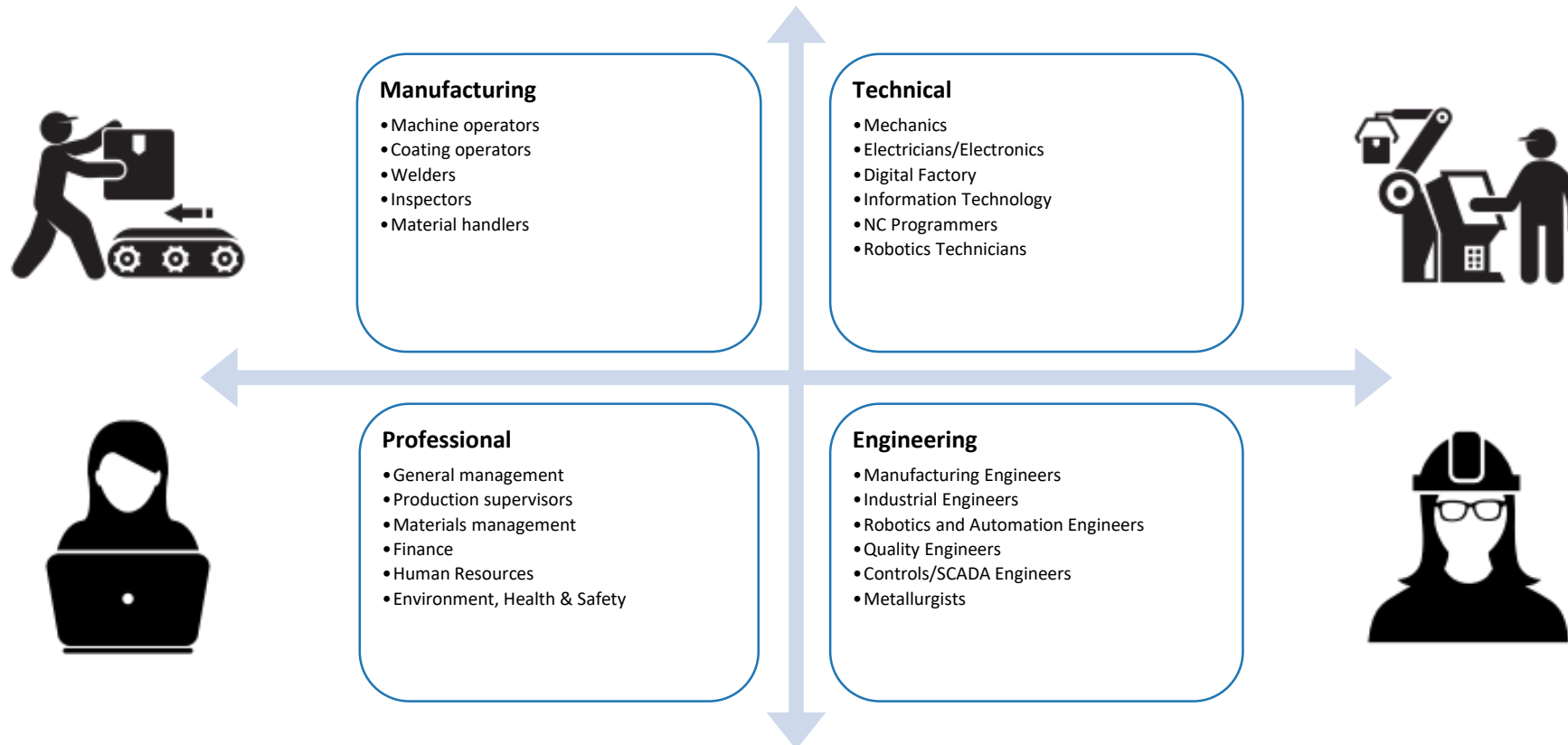
Equipment installation

Production



# Project Job Opportunities

A prepared & diverse skill set needed



A wide variety of career opportunities available



# Corporate Citizenship

## Pratt & Whitney focus areas



### INVESTING IN OUR FUTURE

#### STEM Education

Support and inspire future leaders in science, technology, engineering and mathematics

Emphasis on Post Secondary / Trade and K-12

#### Workforce of the Future

Near employment training



### INVESTING IN OUR HEROES

#### Veterans and Military Families

Empower and improve the lives of service members and their families

Emphasis on family unit support and transition from service to civilian



### INVESTING IN OUR COMMUNITIES

#### Thriving Communities

Enhance the well-being of the communities in which we live and operate

#### Employee Volunteerism

Skills-based and sponsored events





# Corporate citizenship collaborations

Key partnerships in STEM Education, Veterans & Military families, and our communities



BUNCOMBE COUNTY





GO BEYOND

# WE SUCCEED, TOGETHER

For our customers,  
our shareholders,  
and each other.

## 2020 Priorities\*

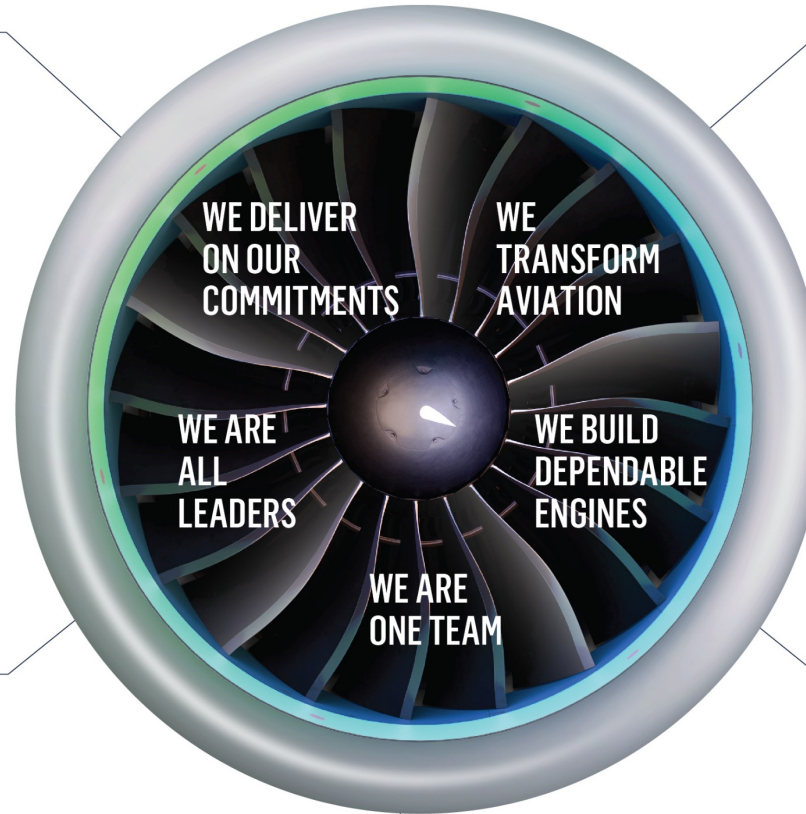
Fulfill commitments

Assess long-term implications

Transform the business & strengthen our future

## Purpose

We connect people.  
We grow economies.  
We defend freedom.



## Leadership Operating Model

Behaviors

Fundamentals

## Operating System

ACE

IPD/IPMTs

## Our Values

Safety  
Trust

Integrity  
Respect

Innovation  
Excellence

\*Updated May 2020, due to the impacts of COVID-19 on our business.



**GO BEYOND**



**BUNCOMBE COUNTY**





# Economic Development Agreement



# Economic Development Incentive

- **Incentive Structure:**
  - **Total Incentives:** \$27M
    - Annual Incentive: not to exceed \$2.6M
  - **Term:** 14 years (10 year creation + 4 year retention)
  - **Performance Incentive:** \$1M bonus (included in \$27M) for achieving expanded commitments.
  - **Payout Structure:** pay-for-performance (pro rata) based on actual job, investment, and average wage schedule.



# Performance Incentive

- To incentivize P&W to make an additional Direct Investment of \$120,000,000 and to create an additional fifty (50) Full-Time Project Related Jobs paying \$68K
- The County commits to, and shall, pay P&W additional \$1M incentive
  - \$500,000 for achievement of the Bonus Direct Investment Milestone,
  - \$400,000 for achievement of the Bonus Job Milestone, and
  - \$100,000 for achievement of the Bonus Wage Objective.
- Incentive is payable upon achieving the increase milestone.



# Investment, Job and Incentive Schedule

Calendar Year*	Payout Year (Dec)	Total Incentive	Direct Investment ** (Cumulative)	Jobs ** (Cumulative)
2020	2021	\$2,600,000	\$0	0
2021	2022	\$2,600,000	\$72,000,000	0
2022	2023	\$2,600,000	\$332,000,000	250
2023	2024	\$2,600,000	\$387,000,000	350
2024	2025	\$2,600,000	\$432,000,000	500
2025	2026	\$2,600,000	\$467,000,000	550
2026	2027	\$2,600,000	\$487,000,000	600
2027	2028	\$2,600,000	\$505,000,000	650
2028	2029	\$2,600,000	\$520,000,000	700
2029	2030	\$1,300,000	\$530,000,000	750
<b>Retention Period</b>				
2030	2031	\$600,000	\$371,000,000	525
2031	2032	\$300,000	\$371,000,000	525
2032	2033	\$300,000	\$371,000,000	525
2033	2034	\$100,000	\$371,000,000	525

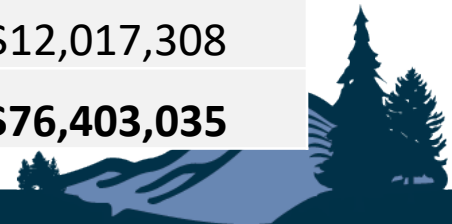
Note: \*This is the year when the creation activity occurs (e.g., Jan 1 – Dec 31) prior to the assessment date. \*\* As reported on Jan 1 following the Calendar Year.



# Economic Development Impact

- Creation of **800 jobs** and **\$650M** in investment.
- **Incentives cash-flow by year 3** and breakeven within 12 years depending on economic conditions.
- **One-time construction impacts** of 676 jobs and \$35M in labor income.
- **Labor impact of ~\$54M** (see EDC Economic Impact Analysis below).

Impact Type	Description	Employment	Labor Income
Direct Effect	Direct employer jobs	800	\$54,752,000
Indirect Effect	Income for local suppliers (i.e., business-to-business transactions)	183	\$9,633,727
Induced Effect	Labor income or paychecks being spent in the region (i.e., household spending)	281	\$12,017,308
Total		1,264	\$76,403,035





# Job Incentive and Average Wage

- Based on PW's job creation plans, **800 out of the 800 proposed jobs qualify for the jobs incentive** in the Buncombe County Economic Development Incentive Policy (greater than \$20.90 per hour, or \$43,472 per year).
- **All 800 jobs exceed the 2020 “living wage”** published by Just Economics (greater than \$15.50 per hour, or \$32,240 per year) for a full-time living-wage employee without health insurance.



# Wage Schedule (Illustrative)

Position Description	Jobs	Annual Wage	Hourly Wage 1	Living Wage (\$14.00)	Incentive Eligible? (\$20.90)	Exceed Median HHI (\$50,668)	Exceeds Per Capita Income (\$31,439)
Machine Operator	396	\$ 55,000.00	\$30.21	Y	Y	Y	Y
Welder	6	\$ 55,000.00	\$30.21	Y	Y	Y	Y
Quality Inspector	83	\$ 55,000.00	\$30.21	Y	Y	Y	Y
NDT Inspector	15	\$ 55,000.00	\$30.21	Y	Y	Y	Y
Machine Repair Tech	33	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Shipping and Receiving	44	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Facilities Maintenance	4	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Receptionist/Admin	1	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Quality Technicians (MCL/Layout)	8	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Tool Room/Development Operations	10	\$ 75,000.00	\$41.20	Y	Y	Y	Y
Manufacturing Engineer	30	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Design Engineering	30	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Industrial Engineer	6	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Quality Engineer	15	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Quality Manager/Supervisor	12	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Operations Management	41	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Human Resources	3	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Finance Controller/Analyst	3	\$ 112,000.00	\$61.50	Y	Y	Y	Y
EH&S Professional	3	\$ 112,000.00	\$61.50	Y	Y	Y	Y
Facilities/ Maintenance Manager/ Supervisor	7	\$ 112,000.00	\$61.50	Y	Y	Y	Y

**Notes:**

Household income includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one person, average household income is usually less than average family income. Source is the Census American Community Survey.

Per capita income is the mean income computed for every man, woman, and child in a particular group including those living in group quarters. It is derived by dividing the aggregate income of a particular group by the total population in that group. Source is the Census American Community Survey.



# Partnership

- **Joint economic development effort between:**
  - **North Carolina Department of Commerce:** economic development incentives
  - **A-B Tech:** customized training and training center
  - **Golden Leaf Foundation:** bridge infrastructure
  - **Biltmore Farms:** land grant
  - **Economic Development Coalition (EDC):** project management
  - **Community Betterment Foundation (CBF):** grant administration
  - **Buncombe County:** economic development incentives



# Request for Board Action

- Board of Commissioners approval for:
  - Economic Development Incentives for PW; and
  - Economic Development Agreement between PW and Buncombe County.





# Appendix



# Site Location





# Geared Turbofan (GTF) Engine

## GTF ENGINE FAMILY

FOR LARGE COMMERCIAL AIRCRAFT  
AND REGIONAL JETS

17,000 – 33,000  
Pounds Thrust Class

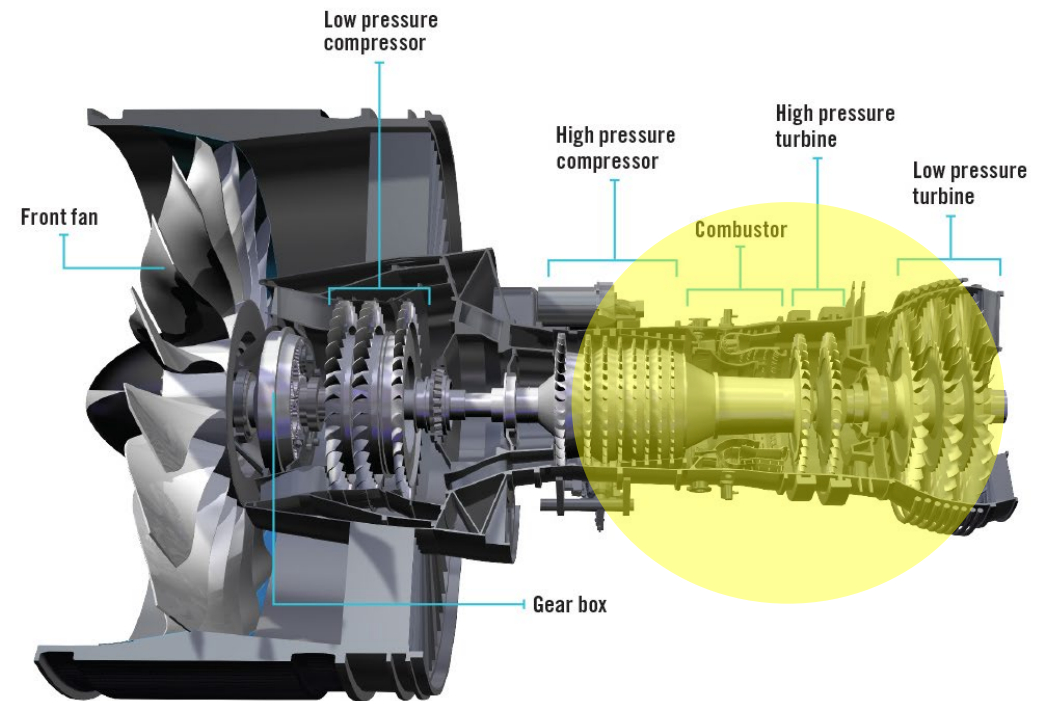
**16%** Improvement in  
fuel efficiency

**50%** Reduction in  
regulated NOx  
emissions

**75%** Reduction in  
noise footprint

## Pratt & Whitney geared turbofan

A geared turbofan engine has a gearbox between the front fan and the shaft to the engine core, so that the speed of the front fan can be decoupled from the speed of the core. This way, the engine can safely drive a larger fan and push a larger volume of air, while the low-pressure compressor and turbine blades spin faster, boosting fuel efficiency.





# Project Impacts



- SUPPORTS **1,264** TOTAL DIRECT, INDIRECT, INDUCED JOBS
- **\$74M** IN NEW PAYROLL
- ANNUAL TAX IMPACTS: **\$2.5M** LOCAL | **\$6.1M** NC | **\$23M** US



- **\$650M** TOTAL INVESTMENT



- **CONSTRUCTION SUPPORTS 1,029** TOTAL DIRECT, INDIRECT, INDUCED JOBS
- **\$53M** IN NEW PAYROLL
- 1-TIME TAX IMPACTS: **\$1.3M** LOCAL | **\$2.8M** NC | **\$9.7M** US



# Project Impacts

	<ul style="list-style-type: none"><li>• <b>\$5M</b> A-B TECH TRAINING FACILITY</li><li>• <b>10 YEAR \$2.6M</b> CUSTOM TRAINING COMMITMENT</li></ul>
	<ul style="list-style-type: none"><li>• <b>TBD</b> MANUFACTURING EMPLOYMENT GROWTH, REGIONAL GRP GROWTH, SUPPLIER AND RELATED INDUSTRY LOCATIONS</li></ul>
	<ul style="list-style-type: none"><li>• <b>TBD</b> IMPACTS IN CORPORATE PHILANTHROPY, HIRING PRACTICES &amp; BENEFITS, HOME OWNERSHIP, ECONOMIC MOBILITY, GLOBAL COMPETITIVENESS</li></ul>

