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

Biltmore Park

Blue Ridge Parkway

I-26

French Broad River

Borg Warner Turbo

(Approximate) Pratt & Whitney Site 190 acres

GLF / Biltmore Farms Funded Bridge

NC Arboretum
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
Pratt & Whitney at a glance

Global presence
- Employees worldwide
- +90,000 Engines in service
- Growing capacity worldwide

Balanced portfolio
- Pratt & Whitney Canada
- Military Engines
- Commercial Engines
- $20.9B Sales (2019)

Key priorities
- Delivery and cost plan execution
- Continued innovation
- Investment discipline

Photo: U.S. Air Force
BECOMING THE BEST AEROSPACE COMPANY FOR THE WORLD

Environment & Sustainability

2020 GOALS

MOVING THE WORLD FORWARD

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.

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

<table>
<thead>
<tr>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023 &amp; beyond</th>
</tr>
</thead>
</table>

- Site preparation and building construction
- Work Force Hiring
- Equipment installation
- Production
Project Job Opportunities

A prepared & diverse skill set needed

- **Manufacturing**
  - Machine operators
  - Coating operators
  - Welders
  - Inspectors
  - Material handlers

- **Technical**
  - Mechanics
  - Electricians/Electronics
  - Digital Factory
  - Information Technology
  - NC Programmers
  - Robotics Technicians

- **Professional**
  - General management
  - Production supervisors
  - Materials management
  - Finance
  - Human Resources
  - Environment, Health & Safety

- **Engineering**
  - Manufacturing Engineers
  - Industrial Engineers
  - Robotics and Automation Engineers
  - Quality Engineers
  - Controls/SCADA Engineers
  - Metallurgists

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
WE SUCCEED, TOGETHER

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
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

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

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).

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

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

**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.
Site Location
Geared Turbofan (GTF) Engine

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.

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
## Project Impacts

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPORTS</td>
<td><strong>1,264</strong> TOTAL DIRECT, INDIRECT, INDUCED JOBS</td>
</tr>
<tr>
<td></td>
<td><strong>$74M</strong> IN NEW PAYROLL</td>
</tr>
<tr>
<td></td>
<td>ANNUAL TAX IMPACTS: <strong>$2.5M</strong> LOCAL</td>
</tr>
<tr>
<td>TOTAL INVESTMENT</td>
<td><strong>$650M</strong></td>
</tr>
<tr>
<td>CONSTRUCTION SUPPORTS</td>
<td><strong>1,029</strong> TOTAL DIRECT, INDIRECT, INDUCED JOBS</td>
</tr>
<tr>
<td></td>
<td><strong>$53M</strong> IN NEW PAYROLL</td>
</tr>
<tr>
<td></td>
<td>1-TIME TAX IMPACTS: <strong>$1.3M</strong> LOCAL</td>
</tr>
</tbody>
</table>
## Project Impacts

<table>
<thead>
<tr>
<th>Impact Area</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$5M A-B TECH TRAINING FACILITY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>10 YEAR $2.6M CUSTOM TRAINING COMMITMENT</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TBD MANUFACTURING EMPLOYMENT GROWTH, REGIONAL</strong></td>
<td><strong>GRP GROWTH, SUPPLIER AND RELATED INDUSTRY LOCATIONS</strong></td>
</tr>
<tr>
<td><strong>TBD IMPACTS IN CORPORATE PHILANTHROPY, HIRING</strong></td>
<td><strong>PRACTICES &amp; BENEFITS, HOME OWNERSHIP, ECONOMIC MOBILITY, GLOBAL</strong></td>
</tr>
</tbody>
</table>