Economic Development Incentive Program

Public Hearing
East Fork Pottery, LLC
July 13, 2021
Background and Request

Background:
• Announced June 2021, East Fork Pottery, LLC (East Fork) has chosen Buncombe County for its expansion.
• East Fork is a leading manufacturer and distributor of ceramic dishware.
• Asheville plant employs 100 and seeks to expand its operations.

Request:
• Board of Commissioners approval for:
  • Resolution authorizing Buncombe County to pay economic development incentives and to sign the economic development agreement including modifications to Facility location.
  • Resolution authorizing Buncombe County to Cooperate with East Fork Pottery, LLC and participate in the NC Department of Commerce Building Reuse Grant Program including modifications to Facility location.
Site Locations

Multiple locations:
• 2 manufacturing facilities (531 Short McDowell Street, 144 Caribou Road)
• 1 retail facility (15 W Walnut Street).

15 W Walnut Street (retail)
531 Short McDowell Street (manufacturing)
144 Caribou Road (manufacturing)
Scope of Project

East Fork will:

• Invest in the existing Asheville Plant;
• Retain 100 jobs and add 50 jobs;
• Invest $2.38 million in real and business personal property; and
• Provide an average wage of $46.7K annually ($22.46 hourly).
• Hire from disadvantaged populations (e.g., STEP Program, justice-involved individuals).

Aligns to Buncombe 2025 Strategic Plan Goals for increasing average wages, total employment, and equity.
EAST FORK
EAST FORK makes and sells plates, bowls, mugs, and more to use daily and love for a lifetime.

Amidst the shuttering of almost every major dinnerware manufacturer across the US, and the shifting consumer landscape, East Fork leads a new wave of brand-led American manufacturing.
East Fork—or the earliest iteration of it—was founded in 2009 by Alex Matisse, the great grandson of Henri Matisse, on an old tobacco farm outside Asheville, North Carolina. He built a large, wood-burning kiln and started making pots in the tradition of his teachers. The work was deeply rooted in the Southeast’s longstanding ceramic tradition.
In 2015 we saw an opportunity to take what we learned through our years of training and adapt it to speak to a new, younger, and more urban audience.

Key Achievements and Metrics:

- 3 Year CAGR of 109%
- 2020 Revenue 2x 2019
- 2 stores - Asheville and Atlanta
- 100 Employees
Instead of surviving the last 12 months, East Fork has thrived, guided by our lived commitment to our core values:

Sincerity, Accountability, Compassion, Adaptive Tenacity, and Equity
2020/2021 Achievements:

- Maintained all staff on payroll for 2 months during our shutdown and stay-at-home order.

- Increased our company wide minimum wage to $20 and hour.

- Raised $381K through raffles and fundraisers to donate to local nonprofits doing work to support especially vulnerable populations in the face of the pandemic

- B Corp and Carbon Neutral certified
Current Expansion:

- Capacity increase to 1M units/year, making East Fork one of the largest dinnerware manufacturers in the country.

- Automated equipment will 3x our output creating high wage manufacturing jobs.

- Utilizes some of the most advanced dinnerware forming technology in the world.

- New facility and equipment will be fully commissioned and operational by Q1 2022.
Hiring -

- No Resumes
- Community Partners
- Continued focus on inclusivity
Building Re-Use Grant
Building Reuse Grant - Overview

• The Building Reuse Program is administered by the Rural Division of the North Carolina Department of Commerce.

• **Purpose:**
  1. Renovate vacant buildings,
  2. Renovate or expand existing facilities, and
  3. Renovate, expand or construct health care entities that will create new, full time jobs.

• **Company Investment:** State will fund no more than 50% of the total direct investment project.

• **State Incentive:**
  • Driven by number of new jobs created.
  • Must meet job creation commitments within 18 months and maintain the jobs for 6 months after creation.
  • Requires a local government match and local responsibility in the event of “clawback”.
Building Reuse Grant – County Considerations

- **Local Match:** Local government must provide a 5% match to access the State incentive funds.

- **Risk Mitigation:**
  - Building reuse grants can only be claimed after actual expenditures have occurred and Buncombe County requests a drawdown.
  - Agreement between Buncombe County and East Fork requires that grants/incentives will be withheld until project completion in order to eliminate "clawback".
  - Schedule of investment, hiring and grant drawdown are presented below.

<table>
<thead>
<tr>
<th>Confirmation Date</th>
<th>Disbursement Date</th>
<th>Job Commitment</th>
<th>Investment Commitment</th>
<th>State Grant Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 30, 2022</td>
<td>June 30, 2022</td>
<td>30</td>
<td>$1,000,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>April 30, 2023</td>
<td>June 30, 2023</td>
<td>20</td>
<td>$1,386,000</td>
<td>$150,000</td>
</tr>
</tbody>
</table>
Economic Development Agreement
Economic Development Incentive

• Incentive Structure:
  • Total Incentives: $40K
    • Building Re-use Grant Match: $15K
    • Hiring Incentive: $25K
      • May only be earned if East Fork demonstrates its ability to hire from a disadvantaged population as defined in the Buncombe County Economic Development Policy (e.g., STEP Program, justice-involved individuals).
  • Incentive payout after performance commitments are met
  • No incentive for 100 retained jobs
• Term: 4 years (2 year creation + 2 year retention)
• Payout Structure: pay-for-performance (pro rata) based on actual job and investment schedule.
## Investment, Job and Incentive Schedule

<table>
<thead>
<tr>
<th>Confirmation Date</th>
<th>Disbursement Date</th>
<th>Job Commitment</th>
<th>Investment Commitment</th>
<th>Buncombe County Grant Amount</th>
<th>Buncombe County Hiring Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 30, 2022</td>
<td>June 30, 2022</td>
<td>30</td>
<td>$1,000,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>April 30, 2023</td>
<td>June 30, 2023</td>
<td>20</td>
<td>$1,386,000</td>
<td>$15,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
Economic Development Impact

• Creation of **50 jobs and $2.38M in investment.**

• **No incentives paid out until year 2 and breakeven within 5 years depending on economic conditions.**

• Labor impact of ~$3.9M (see EDC Economic Impact Analysis below).

<table>
<thead>
<tr>
<th>Impact</th>
<th>Employment</th>
<th>Labor Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>50</td>
<td>$2,335,840</td>
</tr>
<tr>
<td>Indirect</td>
<td>18</td>
<td>$965,984</td>
</tr>
<tr>
<td>Induced</td>
<td>14</td>
<td>$611,565</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td><strong>$3,913,389</strong></td>
</tr>
</tbody>
</table>

**Impact Employment Labor Income**

- **Direct employer jobs**: 50, $2,335,840
- **Income for local suppliers (i.e., business-to-business transactions)**: 18, $965,984
- **Labor income or paychecks being spent in the region (i.e., household spending)**: 14, $611,565
- **Total**: 82, $3,913,389
Request for Board Action

• Board of Commissioners approval for:
  • Resolution authorizing Buncombe County to pay economic development incentives and to sign the economic development agreement including modifications to Facility location.
  • Resolution authorizing Buncombe County to Cooperate with East Fork Pottery, LLC and participate in the NC Department of Commerce Building Reuse Grant Program including modifications to Facility location.
Appendix
# Proposed Job Classification

<table>
<thead>
<tr>
<th>Position Description</th>
<th>Jobs</th>
<th>Annual Wage</th>
<th>Hourly Wage(^1)</th>
<th>Living Wage ($15.80)(^2)</th>
<th>Incentive Eligible? ($20.90)</th>
<th>Exceed Median HHI ($50,668)(^3)</th>
<th>Exceeds Per Capita Income ($31,439)(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin</td>
<td>6</td>
<td>$62,504.00</td>
<td>$30.05</td>
<td>Y</td>
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<tr>
<td>Direct Manufacturing</td>
<td>15</td>
<td>$41,891.20</td>
<td>$20.14</td>
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<td>N</td>
<td>N</td>
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<tr>
<td>Indirect Manufacturing</td>
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<td>$44,449.60</td>
<td>$21.37</td>
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<td>Marketing</td>
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<td>$56,430.40</td>
<td>$27.13</td>
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<td>Y</td>
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<tr>
<td>Sales</td>
<td>20</td>
<td>$43,638.40</td>
<td>$20.98</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
</tbody>
</table>

Notes:
1. Based on 2080 annual hours.
2. Based on Just Economics 2021 living wage with health insurance benefits. Without Health Insurance benefits equals $17.30.
3. 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.
4. 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.