

Item Title: Public Hearing and Consideration of Business Development Grant Agreement for Arch Capital Services

Specific Action Requested:

That the Board of Commissioners holds a public hearing and approves a Business Development Grant Agreement with Arch Capital Services Inc., subject to the terms and conditions acceptable to the County Attorney.

Item Summary:

Purpose: Pursuant to State law, counties are authorized to expend funds for purposes of locating industrial and commercial facilities in the County, including offering business development grants. The Board of Commissioners approves all business development grant agreements.

Background: On July 24, 2018, Arch Capital Group Ltd. announced it will open an operational hub in Wake County, creating 365 jobs by the end of 2022 and an estimated \$12.9 million in new investment. Arch Capital Group Ltd., through its wholly owned subsidiaries, writes insurance, reinsurance and mortgage insurance on a worldwide basis through its operations in Bermuda, the United States, Canada, Europe, Australia and South Africa with a focus on specialty lines. This project will bring several operational functions supporting Arch's long-term growth to Wake County. The company has approximately \$12 billion in capital, \$32 billion in assets, employs 3,100 globally and is financially sound with A+ ratings from S&P, A.M. Best Company, Fitch and an A2 rating from Moody's. The estimated average salary of new jobs created in Wake County will be \$103,386.

Economic development grant partners:

- NC Department of Commerce JDIG program
- Wake County Economic Development
- City of Raleigh
- North Carolina Community College System
- Capital Area Workforce Development Board

Board Goal: This action supports Objective ES1: Support Wake County Economic Development's efforts to bring targeted jobs and businesses to Wake County.

Fiscal Impact: The County agrees to an economic development grant of 35% of new tax growth over 5 years totaling an estimated \$147,730.

Additional Information:

On June 18, 2018, the Wake County Board of Commissioners met in closed session and authorized the County Manager to negotiate a business development grant agreement for the project relocation.

Arch Capital Services Inc., a subsidiary of Arch Capital Group Ltd., qualifies for a grant consistent with the state match provision of the Wake County Business Development Grant Policy. In order to receive grant payment from the County, Arch Capital Services Inc. must meet performance criteria as outlined in the County's agreement. These performance criteria include:

1. New investment (> \$5 million)
2. New job creation (at least 25 new jobs with average wages of 100% of Wake County's average wage)
3. Payment of property taxes

Based on the draft contract, Arch Capital Services would receive their first grant payment upon submittal of appropriate documentation to the Wake County Revenue Collector. The first payments would likely be for tax year 2019 when the new investment exceeded \$11,610,000 million and all other terms of the agreement were met. The following chart is for illustration purposes only. The actual business development grant annual amount will be based on new annual assessed valuations as determined by the Wake County Revenue Director. The draft contract with Arch Capital Services is developed similar to prior Business Development Grant Agreements that provide a grant for projects requiring a state match.

<u>Tax Year</u>	TOTAL NEW ASSESSED VALUE <i>(Estimate)</i>	WAKE COUNTY TAX <i>0.006544 (May change)</i>	INCENTIVE PERCENTAGE	GRANT AMOUNT <i>(Estimate)</i>
-				
1	\$ 12,900,000	\$ 84,418	35%	\$ 29,546
2	\$ 12,900,000	\$ 84,418	35%	\$ 29,546
3	\$ 12,900,000	\$ 84,418	35%	\$ 29,546
4	\$ 12,900,000	\$ 84,418	35%	\$ 29,546
5	\$ 12,900,000	\$ 84,418	35%	\$ 29,546
Total		\$ 422,090		\$ 147,730

Arch Capital Services was awarded a \$5.1 million Grant from the State of North Carolina and an incentive from the municipality they locate in.

Attachments:

1. Wake County/Arch Capital Services Business Development Grant Agreement
2. Wake County Business Development Grant Policy (Amended May 2, 2016)