

Item Title: Public Hearing and Consideration of Business Development Grant Agreement for Schmalz, Inc.

Specific Action Requested:

That the Board of Commissioners holds a public hearing and approves a Business Development Grant Agreement with Schmalz, 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.

Background: On August 28, 2019, Schmalz, Inc. announced it will expand its advanced manufacturing facility in Wake County and create 62 new jobs with an average salary of \$69,242 by the end of 2024 and an estimated \$10.5 million in new investment. Schmalz, Inc. has been in the Raleigh, NC area since 1999 as a start-up company funded by its German parent company. Schmalz, Inc. is a privately held company in the Factory and Warehouse Robotics Automation space (Advanced Manufacturing). The company has grown steadily, and since 2009 has experienced an annual growth rate of 24% (2010-2018). In 2016, the company built their first facility in the United States (US) at their current location in North Raleigh. The company is building a North American Hub to service sister companies in Canada and Mexico, as well as accommodate organic growth.

Partners in this Grant Agreement:

- 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 \$132,425. The first annual reimbursement is expected to be requested in FY 2023. Funds would be generated from property tax base growth, and the incentive would be budgeted and paid back to Schmalz, Inc. through the Economic Development within the County Capital Fund.

Additional Information:

On June 17, 2019, 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.

Schmalz, Inc. qualifies for a grant consistent with the Targeted Growth Tier of the Wake County Business Development Grant Policy. In order to receive grant payment from the County, in each Grant Year, Schmalz, Inc. must meet performance criteria as outlined in the County's agreement. These performance criteria include:

1. Completed New investment (> \$2 million)
2. New job creation (at least 20 new jobs with average wages of 100% of Wake County's living wage)
3. Payment in full of Wake County property taxes for all previous and current years in which taxes are owed

Based on the draft contract, Schmalz, Inc. would receive their first grant payment upon submittal of appropriate documentation to the Wake County Tax Administrator. The first payments would likely be for tax year 2022 when the new investment exceeds \$10.5 million and all other terms of the agreement are 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 Tax Administrator. The draft contract with Schmalz, Inc. is developed similar to prior Business Development Grant Agreements that provide a grant for projects in the Targeted Growth Area Tier.

<u>Tax Year</u>	TOTAL NEW ASSESSED VALUE <i>(Estimate)</i>	WAKE COUNTY TAX <i>0.007207 (May change)</i>	INCENTIVE PERCENTAGE	GRANT AMOUNT <i>(Estimate)</i>
-				
1	\$ 10,500,000	\$ 75,643	35%	\$ 26,485
2	\$ 10,500,000	\$ 75,643	35%	\$ 26,485
3	\$ 10,500,000	\$ 75,643	35%	\$ 26,485
4	\$ 10,500,000	\$ 75,643	35%	\$ 26,485
5	\$ 10,500,000	\$ 75,643	35%	\$ 26,485
Total		\$ 378,215		\$ 132,425

Schmalz was awarded an incentive from the City of Raleigh.

Attachments:

1. Presentation
2. Wake County/Schmalz, Inc. Business Development Grant Agreement
3. Wake County Business Development Grant Policy (Amended October 1, 2018)