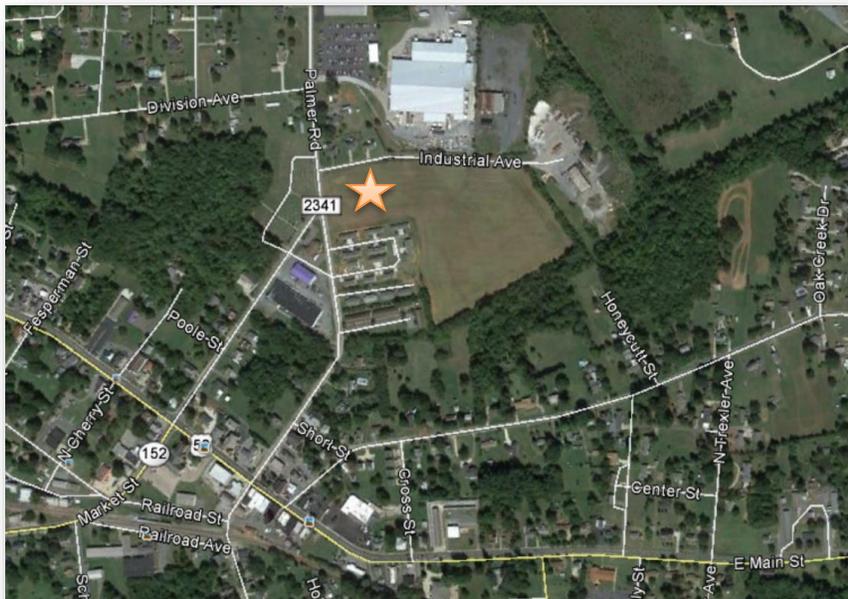




**ECONOMIC
IMPACT
SUMMARY**

**SUMMARY OF PROPOSED EXPANSION OF
FILLTECH USA IN ROWAN COUNTY, NC**



Submitted by:
RowanWorks, Economic Development

September 9, 2016

The Honorable Gregory C. Edds
Rowan County Board of Commissioners
130 West Innes Street
Salisbury, NC 28144

Re: Summary of Proposed Expansion of FillTech USA. in Rowan County, NC

Dear Chairman Edds and County Commissioners:

On behalf of your Economic Development Commission, please allow me to present to you this summary of the proposed expansion of FillTech USA in Rowan County.

We are optimistic that, with your support, this project will reach a successful conclusion, creating new employment and expanding the nonresidential tax base in Rowan County. This document addresses the primary drivers and impacts of the project, and is designed to provide you the information necessary to consider their request for assistance.

We sincerely hope that you find this document a useful resource as you consider this matter. We have expended substantial efforts to gather as much information as possible regarding the potential impacts this project could have on our County and its citizens. In order to accomplish this, we have relied on a variety of public and private sector partners. At this time, we would like to thank:

- Dennis Jones, Chairman & Chief Executive Officer, FillTech USA
- Cookie Jones, Co-Founder & President, FillTech USA
- Scott Shelton, Project Manager, RowanWorks, Economic Development

In the preparation of this document, we have strived to utilize factual data and realistic projections extrapolated from the best information available. It is our intent that this document serve as a resource for you as you deliberate potential actions.

Please do not hesitate to contact our offices with any questions you may have regarding this matter. We look forward to your feedback.

Sincerely,



Robert M. Van Geons
Executive Director

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1. Project Description and History

About The Company

FillTech USA (FillTech) was originally known as a small, local manufacturer that specialized in lip balms. Since its founding in 1995, the Company has operated a manufacturing facility on West Main Street in Rockwell.



FillTech nearly became one of the countless victims of the Great Recession. In 2008, the Company was struggling and nearly closed its doors when it was then purchased by Dennis and Cookie Jones.

Under the leadership of Mr. and Mrs. Jones, FillTech soon modernized its manufacturing process, acquired several new clients and greatly expanded its product line. FillTech is now a thriving company whose primary focus is turn-key, private label product development and manufacturing. The Company now provides items such as high quality lip balms, sunscreens, hand sanitizers and other personal care products for leading retailers such as Food Lion, Walmart, Dollar Tree, CVS, and Walgreens.



When first purchased by Mr. and Mrs. Jones, FillTech only employed 12 people through a temporary staffing service. Today FillTech has 37 full time employees, each of whom participates in a profit sharing plan so that they can share in the success and growth of the Company.

Proposed Project

For much of FillTech’s history, the Company operated out a single 5,000 square foot building. Today, FillTech occupies more than 35,000 square feet of space, spread over multiple buildings along West Main Street in Rockwell. In order to meet the growing demand for their products, the Company has explored purchasing several vacant lots throughout the region for a new production facility.



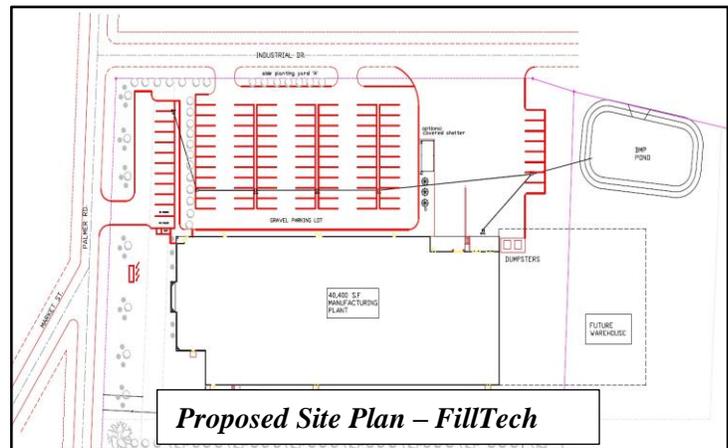
Proposed Location of New Facility

After careful consideration, FillTech has made an offer to purchase approximately 3.7+/- acres of land at the intersection of Palmer Road and Industrial Drive in Rockwell. Once the land is acquired, the Company would construct a new, 40,000 square foot production facility. FillTech estimates it will invest approximately \$4 million dollars in construction

and equipment for this proposed project. The Company plans to create 23 new jobs over the next 2 to 3 years. The average starting salary for these new jobs will be approximately \$21,224.

2. Regulatory Approval Process

The proposed project will require permitting through the Town of Rockwell for zoning compliance as well as erosion and sedimentation control. FillTech will work with the Town of Rockwell and Rowan County Building Inspections to navigate the appropriate review and permitting process. There are no components of the proposed project that appear outside the normal scope of operations for this type of facility.



3. Requested Assistance

This expansion would add 23 new jobs with an average starting salary of \$21,224. The proposed facility will increase the County tax base by approximately \$4 million dollars and provide approximately \$265,000 dollars in increased tax revenue for Rowan County over a ten-year period.

The Company is asking for assistance that deviates from the standard inducements offered in the “Rowan County Investment Grant Program.”

FillTech is requesting three years of grant assistance at a rate of seventy-five percent (75%) of the real and personal property tax revenue anticipated to be generated by the project. While the estimated assessed and induced investment does not meet the normal criteria for a “Level 1” grant under your adopted incentive policy, the Rowan County Board of Commissioners has previously considered and approved grants for smaller existing industry projects with alternative arrangements, based on the nature of the specific project. Approval of this request would also be consistent with the County’s longstanding goal of providing support to existing industry. We respectfully request that the Board of Commissioners consider approving this request based the project’s potential impact on our community.

4. Model of County Revenue – 10-Year Horizon

Revenue Calculations

In order to illustrate the revenue impact of this potential project on our community, we have projected revenue returns for a 10-year study period through 2026.

The Company expects that the majority of construction, equipment installation, and infrastructure improvements will be complete by December 31, 2017.

Summary of Findings

The evolving nature of County tax rates, assessed value of the installed equipment, and construction timelines require certain assumptions in order to develop a functioning model. To establish a baseline, the following constants were applied:

- The County tax rate is fixed at the current rate of .6625.
- \$4 million of new equipment and construction occurs prior to December 31, 2017.
- The project is complete by December 31, 2017

In application, it is unlikely that all assumptions will hold constant. The model provides general trends of expected revenues and expenditures.

Incorporating the above framework, the following outcomes are projected:

- During each year of the proposed 3-year incentive agreement, the proposed facility would generate \$26,500 of new revenue annually for Rowan County. The County would provide an incentive grant of approximately \$19,875. Rowan County would retain \$6,625.
- During the three incentivized years, Rowan County would collect \$79,500 in revenue and provide incentive grants totaling \$59,625. The County would retain \$19,875 of revenue during the incentive term.
- Modeled with a 10-year horizon, Rowan County would stand to collect an estimated \$265,000, disburse an estimated \$59,625 in grants and retain an estimated \$205,375 of new revenue.

5. Closing

This project appears to have a lengthy list of positive attributes and no apparent liabilities. FillTech currently employs 37 people and will create 23 new jobs within three years at the new facility. The Company plans to invest approximately \$4 million dollars through its proposed facility. This expansion should generate approximately \$205,375 in new revenue for Rowan County over a ten-year period. By assisting this longstanding company with its proposed relocation and expansion, we are confident that the existing, mutually beneficial relationship will grow and prosper.



We have the opportunity to actively support a company that has a long and valued relationship with our community. If approved, news of this project will resonate positively with companies connected to these operations, both locally and beyond. Highlighting successful public-private partnerships, especially in these difficult economic times, will increase Rowan County's reputation as a business friendly community.

On behalf of the staff of your Economic Development Commission, we look forward to providing you any additional information requested, or meeting with you personally to discuss these findings in detail. We hope that you have found this information useful as you consider this matter.

7. Appendix

- Legal Description of Property
- Draft Incentive Agreement

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

For the purposes of this Agreement, the property of Rowan County, located at 0 Palmer Road, Rockwell, NC 28138 shall further be described as follows:

Rowan County

<i>Parcel ID</i>	<i>Size</i>	<i>Address</i>
365 074	<u>3.72</u>	0 Palmer Road

Total Acreage 3.72

Rowan County GIS



Parcel Information (Based on Most Recent Tax Information Available)

Parcel ID: 365 074
WILLIAM C MISENHEIMER
1868 WILLIAMS ROAD
FORT MILL, SC 29715-7039

Property Address:
0 Palmer Road
Legal Description:
3.72 AC
Acreage: 3.72 acres
Deed Book: 856 **Pg:** 659
Deed Year: 1999

Year Sold: 1999	Sale Inst.: WD
Sale Amt.:	\$0
Land FMV:	\$45,538
Assessed Land Value:	\$45,538
Building Value:	\$0
Total Assessed Value:	\$45,538

METES AND BOUNDS OF PROPERTY

(as described in Deed Book # 856, Page Number 659)

BEGINNING at a new iron in Dr. J. A. Oliver's Western line, said iron being North 05 deg. 28 min. 01 sec. East 323.80 feet from George C. Kluttz's Northeastern corner of and also being the corner of Tract No. 2 and runs thence with the Northern line of Tract No. 2 North 86 deg. 51 min. 24 sec. West 501.42 feet to a point in the centerline of Palmer Road; thence with the centerline of Palmer Road North 05 deg. 38 min. 56 sec. East 321.85 feet to a point, corner of a 40 foot street; thence with the Southern line of said street South 87 deg. 20 min. 30 sec. East 457.68 feet to a new iron; thence continuing with the Southern margin of said street South 71 deg. 35 min. 14 sec. East 44.06 feet to a new iron in Dr. J. A. Oliver's line; thence with Dr. Oliver's line South 05 deg. 28 min. 01 sec. West 314.07 feet to the point of BEGINNING and containing 3.716 acres and being shown as Tract 1 on survey entitled Survey of Palmer Road Tract, Carrie Lee Kluttz Estate, dated April, 1982, by James T. Hill, R.L.S., said map being recorded in the office of the Register of Deeds for Rowan County, North Carolina.

NORTH CAROLINA
ROWAN COUNTY

RELOCATION AND EXPANSION ASSISTANCE AGREEMENT

THIS RELOCATION AND EXPANSION ASSISTANCE AGREEMENT (the “Agreement”) is made and entered into as of the ____ day of _____, 20____, by and between Rowan County, North Carolina, a body politic (hereinafter referred to as the “County”) and FillTech USA L.L.C., a Virginia Limited Liability Company (hereinafter jointly referred to as the “Company”).

WITNESSETH

WHEREAS, the Company has explored the possibility of establishing a new or expanding an existing facility in Rowan County (the “Project”), which would increase taxable property in the County and result in the creation of a number of jobs in the County, but would not have a significant detrimental impact to the environment of the County; and

WHEREAS, the Company has determined that the property identified as Rowan County Tax Parcel 365 074, located at the intersection of Palmer Road and Industrial Drive in Rockwell, North Carolina (the “Property”), is a suitable location for its expansion and improvement; and

WHEREAS, in order to induce the Company to relocate, expand, or improve on the Properties, the County is willing to provide, or cause to be provided, to the Company certain inducements, upon terms and conditions binding upon the County as set forth herein; and

WHEREAS, prior to beginning any relocation, expansion or improvement on the Properties, the Company and County met and agreed to enter into this Agreement; and

WHEREAS, in consideration of the undertakings and agreements set forth herein, approximately \$4 million dollars will be invested by or on behalf of the Company in new equipment and other real property improvements on the Property, and to create a certain number of jobs as provided herein and further comply with the covenants and conditions binding upon it as set forth herein, all of which are intended to create a positive economic impact in the County.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Company and the County hereby agree as follows:

ARTICLE I
COUNTY INDUCEMENTS

The County shall provide financial assistance to the Company through its “Relocation and Expansion Assistance Program”, as hereinafter described, with respect to the Company’s development of the Properties and other related expenses as follows:

- 1) The “Relocation and Expansion Assistance Program” will be provided as a “Relocation and Expansion Incentive Grant” (“Grant”) to assist the Company with construction, equipment, and other capital improvements in Rowan County. The Grant will specifically apply to the Properties and all real property improvements and personal property newly installed and used at the Properties (collectively “Facilities”).

- 2) The amount of the Grant will be computed using the following steps:
 - a) Real Property Valuation.
 - i) For each tax year that the Grant is applicable to a Property (subject to the limitations below), determine the actual assessed tax value of the real property, located at such Property.
 - ii) Subtract from the above amount in a) i) the baseline real property value of the Property assessed as of January 1, 2016, and prior to the investments made by the Company in real property at such property. The annual result of this computation shall be defined as the “New Real Property Value” for the applicable Property.
 - b) Personal Property Valuation.
 - i) For each tax year that the Grant is applicable (subject to the limitations below), determine the actual assessed tax value of all personal property, excluding supplies and rolling stock, located at and used in such Property.
 - ii) Subtract from the above amount in b) i) the assessed tax value of personal property, excluding supplies and rolling stock, located at and used on such Property as of January 1, 2016. The annual result of this computation shall be defined as the “New Personal Property Value” for the applicable Property.
 - c) County Property Tax Determination. The sum of the New Real Property Value and the New Personal Property Value of a Property for each applicable year shall be the “New Property Value” of such Property for such year. Multiply the New Property Value for each applicable Property by the County tax rate (excluding municipal and fire district tax rates) applicable for the tax year at issue to determine the amount of property taxes applicable to the new property at such Property.
 - d) Grant Amount Determination. Multiply the property taxes applicable to the New Property Value for each applicable Property by 75% (0.75).
- 3) The Grant will be structured as a reimbursement of a portion of the real and personal property taxes assessed against each applicable Property and the Company. Such payment of the Grant will be made to the Company. Payment may be requested by the Company no sooner than January 1st of the fiscal year in which the taxes are due, and will be paid within sixty (60) days of the Company providing certifications as set forth in Article III(3), receipt of the Company’s payment of its annual property tax statement for all applicable property, and shall be equal to Seventy-Five Percent (75%) of the County property taxes (excluding municipal and fire district taxes) paid on the New Property Value of the Property by the Company according to Paragraph (2) above at the prevailing Rowan County tax rate for the tax year of the requested Grant. Request for payment must be submitted to the County prior to June 30th of the fiscal year in which the taxes are owed.
- 4) Tax amounts due on property discovered by the County through its customary audit procedures and not listed by the Company shall be excluded from this Agreement,

and the County shall not be responsible for reimbursement on these amounts for any tax year.

ARTICLE II
SCHEDULE OF CORPORATE IMPROVEMENTS

- 1) The Company has determined that the property is a suitable site for location of its Facility and shall acquire all local permits, zoning approvals, and required state and federal permits, if applicable. The Company expects to have the Facility substantially completed by December 31, 2017.
- 2) The Company shall receive the Grant for three separate tax years (“Grant Term”), which shall begin with property assessed as of January 1, 2018, with the first such reimbursement to be provided to the Company by the County during fiscal year ended June 30, 2019. If the facilities are not complete by January 1, 2017, the Grant shall be based on the percentage complete and assessed for that year.
- 3) Unless an event triggering the Force Majeure provision set forth in Article VII herein shall occur, the initial reimbursement shall occur during fiscal year ending June 30, 2019.
- 4) Any subsequent qualifying expansion of the Facility by the Company shall be eligible (provided the Company Relocation and Expansion Program is still in effect) for consideration as a separate relocation and expansion grant under the Relocation and Expansion Program.

ARTICLE III
EMPLOYMENT

- 1) The Company projects that it will create 23 Full Time Equivalents (“FTEs”) with this Project, and employ a total of 60 FTEs at all of the Company’s facilities located in the County. As of December 31, 2019, the Company shall employ 23 FTEs at this Project as well as retain 37 FTEs at its other facilities located within the County. A FTE position requires at least 1,600 hours of work per year and is intended to be held by one employee during the entire year.
- 2) In each Fiscal Year (FY) that the company requests the disbursement of grant funds, the Company shall certify that the following employment goals have been met, prior to receiving payment:

<u>County Fiscal Year (FY)</u>	<u>Total Number of FTEs (in aggregate)</u>
FY 2018-19	45
FY 2019-20	53
FY 2020-21	60

- 3) The Company shall certify annual progress towards the employment of the FTEs to the County on its annual grant request, which must be submitted before June 30 of each fiscal year. Such certification shall include a copy of the Company’s Quarterly Tax and Wage Report (Form NCU1 101 filed with the NC Employment Security Commission) for the quarter a) ending on or immediately preceding the date of the annual request and b) the

number of FTEs as of that same date. If the NCUI 101 is discontinued or modified, a successor form performing a comparable function must be submitted.

- 4) If the Company does not meet the employment goals, the County will reduce the annual Grant payment on a pro-rata basis until such time as the Company once again meets employment goals. Pro-rata reduction shall be computed based on the percentage of the goal not met for the given year.
- 5) Following each Company request for an annual Grant payment (within certification of the FTEs), the County shall verify the Company's compliance with this Agreement and issue the annual Grant payment to the Company within sixty (60) days upon receipt of the Company's request.

ARTICLE IV

TERMINATION OF GRANT AGREEMENT AND REQUIRED REPAYMENT OF GRANT FUNDS UPON ANNOUNCED TERMINATION OF OPERATIONS OR MAJORITY REDUCTION IN WORKFORCE

- 1) The assistance provided by Rowan County, through the Relocation and Expansion Assistance Program, represents a substantial commitment of public resources. Companies that participate in this program are expected to maintain and continue operations beyond the end of the Grant Term.
- 2) Should the Company cease operations or eliminate the majority of their workforce (51% reduction or more within a twelve (12) month span), the Agreement will be terminated and the Company will be required to repay all grant proceeds provided during the thirty-six (36) months prior to the cessation or reduction.
- 3) Repayment of grant funds shall be required if the Company has received any grant disbursements from the County within the thirty-six (36) months prior to the earlier of (a) Public announcement by the Company of plans to close or eliminate the majority of the workforce, (b) Actual cessation of operations, or elimination of a majority of the workforce.
- 4) The Company shall make payment to the County within one hundred and twenty (120) days of such announcement or event. The County may use any and all legal recourse to pursue restitution from the Company and / or its successors.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS - COMPANY

The Company represents, warrants and covenants to the County, as applicable, as of the date of this Agreement that:

- 1) *Standing.* The Company is a company duly organized and existing and in good standing under the laws of the State of North Carolina.
- 2) *Authority.* The Company has the corporate power and authority to own its properties and assets, to carry on its business as it is now being conducted and to execute and perform this Agreement.

- 3) *Enforceability.* This Agreement is the legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal laws, in effect from time to time, which affect the enforcement of creditors' rights generally.
- 4) *No Violations.* This agreement does not violate the charter documents or bylaws of the Company or any provisions of any indenture, agreement or other instrument to which the Company is a party.
- 5) *No Conflicts.* This agreement does not conflict with, result in a breach of or constitute an event of default under (or an event which, with notice or lapse of time, or both, would constitute an event of default under) any indenture, agreement or other instrument to which the Company is a party.
- 6) *Certifications.* The Company shall be solely responsible for providing certifications of expenditures and jobs to the appropriate County officer at the time of filing the request for the annual Grant

ARTICLE VI
REPRESENTATIONS, WARRANTIES AND COVENENANTS - COUNTY

The County represents, warrants and covenants to the Company, as applicable, as of the date of this Agreement that:

- 1) The County (a) has full power and authority to enter into this Agreement and to enter into and carry out the transactions contemplated by this Agreement (b) by proper action has duly authorized the execution and delivery of this Agreement; and (c) is not in default under any provisions of this Agreement.
- 2) The County has duly authorized, executed, and delivered this Agreement, and this Agreement constitutes the County's legal, valid, and binding obligation, enforceable in accordance with its terms.
- 3) There is no litigation or proceeding pending or threatened against the County or affecting it which would adversely affect the validity of this Agreement.
- 4) The County is not in default under any provision of State law which would affect its existence or its powers as referred to in subsection (1).
- 5) To the best of the County's knowledge, no officer or official of the County has any interest (financial, employment, or other) in the Company or the transactions contemplated by this Agreement.
- 6) With respect to this Agreement, the County has complied fully with all requirements of N.C. General Statute 158-7.1 *et seq.*

With Copy (which does not constitute notice to):

Ketner & Dees, PA
121 East Kerr Street
Salisbury, NC 28144
Phone: (704) 637-3434
Facsimile: (704) 637-3449

To Company: Name and Contact Information

To Company Regarding Payment of Grant, also include:
Contact for the Grants

With Copy (which does not constitute notice to):

If requested by the Company

Notice shall be deemed to have been given with respect to overnight carrier or certified mail, one (1) day after deposit with such carrier and as to facsimile, on date of transmission, provided additional service is made. The addresses may be changed by giving written notice as provided herein: provided, however, that unless and until such written notice is actually received, the last address stated herein shall be deemed to continue in effect for all purposes hereunder.

[Signature page follows]

IN WITNESS WHEREOF, the County and the Company have caused this Agreement to be executed in quadruplicate originals, in their respective names, by persons duly authorized by proper authority, and have sealed the same as of the day and year first above written.

FILLTECH USA, L.L.C.

By: _____

Title: _____

[Corporate Seal]

ATTEST:

_____ (Seal)

Name _____

ROWAN COUNTY, NORTH CAROLINA

Gregory C. Edds

Rowan County Board of Commissioners

[Corporate Seal]

ATTEST:

Carolyn Barger
Clerk to the Board of Commissioners

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

Leslie Heidrick
Rowan County Finance Director

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

John Dees II
County Attorney

ATTACHMENT I

LEGAL DESCRIPTION OF THE PROPERTY

BEGINNING at a new iron in Dr. J. A. Oliver's Western line, said iron being North 05 deg. 28 min. 01 sec. East 323.80 feet from George C. Kluttz's Northeastern corner of and also being the corner of Tract No. 2 and runs thence with the Northern line of Tract No. 2 North 86 deg. 51 min. 24 sec. West 501.42 feet to a point in the centerline of Palmer Road; thence with the centerline of Palmer Road North 05 deg. 38 min. 56 sec. East 321.85 feet to a point, corner of a 40 foot street; thence with the Southern line of said street South 87 deg. 20 min. 30 sec. East 457.68 feet to a new iron; thence continuing with the Southern margin of said street South 71 deg. 35 min. 14 sec. East 44.06 feet to a new iron in Dr. J. A. Oliver's line; thence with Dr. Oliver's line South 05 deg. 28 min. 01 sec. West 314.07 feet to the point of BEGINNING and containing 3.716 acres and being shown as Tract 1 on survey entitled Survey of Palmer Road Tract, Carrie Lee Kluttz Estate, dated April, 1982, by James T. Hill, R.L.S., said map being recorded in the office of the Register of Deeds for Rowan County, North Carolina.

DRAFT