

**MINUTES
ECONOMIC DEVELOPMENT ADVISORY COMMITTEE
SPECIAL MEETING
THURSDAY, FEBRUARY 16, 2012
7:00 AM
JORDAN ROOM, MATTHEWS TOWN HALL**

PRESENT: Chairman Paul Jamison; Vice Chairman Tim Jones; Members Rachel Garcia*, Greg Klein, Bev Martin, Roger Martin, Jerry McGuire, Mike Simons, Steve Thomson, John Urban, Tina Whitley; Assistant Town Manager Jamie Justice; Deputy Town Clerk Lori Canapinno

ABSENT: Member Paul Babinski

CALL TO ORDER

Chairman Jamison called the meeting to order at 7:00 am and declared a quorum. He explained the special meeting was called to discuss business development incentives.

Mr. Justice put together a few possible incentive ideas. Ms. Martin questioned the wording of the second paragraph of the draft document, which reads in part, "...grants will encourage the location and expansion of manufacturing and commercial enterprises in or near the Town..." She questioned why locations near the town would be eligible for incentive grants. Mr. Justice explained the intent is for properties in town, but that clause would also allow for a multi-jurisdictional business park similar to the joint industrial park formed together by the north Mecklenburg County towns. It's located in Huntersville but three towns share in the cost and benefits. In theory, Matthews could join with Stallings or Indian Trail to develop a business park and incentive grants could play a role in that. Aside from that scenario there would be no reason to approve an incentive grant for a business outside the town limits.

Chairman Jamison said previous discussion had mentioned leaving the door open for site-specific grants – an example of this would be a grant attached to the redevelopment of the PCA building. He asked if the language was broad enough to allow for that. Mr. Justice said it was – the language is so broad that it allows for a grant to be approved in one location but not approved in another. He noted that he did not include any suggestion of targeted corridors or strategic areas for which grants might be increased or more readily available.

*Rachel Garcia arrived.

Ms. Martin suggested including something similar to one of the Town of Cary's reasons for granting incentives: "Attract clean, environmentally friendly industry to protect our natural resources and enhance our quality of life."

Mr. Thomson questioned section 3B, which makes reference to grant payment methods, including the requirement that the recipient business must employ a certain number of employees at a rate equal to or above Mecklenburg County average wages as reported by the Employment Security Commission, and asked if these requirements might be damaging since Matthews is adjacent to Union County and its associated wages. He suggested that Indian Trail could come up with the same idea with a different wage requirement, which would encourage businesses to develop there instead of in Matthews. He said he did not disagree with the notion but wanted to be sure the town wasn't going to hurt its chances by including that specific wage requirement. Ms. Whitley suggested removing the requirement to match Mecklenburg County wages and replace it with "State of North Carolina" wages. Mr. Justice said that was a possibility but most of the communities he has seen have language that is specific to their county level, using median or average wages or certain percentages of that rate.

He said he could take that language out and leave it completely open to the Board's discretion. Ms. Martin said it would be good to leave that in to be equitable when reviewing multiple applicants. She said if that is going an issue when the Board is making their decision it should be included in the requirements. Ms. Whitley questioned how the

town could regulate wages and noted there could be a problem with sales positions that earn only commission. Chairman Jamison said start-up businesses often offer stocks or ownership on top of wages and wondered how that would be valued. Mr. Urban suggested wages could be a factor and could be included as a criterion in section 2. Mr. McGuire noted the intent is to keep wages fair but asked if there was any type of business that might be applicable even if its wages were under the requirement. Ms. Whitely said as long as they are legal it should not matter. Mr. Justice said most places tie wages in because that strengthens the case for offering the incentive. Chairman Jamison noted that section 5C states the town is not obligated to offer an incentive granted even if a business meets all requirements, so this is completely up to the discretion of the Board. Mr. Justice said some communities offer no detail at all and look at all aspects on a case-by-case basis.

Chairman Jamison said there is nothing in the draft that discusses the method by which applications are submitted. Mr. Justice said that could be spelled out within the policy document. There was discussion that Concord and Hillsborough have good applications that Matthews could use as a base. Mr. Justice noted that the application process could spell out the public hearing requirement to applicants. By consensus it was determined that Mr. Justice will draft language regarding the process. By consensus it was also determined that section 3 on the draft will be included as a factor under section 2.

Vice Chairman Jones questioned the method of grant payment and asked if offering cash grants would be financially feasible. Chairman Jamison pointed to the language in section 5C, which states that changes in economic conditions could necessitate modifications or termination of an incentive policy, subject to compliance with agreements in effect at the time. Mr. Justice explained that meant that an incentive that is already in place would continue as contractually agreed upon while the incentive policy itself could be changed as needed. He said the policy is what is being drafted now and individual legal agreements will be produced with each approved incentive grant.

Ms. Martin asked if any other communities offered cash grants. Mr. Justice explained they're all actually cash grants – the grants are tied back to the taxes the company pays so that it's not a "new money" situation – it comes from the investment the company made. The taxes come into the town and then the grant is made. It's based on the actual taxes they pay rather than being speculative. Mr. Justice noticed other incentives, such as executive relocation expenses, were not spelled out in the draft document. Those could be unstated benefits that could be considered under this policy.

Ms. Martin suggested section 1 include language to make it clear the incentives were only for taxable properties. Mr. Justice said he would make that clear in the language.

Mr. McGuire asked if there should be a list of specific properties that are grant-eligible. Chairman Jamison suggested it would be good to identify a few properties and use a potential incentive grant as a marketing strategy. The town or Chamber could point to the policy and some incentive-ready sites when in discussion with developers. Mr. Justice explained that anyone could point to the policy and use it as a marketing tool, but there would be no guarantee that a grant would be approved since each approval will be project-specific.

Mr. Justice recommended not creating zones or pointing to specific properties at this point unless the town is willing to commit to some concrete numbers such as X number of years at X percent all over town, with a better incentive for the targeted areas or properties. Businesses want to know if a town has a policy and marketing can be based on the fact that Matthews has such a policy.

Chairman Jamison asked if a specific policy could be drafted for the PCA building. Mr. Justice said he would have to double check on the legality but believed that would be too specific and that the Board should not be overcommitted to any single situation. He said it would be better to choose a corridor in which to concentrate, which

could be a small area and include a specific target, but still would not market anything specific. Chairman Jamison said certain sites would be much easier to market if the agent could point to specific approved grants. Ms. Whitley pointed out that the town would not know what type of entity would be purchasing the site.

Mr. Justice explained that some communities offer differing levels of standard grants depending on the level of investment by the business with other grants subject to negotiation. He said it would be good to have a policy and put in what the basic grant would be and keep other options open for negotiation. Chairman Jamison asked if the town's policy could include that basic information. Mr. Justice said it could if that is what is decided. Certain details could be spelled or it could be left non-specific to allow for the most discretion. Mr. Urban said the Town of Cary does not specify and he thinks that is a good model to follow. He said the underlying idea is to get Matthews out there as having incentives just to get into the game. Right now the town is ignored completely.

Mr. Urban explained that Charlotte has empowerment zones and suggested Matthews incorporate similar blanket zones or corridors for properties zoned I-1 and I-2. The town is looking to backshore industries and high-tech businesses and having any incentive policy would help with that.

Mr. Justice will make some changes to the draft policy and send it to Jeff Edge and Jonathan Morgan for their review. Mr. Urban suggested listing some grant items the Board would be willing to consider. He said tax abatement would probably be the best option. Mr. Martin said if the policy ends up not including specific details then it would be a good idea to at least prepare a fairly defined list of suggested incentives for the Board to refer to during the negotiation process. Mr. Justice noted the ultimate goal is for complete Board flexibility in the negotiation process. Chairman Jamison said the policy could include specifics and also include a clause that stated that the parameters could change based on the specifics of the applicant's business. That would allow for the greatest flexibility while still showing prospective businesses what they could get if they come to Matthews. Mr. McGuire agreed it would be good to at least indicate the minimums. Mr. Justice said it makes sense to put in basic numbers to show that the town is ready to negotiate. Interested parties could begin negotiations with the Board and other incentives could be considered at that time.

Mr. Urban suggested sending the policy to the Board with two columns that detail the pros and cons related to the inclusion of specific details as well as a range of options if specificity was desired. He suggested including TIFs – tax increment financing – as an option.

Vice Chairman Jones asked if incentives could be used to tear a building down. Mr. Justice said that was not likely. Chairman Jamison suggested it could be possible if the intention was to put something new in place of the teardown.

EDAC members had no input on the first section of the draft policy that deals with eligible uses.

Mr. Justice will research the issue regarding specificity in the grant policy. He asked for other input on section 2, which deals with criteria used to make a determination. Mr. Klein suggested that Matthews' policy include verbiage similar to what is offered by the potential competitor communities like Lake Norman and Monroe.

Mr. Urban asked if there was any data that could be used to calculate the tipping point at which a grant would be beneficial. Mr. Justice said some communities use a cost-benefit analysis but he believes most don't put much analysis into it. Mr. Urban said he has heard of software from ESRI that can be used to help with the process. Modeling indicates if a projected return on investment would be incentive-worthy. Mr. Justice agreed that a cost-benefit analysis is a good way to make a grant determination, although that could complicate the marketing aspect since a lot of data would be required to determine if a potential project would be grant-eligible.

Chairman Jamison noted that Matthews does not have a lot of large tracts of land available for development and suggested that it may be a good idea to target smaller businesses, including those under a million dollars. He likes the idea of smaller businesses getting incentives. Ms. Whitley said the grant policy is the carrot that could entice any size business but the process shouldn't be exclusive to large businesses. Mr. Klein agreed that the larger businesses probably won't be coming to Matthews simply due to the lack of space so the smaller and medium sized businesses would be the most natural applicants anyway. Mr. Martin noted that while Matthews doesn't have much room for large Fortune 500 companies, there is plenty of room for some mid-size companies in the \$3-5 million range that would take up something like five acres.

Chairman Jamison wondered if Matthews' incentive policy should be based on small businesses rather than the large businesses that so many other communities chase. The town could set itself up as being very friendly to the smaller businesses. Ms. Whitley asked why a dollar figure should even be listed. Chairman Jamison said it's a matter of perspective – the other communities' incentive policies were designed with the larger companies with a high number of employees in mind, but he believes Matthews could court those companies with smaller businesses and only a small number of employees. Mr. Thomson said counting the number of associated jobs might not be the best measurement. He said the town needs to create demand for the other businesses here, and that is what raises revenues. The town should incentivize small local businesses.

Mr. Justice noted that Charlotte's policy requires a \$3 million minimum investment, Concord requires \$1.5 million and Monroe requires \$2 million for an existing industry and \$3 million for a new one. He said it sounds as if the EDAC members are suggesting setting the minimum at \$1 million or even lower. Chairman Jamison said the town should offer that as an option. Mr. Thomson asked if it could be made clear in the policy that Matthews is interested in at least opening a discussion with smaller businesses. Mr. Justice said he could discuss this with Jeff Edge and some others to get their take on it. Mr. Klein cautioned that there is going to be a minimum number at which a positive return is possible - it has to make sense financially. Mr. Urban suggested speaking to Lynn Rinker of the Town of Cornelius – they have been using a modeling program to explore development and grant outcomes. He said it might be possible to piggyback on that established program at a lower cost. Chairman Jamison said he could arrange for an ESRI employee to demonstrate their program if necessary.

Mr. McGuire said the town's policy also needs to address existing businesses. There was some discussion of existing businesses that asked for incentives to stay in town. Mr. Justice said Jeff Edge has said that sometimes bluffs need to be called. It's a tough question. It's an easier situation if an existing business is looking to expand and asks for incentives to remain in town to do so.

Mr. Urban said section 1 of the draft policy needs to be addressed. Currently it contains a short list of eligible uses including assembly and fabrication – it may need to include specific listings. He said there are Board members who do not want to see manufacturing, assembly and fabrication come to Matthews. That section should be targeted to the smaller businesses. He said he likes the idea of mini-incentives for smaller businesses whose spheres of influence are probably going to stay within the local area.

Mr. Justice said at some point there needs to be some baseline for the minimum investment figure. People will be asking about that and the Board needs to be comfortable with whatever that figure may be. He said a number doesn't necessarily have to be specified and he will do some research to figure out what would be the best way to proceed.

Ms. Whitley asked if the use of the railroad would be an incentive. Mr. Justice said use of the rail line is a plus and he has had conversations with businesses regarding that.

STAFF REPORT

Mr. Justice updated the group on the Wi-Fi concept. The proposal from the outside vendor, Perigee, needs to be better defined. Right now they want to start downtown and eventually go town-wide. This would be a private project and they would not ask for money from the town but they would ask for tower access for placement of a high speed link. The next step would be to deploy multiple antennas and they would need the town's help to endorse the project and help to acquire those antenna locations. The town would have full access to the splash page and the private business would handle everything else. Access would be free to the public and would be available for purchase for use by businesses inside their buildings.

Mr. Martin said it will be incumbent on them to provide details on what they want to do since the Board will have a lot of questions. He said the idea sounds good so far.

Mr. Justice said something to consider is the question of the town's position on the project. Would it appear that the town is endorsing one company over their competitors? The project would help improve the community but it could place the town in a difficult situation. Chairman Jamison asked if some of those issues could be allayed if the town paid for the service. Mr. Martin noted that Monroe paid about \$40,000 for their system. Mr. Justice said Windstream's quote from a couple of years ago for coverage only on Matthews Station Street was about \$10,000. Mr. Thomson said the value for Perigee, or any similar company, would be that pipeline into the town. He suggested the town stipulate that any company, not just Perigee, be allowed to access that line. Then it would show that the town is open to competition. Mr. Urban noted this should require a Request for Proposal (RFP). Mr. Justice said the best method would be for the town to post an RFP so every interested party has the opportunity to propose a plan.

Mr. Thomson said he believes a significant issue in the RFP will be related to the openness of that line. Time Warner and Windstream customers could potentially use the new service so that could be an issue for these big companies. Mr. Martin noted that Time Warner and Windstream are involved in a number of partnerships with the town and it would not be good to cause a hardship to them for no reason.

There was some discussion about the production of an RFP so the opportunity will exist for multiple entities to express interest. Mr. Thomson suggested it might be a disservice to produce an RFP without input from the larger service providers in the area. Mr. Urban thought it would be a good idea for the town to have some low-level discussions with Windstream and Time Warner before an RFP is written, just to gauge their interest. Mr. Justice agreed. He will contact those providers to float the idea and will report back to EDAC.

ADJOURNMENT

Mr. Martin motioned to adjourn. Mr. Martin seconded and the motion passed unanimously. The meeting adjourned at 8:20 am.

Respectfully submitted,

Lori Canapinno
Deputy Town Clerk