

INCENTIVES

LOCAL INVESTMENT GRANT PROGRAM

Availability

The following investment grant program is available in Gaston County, Gastonia, Bessemer City, Belmont, Cherryville, Dallas, Mount Holly, Stanley and Cramerton.

Purpose

The Gaston County Board of Commission has supported economic development for more than twenty years with an emphasis on tax base development, employer diversification and job creation. The Commission has recognized the need to provide programs and financial support to strengthen and diversify the County's economy. Tax base development is a key concern for the County's fiscal health. It is essential not only to attract new investment but also to encourage existing business to expand and reinvest in their Gaston County operations. The Gaston County Investment Grant Program (GCIGP) is intended to provide an inducement for new business to locate in Gaston County and encourage existing business to expand.

Grant Program Description

The program provides grants to companies investing in Gaston County. The grant will be established by an application with Gaston County. The company must pay their taxes in full each year based on the actual tax value of the property or investment. If the company meets all of the criteria in the application, a portion of the property tax will be returned as a grant. The amount of the grant is based on a sliding scale.

Investment Grants will be based on the increase in tax value of all real property, machinery and improvements above the base year prior to investment. No grant will be given to a company that would reduce their tax payment to an amount lower than the previous tax year. Purchases of any existing Gaston County facility or equipment will not qualify for the program.

All grant monies will be taken directly from the company's tax payment. The company must be current with all other payments required by Gaston County.

The Gaston County Board of Commissioners may modify or eliminate the program subject to meeting all existing grant obligations in effect at the time. No company may transfer grant agreements or contracts without explicit approval by the Gaston County Board of Commissioners.

Companies in the following North American Industry Classification System (NAICS) 1997 and 2000 Revisions are eligible for the grants:

<u>Category of Business</u>	<u>NAICS Code</u>
Manufacturing	31-33 (NAICS 97)
Warehousing	493 (NAICS 97)
Data Processing	51821 (NAICS 2000)
Retail	44-45 (NAICS 2000)
Elderly	NAICS 623312

Industrial Grant 1

All investment in real property, new machinery and equipment over \$1,000,000.00 would be eligible for a grant as shown below.

- | | |
|---------------------------------|---------------------------------|
| Year 1 - 90% property tax grant | Year 4 - 60% property tax grant |
| Year 2 - 80% property tax grant | Year 5 - 50% property tax grant |
| Year 3 - 70% property tax grant | |

Industrial Grant 2

All investment in real property, new machinery and equipment over \$15,000,000.00 would be eligible for a grant as shown below.

- | | |
|---------------------------------|---------------------------------|
| Year 1 - 90% property tax grant | Year 6 - 40% property tax grant |
| Year 2 - 80% property tax grant | Year 7 - 30% property tax grant |
| Year 3 - 70% property tax grant | Year 8 - 20% property tax grant |
| Year 4 - 60% property tax grant | Year 9 - 10% property tax grant |
| Year 5 - 50% property tax grant | |

Industrial Grant 3

All investments in real property, new machinery and equipment over \$30,000,000.00 would be eligible for a grant as shown below.

- | | |
|---------------------------------|----------------------------------|
| Year 1 - 90% property tax grant | Year 6 - 65% property tax grant |
| Year 2 - 85% property tax grant | Year 7 - 60% property tax grant |
| Year 3 - 80% property tax grant | Year 8 - 55% property tax grant |
| Year 4 - 75% property tax grant | Year 9 - 50% property tax grant |
| Year 5 - 70% property tax grant | Year 10 - 45% property tax grant |

Industrial Grant 4

All investments in real property, new machinery and equipment over \$50,000,000.00 would be eligible for a grant as shown below.

- | | |
|---------------------------------|----------------------------------|
| Year 1 - 85% property tax grant | Year 6 - 70% property tax grant |
| Year 2 - 85% property tax grant | Year 7 - 70% property tax grant |
| Year 3 - 85% property tax grant | Year 8 - 70% property tax grant |
| Year 4 - 85% property tax grant | Year 9 - 70% property tax grant |
| Year 5 - 85% property tax grant | Year 10 - 70% property tax grant |

Retail Grant: Only available in Gaston County, Bessemer City, Cherryville and Stanley.

All retail investments with an aggregate investment of \$40,000,000.00 would qualify for a grant as shown below.

- | | |
|---------------------------------|---------------------------------|
| Year 1 - 90% property tax grant | Year 4 - 60% property tax grant |
| Year 2 - 80% property tax grant | Year 5 - 50% property tax grant |
| Year 3 - 70% property tax grant | |

The Local Investment Grant Program is intended to diversify the tax base, improve employment opportunities for Gaston County citizens, and create an increase in the net depreciable taxable value of the tax base of Gaston County. The Gaston County Tax Department and the Gaston County Economic Development Commission shall establish procedures for the implementation of the Program. Grant applications shall be reviewed and verified by the Tax Department and the EDC. Any interpretation of the application and/or approved Grant of the program to a specific project shall be subject to a yearly review by the EDC and Tax Department for eligibility in accordance with this policy statement and shall be final.

Amended 7/12/2010

CREDITS FOR GROWING BUSINESSES (ARTICLE 3J CREDITS)

In July, 2006, the NC General Assembly passed legislation (House Bill 2170) that created a new tax credit program, Article 3J Credits. Article 3J provides three types of tax credits to eligible taxpayers that undertake qualifying activities in North Carolina:

1. Credit for creating jobs; and,
2. credit for investing in business property

These credits may be combined to offset up to 50% of the taxpayer's state income and franchise tax liability, and unused credits may be carried forward for up to five years (20-year carry-forwards exist for taxpayers that invest at least \$150 million over a two-year period).

Article 3J Credits should not be confused with William S. Lee Credits. Although these tax credit programs are similar, they are not the same. Article 3 J is not a revision to the Lee Act; it replaces the Lee Act. The distinction is subtle, but significant. In general terms, Lee Credits are repealed for business activities that occur on or after January 1, 2007 and Article 3J Credits take effect for taxable years beginning on or after January 1, 2007. However, taxpayers will have the option, after signing a letter of commitment with the NC Department of Commerce, to utilize the Lee Act Credits in place of Article 3J Credits for qualifying activity that takes place at a specific site in 2007. If the taxpayer intends to claim Lee Credits for 2007 activity at more than one site, it must sign a separate letter of commitment for each site. Taxpayers should carefully review and understand the differences between Lee Credits and Article 3J Credits before electing to claim Lee Act Credits for 2007 activity. Letters of commitment must be submitted to the Department of Commerce prior to January 1, 2007.

County Tier Designations

The Department of Commerce annually ranks the State's 100 counties based on economic well-being and assigns a tier designation to each. Gaston County is a Tier 2.

Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)

Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

Eligibility

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1. The primary activity at the business establishment must be an eligible type of business, which includes:
 - a. Aircraft maintenance and repair
 - b. Air courier services hub
 - c. Company headquarters that creates at least 75 new headquarter jobs
 - d. Customer service call centers
 - e. Electronic shopping and mail order houses
 - f. Information technology and services
 - g. Manufacturing
 - h. Motorsports facility
 - i. Motorsports racing team
 - j. Research and development
 - k. Warehousing
 - l. Wholesale trade
2. The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. The 2007 wage standard for Gaston County is \$547.00 per week.

3. The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least fifty percent (50%) of the employee premiums.
4. The taxpayer must not have received any significant environmental violations with the North Carolina Department of Environment and Natural Resources within the prior five years.
5. The taxpayer must not have received any "willful" or "failure to abate" serious OSHA violations at the establishment within the prior three years.
6. The taxpayer may not have overdue taxes.

Credit for Creating Jobs

Eligible taxpayers that meet a minimum threshold of new full-time jobs created during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier designation of the county in which the jobs are created. In Gaston County, the job threshold is 10 and the credit per job is \$5,000. If the job is filled by a resident of the UPZ or AGZ or is a long-term unemployed worker, the credit is \$7,000.

Credit for Investing in Business Property

Eligible taxpayers may claim a credit based on a percentage of the cost of capitalized tangible personal property that is placed in service during the taxable year, in excess of an applicable threshold. This credit is taken in equal installments over four years, beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service. In Gaston County, the threshold is \$1,000,000 and the credit percentage is 5%.

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RESEARCH & DEVELOPMENT TAX CREDIT (ARTICLE 3J)

Administration

Effective for business activities occurring on or after May 1, 2005, any taxpayer, regardless of its type of business, is allowed a tax credit for qualified North Carolina research expenses, if the taxpayer meets the eligibility requirements relating to wage standard, health insurance, environmental impact, and safety and health programs found in G.S. 105-129.4(b), (b2), (b3), and (b4), respectively.

The credit allowed under this section and the credits allowed in G.S. 105-129.10 are exclusive. A taxpayer can elect to take only one of the three credits with respect to its research activities in a taxable year. A taxpayer may elect to take a different credit for different expenses in a subsequent year.

Tax Election

A taxpayer may claim the credit allowed in Article 3F against either franchise or income tax. The taxpayer must elect the tax against which the credit will be claimed when filing the return on which the credit is first claimed. The election is binding and applies to both the credit and any carryforwards of the credit.

Cap

The credit allowed in Article 3F cannot exceed fifty percent (50%) of the amount of tax against which it is claimed, reduced by the sum of all other tax credits allowed against that tax. This limitation applies to the cumulative amount of credit, including carryforwards. Any unused portion of this credit may be carried forward for the succeeding 15 taxable years.

Substantiation

Each taxpayer that claims a credit under Article 3F must maintain and make available for inspection any information or records required by the Secretary. The burden of proof for a credit and the amount of the credit rests upon the taxpayer.

Forms

The Form NC-478 series is used to calculate and report tax credits, including the Article 3F credits, that are limited to fifty percent (50%) of the taxpayer's tax less the sum of all other credits that the taxpayer claims. Form NC-478I is used to calculate the research and development tax credits without regard to the fifty percent (50%) limitation. Form NC 478 is used to total the specific credits, to determine if the fifty percent (50%) applies, and if so, to allocate the limited total credit among the specific credits.

Sunset

Article 3F is repealed for taxable years beginning on or after January 1, 2009.

Definitions

- North Carolina university research expenses – Any amount the taxpayer paid or incurred to a research university for qualified research performed in this State or basic research performed in this State.
- Period of measurement – Defined in the Small Business Size Regulations of the Federal Small Business Administration. Pursuant to those regulations (13CFR121.104), the period of measurement is used to determine the entity's annual receipts and is determined by how long an entity has been in business. If the entity has been in business for less than three years, the annual receipts for the period of measurement are the receipts for the period of time for which the entity has been in business divided by the number of weeks in business and multiplied by 52.
 - If the entity has been in business for three full fiscal years and has not filed a short-period income tax return for any of those three years, the annual receipts for the period of measurement are the total receipts over the last three years divided by three.
 - If one of the three years' returns is a short-period return, the annual receipts for the period of measurement are the receipts for the short year and the two full years divided by the total number of weeks in the short year and two full years divided by 52.
- Qualified North Carolina research expenses – Qualified research expenses, other than North Carolina university research expenses, for research performed in the State.
- Receipts – Defined in the Small Business Size Regulations of the Federal Small Business Administration. Pursuant to those regulations (13CFR121.104), receipts means total income, gross income plus cost of goods sold as reported for federal income tax purposes, less net capital gains or losses and taxes collected for and remitted to a taxing authority to the extent included in gross or total income, proceeds from transactions between the entity and its domestic or foreign affiliates if also excluded from

gross or total income on a federal consolidated return, and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker.

- Related person – Defined in G. S. 105-163.010 and IRC sections 267(b) or 707(b).
- Research university – An institution of higher education that (a) is classified in the most recent edition of 'A Classification of Institutions of Higher Education', the official report of The Carnegie Foundation for the Advancement of Teaching as one of the following: (1) Doctoral/research universities, extensive or intensive; (2) Masters colleges and universities, I or II; (3) Baccalaureate colleges, Liberal Arts or General; (b) is a constituent institution of The University of North Carolina.
- Small business – A business whose annual receipts, combined with the annual receipts of all related persons, for the applicable period of measurement did not exceed one million dollars (\$1,000,000).

Credit for North Carolina Research and Development

The credit allowed in this article consists of two parts:

- Credit for qualified North Carolina research expenses – The credit is equal to a percentage of the expenses based on whether the expenses qualify as small business, low tier research, or other research. Only one credit is allowed with respect to the same expenses. If the expenses qualify in more than one category, then the credit is equal to the higher percentage, not both percentages combined. If part of the taxpayer's expenses qualify as low-tier and part of the expenses qualify as other research, the applicable percentages apply separately to each part of the expenses. If the taxpayer was a small business as of the last day of the taxable year, the applicable percentage is three percent (3%). Research performed in a tier one, tier two, or tier three area is considered low-tier research and the applicable percentage is three percent (3%). Research expenses that do not qualify as small business or low-tier are considered other research. If other research expenses are greater than zero but not greater than fifty million dollars (\$50,000,000), the applicable percentage is one percent (1%). If other research expenses are greater than fifty million dollars (\$50,000,000), but not greater than two hundred million dollars (\$200,000,000), the applicable percentage is two percent (2%). If other research expenses are greater than two hundred million dollars (\$200,000,000), the applicable percentage is three percent (3%).
- Credit for North Carolina university research expenses – A taxpayer that has expenses for research performed by an institution within the North Carolina university system is allowed a credit equal to fifteen percent (15%) of the expenses.

Amended February, 2007

ONE NORTH CAROLINA FUND

The One North Carolina Fund (formerly the Governor's Industrial Recruitment Competitiveness Fund) helps recruit and expand quality jobs in high value-added, knowledge-driven industries. It also provides financial assistance to those businesses or industries deemed vital to a healthy economy that are making significant efforts to expand in North Carolina.

The fund currently consists of nonrecurring appropriations made by the N.C. General Assembly for companies seeking to undertake new expansion or locate new operations in the state. The fund is competitive and the location or expansion must be in competition with another location outside the state.

Program Requirements:

Companies can receive money for:

- Installation or purchase of equipment.
- Structural repairs, improvements, or renovations of existing buildings to be used for expansion.
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

For a company to be considered:

- The company must agree to meet the weighted hourly average wage test as required for Article 3J (House Bill 2170 §105-129.83).
- Local units of government (city or county) must agree to match financial assistance to the company.

INDUSTRIAL DEVELOPMENT FUND

The Industrial Development Fund provides assistance to local governments for improvements to infrastructure to enable the locality to attract new businesses. Usually this assistance is provided to make general improvements, such as improvement to or development of industrial parks, and is not tied to a luring a specific project. Two significant changes have been made to the Industrial Development Fund and the Utility Account, which is part of that Fund. First, the purposes for which funds in both the Industrial Development Fund and the Utility Account may be used have been expanded to allow expenditures for telecommunications and high-speed broadband lines and equipment. In the past, these funds have been available for construction of and improvements to water, sewer, gas and electricity lines and equipment. This change recognizes the growing importance to industry of telecommunications and high-speed broadband.

Second, funds in the Utility Account, which have been typically used to assist local governments located in enterprise tiers one and two only, have been expanded to allow funds to be used to assist local governments in enterprise tier three as well.

INDUSTRIAL REVENUE BONDS

Industrial Revenue Bonds have a variety of names and purposes (industrial development bonds, IDB's, IRB's and qualified small issue bonds) but essentially are of three basic types. The State's principal interest in these bonds is assisting new and expanding industry while seeing that North Carolinians get good jobs at good wages. The regulations governing bond issuance are a combination of federal regulations and North Carolina statutes. The amount each state may issue annually is designated by population.

There are three types of bond issuances as follows:

- **Tax Exempt** - (Small Issue IDB's) Because the income derived by the bond holder is not subject to federal income tax, the maximum bond amount is \$10 million in any given jurisdiction. According to federal regulations, the \$10 million total includes the bond amount and capital expenditures over a six year period going both backwards and forwards three years. The maximum any company may have is \$40 million nationwide outstanding at any given period.
- **Taxable** - They are not exempt from federal tax (they are however exempt from North Carolina taxes). The essential difference is that the Taxable bond rate is more costly to the borrower and not being subject to the federal volume cap, may exceed \$10 million in bond amount.
- **Exempt Facility/Solid Waste Disposal Bond** - These bonds are subject to volume cap although there is no restriction on amount and the interest on these bonds is federally tax exempt.
- All three bond types are processed and approved in the same manner. The State supervises, approves and guides bond applications. The County Bond Authority issues the bonds where the facility will be located. The County Authority may select Bond Counsel for the project.

Two of the more significant regulations are:

- IRB funds can be used only by a company engaged in some manner of manufacturing,
- IRB proceeds may be used only for land, building and equipment,

Normally it takes 8-10 weeks for an application to be approved. There are a number of requirements and to prioritize them, a client should have an **Inducement Agreement** signed between their company and the County. There is neither financial nor legal liability involved with the agreement for either party. Bond Counsel prepares this and many other documents so the client should make an early contact. It is also appropriate at the same time to discuss the required *Letter of Credit* with a bank that must be rated investment grade or better.

Another high priority issue is to check with the State's Environmental Agency about meeting the requirements for air and water permits (this can be very time consuming and no bond may be approved without Environmental Certification or Permits, if they are required). Arrangements need to be made with the Department of Commerce about a Pre-application Conference. This conference is held in Raleigh, North Carolina by the Commerce Finance Center. At this meeting the client learns of the exhibits and requirements of the departments involved in the approval process. The completed exhibits should be returned to the Commerce Finance Center as soon as possible (the project cannot go forward until the articles are received). Once the exhibits are submitted by the client, the approval process is completed by the Commerce Finance Center for the Department and a recommendation is made for approval by the Secretary of Commerce.

The Local Government Commission (a division of the Office of the State Treasurer) handles the task of approving the legal documents required before bonds can be issued and sold.

There may be variations in the approval process, however, these are the fundamentals.

IRB Frequently Asked Questions

1. How do I qualify?

- Must be a manufacturing facility
- Get local support for the project (inducement)
- Obtain the required environmental permits
- Save or create enough jobs to have a measurable impact on the area
- Show that the financing will not result in the company closing another North Carolina facility.

2. Who chooses bond counsel?

Each financing authority chooses bond counsel with the concurrence of the State Treasurer's Office.

3. What is an inducement agreement?

Also known as a Memorandum of Agreement, the inducement is a letter of intent signed by the Company and the County Financing Authority. It establishes official action for IRS purposes. Money spent on the project after the date of inducement can generally be recovered from bond proceeds. Neither party is obligated by inducement to complete the financing.

4. Does the State guarantee?

No unit of government guarantees IRB's in North Carolina. Bonds are secured only by the credit of the company.

5. What does it cost to do an issue?

County Authority Expense	\$500	-	\$3,000
Authority Counsel	\$1,500	-	\$5,000
Bond Counsel (Private Placement)	\$20,000	-	\$25,000
Trustee	\$1,000	-	\$3,000
State Treasurer's Fee	\$1,000		
Borrower's Counsel	\$5,000	-	\$15,000
LOC Bank Counsel	\$7,500	-	\$15,000
Underwriters Counsel	\$7,500	-	\$12,500

- Attorney's fees will vary with complexity of project
- Placement fee is % of issue, usually 1%
- Letter of credit fees vary, approximately 1% per year
- Up-front costs totaling 2% of the bond amount plus the LOC fee can be paid out of bond proceeds

Notes: All of the above line items and figures are estimates and are intended for use only as a guideline

6. How much can I finance?

Federal tax law governs project size. Bond counsel makes the ultimate determination. Generally, projects under \$10 million can be financed in full unless the project is a new venture. There are also limits on other capital expenditures by the owner and operator in the same jurisdiction. Bond counsel can assist to comply with these limits. With start-ups the applicant must contribute an amount equal to 25% of the bond amount for beginning working capital as bond proceeds may only be used for capital expenditures. Each company is limited to an outstanding maximum of \$40 million of IRB's aggregate nationwide.

7. How large does an issue have to be?

Generally, an issue should be at least \$1.5 million to be cost effective.

8. How long does it take to do an issue?

Eight (8) to ten (10) weeks is typical. If environmental permits are required - 60 to 90 days.

9. What are the interest rates?

Interest rates are negotiated between the company's agent (bank or placement agent) and the bond buyer. Rates are based on the company credit or the credit enhancement associated with the issue, usually a letter of credit. The rate may be variable or fixed.

10. What may be financed?

Capital Expenditures: Fixed assets, land, building, new equipment, existing equipment (in place and installed as part of an integrated production line), architects and engineer's fees and issuance costs.

Costs which cannot be included: rolling stock, aircraft, inventory, working capital, relocation expenses, accounts receivable, good will.

*Remember...*State and federal regulations require that bonds be used solely for the financing of manufacturing or industrial facilities and pollution control facilities for industry and/or related new equipment.

11. Can land be included?

Yes, up to a total of 25% of project cost.

12. Can I finance an existing building?

Yes, if an amount equal to 15% of the cost of purchase (including equipment) is spent on "rehabilitation" of the building within 24 months of closing or beneficial occupancy. Federal tax law makes a very close distinction between rehabilitation and upfit. Individual examples should be referred to a bond or tax attorney.

13. Can I finance used equipment?

The purchase of used equipment cannot be financed unless it is an integrated existing production line within a building that is also being purchased. An amount equal to at least 15% of the purchase price of the building (and equipment therein) financed out of bond proceeds must be spent on rehabilitating the building and equipment. Any new equipment purchases, which replace existing equipment, can be counted toward the 15% "rehabilitation". A different rule applies to the purchase of a used "structure" (such as a water tower), and requires rehabilitation expenses equal to 100% of the purchase price. Note that if the company purchases used equipment with its own funds, it may use bond proceeds to rehabilitate and install that equipment, but not to finance the purchase price. Federal tax law is very tight with used equipment. Individual examples should be referred to a bond or tax attorney.

14. What is "Rehabilitation"?

Rehabilitation is expenditures made to enhance the property, which are permitted by the IRS and will be capitalized and depreciated. Those expenditures must be made within 24 months from the date of beneficial occupancy.

15. Can I finance an acquisition?

Yes, if the jobs involved are in jeopardy because the facility is otherwise to be closed. Jeopardy might include a public announcement or letter written by the current operator that the plant is to be closed. An acquisition must be structured as a purchase only of fixed assets and must meet the used building and equipment requirements.

16. Must I close the bond issue right away if interest rates are unfavorable?

No. Closing may occur up to one year from the date of Commerce Certificate of Approval, if the project is unchanged. The company may also take up to three years to spend bond proceeds.

17. Can a builder or realtor finance a building with IRB's and lease it to my company?

Yes, the builder is considered the obligor and the lease is considered the operator. The Obligor must prove commitment of operator at time of application with the Department of Commerce and must commit to continue to meet requirements of federal and state statutes, even if the lessee changes.

18. Can bond proceeds be used to refinance existing debt or as venture capital?

No. The Internal Revenue Service prohibits the use of bond proceeds for these purposes.

19. Are there any negative aspects to using IRB's?

IRB financed assets must take straight line depreciation over ACRS schedule
\$10 million limit may prohibit rapid expansion over the first 3 years after closing

20. What is the purpose of the pre-application conference?

21. What are the most common mistakes?

Waiting too late to consult the State Agencies involved. Confidentiality can be maintained until public notice.

22. How has the State volume cap affected North Carolina?

North Carolina is one of the few states virtually unaffected by the state volume cap.

23. Who do I contact?

- County Bond Authority or Industrial Commission Bond Counsel
- Bond Counsel
- North Carolina Department of Commerce - Commerce Finance Center (919)733-5297

Additional information regarding Industrial Revenue Bonds, including application forms, employment profile worksheets, and active Bond Counsel firms can be obtain at <http://www.nccommerce.com/>.

CITY OF KINGS MOUNTAIN Industrial Development Incentive Grant Program

Overview

In order to expand economic development options for the City of Kings Mountain that will diversify and increase the tax base, offer improved employment opportunities for its citizens and promote the economic growth and welfare of the business and industrial community, the city Council hereby establishes inducement guidelines to encourage new industry location decisions within the City and to assist existing industry expansions within the City. This Industrial Development Incentive (IDI) grant program formalizes guidelines that create the parameters for local government economic incentives which encourage existing industry expansions and help promote the City of Kings Mountain as an excellent site choice for new industrial plant locations.

Program Parameters

The IDI grant involves a contractual agreement between the City and a new or existing industry within the municipality's boundaries or subject to annexation within the time frame of the agreement that would allow for a financial incentive grant based upon the actual net new investment value, schedule and quality of new jobs created for a period of up to five tax years. The city will require the industry to "pay in full" annually total property taxes due. If the industry has met specific criteria as outlined in a formal agreement, general fund monies would be returned to the industry in the form of a local industrial incentive grant.

Each project would be dealt with on an individual basis using guidelines established under the directions of the Kings Mountain City Council. The guidelines for the program shall be subject to periodic review. Changing economic conditions may cause the City Council to modify, amend or even terminate the program subject to compliance with any industrial development incentive grants in effect at that time.

Project Qualifications

Under no circumstances would any new or expanding industry receive an industrial development incentive grant greater than the amount by which the next year's property taxes exceeded a prior year's property taxes.

Grant payments will not be made unless the applicable industry is current in all other required local property tax payments of record with the City of Kings Mountain, current in all utility payments due to the City, and compliant with all land-use regulations of the City.

Industrial development incentive grant benefits may not be transferred or otherwise conveyed to another party without the specific consent of the City Council.

All industrial development incentive grants will be conveyed by a formal agreement between the industry receiving the grant and the City as appropriate.

Grant Value

The potential value of the industrial incentive grant may be up to 1.00% of the total amount of net new investment in building and equipment beyond the threshold of \$750,000. If approved by City Council, in accordance with provisions in GS 158-7.1, then a legal agreement describing the project, stating expected performance benchmarks and recourse for non compliance will be drawn up and recorded in the Office of the Register of Deeds of the appropriate county.

An additional percentage up to .25% may be approved by City Council, in accordance with provisions in GS 158-7.1 as a result of quality job creation for residents of the counties. This could bring the total percentage to 1.25%.

Project Criteria

In order for a company to become eligible for an industrial incentive grant, the criteria listed below must be identified in the application. These items are to be used as minimum standards for evaluation of industrial projects. The City Council, at their discretion, may require additional criteria.

The criteria for consideration in authorizing an industrial development incentive grant may include but are not limited to:

- Minimum level of net new investment is \$750,000 in land, building and equipment;
- The size of the project based upon investment in site development, plant facilities and infrastructure;
- The number of and type of jobs created;
- The relationship between jobs development and total investment;
- Potential for future expansion and increased employment;
- Site specific issues that impact upon local infrastructure responsibilities; and,
- Site specific initiatives that may be pursued to stimulate other development in areas that the City may deem of significant benefit to the community.

Examples Of The Industrial Incentive Grant

Example 1: Total investment is \$3,000,000 net new in land, building and equipment. There are 30 new jobs to be created with the average wage rate being the same as the lower county's average weekly wage. Take the \$3,000,000 minus \$750,000 threshold and apply the percentage. For example, 1.00 percent would yield a figure of \$22,500. Divide this number by five and the resulting number is \$4,500. This would be the annual grant amount for a period of five years.

While there is growth in jobs there is not the assurance that most of those jobs are going to residents of the counties. The other factor is that the jobs are paying average wages and not increasing.

Example 2: Total investment is \$40,000,000 net new in land, building and equipment. Breakdown is land and building valued at \$3,000,000. Machinery and equipment is valued at \$37,000,000. There will be 75 jobs created for at least 42 residents of the counties with the average wage being 25% higher than the lower average weekly wage for the county. Take the \$40,000,000 minus \$750,000 threshold and apply the percentage. For example, 1.25 percent would yield a figure of \$490,625. Divide this number by five and the resulting number is \$98,125. This would be the annual grant amount for a period of five years. Due to the higher wage level going to an identified number of the counties residents, the economic impact is greater for the counties. Therefore the percentage is increased, making the value of the grant higher.

Example 3: Total is \$3,000,000 net new investment in land, building and equipment. Breakdown is land and building valued at \$1,000,000 net increase. Machinery and equipment is valued at \$2,000,000 net increase. There will be 35 jobs created. At least 25 for residents of the counties with the average wage being 15% higher than the average weekly wage for the lower county average. Take the \$3,000,000 net new investment minus \$750,000 threshold and apply the percentage. For example, 1.25 percent would yield a figure of \$28,125. Divide this number by five and the resulting number is \$5,625. This would be the annual grant amount for a period of five years. Due to the higher wage level going to an identified number of the counties residents, the economic impact is greater for the counties. Therefore the percentage is increased, making the value of the grant higher. The number of residents to be hired at the higher wage creates a quality job creation scenario, thus resulting in a higher grant value for the company.



DUKE ENERGY ECONOMIC RE-DEVELOPMENT BILLING CREDIT (RIDER ER)

Rider ER provides qualifying customers locating in Duke served existing buildings a billing credit of 50% for their first year of operation beginning, at the customer's discretion, up to 12 months after the initial delivery of service. The monthly billing credit effectively offers a new customer in an existing Duke served building, with adequate Duke electrical service in place, the opportunity for 'half price energy' during their first year of operation.

Qualifications

To qualify for Rider ER, the customer must sign a 5-year contract with Duke and add a minimum of 500 KW of new load on the Duke Power system accompanied by either:

- 35 new full time employees on the Duke system per 500 KW of load, or
- \$200,000 in capital investment per 500 KW of new load with a net increase in full-time employees on the Duke system.

Availability (North Carolina Only)

Effective August 1, 2002, the Rider ER is available to nonresidential establishments, provided the establishment is not classified as Retail Trade or Public Administration, for load associated with a new customer in an existing establishment served by Duke, provided the establishment has been unoccupied and/or has remained dormant for a minimum period of 6 months.

The Customer must make an application for consideration of Rider ER and must affirm that the availability of this Rider was a factor in their decision to locate the new load on the Duke system. The 500 KW must be at one delivery point at one voltage and must not result in additional investment in distribution facilities, other than minor alterations in the service which can be accomplished feasibly and economically.

Available, only at the Company's option, to nonresidential establishments receiving service from the Company under Schedule G, GA, I or OPT provided that the establishment is not classified as Retail Trade or Public Administration by the Standard Industrial Classification (SIC) Manual published by the United States Government.

This Rider is available for load associated with a new customer in an existing establishment served or previously served by the Company, provided the establishment has been unoccupied and/or has remained dormant for a minimum period of 6 months as determined by the Company. In order to qualify for service under the Rider the New Load must be a minimum of 500 KW at one delivery point at one voltage. In addition, the requested service necessary to serve the New Load must not result in additional investment in distribution facilities by the Company; however, minor alterations in the service supplied which can be accomplished feasibly and economically may be allowed.

To qualify for service under this Rider, the Customer must meet the qualifications under A. or B. below:

The Customer employ an additional workforce in the Company's service area of a minimum of thirty-five (35) full time equivalent (FTE) employees per 500 KW of New Load. Employment additions must occur following the Company's approval for service under this Rider.

The Customer's New Load must result in capital investment of two hundred thousand dollars (\$200,000) per 500 KW of New Load, provided that such investment is accompanied by a net increase in full time equivalent employees employed by the Customer in the Company's service area. The capital investment must occur following the Company's approval for service under this Rider.

This Rider is not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. This Rider is also not available for load shifted from one establishment or delivery on the Duke system to another on the Duke system. However, if a change of ownership occurs after the customer contracts for service under this Rider, the successor customer may be allowed to fulfill the balance of the contract under Rider ER and continue the credits outlined below.

Definitions

New Load: New Load is that which is added to Company's system as a result of the new customer taking service at an existing establishment and shall not be less than the Contract Demand.

Delivery Date: The Delivery Date is the first date service is supplied under the contract.

Operational Date: The Operational Date shall be the date the facility is fully operational as declared by the Customer, but shall be no more than twelve months after the Delivery Date.

Month: The term “month” as used in this Rider means the period intervening between readings for the purpose of monthly billings. Readings will be collected each month at intervals of approximately thirty (30) days.

General Provisions

The Customer must make an application to the Company for service under this Rider and the Company must approve such application before the Customer may receive service hereunder. The application must include a description of the amount of and nature of the new load and the basis on which the Customer requests qualification shown in A or B under Availability above. In the application, the Customer must affirm that availability of this Rider was a factor in the Customer’s decision to locate the new load on the Duke system. The application shall also specify the total number of full time equivalent employees (FTE) employed by the Customer in all establishments receiving electric service from the Company’s system, at the time of application for this Rider, and on the Operational Date.

The Customer must agree to a minimum contract term of five (5) years, with the credits being available for a maximum period of one (1) year following the Operational Date.

To continue service under this Rider, the Customer must maintain a monthly average of 300 hours use of demand.

All terms and conditions of Schedules G, GA, I or OPT applicable to the individual customer shall apply to service supplied to the Customer except as modified by this Rider.

Application of Credit

Beginning with the Operational Date, a credit of 50% will be applied to the total bill in Months 1 through 12 for the New Load contracted for under this Rider, calculated on the applicable rate schedule, including the Basic Facilities, Demand Charge, Energy Charge, or Minimum Bill excluding other applicable riders, and excluding Extra Facilities Charges.

Contract Period

Each customer shall enter into a contract to purchase electricity from the Company for a minimum original term of five (5) years, and thereafter from year to year upon the condition that either party can terminate the contract at the end of the original term, or at any time thereafter by giving at least sixty (60) days’ previous notice of such termination in writing. If the Customer requests a change in rate schedule from that which was approved in conjunction with Rider ER, credit under Rider ER will no longer be available. Such a change will be allowed upon thirty (30) days’ written notice to the Company. If at any time during the term of contract under this Rider, the Customer violates any of the terms and conditions of the Rider or the agreement, the Company may discontinue service under this Rider, and bill the customer under the applicable schedule without further credits. In the event of early termination of a contract under this Rider, the Customer will be required to pay the Company any costs due to such early cancellation.

Information regarding this special incentive was taken from an original copy of the Rider ER (NC) and its Summary as prepared by Duke Power Company.

CITY OF GASTONIA ECONOMIC DEVELOPMENT RIDER NO. 1 (ER1)

Availability

This Rider is available only to new commercial or industrial loads which begin receiving service after February 1, 2007 and is available in conjunction with service under any of the City's commercial or industrial electric rate schedules. The demand of the new load must equal or exceed 1,000 kW during at least three months of a twelve-month period.

Any customer desiring to receive service under this rider shall provide written notification to the City of such desire. Such notice shall provide the City with information concerning the load to be served and the Customers' facilities and shall provide the basis of the City representation that the characteristics of the load will meet the minimum eligibility requirements of the electric rate schedule to which this Rider applies.

All terms and conditions of the electric rate schedule applicable to the Customer shall apply to service supplied to the Customer except as modified by this Rider.

Monthly Credit

The Customer will receive a Monthly Credit on the bill calculated on the then-effective electric rate, whichever is applicable to the Customer. The schedule of Monthly Credits will be calculated as described below under the heading "Application of Credit."

Application of Credit

Beginning with the date on which service under the then-effective electric rate is to commence for the eligible load, a Monthly Credit based on the following schedule will be applied to the total bill, including Basic Facilities Charge, Demand Charges, Energy Charges, or Minimum Bill, excluding other applicable riders and special charges, if any.

Period	Discount
Months 1-12	20%
Months 13-24	15%
Months 25-36	10%
Months 37-48	5%
After Month 49	0%

Contract Period

Prior to receiving service under this Rider, the Customer must enter into a contract to purchase electricity from the City for a minimum period of ten years. Either party can terminate the contract at the end of the original term upon sixty days prior written notice.

Adopted

This Rider shall be effective for qualifying customers receiving permanent electrical service after February 1, 2007.

CITY OF GASTONIA ECONOMIC RE-DEVELOPMENT RIDER (ERD)

Availability

This Rider is available only to new commercial or industrial loads which begin receiving service after April 1, 2006 at an existing facility served, or previously served, by the City of Gastonia which has been vacant for at least six months. This Rider is available in conjunction with service under any of the City's commercial or industrial electric rate schedules. The demand of the new load must equal or exceed 1,000 kW during at least three months of a twelve-month period.

Any Customer desiring to receive service under this Rider shall provide written notification to the City of such desire. Such notice shall provide the City with information concerning the load to be served and the Customers' facilities and shall provide the basis of the City representation that the characteristics of the load will meet the minimum eligibility requirements of the electric rate schedule to which this Rider applies.

All terms and conditions of the electric rate schedule applicable to the Customer shall apply to service supplied to the Customer except as modified by this Rider.

Monthly Credit

The Customer will receive a Monthly Credit on the bill calculated on the then-effective electric rate, whichever is applicable to the Customer. The schedule of Monthly Credits will be calculated as described below under the heading "Application of Credit."

Application of Credit

Beginning with the date on which service under the then-effective electric rate is to commence for the eligible load, a Monthly Credit based on the following schedule will be applied to the total bill, including Basic Facilities Charge, Demand Charges, Energy Charges, or Minimum Bill, excluding other applicable riders and special charges, if any.

Period	Discount
Months 1-12	50%
After Month 12	0%

Contract Period

Prior to receiving service under this Rider, the Customer must enter into a contract to purchase electricity for the City for a minimum period of ten years. Either party can terminate the contract at the end of the original term upon sixty days prior written notice.