

June 29, 2011, MB#52
Special Meeting

Special Joint Meeting
Catawba County Board of Commissioners
And
Conover City Council
Wednesday, June 29, 2011
9:15 a.m.

The Catawba County Board of Commissioners met in a Special Joint Meeting with Conover City Council on Wednesday, June 29, 2011 at 9:15 a.m. in the Council Chambers at Conover City Hall. The purpose of this meeting was to consider an economic incentive agreement.

Present were Chair Katherine W. Barnes, Vice-Chair Lynn M. Lail and Commissioners Dan Hunsucker, Barbara G. Beatty and Randy Isenhower.

Present were Conover Council Members Mayor Lee Moritz, and Councilmen Janice Herman, Joie Fulbright, Don Beal and Kyle Hayman.

Also present were County Manager J. Thomas Lundy, County Attorney Debra Bechtel, Catawba County Public Information Officer Dave Hardin and County Clerk Barbara Morris.

Catawba County Board of Commissioners joined the Conover City Council at 9:10 after the City Council had conducted a public hearing. Chair Katherine W. Barnes called the Catawba County Board of Commissioners to order. She then asked Nathan Huret to quickly review the economic incentive agreement that was at issue at this joint meeting.

Mr. Huret stated Lee Industries was considering consolidating its offices and back office operations (product development, management, marketing, etc.) into the former Conover Chair facility. The relocation would utilize a significant majority of the 183,000sf facility as new manufacturing space, and free 40,000sf at Lee's Newton facilities by opening additional production space. Lee Industries currently operates 3 production facilities in Newton, manufacturing upholstered furniture since 1969. The company has grown tremendously over those 40+ years offering one-of-a-kind pieces to customers intent on picking their own frame, size, finish, fabric, skirt, nail head, or even earth-friendly materials, all while handcrafting every piece in the United States with 99.999% of their materials from the United States (much of which comes from supplies within a 25 mile radius). In 2010, company sales grew by nearly 21% and 2011 sales are on pace to grow by an additional 15%.

As the company's current facilities cannot handle their expected growth over the next 5-10 years, the company considered other buildings in the region. The company focused on the possible reuse of the former furniture facility in downtown Conover. The vacant Conover Chair facility has fallen into disrepair in recent years and would require the company to drastically renovate the facility (likely to LEED standards) and redevelop the entire property, investing an estimated \$2,000,000 in real property improvements.

With the additional manufacturing capacity, Lee would add 75 new manufacturing employees in Conover over the next 3 years, with an average wage of \$41,045 or nearly \$7,000 more than the Catawba County average wage. Lee expects to invest an additional 1,000,000 in new machinery and fixtures at the site. All of the company's Newton facilities would remain in operation and convert entirely to production; none of Lee's existing 490 employees would be laid off due to the relocation.

The Conover Chair facility has been in foreclosure since 2009 and is now owned by PeoplesBank. The former owner of the facility neglected to pay real property taxes on this property to both the City and County since 2003 – there are nearly \$87,500 and \$116,000 in outstanding taxes due to Conover and the County respectively. These taxes will have to be paid immediately by any buyer and are a tremendous impediment towards the purchase of this property, even with a favorable sales price from the bank.

In order to create 75 new jobs and \$3M in new investment and return a defunct industrial facility into a revenue and job generating engine once again, EDC staff recommended consideration of a one-time County grant of \$50,000. These funds must be directly appropriated by the company to the renovation and up-fit of the facility. Upon payment from the company of all taxes owed to the County from the previous property owner (approximately \$116,000) and an executed economic development agreement, the County will use these same funds to provide a grant to the company that will in turn be used on the renovation and up-fit of the former Conover Chair facility.

Predicted annual County real property tax receipts in the first 3 years on existing \$710,500 real property valuation and \$3,000,000 in new investment (assuming all investments were taxable):

Year 1 County tax receipts on existing + new investment:	\$19,851
Year 2 County tax receipts on existing + new investment:	\$19,851
Year 3 County tax receipts on existing + new investment:	\$19,851
<u>Outstanding property taxes due to County (est.):</u>	<u>\$116,000</u>
	\$175,553

One-time grant payment to the company in Year 1: \$50,000

Projected net income from 3 years of receipts *minus* grant payment: \$125,553

The company would be required to participate in Education Matters and to create 75 new jobs and maintain these 75 new jobs and all existing jobs within the County until December 31, 2017.

Considerations:

- An incentive based upon new tax proceeds over an extended period of time does not represent a large outlay (for this project) and would likely not be effective, particularly considering the significant upfront costs of the property's outstanding taxes
- \$203,500 in taxes due from a previous owner represents a significant upfront barrier to this project moving forward, an upfront grant could lower this threshold
- A one-time grant using past due revenues ensures the County retains 100% of all future property taxes on the property

Other Incentives:

- Conover City Council has recommended refunding 100% of the property's due taxes (approximately \$89,000) to be used by the company for the building's renovation
- The City is applying to the NC Department of Commerce and the Community Development Block Grant (CDBG) Building Reuse Program; the City would apply for a \$750,000 forgivable loan on behalf of the company to be used for the renovation and remodeling of the facility. The City will pay the grant administration costs (approx. \$30,000)
- The State of North Carolina will be asked to participate in Article 3J tax credits, Community College Training Assistance, and any other eligible State opportunities.

Chair Barnes said she was very pleased to see a homegrown company expand and noted Lee Industries was at the forefront of furniture manufacturing with quality advertising and lean/green manufacturing and she was pleased to see this opportunity for them to grow. Commissioner Dan Hunsucker echoed Chair Barnes comments and said he was pleased to help a local company grow and expand. Commissioner Randy Isenhower said he was pleased to partner with Conover on this endeavor. Vice-Chair Lynn Lail made a motion to enter into the economic development agreement as outlined above. The motion carried unanimously.

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Mayor Mortiz asked Councilwoman Penny Corpening to return to the meeting and adjourned the meeting for Conover City Council at 9:18 a.m. Vice-Chair Lail made a motion to adjourn the meeting for the Catawba County Board of Commissioners at 9:18 a.m. The motion carried unanimously.

Katherine W. Barnes, Chair
Catawba County Board of Commissioners

Barbara E. Morris
County Clerk