

TOWN OF FUQUAY-VARINA  
NORTH CAROLINA



# GUIDELINES FOR ECONOMIC DEVELOPMENT ASSISTANCE

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FUQUAY-VARINA ECONOMIC  
DEVELOPMENT INCENTIVE POLICY

**FUQUAY-VARINA TOWN HALL**  
401 OLD HONEYCUTT ROAD  
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## I. OVERVIEW

The Town of Fuquay-Varina ("Town") has the capacity to provide economic development incentive assistance for companies seeking to relocate and expand business within the Town's Corporate Limits. This incentive policy provides consolidated information and guidance with respect to the application for Town incentive assistance.

The Town's economic development incentive policy has been created to encourage the following types of development within Fuquay-Varina:

1. Recruitment of New Manufacturing Facilities
2. Expansion of Existing Manufacturing Facilities
3. Commercial/Retail Development Infrastructure Investment
4. Downtown New In-fill Development
5. Downtown Rehabilitation/Renovation In-Fill Development

The consideration and size of any Town grant assistance will be based on a number of factors including the location and size of the site, the amount of capital investment in the project, and the number of new jobs created. The Town reserves the right to offer funding assistance in the form of a statutory development agreement and in accordance with Urban Redevelopment Laws.

Soft costs associated with projects (legal, engineering/architect, administrative fees) do not qualify for Town assistance.

## II. ELIGIBLE APPLICANTS

Eligible Applicants must be private, for-profit businesses locating within the Town's Corporate Limits. The business must be able to demonstrate a net increase in real property values will be achieved as a result of the project. The applicant must be the owner of record of real property and/or the business fixtures and equipment.

A business seeking incentive assistance must complete an application, and if approved, enter into a performance contract *Incentive Agreement or Development Agreement* with the Town, fulfill all annual benchmarks/milestone requirements of the contract and be current on all tax and utility liabilities owed to the Town and other government entities. The applicant must demonstrate within their application that without receiving Town incentive assistance the Applicant would not make the investment within Fuquay-Varina. Projects already underway or completed at the time of application do not qualify for Town incentive assistance.

## **FUNDING**

Incentive assistance may be used for economic development initiatives intended to create or retain jobs that increases business activity within the Town's Corporate Limits. Applicants with a project located outside of the Town's Corporate Limits may apply for funding if the Applicant submits a petition for annexation to the Town Board. The Town Board reserves the right at all times to deny or reject such annexation petition.

### **A. FORMS OF FUNDING**

The Town reserves the right to consider all forms of economic development assistance and/or appropriations as determined and authorized by the G.S. 158-7.1 and G.S. Ch. 160A. The Town may also consider property tax exemptions for qualifying improvements made to properties that are designated in a special class of property under state law.

### **B. ELIGIBLE FUNDING USES AND EXPENSES**

Town funding assistance may be used to acquire or reduce the cost of real property and/or improvements; create or improve public infrastructure such as sidewalks, roads, water/sewer utility lines; acquire or upgrade existing machinery and equipment. The Town investment in public roadways and infrastructure will be publically owned. The Town is committed to broadening its tax base by diversifying its land uses. As the community experiences accelerated growth, the Town expects to recruit quality, high-end services and amenities that benefit the residents, businesses and visitors of Fuquay-Varina.

### **SCOPE**

The following chart will be used by Town staff and the Town's Governing Body as guidance when determining the Town's incentive assistance participation in a project. All eligible projects must produce a net public benefit to the community. Applicants must demonstrate their project will produce a substantial number of jobs, increase the Town's tax base and diversify the local economy by creating significant economic impact to the local community.

Project Type	Eligible Applicants	Eligible Projects	Minimum Capital Investment	Town Participation	Use of Funds
<b>Recruitment Manufacturing</b>	Suppliers of BIG4, Advanced Manufacturing, R/D, Warehouse/Distribution, Defense Manufactures	New Construction	\$5 million	Up to 5% of Total Project Costs	Construction; on/off site infrastructure improvements
<b>Expansion Manufacturing</b>	Expansion and rehabilitation of existing Fuquay-Varina manufacturing facilities	Expansion	\$3 million	Up to 5% of Total Project Costs	Construction; utility; infrastructure; acquisition of machinery & equipment
<b>Infrastructure Investment</b>	High-end commercial and retail development with significant capital investment and tax base impact	New Construction	<u>Commercial/Retail:</u> \$50 million	*Up to 5% of Total Project Cost	Utilities; road improvements; easements; ROW's
<b>Downtown In-Fill Development</b>	New building construction located in DC-1/DC-2 that results in a minimum 50% increase in tax assessment	New Construction	\$3 million	*Grant up to 100% equal to assessed property tax over 5 - 10 year period	Construction; utility; road improvements
<b>Downtown Building/Site Rehab</b>	Rehabilitation of an existing building/site located in DC-1 & DC-2 that results in a minimum 50% increase in tax assessment	Rehabilitation & Demolition	\$1 million	*Grant up to 100% equal to assessed property tax over 5 – 10 period	Demolition; construction; utility; road improvements

\* Via statutory development agreements

- The Town Board of Commissioners reserves the right to authorize and approve funding projects that exceeds the incentive program thresholds.
- Town Board of Commissioners are not obligated to offer incentive assistance even when a project meets the funding assistance program requirements listed within the Town's Incentive Policy.
- Town funding assistance may be offered in the form of a Development Agreement.

Certain expenses and costs may be covered by the Town's economic development incentive assistance programs. Expenses that may be eligible for program assistance include:

- Acquisition or leasing of land, buildings (projects that lease buildings must be able to demonstrate a long-term lease agreement) with accompanying personal guarantees satisfactory to the Town's legal counsel;
- Acquisition of existing business and/or assets;
- Demolition and environmental remediation;
- New construction, renovation, or leasehold improvements; and
- Acquisition of new machinery and equipment (in combination with new/expansion of a building or improvements to real property.)

The following types of expenses may be included in project budgets presented for consideration as part of a funding application, but such expenses shall not be eligible for payment using Town incentive funds:

- Developer/Development fees;
- Recapitalization/refinancing;
- Planning/Feasibility Studies; and
- Salary or Administrative Fees

### **C. TIMING OF FUNDING & REIMBURSEMENT**

If awarded Town incentive assistance, the Applicant will be required to enter into a written Incentive Agreement or Development Agreement with the Town. The Incentive Agreement or Development Agreement must be approved and authorized by the Town Board of Commissioners. The Incentive Agreement or Development Agreement will detail the terms and conditions of the Town's incentive assistance and participation to include specific benchmarking and project milestone requirements; claw-back and recapture provisions if project benchmarks are not met; and reimbursement provisions.

Although funding is offered prior to project commencement as an inducement to undertake the project, the Town will only disburse funds in arrears, as reimbursement for incentive assistance eligible expenses. Funding assistance will only be disbursed upon project completion. The Town reserves the right to determine payment reimbursement terms. These terms may be payable annually to the applicant if incentive assistance is calculated as a percentage of property taxes paid.

Program funds may only be used for expenses incurred after a Town Incentive Agreement or Development Agreement (described in Section V) has been countersigned by Applicant (expense documentation will be required). For more information, please see Section V, The Approval and Disbursement Process, of these guidelines.

#### **D. ASSISTANCE AMOUNT AND PROJECT BUDGET**

Generally, Town assistance will not exceed five percent (5%) of the total project budget. Applications should include a comprehensive budget that specifies funding sources and uses; total source and total use amounts should be the same. Assets being acquired must be reflected in the budget at a level at or below fair market value.

#### **E. EQUITY**

Applicants must contribute a minimum of ten percent (10%) of the total project cost in the form of equity. Equity is defined as cash injected into the project by the Applicant or by investors that can be audited through the review of the Applicant's financial statements or accounts.

#### **F. JOB COMMITMENTS**

Only those projects that produce a substantial number of permanent jobs will be considered for grant funding consideration. These jobs must meet or exceed Wake County's median wage income levels (at the time of application). The Applicant's project must detail the number of jobs to be created as a result of the project. Job creation thresholds will be detailed in the Incentive Agreement or Development Agreement.

#### **G. ASSISTANCE RECAPTURE**

If a project falls short of the benchmarks and milestones originally agreed to in the Incentive Agreement or Development Agreement, funding assistance will be recaptured. The Town has the authority to recapture funds if it is determined that the project: creates fewer jobs than specified; does not meet the threshold of capital investment specified; and failing to maintain operations at a specified level for a period of time specified at the project location. All recapture terms and conditions will be detailed in the Incentive Agreement or Development Agreement. Recapture of Town funding assistance is required to be repaid within 90 days of the Town issuing a default notice.

#### **H. APPLICATION REVIEW AND ANALYSIS**

The Town shall have the authority to perform financial reviews and analysis of Applicants requesting assistance, including a cost benefit analysis that estimates the return on investment the project will generate to the community.

## I. GUARANTEES

For all program assistance, guarantees are required from any individual or entity owning fifty percent (50%) or more of the Applicant (and/or beneficiary as the case may be). In determining the required guarantors, the ownership of the corporate entity and its affiliates are merged, so that guarantees are required from all commonly controlled entities whose ownership interests aggregate to fifty percent (50%).

## III. *The Application Process*

### A. GENERAL INFORMATION

For each proposed project, eligible Applicants shall submit a *Town of Fuquay-Varina Application for Financial Assistance*, available from the Town's Economic Development Department. Applicants can download the PDF form at [www.fuquay-varina.org/ecodev](http://www.fuquay-varina.org/ecodev). The applications are to be submitted to the Town of Fuquay-Varina's Economic Development Department. Please send a completed application via Email or Certified U.S. Postal Mail to:

**Town of Fuquay-Varina**  
**Attn: Economic Development Assistance Application**  
**Jim Seymour, Economic Development Director**  
**401 Old Honeycutt Road**  
**Fuquay-Varina, NC 27526**  
[jseymour@fuquay-Varina.org](mailto:jseymour@fuquay-Varina.org)

Applications will be reviewed by Town staff who will conduct due diligence and project assessment to determine if a project is eligible for program assistance. The Town will assess each project based upon the criteria described below in subpart B of this Section IV.

### B. CRITERIA AND TOWN ASSESSMENT OF APPLICATIONS FOR PROJECTS

In addition to the criteria noted below, the Town shall have the discretion to consider additional factors in Town's assessment of a project:

- Number of new jobs created and/or jobs retained;
- Amount of capital investment to be made;
- Amount of private financing leveraged;
- Amount of public financing leveraged;
- Estimated return on investment the project will provide to Fuquay-Varina;



- When applicable the project's identified tenants;
- Potential to revitalize a segment of the community;
- Project's preservation of architectural character of a building or neighborhood;
- Degree of the Applicant's financial viability, strength of financials, operating history, and other financial measures;
- Degree of project readiness; and
- Degree to which the project identified in the application supports the principles of the Town of Fuquay-Varina Economic Development Strategy 2015-2025;

#### **IV. The Approval and Disbursement Process**

Projects that are approved by the Fuquay-Varina Town Board of Commissioners will receive an Incentive Agreement or Development Agreement detailing the Town's financial commitment to the project. The date on the Incentive Agreement or Development Agreement represents the date on which the Applicant may begin to incur project costs that qualify for incentive assistance. In some circumstances and if permitted by the Town, if a project requires a commitment letter before project expenditures have been incurred in order to borrow against the Town's commitment, the Town may approve such condition. ALL funds approved by the Town will be reimbursed to the Applicant after 100% of the project costs have been incurred. Appropriate project cost expenditure information will be required for reimbursement.

All legal and development requirements must be complete prior to reimbursement of the approved project. In accordance with State law, prior to project award approval by the Town, a public hearing will be required and scheduled at the next regularly scheduled Town Board Meeting.

#### **V. General Terms and Conditions**

1. Modification of Award – Town reserves the right to offer program assistance under terms different from those requested or those contained in these guidelines. Town reserves the right to review and reconsider program assistance offers and terms in the event of material changes in project scope, timing, or circumstances.
2. Reservations of Rights Concerning Funding Commitment – It is expected the project will proceed in the time frame set forth in the application. If the implementation of a project fails to proceed as indicated or delayed for a significant period of time or the Town determines doubt as to the viability of the project, Town reserves the right to cancel its commitment.

3. Public Obligations Current – the Applicant shall be current on all ad valorem taxes and other public obligations. This information shall be confirmed by the Wake County Tax Office.
4. New Investment Confirmation – The assessed value of new investment shall be confirmed by the Wake County Tax Office prior to the Applicant receiving any project cost reimbursements.
5. Indemnity – The Incentive Agreement or Development Agreement may include a requirement to indemnify the Town of Fuquay-Varina.
6. Environmental Compliance – the Applicant's project is expected to satisfy state, federal and local environmental laws and regulations.
7. Projects must fiscally, economically and environmentally demonstrate best and high use of public funds.
8. Payments – Funding assistance will only be paid after all taxes, fees and charges due to the Town are paid and all capital and/or employment thresholds are met.

### **Disclaimer**

1. The Fuquay-Varina Town Board of Commissioners reserves the right to authorize and approve funding for a project that exceeds the incentive program thresholds.
2. The Town Board of Commissioners is not obligated to offer incentive assistance even when a proposed project meets all the requirements.
3. Changes in economic conditions may necessitate the Town to modify, amend or terminate their incentive policy, subject to compliance with any Incentive Agreements or Development Agreements in effect at the time.
4. The Town's Incentive Policy may be amended at any time.
5. Request for Town funding assistance are evaluated and negotiated on a case-by case basis.
6. Only one incentive will be given per parcel and/or per project within a 10 year period.

7. Contractual Obligations – any entity receiving Town funding assistance must enter into a binding incentive contract (Incentive Agreement or Development Agreement) with the Town of Fuquay-Varina and is therefore subject to any reporting, public disclosure or repayment requirements contained within.

## **VI. Local Economic Development Incentive Funding Authorization**

G.S. 158-7.1(a) provides that each city in the State is authorized to make appropriations for the purpose of aiding and encouraging economic development that will increase the population, taxable property and business prospects of any city. These appropriations may be funded by the levy of property taxes pursuant to G.S. 160A-209(c)(17a) and by allocation of other revenues whose use is not otherwise restricted by law.

After economic incentives are negotiated, but prior to being concluded by a legally-binding contract, a public hearing shall be held in accordance with NC G.S. 158-7.1. When no public hearing is required, then a public comment period shall be held.

These policy guidelines are not retroactive to a project which has been announced or undertaken prior to the adoption of these policy guidelines. These guidelines are in effect until such time as amended by the Town Board of Commissioners. The provisions listed within this policy conform to N.C.G.S. § 158-7.1, et. seq. At any time, revisions to the laws of North Carolina may change to make any or all sections of this policy unenforceable.

The Town of Fuquay-Varina's Governing Body believes granting economic development incentives will encourage the location and expansion of quality manufacturing, high-end commercial/retail and quality mixed-use development within Fuquay-Varina's governing jurisdiction. Town authorized economic development incentive assistance is intended to increase the population, jobs, taxable property, diversify tax base and land use that creates economic benefits for the community.