

APPROVED 09/03/2019

**MINUTES  
ORANGE COUNTY BOARD OF COMMISSIONERS  
SPECIAL MEETING  
July 23, 2019  
7:00 p.m.**

The Orange County Board of Commissioners met for a Special Meeting on Tuesday, July 23, 2019 at 7:00 p.m. at the Whitted Building in Hillsborough, N.C.

**COUNTY COMMISSIONERS PRESENT:** Chair Penny Rich and Commissioners Jamezetta Bedford, Mark Dorosin, Sally Greene, Earl McKee, Mark Marcoplos, and Renee Price

**COUNTY COMMISSIONERS ABSENT:**

**COUNTY ATTORNEYS PRESENT:** John Roberts

**COUNTY STAFF PRESENT:** County Manager Bonnie Hammersley, Deputy County Manager Travis Myren, and Clerk to the Board Donna Baker (All other staff members will be identified appropriately below)

Chair Rich called the meeting to order at 7:00 p.m.

**1. Call to Order**

Chair Rich introduced special guests attending tonight:

- Doug Sutter: ABB's Program Manager for Electrification Products, with the firm's industrial Connections and Solutions Group (Cary, N.C. office)
- Dom Pitocco: ABB's Mebane Plant Manager
- Melissa London: head of ABB's U.S. media relations (Cary, N.C. office)
- Kristin Hogan with ABB's site selection consultant firm "Deloitte U.S."
- Leila Halperin, student intern from Chapel Hill High, who will be shadowing Board of County Commissioners members and Town of Carrboro members, to find out how more how local government works.

**2. Public Hearing and Decision Regarding an Economic Development Recruitment Incentive for ABB, Inc.**

**PURPOSE:**

To:

- 1) Conduct a public hearing on the issuance of a performance-based economic development incentive by the County to a private company; and
- 2) Consider approval of a proposed five-year performance-based incentive agreement, with claw-back provisions, for the recruitment of ABB, Inc.'s manufacturing facility expansion in Orange County.

**BACKGROUND:** Local and state government in North Carolina have the goal to promote economic development by encouraging the location of new businesses and the expansion of existing businesses. This activity serves to diversify the local tax base, increase employment opportunities and introduce desired job skills and related benefits to a community for the benefit of its residents. The Local Government Act, North Carolina General Statute (NCGS) 158-7.1 outlines the requirements of public hearings, and NCGS 158-7.1(a) specifically addresses the

requirement that economic development appropriations “*must be determined by the governing body of the city or county to increase the population, taxable property, agriculture industries, employment, industrial output, or business prospects of the city or county*”. This public hearing has been scheduled in compliance.

**Project Description:**

ABB, Inc., with an existing 400,000 square foot manufacturing facility located in western Orange County, plans to invest \$39.9 million to update the existing manufacturing facility and expand the Company’s total facility size by an additional 200,000 square feet. ABB also plans to add 403 new jobs over the next 5 years of operation at this facility. These jobs will include production, maintenance, office, and management staff and have an average salary of \$70,789 per year. The ABB, Inc. plant in Orange County ranks as the County’s largest private employer, with nearly 600 current associates, who hold the highest average salaried manufacturing jobs in the County. The original plant was acquired in June 2018 from General Electric’s Industrial Solutions division.

Under ABB’s new management, in mid-2019, the Company hired the Deloitte U.S. site selection consulting firm to assist in the evaluation of ABB expanding operations either at the Company’s competing Senatobia, Mississippi location or at the Orange County, NC plant. This competitive site search, code named “Project Clear Blue Sky”, evaluated consolidating operations into one U.S. hub for the manufacturing, engineering, & related electrical products of ABB’s “Distribution Services” line. As part of the location evaluation, ABB considered financial inducement proposals from the State of North Carolina, Orange County and the City of Mebane.

The proposed incentive will be performance-based with respect to the County’s annual verification of ABB’s targeted increases in (1) employment, wages & benefits, and, (2) new taxable real & personal property value over the next five years, as the Company expands its Mebane presence. Incentives would only be paid following confirmation of the Company’s required annual growth measures.

**Basis to Calculate the Value of Orange County Performance-Based Incentives:**

(1) INVESTMENT – ABB will increase property valuation by at least \$24,300,000 in real property and at least \$15,600,000 in personal property, to total \$39,900,000 over 5 years as detailed in the table below. If these real and personal property valuation targets are not achieved, the proposed annual incentive payment will be reduced proportionally.

<b>Investment</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Real Property	\$5,000,000	\$16,600,000	\$2,700,000	\$24,300,000
Personal Property	\$200,000	\$10,200,000	\$5,200,000	\$15,600,000
<b>Total</b>	<b>\$5,200,000</b>	<b>\$26,800,000</b>	<b>\$7,900,000</b>	<b>\$39,900,000</b>

(2) EMPLOYMENT - ABB will add net new employment consistent with the job growth chart below. If annual job targets are not achieved, the annual incentive payment will be reduced by \$500 per full time equivalent employee not hired. By year #5, the Company will create 403 new positions with an average salary of \$70,789 per year.

**Employment Projections**

<u>1<sup>st</sup> Year</u>	<u>2<sup>nd</sup> Year</u>	<u>3<sup>rd</sup> Year</u>	<u>4<sup>th</sup> Year</u>	<u>5<sup>th</sup> Year</u>	
2020	2021	2022	2023	2024	
New Full Time Jobs	104	274	8	8	9

The proposed inducement payment will be in the form of a performance-based grant paid over a five (5) year period at an amount equal to 75% of ABB's projected net increase in real & personal property tax valuation. This specific formula represents the County's current incentive policy that has been offered in the past to other industrial and commercial prospects. It ensures that annual tax revenues from this project's additional investment, net of annual incentive payments, remain positive in all years of the incentive agreement.

A company representative has been invited to attend tonight's meeting and will be available for comment and questions. **Orange County Revenue Projections (5 Years)**

<u>1<sup>st</sup> Year</u>	<u>2<sup>nd</sup> Year</u>	<u>3<sup>rd</sup> Year</u>	<u>4<sup>th</sup> Year</u>	<u>5<sup>th</sup> Year</u>	<u>TOTAL</u>	
2020	2021	2022	2023	2024		
New Property Tax Revenues	\$45,131	\$277,554	\$337,110	\$324,489	\$312,679	<b>\$1,296,963</b>
Incentive Payments	-\$33,848	-\$208,166	-\$252,832	-\$243,367	-\$234,509	<b>-\$972,722</b>
Annual Net Revenues	\$11,283	\$69,289	\$84,277	\$81,122	\$78,170	<b>\$324,241</b>

#### **Orange County Revenue Projections (10 Years)**

New Property Tax Revenues	\$2,706,336
Incentive Payments	-\$972,722
Annual Net Revenues	\$1,733,614

#### **Additional Partners' Participation:**

The State of North Carolina's "Economic Investment Committee" approved the following State incentives for ABB, Inc. at the North Carolina Department of Commerce's July 10<sup>th</sup> meeting. Immediately following this event, a public announcement was held at the State Capitol Building in Raleigh, which was led by North Carolina Governor Roy Cooper, and attended by representatives from ABB, Inc., Orange County and the City of Mebane. The public announcement addressed ABB's decision to expand the Company's existing facility located in Orange County, instead of the competing location in Mississippi, subject to approval of local government incentives.

#### **State of North Carolina – Incentives**

Sales Tax Exemption on Machinery & Equipment	\$1,053,000
Jobs Development Investment Grant	\$4,369,500
Rural Division Building Reuse Grant *(forgivable loan)	\$500,000
N.C. Community College System's Customized Training	\$644,800

#### **\*Note Regarding the State of N.C.'s "Rural Division Building Reuse Grant":**

Orange County will have a managerial role as the "grant administrator" for the State of North Carolina's "Rural Division Building Reuse Grant" offer to ABB, Inc. This program is intended to support the renovation or expansion of vacant buildings, or buildings occupied by a company operating in North Carolina for at least 12 months. The program, which must be administered by

a local government entity, requires the local government to hold a Deed of Trust on the building. This can create a potential financial obligation on the local government in the event the Company does not perform as expected. As ABB incurs actual costs associated with the facility improvements it plans to make to the existing building, and creates new employment, the \$500,000 State grant will be passed through the County to the Company. The grant is in the form of a forgivable loan that is satisfied once ABB fulfills all investment and employment requirements. To eliminate any financial risk for the County, the pass-through funds will not be requested from the State until the Company meets all investment and employment criteria and satisfies any other program requirements.

#### City of Mebane

ABB's existing facility is currently located within the City of Mebane's Extraterritorial Jurisdiction (ETJ). The Company has agreed to annexation and the City of Mebane will consider the following additional incentives at the August 5, 2019 City Council meeting and public hearing. **City of Mebane Incentives**

Performance Based Incentive	\$997,500
Waiver of Development Fees	\$150,000

**FINANCIAL IMPACT:** The attached Performance Agreement between Orange County and ABB, Inc. outlines a total financial impact of up to \$972,722 payable in five (5) annual installments. Actual annual payments will be based on the Company's investments that create new property tax value of at least \$24,300,000 in Real Property, and at least \$15,600,000 in new Personal Property, totaling a combined \$39,900,000 in new taxable value. Annual incentive payments by the County will be paid from net new property tax revenues generated by ABB, Inc. and from available Article 46 funds.

The Company will create at least Four Hundred Three (403) full-time jobs with an average annual salary of \$70,789 per year at the Mebane facility. Other economic benefit multipliers to the County include enhanced job skills for those employees through advanced technical training to be provided by the Orange County campus of Durham Technical Community College. Construction employment for the new 200,000 square foot facility, and renovations to the existing 400,000 square foot facility, will also create many additional skilled trade jobs.

Steve Brantley, Economic Development Director, made the following PowerPoint presentation:

**Proposal for Orange County's Financial Incentives for ABB, Inc.**  
**Public Hearing by Orange County Board of Commissioners Whitted Building – Hillsborough, NC**  
**July 23, 2019**

**Location of ABB, Inc. in Orange County** (aerial photograph)

**Mebane City Limits & ETJ: ABB, Inc.** (aerial photograph)

#### **Description of ABB's "Project Clear Blue Sky"**

- Consolidation into one U.S. hub of the manufacturing, engineering, & related electrical products of ABB's "Distribution Services" line.
- ABB hired consultant Deloitte U.S. to evaluate Mebane, NC versus a competing ABB site in Senatobia, MS.
- \$39.9 million in investment
  - \$24.3 MM in real property; \$15.6 MM in personal property
  - Forecast to occur in the first 3 years of operation

- New building construction of 200,000 sq. ft. (approx. half of the investment)
- Additional improvements to 400,000 sq. ft. existing building
- Introduction of world-class sheet metal and copper fabrication equipment
- Transfer of personal property (Relocation of existing machinery from another ABB plant to the Mebane plant; estimated at only 10-15% of the total M&E investment to be made)
- 378 new jobs in first 2 years, increasing to 403 jobs by 5th year
- \$70,789 average annual salary, plus benefits.
- Mebane operations would lose 110 jobs if MS site was selected.

### **Company History**

- Multinational Swiss/Swedish company headquartered in Zurich, Switzerland
- Founded 130 years ago
- 147,000 employees globally
- Presence in over 100 countries
- 24,000 employees in the United States (2018)
  - 3,000 in North Carolina & \$45 million in annual payroll statewide
- 65 manufacturing locations in the United States (2018)
- Five market-leading entrepreneurial divisions:
  - Electrification Products
  - Power Grids (selling this division to Hitachi by 2020)
  - Industrial Automation
  - Robotics & Discrete Automation
  - Motion Control (Industrial motors & drives, traction control)
- Orange County, NC's **GE Industrial Solutions** was acquired in June 2018 to strengthen ABB's position in electrification globally, and expand access to the North America market
- ABB's U.S. operations are headquartered in Cary, N.C.; a significant financial backer of the North Carolina Theatre.
- With over 575 employees currently at ABB's site in Mebane, the firm is Orange County's #1 largest private employer, the largest manufacturing employer, and pays the highest average manufacturing salary among all industries in the County.

### **Outline of All Performance-Based Incentives (chart)**

#### **Forecast of ABB's Capital Investment Schedule (chart)**

New Taxable Investment (Real & Personal Property)

#### **Forecast of ABB's New Job Creation (table)**

Hiring Schedule for New Jobs, with Benefits

#### **Orange County Proposed Incentive**

- *Performance-based incentive on outlined jobs (403) and capital investment (\$39,900,000)*
- *Up to \$972,722 paid out over 5 years upon verification of actual jobs and investment numbers per year*
- *Incentive value calculated at 75% of actual new property tax valuation*

#### **Orange County's Performance-Based Incentive**

#### **State of N.C.'s Rural Division Building Reuse Incentive**

- This State program is intended to support the renovation or expansion of vacant buildings, or buildings occupied by a company operating in North Carolina for at least 12 months.
- Orange County would serve as the administrative entity for this State of North Carolina financial grant that is structured as a forgivable loan program, once ABB's new jobs are created.
- As ABB incurs actual costs associated with the facility improvements it plans to make to the existing building, and creates new employment, the \$500,000 State grant will be passed through the County to ABB.
- To eliminate any financial risk for the County, the pass-through funds will not be requested from the State until ABB meets all investment and employment criteria, and satisfies any other program requirements.

### **Orange County's Performance-Based Incentive (table)**

#### Revenue Projections

Chair Rich said Leila Halperin, student intern, had a question as to why most of the hiring will be done on the front end of the project.

Doug Sutter, ABB's Program Manager for Electrification Products, with the firm's industrial Connections and & Solutions Group (Cary, N.C. office), said the jobs are front loaded because ABB is building a new factory, and then consolidating jobs from another Florida to the Mebane location.

Commissioner Dorosin referred to the grant from the state, and asked if the state will give Orange County the \$500,000, which the County then gives to the company. He clarified that it is like a loan, and if ABB meets the requirements of the grant, then the repayment is forgiven over time.

Steve Brantley said yes, in a traditional sense, it is a pass through. He said a company might draw down on the grant in certain increments. He said ABB has a stellar credit rating, and is not a risk. He said the Board could wait to receive the funds, until the things that trigger within the state grant, have already been met.

Doug Sutter said he would like to offer sincere thanks to Orange County and its partners, on behalf of ABB, Inc. He said this process only took 54 days, which is remarkable. He thanked Steve Brantley and Amanda Garner for their hard work.

Doug Sutter said ABB is a global company based in Zurich, Switzerland, and have been innovating for over 130 years. He said ABB is a leader in digital industries, with customer focused, globally leading businesses: electrification, industrial automation, motion robotics, discrete automation, and power grids. He said ABB supports all of this with a common ABB ability digital platform.

Doug Sutter said there are several reasons why ABB came to North Carolina a decade ago:

- top tier universities, with access to top tier talent
- top community college systems
- proximity to their customer
- growing energy hub in NC
- quality of life for ABB employees

Doug Sutter said ABB employs over 3000 people in NC, and has invested over \$14 billion in the United States, and grown from 6000 to 24,000 employees in the past decade. He said ABB has significant operations in 32 states, and works with customers and communities to write the future of industrial technology.

Doug Sutter said part of that investment was the acquisition of the industrial solutions business from General Electric, of which the Mebane facility was a part. He said ABB has been making electrical projects in the Mebane facility since 1972, which will continue. He said ABB is proud to call Mebane and Orange County part of ABB's home, and ABB is excited to get to work on this project and the addition of more than 400 jobs.

Commissioner Dorosin said if the factory did not come here then Orange County would have lost 110 jobs. He asked if the total number of new jobs in NC, which are replacing jobs lost in other states, could be identified.

Doug Sutter said all 403 of the jobs are incremental jobs for N.C.

Commissioner Dorosin clarified, and asked if ABB employees will be relocating from Florida.

Doug Sutter said there will be some people that will re-locate, and some that will be hired here in NC.

Commissioner Dorosin asked if the net number of new jobs in Mebane is known.

Doug Sutter said 403 jobs.

Commissioner Dorosin said how many of these jobs will be re-location from other states.

Doug Sutter said there is a percentage of growth, but more than a lion's share of the jobs will be from consolidation.

Commissioner Dorosin said he would like to know the percentage of growth.

Doug Sutter said he would get that information.

Commissioner Marcoplos asked if the products that will be made in the new Mebane facility could be identified.

Doug Sutter said in Mebane, ABB will be making electrical distribution systems. He said these systems take electrical power from the transmission line and distributes it throughout a facility, be it a factory, data center, commercial building, etc.

Commissioner McKee said he toured the previous GE Facility years ago, and the systems looking are large switching units. He said these systems are quite complex, and handle enormous power.

Doug Sutter said a complex unit used to be a few hundred wires, and now they are closer to 1000. He said the ongoing digital transformation taking place in society, leads this to be a complex product that requires a high level of talent from an assembly workforce.

Commissioner Price said she is excited about this, and especially the partnership with Durham Tech. She asked if Doug Sutter knew how many of the jobs will be open to area residents, that could be trained at Durham Tech.

Doug Sutter said out of 403 employees, there are around 90 salaried employees, and the rest would be hourly employees. He said ABB's goal in partnering with the NC community college system, is to develop a certification program for electrical product technicians. He said in the short term, everyone coming into the plant would go through that certification program, and long term it becomes a condition for employment.

A motion was made by Commissioner McKee, seconded by Commissioner Price to open the Public Hearing.

**VOTE: UNANIMOUS**

**PUBLIC COMMENT:**  
NONE

A motion was made by Commissioner McKee, seconded by Commissioner Price to close the Public Hearing.

**VOTE: UNANIMOUS**

A motion was made by Commissioner McKee, seconded by Commissioner Price for the Board to approve the five-year performance-based economic development incentive agreement between Orange County and the Company, ABB, Inc., subject to final review by the County Attorney, and authorize the Chair to sign the agreement on behalf of the County.

**VOTE: UNANIMOUS**

Commissioner McKee said he appreciated ABB's consideration of Orange County, and felt the corporate entity, the current employees, and the relocated employees will find this to be a beneficial relationship.

**3. Adjourn**

A motion was made by Commissioner Price, seconded by Commissioner McKee to adjourn the meeting at 7:31 p.m.

**VOTE: UNANIMOUS**

Penny Rich, Chair

Donna Baker  
Clerk to the Board