

**APPROVED 10/01/2019**

**MINUTES  
BOARD OF COUNTY COMMISSIONERS  
SPECIAL MEETING  
September 10, 2019  
7:00 p.m.**

The Orange County Board of Commissioners met in special session on Tuesday, September 10, 2019 at 7:00 p.m. at the Southern Human Services Center in Chapel Hill, 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:** None

**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.

Chair Rich said she joined Steve Brantley, Economic Development Director, and Amanda Garner, Business Recruitment Economic Developer, at the Mebane meeting last night, where they approved an incentive proposal and annexation of property.

**1. Public Hearing Regarding an Economic Development Recruitment Incentive for Medline Industries, Inc. (Project Tomorrow)**

Steve Brantley, Economic Development Director, noted the following items at the Commissioners' places:

- the performance agreement (Attachment A)
- PowerPoint summary
- Public hearing newspaper notice (Attachment C)
- Abstract
- yellow sheet, replaces page 12 of 12 of exhibit B. The original contained a small typo, which staff corrected, and the revised form is the yellow sheet.

Steve Brantley recognized Medline representative Dmitry Dukhan (Vice President Real Estate Operations with Medline), Robert "Bob" Kievert (Director of Tax Compliance, Finance and Audit with Medline), and Austin Watts (Vice President) with the site contractor Kimley-Horn.

Steve Brantley said Project Tomorrow came from the sundial at the Morehead Planetarium.

**PURPOSE:**

To:

- 1) Receive and hold 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 the proposed 5-year performance-based incentive agreement, with claw-back provisions, for the recruitment of Medline Industries' distribution center to Orange County, NC.

**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, and 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.

### **Company Description:**

Founded in 1966, Medline Industries, Inc. is a privately held American healthcare company headquartered in Northfield, IL and is the largest privately held manufacturer and distributor of medical supplies in the United States, providing products, education, clinical programs and services with offices in 20 different countries. These distribution centers serve as regional hubs for next-day delivery service to hospitals, physicians’ offices, surgical centers, care facilities, retailers and pharmacies. In 2019, Medline reached over \$12 billion in overall company sales, having been ranked at number 32 on the Forbes 2016 list of largest privately held companies.

- Originally founded in Chicago in 1910 as “Mills Hospital Supply”, and later renamed “Medco”, the firm is now the largest privately held manufacturer and distributor of medical supplies in the United States.
- Manufactures 80,000 medical products in 30 company-owned manufacturing centers.
- Distributes 550,000 medical and surgical products in 7 countries.
- Operates 43 medical grade distribution centers totaling 20 million sq. ft. in size.
- Owns a fleet of 750 delivery trucks.
- Serves many international customers in 90 countries.
- Employs 24,000 total employees worldwide (8,300 new positions added since 2014), to include 2,000 direct sales representatives.
- Serves as a primary supplier to U.S. Homeland Security, EMS agencies and other first responders in cases of national emergencies.
- Owns the *CURAD* line of sterile adhesive bandages and gauze pads.
- Regionally, the company operates two 400,000 sq. ft. distribution centers in Lincoln, NC and Richmond, VA.
- 40% of Medline’s U.S. distribution centers are LEED (Leadership in Energy and Environmental Design) certified or pending certification, representing over 8.3 million square feet of warehouse space. All new Medline buildings worldwide are constructed to meet LEED “green” standards.

A company representative has been invited and will be available for comment and questions.

### **Project Description:**

(1) **Investment** – Medline Industries will increase real property valuation by up to \$55,000,000 and up to \$10,300,000 in new personal property, to generate a total capital investment of **\$65,300,000 over the first 5 years.**

Investment	2019	2020	2021	2022	2023	Total
Real Property	\$25,000,000	\$30,00,000	\$0	\$0	\$0	\$55,000,000
Personal Property	\$3,000,000	\$7,000,000	\$100,000	\$100,00	\$100,00	\$10,300,000
<b>Total</b>	<b>\$28,000,000</b>	<b>\$37,000,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$65,300,000</b>

(2) **Employment** – Medline Industries will maintain employment consistent with the job chart below during the term of the incentive agreement. If annual job targets are not achieved, the incentive payment will be reduced proportionally. By year #5, the Company will create 250 new positions with an average salary of \$35,468 per year. In addition, the Company forecasts eventual employment growing to 500 jobs in 8 - 9 years, and believes potential employment at full capacity of 600 jobs at or after 10 years of operation.

	2020	2021	2022	2023	2024	Total
Full-Time Jobs	30	75	75	50	20	250

(3) **Operation** – Regional distribution center and some light assembly of a large inventory of medical products to be supplied to hospitals, medical professionals, surgical centers, extended and home health care providers, and EMS first responder agencies located across a multi-state area.

**Main Products:**

<b>Main Products:</b>	
Advanced Wound Care	Anesthesia
Apparel	Beds & Mattresses
Central Sterile	Diagnostics
Durable Medical Equipment	Environmental Services
Equipment & Furnishings	Foot & Ankle supplies
Gloves	Incontinence
Infection Prevention	Lab Supplies
Nursing Supplies/Patient Care	Nutrition
Office Supplies	Operating Room/Surgery
Pharmacy	Eye Punctal/Occlusion
Respiratory	Skin Care
Textiles	Therapy & Rehabilitation
Urology & Ostomy	Vascular Access
Wound Care	Foot & Ankle Surgery
Product Services	Device Reprocessing
Consumer Brands	

(4) **Facility** – New construction of an environmentally efficient LEED-certified distribution center of 1.2 million sq. ft. in size, with a significant array of solar panels to be installed on the roof. (As an illustration, Medline’s 1.1 million sq. ft. facility in Tracy, CA generates 35% of that operation’s annual electricity needs). LEED (Leadership in Energy and Environmental Design) is an internationally recognized ecology-oriented green building certification program run under the guidance of the U.S. Green Building Council (USGBC). LEED designated building construction concentrates efforts on improving performance across five key areas of environmental and human health: energy efficiency, indoor environmental quality, CO2 emissions, materials selection, sustainable site development and water savings. The building will also incorporate a highly automated and intelligent robotic storage and picking system pioneered by “Swisslog” logistics technology.

(5) **Site Location** – Medline’s site in Orange County comprises six (6) adjacent parcels that are currently under option in the Buckhorn Economic Development District, totaling approximately 172.79 acres along the north side of West Ten Road (located between the Gravely Hill Middle School and Buckhorn Road). These properties are indicated on the aerial site map by the red boundary line.

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

The proposed economic development inducement incentive follows the County's current incentive formula that has been previously utilized with other industrial prospects. The incentive will be performance-based with respect to the County's annual verification of Medline Industries' targeted increases over a 5 year period in (1) employment, wages & benefits, and, (2) new taxable real & personal property additions, as the Company establishes its' Orange County presence. Incentives would only be paid following confirmation of the Company's required annual threshold growth in these measures, and, on a pro-rata reimbursement in case the company's targeted growth in any year lags current growth projections.

The proposed County inducement capped at \$1,840,967 is a performance-based grant to be made to the Company over a five (5) year period, and is calculated in value at an amount equal to 75% of Medline's projected new investment in real & personal property tax valuation. This specific formula represents the County's current incentive policy, which has been offered by the BOCC in the past to other industrial prospects. The formula ensures that annual property tax revenues from the new investment's additional property tax values, net of annual incentive payments, yield a positive cash flow in all years of the initial incentive agreement.

### **Orange County Property Tax Revenue Projections**

	<u>1<sup>st</sup> Year</u> 2020	<u>2<sup>nd</sup> Year</u> 2021	<u>3<sup>rd</sup> Year</u> 2022	<u>4<sup>th</sup> Year</u> 2023	<u>5<sup>th</sup> Year</u> 2024	<u>6<sup>th</sup> Year</u> 2025	<u>TOTAL</u>
New Property Tax Revenues	\$243,012	\$562,399	\$555,630	\$549,537	\$544,045	\$537,349	<b>\$2,991,972</b>
Incentive Payments		<u>(\$421,799)</u>	<u>(\$416,722)</u>	<u>(\$412,153)</u>	<u>(\$408,034)</u>	<u>(\$182,259)</u>	<b><u>(\$1,840,967)</u></b>
Annual Net Revenues	\$243,012	\$140,600	\$138,907	\$137,384	\$136,011	\$355,090	<b>\$968,745</b>

\* Note: There is no incentive payment scheduled for 2020 due to the company's request that payments begin after building completion.

<b>Orange County Property Tax Revenue Projections (10 Years)</b>	
New Property Tax Revenues Collected	\$5,086,350
Incentive Payments	<b><u>(\$1,840,967)</u></b>
Annual Net Revenues	<b>\$3,245,383</b>

### **State of North Carolina & City of Mebane – Supplemental Recruitment Incentives:**

The Company has also received financial inducement proposals from the State of North Carolina and the City of Mebane, as follows:

<b>State of North Carolina – Incentives</b>	
<b>Discretionary Grant</b>	
N.C. Department of Commerce (ONE NC FUND)	\$500,000
<b>Workforce Development Support</b>	
N.C. Community College System's Customized Training	\$225,000
<b>Public Road Access Improvements to West Ten Road</b>	
N.C. Department of Transportation	\$1,000,000
<b>Total</b>	<b>\$1,725,000</b>

<b>City of Mebane - Incentives</b>	
Performance Based Incentive – 5 years	\$653,000
Waiver of Development Fees	\$150,000
<b>Total</b>	<b>\$803,000</b>

### **City of Mebane – Incentives, Annexation & Rezoning**

- August 12, 2019 – Mebane Planning Board received the six (6) individual land owners' petition to request annexation, and rezoning (to M-2, light manufacturing & distribution), and voted unanimously to endorse and forward to the Mebane City Council.
- September 9, 2019 - Mebane City Council is scheduled to meet and hold public hearings which are expected to authorize the City's approval of local incentives, and, annexation and rezoning of the 6 adjacent parcels (totaling 172.79 acres) representing Medline's preferred site, which is located north of West Ten Road in the County's designated Buckhorn Economic Development District.

### **Benefits of Attracting Medline Industries to Orange County**

- Initial creation of 105 professional & blue collar jobs in the first two (2) years, rising to 250 jobs by year #5, and eventually 500 - 600 jobs in 5 – 10 years, paying at or above \$15 per hour average wage with full health care, retirement, educational and performance bonus benefits.
- Well-established national health care firm committed to building a green, environmentally conscious LEED certified facility, and precedent to fill the large rooftop with solar panels.
- Good potential to attract Medline's in-house light manufacturing subsidiaries of medical products on both sides of the West Ten Road site. Company routinely refers to 2-3 likely vendors that may follow and co-locate.
- Medline's \$65.3 million investment would make the firm Orange County's largest manufacturing property taxpayer.
- This distribution operation is a low water user and does not put heavy manufacturing related challenges on the environment.
- The site connects to the County's Article 46-fund utility lines that were strategically placed in the Buckhorn Economic Development District to attract non-residential new business.
- Establishes another successful public/private partnership between Orange County and the City of Mebane to grow the industrial tax base and new employment in a designated "Rural Census Tract" area.
- Offers direct synergy with the County's existing regional health care presence by UNC Health Care, Duke Hospital, Veterans Administration Hospital, Wake Med & UNC Rex Hospital spread among the Triangle area.

### **Other Local Governments, State of N.C. Agencies & Utility Partners**

- ***N.C. Department of Transportation*** (NCDOT) (will make road improvements to West Ten Road)
- ***N.C. Community Colleges System & Durham Tech/Hillsborough Campus*** (will fund technical training of employees, and strengthen the health care focus of the Hillsborough campus)
- ***N.C. Department of Commerce*** and the ***Economic Development Partnership of North Carolina*** (will provide state incentives, and act a liaison on workforce development and pre-screening of applicants by NC Works, NCDOT road improvements, and community college technical training of Medline's new Orange County employees.)
- ***City of Mebane*** (site annexation and rezoning, incentives & water/sewer service)

**FINANCIAL IMPACT:** The attached “Performance Agreement” contract between Orange County and Medline Industries, Inc. outlines a total financial impact of up to One Million Eight Hundred Forty Thousand Nine Hundred Sixty Seven Dollars (\$1,840,967.00), payable in five (5) annual installments. This Inducement Agreement will be performance-based, measured annually, and based on the Company’s actual 5-year capital investment schedule that will generate new property tax valuation of at least Fifty Five Million Dollars (\$55,000,000) in Real Property, and at least Ten Million Three Hundred Thousand Dollars (\$10,300,000) in new Personal Property, reaching a combined Sixty Five Million Three Hundred Thousand Dollars (\$65,300,000).

The Company will also create at least Two Hundred Fifty (250) full-time jobs, with full health care and related employment benefits, and pay an average annual salary of \$35,468 per year at the facility during the first 5 years. 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 in Hillsborough. Also, construction employment for the new distribution center will create many additional skilled trade employment opportunities.

Annual incentive payments by the County will be paid from net new property tax revenues to be generated by Medline Industries, Inc. and from available Article 46 funds, as required.

Steve Brantley made the following PowerPoint presentation:

**Medline Industries, Inc.**  
**“Project Tomorrow”**  
**Public Hearing for Incentive Proposal**  
**Southern Human Services Center**  
**September 10, 2019**

**Description of Medline’s “Project Tomorrow”**

**Investment:** \$65.3 million (majority in first 2 years)

**Employment:** 250 new jobs in first 5 years

- \$35,468 average annual salary, plus health care, retirement & educational benefits
- 500 jobs in 8-9 years, up to 600 jobs after 10 years

**Facility:** Distribution center of 1.2 million sq. ft. to supply medical products to hospitals, EMS agencies, home health care providers, surgical centers, and critical care clinics. Will be built to LEED-certified standards to promote environmental efficiency, with extensive solar panel placement on the building’s rooftop; uses automated robotic inventory control technology

*Commissioner Greene arrived at 7:06 p.m.*

**Outline of Orange County’s Performance-Based Incentive**

**Medline’s New Capital Investment By Year**

	2019	2020	2021	2022	2023	Total
Real Property	\$25,000,000	\$30,000,000	\$0	\$0	\$0	\$55,000,000

Personal Property	\$3,000,000	\$7,000,000	\$100,000	\$100,000	\$100,000	\$10,300,000
Total	\$28,000,000	\$37,000,000	\$100,000	\$100,000	\$100,000	<b>\$65,300,000</b>

### **Medline's New Employment By Year**

	2020	2021	2022	2023	2024	Total
Full-Time Jobs	30	75	75	50	20	<b>250</b>

- \$35,468 average annual salary, plus health care, retirement, educational & related employment benefits
- Anticipated to reach 500 jobs in 8-9 years
- Potential to rise to 600 jobs after 10 years

### **S Description of Medline's "Project Tomorrow"**

#### **Site Location – Buckhorn Economic Development District**

**Location:** West Ten Road site (6 tracts totaling 172.79 acres) located in the County's Buckhorn Economic Development District, near interstate exit #157 at Buckhorn Road.

This acreage was originally zoned by the County into the Buckhorn EDD as non-residential on 3/1/94, and a 150' buffer was added around the nearest residential area on 8/20/96.

Medline has requested annexation & rezoning (to M-1 light industrial & distribution) by the City of Mebane, with City Council review scheduled for September 9<sup>th</sup>.

#### **Company History**

- Began in Chicago in 1910 as Northwestern Garment Factory; was renamed Medline
- Industries in 1966 and now based in Northfield, IL
- Facility presence in 20 countries
  - Serves customers in 90+ countries
- \$12 billion in annual sales
- 24,000 employees worldwide (8,300 new jobs added since 2014)
- Largest privately held manufacturer and distributor of medical supplies in the United States:
  - 43 medical grade distribution centers totaling 20 million sq. ft.
  - 30 manufacturing centers producing 80,000 medical products
  - 50+ distribution centers worldwide, including North America, Europe, Asia and Australia, with 550,000+ Medline-brand and national brand products
  - 2+ month of Medline-brand product inventory is held for each customer to protect against unplanned demand increases and natural disaster response
  - Primary supplier to U.S. Dept. of Homeland Security
  - Fleet of 750 company-owned delivery trucks
- Regionally, the company operates two distribution centers in Lincolnton, NC and Richmond, VA.
- 40% of Medline's U.S. distribution centers are LEED certified or are pending certification, representing over 8.3 million sq. ft. of distribution center space. All new Medline buildings worldwide are constructed to meet "green" LEED standards to promote environmental efficiency.

### **Summary of State & Local Financial Incentives**

*County's proposed incentive of \$1,840,967 will be paid in 5 annual installments over 5 years of Medline's start-up operation.*

*Performance based, and will be measured annually against verification of Medline's actual history to create 250 jobs and invest \$65,300,000 in new property valuation over each of the initial 5 years, as proposed.*

*Net property tax revenue collected is positive in all years, after paying the annual incentive; (\$1,151,003 net revenue in first 6 years; and, \$3.2 million in first 10 years)*

*Commissioner McKee arrived at 7:15 p.m.*

### **Net Property Tax Revenues Collected- chart (Projections)**

Commissioner Dorosin referred to the property tax incentive, and said it has been reported in the media is that Orange County is paying \$1.8 million. He asked if this is accurate.

Steve Brantley said that is not accurate.

Commissioner Dorosin said the County is not collecting that portion of the property taxes during the incentive period.

Steve Brantley said that is correct.

John Roberts said the County collects all of the taxes from the company, and then provides a percentage of it back to the company as the incentive.

Commissioner Greene referred to the last chart, and clarified that there are no payments in 2020 until after building completion. She asked if the company owns the land already, or if it will do so in 2020.

Steve Brantley said the company has an option on the property, and technically cannot buy the property until it and the State of North Carolina have officially announced what their decision would be, as to which state, and which county. He said the company would exercise the option and purchase the land, at that point to actually own the property.

Commissioner Greene asked if this is expected to be in 2020.

Steve Brantley said it may be later this year, and construction would begin thereafter. He said the company anticipates making the great majority of the total investment by the end of 2020, and wants the County to make the schedule from that year, for five years, to look at the performance grant.

Dmitry Dukhan thanked the Board of County Commissioners (BOCC) for this opportunity to be in Orange County and the City of Mebane. He said Medline is looking to close the land in the next 60-90 days. He said it is Medline's goal to complete the purchase of the land in 2019, commence construction in the first or second quarter of 2020, and complete by construction by the first quarter of 2021. He said it will take 4-6 months to "energize" the property (set up technology, hire people, etc.), and Medline expects to be fully operational by the end of the second, or beginning of the third quarter of 2021.

Dmitry Dukhan said Medline Industries is a privately held company, based out of Chicago, and is fourth generation privately owned, with no debt. He said this property is owned free and clear with no debt. He said it is Medline's goal to operate with the long-term in mind, by investing back into the community, the company, and the employees. He said Medline is a top 100 medical company to work for in the country. He said Medline provides a full continuum of care from hospital to hospice, with over 550,000 products and services within the hospital systems, and plans to manufacture 60% of the products it sells.

Dmitry Dukhan said this 1.2 million square foot facility will take care of Medline's hospital and medical needs in the state of North Carolina, South Carolina, parts of Virginia, parts of

Georgia, and serve as back up to Florida. He said the facility will be state of the art, LEED certified, with up to 50% solar potential for its electric needs. He said Medline is committed to hire 250 people in the first 5 years, but at full capacity, this facility will have over 700 jobs, ranging from warehouse associates to team members to shipping operations, etc. He said Medline delivers over 80% of its products itself, and 100% of its products are delivered the next day. He said Medline is looking forward to be a proud member of this community.

Commissioner Price asked if the number of employees that will come from this community is known.

Dmitry Dukhan said only 2% will come from the outside, and the rest will be local, about 240 local jobs.

Commissioner Dorosin asked if there will be any manufacturing at this site, or if it is just distribution.

Dmitry Dukhan said there will be no manufacturing at this site, but there will be some assembly. He said the site is purely distribution. He said there will be three different office complexes inside the facility (about 60,000 square feet), a staging area, and all will be very clean locations due to the products going straight to surgeries.

Commissioner Marcoplos said he appreciated that Medline uses LEED certified construction.

Dmitry Dukhan said 100% of Medline's construction is LEED certified.

Chair Rich asked if a slide of the facility area could be put back up, and asked if Dmitry Dukhan could review the ingress and egress of the trucks.

Dmitry Dukhan said, as a medical grade facility, Medline must have two ways out of the site and location. He said there will be two exits that go both east and west, but 99% of the time, trucks will be going west on West Ten Road to Buckhorn Road, and onto I-40. He said the company desires to avoid the school that is a mile down the road.

Commissioner Price asked if Medline works with high school students at all.

Dmitry Dukhan said not directly, but Medline works with the community colleges that in turn partner with the high schools. He said the warehouse jobs are highly computerized and take a full 4 months in which to be fully trained. He said 60-70% of promotions come from within the work staff, and a college degree is not required to be promoted to a senior director at the company.

Commissioner Price said it would be great for local youth to know the long-term opportunities, to which they can aspire, within Medline.

Dmitry Dukhan said this truly will be the best supply chain in the United States, and they carry a three month supply of inventory for hospitals, and could supply the entire state of North Carolina if necessary.

A motion was made by Commissioner McKee, seconded by Commissioner Greene to open the public hearing.

**VOTE: UNANIMOUS**

**PUBLIC COMMENT**

NONE

A motion was made by Commissioner Greene, seconded by Commissioner McKee to close the public hearing.

**VOTE: UNANIMOUS**

Commissioner McKee said this is a game changer company for Orange County, and it will hugely benefit the community.

Commissioner Dorosin referred to the incentives chart, and said there is no incentive in 2020, but asked if, whoever owns the property, will be paying taxes.

Dmitry Dukhan said that is correct, and the current tax that is being paid on the property will continue to be paid, but not incremental to what the project generates, because no additional value has been created yet.

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

**VOTE: UNANIMOUS**

## **2. Adjournment**

A motion was made by Commissioner Price, seconded by Commissioner Greene to adjourn the meeting at 7:32 p.m.

**VOTE: UNANIMOUS**

Penny Rich, Chair

Donna Baker  
Clerk to the Board