

MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF SANFORD
SANFORD, NORTH CAROLINA

The City Council met at the Sanford Municipal Center, 225 E. Weatherspoon Street, on Tuesday, November 10, 2009, at 1:00 P.M. The following people were present:

Mayor Cornelia P. Olive	Council Member Linwood S. Mann, Sr.
Mayor Pro Tem Joseph Martin	Council Member Mike Stone
Council Member Walter H. McNeil, Jr.	Council Member Steve Brewer
City Manager Hal Hegwer	City Attorney Susan C. Patterson
City Clerk Bonnie D. White	

Absent:

Council Member Charles Taylor
Council Member James Williams

Mayor Olive called the meeting to order and delivered the invocation.

PUBLIC COMMENT

No citizens signed up to speak.

APPROVAL OF AGENDA

On motion of Council Member Walter McNeil, Jr., seconded by Council Member Michael Stone, the agenda was approved.

CONSENT AGENDA

SPECIAL AGENDA

CASES FOR PUBLIC HEARING

Public Hearing - Economic Development Incentives –Red Wolf, LLC - Request by Lee County Economic Development Corporation

Lee County Economic Development Director Bob Heuts stated that the Economic Development Corporation (EDC) received a request from Red Wolf to consider any financial assistance as they look to expand their business. The EDC discussed any assistance that could be made available at the local level. Discussed were programs such as training provided by the community college system, Industrial Revenue Bonds, USDA guaranteed loans, Employment Security Commission assistance and local incentive guidelines.

Red Wolf is a small, woman-owned business. Kim Sutton is the president. It started in 2008 with three people; they have since expanded to 15 people. They are leasing a 12,500 square-foot building in downtown Sanford.

Red Wolf is a custom manufacturer that focuses on exceptional quality and service. It is 9001 certified. Red Wolf processes include cutting, punching, forming, welding, turning, milling and assembly of metal products.

Red Wolf is looking at an expansion that would take them from 12,500 square feet to a 132,000 square-foot building.

Red Wolf plans to make an investment of approximately \$6.3 million in both real estate improvements and machinery and anticipates adding a number of jobs.

The contract before Council is an agreement between the company and the EDC, then the EDC and the County, and the EDC and the City. It describes the potential investment and the tax revenues derived from the investment. The contract shows when the investment is expected to show up on the tax record and when the payments will be made to the company, which always follows a payment by the company to the County and the City.

Mr. Heuts advised that this agreement is for five years; the EDC will pay the company \$20,498.20 from the County and \$14,758.80 from the City, which is half of the total expected tax to be paid by the company over a five-year period. The total the City would pay over the five-year period would be \$73,794. The contract also includes a copy of the incentive policy which describes qualifying criteria in order for a company to receive incentives. The policy does not require a number of jobs; however, it does require a certain standard for wages. Mr. Heuts stated that at a later date, he would like to discuss a recommendation from the EDC Board to change the guidelines to allow the EDC an opportunity to look at a project in a more comprehensive way including jobs, investment, quality of jobs, existing investment and jobs, and any additional value added over and above the investment.

This public hearing that is being held today was advertised according to the North Carolina laws that govern these matters. Mr. Heuts said that he recommends to Council from the EDC Board that the City enter into a contract with EDC and the County, and to provide incentives to Red Wolf for their investment in this community.

Mayor Olive opened the public hearing. Council Member Mike Stone stated that for the record, he would like for Mr. Heuts to break down the \$6.3 million investment for the public on what is real estate and what is for machinery. Mr. Heuts replied the breakdown would be \$3.8 million in real estate improvements and \$2.5 million in machine additions for this project. Mr. Heuts added that they depreciate the machinery over the years, just like the County does, in calculating the incentives.

Mr. Heuts stated that he is speaking in favor of the project to provide incentives to Red Wolf.

No one spoke in opposition. The public hearing was closed.

- Consider Adoption of Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation – (Exhibit A)
Council Member Linwood Mann made the motion to adopt the Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation. Seconded by Council Member Walter McNeil, Jr., the motion carried in favor four to one with Council Member Mike Stone casting the dissenting vote.

Public Hearing - Economic Development Incentives – Frontier Spinning, LLC - Request by Lee County Economic Development Corporation

Lee County Economic Development Director Bob Heuts explained that Frontier Spinning is a textile spinning company that was founded in Lee County by George Perkins in 1995. Frontier in Sanford operates on Boone Trail Road in two buildings totaling over 600,000 square feet. The EDC, County, and City have had a number of agreements with Frontier, and we are currently in an agreement with Frontier for the 70,000 square feet the company added several years ago.

Frontier Spinning has recently been purchased by Sun Capital Partners, a large, private equity firm based in Florida. After the purchase of the company, the real estate was sold to Spirit Master Funding IV, LLC, based in Scottsdale, Arizona. Frontier is the second largest yarn spinner in the United States and operates plants in Sanford, Mayodan, and Clarkston, North Carolina and plants in Georgia and Alabama.

Frontier is interested in replacing the current spinning equipment with the latest spinning technology available in the first building as you go out on Boone Trail Road on the left-hand side – the smaller of the two buildings. The company will add jobs as a result of this expansion, as well as retain 90 jobs in this facility. The proposed investment is expected to be \$10 million in new machinery and real estate improvements.

Mr. Heuts stated that the contract before Council is an agreement between the company and the EDC, then the EDC and the County, and the EDC and the City. It describes the potential investment and the tax revenues derived from the investment. The contract shows when the investment is expected to show up on the tax record and when the payments will be made to the company which always follows a payment by the company.

This agreement states that for five years, the EDC will pay the company \$28,995 from the County and \$20,876.40 from the City, which is half of the total expected tax paid by the company. The total amount for the five-year period paid by the City would be \$104,382. The contract also includes a copy of the incentive policy which describes qualifying criteria in order for a company to receive incentives. The policy does not require a number of jobs; however, it does require a certain standard for wages.

This public hearing being held today was advertised according to the North Carolina laws that govern these matters.

Mayor Olive opened the public hearing. Mr. Heuts explained that there is a typo on pages 54 and 57 of Council's packet and the errors will be changed to the correct numbers.

Mr. Heuts stated that he is speaking in favor of the project to provide incentives to Frontier Spinning. No one spoke in opposition. The public hearing was closed.

- Consider Adoption of Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation – (Exhibit B)

Mayor Pro Tem Joseph Martin made the motion to adopt the Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation. Council Member Walter McNeil, Jr. seconded the motion.

Mr. Martin stated that the word incentives is a phrase that is taken out of context. Hopefully, over the forthcoming years, it will be continually worked on because it is not somebody getting something for nothing. He reiterated the fact that there has been a lot of talk about why are we continuing to give money to businesses. Some of the businesses are potentially on the border of going bankrupt or moving. Mr. Martin said that no company gets money until the City and County gets their money. The City gets their money first, and then the incentives are paid to Frontier Spinning. He said that Mayor Olive made a good comment the other day that he thought was so appropriate. She said that she had much rather be working proactively on this side of a project trying to retain jobs, build companies, instead of saying we have another company leaving and what can we do to keep them here. He felt her point was perfect. He hopes that this Council will continue to work to do anything it can to keep businesses here.

Council Member Mike Stone stated that regarding incentives, one of the hardest parts for him is the fact that we do not have to guarantee any jobs. Mr. Stone said the incentives are about building a tax base because you are incentivizing companies to expand so you can capture that money in the future. If we are not going to guarantee any jobs and we are going to give you an incentive to expand the tax base, then make it open to everybody; let everyone benefit. If jobs could be guaranteed, then he would be the first to support incentives, but the truth is you can't. Mr. Stone said that everyone that got incentives last year, laid off people in our community. He added that we are fighting to build high schools. He agrees with the EDC; it is something that the state is pushing us to do to compete against our brothers and sisters that live all around us. He said that we are now in a bigger war because we are fighting electric companies because we have found out that these companies can go elsewhere and save \$2 million each year with the electric rates. Mr. Stone added that we cannot compete with that incentive; we have to start thinking how we can sell our community and the positive things. He commended the EDC Board for what they are doing, but he felt we have to take a new step outside of the box and look how else we can attract these companies.

Mr. Stone said that Sun Capital Partners is a great company and he is glad they picked here, but they have four to five locations overseas. They can buy large companies in thirty days

but are not willing to make an investment in our community to look out for us. He needs someone to help build the schools, further our education, and to help our community and the Temple Theatre. He is glad they are here and hope down the road he can be a better partner and help them, but the incentive gain needs to be looked at through the state to help us. He thanked all the small businesses that work hard everyday and pay our taxes and continue to be a part of this community.

A vote was taken. The vote was four to one in favor to adopt the Resolution Authorizing the Expenditure of Funds for an Economic Development Project and Approving an Agreement with Lee County Economic Development Corporation. Council Member Mike Stone cast the dissenting vote.

REGULAR AGENDA

ALL EXHIBITS CONTAINED HEREIN ARE HEREBY INCORPORATED BY REFERENCE AND MADE A PART OF THESE MINUTES.

OTHER BUSINESS

Council Member Walter McNeil, Jr., stated that he was wondering if the City could embark on a food drive where employees and citizens can come to the City to bring can goods at a certain time during the holiday season to be distributed to the Bread Basket or any other organization that gives food to individuals that need it. Mayor Olive added that United Christian Outreach has expressed a need and she thought the Boys and Girls Club was doing something like this also. City Manager Hegwer replied that we would take a look at this request.

Council Member Mike Stone said that he is hearing a lot of information about a group looking at Colon Road for possible expansion and development. He asked Mr. Heuts if he has heard anything to that nature with the word landfill attached to it. Mr. Heuts replied no.

ADJOURNMENT

With no further business to come before the council, the meeting was adjourned on motion of Council Member Steve Brewer; seconded by Council Member Walter McNeil, Jr., the motion carried unanimously.

Respectfully submitted,

CORNELIA P. OLIVE, MAYOR

ATTEST:

BONNIE D. WHITE, CITY CLERK