



Waynesboro City Council Agenda Briefing

Meeting Date:	January 13, 2020	Staff/Council Member(s): Michael G. Hamp II, City Manager; Gregory Hitchin, Director of Economic Development and Tourism
Agenda Item #	6	
Resolution#		
Department:	Economic Development and Tourism	
Subject:	Memorandum of Understanding for Raven Industries, Inc.	

Background:

Raven Engineered Films, Inc. is a wholly-owned subsidiary of Raven Industries, Inc, a publicly traded corporation headquartered in Sioux Falls, South Dakota with additional manufacturing facilities in the mid-west and western US, has announced that they will be expanding its fabrication operations to the East Coast of the United States with the opening of a facility in Waynesboro, Va.

Part of their search criteria was an existing building that could be used quickly to expand operations coupled with excellent transportation options. Using the resources of the Virginia Economic Development Partnership (VEDP) including the available sites and buildings searchable database, they identified a number of buildings in Virginia, one of which was 1430 Genicom Drive. To encourage the selection of the Waynesboro location, the economic development office, after consultation with City Administration and the EDA, offered a slate of incentives.

Following the City's incentive protocol, the incentives are primarily reimbursements of taxes or fees paid, and are based on the total capital investment and quantity and quality of jobs projected for the project.

The project as we understand it will include:

- Leasing 1430 Genicom Drive, with an interest in purchasing within 24-36 months
- Investment of \$150,000 in facility improvements
- Investment of \$120,000 for production equipment and \$40,000 in FF&E
- Operations will begin in late 2019 / early 2020
- Initial employment will be five FT positions with an additional six by year three with an average annual salary of just over \$41,000
 - FYI -- \$788 average weekly salary – current Waynesboro average weekly salary is \$714

The incentive package was presented in a letter dated December 13, 2019, and accepted via email on December 16, 2019.

Incentives as detailed in the MOU, include:

- Reimbursement of 50% of M&T tax paid over five years

- Reimbursement of 75% of building permit fees paid for the first 12 months
- Reimbursement of 100% of the incremental increase to the real estate tax paid above the current real estate tax of \$13,047 should the company purchase the building within five years
- First year membership in the Greater Augusta Regional Chamber of Commerce

Raven Engineered Films manufactures high-quality flexible films and sheeting for the agricultural, energy, and construction markets throughout the United States and abroad. They have executed the lease for 1430 Genicom and will begin operations soon.

The EDA will be acting on the MOU at their regularly schedule meeting on January 10,2020.

City Manager's Recommendation:

Pending approval by the EDA, introduce the resolution approving the MOU.

Suggested Motion(s):

Approve resolution and MOU

Attachments:

Resolution

Draft MOU

CITY COUNCIL OF WAYNESBORO, VIRGINIA



RESOLUTION

**RESOLUTION AUTHORIZING EXECUTION BY THE CITY
OF A MEMORANDUM OF UNDERSTANDING WITH
RAVEN ENGINEERED FILMS, INC.**

WHEREAS, the City of Waynesboro desires to encourage businesses to open and expand in the City;

WHEREAS, Raven Engineered Films, Inc., a wholly-owned subsidiary of Raven Industries, Inc. ("Raven"), a publicly traded corporation headquartered in Sioux Falls, South Dakota, manufactures high-quality flexible films and sheeting for the agricultural, energy, and construction markets throughout the United States and abroad;

WHEREAS, Raven is expanding its fabrication operations to the East Coast of the United States, with Waynesboro being one of the places considered;

WHEREAS, to encourage the selection of the Waynesboro location, the economic development office, after consultation with City Administration and the EDA, offered a slate of incentives to Raven;

WHEREAS, Raven has committed to making both financial and employment investments (the "Project") in its operations in Waynesboro;

WHEREAS, following the City's incentive protocol, the incentives offered are primarily reimbursements of taxes or fees paid ("Tax Incentives"), and are based on the total capital investment and quantity and quality of jobs projected for the Project;

WHEREAS, Raven has entered a lease and plans on opening the facility in Waynesboro shortly;

WHEREAS, the City and Raven desire to enter a Memorandum of Understanding (the "MOU"), which is attached as Exhibit 1 hereto, setting forth the terms of the Project and Tax Incentives;

WHEREAS, the City Council desires to enter into the MOU with Raven for the Project Tax Incentives.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WAYNESBORO, VIRGINIA AS FOLLOWS:

1. The City Manager is hereby authorized to enter into a Memorandum of Understanding in substantially such form as attached hereto as Exhibit 1; and

2. The City Manager is hereby authorized to take any other actions that are reasonable and necessary to effectuate the terms of the Memorandum of Understanding.

[SEAL]

ATTEST: _____
Clerk, City Council
City of Waynesboro, Virginia

Mayor, City Council
City of Waynesboro, Virginia

Signed: _____ Mayor,
Waynesboro City Council

Attest: _____, Clerk,
Waynesboro City Council

[SEAL]

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING ("MOU") made and entered this ___ day of _____ 2020, by and between the CITY OF WAYNESBORO, VIRGINIA, a municipal corporation, hereinafter "CITY", RAVEN FILMS, INC. for use in Virginia by RAVEN ENGINEERED FILMS, INC., a wholly owned subsidiary of RAVEN INDUSTRIES, Inc. a publicly traded corporation headquartered in Sioux Falls, South Dakota, and authorized and licensed to business in the Commonwealth of Virginia, hereinafter called "COMPANY", and the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WAYNESBORO, a political subdivision of the Commonwealth, hereinafter called "EDA".

RECITALS:

WHEREAS, the City Council of the City of Waynesboro, Virginia finds that the further development of the CITY's tax base and the creation of new jobs within the CITY may require the use of economic incentives to attract certain business investments and/or expansions in the CITY; and

WHEREAS, the COMPANY has entered into a lease agreement for 1430 Genicom Drive (hereinafter called "SITE") and is planning a manufacturing facility; and

WHEREAS, the COMPANY is planning to make minimum investments of \$150,000 in facility improvements and \$120,000 for production equipment and \$40,000 in furniture, fixtures, and equipment ("FF&E"); and

WHEREAS, the COMPANY is planning an initial employment of five full time positions with an additional six full time employees by year three with an average annual salary of at least \$41,000; and

WHEREAS, the COMPANY, is expected to begin operations during first quarter of 2020; and

WHEREAS, the CITY is authorized pursuant to Section 15.2-953 of the Code of Virginia, 1950 as amended ("VA Code"), among others, to make appropriations of public funds, of personal property, or of any real estate and donations to the EDA for the purposes of promoting economic development in the CITY; and

WHEREAS, the CITY has approved the terms and conditions of this MOU, in principle, as presented by the EDA, upon due motion therefore duly made and seconded, at a regular public meeting of the City Council on _____, 2020; and

WHEREAS, the EDA and COMPANY now desire to enter into an incentive arrangement in order to assure that such appropriations of public funds from the CITY, shall promote economic development and increase the prosperity and welfare of the inhabitants of the CITY.

MEMORANDUM OF UNDERSTANDING

NOW, THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration, the adequacy of which is hereby acknowledged, the **EDA** of the **CITY** of Waynesboro, Virginia and **COMPANY** hereby agree as follows:

1. **Incorporation of Recitals.** The Recitals above are hereby acknowledged and affirmed by the **EDA**, **COMPANY** and the **CITY**, and, accordingly, are incorporated into and made a part of this MOU.

2. **Local Economic Incentives.** **COMPANY** shall make minimum investments in the Site of: i) \$150,000 in facility improvements; ii) \$120,000 for production equipment; and iii) \$40,000 in FFE (“Initial Investment”). **COMPANY** shall initially employ five full time positions with an additional six full time employees by year three with an average annual salary of at least \$41,000 (“Employment Investment”). Pursuant to the Council action on _____ 2020, the **CITY** Council has shown its good faith intent to make appropriations to the **EDA** to be used for the benefit of **COMPANY** in order to facilitate the Initial Investment and Employment Investment. Accordingly, only to the extent the **EDA**, from time to time, receives cash contributions from the **CITY** for such purposes, the **EDA** shall pay **COMPANY** the following amounts (collectively, the “Economic Incentive”), consisting of:
 - A. **Real Property Tax Rebate:** Should the **COMPANY** purchase the **SITE** during the term of this MOU, the **CITY**, through the **EDA**, will reimburse the **COMPANY**, 100% of the incremental increase to the real estate tax above the current real estate tax of \$13,047 for each year remaining in the MOU according to the rebate schedule provided below.
 - i. **COMPANY** will pay the **CITY** 100% of real property tax due for the **SITE**. The **COMPANY** will then request a reimbursement from the **EDA**, providing documentation of the Initial Investment incurred and Employment Investment status to date. The **EDA** will then pay the **COMPANY** the reimbursement amount within 45 days of its receipt of the required documentation, provided that the **COMPANY** has not defaulted on its obligations under this MOU. The above process shall be repeated for each subsequent year that the **COMPANY** requests reimbursement.
 - ii. For illustrative purposes only, if the **COMPANY** purchases the **SITE** in 2022 (year two of this MOU), and the subsequent annual real estate tax due is \$15,000, the annual reimbursement for years three, four, five, and six would be \$1,953 (\$15,000 - \$13,047).
 - B. **Machinery and Tools Tax** –On the condition that **COMPANY** initiates and makes the Initial Investment and Employment Investment, the **CITY**, through the **EDA**, will reimburse the **COMPANY** 50% of the annual Machinery and Tools tax beginning in 2021, for five years.

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- i. Machinery and Tools tax is calculated on equipment in use for production on January 1 of each year with the tax due during the first week of December of the same year.
 - ii. **COMPANY** will pay the **CITY** 100% of Machinery and Tools tax due. The **COMPANY** will then request a reimbursement from the **EDA**, providing documentation of the Initial Investment incurred and Employment Investment status to date. The **EDA** will then pay the **COMPANY** the reimbursement amount within 45 days of their receipt of the required documentation, provided that the **COMPANY** has not defaulted on its obligations under this MOU. The above process shall be repeated for each subsequent year that the **COMPANY** requests reimbursement and satisfies the Initial Investment and Employment Investment requirements.
 - iii. For illustrative purposes only, if the total cost of production equipment on January 1, 2021 is \$120,000, the M&T tax (based on current rate) would be \$972 and your reimbursement would be \$486.
- C. **Building Permits:** The **CITY**, through the **EDA**, will reimburse the **COMPANY** 75% of any City Building Permit fees for any building or site improvement work initiated and completed within 12 months from the initial permit date.
- i. **COMPANY** will pay the **CITY** 100% of the Building Permit fee due. The **COMPANY** will then request a reimbursement from the **EDA**, providing documentation of all improvement work completed. The **EDA** will then pay the **COMPANY** the reimbursement amount within 45 days of their receipt of the required documentation, provided that the **COMPANY** has not defaulted on its obligations under this MOU. The above process shall be repeated for each subsequent year that the **COMPANY** requests reimbursement.
- D. **Chamber Membership:** In recognition of the **COMPANY'S** commitment to the community, The **CITY**, through the **EDA** will sponsor the **COMPANY'S** first year membership in the Greater Augusta Regional Chamber of Commerce. The first year's annual dues will be paid directly to the Greater Augusta Regional Chamber of Commerce after the **COMPANY** has completed the required membership application material.
- E. **Continuing Condition:** The Initial Incentive and the Employment Incentive are a condition precedent to entitlement to receive any Economic Incentive. Should **COMPANY** fail to meet the Initial Incentive or the Economic Incentive, it shall not be entitled to any further Economic Incentives under this MOU.

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F. **Economic Incentive Period:** This MOU will commence upon execution by all parties and automatically terminate December 31, 2026. **COMPANY** shall not be entitled to any Economic Incentive under this MOU after the termination date.

3. **Limitation of Obligations of the CITY and EDA under this MOU.**

A. The **EDA**, the **CITY** and **COMPANY** acknowledge and agree that the ability of the **EDA** to pay to **COMPANY** the Economic Incentive shall be subject to and dependent upon receipt by the **EDA** from the **CITY** of sufficient appropriation(s) therefor, from time to time, during the term of this MOU. Accordingly, the **EDA's** obligations hereunder to pay any portion or all of the Economic Incentive described in Section 2 shall be expressly limited as set forth in Sections 3 and 4.

B. Upon verification of **COMPANY's** Initial Investment and Employment Investment, as set forth in this MOU, the **EDA** shall recommend to the City Council that an appropriation be made to the **EDA** in order for the **EDA**, in turn, to pay **COMPANY** the appropriate amount as set forth in this MOU. In such event, the **EDA** shall notify the City Manager to include such payment amount due to **COMPANY** in his budget submitted to the City Council for the following Fiscal Year as an appropriation to the **EDA** pursuant to the provisions of this MOU. The **EDA** shall request the **CITY** Manager deliver to the Chairman or Vice-Chairman of the **EDA**, with a copy to **COMPANY**, within ten (10) business days after the adoption of the **CITY's** budget for each Fiscal Year, a written confirmation stating whether the City Council has appropriated to the **EDA** an amount sufficient for its purposes described in this MOU, including the precise amount thereof and any applicable payment instructions by the **EDA** to **COMPANY**.

C. It is to be understood, however, that, notwithstanding anything herein to the contrary, any and all payments by the **CITY** to the **EDA** for payment over to **COMPANY**, as described in this MOU, shall be subject to the provisions of Section 4 below, and, further, shall be payable from funds of the **CITY** that are lawfully available and appropriated for such purposes, from time to time.

4. **Nature of Payments to COMPANY under this MOU.** Pursuant to the Council's action of _____, 2020, the City Council has undertaken a non-binding obligation to appropriate the aggregate amount equal to the Economic Incentives to the **EDA** for the benefit of **COMPANY**, as may be requested by the City Manager from time to time, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The City Council, while recognizing that it is not empowered to make any binding commitment to make such appropriations in future Fiscal Years, has stated its good faith intent to make such appropriations in future Fiscal Years during the term of this MOU in accordance with its provisions. While it is reasonably anticipated that future City Councils shall do likewise in order

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for the City to achieve the significant public benefits described herein, it is to be understood that nothing contained in the Council's action of _____, 2020, or in this MOU, is or shall be deemed to be a lending of the credit of the City, and nothing herein contained therein is or shall be deemed to be a pledge of the faith and credit or the taxing power of the City; nor shall anything herein contained legally bind or obligate the CITY or City Council to appropriate funds to the EDA for the purposes described herein, all in accordance with Virginia law. This MOU contains a moral obligation of the City only, and nothing in this MOU shall bind the City. The COMPANY'S signature to this MOU is an acknowledgement of this section 4.

5. **Severability.** If any provision of this MOU shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.
6. **Applicable Law; Entire Understanding.** This MOU shall be governed by the applicable laws of the Commonwealth of Virginia. This MOU states the entire understanding and all agreements between the EDA, the CITY and COMPANY with respect to the subject matter hereof and may not be modified except in a writing signed by all of the parties. This MOU may not be modified unless all parties shall consent in writing; ***provided, however,*** it is to be understood that the ability of the EDA to pay any amount to COMPANY hereunder shall in all cases be subject to the provisions contained within this MOU.
7. **Counterparts.** This MOU may be executed in several counterparts, each of which shall be an original, and all of which together shall constitute but one and the same instrument.
8. **Notices.** Except as may otherwise be provided herein, all demands, submissions, notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be delivered or given by first class mail, postage prepaid, or by overnight courier or via hand-delivery, as may be convenient, addressed as follows:

If to the EDA, at:

Economic Development Authority of the
City of Waynesboro, Virginia
301 West Main Street
Waynesboro, VA 22980
Attention: Chairman

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If to the CITY, at:

City Manager
City of Waynesboro
503 West Main Street
Waynesboro, VA 22980

With a copy to:
Office of Economic Development, Director
301 West Main Street
Waynesboro, VA 22980

If to COMPANY, at:

Raven Industries, Inc.
Attn: Legal Department
205 East 6th Street
Sioux Falls, South Dakota, 57104

The **EDA**, the **CITY** and **COMPANY**, or any of them, may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests and other communications shall be sent or persons to whose attention the same shall be directed.

The agreements described herein are duly authorized by Resolution of the City Council of Waynesboro, Virginia, which was adopted on _____, a copy of which is attached hereto and incorporated herein as Exhibit A.

[Remainder of page intentionally left blank]

MEMORANDUM OF UNDERSTANDING

IN WITNESS WHEREOF, the Economic Development Authority of the City of Waynesboro, Raven Films, Inc. for use in Virginia by Raven Engineered Films, Inc., and the City of Waynesboro, have caused this MOU to be executed in their respective names, all as of the date first above written.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WAYNESBORO, VIRGINIA**

By: _____
Chairman

Attest:

Secretary

**COMMONWEALTH OF VIRGINIA,
CITY OF WAYNESBORO, to-wit:**

The foregoing instrument was acknowledged before me this the ____ day of _____, 2020, by _____, Chairman, of the Economic Development Authority of the City of Waynesboro, Virginia, and likewise attested by Gregory E. Hitchin, Secretary, on behalf of said Authority.

My commission expires _____
Notary registration no. _____

Notary Public

CITY OF WAYNESBORO, VIRGINIA

By: _____
Michael G. Hamp, II, City Manager

Attest:

City Clerk

MEMORANDUM OF UNDERSTANDING

COMMONWEALTH OF VIRGINIA,
CITY OF WAYNESBORO, to-wit:

The foregoing instrument was acknowledged before me this the ____ day of _____, 2020, by Michael G. Hamp, II, City Manager, of the City of Waynesboro, Virginia, and likewise attested by Julia Bortle, Clerk of the City Council, on behalf of said City.

My commission expires _____

Notary registration no. _____

Notary Public

Approved as to form by the City Attorney:

Melisa G. Michelsen

RAVEN FILMS, INC. for use in Virginia by **RAVEN ENGINEERED FILMS, INC.**

By: _____

Printed Name: _____

Its: _____

Attest:
