



Memo

To: Honorable Mayor Armitage; City Council
From: Bryan Myrkle, Community Development Director
Date: November 22, 2022
Re: Staff report on creation of an Industrial Development District for Shyft Group Inc.

Background

As previously discussed, the Shyft Group, Charlotte's largest private sector employer, is expected to announce a major expansion of its operations in Charlotte. The City of Charlotte is being asked to provide tax relief for this project in the form of an Industrial Facilities Tax Exemption (abatement). This is the standard tax incentive Charlotte has used for many years in support of industrial development.

Details of both the development proposal will be presented by Shyft at the November 28 City Council meeting.

The IFT process includes both the creation of a special taxing district and the consideration/approval of the tax abatement itself. Because these two items have to be handled in a specific order, we will be asking the City Council to take action on the district creation November 28, and on the IFT request December 5.

I have included copies of Shyft's IDD application and supporting documentation, as well as the resolution that must be passed to create the district. Please note that creating the district does not obligate you to approve the tax abatement, which will be considered at your next meeting.

Recommendation

I recommend that you approve the creation of the Industrial Development District as requested by the Shyft Group, Inc.

Financial Impacts

While the eventual granting of an Industrial Facilities Tax Exemption to the Shyft Group would abate 50% of the new taxes that would otherwise be owed by Shyft as a result of its expansion in Charlotte, it still results in new tax revenue received by the City. It is important to understand that we cannot estimate the dollar value of tax revenue that will be abated and received prior to the completion of the project, we can only discuss it in terms of percentages. It is similarly important to understand that PA 198, the law that governs this type of tax abatement specifically provides for a 50% reduction in the taxable value of the completed improvements – that percentage is not negotiable. What is negotiable is the length of time. Shyft Group is asking for the maximum allowed, 12 years, which they would qualify for based on its proposed level of investment under the City's long-standing tax abatement policy. Once those 12 years have elapsed, the abatement ends and 100% of taxes owed from that point forward would be assessed.

Suggested Motion

Please refer to the resolution prepared for this item.