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CITY OF DURHAM | NORTH CAROLINA

Date:	**January 14, 2014**
To:	**Thomas J. Bonfield, City Manager**
Through:	**Keith Chadwell, Deputy City Manager**
From:	**Kevin Dick, Director, Office of Economic and Workforce Development**
Subject:	**Response to Questions from Councilmembers Don Moffitt and Steve Schewel re: the Proposed Economic Development Incentive Agreement Between the City of Durham and Argos Therapeutics**

Executive Summary

This memorandum provides responses to questions asked by City Councilmembers Don Moffitt and Steve Schewel on Thursday January 9, 2014 related to the proposed economic development incentive agreement between the City of Durham and Argos Therapeutics.

Background

The aforementioned proposed economic development incentive agreement was discussed with City Council on November 21, 2013 in a closed session and was also part of the discussion at the January 9, 2014 City Council Work Session. The council members posed the questions related to the aforementioned proposed agreement and the answers are detailed in the Issues and Analysis section.

Issues and Analysis

Councilman Moffitt posed the following questions:

Q: Is the proposed Durham location a new structure?

A: The answer is yes. The proposed building would be a build to suit. The incentive is based upon a capital investment total that relates to the construction of the new building and the investment in personal property (not including the land value). This is reflected in the attached revised spreadsheet.

Q. Where is the depreciation schedule for the proposed personal property investments?

A. The depreciation schedule can be found in the attached revised spreadsheet.

Councilman Schewel posed the following question:

Q. Why are the Council and County paying different annual amounts but end up paying the same total?

A: The City and County use different methodologies for calculating incentive amounts. This difference in methodologies causes the annual payout schedules to be different. Whereas the City commits to the payback of a percentage of capital investment that ensures a positive net yield in each year of the incentive payback period and makes the annual payout vary because the varying incremental tax revenues, in this case, the County divided their total payback by the number of years by 7 ($600,000.00/7). This causes a different annual payout amount for each entity, although the total amounts for each entity are the same. The attached spreadsheet, which has been revised since the January 9, 2014 work session to reflect updated payout schedules for both the City and County, reflects the different annual payout amounts over the seven year payback period.