



Date: October 20, 2015

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Kevin Dick, Director - Office of Economic and Workforce Development

Subject: Potential Economic Development Incentive Agreement between the City of Durham and Project Cavalier.

Executive Summary

This item describes an expansion project related to potential economic development incentives for job creation within the city limits between the City of Durham and Project Cavalier.

Recommendation

The Office of Economic and Workforce Development recommends that City Council:

1. Hold a public hearing on the proposed economic incentive agreement per G.S. 158-7.1; and,
2. Authorize the City Manager to execute an economic development incentive agreement with Project Cavalier for a total incentive payment amount not to exceed \$73,500.00.

Because the dollar amount recommended is above the percentage of capital investment stipulated by the current incentive policy, a policy exception would be required.

Background

Company Summary:

- One of largest US mobile application development companies, based in Charlottesville, VA. On Inc. 500/5000 list of fastest growing US companies 4 years in a row (including just-released 2015 list).
- Provides mobile strategy, design, development and analytics services for Fortune 500/5000 companies and large government / non-profit agencies.
- Founded 2007; currently has 102 employees all in the Charlottesville, VA office.
- Major clients include HBO, Johnson & Johnson, GE, Turner Sports, Fox News, Harvard Business Publishing, PepsiCo, American Red Cross, McDonalds, Wyndham Hotels, Comedy Channel and Gameshow Network.

Company's Options:

- Company has signed several large clients in recent months and needs to accelerate the growth of its team. Expectation would be to grow office to similar size (100+ employees) as existing Charlottesville office over the next several years.
- Options: Company is reviewing options including:
 - Expanding its Charlottesville, VA office
 - Opening an Atlanta, GA office

- Opening a Denver, CO or Boulder, CO office
- Expanding its Durham, NC office.

Issues and Analysis

While the State of North Carolina's incentive offer is tentatively in an amount not to exceed \$200,000.00 through the One North Carolina Fund, discussions between the Company and the Office of Economic and Workforce Development have indicated that a \$750 per job offer from Durham that is matched by the State would enable the recruitment of the company. Since the State One NC program stipulates that a State match will not exceed a local amount, the State incentive would not exceed a Durham offer. It should be noted however, that the State has also offered \$184,800.00 for customized training through the North Carolina Community College System.

Competing areas are offering incentives ranging between \$1,750 and \$6,500 per permanent long-term job created.

The project is projected to result in the creation of 98 jobs by the end of 2018 (26 jobs by the end of 2016, 36 in 2017 and 36 in 2018) with an average annual salary of \$84,118.00 with full benefits.

Potential City of Durham Incentives:

Proposed offer is up to \$750.00 per job for 98 jobs for a total not to exceed \$73,500.00.

Additional City of Durham assistance may include: On-the-Job Training funds (based on funding availability) and use of NCWorks Career Center system for recruitment.

Other Factors:

- Company is committed to creating high-paying jobs, including primarily recruiting from both local universities and IT/software bootcamps/workforce development programs. Typically 60% of entry level employees are recent college graduates and 40% are from coding schools or similar programs, such as IronYard which has a campus located within American Tobacco Campus. Talented coding graduates from high school or community college would also be considered.
- Company has history of community involvement in Charlottesville, including:
 - Assistance with curriculum development and guest lecturing at local university/community college programs
 - Supporting young talent going into computer development through the Computers 4 Kids program.
 - Pro bono / barter work for local Charlottesville, VA institutions like Monticello
- Company already has relationships in Durham, having developed the DPAC app which has been very successful for the DPAC in helping reach its sales potential.
- Significant ancillary benefits:
 - They have synergies with other Durham-based companies that provide related services (e.g. Cactus group) allowing joint bids on large projects
 - Continued development of a "mobile development" ecosystem in Durham to allow Durham the opportunity to be one of the "hot spots" of the mobile apps industry.
 - Hotel/restaurant revenue from frequent Company employee trips from Virginia to support launch and build-out of office. Clients and staff will travel to Durham on average 8-10 room nights per week, including dining experiences, for an estimated 40 weeks per year for a total of 320-400 "hospitality events" per

year. The construction of new hotels provides a wide array of hotel experiences for them and their clients.

Alternatives

Council could elect not to authorize the City Manager to negotiate an economic development agreement not to exceed \$73,500.00 or a lesser maximum amount and risk losing the potential creation of 98 jobs within Durham.

Financial Impact

The Office of Economic and Workforce Development is recommending up to a maximum of \$73,500. OEWD will allocate funding for this incentive each year from its annual budget as follows: \$19,500.00 set-aside in FY16, \$27,000.00 set-aside in FY 17 and \$27,000.00 set-aside in FY 18. This will allow the full incentive of \$73,500 to be paid in three payments upon successful creation of 98 jobs in the three-year time period as specified in the incentive agreement.

SDBE Summary

This section is not applicable because no goals have been set for the item.

Attachments

Contract between Project Cavalier and The City Of Durham Regarding Incentives for Job Creation within The Community Development Area within the City Limits, 8 pages.

Attachment A, 'Workforce Development Plan', 4 pages.