

# BUSINESS RECRUITMENT PRODUCT

## YOU JUST GOTTA HAVE IT

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# BUSINESS/INDUSTRIAL PARKS

# BUSINESS INDUSTRIAL PARKS

YOU JUST GOTTA HAVE IT OR DO YOU?

- ▶ Is it always advisable to invest in a business/industrial park?
- ▶ What about:
  - ▶ A very rural county; remote from four lane road or rail
  - ▶ Mecklenburg County or Wake County
  - ▶ Others

# LEGAL AUTHORITY

- ▶ G.S. 158-7.1 (Local Development Act): Authorizes a city or county to develop business parks, build shell buildings, and acquire/renovate existing buildings as a public purpose
- ▶ G.S. 153A-449 (Counties) and G.S. 160A-20.1 (Cities): May “contract with and appropriate money to any person, association, or corporation, in order to carry out any public purpose that the County (or City) is authorized by law to engage in”.
- ▶ G.S. 160A-279: “Whenever a city or county is authorized to appropriate funds to any public or private entity which carries out a public purpose, the city or county may, in lieu of or in addition to the appropriation of funds, convey by private sale to such entity any real or personal property which it owns.

# BUSINESS/INDUSTRIAL PARKS

## WHICH ENTITY DEVELOPS IT

- ▶ Local Government
- ▶ Combination of two or more local governments (multi-jurisdictional projects)
- ▶ Nonprofit corporation
- ▶ For profit corporation
  - ▶ Commercial entity
  - ▶ For profit economic development corporation

# BUSINESS/INDUSTRIAL PARKS

## ACQUISITION

- ▶ Cash Purchase
- ▶ Installment financing – G.S. 160A – 20
- ▶ General obligation bonds – G.S. 159-48
- ▶ Public/private partnership

# BUSINESS/INDUSTRIAL PARKS

## LONG TERM OPTION

- ▶ Long term option granted for little or no money up front
- ▶ Option sets price with escalation in price over time
- ▶ Private owner or local government pays for infrastructure improvements and site development
  - ▶ If public funds pay for this, secure by note and deed of trust
  - ▶ Disposition of repayments of pro rata portions of costs same as previous slide
- ▶ Local government or EDO pays for site development
  - ▶ If local government pays then secure with note or deed of trust
- ▶ Limit uses of property at end of option period
- ▶ Problem: Lack of control. Have to go back to a private owner. What if one of the owner dies? Then dealing with an estate.

# BUSINESS/INDUSTRIAL PARKS INSTALLMENT PAYMENT PURCHASE

- ▶ Local government/EDO acquires title to the property
- ▶ Pays for the property over time by agreed upon installment payments
- ▶ Local government/EDO pays for everything, infrastructure improvements, site development, etc.
- ▶ Local government/EDO has full control over design of property, price, marketing, etc.
- ▶ Problem: Local government/EDO still has to come out of pocket to pay for the property over time.



# BUSINESS/INDUSTRIAL PARKS EQUITY PARTICIPATION ARRANGEMENT

- ▶ The most desirable acquisition structure
- ▶ Local government/EDO gets title to property for one dollar or small amount up front
- ▶ Payment of the purchase price to the owner is secured by note and deed of trust
- ▶ Purchase price in the note, to be paid per acre as land is conveyed to an end user, is the total of
  - ▶ Base price per acre is value of property at time of conveyance, undeveloped; PLUS
  - ▶ Agreed upon percentage of increase in value (equity) created by local government/EDO development efforts, time passage, and facilities being built on property (20% to 30%)
- ▶ Local government gets to keep remainder of equity in property (80% to 70%) or use it as an incentive.
- ▶ Commitment to milestone dates for rezoning, infrastructure to site, signage, sales
- ▶ Worst case: property owner gets land back in an improved state; EDO still has an improved, certified site to sell
- ▶ Absolutely the best structure to use to acquire land with no money upfront, if property owner will agree to it

# BUSINESS/INDUSTRIAL PARKS

## INFRASTRUCTURE TO AND IN PRIVATELY OWNED PROPERTY

- ▶ Development agreement between local government and/or EDO defines terms
- ▶ Local government makes infrastructure improvements to open park
- ▶ Further infrastructure improvements made with grant funds as companies locate in park
- ▶ Costs of infrastructure improvements secured by promissory note and deed of trust
  - ▶ Local government repaid pro rata as land sells; OR
  - ▶ Local government waives repayment as a reduction in cost that flows through to end user as an incentive
- ▶ Who pays for site development?
- ▶ Local government/EDO needs control or voice in design of park
- ▶ Need control on price asked for land
- ▶ Problem: lack of control by local government/EDO

# BUSINESS/INDUSTRIAL PARKS

## CONSIDERATIONS IN CHOOSING A LOCATION

- ▶ How many owners
- ▶ Proximity to critical infrastructure
  - ▶ Water/Sewer
  - ▶ Roads
  - ▶ Fiber
- ▶ Size
- ▶ Difficulty to grade
- ▶ Proximity to negative factors (landfill)
- ▶ Others?



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