

City Council – Action Request Form

Date: June 6, 2017

To: The City Manager

From: Derwick L. Paige, Assistant City Manager

Council Action Requested:

Adopt Resolution Approving Financial Assistance to HPFABRICS, Inc. (HPFABRICS).

Summary of Information:

The attached resolution authorizes the City to provide up to \$125,000 economic development assistance over seven years to HPFABRICS, Inc. (HPFABRICS). The City's financial assistance will be used to reduce the company's capital outlay associated with the proposed project in Winston Salem. Over five years, the company will invest approximately \$3.85 million for facility upfit, new machinery and equipment. In addition, they will retain approximately \$9.5 million in existing machinery and equipment. They will also create up to 390 new manufacturing jobs with an average annual salary of \$30,310 plus benefits including health care. The company is aware of and committed to the City Council's desire to hire local employees and a diverse workforce.

The City's assistance is based upon an amount equal to approximately 50% of the net, new property and sales taxes generated by the project over its first seven years. It is projected that the annual property tax revenues from the project will be more than \$50,000 per year and sales taxes generated from the projected payroll for the jobs could generate approximately \$16,840/year.

In return, HPFABRICS would expand operations in Winston-Salem. HPFABRICS is intending to manufacture greige goods and finished flock products at the Winston-Salem facility. These products will either be used at the Winston-Salem facility to manufacture user ready fabrics that will be sold nationally and internationally or will be supplied to Tukek Holding's other facilities around the world for further processing. In February 2016, Microfibres, Inc. shut down its U.S. manufacturing operations. Tukek Holding, Inc. purchased most of the Microfibres' assets out of bankruptcy and is evaluating options to reopening the Winston-Salem facility and a facility in Rhode Island.

Committee Action:

Committee	Finance 6/12/17	Action	Approval
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For	Unanimous	Against	
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Remarks:

Tukek Holding, Inc., HPFABRICS's holding company, is similarly in the business of manufacturing textile goods including flocked goods. With its recent purchase of most of Microfibres' assets, it has become the top flock manufacturer in the world. It currently employs over 1,100 employees in three separate facilities located in Istanbul, Turkey. Tukek's yearly revenue exceeded \$140,000,000 in 2016 and they expect that the trend will continue in the years to come. Tukek currently owns over 20 patents for special manufacturing products, processes, and technologies.

The project is consistent with the City's public policy justification to stimulate the local economy through the creation of new jobs and investment. In addition to the City's assistance, financial assistance is being considered by several other entities including Forsyth County and the State of North Carolina. The attached resolution authorizes the City's participation in this project contingent upon assistance from those two entities. It also authorizes the City to serve as the pass-through entity for any State assistance provided for the project.