

Golden Leaf Foundation pledges \$50M in incentives for auto manufacturing plant

Richard Craver/Winston-Salem Journal | Posted: Thursday, February 5, 2015 6:46 pm

The board of directors for the Golden Leaf Foundation said Thursday it is offering up to a \$50 million carrot toward securing an automobile manufacturing plant for North Carolina.

“This is not in reaction to an imminent announcement,” said Dan Gerlach, the foundation’s president.

“The committed Golden Leaf funds are not earmarked for a specific site or company, but to a site that an automobile manufacturer has indicated is its preferred North Carolina location.”

Randolph County and regional economic development officials are working to buy 1,800 acres in the northeast corner of the county to develop what’s being called the Greensboro-Liberty megasite. Randolph commissioners committed \$4.2 million Monday to buy 255 acres.

The lack of an auto industry cluster is probably the biggest economic regret of North Carolina’s governors and Commerce secretaries since the 1980s.

During that time, North Carolina sites, including in Alamance and Davidson counties, have been a runner-up on manufacturing plants for at least Mercedes-Benz, BMW and Toyota.

The latest industry speculation involves Volvo eyeing the Southeast, including North Carolina and Kentucky, for a site to help it gain U.S. market share with additional production.

Gerlach said the foundation is working with state Commerce and economic officials on attracting an auto-manufacturing plant. The amount represents 1½-years’ worth of the foundation’s grants-making budget.

“We believe we have a special role to play in this kind of recruitment,” Gerlach said.

“The foundation generally does not make a single grant of this magnitude, but recognizes the transformative potential of attracting this industry. The board’s commitment conveys the seriousness and aggressiveness that will be required to be successful.”

As a public charity, Golden Leaf funds can be used for costs associated with project needs, such as public infrastructure and workforce training.

“The state is readying itself to win and host this type of manufacturing industry,” said Johnathan Rhyne, the foundation’s chairman. “The Golden Leaf board took this action to demonstrate its commitment to this emerging opportunity. An automobile manufacturer and its suppliers can create thousands of jobs and serve as a catalyst for long-term economic advancement.”

"The Golden Leaf bounty is impressive and speaks to how coveted auto assembly plants are in economic development circles, as well as how serious long-suffering North Carolina is to attract one." said John H.

Boyd, a principal at The Boyd Co., a corporate site-selection firm in Princeton, N.J. "A bridesmaid for projects in the past, BMW that went to neighboring South Carolina 20 years ago still stings veteran developers in the state.

Golden Leaf can make a difference. Add public sector incentives on top of Golden Leaf's \$50 million, and we are up there where the air is rare."

Boyd said that since Volvo is manufacturing trucks in Dublin, Va. and has a divisional headquarters in Greensboro., "it is a likely candidate for the state."

"It hasn't produced vehicles in North America since it closed its Halifax auto plant back in the 90's. It is due," Boyd said.

Boyd said another candidates might be even higher on the luxury scale, such as Jaguar and Land Rover, now owned by India's Tata Motors.

"Like Volvo, both models are in queue for a North American production presence," Boyd said.

Commerce Secretary John Skvarla said public infrastructure and workforce training are two major components of North Carolina's strategy in pursuing an auto manufacturer. "We appreciate Golden Leaf's significant commitment in helping recruitment of what could be a game changer for this state," he said.

Stan Kelly, president of the Piedmont Triad Partnership, said momentum has been building the past few weeks to the point "the stars are clearly aligning toward this type of project, one that will cast proven ripples into the surrounding economies."

"This is a good step in a good direction for those auto manufacturers who are prospecting. We have a much better chance getting their attention now than we did two weeks ago."

Michael Walden, an economics professor at N.C. State University, said he expects a full local and state incentive offer to an automobile manufacturer to exceed \$100 million.

"The commitment by Golden Leaf is significant, but other funds will have to be added by other entities," Walden said.

Gov. Pat McCrory said at the annual N.C. Chamber economic forecast meeting in January that the state is missing out on potential projects of all sizes, in part because of limited incentive monies.

There is an interesting economic and political twist involved in Golden Leaf's pledge.

In 2013, legislators approved stripping Golden Leaf of \$65 million in annual funding from the landmark Master Settlement Agreement and transferring it to the state's General Fund.

At that time, Golden Leaf had \$741 million in its endowment, primarily because of stock market and other investments. The foundation responded to the cutoff of annual replenishment by reducing its annual endowment contributions from \$55 million to \$35 million to extend the number of years it can provide finances.

“I believe our pledge will be looked upon favorably the state,” Gerlach said. “This is a big commitment for what we hope will be a big deal for North Carolina.

“There’s no sure thing, obviously, but an auto plant carries major economic impact beyond the plant itself, and would help create middle-class jobs that the state has been struggling to replace the past 15 years.”

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