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UPDATE: Sources say Herbalife, nearly 500 jobs, coming to former Dell site [Winston-Salem Journal, N.C.]

By Richard Craver, Winston-Salem Journal, N.C. McClatchy-Tribune Information Services

Dec. 18--The six-week sprint to land Herbalife Ltd.'s East Coast manufacturing operations has been won by Winston-Salem and the closed Dell Inc. assembly plant, according to sources familiar with the deal.

Sources confirmed Tuesday that an economic-development announcement scheduled for 2 p.m. today will reveal that Herbalife is taking over the plant. The sources asked to not be identified because the deal has not been made public. Gov. Bev Perdue is expected to make the official announcement.

Herbalife, based in Los Angeles, sells weight management, nutritional supplement, energy, sports and fitness products, and personal-care products.

Local and state economic officials have been competing publicly since early November against Gwinnett County, Ga., for the project, which would create 493 full-time or full-time-equivalent jobs over three years at the 750,000-square-foot plant at 3200 Temple School Road.

The jobs would pay an average annual wage of about \$42,000.

Dell closed the plant in November 2010 after just more than five years. At its peak, the plant had a workforce of 1,400 workers, including contract and vendor employees.

According to the proposal for Project Galaxy, the local name given to the deal, Herbalife plans to open an East Coast plant by June. That ambitious production goal appeared to give Winston-Salem an advantage.

Herbalife officials could not be reached for comment Tuesday. They have been tight lipped about its East Coast plans outside comments made by management in quarterly reports and conference calls with analysts.

Debra Conrad, who is leaving the Forsyth County Board of Commissioners after being elected to the N.C. House, said she received an announcement invitation from Winston-Salem Business Inc. The Journal obtained a copy of the invitation from other sources.

Conrad said she was told the invitation was "for an important announcement," but it did not specify what it would be. She said she is pleased to hear that Herbalife is coming.

"I think it is wonderful that we found a new occupant of the Dell building," Conrad said.

"It has taken awhile with this economy. There have been others who have looked at it. This is great news, that there will be a number of new jobs here, and that is the idea -- to put people back to work."

Upon learning the project had been confirmed and reported, Mayor Allen Joines said Herbalife represents a good investment.

"We are very excited about this project and eagerly anticipate the governor's arrival tomorrow (Wednesday). The jobs and tax investments are crucial to our economy."

One sign pointing toward a Herbalife announcement is the state's Economic Investment Committee meets at 10 a.m. today. That group mostly meets to address and vote on requests for large Job Development Investment Grant applications and other major projects.

The local incentive offers to Herbalife have listed a \$10.5 million pledge from the state. The company already has been made eligible for a combined \$3.44 million in local incentives.

Part of Winston-Salem's incentive offer is \$450,000 in upfront payments from the pool of incentive money returned by Dell as required by clawback provisions.

Besides the upfront money, Winston-Salem said it would provide \$1.8 million over seven years from its economic-development project fund. The money would go toward helping offset Herbalife's cost of buying and up-fitting the Dell plant.

Forsyth's proposal requires Herbalife spend at least \$106.5 million on capital investments, while Winston-Salem's proposal requires spending at least \$100.2 million.

By comparison, the Dell plant cost \$110 million to build.

An economic-incentive pitch from Gwinnett has not been made public. The Atlanta Business Chronicle reported in November that Georgia could use some of the \$99 million its legislature set aside from a national mortgage settlement for economic development grants.

The Gwinnett project would be a build-from-scratch plant that would be significantly smaller -- about 350,000 square feet -- than the local option. Herbalife officials have expressed an interest in expansion room no matter which site they choose.

Analysts say a pivotal part of the local bid has been the price Dell requested for the plant. Dell spokesman David Frink said Tuesday that while the company is actively marketing the plant, "we are not disclosing the price point."

Joines has said Dell is trying "aggressively" to sell the plant to Herbalife, possibly for about \$30 million. Each year, Dell pays about \$900,000 in property taxes. Selling the plant would eliminate the property-tax expense and give Dell a one-time financial boost.

"There are not that many companies out there that can afford to buy a 750,000-square-foot building," Joines said.

Herbalife said in its Oct. 30 third-quarter earnings report that its board of directors approved spending up to \$130 million on an East Coast manufacturing plant.

According to Winston-Salem documents, Herbalife would commit to spending \$53.6 million on capital

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"The other decision is whether or not (to divide) the space into two or more user space now, or to defer this cost until a second user is procured, gambling optimistically that perhaps Herbalife grows into the entire space in the foreseeable future."

Opening an East Coast manufacturing plant would make sense for Herbalife if it is committed to increasing domestic production, said John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company based in New Jersey.

"The nutraceutical industry is booming in the United States," Boyd said.

Herbalife reported Oct. 29 it had record third-quarter sales of \$1 billion, up 14 percent. Its U.S. sales -- its second-largest market behind Asia-Pacific -- were up 15 percent to \$208.8 million.

"This could be a truly significant corporate recruit for Winston-Salem and North Carolina to land since this could be another growth industry," Boyd said.

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