



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** SEPTEMBER 7, 2016

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of Acceptance and Allocation of \$250,000 from the Governor's Agriculture and Forestry Industries Development Fund.

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**ISSUE:** Consideration of acceptance and allocation of \$250,000 from the Governor's Agriculture and Forestry Industries Development (AFID) Fund to support an economic development incentive grant to Port City Brewing Company.

**RECOMMENDATION:** That City Council authorize the City Manager to:

1. Accept a \$250,000 grant from the AFID Fund that will be transferred to AEDP and then to the Port City Brewing Company (PCBC), subject to the terms and conditions of the Performance Agreement among the City of Alexandria, the AEDP, and PCBC.
2. Allocate the \$77,500 in City economic development incentive monies set aside as part of the FY 2017 budget process as to the City's share of the AFID matching grant requirements.
3. Execute a Performance Agreement among the City of Alexandria, AEDP, and PCBC that outlines the disbursement and management terms and conditions of the AFID grant and the City/AEDP grant.

**BACKGROUND:** Founded in January 2011, Port City Brewing Company is an award-winning leader of Virginia's rapidly expanding craft brewing market. The company brews 14,000 barrels of beer annually and distributes along the East Coast from North Carolina to Connecticut, currently employing 37 people. PCBC also serves as a valuable brand ambassador for the City of Alexandria. The tasting room adjacent to the production facility has become a destination attracting 78,000 annual visitors.

To meet ever increasing consumer demand PCBC is poised to execute a multi-year, multi-million dollar facility

and capacity expansion in Alexandria. This growth requires significant capital investment in upgrading and replacing production equipment and the leasing of additional warehouse space. Over the last year, the AEDP worked with PCBC to understand and present opportunities to accommodate their growth needs. AEDP's analysis of PCBC's proposal and additional company financial information concluded that the City direct tax revenue will nearly double, increasing by an estimated \$298,000, over the next 5 years as a result of PCBC's proposed expansion. Net revenue (New Revenue minus Local Cash Incentive) is projected to increase by \$143,000.

PCBC evaluated real estate throughout Northern Virginia to accommodate their growth needs. In order to assure PCBC's growth in Alexandria, and to pave the way for a longer-term, more permanent presence in the City, the Commonwealth of Virginia has awarded Alexandria an Agriculture and Forestry Industries Development (AFID) Fund grant of \$250,000. As a requirement of this grant, Alexandria is offering a matching performance-based grant that is a combination of cash (\$77,500 from the City and \$77,500 from AEDP) and in-kind planned infrastructure (\$95,000 for bicycle related improvements) on Wheeler Avenue for a total State/City incentive package of \$500,000.

**DISCUSSION:** The Performance Agreement outlines specific requirements that must be satisfied for the \$250,000 AFID grant to be transferred to Port City Brewing Company and for the disbursement of the City of Alexandria's and AEDP's matching contributions. The agreement will be in place for a period of three years. The Agreement is to be signed by the City Manager, the President & CEO of the AEDP, and ownership of Port City Brewing Company.

Prior to awarding the AFID grant the State certified that PCBC met the eligibility criteria for the incentive program. The principal requirements outlined in the Agreement include the following:

- The Company will make a Capital Investment in the City of Alexandria of at least \$2,680,000, of which approximately \$1,910,000 will be invested in equipment and approximately \$770,000 will be invested to improve the existing site and building and the expansion site;
- The expansion and operation of the facility will further entail the creation of 26 new jobs at the facility; and
- The expansion and operation of the facility will further lead to the purchase of Virginia-grown agricultural and forestal products in the following amount: \$41,042 or 115,110 pounds of net new purchases of Virginia-grown wheat and oysters over the performance period.

In accordance with the Performance Agreement, Alexandria will provide the following incentives as a match to the AFID grant:

- \$155,000 in cash from the Alexandria Investment Fund which is a combination of City General Funds (\$77,500) and Industrial Development Authority bond fee earnings held by AEDP (\$77,500); and
- \$95,000 of already planned in-kind infrastructure for bicycle mobility and connectivity enhancements on Wheeler Avenue including the installation of bike collars, racks, a fix-it station, and one Capital Bikeshare station.

Upon execution of the Performance Agreement by all parties, the City will request of the Virginia Department of Agriculture and Consumer Services (VDACS) the release of the AFID grant by not later than November 30,

2016. The AFID Grant in the amount of \$250,000 will be paid to the City. Within 30 days of its receipt of the AFID Grant proceeds, the City will disburse the AFID Grant proceeds to the AEDP. Within 30 days of its receipt of the AFID Grant proceeds, the AEDP will disburse the AFID Grant proceeds to Port City Brewing Company. Given the performance-based nature of this incentive, the Performance Agreement includes a provision that requires the company to repay the grant if the targets outlined in the Performance Agreement are not met within the three year performance period. The attached table summarizes the projected targets and funds disbursement schedule.

**FISCAL IMPACT:** AEDP's analysis of PCBC's proposal and additional company financial information concluded that the City direct tax revenue will nearly double, increasing by \$298,000, over the next 5 years as a result of PCBC's proposed expansion. When the City's local cash grant match is taken into account, the 5-year net direct tax benefit will be approximately \$143,000.

**ATTACHMENT:** Projected Targets and Funds Disbursement Schedule

**STAFF:**

Stephanie Landrum, President & CEO, Alexandria Economic Development Partnership  
Kendel Taylor, Director of Finance