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MEMORANDUM

TO: Jefferson County Commission
FROM: William F. Rohrbaugh, Counsel for the Jefferson County Development Authority
CC: Nicolas Diehl, Executive Director of the JCDA; Stephanie Grove, County Administrator; and Nathan Cochran, Assistant Prosecuting Attorney
DATE: March 26, 2019
RE: Summary of Tema PILOT Agreement

Commissioners:

The purpose of this memorandum is to provide you with a summary of the terms of the proposed “Payment in Lieu of Taxes Agreement” (hereinafter, the “PILOT Agreement”) between Tema North America, LLC, and its parent company and guarantor, Tema Technology and Materials, S.R.I. (hereinafter collectively referred to as “Tema”), parties of the first part, and the County Commission of Jefferson County (hereinafter, the “Commission”), the Sheriff of Jefferson County (hereinafter the “Sheriff”) and the Assessor of Jefferson County (hereinafter the “Assessor”), parties of the second part. The underlying economic development project and proposed terms of the PILOT Agreement are delineated below.

The Tema Project

The Jefferson County Development Authority (hereinafter the “JCDA”) owns a 3.83 acre parcel of land in the Burr Business Park on which a manufacturing facility (hereinafter collectively referred to as the “Facility Property”) has been constructed containing approximately 40,000 square feet of space. The Facility was constructed with permanent

financing provided by the West Virginia Economic Development Authority (“WVEDA”) in the amount of \$3,180,000.00, plus approximately \$1.22 million in additional funds which Tema paid out of pocket.

Tema has agreed to lease the Facility Property from JCDA under the terms of a Facility Lease Agreement (herein “Lease”), dated November 16, 2017, and install up to \$6,000,000.00 worth of various equipment, machinery, attachments and trade fixtures (“Equipment, Machinery and Trade Fixtures”) for the manufacturing of construction industry products and solutions for insulation, drainage and erosion control. (The Facility Property, the cost of equipping the Facility and the acquisition and installation of Equipment, Machinery and Trade Fixtures, are collectively referred to herein as the “Project”). The Project is now complete and Tema is expected to begin production in the near future. The construction of the Facility and the lease of the Facility Property will create approximately thirty (30) jobs in Jefferson County, West Virginia, and surrounding areas of the State.

During the term of the Lease, the JCDA will own the real and personal property which comprise the Project, subject to the Lease and other rights and interests delineated above. Moreover, pursuant to the terms of the Lease, title to any property constituting improvements, repairs, alterations, renewals, substitutions and replacements of, and additions and appurtenances to, the Project or any part thereof, when made or installed in or about the Project shall, subject to the Lease and the other rights and interests, immediately become vested in JCDA without further action on its part.

By operation of law, JCDA’s freehold interest in the real and personal property which comprise the Project, will be exempt from ad valorem property taxes. Nonetheless, Tema seeks

to enter into the proposed PILOT Agreement to make payments of certain amounts in lieu of the ad valorem property taxes.

Proposed PILOT Agreement Terms – Real Estate Taxes

1. In the first year of the PILOT Agreement, Tema will not make any payments in lieu of real estate taxes.
2. In the second year of the PILOT Agreement, Tema will pay a minimum of \$22,500.00 in lieu of real estate taxes.
3. In the third year of the PILOT Agreement, Tema will pay a minimum of \$33,600.00 in lieu of real estate taxes.
4. In the fourth year of the PILOT Agreement and going forward, Tema will pay, in lieu of real estate taxes, the full equivalent amount of the real estate taxes on the Facility Property as if Tema owned the property.

Proposed PILOT Agreement Terms – Personal Property Taxes

1. In the first year of the PILOT Agreement, Tema will not make any payments in lieu of personal property taxes.
2. In the second year of the PILOT Agreement, Tema will not make any payments in lieu of personal property taxes.
3. In the third year of the PILOT Agreement, Tema will pay a minimum of \$28,200.00 in lieu of personal property taxes.
4. In the fourth year of the PILOT Agreement and going forward, Tema will pay, in lieu of personal property taxes, the full equivalent amount of the personal property taxes on the Facility Property as if Tema owned the property.

Under the terms of the proposed PILOT Agreement, as delineated above, Jefferson County will recoup the vast majority of the taxes which would have been paid if the Facility Property was owned directly by Tema during the 20-year term of the Lease.

Should you have questions, please do not hesitate to contact me.

Thank you,

William F. Rohrbaugh