

RESOLUTION NO. 12936-16

A RESOLUTION OF SUPPORT FOR A MAJOR ADVANCED SHIPBUILDING PROJECT BY HUNTINGTON INGALLS INCORPORATED/NEWPORT NEWS SHIPBUILDING TO INCLUDE AT LEAST \$750 MILLION IN CAPITAL INVESTMENT AND THE CREATION OF AT LEAST 1,000 NEW FULL-TIME EQUIVALENT POSITIONS AT THE SHIPYARD'S NEWPORT NEWS FACILITY (THE PROJECT)

WHEREAS, Newport News Shipbuilding, a division of Huntington Ingalls Incorporated (the Shipyard), located in Newport News, Virginia, is the largest industrial employer in the Commonwealth of Virginia and is an important corporate citizen of the City of Newport News (City); and

WHEREAS, the City is aware of the Navy announcement that the Shipyard will receive a share of the future construction contract work for the Ohio Replacement Submarine Program, the details of which are outlined in the Submarine Unified Build Strategy; and

WHEREAS, the Shipyard has informed the City Council of the City of Newport News, Virginia (Council) that certain foundry improvements and an expansion of the new Joint Manufacturing Assembly Facility (JMAF) are necessary to support and sustain the new Ohio Replacement Submarine Program (ORP) and all existing Shipyard operations; and

WHEREAS, the Shipyard has reported it plans to make a capital investment of at least \$750 million at its Newport News facility by the end of 2020 and to create at least 1,000 new full-time equivalent positions in support of the ORP and Shipyard operations by the end of 2025; and

WHEREAS, the Commonwealth of Virginia has authorized funding under an Advanced Shipbuilding Production Facility Grant Program, valued at up to \$46 million and to be delivered over multiple years to the Shipyard, for the purpose of upgrading and modernizing foundry improvements and supporting the expansion of JMAF, subject to Shipyard performance, the conditions of which will be outlined in a memorandum of understanding between the Shipyard and the Virginia Economic Development Partnership; and

WHEREAS, the Shipyard has requested funding from the United States Navy to support a portion of the Shipyard's foundry facility improvements; and

WHEREAS, Council wholly supports the Commonwealth grant and Navy funding to facilitate the necessary foundry improvements and JMAF expansion, as it will support a new type of warship and directly strengthen the Shipyard, the City's single largest employer and taxpayer, enhance the Shipyard's ability to continue producing world-class aircraft carriers and submarines now and into the future and preserve the only American-owned foundry in the United States; and

WHEREAS, Council recognizes that the Project will result in numerous important benefits to the City, such as generating increased tax revenues, supporting an established, critical Newport News company, and generating a significant number of jobs for the citizens of Newport News and the region as a whole; and

WHEREAS, Council has evaluated the above described Project, and determined that it is in the best interests of the citizens of the City for the City to support the Project on certain, limited terms generally outlined herein; and

WHEREAS, Council established a Defense Production Zone (DPZ) allowing the City, through the Industrial Development Authority of the City of Newport News, Virginia (IDA), to provide support to expanding defense production businesses making investments in the City, thus enhancing public revenues, and creating employment opportunities through the use of DPZ incentives; and

WHEREAS, the City and the IDA, in consideration of the capital investment to be made and the new full-time equivalent positions to be created and maintained, intends to offer certain incentives through the DPZ; and

WHEREAS, as part of the incentives, the IDA intends to issue bonds, in an amount up to \$6 million, which bond issuance will be competitively financed on the most advantageous terms and may include a request for the moral obligation support of the City, in support of the foundry improvement portion of the Project, if needed, and to deliver \$40 million in grants, over multiple years, based upon the incremental new tax revenues generated by the Project within the DPZ in support of the JMAF portion of the Project; and

WHEREAS, to further the implementation of the Project, Council is requesting the IDA to serve as the conduit for any local Project incentives as enabled through the DPZ program and as outlined in a Defense Production Zone Performance Agreement; and

WHEREAS, it is the Council's expectation that the IDA will negotiate comprehensively and in good faith the terms and conditions of any agreements with the Shipyard to detail the responsibilities of each respective party, and that the IDA will advise Council of the material terms and conditions prior to IDA authorization and execution of such performance agreement; and

WHEREAS, Council acknowledges that a portion of the future new tax revenues generated within the DPZ by the Project will be appropriated annually to the IDA through the City's operating budget to fund grants by the IDA over multiple years, consistent with such Defense Production Zone Performance Agreement.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Newport News, Virginia:

1. That it hereby supports the Project, advanced by the Shipyard to include at least \$750 million in capital investment and the creation of at least 1,000 new full-time equivalent positions at its Newport News facility.

2. That it directs the City Manager to proceed and to undertake the necessary steps/actions to accomplish the City's participation in the Project, which includes identifying the necessary funding for grant payments to the IDA under the Defense Production Zone Performance Agreement and including such funding in the City Manager recommended budget provided to City Council for the appropriate fiscal years.

3. That based on the reasons stated in this Resolution, the totality of which clearly demonstrates that the City's participation in the Project is in the best interests of the citizens of the City, Council hereby requests that the IDA serve in the role outlined herein with respect to the Project, and directs the City Manager to ensure the implementation of the City's participation in the Project as set forth herein, including scheduling, as appropriate, all necessary City Council actions to accomplish the City's participation in the Project in a timely fashion.

4. That this resolution shall be in effect on and after the date of its adoption, June 28, 2016.

PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON JUNE 28, 2016

Mabel Washington Jenkins, MMC
City Clerk

McKinley L. Price, DDS
Mayor

A true copy, teste:

City Clerk