Town of Frederick
Board of Trustees Agenda

Frederick Town Hall
Board Chambers
401 Locust Street
Tuesday, January 3, 2023

5:30 P.M.
Work Session

1. New Employee Introductions
2. Economic Development Programs
3. Mayor and Trustee Reports
4. Adjournment

Board of Trustee Work Sessions are not livestreamed. Interested parties are invited to attend the meeting in person. Public Comment is not taken at Work Sessions, the next Public Comment will be held on Tuesday, January 10, 2023 at 7:00 PM at Town Hall (401 Locust Street). If you have questions about meeting attendance, work sessions, regular meetings or matters related to Board of Trustee Meetings please contact the Town Clerk's Office:

Meghan Martinez, Town Clerk
mmartinez@frederickco.gov
720-382-5500

Or

Kelly Green, Interim Deputy Town Clerk
kgreen@frederickco.gov
720-382-5500

TOWN OF FREDERICK
Board of Trustees
Information Memorandum

Economic Development Program Review

Agenda Date: Town Board Meeting – January 3, 2023

Attachments:
a. Presentation
b. *Incentives 2.0*
c. *How state and local governments win at attracting companies*

Submitted by: **Maxwell Daffron**
Economic Development Manager

Approved for Presentation: Bryan Ostler
Town Manager

Strategic Plan Alignment:

- Community and Economic Vitality – As part of the Board's adopted Strategic Plan concerning community and economic vitality, the Economic Development Office currently manages several business incentive programs that help boost daytime population of the Town.
- Dynamic, Inclusive & Connected Community – As part of the Economic Development Office's continued outreach and public engagement with the business community, we are better able to understand the needs of our businesses located within Frederick. This is directly tied to section 3.1 of the Strategic Plan which states, "Implement new ways to increase accessibility to public engagement including both traditional and nontraditional methods".
- Fiscally Responsible Governance - In order to meet section 6.2 of the Strategic Plan, The Town Economic Development Office is making changes to business attraction and retention programs, as well as bringing new data analysis tools online, in order to enhance organizational transparency.

Detail of Issue/Request:

In the Fall of 2020, the Town created a standardized business attraction incentive program in order to ensure that Town was deliberate and transparent in its business attraction efforts. Since then, in 2021, the Town took steps to create a dedicated Economic Development Office within the Community and Economic Development Department. With the creation of that of that office, the Town created its first ever economic development team. Now that the Town's incentive policy has been active for two years, the Town of Frederick Economic Development Office would like to provide the board of trustees with an update on the status of several of the Town's incentive programs and how they have been beneficial towards the achievement of the Town's goals outlined in the Strategic Plan. Additionally, Economic Development Staff would like to present the Board with an update on the Downtown Façade loan program as well as provide recommendations as to how the program can be improved to better retain businesses that are already located within Frederick.

As part of the presentation of the economic development programs, Economic Development Staff would like to present some information to the Board on best practices in the field of economic development regarding incentive programs. At the conclusion of the presentation, Economic Development Staff will outline next steps already underway for program improvements and introduce some data tools that the team will be utilizing to monitor the ongoing success of the Town's business incentive programs.

Alternatives/Options:

Alternatively, the Board could ask Economic Development Staff to provide further information regarding the program changes during the planned Economic Development Year in Review in March.

Financial Considerations:

No financial considerations exist currently. Economic Development Staff already included funds that would be needed for any program improvements in the approved 2023 budget.

Staff Recommendation:

Staff recommends that the Board of Trustees support the changes to the economic development incentive programs to better and more transparently attract and retain businesses.

Economic Development Program Review

Max Daffron, Economic Development Manager
January 3, 2023

BUILT ON WHAT MATTERS

FREDERICK COLORADO

Strategic Plan Alignment

Community and Economic Vitality

- Increasing daytime Population

Dynamic, Inclusive & Connected Community

3.1 Implement new ways to increase accessibility to public engagement including both traditional and nontraditional methods

Fiscally Responsible Governance

6.2 Implement tools to enhance organizational transparency

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Presentation Outline

- Town Incentive Policy
- Frederick Urban Renewal Authority
- Town Façade Loan Program
- Trends in Incentive Programing and Community Feedback
- Next Steps for Program Improvements

Town Incentive Policy

- Focus on attracting and retaining targeted industries (such as Aerospace, Manuf., Bio Sciences, Family Friendly Entertainment)

- Program Criteria
  - Net new taxable investment of at least $250,000
  - Either five new full-time employees or a 10% increase in the workforce (average wages for new jobs must be equal to or greater than the average county wage)
  - Businesses must provide at least 50% of employee healthcare coverage

- Incentives offered on a tiered system based upon program criteria
  - Ranging from 25%-75% reductions of the development related fees

- These programs created a consistent approach to business attraction

Town Incentive Policy Measurables

- Since its creation, the town Incentive Policy has been instrumental in attracting the following businesses:
  - Golden Triangle Construction
    - January of 2021
    - Relocation of 86 jobs
  - Firestone Orthodontics
    - December of 2021
    - Relocation of 11 jobs

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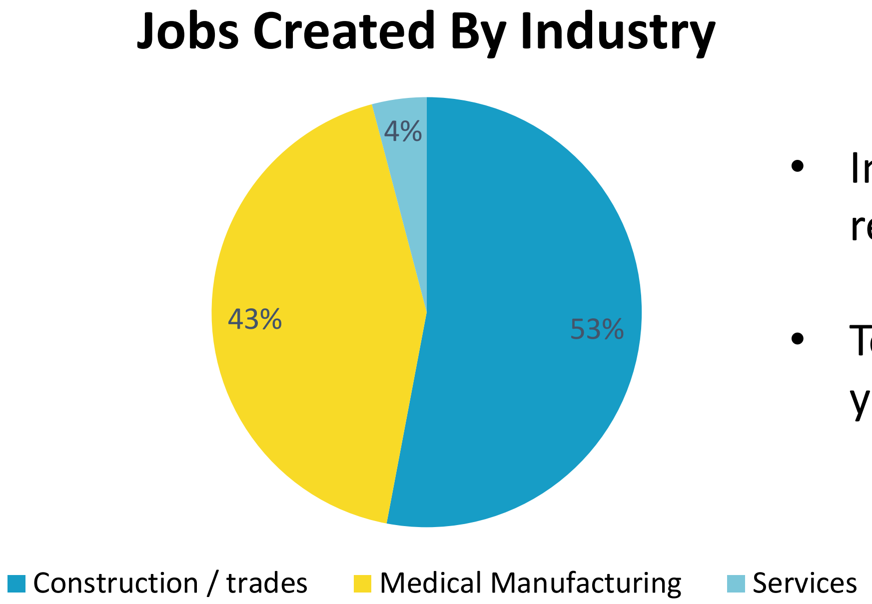
Town Incentive Policy Measurables

- Hirsh Precision Products
  - March of 2022
  - Relocation of 90 jobs and creation of 25 jobs at Frederick Facility

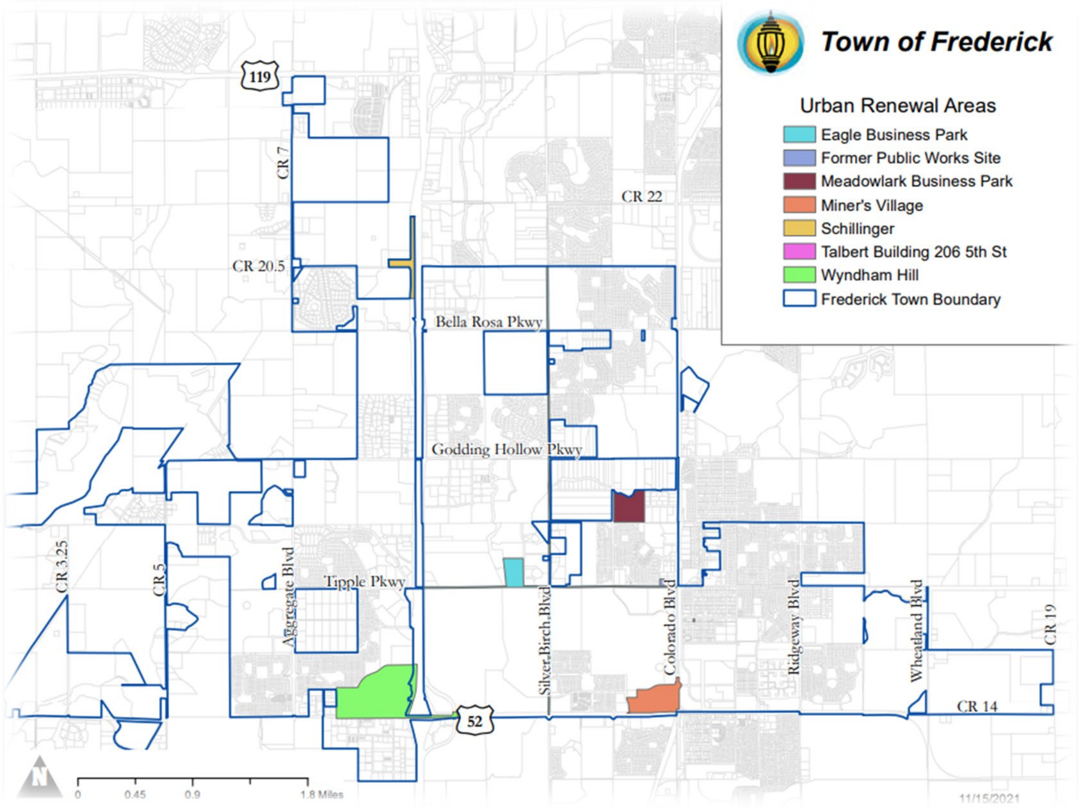
- Wadsworth Construction
  - June of 2022
  - Relocation of 60 Jobs to new Frederick facility

Town Incentive Policy Measurables



- Incentives averaged a 75% fee reduction.
- Total of 272 created jobs in two years.

Frederick Urban Renewal Authority (FURA)



- Incentives are customizable
- Each is independent of the others
- Incentives are authorized in each urban renewal plan area

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Town Façade Loan Program

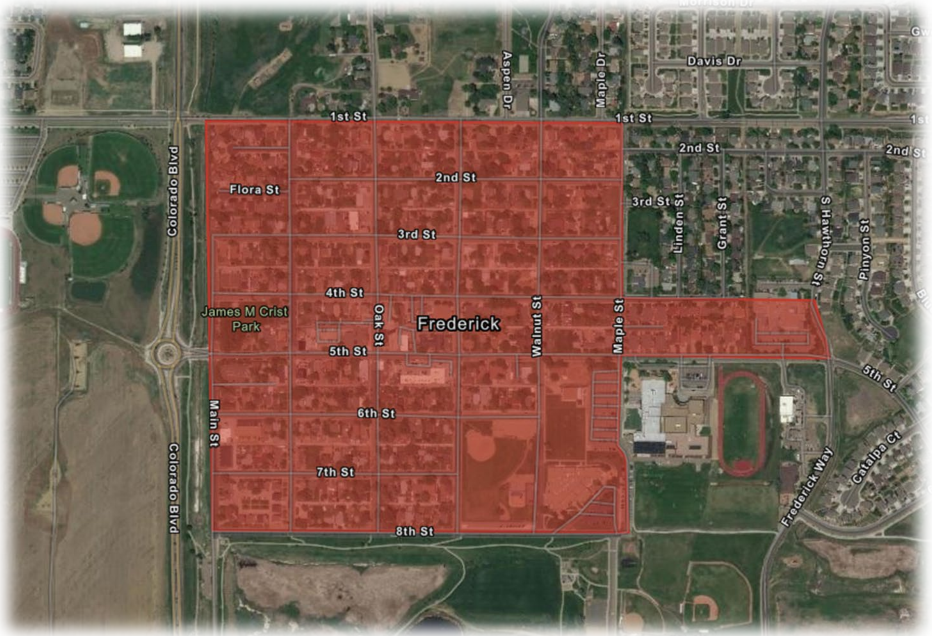
- Created in January of 2013

- Maximum loan amount of $10,000 to be used on:
  - Window/door repair or replacement
  - Storefront rehabilitation
  - Repair of underlying building material
  - Cleaning of exterior surfaces
  - Restoration of architectural detailing
  - Awnings and signage

- Loan Terms
  - 0% interest
  - Repayment required in 3 years

Façade Loan Program (cont.)

- Program limitations
    - Hesitancy to incur debt
    - Program open to commercial and residential applicants
    - Limitation of program area
    - Program administration is labor intensive



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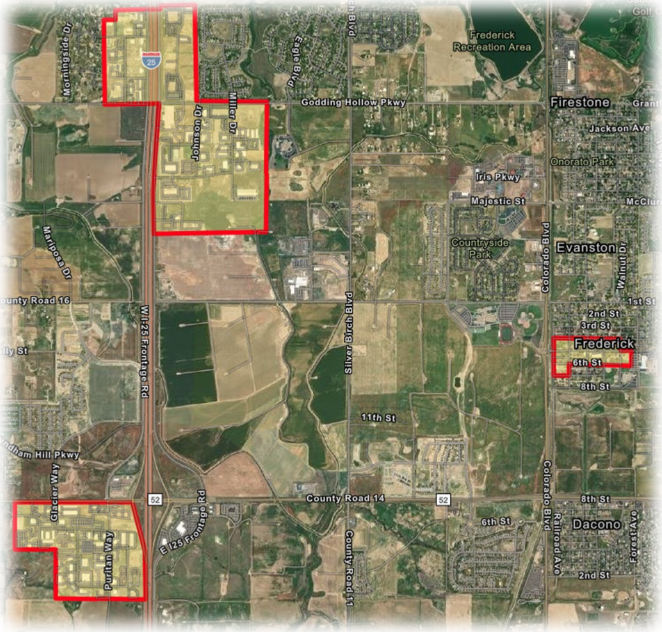
Façade Rehabilitation Program Performance

- Since Its Inception in 2013
  - 3 applicants
  - 2 awards
  - Total amount awarded of $12,199
  - Most recent loan (2020) is still being paid off

- Program does not have as much utility as originally thought and should be reimagined

Questions / Discussion?

Local Business Outreach



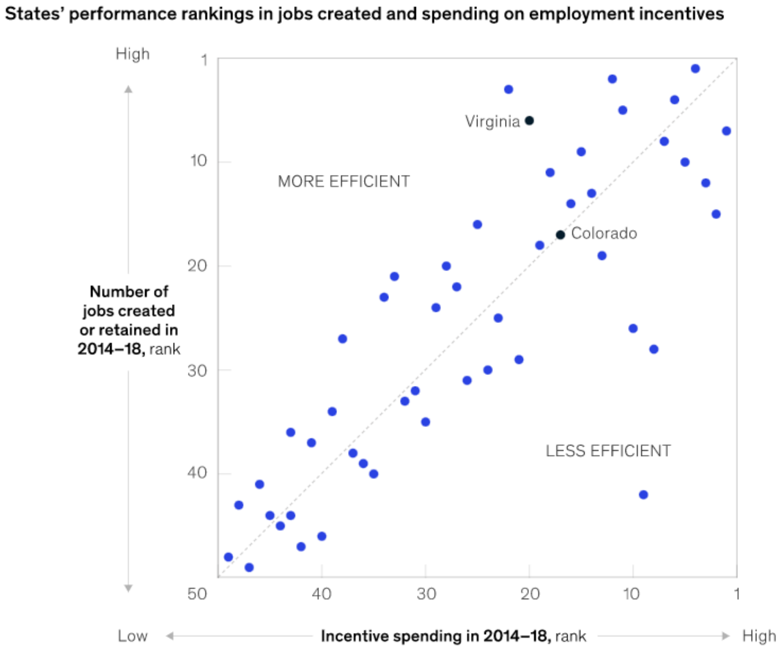
- Direct contact made with over 150 Businesses
- 2 Business Roundtables
- Motivational Speaker event
- Businesses expressed desires for more tangible forms of assistance

Becoming More Data Driven

- Article from the IEDC Economic Development Journal *Incentives 2.0*
  - Changes in the Economic Development Landscape have led to a reimagining of incentive policies nationally.
    - "Many existing local incentive policies contain limited explicit criteria to be used in evaluating incentive eligibility, often resulting in incentive deals that do not support communities' long-term economic, social, and environmental vitality."
    - Increasing focus away from the strictly "Jobs & Capital Expenditure" model of incentives.

Becoming More Data Driven

- Study by McKinsey & Company (2019)
  - The most effective business-attraction programs craft specific, measurable goals to bolster target sectors and invest in the resources to deliver them effectively and efficiently.
  - These organizations also benchmark themselves against their peers to measure effectiveness and efficiency.
    - # of new businesses relocating
    - Jobs created
    - $ incentivized per job



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Becoming More Data Driven

- McKinsey & Company (cont.)
  - "The highest payoffs from business-attraction efforts come from projects that are part of a strategy to boost growth within certain economic sectors or to address areas in which investment otherwise wouldn't happen."
  - "Sector clusters create a field of gravity that attracts other companies that are in their supply chain or could benefit from sharing a location."
  - Nonfinancial incentives often make a big a difference as financial ones.
    - This is made possible by the Board's commitment to cultivating a healthy business environment

Becoming More Data Driven

Leading governments focus their business-attraction programs on achieving specific, measurable objectives.

Business-attraction program objectives

	Population growth and job creation	Payroll and wage adjustments	GDP and capital investment
Pros	• Is widely tracked by states and citizens • Has strong public support • Ensures that growth is not led by only capital	• Accounts for job quality through wages • Focuses on equity and opportunity • Directly links to citizen well-being	• Emphasizes productivity gains • Is relevant in disrupted industries • Demonstrates public- and private-sector investment-opportunity targets
Cons	• Doesn't account for job quality • Might be less favorable for industries with high capital investments	• Might hide income-inequality trends • Might be unfavorable for low-skilled workers	• Might have limited or negative impact on employment and job creation • Has longer timeline for effect on wages and payroll • Has weak public support or public awareness of metric
Example metrics	• Number of jobs created • Population growth	• Payroll • Median wage	• Capital expenditures

Frederick's incentive program utilizes best practices of Incentive metrics

Next Steps

- Changes to the Town Incentive Policy
  - Modify mechanism to serve as a rebate of paid permit fees, not a “fee reduction”
    - More transparent
    - More accountable

  - Continued refinement of the incentive policy through the following actions:
    - Conduct an industry cluster study specific to the Town of Frederick and its existing business environment
    - Designate specific locations as “projects of significance” and provide additional benefits based on town development objectives
    - Improve data gathering techniques for program monitoring

Next Steps

- Changes to the Facade Loan Program
  - Staff proposes morphing the program into a "Business Retention and Capital Improvement Grant"
    - Modeled similarly to other programs that exist in the region
    - Quicker, more accessible benefit to brick-and-mortar businesses that we want to retain in the Town
    - Can be used for business improvements or capital expenditures necessary for continued operation in the Town
    - Capped at businesses under 50 employees with a maximum payout of $10,000 in matching funds
    - Would operate annually on a first come first serve basis
    - Funding for the program was included in the 2023 Approved Budget

IMPLAN

Industries by Impact

	Impact	1 - Direct	2 - Indirect	3 - Induced	Total
	Industry Display	**Output**	**Output**	**Output**	**Output**
1	447 - Other real estate	$0.00	$880,750.01	$215,850.10	$1,096,600.11
2	444 - Insurance carriers, except direct life	$0.00	$548,525.03	$129,531.08	$678,056.11
3	472 - Employment services	$0.00	$436,571.37	$32,925.68	$469,497.05
4	445 - Insurance agencies, brokerages, and related ac...	$0.00	$172,294.13	$45,421.96	$217,716.09
5	453 - Commercial and industrial machinery and equi...	$0.00	$159,118.10	$10,968.90	$170,086.99
6	509 - Full-service restaurants	$0.00	$141,146.32	$160,721.65	$301,867.97
7	515 - Commercial and industrial machinery and equi...	$0.00	$127,024.27	$10,538.19	$137,562.46
8	456 - Accounting, tax preparation, bookkeeping, and ...	$0.00	$117,922.50	$20,223.93	$138,146.43
9	47 - Electric power transmission and distribution	$0.00	$114,266.79	$66,285.59	$180,552.38
10	479 - Waste management and remediation services	$0.00	$107,292.13	$38,424.80	$145,716.92
11	417 - Truck transportation	$0.00	$106,787.46	$47,185.94	$153,973.40
12	463 - Environmental and other technical consulting s...	$0.00	$91,324.69	$8,355.41	$99,680.10
13	476 - Services to buildings	$0.00	$89,361.65	$20,074.21	$109,435.85
14	441 - Monetary authorities and depository credit int...	$0.00	$89,105.20	$134,647.78	$223,752.98
15	462 - Management consulting services	$0.00	$86,869.05	$7,119.80	$93,988.85
16	477 - Landscape and horticultural services	$0.00	$86,471.12	$24,221.10	$110,692.22
17	469 - Management of companies and enterprises	$0.00	$85,298.36	$24,622.66	$109,921.01
18	489 - Other ambulatory health care services	$0.00	$85,097.25	$7,319.87	$92,417.12
19	512 - Automotive repair and maintenance, except ca...	$0.00	$84,591.28	$119,433.18	$204,024.46
20	60 - Maintenance and repair construction of nonresi...	$0.00	$77,254.23	$24,871.12	$102,125.36
21	473 - Business support services	$0.00	$73,857.96	$14,737.48	$88,595.44
22	455 - Legal services	$0.00	$70,387.23	$17,059.43	$87,446.65
23	468 - Marketing research and all other miscellaneou...	$0.00	$69,005.98	$12,353.81	$81,359.79
Totals		$31,563,309.52	$5,002,913.74	$5,809,595.06	$42,375,818.32

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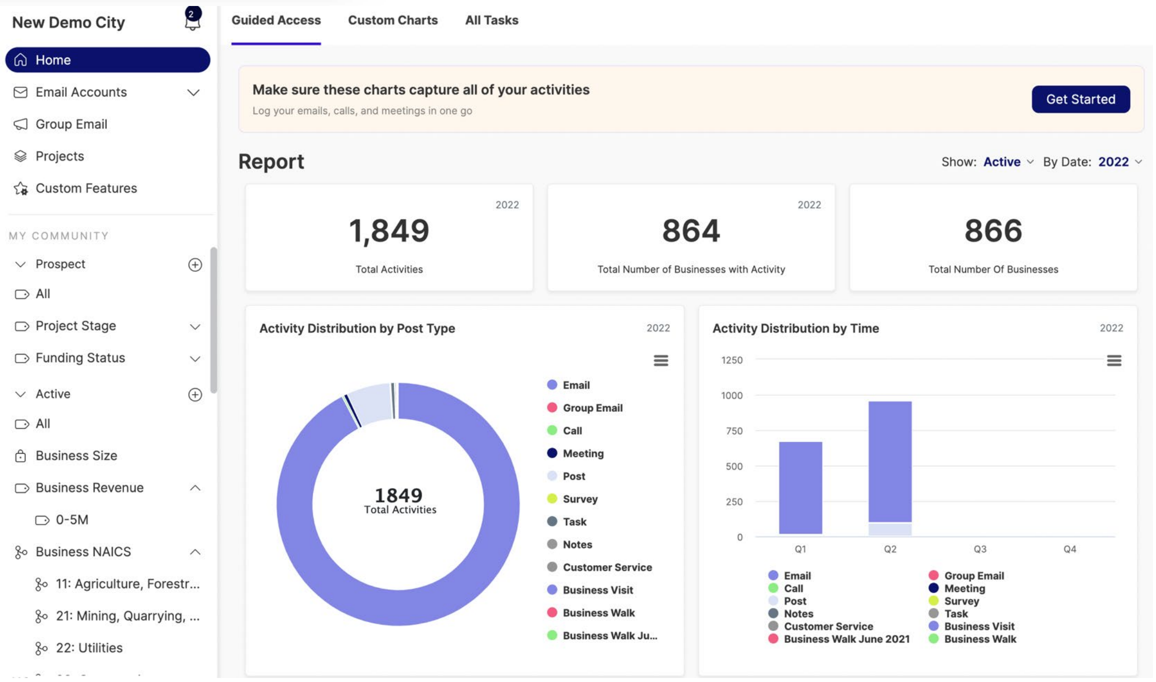

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Questions?

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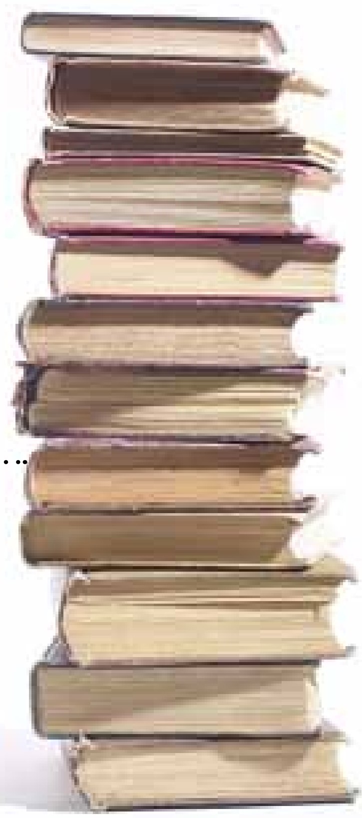
Volume 10 / Number 3 / Summer 2011

Incentives 2.0

By Jason Jolley, Ph.D.; Patrick McHugh, Ph.D.; and Dianne Reid, CEcD

REWARDING SUSTAINABLE DEVELOPMENT AND SOCIAL ACCOUNTABILITY

This article discusses the need for more sensitive rubrics to guide economic development incentive awards. Many existing local incentive policies contain limited explicit criteria to be used in evaluating incentive eligibility, often resulting in incentive deals that do not support communities' long-term economic, social, and environmental vitality. The article describes why leaders in Chatham County, North Carolina, saw the need to revise the county's old incentive plan, the process that shaped a new approach to incentive awards, and new metrics that were included in the county's revised incentive policy.



incentives 2.0

By Jason Jolley, Ph.D.; Patrick McHugh, Ph.D.; and Dianne Reid, CEcD

INTRODUCTION

Incentives are a dilemma for many state and local governments. Incentives were originally intended to create jobs by increasing return on investment, but many economic developers and economists have concluded that financial incentives rarely change where businesses invest. And yet, incentives have become an accepted part of the economic development landscape, part of the ante to the high-stakes game of business retention and attraction.

It is time to recalibrate how incentives are awarded. Many local incentive plans base eligibility only on the number of new jobs and/or level of capital investment. These criteria do address two critical issues for local governments, job creation and increased property tax revenues, but they do not fully capture a project's costs and benefits to the local community. Incentive policy should reward companies that treat their workers well, are good corporate citizens, and support long-term economic vitality.

Chatham County, North Carolina, recently adopted a new incentive policy designed to target sustainable development and reward social accountability. Just south of Chapel Hill and west of Raleigh, Chatham County has absorbed a huge amount of the housing and population boom that came as North Carolina's Research Triangle Park emerged. Like so many communities, the county has been reevaluating its economic development strategy and, along the way, developed a new approach to awarding incentives.

The article begins with a broad discussion of why many local incentive policies need to be rethought. The next several sections recount why Chatham County decided that its old policy needed to go, how it developed a new plan, and review the content of that new policy. It concludes with principles which can help other communities that want to revamp their incentive policies.

Photo credit: Uniboard

Uniboard USA LLC facility in Moncure, which received incentives under Chatham County's previous policy, where only total investment and raw number of jobs were identified as criteria.

PANDORA'S BOX IS OPEN

The overwhelming evidence is that, in most instances, financial incentives do not substantially change where businesses locate or expand operations (Peters & Fisher, 2004; Schwartz, Pelzman, & Keren, 2008; Gabe & Kraybill, 2002). A recent survey of incented and non-incented companies in North Carolina found that incentives ranked 12th and 13th respectively out of 19 priorities for business climate (Lane & Jolley, 2009). Businesses are more concerned about availability of skilled labor, state tax rates, local property tax rates, logistical assets, and availability of educational institutions.

So why should governments, at all levels, continue to offer incentives? Simply put, incentives are around to stay because everyone offers them. Many

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Dianne Reid, CEcD, is president of the Chatham County Economic Development Corporation. (dreid@chathamedc.org)

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This article discusses the need for more sensitive rubrics to guide economic development incentive awards. Many existing local incentive policies contain limited explicit criteria to be used in evaluating incentive eligibility, often resulting in incentive deals that do not support communities' long-term economic, social, and environmental vitality. The article describes why leaders in Chatham County, North Carolina, saw the need to revise the county's old incentive plan, the process that shaped a new approach to incentive awards, and new metrics that were included in the county's revised incentive policy.

Developing a strategic plan made it clear that the county's old incentive policy was not in line with the community's vision for sustainable economic development. Changes had to be made.

companies make the availability of incentives a requisite in the site selection process, eliminating communities that flatly refuse to negotiate incentive deals. When leaders in one city, county, state, or nation know that their counterparts are crafting incentive deals, they feel pressured to offer enticements of their own.

The strategic pressures for local governments to offer incentives are particularly strong. Research has shown that incentives can influence where businesses invest within the same metropolitan area (Bartik, 1991; Wassmer & Anderson, 2001), so local leaders are right to worry that refusing to offer incentives can be costly. Because incentives are a mainstay of economic development practice, localities need to adopt a more strategic approach to investing public funds. The next section reviews Chatham County's old incentive policy and why local leaders decided that it needed to be changed.

CHATHAM COUNTY'S OLD INCENTIVE POLICY: A Policy Similar to Many Existing Local Plans

Like many existing incentive policies, Chatham County's old plan provided very limited guidance about what projects merited investment of public resources. In the old plan, which is reviewed here, only total investment and raw number of jobs were identified as criteria. Table 1 shows the schedule of tax relief, in the form of grants, firms could secure for investing in the county.

In 2007-2008, Chatham County engaged upon a strategic planning process to generate sustainable economic development. This process surveyed local needs, targeted specific industry clusters for attraction and expansion, and clarified the values that anchor the community's economic development policy. Developing a strategic plan made it clear that the county's old incentive policy was not in line with the community's vision for sustainable economic development. Changes had to be made.

THE PATH TO SUSTAINABLE AND SOCIALLY RESPONSIBLE INCENTIVE POLICY

Chatham County's new incentives plan evolved through collaboration among community leaders, residents, and the University of North Carolina's Center for Competitive Economies. The Center for Competitive Economies was hired to create a strategic economic development plan for Chatham County, which served as the foundation for revising the county's incentive policy. This section highlights the critical elements of the process that led to adopting a more sustainable, socially conscious, and strategic incentive policy.

Community Engagement

Socially conscious sustainable development starts with community discussion. The Chatham County Economic Development Corporation knew that it was essential to gather local wisdom and to give community members an active role in charting the county's development strategy. Five town hall meetings were held where attendees were asked "what types of jobs and businesses would you most like to see in your community?" All responses were recorded and then everyone was asked to identify five goals they supported and one they opposed.

Four areas of broad agreement emerged:

1. County policy should support green business, both businesses that produce green products and firms that limit their environmental impact.
2. County policy should support buying local and sustainable agriculture.
3. County policy should encourage tourism, arts, and recreation.
4. The county should identify and cultivate promising industry clusters.

There was substantial disagreement over the need to expand retail options, particularly chain stores.

Next, interviews were held with community and business leaders. Business owners identified the need for improved water, sewer, and broadband infrastructure, echoing worries that emerged at the community meetings. Stakeholder representatives were also divided over the importance of expanding retail.

TABLE 1

Chatham County's Previous Incentive Policy

	Number of New Jobs			
New or Expansion Investment	Less than 40	40 but less than 75	75 but less than 100	100 and over
$500,000 but less than $2.5 million	50%*	55%	60%	65%
$2.5 millon but less than $7.5 million	55%	65%	70%	75%
$7.5 million and up	60%	70%	75%	80%

* Percent of county taxes granted back to approved companies for first five years after location or expansion.

Strengths, Weaknesses, Opportunities, and Threats Analysis

Sustainable development policy requires clear understanding of where a community stands, where danger looms, and where opportunities exist. As such, the Center for Competitive Economies analyzed the county's strengths, weaknesses, opportunities, and threats (SWOT) to form a baseline for sustainable development planning.

Photo credit: Jenny Tenny

An innovative existing biofuels company leads Chatham County's renewable energy targeted cluster.

Chatham County is located on the urban fringe of the Research Triangle region of North Carolina, which includes the growing Raleigh-Cary and Durham-Chapel Hill metropolitan regions. The area is home to three world class universities: Duke University, North Carolina State University, and the University of North Carolina at Chapel Hill and the famed Research Triangle Park, a major employer and driver of regional and state economic growth. While the county's population is expanding, economic growth in the county has been limited, creating a series of challenges for local governments.

The purpose of cluster analysis is to identify groupings of businesses that have economic reasons to co-locate in a given community and have the potential to create good jobs for local residents.

The SWOT analysis identified several challenges that must be overcome to create sustainable growth in the county:

- Chatham County is in danger of becoming a bedroom community. It has the highest out-commute rate in the region and its commuters travel farther to work than any neighboring community.
- The county needs more good-paying jobs. Jobs within the county pay less than in neighboring communities and less than the state average. This income disparity holds true across nearly every business sector, with those residents commuting outside the county earning substantially more than residents working in the county.
- The county leaks retail business to neighboring counties. Retail leakage costs the county government tax revenue and decreases the employment multiplier attached to high-wage employment.
- Chatham County's infrastructure has been stretched by rapid development in recent decades. As the county's population has swelled, its roads, water facilities, and school system have struggled to keep pace. Unfettered residential development threatens to undermine the county's ability to maintain current levels of service.
- Historically, the county has not benefitted directly from the region's industry clusters.

As will be seen later, the specifics of the SWOT analysis shaped the incentive policy that was ultimately adopted.

Cluster Analysis

The purpose of cluster analysis is to identify groupings of businesses that have economic reasons to co-locate in a given community and have the potential to create good jobs for local residents. Industry clusters refocus economic development away from specific firms or single industry sectors toward a more holistic treatment of industry groups that can benefit from government actions such as regulatory relief, economic incentives, or worker training programs.

The Center for Competitive Economies used the "national benchmark clusters" as defined by Professor Ed Feser, which have become the gold standard in cluster classification, in part because of the ability to replicate and track cluster changes over time using publicly available data (Feser 2004; Brun and Jolley 2011). The desirability of each cluster was evaluated based on the feasibility of creating the cluster and the expected benefits of employment in that cluster. This analysis identified seven industry clusters that are good bets for Chatham County. These clusters are not particularly well-represented in the county, but they are well represented by the region:

- Architectural and engineering services,
- Technical and research services,
- Basic health services,
- Pharmaceuticals,
- Information services,
- Higher education and hospitals, and
- Renewable energy (not a traditional cluster as defined by Feser).

Additionally, four industry clusters were identified for Chatham County's retention efforts. These clusters have lower wage rates but employ many local residents. Retention was important to ensure continuing employment for the county's less skilled and most vulnerable residents. These clusters are:

- Food processing,
- Wood products,
- Non-residential building products, and
- Concrete and brick-building products.

As shown in the next section, the new incentive policy in Chatham County rewards firms that fall within one of these industry clusters, connecting the long range strategic plan to the specifics of incentive policy.

Reviewing Best Practices in Local Incentive Policy

To start, the Center for Competitive Economies conducted telephone interviews with county economic developers throughout North Carolina. It quickly became clear that many economic developers in North Carolina feel that businesses have them over a barrel during incentive negotiations. There is a general sense that incentives do not determine most location decisions but also fear that not offering incentives could cost investment and jobs. Several economic developers said they were considering ways to improve their policy but offered few details as to how.

Next, surveys were sent to economic developers in all 100 North Carolina counties, yielding 46 responses. This survey was designed to capture the criteria used to determine incentive eligibility, to gauge the formality of existing incentives plans, and to determine how many counties were thinking about changing their incentive policy.

Finally, the Center for Competitive Economies collected all of the formalized county incentive policies in North Carolina. Most policies looked much like Chatham County's old plan. Number of new jobs and level of capital investment were common to all of the plans that provided a specified rubric for incentive eligibility, but few plans offered additional formal guidance for how incentive grants would be calculated. A few plans did base their incentive grants on wage rates and whether a company fit within a targeted industry cluster, but these were the exception to the norm.

Overall, this process underscored the need for a better incentive policy. Local economic developers are often unsatisfied with current policy, they know that incentives rarely attract businesses that had not already targeted their communities, and they know that existing policies often fail to capture projects' real benefits and costs. The next section reviews the new incentive policy adopted in the county, a plan that provides a blueprint for localities that want to revise their existing approach.

CHATHAM COUNTY'S NEW INCENTIVE POLICY

Sustainable, socially conscious development is all about improving quality of life, which requires more sensitive measurement than raw economic activity. "Quality of life" is a nuanced and often vague term. As any social scientist would tell you, composite measures are generally the best way to capture diffuse concepts like quality of life. Therefore, Chatham County dramatically expanded the list of measurable criteria that inform incentive awards. This section reviews the components of the county's new policy and the rationale behind each element of the new plan.

As discussed already, the county's old plan only stipulated two factors (number of new jobs and capital investment), the new plan has almost 20. The new incentive policy creates a 100-point rubric to measure a project's value to the local community.

Job Creation

The new policy maintains the importance of the original purpose of incentives, to create jobs. Table 2 reviews the points allocated for raw number of new jobs created.

TABLE 2

Number of New Jobs	Points
10 – 20	2
21 – 50	5
51 – 75	7
76 – 100	9
101 – 150	12
151 – 200	15
200+	20
Total Possible Points	**20**

Capital Investment

Also held over from the first generation of local incentive policy, the new policy rewards substantial capital investment. The county government needs to generate property tax revenue, so rewarding companies that increase the tax base through investment continues to make good sense. Table 3 shows the points allocated according to level of capital investment.

TABLE 3

Level of Capital Investment	Points
Under $500,000	1
$500,000 - $4,999,999	5
$5,000,000 - $14,999,999	10
$15,000,000 - $24,999,999	15
$25,000,000 and Above	20
Total Possible Points	**20**

Wage Level

Chatham County has a particular need for high paying jobs. The SWOT analysis showed that the county's average wage is well below the state average, in spite of having a highly educated population. The old policy treated a minimum wage job the same as a job carrying a six-figure salary, which clearly belies the relative benefits of each to the local community. Table 4 shows the criteria used to identify and reward high-paying jobs.

TABLE 4

Wage Level of Jobs	Points
Less than County Average	0
County Average	1
Greater than County Average/ Less than State Average	4
State Average	8
Above State Average	10
Total Possible Points	**10**

TABLE 5

Quality of Jobs	Points
Partial Employer Paid Health Insurance	1
Entire Employer Paid Health Insurance	3
Retirement Benefits	2
Profit Sharing	2
Employer Paid Vacation	2
Employer-Owned Company	3
Total Possible Points	10

Job Quality

The new incentive policy explicitly rewards companies that are accountable to the social wellbeing of their employees. As can be seen in Table 5, the county identified a list of job quality factors that deserved to be explicitly encouraged and rewarded in its new incentive plan.

Health benefits, retirement benefits, profit sharing, and paid vacation all indicate a firm's commitment to its employees' quality of life. In addition, employee-owned firms are less likely to move because the social bonds that make a place home for individuals also tie the company to the community. While not an exhaustive list, these job quality factors reward businesses that share the community's interest in building social capital and limiting social costs.

Hiring Local Residents

Chatham County's new plan rewards firms for hiring local residents[1] (see Table 6). Many communities have experienced a troubling phenomenon, whereby jobs are created, but do not benefit local workers. This pattern does little for struggling local residents and puts the government on the hook for servicing a swelling population. This is a classic example of how increased employment may actually decrease the local quality of life.

TABLE 6

Number of Existing County Residents Hired	Points
10-20	1
21-50	3
51-75	5
76-100	7
101-200	9
200+	10
Total Possible Points	10

Moreover, the SWOT analysis demonstrated that the county has a very high out-commute rate, particularly among highly educated and skilled workers. This fact causes Chatham County to leak retail and service activity, another challenge identified by the SWOT analysis. Keeping jobs close to home increases the multiplier effect of good paying jobs, increasing the benefits to the rest of the community.

Sustainable development is not just about appeasing environmentalists, it is essential to building a vibrant and durable economy. Therefore, the new incentive policy rewards businesses that are good stewards of the physical environment.

Environmental Sustainability

Sustainable development is not just about appeasing environmentalists, it is essential to building a vibrant and durable economy. Therefore, the new incentive policy rewards businesses that are good stewards of the physical environment. Table 7 reviews some of the business practices that are supported by the new incentive policy.

TABLE 7

Environmental Impact	Points
Reuse of Existing Building	4
Location in Downtown Area	3
Location in Existing Industrial Area	3
Location in Central Carolina Business Campus	5
Location in LEED Certified Building	4
Other Sustainable Features (recycling, water reuse, etc.)	4
Total Possible Points	15

Chatham County is growing rapidly, but unmitigated growth threatens to destroy what makes it a great place to work and live. The county's environmental quality is one of its main attractions, particularly to the highly educated and skilled workers that are increasingly essential to the local economy. In a globalizing labor market, one where ingenuity and training are essential for economic growth, communities must safeguard the environmental assets that skilled workers demand.

In many cases, green business practices directly offset costs that would otherwise fall on local governments. Sustainable companies put less pressure on public wastewater services by limiting water consumption, prolong the life of landfills by recycling, and alleviate the need to extend public infrastructure to previously undeveloped areas by locating in downtowns or existing industrial areas.

Green businesses are also better positioned to survive as the days of cheap energy come to an end. As the price of energy increases, businesses that do not limit their energy consumption are going to become less and less viable. This concern is not about emotional attachment to a clean natural environment, or about believing in global warming, it is about the fundamental economics of the next 50 years. Building a local economy around businesses that are not prepared for the future of energy is like building one's home on a cliff overlooking the ocean;

it's not a question of if the foundation will crumble, it's only a question of when.

Targeting Industry Clusters

Finally, Chatham County identified specific industry clusters that it wants to cultivate. When a group of firms benefit from close proximity, like producers and consumers within the same supply chain, attracting some of these firms makes it more likely that others will follow. Table 8 shows how the new incentive plan rewards companies that fit within the targeted industry sectors that anchor the county's long-range strategic growth vision.

TABLE 8

Industry Cluster/Business Type	Points
Presence in Identified Attraction Cluster	6
Presence in Identified Retention Cluster	3
Company Headquarters	6
Verified Supply-Chain Relationship with Existing Chatham County Supplier	3
Total Possible Points	**15**

Firms that fall within one of the identified attraction or retention clusters qualify for greater support under the new incentive policy. In addition, firms that establish a headquarters in Chatham County are also rewarded, with the expectation that headquarters are less likely to relocate and are more likely to invest in the local community than subsidiary facilities. Finally, firms that will augment active supply-chain relationships in the county, buying locally at the commercial level, are preferred.

Composite Schedule of Incentive Eligibility

Table 9 shows how all of the previous point allocations combine into a general rubric for incentive eligibility. The levels of incentive eligibility reflect increasingly valuable capital projects, with a project that earns 90 of the possible 100 points falling into the rightmost column. Moving from top to bottom, the percentages reflect the tax relief eligibility attached to each incentive level. In all cases, the largest incentives are granted in the first year, decrease in size through the fifth year, and phase out afterward.

TABLE 9

Potential Rebate Schedule

Year	Level 1	Level 2	Level 3	Level 4	Level 5
1	70%	75%	80%	90%	90%
2	60%	65%	70%	80%	80%
3	50%	55%	60%	70%	75%
4	40%	45%	50%	60%	75%
5	30%	35%	40%	50%	60%
Minimum Score	**50**	**60**	**70**	**80**	**90**

Note: Percentages reflect portion of local taxes granted back to approved companies for first five years after location or expansion.

Again, this schedule is not mandated, it is a starting point for incentive negotiations. There will always be benefits, costs, and circumstances that are unique to each incentive deal that cannot be anticipated by any formalized policy. The purpose is to identify a set of important measurable criteria to anchor incentive negotiations.

PRINCIPLES FOR SUSTAINABLE ECONOMIC DEVELOPMENT INCENTIVES

This section identifies several core principles that can help to design incentives that reward sustainability and social accountability. Different communities may have different priorities, but these are all important considerations to bear in mind when designing incentive policy.

Focus on Building Quality of Life over the Long-Term

Investment today will have consequences down the road, for good and ill, that should be measured as rigorously as possible. Rather than just focusing on number of jobs and capital investment, incentives should go to projects that actually make life better for local residents. Incentive plans should not be stand alone policies. The more incentive policies are coordinated with other economic development strategies, the better. Expanding the criteria used to evaluate incentive projects allows communities to complement their broader development strategy.

Consulting local residents helps to identify what makes the place home so that these assets can be protected. Engaging the business community can help local leaders to identify how they can get the most bang for their incentive bucks.

Engage the Community

Everyone has a stake in how incentives are granted. Revisiting incentive policy gives community stakeholders an opportunity to identify priorities and to negotiate the balance that should be struck among different considerations. Consulting local residents helps to identify what makes the place home so that these assets can be protected. Engaging the business community can help local leaders to identify how they can get the most bang for their incentive bucks. Finally, opening the incentive discussion can help to demystify the process and gives community members more ownership over their collective development vision.

Create Good Jobs

Broadening perspective does not mean losing touch with the original goal of incentives, to create jobs for local residents. However, not all positions are created equal. Only a few of the county incentive plans in North Carolina explicitly incorporate job quality in their calculation of incentive eligibility, but this is starting to change. More and more local economic developers are considering ways of including job quality in their incentive decisions.

Of course, what defines a good job varies by context. Sometimes almost any new employment would be helpful. Beyond raw number of positions, many other measurable qualities make for good jobs. Wage level, health insurance benefits, retirement benefits, profit sharing, paid vacation, and employee ownership all make jobs more fruitful, economically and socially.

Support Sustainable Business Models

Incentive policy should reward firms that are planning for the future. Incentive policy, from the federal to the local level, is increasingly focused on supporting green development. However, environmental impact is absent from most local incentive plans. Many local incentive policies are generalized rubrics that do not address the environmental consequences of development. Companies that limit their environmental footprint pass fewer costs along to society and local government. As the economic advantages of sustainable businesses increase, communities are wise to support businesses that are prepared to weather the transformations that are already underway.

Support Economic Diversification

When level of capital investment and raw number of jobs are the only factors used to determine incentive eligibility, many small businesses cannot qualify for even the lowest level of incentive support. Sustainable incentive policy does not leave small businesses out in the cold. By creating more extensive rubrics, incentive plans can provide support to smaller businesses that are often the bedrock of local economies.

Reward Social Accountability

The concept of social equity has been less developed and more often ignored in the pursuit of sustainable development. Benchmarking in this area lags behind the

Photo credit: Mari Howe

Downtown Siler City storefronts ready for renovation. The new policy encourages reuse of existing buildings.

Photo credit: Jennifer Nelson.

A former textile plant in Siler City available for redevelopment – a facility that would work well for a company qualifying for incentives under the new policy.

other components of sustainable development. The key social equity goals for Chatham County were to provide jobs to county residents and to create jobs with good benefits packages. Other social equity criteria could easily be added depending on a community's goals. Additional points could be awarded providing same-sex partner benefits, offering minority contracting or hiring programs, investing in areas that are chronically underdeveloped, or a host of other important goals.

When level of capital investment and raw number of jobs are the only factors used to determine incentive eligibility, many small businesses cannot qualify for even the lowest level of incentive support. Sustainable incentive policy does not leave small businesses out in the cold.

Front-load Incentive Awards

There are two central reasons to front-load incentive deals. First, potential employers apply a significant discount rate to incentive offers; investors are usually more interested in substantial support now than incentives well down the road. Second, promising tax relief well into the future hinders communities' ability to react to changing circumstances. Promising tax relief into the distant future can lock in arrangements that will seem much more onerous down the road. Therefore, incentive plans should offer the most substantial support in the first few years, but scale back tax relief subsequently.

Balance Specificity with Flexibility and Clawbacks

While Chatham County's new plan lays out a rubric for evaluating incentive awards, it does not create an entitlement. Each project has unique costs and benefits that cannot be fully anticipated. The goal of incentive policy is to make the opening move in incentive negotiations, not to dictate an outcome. Each incentive policy should also include clawback provisions to refund economic development grants to the local governments when companies renege or fall short of their economic development commitments.

CONCLUSION

"Incentives" has become a dirty word in many circles, a synonym for governmental waste, or even corruption. Even within the economic development profession, incentives are less than universally popular. Some of this distrust is rooted in experience. Many incentive deals have failed to produce the lasting benefits that were intended. However, the pressure to offer incentives is, if anything, greater now than ever. Incentives are often the ante that gets communities into the attraction and retention game. In this context, it is often better to make smart bets than to take your chips off the table.

Local governments rarely have the resources to change where businesses locate, so incentive policy should aim to influence *how* companies do business as much as *where*. Chatham County's new model, and how it was developed, provides an example of how communities can reward business social responsibility, accountability, and sustainability. Instead of reacting to requests for tax relief, communities should use incentive policy to publicize their long-term development vision and start the incentive discussion on terms of their choosing.

ENDNOTE

1 The U.S. Constitution's "privileges and immunities clause" prohibits states from discriminating against residents of another state. This provision, along with the interstate commerce clause, may make it legally difficult to actually implement a "hiring local residents" measure as part of a local incentives agreement with a company. However, this policy goal is a clear statement of the community's preferences for hiring local residents and could likely be legally accomplished in practice through awarding points to companies willing to give some percentage of first source hiring through local job centers and/or local community colleges.

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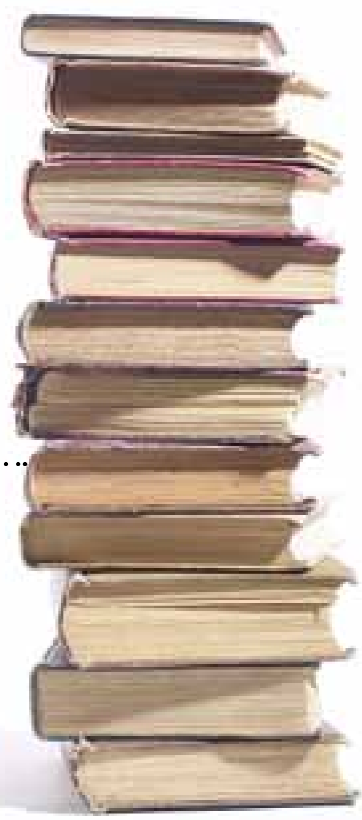

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Public Sector Practice

How state and local governments win at attracting companies

Governments with the most effective business-attraction programs deploy comprehensive economic-development strategies.

by Christian Gonzales, Mike Kerlin, Rachel Schaff, and Sarah Tucker-Ray

September 2019

State and local governments routinely offer companies billions of dollars in fiscal incentives, including cash grants, rebates, and tax credits, to entice them to relocate, expand, or stay in a specific locality. In the United States, based on the most recent figures, the estimated total annual value of fiscal incentives is around $90 billion.[1] How can governments maximize the return on investment (ROI) for attracting businesses in an era in which state and local revenues are declining, expenditures are increasing, and capital investments are more difficult to acquire?

We undertook outside-in research and conducted in-depth interviews with experts from successful state and local organizations that offer business-attraction programs. Then we combined our findings with lessons learned from decades of work with multiple economic-development organizations (EDOs). We found that states with the most effective business-attraction programs deploy a comprehensive economic-development strategy: craft specific, measurable goals to bolster target sectors and invest in the resources (the staff, the systems, and the budget) to deliver them effectively and efficiently. Capturing the resulting set of best practices allowed us to provide a common-sense framework for successful business-attraction programs.

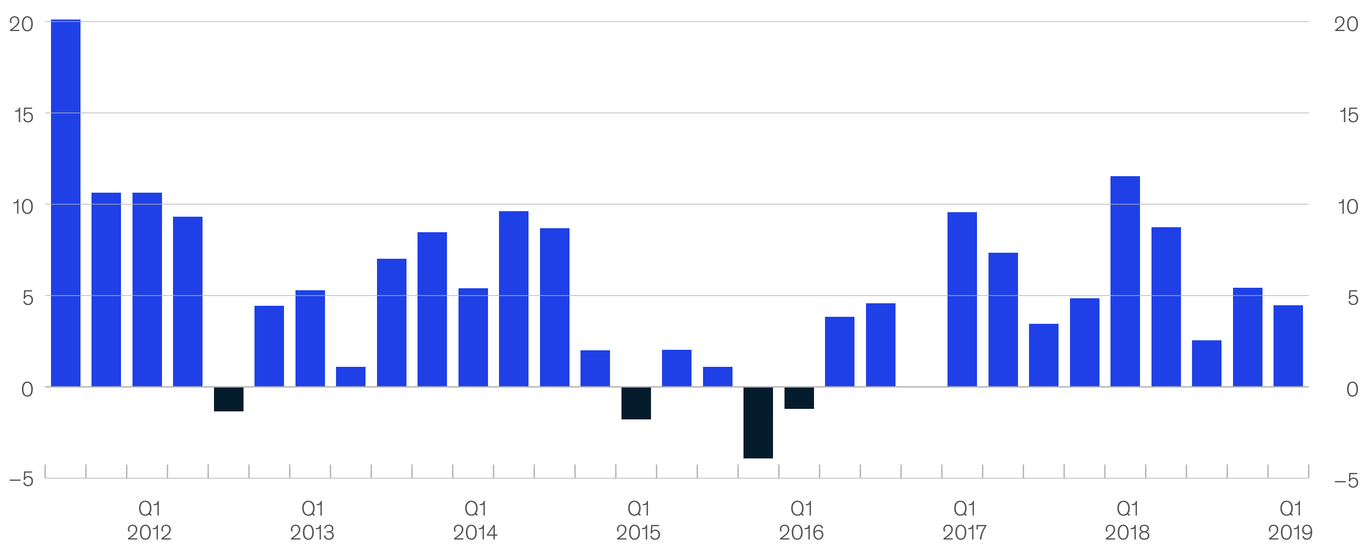
The US economic-development landscape is changing rapidly, and businesses' capital investments have slowed. In the first quarter of 2019, growth in private, nonresidential, fixed investment was 4.4 percent, down from 11.5 percent one year prior and from 20.1 percent in its postrecession peak (Exhibit 1).

Citizens and state and local governments around the country are feeling the ill effects of this decline in business-investment spending, spurring fierce competition for the remaining investment dollars.[2] The following best practices can help governments

Exhibit 1

US businesses' capital investments have slowed.

Growth in private, nonresidential, fixed investment, quarterly % change from 1 year prior



Source: Federal Reserve Bank of St. Louis

[1] Sifan Liu and Joseph Parilla, *Examining the local value of economic development incentives: Evidence from four U.S. cities*, Brookings Institution, March 2018, brookings.edu.
[2] "Real private nonresidential fixed investment (PNFIC1)," Federal Reserve Bank of St. Louis, August 2, 2019, fred.stlouisfed.org.

make the most of their investments and create fruitful business-attraction programs.

Benchmark against peers

Best-practice EDOs begin by measuring the performance of their incentives relative to peers. The first step in this benchmarking exercise is to select a peer set for comparison. Peers included in this analysis should be competitive but reasonable, and it is often helpful to use quantitative metrics to arrive at an appropriate set. Analyzing population, growth trends, major sectors, and GDP can help define a set of peers of similar size and economic positioning.

Once EDOs have established a set of peers, they may benchmark performance on two dimensions: how effective their incentives are at spurring growth and how efficiently they execute their business-attraction programs. Key measures of effectiveness could include the number of new businesses relocating to the region, capital investment, jobs created, and payroll created. Analyzing these metrics by sector or type of business will help EDOs understand their strengths relative to peers as well as highlight areas in which they can learn from peers.

Business attraction and job creation can come with a cost, and EDOs can also analyze how efficiently they administer their programs. The best EDOs measure incentive spending per job, capital investment, and payroll created and then see how they compare with peers. An analysis of incentive deals between 2014 and 2018 aggregated at the state level shows that some states are much more efficient than others in turning incentive spending into jobs created or retained (Exhibit 2).

Many states hover around the frontier line where their ranks for incentive spending and job creation are equal. Colorado, for example, sits directly on the frontier line, as it ranked 17th in both incentive spending and total jobs created or retained. Many other states clearly perform better or worse than the pack, such as Virginia, which ranked 20th in total incentive spending but sixth in total jobs created or retained. In other words, it was able to create and retain more jobs with fewer incentive dollars: while the average US incentive spending per job over this time frame was $21,000, Virginia spent just $7,000 per job.

What's more, depending on the sectors in which states invest, many high-performing states, such as Virginia, also enjoyed tertiary benefits—such as setting off a virtuous cycle attracting suppliers and infrastructure investment—that magnify the effects of their incentive spending. For New Jersey, this benchmarking exercise revealed that it paid five times the incentives per job relative to peer states. Rightsizing this spending could create a pool of funding to attract even more businesses or to put toward other goals.[3]

Ohio, for instance, achieves a high ROI with its use of incentives, ranking third among its peers in incentive spending per job created or safeguarded from 2013 to 2017 and fourth in incentive spending per payroll dollar created for the same period.[4] By looking at not only the outcomes but also the ratios of spending per job and spending per capital expenditures, an EDO can identify opportunities to go after more strategic deals and to become more efficient, especially in how it administers business-attraction programs.[5]

Use programmatic investments to grow strategically

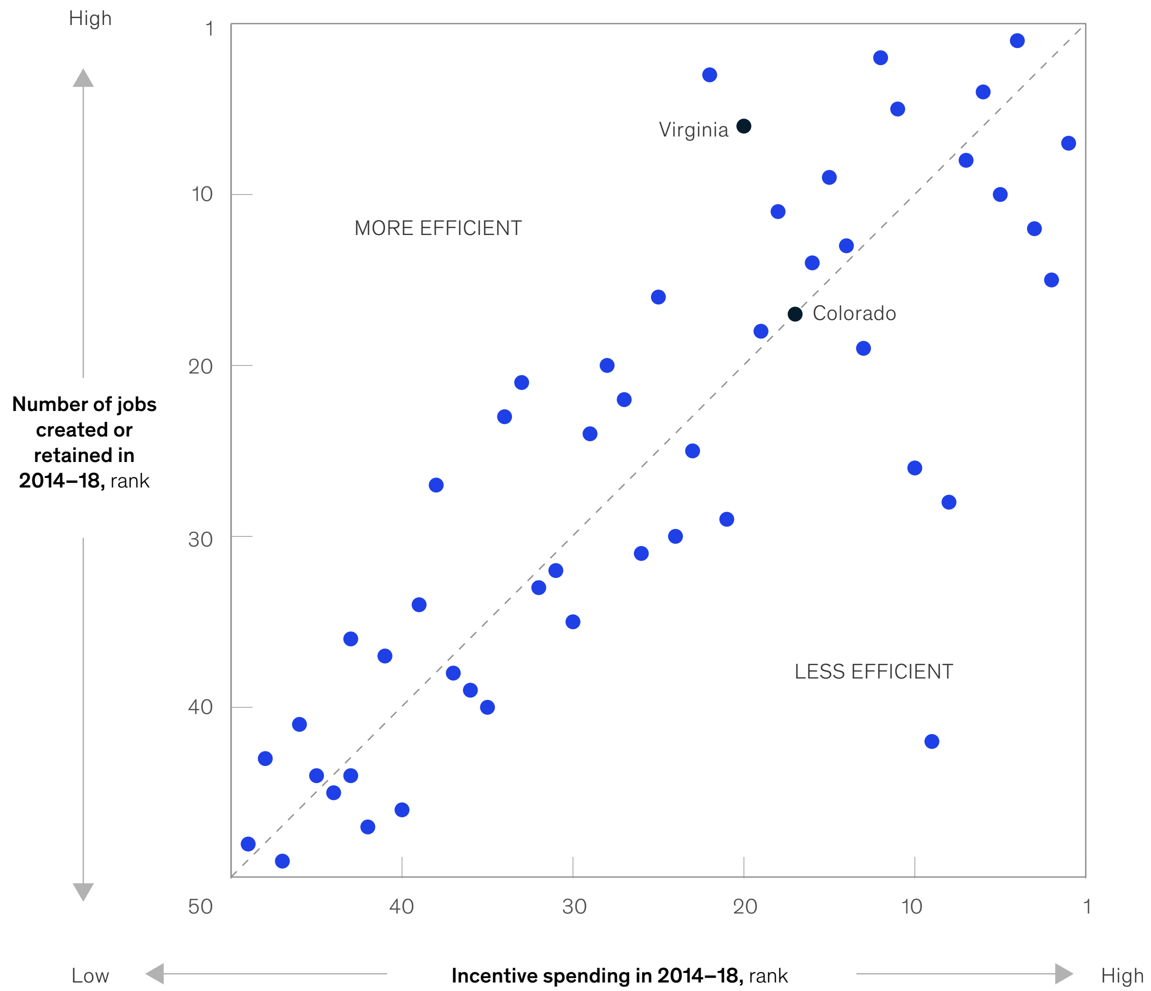
The highest payoffs from business-attraction efforts come from projects that are part of a more holistic strategy to boost growth within certain economic sectors or to address areas in which investment otherwise wouldn't happen. These efforts can drive long-term growth and competitiveness that exceed the impact of any singular business. With sector strategies, this happens because sector clusters create a field of gravity that attracts other companies

[3] Tyler Duvall, Mike Kerlin, Paula Ramos, Zachary Surak, and Steve Van Kuiken, "Reseeding growth in the Garden State," July 2017, McKinsey.com.
[4] This analysis considered two sets of peers for Ohio. Regional peers included Indiana, Illinois, Kentucky, Michigan, Pennsylvania, and West Virginia; competitive peers included Alabama, California, Florida, Georgia, New York, North Carolina, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.
[5] "Independent performance assessment of JobsOhio," JobsOhio, June 2018.

Exhibit 2

Some states are more efficient than others in turning incentive spending into jobs created or retained.

States' performance rankings in jobs created and spending on employment incentives



Source: Wavteq

that are in their supply chain or could benefit from sharing a location.[6]

In addition, anchoring incentives to specific sectors enables more thoughtful investments in related areas that can also boost economic growth—such as infrastructure improvements and targeted workforce-development programs to attract additional businesses in those industries. One example of a such a strategy is South Carolina's automotive-manufacturing cluster. The start of the cluster dates to 1992, when BMW chose South Carolina as the site for its $600 million automobile-assembly plant and received an incentive package

[6] Mercedes Delgado, Michael E. Porter, and Scott Stern, *Defining clusters of related industries*, National Bureau of Economic Research working paper, Productivity, Innovation, and Entrepreneurship Series, number 20375, August 2014, nber.org.

worth $100 million, including nonfinancial incentives. The objective was to create enablers that would ensure the success of BMW's first plant outside of Germany. The state created a new employment-training program and invested an additional $40 million to modernize and extend the runway at a nearby airport. The deal was a strategic investment in an anchor institution that would deepen the state's automotive-manufacturing supply chain. In the 25 years from 1992 to 2017, BMW invested $9 billion—and it currently employs almost 9,000 people in Spartanburg, South Carolina, alone. Local officials estimate that, to date, BMW has helped spur the creation of between 25,000 and 35,000 jobs across the state.[7]

Tie financial incentives to specific, measurable targets

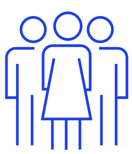
As part of broader economic-development strategies, leading local governments focus their business-attraction programs on achieving specific, measurable objectives. Exhibit 3 offers examples of common objectives and associated metrics.

Of course, these objectives need to align clearly to the incentives offered. For example, when Alabama wanted to create jobs for residents, it began offering a job-creation incentive as an annual cash rebate of up to 3 percent of the previous year's gross payroll of Alabama residents only. It offers an additional 1 percent for companies located in targeted counties

Exhibit 3

Leading governments focus their business-attraction programs on achieving specific, measurable objectives.

Business-attraction program objectives



	Population growth and job creation	Payroll and wage adjustments	GDP and capital investment
Pros	• Is widely tracked by states and citizens • Has strong public support • Ensures that growth is not led by only capital	• Accounts for job quality through wages • Focuses on equity and opportunity • Directly links to citizen well-being	• Emphasizes productivity gains • Is relevant in disrupted industries • Demonstrates public- and private-sector investment-opportunity targets
Cons	• Doesn't account for job quality • Might be less favorable for industries with high capital investments	• Might hide income-inequality trends • Might be unfavorable for low-skilled workers	• Might have limited or negative impact on employment and job creation • Has longer timeline for effect on wages and payroll • Has weak public support or public awareness of metric
Example metrics	• Number of jobs created • Population growth	• Payroll • Median wage	• Capital expenditures

[7] Maayan Schechter, "BMW marks 25th year as 'game changer' in SC. Here's how the deal happened," *State*, June 22, 2017, thestate.com.

where it wants to create jobs and an additional 0.5 percent for companies that employ veterans as at least 12 percent of their workforce.[8]

Nebraska, which wanted to boost small businesses, offers another example of a program based on specific targets aligned to incentives. From 2011 to 2019, the Nebraska Angel Investment Tax Credit (AITC) made credits for state income tax available to investors in early-stage high-tech companies. For the early-stage businesses to qualify, they must, at the time of the investment, be based in Nebraska, have fewer than 25 employees, and have more than 51 percent of their employees located in the state. As of 2016, the program had invested more than $54 million and had given more than $19 million to 113 small businesses.[9]

Use nonfinancial incentives to create strong foundations

Taxes are important in location decisions for companies and people. But it is crucial to note that tax breaks by themselves don't attract businesses and people. They tend to play a role after the establishment of other, more important, nonfinancial factors. Nonfinancial incentives can include workforce training, infrastructure investment, fast-tracked processes, and access to development sites. A 2019 survey of corporations considering expansion or relocation found that they ranked labor availability as the top priority in scouting locations, several spots ahead of tax exemptions and incentives. The same survey also found that quality of life ranks above incentives.[10] In short, corporations select locations based first on overall fit and qualities, and then they may consider incentives to finalize the choice.

Nonfinancial incentives are critical to gaining entry into the consideration set. Furthermore, these investments are good for communities: they tend to be "sticky," in that they have long-term impact that outlasts an individual company. For example, as part of the incentives and investments necessary to attract BMW and create an automotive-manufacturing cluster, South Carolina promised and delivered on more capacity at its Charleston International Airport. We know from interviews with site selectors that highlighting nonfinancial incentives in a package to attract companies can be persuasive.

Nonfinancial incentives were recently in the spotlight for Amazon HQ2. The winning bid in Virginia included significant investments in transportation and education. The state agreed to make almost $300 million in infrastructure investments, including upgrades to several metro stations. The state and local governments also joined forces to invest in George Mason University and Virginia Polytechnic Institute and State University (Virginia Tech), helping both schools develop and fund new degree programs to boost the number of computer-science graduates in the region—which represents a significant recruiting pipeline for Amazon as well as a general boon to the region's workforce.[11]

Relentlessly focus on performance and evaluation

EDOs and companies can work together to monitor the impact of new businesses and keep projects on track to meet investment goals. Performance monitoring is most effective when it's an ongoing process rather than an ad hoc activity. Rigorous and regular assessment of both financial and nonfinancial incentives—and making those results publicly available—can help maintain the trust of citizens and ensure success.

Around 30 states have rules requiring the regular assessment of business-tax incentives.[12] Florida, for example, ended its Enterprise Zone Program in 2015 after an evaluation effort found that it was providing a much weaker ROI than other business-attraction programs. The evaluation determined

[8] "State of Alabama Jobs Act incentives & tax abatements," Alabama Department of Commerce, July 2015.
[9] *Angel Investment: Tax credit program report covering August 2011–December 2016*, Nebraska Department of Economic Development, November 14, 2017, nebraskalegislature.gov.
[10] Geraldine Gambale, "33rd annual Corporate Survey & the 15th annual Consultants Survey," *Area Development*, Quarter 1 2019, areadevelopment.com.
[11] Katie Arcieri, "Virginia's Amazon HQ2 win wasn't just based on traditional incentives. Here's what else was included," *Washington Business Journal*, November 14, 2018, bizjournals.com.
[12] Liz Farmer, "Do corporate tax incentives work? 20 states, and most cities, don't know," *GOVERNING*, March 20, 2019, governing.com.

that the program was largely rewarding businesses for activity that would have taken place in Florida anyway rather than encouraging new investments. Moreover, the enterprise zones were generally faring worse than were similar areas that were not part of the program. The program was in place for nearly 30 years, but by ending it, the state managed to save the tens of millions of dollars that it was poised to spend in the next few years.[13]

Washington State has one of the nation's longest-standing and most structured tax-incentive-evaluation processes. Washington's Joint Legislative Audit and Review Committee (JLARC) studied more than 200 tax incentives from 2006 to 2016. In one example, a 2012 evaluation showed that two tax incentives designed to encourage R&D spending were underperforming relative to their cost. A citizen commission that oversees the committee's evaluations recommended that the programs not be renewed, advice that lawmakers followed.[14]

Build a winning team

EDOs with strong business-development teams have a clear advantage in business attraction. A robust business-development team can incorporate an end-to-end knowledge of how businesses make decisions—and know how to appeal to them. The sales team can mirror a private-sector organization, with technology (such as a customer-relationship-management system to track leads and projects), resources to travel, and sophisticated collateral to entice site selectors and companies. The business-development team can work hand in hand with sector experts and researchers.

The most effective EDOs typically hire sector experts and former industry leaders who speak the same language as corporate leaders, can quickly understand their needs, and can help translate those needs for their own business-development teams. Researchers with the know-how and technical capabilities to run site-selection, ROI, and cost models can provide answers to questions from companies and site selectors. They can also create models to estimate better the expected impact of a company's presence in various scenarios and maximize the efficiency of deals.

High-performing business-development teams integrate financial and nonfinancial incentives to attract businesses with targeted, holistic packages. For example, to attract Kia Motors, Georgia's team combined tax credits with access to the best-in-class Georgia Quick Start/Technical College System of Georgia workforce-training program, state-infrastructure investment, and access to sites. According to Randy Jackson, chief administrative officer of Kia Motors Manufacturing Georgia, "What really set Georgia apart from other states was the willingness to understand our industry and what would move the needle for us. Taking a long-term view of workforce availability, site location, and logistics would allow the relationship to blossom into a mutually beneficial, long-term partnership."[15]

As global competition for limited investment opportunities intensifies, EDOs can revisit their business-attraction strategies and make sure they have all the elements in place to get the most out of their investments. Following best practices can help state and local governments attract the right businesses to maximize economic impact for the people in their regions.

[13] "Florida: Tax incentive evaluation ratings," Pew Charitable Trusts, May 3, 2017, pewtrusts.org.
[14] "Washington: Tax incentive evaluation ratings," Pew Charitable Trusts, May 3, 2017, pewtrusts.org.
[15] "Georgia's successful partnership with Kia serves as model for efficiency and job growth," Georgia Department of Economic Development, August 2015.

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