

Economic Development Essentials for County Commissioners

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Overview

- 20 mins Typical components of local government economic development programs (Morgan)
- 20 mins Closer look at recruitment: economic development incentive negotiations and law (Mulligan)
- 15 mins County role in economic development and example (Morgan)
- 15 mins Q&A (Morgan and Mulligan)



Economic Dev. Strategies

1. Business recruitment/attraction
2. Business retention/expansion
3. Business creation (“gardening”)
4. Human capital and talent dev.
5. Place-making

Business Recruitment Basics

- Clearly defined point of contact in the community
- Up-to-date information on the community and its assets
- An effective and up-to-date web site
- A targeted marketing strategy
- Connections to regional and state efforts

What Matters to Businesses?

- Sites and Buildings
- Access to Suppliers and Markets
- Workforce/Labor
- Financial Capital
- Regulatory Environment
- Transportation and Utilities
- **Incentives**
- Taxes
- Quality of Life

What Matters Most for Businesses

1. Highway accessibility	94.4%
2. Availability of skilled labor	89.8
3. Labor costs	89.6
4. Occupancy or construction costs	86.0
5. State and local incentives	84.0
6. Corporate tax rate	82.3
7. Tax exemptions	79.7
8. Energy availability and costs	78.5
9. Proximity to major markets	78.1
10. Quality of life	76.4

Source: Area Development, 31st Annual Corporate Survey, 2016

“Product” Development

- Infrastructure
- Land and sites
- Business/industrial parks
- Speculative buildings
- Property rehabilitation and reuse

Business Retention

- Formal process for addressing business needs and concerns
- Get businesses involved in the community
- Facilitate collaboration and joint ventures among firms (clusters)
- Recognize and celebrate existing firms

Why Business Retention is Important

- Most significant source of new jobs and investment
- Existing companies contribute to the tax base and employ residents
- Builds the local economy from within

BRE = Business Retention + Expansion

- Keeping jobs and investment is important
- But so is helping existing firms grow and expand in order to create more jobs and investment

Business Creation/ “Economic Gardening”

- Entrepreneurship
- Homegrown jobs
- Specialized infrastructure
- Social capital
- Entrepreneurial “ecosystem”

Business Creation Tools

- Entrepreneurship training (esp. K-12)
- Networking opportunities
- Mentoring and technical assistance
- Access to financial capital
- Links to higher education and sources of innovation
- Business incubators

Human Capital and Talent Strategies

- Workforce development
- Talent attraction
- Early childhood development
- Community amenities
- Arts, culture, and creativity

Workforce Development

- Improving K-12 public education
- Meeting skill needs of target industries
- Industry specific training for displaced workers
- Advanced skills for incumbent workers
- Support services like child care, transportation, and career advice

What is Placemaking?

- A concerted effort to create a high-quality community with the amenities, infrastructure, and opportunities that residents, workers, and firms desire.

Key Aspects of Placemaking

- Sense of place
- Memorable experiences
- Emotional attachment
- Well-designed, functional, and attractive physical spaces
- Connectivity

Placemaking Targets

- Arts and crafts trades
- Agriculture and local foods
- Tourism, recreation, and sports
- Cultural attractions
- Creative industries
- Craft breweries

Strategy Emphasis

1. Business recruitment/attraction
2. Business retention/expansion
3. Business creation (“gardening”)
4. Human capital and talent dev.
5. Place-making

Closer look at recruitment: Incentive negotiations

Company perspective



- Fiduciary responsibility to shareholders
- Company's goal is interstate competition
- Role of consultants
- Last step: approach local governments

State and local government perspective

- NC Constitution
 - Payments to private entities only in return for public services
- What are public services?
 - Late 1800s: “Beneficent provision for the poor, the unfortunate, and the orphan”
 - 1938-1970: Affordable housing for “low income persons” when necessary because “private enterprise is unable to meet the need”
 - 1982: Loans to moderate income allowed “with same purpose in mind”



Interstate business recruitment is newest public purpose

- Location subsidy unconstitutional until 1996
- NC Supreme Court created exception in *Maready v. Winston-Salem* for a business “which might otherwise be *lost to other states.*”
- “Strict procedural requirements”
 - Finding of “necessity” (aka “but for”/competition)
 - Promise significant “jobs and tax base”
 - Reimbursement

“Parallel” to *Maready* incentives

- All court cases evaluating incentive grants have involved:
 - Job creation/retention
 - Increased tax base
 - Interstate competition
- It is hard to say how a court would handle a different set of facts.



Form of Incentive: No tax abatements

- Tax abatement is unconstitutional
- *Unless* enacted by General Assembly and applied uniformly across the state
 - Historic landmark
 - Elderly or disabled homestead exclusion
- Use of grant programs (if constitutional)



Subsidies for private business when no interstate competit.?

- Small businesses
- Place-making and real estate development
- Attract specific retail type (e.g., grocer or daycare)



Not permitted unless fits under constitutional category:

- *Already-compliant recruitment incentives*
- *For welfare of "poor" or "low-income" persons*

Plenty of helpful tools don't involve gift to private entity

- Construct supportive *public-owned* infrastructure
 - Parking
 - Street improvements
- Market rate/ fair value transactions
 - Hold property for development until needed
 - Predevelopment
 - Brownfields
 - Loan, not grant
 - Security for loan (collateral)
 - Risk-appropriate interest rate
 - Prelease space



Time permitting – common questions

- ✓• Wage and benefits requirements
 - Statute explicitly refers to wages
 - Chatham County policy offers points
- ✗• Local hire requirements
 - U.S. Constitution – Privileges and Immunities
 - N.C. Constitution – “right to earn a living”
- ✗• Utility rates as incentive
 - Enterprise fund activities – business reason

County Role in Economic Development

Top NC County ED Activities

Respond to Business Inquiries	85.1
Workforce Development	78.4
Improve Infrastructure	75.7
Site Visits	75.7
Promote Tourism	75.7
Building/Sites Inventory	73.0
Call Prospective Businesses	70.3
Community Website	68.9
Visit Local Businesses	68.9
Public Parks/Rec	64.9
Promotion/Advertising	64.9
Industry Business Park	60.8
Zoning/Permit Assistance	59.5

Local Incentives in NC

- Zoning and permit assistance
- Infrastructure improvements
- Cash grants
- “One-stop” permitting
- Land or building acquisition
- Site preparation
- Subsidized land or buildings

Components of an Economic Dev. Program

- Visioning/Planning/Strategy
- Organizational Structure
- Leadership and Governance
- Funding
- Performance Measurement and Evaluation

Leadership and Governance: Understanding Roles

- Professional staff
- Elected officials
- Governing boards
- Private investors
- Advisory committees
- Stakeholders and allies

The Local Econ Dev Network

- Local government
 - County
 - City
- Chamber of Commerce
- Private organizations
- Higher education institutions
- Others?

Local Capacity for ED in NC

	Cities	Counties	Pop <10K	Pop >=10K
Economic dev staff (FTEs)	0.9	1.6	0.4	1.9
Organizational participants	8.5	12.4	7.7	11.7
Total ED activities used	13.9	21.5	11.1	21.7
N	189	74	140	123

Promoting Social Equity in Economic Development (Time Permitting)

Promoting Social Equity

- Maximize public/community benefits
 - Formal incentive agreement w/CBA
- Encourage local hiring
 - First Source programs
- Workforce development partnerships
 - Industry cluster/sector employment strategies
 - Specialized job training and apprenticeships
 - Career pathways

Promoting Social Equity

- Minority business development
 - M/WBE support and technical assistance; purchasing and contracting
- Job quality
 - Wage standards for incentives

Questions

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