

# Economic Development Handbook

Third edition, 2009

Revised and Edited by  
**Jonathan Q. Morgan, Ph.D.**

NORTH CAROLINA  
**NCEDA**   
ECONOMIC DEVELOPERS ASSOCIATION

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# Contents

- Preface** v
- Acknowledgments** vii
- Introduction to Economic Development** ix
- Why North Carolina Is Involved** 1
  - History 1
  - The Need for Economic Development Programs 3
  - Helping Companies and Communities Compete 4
- Participants** 5
  - Local Developers 5
  - State Developers 7
  - Regional Developers 8
  - Economic Development Allies 9
- The Role of Elected Officials** 11
- The Process** 15
  - Strategic Visioning and Planning 15
  - Strategies 17
    - Retaining and expanding existing firms 18
    - Improving local linkages 19
    - Creating new firms and promoting entrepreneurship 20
    - Capturing new dollars 21
    - Recruiting new facilities 21
  - Tools 22
    - Marketing and recruitment tools 22
    - Business retention and expansion tools 23
    - Entrepreneurship tools 24

The Need for Product	24
How a Business Location Project Happens	26
A typical project	26
<b>Financial Incentives</b>	29
Current Financial Assistance Programs	31
State programs	31
Regional programs	34
Local programs	34
<b>Emerging Trends</b>	37
<b>Resources</b>	39
<b>Notes</b>	47
<b>About the Editor</b>	49
<b>Tables</b>	
Table 1. Top Site Selection Factors for Industrial Facilities	30
<b>Figures</b>	
Figure 1. North Carolina Employment Change By Sector, 1997–2007	2
Figure 2. Regional Economic Development Partnerships	9
Figure 3. The Site Selection Process	27

# Preface

As the third edition of the Economic Development Handbook goes to press, North Carolina is trying to rebound from an economic downturn that has the entire United States reeling. Although it appears that the economic free fall has subsided, the road to recovery is uncertain. Recent job losses have driven North Carolina's unemployment rates to their highest levels in decades. But even in this tough environment, the state has fared better than many others. This is due to the state's committed leadership and support for economic development and its many assets including a high quality of life, geographic location, moderate climate, skilled workforce, and extensive network of universities and community colleges.

These assets make North Carolina well positioned for a renewed prosperity when the economy begins to improve. However, the work of economic development continues in good times and bad. Its ultimate mission remains clear: to preserve and enhance the standard of living for North Carolina's residents amid a rapidly changing economy in which the state must compete globally for its share of domestic and foreign investment.

The work of keeping North Carolina competitive is implemented through a network of organizations and professionals who employ various policies, programs, and tools in a process that is not always well understood. The North Carolina Economic Developers Association (NCEDA) partnered with the UNC School of Government to prepare this publication as a basic introduction to economic development. It is offered as an educational resource for legislators, policymakers, community leaders, and interested citizens across the state who desire to keep North Carolina competitive in its quest for new jobs and investment.

Katherine Thomas, President, NCEDA  
Jonathan Q. Morgan, Ph.D.  
September 2009



# Acknowledgments

In 2001 several NCEDA members volunteered their time to create this handbook in order to educate North Carolinians about the constantly changing profession of economic development. Robin Hiott Spinks chaired the committee that developed the first edition; committee members included Ray Burrows, Doug Byrd, Brenda Daniels, Jim Fain, Oppie Jordan, Bob Leak Jr., Dianne Reid, Steve Yost, and Lawrence Bivins. In 2003 Leslie Scott Stewart led the effort to revise the first edition. Committee members who worked on the second edition of this handbook include Ronnie Goswick, Scott Millar, John Peterson, and Mac Williams.

This third edition of the handbook was made possible through a partnership between NCEDA and the UNC School of Government under the direction of Jonathan Q. Morgan. It updates, revises, and augments much of the original content with information on new approaches, policies, programs, examples, and emerging trends within the field. NCEDA members who offered suggestions for revisions and reviewed drafts for this edition include Len Kulik, Michael Smith, Joanna Helms, and Scott Hamilton. George Sherrill helped update the information on state financial programs that are available.





# Introduction to Economic Development

Economic development is both a process and a set of desired outcomes. The process is multifaceted and dynamic and results in new private investment, job creation, increased wealth, and a higher standard of living for residents. What drives economic development is private business: that is, businesses of all sizes starting up, relocating, or expanding in an area. They may be involved in manufacturing, distribution, agriculture, transportation, research and development (R&D), business services, or other activities. The investment these businesses make in a community gives rise to a range of related commercial activities and services. Residential growth also occurs, bringing a wide variety of retail, consumer services, recreational, tourism, and other commercial enterprises.

The ripple effect of new jobs and investment can be significant. The analytical model used by the N.C. Department of Commerce to gauge economic impact shows, for example, that every 100 new jobs in semiconductor manufacturing generate an additional 134 jobs as a result of indirect and induced economic activity. The model estimates that every \$5 million in manufacturing facility construction investment spurs another \$2.6 million in statewide spending. New jobs and investment in turn generate income, sales, and property tax revenues for local and state governments to spend on crucial public services that help create a strong business climate.

Economic development is conducted by a network of professionals using an array of tools designed to create and sustain a strong business climate. It can be defined as the specific activities, programs, and tools aimed at

- attracting or creating private investment to expand a tax base;
- increasing employment opportunities, wages, and personal incomes; and
- increasing wealth in a community.

Economic development can help expand and balance a tax base so that a jurisdiction will have the resources it needs to provide high quality public services at a reasonable cost to its residents. Balancing the tax base among the various land uses—residential, commercial, and industrial—is especially important for the many “bedroom” communities that exist in North Carolina. These communities rely on local tax bases comprised mostly of residential property. The problem is that residential development does not typically generate sufficient tax revenues to pay for the public services it requires. By contrast, commercial and industrial development projects usually pay for themselves and produce net tax revenues in excess of the costs for needed public services.

Economic development efforts produce other highly desirable outcomes. One example of this is the broadening of a community’s leadership base as new companies bring in executives and entrepreneurs who can participate in various local organizations and programs. Another example is that new companies can provide a community with support in the form of philanthropy and volunteerism.

# Why North Carolina Is Involved

## History

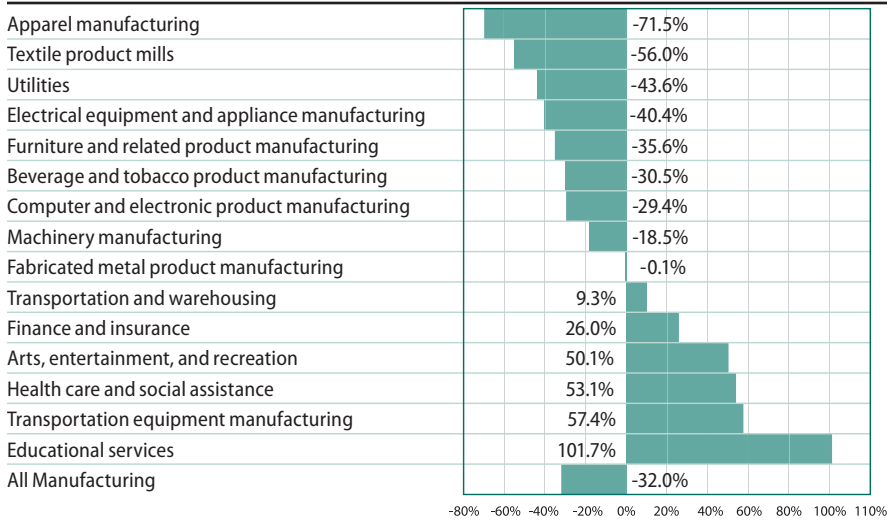
North Carolina has undergone considerable economic change since the arrival of its early settlers, when the state prospered in trading, fishing, and farming. After the industrial revolution, as new railroads and highways began crisscrossing the state, North Carolina's economy shifted toward other types of economic activity. The Piedmont Triad region built an economy on manufacturing; the Triangle region emerged as a center for government and higher education; and Charlotte established itself as a financial services and distribution hub.

During the late 1950s a milestone in North Carolina economic development occurred, as Governor Luther Hodges and a handful of government, university, and business leaders began to plan a project that would eventually transform the state's economy.<sup>1</sup> The idea was to attract companies to locate to assembled parcels of land located between Raleigh and Durham. By the late 1960s the resulting Research Triangle Park (RTP) had landed major anchor tenants that would lay the foundation for it to become a world model of a successful technology park that is affiliated with research universities. At the same time North Carolina experienced a rapid expansion in its traditional industries—textiles and furniture—as its manufacturing jobs moved south. Tobacco farming and processing were also strong industries during this period.

North Carolina has benefited from visionary leadership, and government and private sector entities have worked well together to make the state attractive to new businesses. Some of the state's initiatives have included

- the expansion of the North Carolina Community College System,
- customized workforce training for new and expanding companies, and
- the construction of an extensive highway network.

**Figure 1. North Carolina Employment Change by Sector, 1997–2007**



Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

Because of these initiatives businesses in North Carolina can easily get workers trained and move their product to market. Until recently, these measures, along with a business-friendly regulatory environment, resulted in North Carolina being regularly ranked among the best locations in the United States for industry by *Site Selection*, a leading economic development trade publication.<sup>2</sup>

In recent decades the trend of declining employment in the state’s traditional industries has caused significant economic disruption and transition. This trend has made the work of economic developers in North Carolina more challenging but also more essential to efforts to rebuild and sustain a vibrant economy in the state. Agriculture, long a leading economic engine, is suffering from a sectorwide decline that is impacting both large and small growers. Tobacco is suffering, particularly because tobacco production and cigarette manufacturing have declined substantially since the 1997 national Master Settlement Agreement. Similarly, the erosion of manufacturing jobs—particularly in textiles, apparel, and furniture sectors—is adversely affecting the state’s urban and rural areas alike.

However, as Figure 1 shows, the state’s economy does have sectors that are growing substantially, including educational services, health care, and arts/recreation. At least one value-added manufacturing sector—transportation equipment—experienced significant job growth from 1997 to 2007.

Still, the total number of manufacturing jobs declined by nearly one-third (32.0 percent) over the last ten years due the continuing effects of globalization and industrial restructuring.

## **The Need for Economic Development Programs**

Virtually every state in the country has an economic development program working to recruit and retain industry, and several thousand cities, towns, and counties across the United States are vying for new business investment. With an increasing number of communities participating and making greater use of economic development strategies, North Carolina must constantly assess its competitive position and retool as needed. This requires a commitment to enhancing the programs that led to past success and a renewed effort to remain innovative in the face of new economic realities.

Historically, North Carolina's geographic location, climate, quality of life, educational institutions, highway network, and positive business climate made the state a leader in economic development. But as other states have become more intent on competing for jobs and investment, they have implemented aggressive new programs for recruiting industry. A series of industrial project losses in the 1990s, including Mercedes-Benz to Alabama, BMW to South Carolina, and Motorola to Virginia, prompted North Carolina public officials to take a more assertive stance on economic development incentives.

Localities are also developing programs to become more attractive as business destinations. These include financial incentives, public-private partnerships to develop business parks and buildings, and other programs focused on the needs of business. The result is that there are many more communities seeking business locations than there are projects. The number of large industrial recruitment projects has declined over time while the use of incentives to lure them has increased. In a given year it is estimated that, on average, some 15,000 communities vie for roughly 1,500 major industrial development projects available nationally.<sup>3</sup> This means that North Carolina's communities face increasingly aggressive competition for every major business location project.

## Helping Companies and Communities Compete

Companies know that they bring value to their host communities, a value that is easily measured by the new jobs, higher wages, and additional tax revenue they produce. Many companies also want to add value to their own products and services. In order to expand jobs in communities and increase the value of their enterprises, businesses must be profitable. A relentless focus on the bottom line is critical. American companies now operate in a global economy, competing with firms across the world. In many other countries the costs of doing business are sharply lower. The result is that most U.S. firms now must constantly seek new ways to add value and operate more efficiently in order to stay in business.

North Carolina can help companies add value by providing:

- **A productive labor force**—educated, skilled people who are the products of high-quality schools. These workers must understand how to be productive, quality-focused, and innovative and know how to use technology and teamwork for continuous improvement.
- **Access to innovation**—ideas, knowledge, and R&D that generate new technologies, products, and processes that help firms establish new niches and operate more efficiently.
- **Access to markets**—good roads, rail, airports, seaports, and high-speed internet connections that move products and services quickly and safely to a larger number of consumers.

North Carolina can help lower business operating and capital costs by providing:

- Cost-effective worker training programs
- Competitive state and local tax rates
- Streamlined and consistent government regulations
- Adequate and affordable utility infrastructure (water, sewer, electricity, natural gas, and modern telecommunications, including broadband Internet and digital wireless networks)
- Access to raw materials
- Low construction costs for sites and buildings
- Financial incentives and tax credits

# Participants

Economic development professionals work in a diverse array of agencies and organizations across all levels of governance and represent a range of functional interests. They may be employed by:

- Municipalities
- Counties
- Regional organizations
- State agencies
- Federal agencies

They are employed by organizations of all types including:

- Public
- Private
- Public-private
- Nonprofit

These organizations, along with the professional network itself, are constantly adjusting to meet new and changing demands. There is also an ongoing effort to minimize duplication and overlap among economic development organizations. What follows is a description of the various participants and the particular roles they play in the process of economic development.

## Local Developers

Local economic developers may work for:

- Chambers of commerce or other private organizations, such as a Committees of 100
- Public-private entities, which may be chartered as economic development corporations
- Semi-autonomous economic development commissions
- County or city governments

Each organizational model offers its own advantages and disadvantages given the local business environment, the level of financial resources available to fund the program, and the overall nature of governance within the community. In some cases multiple counties and municipal governments have partnered to support joint programs.

Over time, localities can modify how they organize and structure their economic development activities in order to clarify roles and responsibilities, improve services, streamline programs, and create cost savings. For example, in 2006 Wayne County replaced its economic development commission, which had been in existence since 1966, with a new, nonprofit, public–private organization tasked to perform economic development countywide. This new entity, the Wayne County Development Alliance, Inc., is a formal partnership between the Wayne County Board of Commissioners, the Goldsboro Committee of 100, and the Mount Olive Committee of 100. A second example is the Carolinas Gateway Partnership, which was created in 1995 to merge the economic development activities of two counties, Edgecombe and Nash, into one nonprofit organization.

Local developers lead in the production of promotional and informational materials, making sure that the latest data about the community are available and easy to obtain. Such community profiles also contain information about existing business and industry, and local developers strive to keep local business leaders informed about their programs. It is also the developers' responsibility to ensure that available sites and buildings are listed in local, state, and regional databases.

Local development professionals stay current on all relevant state and local laws, regulations, and ordinances. That means keeping in touch with city council members, county commissioners, state legislators, and other elected officials whose help will be needed at some point. Local developers interface closely with allies, as described below, on issues such as product development, infrastructure, workforce readiness, and project financing.

Local development professionals are at the center of the economic development process, providing project leadership and ensuring that stakeholders at all levels work as a team. Their facilitative role is particularly important today, as the timeline for industrial projects has collapsed from 18–24 months to as little as 4–6 months.



## State Developers

States also administer economic development organizations. These may be units of state government, as in North Carolina, or public–private entities, as in Michigan and Florida. In North Carolina the Department of Commerce is the lead agency for statewide economic development initiatives. On large-scale projects, in particular, commerce department officials are often the first point of contact with potential industrial clients. They help match community assets (sites, buildings, workforce availability, skills, and so forth) with client site selection criteria and provide information from communities to the client. Other North Carolina agencies playing important supportive roles in economic development include:

- Office of the Governor and the Economic Development Board
- General Assembly
- North Carolina Community College System
- Department of Revenue
- Department of Transportation
- Department of Environment and Natural Resources
- University of North Carolina system
- Board of Science and Technology
- N.C. Biotechnology Center
- Department of Public Instruction

The state’s Department of Commerce leads national and global marketing and outreach efforts, and its programs and resources are designed to prompt business leaders to consider North Carolina. This is done through the state’s five overseas offices, attendance at industry trade shows, and other promotional initiatives.

The N.C. Department of Commerce maintains regional economic development offices that collaborate closely with the regional partnerships, as described below, in marketing and client-servicing activities. The department also maintains these regional field offices across the state to support the needs of existing businesses on such matters as facility expansions, state regulatory programs, and trade issues.

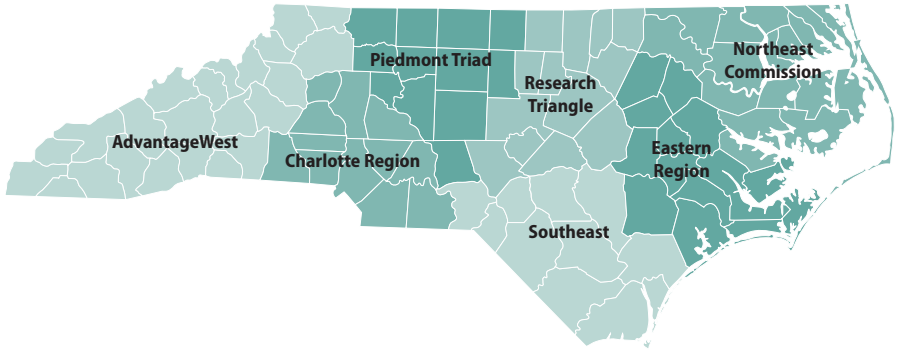
## Regional Developers

In recent years North Carolina has emerged as a national leader in regional economic development programs, with regional organizations in place to support development for every county. Regional organizations coordinate national and international marketing programs that are customized to market the unique assets of their respective regions, and they also work closely with state and local developers to address regional economic issues, promote product development, provide research assistance, and publicize transportation, infrastructure, labor force, and other improvements. As illustrated in Figure 2, seven regional development partnerships serve North Carolina:

- AdvantageWest Economic Development Group based in Fletcher/Asheville supports 23 surrounding counties ([www.advantagewest.com](http://www.advantagewest.com)).
- Charlotte Regional Partnership based in Charlotte supports 12 surrounding North Carolina counties and four in South Carolina ([www.charlotteusa.com](http://www.charlotteusa.com)).
- North Carolina's Eastern Region based in Kinston supports 13 surrounding counties ([www.nceast.org](http://www.nceast.org)).
- North Carolina's Northeast Commission based in Edenton supports 16 surrounding counties ([www.ncnortheast.info](http://www.ncnortheast.info)).
- North Carolina's Southeast based in Elizabethtown supports 11 surrounding counties ([www.ncse.org](http://www.ncse.org)).
- Piedmont Triad Partnership based in Greensboro supports 12 surrounding counties ([www.piedmonttriadnc.com](http://www.piedmonttriadnc.com)).
- Research Triangle Regional Partnership based in Raleigh-Durham supports 13 surrounding counties ([www.researchtriangle.org](http://www.researchtriangle.org)).

Although these organizations are regional in scope, they all receive some state financial support and may leverage additional private sector and local government resources.

**Figure 2. Regional Economic Development Partnerships**



## **Economic Development Allies**

Additionally, there are many private commercial interests and other local government interests involved in economic development. All collaborate on some level with the development programs described above. These allies include, among others:

- Banks and financial institutions
- Site selection consultants
- Electric utilities
- Community colleges
- Natural gas companies
- Universities
- Railroads
- K-12 school systems
- Councils of governments
- Real estate brokerage and development firms
- Environmental firms
- Construction contractors
- Chambers of commerce
- Architects and engineering firms
- Law firms
- Telecommunications companies
- Entrepreneurship councils



# The Role of Elected Officials

Elected officials at all levels of government are instrumental in the process of economic development. In North Carolina, state legislators, county commissioners, and city council members support professional organizations that handle economic development by providing resources and keeping the state and its communities attractive destinations for business. These efforts require public investment. Elected officials who provide support understand that economic development is a means for creating quality jobs and investment, generating tax revenue, and improving the standard of living of North Carolina residents.

The roles and responsibilities of elected officials in economic development can include:

1. **Supporting professional economic development organizations.**

Elected bodies—city councils, boards of county commissioners, and the General Assembly—provide the financial resources necessary to support economic development at the state, regional, and local levels. Examples of costs incurred by economic development organizations are:

- Administration
- Staff
- Travel
- Technology
- Client recruitment
- Research
- Advertising/marketing
- Office space

2. **Investing in infrastructure.** When locating their new facilities, businesses need basic infrastructure—water, sewer, natural gas, electricity,

telecommunications (including high-speed Internet and digital wireless), rail, industrial parks, and highways. Most types of infrastructure require elected bodies to authorize public financing. Infrastructure can be considered a public investment because it creates a tangible asset for a community and meets the operating requirements of industries.

According to the North Carolina Department of Commerce, most companies begin their location search by looking for an available building in which to locate. Communities can respond to this reality by investing in shell buildings, which can be customized to fit companies' exact needs. This can allow the companies to save time and money and reduce their project start-up risks. Local governments can provide funding to construct the facilities or partner with organizations such as Committees of 100, banks, and private developers to build them. Local governments can also work together to develop regional business parks and share the tax revenues.

3. **Providing incentives.** Incentives, whether they are offered at the state, regional, or local level by public or private entities, are the investments necessary to be competitive when attracting new industries and retaining existing ones. Like any investment, they must offer a suitable rate of return to a public or private investor. With the guidance of economic development organizations, elected officials make public investment decisions that influence the site selection choices companies make. (Incentives are discussed in greater detail on page 29.)
4. **Helping existing industries.** Existing firms create a majority of new jobs and contribute to the tax base of a jurisdiction. State and local elected officials can encourage their economic development organizations to work with existing industry in order to promote retention and expansion. Establishing a formal program of activities for existing industry can go a long way toward making those companies feel better connected to their jurisdiction.
5. **Building a competitive business environment.** Elected officials can support their states, counties, and communities in creating an appealing business climate. In addition to infrastructure, localities can provide industrial parks, shell buildings, and financial incentives. Other activities that can make a community attractive to businesses include promoting workforce development, supporting quality education from kindergarten through post-secondary levels, maintaining reasonable tax and utility rates, and instituting effective planning and permitting processes. A competitive business climate also entails

having a regulatory environment that is not burdensome and assisting firms in complying with all necessary regulations.

6. **Protecting the public investment.** Elected officials who authorize the use of tax dollars to support economic development should ensure that public funds are spent prudently and that the investment in economic development provides a net benefit to their jurisdiction. This starts by making informed decisions about economic development that are based on sound planning and analysis, as discussed below. Organizations receiving public funds can be held accountable through representation on governing boards, reporting requirements, performance measurement, and program evaluation.

Several mechanisms exist to help state and local governments avoid paying too much in the form of incentives for too little in return. These include some safeguards already adopted in North Carolina such as

- setting formal eligibility guidelines,
- requiring cost-benefit analysis,
- tying incentives to company performance,
- requiring performance contracts,
- using clawback provisions,
- targeting distressed areas, and
- maintaining wage/job quality standards.

Economic development should be a win-win proposition for companies and communities. A high level of government support for these activities demonstrates a commitment to existing and prospective industries. It shows that elected officials are serious about improving their communities and that they are partners, not adversaries, with businesses.





## The Process

Economic development is the process of stimulating private investment through business attraction, creation, retention, and expansion (A.C.R.E.) activities. Private investment will lead to new jobs, higher incomes, increased tax revenues, greater wealth, and a higher standard of living. In this way, economic development is a means by which communities can rebuild, sustain, and transform themselves as needed in order to remain viable and thrive in a competitive environment.

Economic development is ultimately a long-term process that involves numerous organizational players and a variety of tools and strategies. Much of what happens in the global, knowledge-based economy appears beyond the control of individual jurisdictions. Yet, public officials and economic developers will do what they can to help their communities adapt, respond, and prosper in the midst of changing economic conditions and fiscal uncertainty.

There are few quick fixes in economic development. An effective approach includes a mix of strategies and tools that is consistent with a community's long-term vision and goals. Immediate results are more the exception than the norm. Jurisdictions that make strategic public investments over time and implement programs that look beyond the next election cycle are better positioned to withstand the ups and downs of the economy.

### **Strategic Visioning and Planning**

As a result, more and more communities recognize the need to be proactive and deliberate in their economic development efforts. This is evident in the increase in strategic visioning and planning efforts across the state. These planning efforts help communities be more systematic in choosing

the right mix of strategies and tools. They also connect a community's goals and objectives to what is actually done in economic development. A good strategic plan for economic development specifies which organizations will be responsible for different actions and delineates the role of local government in the process. Sound planning is key to successful economic development. The initial step in the planning process involves building an organizational team to cultivate the attitudes and develop the programs that are needed. Individuals with experience and expertise in the following areas are invaluable to any economic development team.

- Promotion/Marketing
- Taxes
- Labor/Workforce training
- Utilities and telecommunications
- Sites and available buildings
- Environmental regulations
- Transportation
- Construction and insurance
- Community services
- Industrial modernization
- Finance
- Incentives
- Land use planning and permitting
- Public relations

A shared vision for the future helps a community or region determine what it aspires to become and where it wants to end up with respect to economic development. A long-term vision provides a sense of what is possible in a place over time and gives broad direction to the specific goals set forth in the strategic economic development plan. Six questions highlight key points for consideration by community or regional leaders planning for economic development.

1. *Where has the community (region) been?* This requires a review of economic growth patterns and trends.
2. *Where is the community (region) now?* This requires taking account of the community's assets and liabilities, as well as identifying major challenges and opportunities.

3. *Where is the community (region) going?* This requires projecting a future economic base based on present trends.
4. *Where does the community (region) want to go?* This is a goal-setting step that requires narrowing down the types of businesses it wants to attract and foster.
5. *How does the community (region) get there?* This is where plans are made and actions taken. It requires an action plan that includes strategies for accomplishing the goals established previously.
6. *How does the community (region) measure progress?* A thorough and ongoing evaluation of progress is required.

## Strategies

Communities and regions must appraise their assets and liabilities in order to be successful in promoting economic development. The following questions must be answered to give a realistic assessment of a location's likelihood of success at stimulating job creation and private investment.

1. *What types of firms find, or would find, a competitive advantage in the community?*
2. *Does the community have the workforce, infrastructure (e.g., highways, utilities), product (e.g., buildings, sites), and climate that businesses require?*
3. *What barriers exist that may hamper a community's ability to compete for new business location projects?*

Answering these questions can help a jurisdiction determine what economic development strategies to pursue among the five discussed below. Depending on whether a community or region is urban or rural or is oriented toward manufacturing, agriculture, tourism, or another industry sector, its strategic priorities will vary. *No one strategy alone is a panacea—there is no magic bullet for economic development.* A community or region will need to determine the appropriate mix of strategies that makes the most sense to support given its assets and strategic opportunities. Each strategy involves leveraging resources and partnerships effectively, and each requires a certain level of energy, skill, and sustained commitment.

## Retaining and expanding existing firms

The first strategy is to support existing businesses, that is, to keep them in the jurisdiction and encourage their growth. Expansions can occur as local businesses

- increase sales of their current products and services,
- discover and create innovative niche products and services,
- diversify and begin marketing new products and services,
- discover and move into new export markets,
- lower their cost of production through the adoption of innovative technologies or more efficient processes, or
- consolidate from other operations.

Retaining companies that already exist in a jurisdiction and helping them grow is considered a less risky and more cost effective approach to economic development because it (1) builds the local economy from within, and (2) it strengthens a company's ties to the local community. Moreover, studies suggest that anywhere from 60 to 80 percent of new jobs come from existing businesses.<sup>4</sup>

The N.C. Department of Commerce's staff who specializes in existing industry and international trade are key partners for business retention efforts. Also, the staff at the Industrial Extension Service at North Carolina State University provides training and technical assistance to manufacturers in applying cutting-edge technologies and using processes to increase their profitability, both of which might help them stay and grow in North Carolina. Local community colleges are also an important source of training and assistance for existing industry.

Ensuring the success and satisfaction of existing business and industry is important in recruiting new firms to an area, as business leaders considering a new location frequently seek the input of business leaders already there. If existing industries are not happy with their community, new firms are less likely to come.

The following list highlights recent announcements of major existing industry expansions in North Carolina.

- Merck & Company, Inc., announced in 2008 that it would invest \$300 million and add 150 jobs at its vaccine manufacturing facility in Durham.
- Williams-Sonoma, Inc., decided in 2008 to invest \$2.7 million and add up to 820 new jobs at its Sutter Street upholstery manufacturing plant in Catawba County.

- Sypris Technologies, Inc., chose in 2008 to invest \$25 million and add 200 new jobs at its truck axle production facility in Burke County.
- KobeWieland Copper Products decided in 2007 to invest \$71 million, add 65 jobs, and upgrade and expand its pipe and tubing production facility in Stokes County.
- TransTech Pharma and its spinoff PharmaCore decided in 2007 to invest \$23 million and add 205 jobs at their pharmaceutical research and production facilities in High Point.
- INC Research decided in 2007 to invest \$19.2 million and add up to 1,100 positions to its clinical research operations in Wake County.

### Improving local linkages

This strategy seeks to strengthen linkages among firms in ways that add value to industries and communities. An important linkage to shore up is one between local sellers and buyers of raw materials and other inputs, finished goods, and services. The idea is to increase the opportunities for local firms within a group of related industries—an industry cluster—to trade with one another.

The more a dollar circulates in a local economy before moving out, the more wealth will be generated. A survey of spending patterns of institutional buyers in a community—hospitals, school districts, and governments (municipal, county, state, or federal), for example—could identify new market opportunities for local businesses.

Firms can also benefit from collaborating in ways that may not involve purchasing transactions that occur within an industry's supply chain. Networking among businesses within an industry cluster can help firms identify new customers and suppliers, as well as result in partnerships and joint ventures for R&D or workforce development. When businesses are connected in meaningful ways, they can exchange ideas and information that might boost innovation and add value within the cluster as a whole.

Several prominent and well-developed industry clusters in the state, such as biotechnology and financial services, feature strong and frequent linkages among firms that may be competitors in the marketplace. These companies find that, in some instances, they must collaborate in order to compete. Industry associations often act as facilitators of industry networks. These networks can be either formal or informal and are more likely to form in communities or regions with high levels of social capital. An example of a

regional effort to improve local linkages within an emerging target industry is the implementation of the Advanced Materials Cluster initiative in Alleghany, Ashe, and Wilkes counties ([www.advancedmaterialsnc.org](http://www.advancedmaterialsnc.org)).

### **Creating new firms and promoting entrepreneurship**

Communities can actively help new businesses get started. New businesses can be created to sell products or services to replace those imported into the area or to provide products and services that were previously unavailable from a local source. New businesses are also started to produce new products.

The Small Business Centers (SBCs) at each community college offer training and counseling in business start-up. The Small Business and Technology Development Centers (SBTDCs) at each UNC system campus help small business owners at various stages of their firms' growth. Colleges and universities often spin off new companies through technology transfer, as well as support entrepreneurs through research and training. Councils and formal networks for entrepreneurs are now active in at least four regions of the state. These include the

- Council for Entrepreneurial Development (CED) in the Research Triangle area,
- Piedmont Triad Entrepreneurial Network (PTEN) in the Triad region,
- Blue Ridge Entrepreneurial Council (BREC) in the Asheville region, and
- Coastal Entrepreneurial Council (CEC) out of Wilmington.

The Advantage West Economic Development Group initiated its Certified Entrepreneurial Community program to raise awareness about the potential for entrepreneurship and to help communities devise a plan for supporting business creation.

Entrepreneurial development is a homegrown approach to job creation that is feasible in nearly all types of communities—rural and urban, large and small. Current examples of local efforts to support entrepreneurship in North Carolina include<sup>5</sup>

- using local retired business executives to provide assistance to existing small firms and start-ups in Brevard,
- helping local artisans convert their crafts skills into business enterprises in Elkin,

- partnering with the local community college to convert part of an abandoned textile mill into a small business incubator in Wadesboro, and
- using the methane gas from the county landfills to power the studios of fledgling artisans in incubator spaces in Yancey and Jackson counties.

### **Capturing new dollars**

Although it is advantageous for companies to buy local, communities create more wealth when firms sell their goods and services outside the local market area. Firms that export increase the flow of new money into a community or region. When thinking about developing new sources of outside dollars, many communities try to develop or recruit companies that serve national or global markets, or those in “traded” clusters. Firms that serve only local markets typically do not create as much of a multiplier effect as those that sell outside the area.

There are numerous ways to capture a greater share of outside dollars and increase the flow of new money into a community. A few examples include

- an out-of-state investor purchasing local property and building an office park,
- a transplanted retiree spending monthly Social Security and pension benefits on local goods and services,
- a family of tourists renting a beach house for the week and dining at local restaurants,
- international visitors attending an annual musical festival in a mountain community,
- customers drawn to a large regional shopping center, and
- out-of-town patients seeking health care services at a specialized regional medical facility.

### **Recruiting new facilities**

Although the number of major industrial recruitment projects has decreased in the last 20 years, most communities still want to be poised to attract the new industrial or corporate facilities of firms engaging in manufacturing, R&D, transportation, distribution, technology, and other activities. These announcements can create excitement and momentum

for other initiatives. The following list highlights recent announcements of major new business locations in North Carolina.

- Covation, LLC, selected Catawba County in 2009 for a \$6.2 million customer support center that will employ 913 workers.
- Sanderson Farms selected Lenoir County in 2008 as the site for a \$126 million poultry processing facility that will employ 1,600 workers.
- Spirit AeroSystems, Inc., decided in 2008 to build a \$570 million facility with 1,000 workers to manufacture aircraft components at the Global TransPark in Lenoir County.
- Sky America Service Center, Inc., in 2008 selected Rutherford County as the site for a new high tech communications center that will eventually employ 1,300 workers. The center will be located in the former Stonecutter Mills, no. 1 facility in Spindale.
- Providência decided in 2008 to build its first North American manufacturing facility in Statesville. The Brazilian-based company produces nonwoven fabrics or “engineered textiles.” It will invest \$133 million over five years and employ 90 workers in Iredell County.
- VX Aerospace Corporation decided in 2007 to build an advanced composite aircraft parts manufacturing facility in Morganton, bringing with it up to 400 jobs.
- Google in 2007 selected Caldwell County as the site for a \$600 million computer data center that is expected to employ 210 workers.

## Tools

### Marketing and recruitment tools

Jurisdictions employ a number of marketing and promotional tools and activities in recruiting new businesses. These tools help prospective firms and industries learn about North Carolina’s many advantages. Marketing messages should be unified, coordinated, and complementary across counties, regions, and the state. A jurisdiction can highlight and market its assets through a combination of tools that include:

- **Prospect visits**—Face-to-face communication is usually the most effective.



- **Website**—A high-quality Web presence is absolutely essential. A website should display current information and be both concise and easy to navigate.
- **National media relations**—Business executives read articles about various regional economies in business and trade publications.
- **Direct mail**—Targets should include both likely prospects and site selection consultants.
- **Community data books**—These should be customizable to fit a prospect's unique needs.
- **Brochures**—These should be attractive and describe in detail the benefits of locating in the area.
- **Print advertising**—There are numerous local, state, and national publications geared toward industrial location searches.
- **Trade shows**—Visibility is crucial in economic development.
- **Local media**—Local public relations efforts keep the public informed about economic development and can help build and maintain needed community support.

### Business retention and expansion tools

A formal business retention and expansion program seeks to build relationships with local companies in order to identify critical needs and facilitate access to resources and other assistance that will help firms become more competitive. It can also help identify local companies that may be at risk of experiencing a major decline that results in layoffs or plant closings. Business retention and expansion tools include:

- **Calls and visitation**—reach out to existing firms to learn about business needs, concerns, and plans.
- **Business surveys**—systematically collect data on competitiveness issues and satisfaction within the community.
- **Business networking**—produce mutual gains by bringing firms together.
- **Technical assistance**—help firms with financing, staffing, regulations and permitting, utilities, market development, operations, technology, and so forth.
- **Workforce training assistance**—ensure that firms have access to the skilled labor and talent they need.
- **Recognition and appreciation**—celebrate the contributions of existing firms through symbolic gestures, such as award

luncheons, news stories, and proclamations, that make them feel valued by the community.

- **Financial incentives**—use tax credits and performance-based grants to support retention and expansion of existing industry.

### Entrepreneurship tools

Small business development and entrepreneurship programs provide support to smaller firms and encourage the start-up of new enterprises in order to stimulate economic development. Local governments most often defer to other entities like state agencies, community colleges, universities, chambers of commerce, and local nonprofits to take the lead on small business development. However, several North Carolina counties and cities invest in and help facilitate certain small business development activities including:

- **Business incubators**—Affordable physical space offers access to shared administrative and support services for fledgling start-ups until they can survive on their own.
- **Revolving loan funds**—A loan pool can relend to borrowers as funds are repaid.
- **Technical assistance**—Small start-ups need help with financing, accounting, management, marketing, technology, and staffing in order to grow to the next level.
- **Entrepreneur networks**—Entrepreneurs can learn from one another and explore opportunities for joint ventures when they participate in formal networks or informal interactions.
- **Equity or venture capital funds**—These specialized sources of financial capital rely on private investors willing to provide seed funding for early stage firms with high growth potential. An example is the Inception Micro Angel Fund, which is building a network of investor funds statewide ([www.inceptionmicroangelfund.com](http://www.inceptionmicroangelfund.com)).

### The Need for Product

The “product” that a company seeks when selecting a business location is the particular buildings and sites that meet its operational requirements. In today’s quick-turnaround economy, North Carolina will be better posi-

tioned if it has a quality product to sell when an industry is looking. Therefore, it is critical that existing industrial buildings and suitable sites are available before prospects arrive in a community. A bare, unimproved parcel of land is not typically considered a viable industrial site. Most clients request an existing building rather than an undeveloped site because it saves them time and money and reduces their risk. In some cases the prospect will like an area but not the first building it is offered. Consequently, other “shovel-ready” sites should be available with infrastructure in place, approvals and permits granted, and site development ready to proceed. Initiatives such as the Certified Industrial Site (CIS) and Certified “megasite” programs are designed to ensure that a basic level of site readiness (e.g., zoning, environmental surveys, grading, initial engineering work, infrastructure, and so forth) exists prior to the arrival of corporate relocation professionals.

Many smaller, rural jurisdictions find it difficult to support certain types of “product development” on their own. When municipalities and counties collaborate on larger projects, such as industrial parks, they can enjoy economies of scale and cost savings and get a product in place that otherwise might not be feasible.

The General Assembly has enacted legislation to encourage and facilitate interlocal cooperation on economic development. North Carolina General Statute 158-7.4 authorizes two or more units of local government to enter into a formal agreement to share financing, expenditures, and revenues related to joint development projects. It specifically authorizes the sharing of property tax revenues generated from a joint industrial or commercial park or site.

Two recent examples illustrate how cities and counties might collaborate on product development in order to strengthen their competitive position. The first is the Triangle North project (formerly Kerr-Tar Hub), involving Franklin, Granville, Vance, and Warren counties. In December 2005 county officials signed an interlocal agreement to share the costs of developing a specialized industrial park on one site that will benefit all four counties. The interlocal agreement stipulates how the counties will share costs and allocate revenues created by the industrial park. According to the agreement, the four counties will be equally represented on the board of the newly created Kerr-Tar Regional Economic Development Corporation, a nonprofit charged with developing and managing the first of four planned business parks and sites. This collaborative effort will eventually produce a network of four business parks and sites, one located in each county. The Kerr-Tar Regional Council of Government spearheaded and

helped facilitate this process. The second example is the North Mecklenburg Industrial Park. The towns of Cornelius, Davidson, and Huntersville are jointly developing this project in Mecklenburg County. In March 2005 the three towns signed an interlocal agreement that sets forth a process for joint ownership of the industrial park and a plan for revenue sharing.

## How a Business Location Project Happens

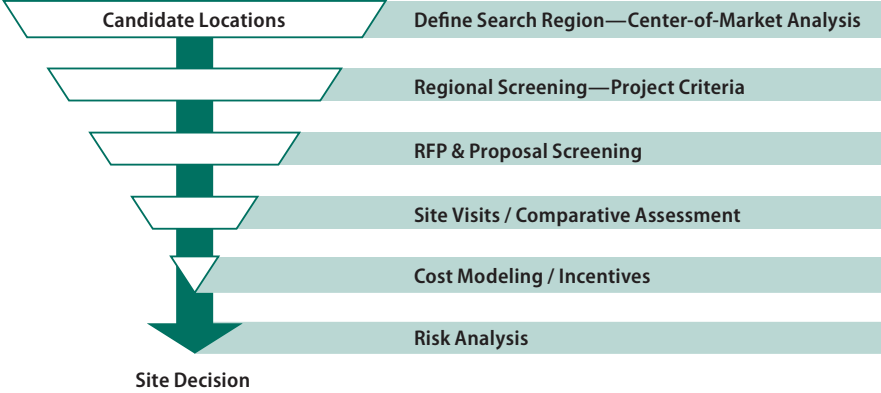
Business location projects can originate from many sources and can work through the system from many starting places. For example, an inquiry may come about as a result of an advertisement in a magazine, by word-of-mouth from a customer or supplier who is already located in North Carolina, from a trade show, or from a site-selection consultant. Prospects may call a local developer directly if they know exactly where they want to be, or a regional developer if they know their approximate target location. Often the inquirer will call the N.C. Department of Commerce first. The following is an example of how a project works through the system, starting with a general inquiry about North Carolina. See Figure 3.

### A typical project

An inquirer may be a representative of a company itself or a site-selection consultant representing a company. During the first call, the inquirer will usually request information about communities that match the company's site selection criteria. A state developer will take the inquirer on as a client and will then contact local developers from communities that have assets that the company is seeking. The local developers will respond by submitting proposals to the state developer, who then will send all of the community packages to the client. If, after several calls between parties to clarify and gather additional information, the client is still interested in one or more of the proposed locations, the state developer will schedule and coordinate a visit by the client to those communities. It is important to recognize that the client will have eliminated many of the proposed communities based on the information it receives in the proposals.

At this point in the process, a client is usually "comparison shopping" among several states and many communities; consequently, the first visit is a critical point in the sales process. Generally, a client will be visiting several communities in one day. Thus, time is at a premium. Developers at all levels must be prepared with the precise information that a client might want to view in a short period of time. From a client's point of view,

**Figure 3. The Site Selection Process**



Source: McCallum Sweeney Consulting, used with permission

the purpose of the visits is to eliminate most of the communities down to a short list of two or three with which it can further negotiate. Sometimes there is no visit at all until after the short list is developed, which puts more pressure on economic developers to have effective websites and other marketing tools to tell their story when a company is screening out most communities.

Generally a state developer will be a client’s primary contact until the client’s company settles on a short list of possible locations. Once the site negotiations begin, a local developer will take the lead and become the primary contact and deal closer. During these negotiations, the local developer must call on all of his or her allies and resources for support and coordination. The terms and conditions that a company requests of a community during these negotiations may cover a broad spectrum of issues, including site locations, schools, permits, financing, and research partnerships. As in any negotiation, the local developer and his or her support team must know what the value of the project is—and the limits of the local investment—to meet a targeted return. In this case, the local investment is coordinated from all resources including public dollars from all levels of government within the state, combined with money from private investors who might have an interest in the project.

The need for confidentiality is one issue in the site selection process that is often misunderstood. Companies require confidentiality because they do not want their competitors to learn about their strategic decisions, particularly new locations or expansions. Participants in this process must strive

to honor this need for confidentiality in order to keep their jurisdictions under consideration. Some communities have lost projects as a result of a confidentiality breach or premature press coverage.

The time frame for what has been described above can take years or weeks, depending on how fast a company is willing to make decisions and on the size of the project. In today's competitive economy, the amount of time is getting shorter and shorter.

## Financial Incentives

Financial and tax incentives are used mostly to support two particular economic development strategies: business recruitment and business retention/expansion. However, many jurisdictions are exploring possibilities for creating effective financial incentives to aid small firms.

Incentives are not inherently good or bad. Public officials use incentives as tools to affect a project's success. However, their results can vary depending on how they are applied.<sup>6</sup> Just as businesses make an investment to achieve a return, states and localities can treat their expenditures on business incentives as public investments that require an appropriate rate of return.

The net return from incentive policies at all levels must be measurable. Quantifiable results must be gathered to show that a community or the state has derived benefits that outweigh the cost of the incentives. Clawback provisions must be included that require firms to reimburse incentive providers should they fail to meet agreed investment and jobs targets.

Most costs associated with relocating a business occur in the first 18 months, and many incentive policies are designed to help companies ramp-up new operations with minimal disruption and financial drain. The most successful transactions occur when a community and a company see the location choice as a win-win situation. Each party makes an investment, and they divide the risks and share the rewards.

Firms take incentives into account along with other key site selection factors, such as access to skilled labor, adequate buildings and facilities, and high-quality infrastructure. The data in Table 1 show the top 12 factors, out of a possible 25, that industrial and manufacturing firms consider to be most important in their business location and expansion decisions. Based on an annual survey of corporate executives, these numbers suggest that incentives are not likely to be the single most important site selection

**Table 1. Top Site Selection Factors for Industrial Facilities**

Factors	Percent (%)
1. Highway accessibility	95.4
2. Labor costs	91.4
3. Occupancy and construction costs	90.4
4. Tax exemptions	88.6
5. Energy availability and costs	87.9
6. Availability of skilled labor	87.7
7. State and local incentives	87.2
8. Corporate tax rate	85.3
9. Low union profile	82.7
10. Available land	82.0
11. Availability of buildings	80.8
12. Proximity to major markets	78.7

Source: 23rd Annual Corporate Survey, Area Development, 2008

factor, but they clearly matter. That incentives are ranked in the top ten is notable.

Thus it is important to understand how and when incentives matter in the site selection process. Incentives are typically negotiated once a business has narrowed the list of possible locations to a few that meet all of its other requirements for a site or building, infrastructure, workforce, and so forth. At that point the incentives offered can tip the scale in favor of one location over another. From a competitiveness perspective, a jurisdiction has to decide whether to play to win or sit on the sidelines. In the current environment incentives are necessary to be in the game.

With firms seeking to maximize shareholder value, financial support from communities that bolsters the bottom line is a critical site selection criterion. Because site selection searches are largely a process of elimination, communities and states refusing to offer reasonable incentives may not be viewed as serious about economic development and risk being eliminated quickly from consideration by companies and site-selection consultants.

State and local governments striving to capture their share of new jobs and investment offer long-term advantages to new and expanding firms, including a balanced menu of sensible incentives. Having a formal policy that specifies the types of industries eligible for incentives and the criteria for company performance can help ensure that incentives are used strategically to benefit the jurisdiction. In the end any financial support for new or expanding industry must be predicated upon a targeted return on investment.



States and localities should utilize economic and fiscal impact analysis tools to estimate the costs and benefits of a project to a jurisdiction. Like any sound investment, incentives should more than pay for themselves in yielding economic and fiscal benefits over and above what the incentives cost and any expenditures required for new public services.

## Current Financial Assistance Programs

North Carolina provides companies meeting certain requirements with financial assistance designed to lower the costs of doing business. The following programs are available as of June 2009. The amount of money available in each program is limited.

### State programs

**Commerce Finance Center.** The state's CFC serves as a "one-stop" financial center for relocating companies and existing employers needing information and advice on financing alternatives in North Carolina. For more detailed information on financial incentives available for new and expanding businesses, including the options discussed below, go to [www.nccommerce.com/finance](http://www.nccommerce.com/finance).

**Job Development Investment Grant.** JDIG is a discretionary incentive program that provides a limited number of cash grants directly to new and expanding businesses that will provide economic benefits to the state but need a grant to carry out the project in North Carolina. A five member Economic Investment Committee (EIC) evaluates projects and makes decisions regarding JDIG awards, funding levels, grant periods, and other terms of the grants. The EIC is authorized to award grants to be disbursed annually for a period of up to twelve years, ranging from 10 percent to 75 percent of the withholdings associated with eligible positions created by a company over a specified period of time.

**Credits for growing businesses.** Article 3J credits provide several types of tax credits to eligible taxpayers that undertake qualifying activities, such as job creation, investment in personal property, and investment in real property. These credits may be combined to offset up to 50 percent of a taxpayer's state income and franchise tax liability. Benefit levels are calibrated based upon a county's level of economic distress. Counties are assigned a "tier" ranking that ranges (poorest to wealthiest) from 1 to 3. While job and investment tax credits are available in all 100 counties, real property tax credits are only available in tier 1 counties.

The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. There is no wage standard for taxpayers located in a tier one county.

Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as urban progress zones. Counties that do not have a municipality of at least 10,000 have the ability to define qualifying areas of poverty as agrarian growth zones. Projects located within these zones receive enhanced Article 3J credits.

**State development zone program.** In addition to the credits discussed above, the zone program offers enhanced benefits to firms settling in one of more than 50 development zones, which typically are impoverished areas located inside municipal limits. The program gives an enhanced tax credit for jobs created in these zones. The credit per job is \$4,000 more than the amount it would otherwise have been for that county's tier level.

**One North Carolina Fund.** Companies may receive money from this fund for the installation or purchase of new equipment; structural repairs, improvements or renovation of existing buildings to be used for expansion; construction of or improvements to new or existing water, sewer, gas, or electric utility distribution lines or equipment for existing buildings; construction of or improvements to new or existing water, sewer, gas, or electric utility distribution lines or equipment for new or proposed buildings to be used for manufacturing and industrial operations. The company must agree to meet an average wage test, and its local unit of government must agree to provide matching financial assistance to the company.

**North Carolina Small Cities Community Development Block Grant Program.** This program offers grants to local governments (municipal and county) for infrastructure projects involving a specific business that will create new jobs. In addition, when working with participating banks, loans may be made to private businesses to fund machinery and equipment, property, or construction. Project activities must predominantly benefit persons living for the preceding 12 months in a low or moderate family income status.

**Industrial Development Fund.** IDF is available to assist the local governments of the most economically distressed counties in the state. An eligible county or city may apply for the funds on behalf of a private manufacturing business located or locating in its jurisdiction. The business may use IDF funds for the construction of water, sewer, gas, and electric lines to the site or for the construction or repair of industrial buildings. Funds available for a single project are determined by multiplying the number of jobs commit-

ted to be created by \$5,000 up to a maximum of \$500,000 or the cost of the project, whichever is less.

**Customized industrial training.** The North Carolina Community College System's new and expanding industry training program is a national model for providing industry with customized worker training. The service is available to those firms creating at least 12 new jobs in the state. The program pays for instructors' wages and travel expenses (even if the trainer is a company employee), as well as classroom materials and suitable training facilities.

**Approval of industrial revenue bonds.** IRBs offer businesses a convenient, long-term, flexible financing vehicle. The bonds are available to finance qualified manufacturing facilities and certain solid waste disposal facilities in North Carolina. IRBs can be used to finance an entire project, including the cost of land, construction of new or expanded facilities, acquisition and installation of depreciable property, such as equipment, and construction period interest. Typically IRBs are issued as floating-rate debt supported by a letter of credit issued by a bank and have an interest rate that is approximately 60 to 70 percent of the prevailing prime rate. Terms of the bond issue are negotiable, and the costs of issuing bonds can be spread out over the term of the bond issue. As discussed below, counties issue the bonds after receiving approval from the state.

**Industrial Access/Road Access Fund.** This fund is administered by the N.C. Department of Transportation. The program provides funds for the construction of roads to provide access to new or expanded industrial facilities.

**Business energy loans.** These loans are administered by the N.C. Department of Administration. The program makes loans to businesses for facilities or projects that demonstrate energy efficiency or the use of renewable energy resources resulting in energy cost savings.

**Rail Industrial Access Program.** The N.C. Department of Transportation administers this program, which provides grant funding to aid in financing the cost of constructing or rehabilitating railroad access tracks required by a new or expanded industry. Funding is contingent upon the expectation of a significant number of jobs created or capital investment made.

**Other programs.** Businesses may also seek financial assistance and tax credits through the following state-level programs.

- Research and Development Tax Credit
- Qualified Business Investment Tax Credit
- North Carolina Ports Tax Credit

- Foreign Trade Zones
- Renewable Energy Tax Credit
- Recycling Facility Tax Credit
- Green Business Fund
- One North Carolina Small Business Program (SBIR/STTR)
- Building Reuse and Restoration Grants

## Regional programs

Each of the state's seven regional partnerships maintains its own set of policies and procedures for providing financial support for industrial projects. Some regions provide grants and loans. North Carolina's Eastern Region, for example, has Flex-Cap Local grants (up to \$20,000) for projects with single-county impact, Flex-Cap Regional grants (no predetermined maximum) for projects with multicounty impact and low interest loans from a revolving loan account. In the past counties have used loans to purchase land for industrial parks, to construct shell buildings, and to install supporting infrastructure.

Other regional organizations that support economic development to varying degrees are Councils of Government (COGs) and Workforce Development Boards. In North Carolina 17 COGs or regional councils serve multicounty regions by assisting local governments with planning and development issues. COGs provide technical assistance to local governments and help coordinate access to state and federal programs. Some COGs are more directly engaged in economic development activities than others. For example, the Upper Coastal Plain COG located in Rocky Mount administers a revolving loan fund and is developing a regional business incubator. The Centralina COG in the Charlotte region created and staffs a nonprofit organization called the Centralina Economic Development Commission.

There are 24 Workforce Development Boards in the state that oversee and coordinate federal workforce programs at the local level. Some Workforce Development Boards serve single counties but many serve multicounty regions and are based within COGs. Local elected officials appoint board members, a majority of whom must be business representatives.

## Local programs

A recent survey found that local governments in North Carolina rely primarily on infrastructure investments, zoning, and permitting as economic development incentives.<sup>7</sup> However, 42 percent of cities and counties

responding to the survey also provide cash grants directly to firms in lieu of abating local property taxes, which is prohibited in this state. City and county incentive programs vary widely, but cash grants increasingly are offered along with other types of inducements. Cash grants should be tied to the performance of the company and are usually calculated based on a formula of anticipated local tax revenue and job increases over a designated period of time.

**Local incentive examples.** Robeson County, for example, maintains a three-tiered industrial development incentive grant program, eligibility for which is based upon capital investment, job, and wage levels. Land grants and other types of assistance are negotiated on a case-by-case basis.

Another example is Forsyth County, which has established incentive guidelines based on new capital investment (building and equipment) and on the number and value of new jobs created. The county requires a minimum investment of \$3 million and the creation of at least 25 new jobs. Incentives must be approved by vote of the board of commissioners. Using a formula that calculates the annual tax return from the investment and the sales tax increase from the new jobs, the county will provide financial assistance to companies based on a three-to-five-year payback. The money can be used for site, facility and infrastructure improvements, land, site analysis, employee training, and lease reductions. Jobs must meet identified wage thresholds.

Scotland County, a third example, awards incentives that include free land, extension of water and sewer lines, relocation assistance, waiver of building permit fees, and cash grants equivalent to 50 to 85 percent of county property taxes. These enticements are extended based upon the amount of capital investment and the number of jobs anticipated within a period of three years.

**Industrial revenue bonds.** Subject to approval by the Department of Commerce and the Local Government Commission, counties may establish authorities to issue IRBs or industrial development bonds, which provide tax-exempt financing for eligible new or expanded manufacturing facilities. The maximum bond amount is \$10 million. Qualifying projects must include

- a written commitment of local support called an “inducement letter”;
- a commitment either to pay wages above the county manufacturing average or 10 percent above the state average or to locate in an area of severe unemployment;
- the procurement of required environmental permits;

- the creation of a sufficient number of jobs to impact the local economy (a minimum of six jobs per \$1 million in bonds); and
- the assurance that the new financing will not result in the company closing another facility in North Carolina.

**Project development financing.** This is a relatively new economic tool available to cities and counties in North Carolina. In November 2004, voters approved an amendment to the state constitution (Amendment One) that authorizes local governments to issue “project development financing” bonds without voter approval to pay for certain public investments needed to attract private development. Although new to North Carolina, this general type of financing mechanism has been widely used in 48 other states for many years. More commonly known as tax increment financing, or “TIF,” this type of bond relies on the incremental tax revenues that result from increases in assessed property values. The bonds are considered self-financing because, if successful, the public improvements they finance will stimulate new private investment and generate tax revenues that are used to pay off the bond debt. For more information on TIF in North Carolina, visit [www.sog.unc.edu/programs/tif](http://www.sog.unc.edu/programs/tif).

## Emerging Trends

The field of economic development is constantly evolving and is influenced by new ideas and innovative thinking about how best to promote private investment and job creation. The latest trends in the field emphasize home-grown strategies that build on existing local assets as potential sources of growth. They also highlight the advantages of collaboration and partnerships (social capital) in implementing economic development. The following five strategies are among the emerging practices that, over time, may prove promising as new ways of doing economic development.

1. **Collaborating to compete** by building connections within key industry clusters and between firms and supporting organizations, and also by facilitating cooperative arrangements between jurisdictions on infrastructure and product development (e.g., joint industrial parks).
2. **Cultivating creativity and talent** by fostering an environment that is conducive to creative ideas (innovation), people, and enterprises, increasing the pool of knowledge workers, equipping people with higher-order skills, and preparing people for community leadership.
3. **Economic gardening** as a specific way to “grow your own” jobs from scratch by cultivating local entrepreneurs and small firms and creating an environment that supports their growth.
4. **Place-based development** capitalizes on the distinctive and special characteristics of a particular place such as its natural environment, cultural heritage, specialized infrastructure, and arts/crafts traditions.
5. **Green development** encourages activities and projects that are environmentally sustainable such as renewable energy production, energy efficient building construction, waste recycling, remanufacturing, property reuse, and conservation; it also seeks to create employment and market opportunities related to these activities.





## Resources

The following organizations offer information, education, and support on an array of economic development topics.

The NORTH CAROLINA ECONOMIC DEVELOPERS ASSOCIATION (NCEDA) is the statewide association of professional economic developers and their allies. Members promote the state and their respective communities as places for new economic activity. Traditionally, this work focused on recruitment of manufacturing industries, but it has recently expanded to include trade, services, tourism, downtown development, business retention, and entrepreneurship. Serving its members for over 30 years, NCEDA's mission is to be (a) North Carolina's leading organization for economic development professionals and allies and (b) North Carolina's leading advocacy organization for economic development.

North Carolina Economic Developers Association  
1201 Edwards Mill Road, 1st Floor  
Raleigh, N.C. 27607  
Contact: John Peterson, Executive Director  
Toll-Free: 888.24NCEDA  
Fax: 919.882.1902  
[www.nceda.org](http://www.nceda.org)

The NORTH CAROLINA DEPARTMENT OF COMMERCE is North Carolina's lead agency for economic, community, and workforce development. The department's mission is to improve the economic well-being and quality of life for all North Carolinians. Services to businesses include business recruitment; retention and expansion services; maintaining a comprehensive database of available commercial and industrial properties; assistance

with exporting; and helping start-up firms, small but growing businesses, and disadvantaged persons in inner cities and rural areas.

North Carolina Department of Commerce  
301 N. Wilmington Street  
Raleigh, N.C. 27601  
Phone: 919.733.4977  
[www.nccommerce.com](http://www.nccommerce.com)

The BASIC ECONOMIC DEVELOPMENT COURSE AT UNC-CHAPEL HILL provides intensive instruction on the fundamentals of economic development practice. It is an introductory training course designed for economic development professionals employed by public, nonprofit, or private development agencies. The course is accredited by the International Economic Development Council and counts toward the CECD certification for professional economic developers. It serves as the first step in a structured professional development program. The course provides economic development professionals with the foundational knowledge and skills necessary for organizing, planning, and operating economic development activities and programs.

Basic Economic Development Course  
University of North Carolina at Chapel Hill  
School of Government  
Contact: Jonathan Q. Morgan, Ph.D.  
Phone: 919.843.0972  
[www.cednc.unc.edu/bedc](http://www.cednc.unc.edu/bedc)

The NORTH CAROLINA COMMUNITY COLLEGE SYSTEM strives to open doors to high-quality, accessible educational opportunities that minimize barriers to post-secondary education, maximize student success, develop a globally competent workforce, and improve the lives and well-being of individuals. With 150 locations, more than 14,000 faculty and staff, and 800,000 students, the system's 58 colleges offer:

- Education, training, and retraining for the workforce, including basic skills and literacy education, occupational and pre-baccalaureate programs.
- Support for economic development through customized training for new and existing industry and through business start-up assistance via the Small Business Center Network.

- Pathways to four-year degrees and beyond through collaborations with the University of North Carolina System and private colleges and universities.
- Services to communities and individuals that improve the quality of life across North Carolina.

North Carolina Community College System

5001 Mail Service Center

Raleigh, N.C. 27699-5001

Contact: Linda Weiner, Vice President of Engagement

Phone: 919.807.7146

[www.ncccs.cc.nc.us](http://www.ncccs.cc.nc.us)

The NORTH CAROLINA BIOTECHNOLOGY CENTER is a private, nonprofit corporation created by the state in 1984 and supported by the General Assembly. The Biotechnology Center's mission is to provide long-term economic and societal benefits to North Carolina by supporting biotechnology research, business, and education statewide. The Biotechnology Center has three core programs:

- Science and technology development
- Business and technology development
- Education and training

North Carolina Biotechnology Center

15 T.W. Alexander Drive

P.O. Box 13547

Research Triangle Park, N.C. 27709-3547

Contact: Mike Wilkins, Senior Vice President,

Statewide Operations and Economic Development

Phone: 919.541.9366

Fax: 919.990.9544

[www.ncbiotech.org](http://www.ncbiotech.org)

The GOLDEN LEAF FOUNDATION receives funds through the national tobacco settlement and provides grants to government entities, educational institutions, economic development organizations, and nonprofits to create economic impact, particularly in places adversely affected by tobacco decline. The purpose of Golden LEAF is to fund projects that promise to bring significant economic improvement to the tobacco-dependent, economically distressed, and/or rural communities of North Carolina. Golden

LEAF's grant programs focus on three priorities: agriculture, job creation and retention, and workforce preparedness.

Golden LEAF Foundation  
301 N. Winstead Avenue  
Rocky Mount, N.C. 27804  
Contact: Dan Gerlach, President  
Phone: 252.442.7474  
Toll free: 888.684.8404  
Fax: 252.442.7404  
[www.goldenleaf.org](http://www.goldenleaf.org)

The NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER serves the state's 85 rural counties by developing, promoting, and implementing sound economic strategies to improve the quality of life of rural North Carolinians. The Rural Center places a special focus on individuals with low to moderate incomes and communities with limited resources. It administers business loan programs and makes grants to local governments for water and sewer projects, and it administers grants to support community development corporations, building reuse, and rural health care facilities. The Rural Center is home to the Institute for Rural Entrepreneurship and directs the NC STEP (Small Towns Economic Prosperity) demonstration program.

North Carolina Rural Economic Development Center  
4021 Carya Drive  
Raleigh, N.C. 27610  
Contact: Billy Ray Hall, President  
Phone: 919.250.4314  
Fax: 919.250.4325  
[www.ncruralcenter.org](http://www.ncruralcenter.org)

The SOUTHERN ECONOMIC DEVELOPMENT COUNCIL (SEDC) traces its roots to the fall of 1946, making it the oldest and largest regional economic development association in North America. SEDC is a 501(c)(6) nonprofit membership organization serving more than 1,200 economic development professionals in 17 states. Its membership is diverse, including leaders from across business and industry, chambers of commerce, utilities, transportation, finance, education, and local, regional, and state development agencies.

Southern Economic Development Council  
P.O. Box 18369 Atlanta, G.A. 30316  
Contact: Gene A. Stinson, President  
Phone: 404.523.3030  
Fax: 404.523.0406  
[www.sedc.org](http://www.sedc.org)

The SOUTHERN GROWTH POLICIES BOARD develops and advances visionary economic development policies by providing a forum for partnership and dialog among a diverse cross-section of the region's governors, legislators, and business and academic leaders. This unique public-private partnership is devoted to strengthening the South's economy and creating the highest possible quality of life. Southern Growth develops new regional strategies for economic development and identifies best practices to facilitate action.

Southern Growth Policies Board  
P.O. Box 12293  
Research Triangle Park, N.C. 27709  
Contact: Ted Abernathy, Executive Director  
Phone: 919.941.5145  
Fax: 919.941.5594  
[www.southern.org](http://www.southern.org)

The INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL (IEDC) was created in 2001 through the merger of the Council for Urban Economic Development (CUED) and the American Economic Development Council (AEDC), both longstanding organizations. IEDC is a professional membership organization with nearly 4,000 members. Its services include conferences, professional development and certification, advisory services, legislative tracking, an information clearinghouse, and publications.

International Economic Development Council  
734 15th Street NW, Suite 900  
Washington, D.C. 20005  
Contact: Jeff Finkle, President  
Phone: 202.223.7800  
Fax: 202.223.4745  
[www.iedconline.org](http://www.iedconline.org)

CORENET GLOBAL is a worldwide professional development and networking association for corporate real estate and related professionals. Formerly known as IDRC, its 7,000 members are based in five global regions and manage \$1.2 trillion (U.S.) in owned and leased industrial, office, and other space. Among its services is the Open Standards Consortium for Real Estate.

CoreNet Global  
260 Peachtree St., Ste. 1500  
Atlanta, G.A. 30303  
Contact: Prentice Knight, Ph.D., CEO  
Phone: 404.589.3200  
Toll free: 800.726.8111  
Fax: 404.589.3201  
[www.corenetglobal.org](http://www.corenetglobal.org)

INDUSTRIAL ASSET MANAGEMENT COUNCIL (IAMC) is a leading association of industrial asset management and corporate real estate executives, their suppliers and service providers, and economic developers.

Industrial Asset Management Council  
6625 The Corners Parkway, Suite 200  
Norcross, G.A. 30092  
Contact: Ron Starner, Executive Director  
Phone: 770.325.3461  
Fax: 770.263.8825  
[www.iamc.org](http://www.iamc.org)

The following resources in the state also have a focus on economic development.

- The UNC COMMUNITY-CAMPUS PARTNERSHIP (CCP) is an initiative designed to forge long-term partnerships with economically distressed communities in North Carolina. Through CCP, the UNC campus will focus faculty, student, and staff resources and expertise on the needs and priorities identified by its partner communities. [www.sog.unc.edu/programs/ccp](http://www.sog.unc.edu/programs/ccp)
- The INDUSTRIAL EXTENSION SERVICE AT NORTH CAROLINA STATE UNIVERSITY focuses on helping existing industry be more productive and profitable. [www.ies.ncsu.edu](http://www.ies.ncsu.edu)

- **SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTERS**, housed at 16 UNC campuses, provide management counseling and market development services to growing small businesses statewide. [www.sbtdc.org](http://www.sbtdc.org)
- **MCNC** promotes technology-based economic development statewide through partnerships with universities, industries, and governments. [www.mcnc.org](http://www.mcnc.org)
- The **NORTH CAROLINA MILITARY BUSINESS CENTER** is a collaborative effort between North Carolina businesses and the North Carolina Community College System. Its mission is to leverage military and other federal business opportunities for economic development and quality of life in North Carolina. [www.ncmbc.us](http://www.ncmbc.us)
- The **NORTH CAROLINA INSTITUTE OF MINORITY ECONOMIC DEVELOPMENT** assists historically underutilized businesses to access affordable capital, expand market opportunities, and stabilize internal management and control systems. [www.ncimed.com](http://www.ncimed.com)
- The **INSTITUTE FOR EMERGING ISSUES AT NORTH CAROLINA STATE UNIVERSITY** convenes leaders from businesses, nonprofit organizations, governments, and higher education institutions to tackle some of the biggest issues facing North Carolina's future growth and prosperity, including education, health, tax and finance, energy and the environment, and economic development. [www.ncsu.edu/iei](http://www.ncsu.edu/iei)





## Notes

1. Rick L. Weddle, Elizabeth Rooks, and Tina Valdecanas, “Research Triangle Park: Evolution and Renaissance” (paper, 2006 IASP World Conference, June 2006), available at [www.rtp.org/files/Fact%20Sheets/rtp\\_history.pdf](http://www.rtp.org/files/Fact%20Sheets/rtp_history.pdf).

2. See *Site Selection*, [www.siteselection.com/issues/2008/nov/Cover/](http://www.siteselection.com/issues/2008/nov/Cover/). Also see [www.siteselection.com/issues/2008/mar/topMicros/](http://www.siteselection.com/issues/2008/mar/topMicros/).

3. Timothy J. Bartik, “Economic Development,” in *Management Policies in Local Government Finance*, ed. J. Richard Aronson and Eli Schwartz, 5th ed. (Washington, DC: International City/County Management Association, 2004): 355–390; Ted Levine, “Six Revolutions in Economic Development Marketing,” *Economic Development Journal* 1, no. 1 (2002): 5–12.

4. Henry M. Cothran, *Business Retention and Expansion (BRE) Programs: Why Existing Business are Important* (Gainesville: University of Florida, IFAS Extension, 2009), <http://edis.ifas.ufl.edu/pdf/files/FE/FE65100.pdf>.

5. For a fuller description of these examples and additional ones see Will Lambe, *Small Towns, Big Ideas: Case Studies in Small Town Community Economic Development* (Chapel Hill: UNC School of Government and N.C. Rural Economic Development Center, 2008). Also available at [www.cednc.unc.edu/stbi](http://www.cednc.unc.edu/stbi).

6. Jonathan Q. Morgan, “Using Economic Development Incentives: For Better or for Worse,” *Popular Government* 74 (Winter 2009): 16–29.

7. Jonathan Q. Morgan, *The Role of Local Government in Economic Development: Survey Findings from North Carolina* (Chapel Hill: UNC School of Government, 2009).



## About the Editor

**Jonathan Q. Morgan** is Assistant Professor of Public Administration and Government in the School of Government at the University of North Carolina at Chapel Hill, where he teaches, advises, and conducts applied research on economic development. He directs the annual Basic Economic Development Course at UNC, which is accredited by the International Economic Development Council. Prior to joining the UNC School of Government in 2003, he worked for Regional Technology Strategies, Inc., an economic and workforce development consulting firm located in Carrboro, N.C. Dr. Morgan has also served as Director of Economic Policy and Research for the N.C. Department of Commerce, as well as Research and Policy Director for the N.C. Institute of Minority Economic Development. He holds a B.A. in economics from the University of Virginia, an M.P.A. from Clark Atlanta University, and a Ph.D. in public administration from North Carolina State University.









