

Local Government Incentives

Local Economic Development Incentives
Study Committee

June 23, 2008

Mission Statement

To enhance the quality of life and raise the standard of living for all Virginians, in collaboration with Virginia communities, through aggressive business recruitment, expansion assistance, and trade development, thereby building the tax base and creating higher income employment opportunities.

Primary Location Factors

- Workforce
- Sites/Buildings
- Markets/Transportation/Infrastructure
- Business Climate
- Quality of Life

Economic Development: A Competitive Environment

- Nations, states, regions and communities often compete for a limited number of projects in high-value sectors
- Successful communities must differentiate themselves in the marketplace
- Incentives are used to close the deal and meet unique needs
- Different communities/levels of government target different sectors

Where's the Gain?

- State and local economic developers look at different revenue streams

State	Local
Personal Income Tax (jobs)	Real Property Tax (investment)
Sales Tax	Sales Tax
Corporate Income Tax	Personal Property Tax/BPOL/M&T

Common Local Incentives

- Product: Land, with Utilities, Roads and Zoning
- Tax and Utility Rates and Classifications
- Grants
- Loan Programs / Financing
- Special Zones
- Project Management Assistance

“Product”

- Quick access to land and/or building that is ready to go – No surprises, No delays
- Reduced-cost or free, properly zoned land
- Reduced-cost or free rent on a building
- Roads and rail to site
- Utilities to site
- Environmental challenges found and fixed

Tax and Utility Rates and Classifications

- Adjust levels or classifications of taxes to benefit particular types of taxpayers
- Adjust levels of utility fees and other local fees to benefit particular users
- In both cases, all taxpayers/users in the new class will pay the same tax rate or fees, but the bracket may cover just one company

Grants

- Up-front cash grants
 - Usually accompanied by a clawback obligation if performance targets not met
- Cash grant programs for certain behaviors
 - Façade Improvement Grants
 - E-Commerce Business Assistance Grants
- Cash grants over time
 - Often an amount each year tied to a % of the local tax revenues from a defined development or area

Loan Programs & Financing

- Many localities/regions have loan programs for local businesses
- Local IDAs/EDAs can act as conduits for issuance of Industrial Development Bonds
- Creation of CDAs can quicken the pace of infrastructure development in an area

Special Zones

- State and local Enterprise Zones
- Technology Zones
- Tourism Zones
 - In each of these zones, locality may offer incentives and regulatory flexibility
 - Reduced permit fees or user fees or BPOL tax
 - Special zoning consideration, fast-tracking
- Community Development Authority districts / Tax Increment Financing districts

Single Source for Project Assistance

- Local Economic Development Professional:
 - Is expected to know everything about a community and its workforce
 - Is expected to marshal local, state and federal assets as needed for a project
 - Is expected to assist with making introductions among local vendors, contractors and suppliers