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# **Role of Local Government in Economic Development**

Jonathan Q. Morgan, Ph.D.

**Joint Select Committee on ED Incentives**  
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# What is the single most important role of local govt.?

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- A. Provide incentives to businesses when requested.
- B. Create a positive business climate.
- C. Provide strategic leadership and facilitation.
- D. Provide quality services and amenities.

# Most Important Role of Local Government

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Provide quality services and amenities	35.9%
Provide strategic leadership/facilitation	31.8
Create a positive business climate	24.9
Offer incentives to companies	4.6

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n = 217

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**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.



# What Local Governments Do

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- Product Development
- Workforce Development
- Place-based Development
- Business Development



# “Product” Development

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



# Partnering on Product Dev.

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- **Kerr-Tar Industrial Hub** project, now called *Triangle North*
  - Network of specialized industrial parks in Franklin, Granville, Vance, and Warren counties
- **North Mecklenburg Industrial Park**
  - Cornelius, Davidson, and Huntersville

# Workforce Development

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

# Using Industry Clusters

## **Washington, NC (Beaufort County)**

- Supporting marine trades and boat building businesses
- Partnered with community college to develop specialized training programs in welding, etc.
- Created incubator to assist small firms that supply boat manufacturers

## **Sparta, NC (Alleghany County)**

- Part of regional effort to support and grow firms in advanced materials related industries



# Place-Based Development

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- Historic preservation
- Creative economies
- Heritage and cultural tourism
- Downtown revitalization
- Gateway community programs
- Resident and retiree attraction



# Place-based Dev. in NC

**COLUMBIA** (Tyrell County) – Population 820

- *Eco-tourism strategy*
- Creating economic opportunities centered on its natural resources
- Collaborated with Hyde and Beaufort counties to create a regional non-profit for seeking federal and state funds
- Built a visitors center with an adjoining boardwalk and a 4-H Environmental Education center

# Place-based Dev. in NC

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**EDENTON** (Chowan County) – Pop. 5,394

- *Residential development through historic preservation*
- Partnered with Preservation NC to transform a blighted cotton mill village
- Used CDBG funds to upgrade water/sewer
- The unique and historic mill homes have attracted artists and entrepreneurs



# Business Development

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- Business recruitment
- Business retention and expansion
- Business creation and entrepreneurship



# Top Recruitment Activities in NC

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Responding to prospect inquiries	68.7%
Regional partnership	65.4
Partnership with chamber	59.4
Website/community profile	57.1
Building and sites inventory	42.4
Provide high quality of life	41.9
Cash grant incentives	41.5

**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.

# Top Retention Activities in NC

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Existing industry calls and visits	48.4%
Business networking	30.9
Cash grant incentives	29.0
Partnering with other local govts.	28.6
Worker training assistance	28.6
Partnering with non-govt. entities	28.6
Surveys of local businesses	24.9

**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.

# Top Small Business Activities

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Small business dev. center	27.2%
Business incubator	15.7
Marketing assistance	15.7
Revolving loan fund	14.7
Property improvement grants	11.5
Microenterprise program	9.2

**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.

# Reality Check: Dillsboro, NC

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- Population 206; Jackson County
- *Entrepreneurship support for local artisans*
- Using methane gas from the county landfill to power studios for artisans
- Incubator for fledgling artisans





# Reality Check: Brevard, NC

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- Pop. 6,643; Transylvania County
- *Supporting entrepreneurs*
- Using local retired business executives to provide consulting and assistance to existing small firms and start-ups



# Incentives



# Local ED Incentives in NC

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- Cash grants
- Land, infrastructure, site preparation
- Project dev. financing (TIF)
- Incentives for retail projects



# Top Local Incentives in NC

Zoning and permit assistance	59.0%
Infrastructure improvements	56.2
<b>Cash grant incentives</b>	<b>42.4</b>
One-stop permitting	30.0
State development zone	24.0
Land or building acquisition	23.0
Site preparation	19.4
Subsidized land or buildings	17.5

**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.

# Do incentives for retail projects make sense?

- Manufacturing has been the focus. Why?
  - Higher paying jobs; more capital investment
  - Stronger multiplier “ripple” effect
  - A traded sector—exports goods and services
  - Brings new money into the local economy
- Retail pays lower wages, has less capital investment, and tends to serve local markets

**BUT...**

# An Investment Approach

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1. Strategy
2. Partnership and Collaboration
3. Accountability
4. Monitoring and Evaluation
5. Confident Negotiation



# Implementing An Investment Approach

- Tie incentives to strategic planning
- Measure results and outcomes
  - Economic/fiscal impact analysis
  - Cost-benefit analysis
  - Return-on-investment
  - Program evaluation
- Performance-based contracts
- Know the bottom-line on a given project

# Local Planning & Accountability

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Has a strategic plan for ED	41.9%
Evaluates ED activities	41.2
Always require performance agreement	51.2
Cost-benefit analysis	59.5
Formal policy for eligibility	51.1
Required hiring local residents	18.3
Clawback provisions	60.7

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**Source:** 2006 Survey of Local Government Economic Development Activities, UNC School of Government.