

# Economic Development – Policy, Powers, and Politics

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# What Makes Virginia Economic Development Unique?

- One term governor
- Only 3 statewide elected officials
- Cabinet-style government for managing agencies
- State Corporation Commission is not elected
- Annexation moratorium
- Extremely conservative fiscal and debt policies
- Dillon Rule
- Cities and counties are different entities and have different powers

# Virginia's Underlying Strengths

- Bi-partisan commitment to business growth
- Right to Work
- Reasonable regulatory climate
- Low taxes
- Location
- Infrastructure assets (ports, airports, highways)
- Strong executive powers
- Federal and DoD spending
- Decentralized university system

# Virginia's Historical Challenges

- Pay as you go mentality
- Decentralized university system
- Overreliance on federal and DoD spending, traditional industries
- Underinvestment in R&D
- Underinvestment in infrastructure
- Educational disparities among and within localities
- Barriers to regional collaboration
- Tax structure

# What Other States Do But Virginia Cannot

- Abate local property taxes
- Rebate local property taxes
- Issue debt for private activities
- Voter initiative and referenda
- Impose special taxes for economic development
- Tax increment financing (TX model)
- Broad IDA powers on conduit purchasing/ownership

# Code of Virginia – Governing Economic Development

- Powers and programs are spread across multiple secretariats – Commerce and Trade, Agriculture and Forestry, Technology, Administration, Finance, Education, Transportation
- Even within Commerce and Trade, programs are spread among multiple agencies – Virginia Economic Development Partnership, Department of Housing and Community Development, Virginia Employment Commission
- Use of guidelines, not regulations, provides programmatic flexibility

# Virginia's Budget for Economic Development

- Most agencies and programs are supported by the General Fund (income and sales taxes) not the Non General Fund (fees, dedicated taxes, federal funds)
- General funds are scarce and most likely to be cut in economic downturns
- VEDP budget declined from 2007-2015, new funds in 2016 will help
- Virginia is largely absent from advertising
- Spending is dwarfed by commitments for health, public safety, and education
- Legislature is wary of excessive executive branch freedom on economic development spending

# Effective Uses of Your Economic Development Toolbox

- IDAs/EDAs still have many powers that can support economic development – maximize them
- Read the Code of Virginia to fully understand tax powers
- Incentives are more than just money, time = money
- Site planning, zoning, and development
- Understand how to use local funds to leverage state and federal funds
- Regional collaboration and growth sharing
- GO Virginia



# Questions or Comments?

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