

# The Politics of Local Economic Development

How To Use Facts to Stay Above the Fray

National Rural Economic Developers Association

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# Classic Economic Development



# Why is economic development increasingly political?

- Decisions involve the use of public dollars
- Decisions are made by elected officials
- Tax aversion limits available funding, competing priorities
- Fear of Big Business/the 1%
- Union vs. Right to Work
- Grassroots advocacy more important in political decision making
- No established faction that is pro-economic development
- Most economic developers are public employees who cannot engage in lobbying activities
- Concept that development pays for itself
- NIMBY/BANANA/NOPE syndromes

# We Are All Part of the Problem – Recent Headlines

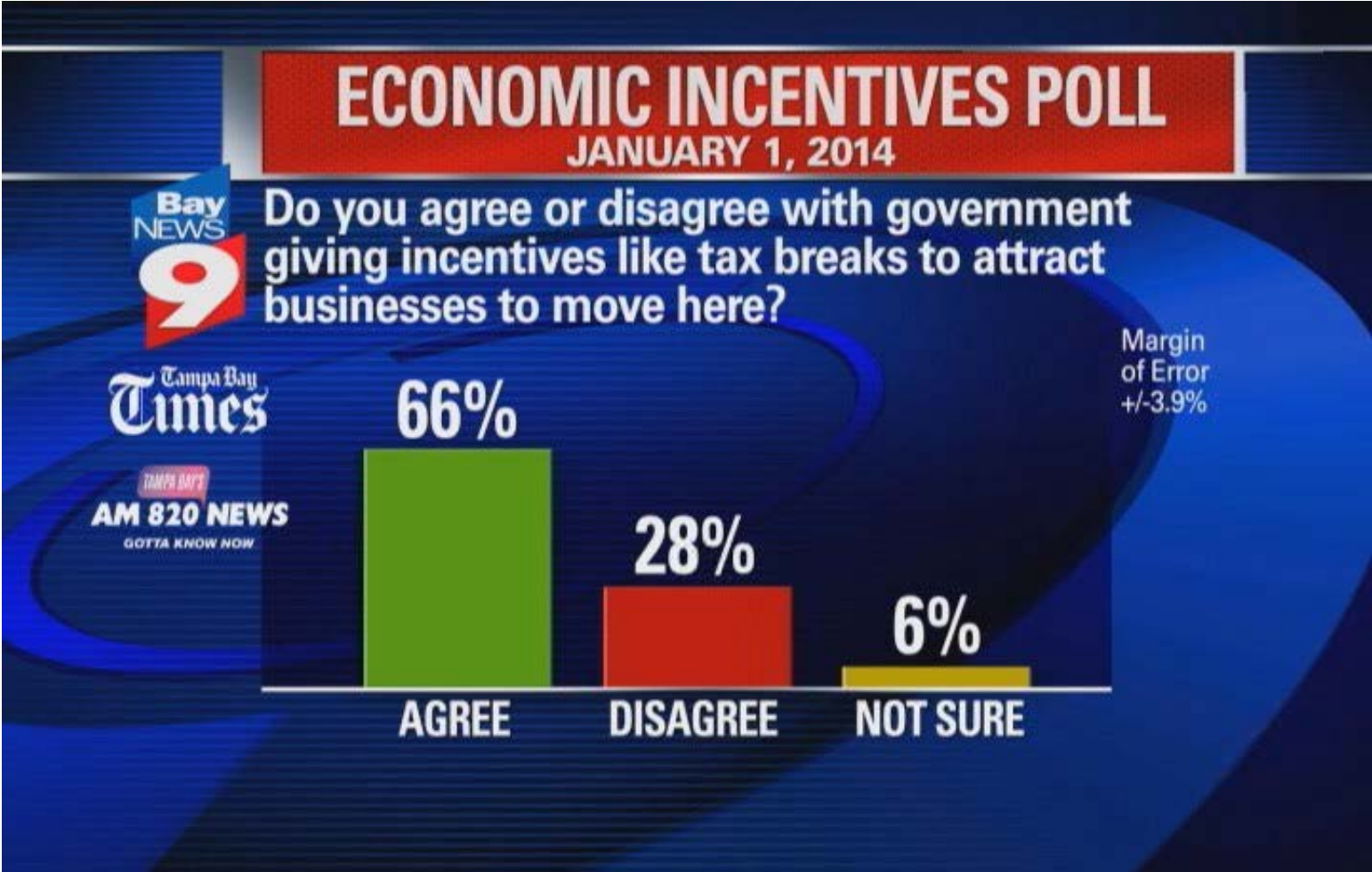
- “End of Tax Break Means End to 1250 jobs”
- “Illinois official calls incentives a form of cronyism”
- “Incentives: PBS vs. GE”
- “NC audit finds lack of verification in administering job creation grants”
- “Florida program gives \$423,000 incentive to cocaine dealer”
- “Despite Big Promises, Incentives Often Fail to Deliver”
- “Another day, another bad economic development deal”
- “GE says new taxes could force it out of Connecticut”

# Media Hype of Incentives

## Incentives Spending by States – *New York Times*

New York	\$4.06 billion
Virginia	\$1.29 billion
Alabama	\$277 million
Michigan	\$6.65 billion
Kansas	\$1.01 billion
Arizona	\$1.47 billion
Washington	\$2.35 billion

# Public Opinion Supports Incentives



# Sooner Poll – July 2011

DO YOU THINK THAT THE OKLAHOMA QUALITY JOBS PROGRAM HAS BEEN SUCCESSFUL OR UNSUCCESSFUL IN ITS MISSION TO CREATE JOBS IN OKLAHOMA?"

RESPONSE	PERCENTAGE
Very Successful	10.4%
Somewhat Successful	24.2%
Neutral	19.6%
Somewhat Unsuccessful	17.7%
Very Unsuccessful	19.4%
Don't Know/Refused to Answer	8.7%

51 percent — of those polled endorsed the view that some people, corporations, interest groups and associations should receive tax breaks, compared with 36 percent who opposed all state tax incentives.

# Consider the Alternatives

- Economic development pays the bills of all other public services
- Since the recession started in 2007, the federal government has spent \$688 BILLION on unemployment insurance payments. \$150 billion was spent in 2010 alone
- In FY 2013, we spent \$80 billion on food stamps – doubled in 4 years



# Why Projects Go Bad

- Failure to perform a rigorous financial analysis of the company – pull a Dunn & Bradstreet, review 10-K
- Thinking your deal will be the next Google/Apple
- Deal entirely dependent upon short-term federal/state grants
- Your deal is at the tail end of the latest economic development /R&D fad
- Lack of credible information about other sites under consideration
- Deals are done for political reasons

# Incentives Defense Tactics Doomed to Fail

- “But look at all the jobs incentives have created!!”
- “Everyone else is doing it!”
- Secret meetings and unwritten policies
- Surrendering your program to consultants
- Not learning from the mistakes of others

# Policies to Avoid

- Surety bonds for incentives
- Making your economic development partner a “contractor” under state law
- Linking incentive payments to state tax payments - Chicago
- Annual public hearings to request incentives
- A “we do what it takes” incentives program
- Failing to link incentives to prospect needs

# Educating Your Community

- Take the secrecy out of economic development
- Economic Development 101 for your elected officials
- Business leader testimonials
- Industry Appreciation Day/business open houses
- Use your state economic development association

# Using ROI to your benefit

- Characterizes incentives as an investment
- Demonstrates to the public that decision to give incentives are not taken lightly
- Shows that incentives are a net gain to the community
- Helps you weed out bad deals
- Guides adjustments to tax and incentives policies to meet prospect needs

# Business Community Buy-In

- Convene a summit of local business executives and elected officials to review incentive policies
- Bring in national experts on smart growth and corporate trends to validate your practices
- Let elected officials hear directly what motivates companies to add jobs and investments
- Develop a standing working group on business climate and incentives

# Written Incentives Policies

- Outline what kind of jobs and investments a community wants
- Establish policies to guide your attraction and retention efforts
- Establish guidelines for incentives amounts
- Secure political and public approval for use of incentives
- May want to consider an “audit” of your incentives practices and programs

# Tips for Marketing Rural Areas

- Effectively use your regional group to build community awareness
- Know your strengths and weaknesses
- Study the details of other successful projects
- On-call contracts to augment local permitting and reviews
- Hire a good attorney
- Know your plant managers, their tax counsel, and their consultants
- Complete a study of your workforce and make that data available
- Utilities 101
- Remove anti-rural bias from site databases



# Questions or Comments?

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