

# ECONOMIC DEVELOPMENT HANDBOOK

Making North Carolina's  
Economy Competitive



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## *Making North Carolina's Economy Competitive*

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# ECONOMIC DEVELOPMENT HANDBOOK:

## *Making North Carolina's Economy Competitive*

### PREFACE

Entering the 21st century, North Carolina faces numerous challenges. Atop the list is how to preserve and enhance the standard of living for North Carolina's more than 8 million residents amid a rapidly changing economy, in which the state must compete for its share of domestic and foreign investment against not only other southeastern states, but also the entire U.S. and the world.

When it comes to economic development, the state has a strong record. Its long list of assets — including its exceptional leadership, mid-Atlantic location, moderate climate and renowned workforce — have made it an outpost for many of the world's best known companies. Equally important are hundreds of less well-known names and some young upstarts that are key contributors to the state's economic base. The keys to attracting, retaining and seeking private sector firms are a myriad of people, programs, organizations, tools and policies. Many outside this professional network lack a complete understanding of the participants and the processes that work to strengthen our economy through good times and bad.

The North Carolina Economic Developers Association (NCEDA) has prepared this document as a basic introduction to economic development. It is offered as a resource for legislators, policymakers, community leaders and interested citizens across the state who share NCEDA's desire to keep North Carolina competitive in the quest for new jobs and investment in the coming decades.

We hope that you find this guide valuable and that you will join us in advancing innovative solutions for providing high-quality jobs for all North Carolina citizens.

*October 2003*

# INTRODUCTION TO ECONOMIC DEVELOPMENT

Economic development is a means toward an end, and that end involves ensuring the highest standard of living possible for those residing in a given place. What drives economic development is private business: businesses of all sizes, starting up or relocating, or expanding in an area. They may be involved in manufacturing, distribution, agriculture, transportation, research & development, business services or other activities. From their impact springs a range of related commercial activities and services. Residential growth also occurs, bringing a wide variety of retail, consumer service, recreational, tourism and other commercial enterprises.

The "ripple effect" of new jobs is tremendous. The analytical model used by the N.C. Department of Commerce to gauge economic impact shows, for example, that every 100 new electronics manufacturing jobs generate an additional 116 jobs as a result of indirect and induced economic activity. The model estimates that every \$5 million in investment spurs another \$4.4 million in local 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 can be defined as activities and programs aimed at improving local, regional, state and national economies by:

- > attracting or creating investment to expand the tax base; and
- > increasing jobs, wages and personal incomes.

These efforts produce other highly desirable outcomes. One example is the broadening of the community's leadership base as new companies bring in new executives and entrepreneurs who participate in various local organizations and programs. Another example is the social capital provided by new companies in the form of philanthropy and community volunteerism.

Economic development is conducted by a network of professionals using an array of tools designed to create and sustain a strong business climate.

# WHY NORTH CAROLINA IS INVOLVED

## HISTORY

Economically, North Carolina has undergone considerable change over the past 300 years. Since the early settlers, North Carolina prospered in trade, fishing and farming. As new railroads and highways began crisscrossing the state, the economy shifted toward other types of business and industry. The Piedmont Triad became the focus of manufacturing; the Triangle emerged as a center for government and higher education; and Charlotte established itself as a financial and distribution hub.

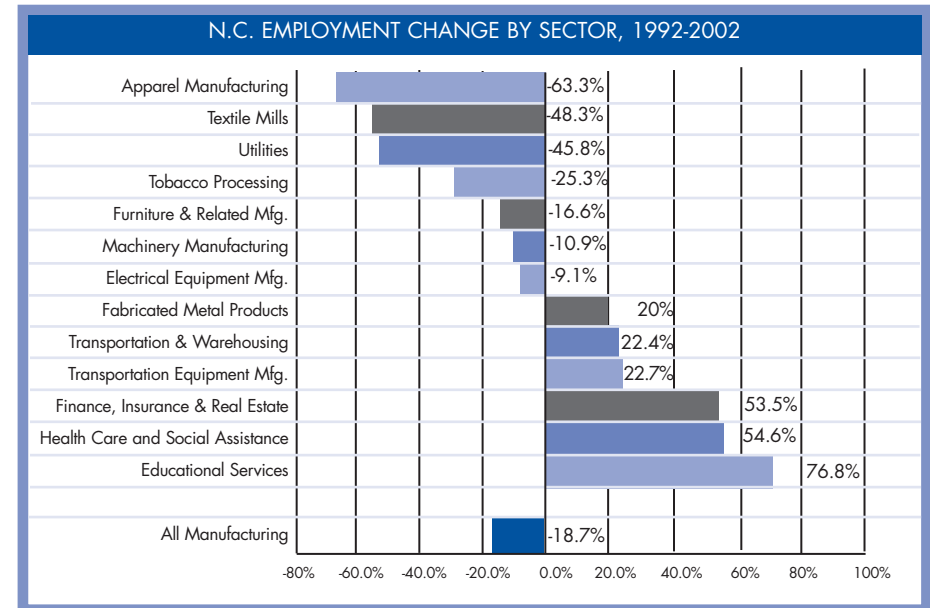
In the 1950s, a milestone in North Carolina’s economic development occurred as Governor Luther Hodges, and a handful of business leaders, purchased acreage between Raleigh and Durham that would become Research Triangle Park (RTP). By the late 1960s, RTP became a world model of a successful technology park that is affiliated with the state’s research universities. At the same time, North Carolina experienced a rapid expansion in its traditional industries of textiles and furniture as manufacturing jobs moved south. Tobacco farming and manufacturing were also strong.

North Carolina has benefited from visionary leadership, and the government and the private sector have worked well together to make the state attractive to new businesses. The state’s initiatives included the expansion of the North Carolina Community College System and free workforce training for new and existing industry, and the construction of an outstanding highway network. Businesses could easily get workers trained and move their product to market. Until recently, these measures, along with a consistent push to maintain a pro-business regulatory environment, resulted in North Carolina being regularly ranked #1 in the nation as a destination for industry by “Site Selection” magazine, a leading economic development journal.

The recent trend of declining employment in traditional industries has been catastrophic and North Carolina’s reputation as an economic development leader is now threatened. Agriculture, long a leading economic engine, suffers from a sector-wide decline that is impacting large and small growers. Tobacco, in particular, has suffered as tobacco production and cigarette manufacturing have declined substantially since the 1997 national Master Settlement Agreement. Similarly, erosion of manufacturing jobs — particularly in textiles, apparel and furniture — has adversely impacted urban and rural areas alike across the state.

However, as Table One shows, the state's economy does have sectors that are growing substantially, including health, education and business services, and even some value-added manufacturing sectors. Still, the total number of manufacturing jobs has declined nearly 20 percent in North Carolina in the last 10 years as part of the restructuring of the national economy. Especially in competing for the smaller number of manufacturing projects, the state's cities, towns and rural communities all require economic development tools to remain competitive with their counterparts across the U.S.

*Table One illustrates the change that is taking place in our state economy. Source: U.S. Bureau of Economic Analysis*



## THE NEED FOR ECONOMIC DEVELOPMENT PROGRAMS

Every state in the country has an economic development program working to recruit and retain industry. There are also over 2,500 cities, towns and counties across the United States with full-time economic development professionals competing for new business.

With more and more communities developing aggressive economic development strategies, North Carolina must boost its competitive position. This requires more than a commitment to the programs that led to past success; it requires a renewed effort to remain innovative in the face of new economic realities.

In the past, North Carolina's ideal location, climate, quality of life, outstanding educational institutions, excellent roads and positive business climate made the state a leader in economic development. But as other states have begun recognizing the value of economic development, they have implemented aggressive new programs for recruiting industry. For example, Alabama, Virginia and South Carolina have adopted incentive policies that have resulted in their selection by the likes of Mercedes, BMW, Michelin and Motorola. States that fell behind the Southeast in recent years — including Ohio, Pennsylvania and even New York — have also developed successful new initiatives. Many site selection consultants do not even consider North Carolina for large, capital-intensive projects because the state is not competitive with incentive programs offered by some other Southeastern states.

Local communities are also developing programs to make them more attractive as business destinations. These include financial incentives, public/private partnerships to develop business parks and speculative buildings, and community programs focused on the needs of business. The result is that there are many more communities seeking development than there are projects. That, in turn, results in increasingly aggressive competition for every project.

## COMPANIES AND COMMUNITIES MUST COMPETE

Companies know they bring value to their host communities, value that is easily measured by the new jobs, higher wages and additional tax revenue they produce. But they also know that in order to increase jobs, they have to be profitable and that 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.

The ways that North Carolina can help companies add value include:

- > **A PRODUCTIVE LABOR FORCE** — educated, skilled people who are the products of strong schools. They must understand how to be productive, quality-focused and innovative, and use technology and teamwork for continuous improvement.
- > **ACCESS TO INNOVATION** — research and development that generates new technologies, products and processes that help firms establish new niches.
- > **ACCESS TO MARKETS** — good roads, rail, airports, ports and high-speed internet connection in order to move products and services quickly and safely to a larger number of consumers.

The factors that North Carolina provides that can help operating and capital costs include:

- > Free, customized worker training programs (skilled labor is many companies' #1 concern)
- > Minimal state and local tax rates
- > Reduced government regulations that slow down business investment
- > Adequate and affordable utility infrastructure — water, sewer, electricity, natural gas and modern telecommunications (access to broadband Internet and digital wireless networks are increasingly crucial in today's site selection)
- > Access to raw materials (transportation is again critical)
- > Low-cost construction for sites and buildings
- > Job development investment grants, tax credits for R&D, etc.

## PARTICIPANTS

Economic development professionals work in a diverse array of agencies and organizations and represent a range of functional interests. They may be employed at the:

- > municipal level
- > county level
- > multi-county level
- > regional level
- > state level

They are employed by an equally diverse assortment of entities:

- > public
- > quasi-public
- > private
- > non-profit

In most cases, they all are united by a common purpose of serving the needs of industrial clients and advancing the economic development objectives set forth earlier. These organizations, along with the professional network itself, are constantly reshaping to meet new and changing demands. There is also an ongoing effort to minimize instances of confusion and overlap in economic development. What follows is an effort to list the participants and clarify their roles.

## LOCAL DEVELOPERS

Local economic developers may work for:

- > a chamber of commerce or other private organizations such as a Committee of 100
- > a public/private entity which may be chartered as an economic development corporation
- > a semi-autonomous economic development commission
- > a county or city government

Each 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 driving the community. In some cases, multiple counties and municipal governments have partnered to maintain joint programs.

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 their responsibility to ensure that available sites and buildings are listed in local, state and regional databases. Local development professionals also 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, at some point, will be needed. Local developers interface closely with allies (described below) on issues like product development, infrastructure, workforce readiness and project financing.

Local development professionals are at the center of the economic development process, serving a project leadership role 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. For example, in selecting Edgecombe County for an \$85 million project, representatives of QVC Corporation made their initial contact with development officials in February 1999 and formal announcements were made in July.

## STATE DEVELOPERS

States also administer economic development organizations. These may be units of state government or freestanding private commissions. In North Carolina, the Department of Commerce is the lead agency for statewide economic development initiatives. Commerce officials are often the first point of contact with potential industrial clients. They help match community assets (sites, buildings, workforce availability and skills, etc.) with client site selection criteria and provide information from communities to the client. Other state agencies playing important supportive roles in economic development include:

- > the Office of the Governor and his Economic Development Board
- > the General Assembly
- > the North Carolina Community College System
- > the Department of Revenue
- > the Department of Transportation

- > the Department of Environment and Natural Resources
- > the University of North Carolina system
- > the Board of Science and Technology
- > the N.C. Biotechnology Center

Commerce performs a national and global marketing and outreach role, 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.

Commerce maintains regional economic development offices that collaborate closely with the regional partnerships (described below) in marketing and client-handling activities. Commerce also maintains regional offices across the state to support the needs of existing businesses on such matters as facility expansions, state regulatory programs and trade issues.

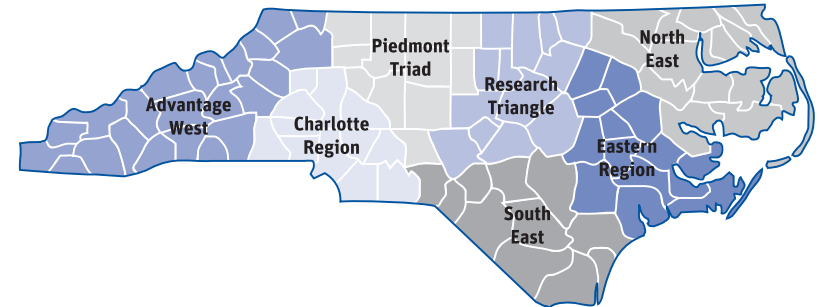
## REGIONAL DEVELOPERS

In recent years, North Carolina has emerged as a leader in regional economic development programs, with regional organizations supporting development in every county. Regional organizations coordinate national and international marketing programs customized to market the unique assets of their respective regions, and they also work closely with local developers to address regional economic issues, promote product development, provide research assistance and publicize transportation, infrastructure, labor force and other improvements. Seven public-private regional development partnerships serve North Carolina:

- > ADVANTAGE WEST-NC — Fletcher. Supports 23 surrounding counties;
- > CHARLOTTE REGIONAL PARTNERSHIP — Charlotte. Supports 12 surrounding counties;
- > NORTH CAROLINA'S EASTERN REGION — Kinston. Supports 13 surrounding counties;
- > NORTH CAROLINA'S NORTHEAST — Edenton. Supports 16 surrounding counties;
- > NORTH CAROLINA'S SOUTHEAST — Elizabethtown. Supports 11 surrounding counties;

- > PIEDMONT TRIAD PARTNERSHIP — Greensboro. Supports 12 surrounding counties; and
- > RESEARCH TRIANGLE REGIONAL PARTNERSHIP — RDU Airport. Supports 13 surrounding counties.

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



## 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 previously. These allies include, among others:

- > banks and financial institutions
- > electric utilities
- > natural gas companies
- > railroads
- > real estate brokerage and development firms
- > construction contractors
- > architects and engineering firms
- > telecommunications companies
- > consultants
- > community colleges
- > universities
- > K-12 school systems
- > councils of governments
- > environmental firms
- > chambers of commerce
- > law firms
- > entrepreneurship councils

## THE ROLE OF ELECTED OFFICIALS

Elected officials — be they federal, state, county or municipal — must strongly support economic development if it is to succeed. In North Carolina, state legislators, county commissioners and city council members support professional organizations that handle economic development by providing resources, and by keeping the state and community an attractive destination for business. This requires public investment. Elected officials should view economic development as a tool for creating quality jobs and investment, generating tax revenue, maintaining a skilled workforce and improving the standard of living of North Carolina residents.

The key responsibilities of elected officials are:

### 1. SUPPORTING PROFESSIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS

— Whatever their organizational structure, the main elected body — city councils, 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
- > travel
- > client recruitment
- > advertising/marketing
- > staff
- > technology
- > research
- > office space

### 2. INVESTING IN INFRASTRUCTURE

— In locating new facilities, industries need basic infrastructure — water, sewer, natural gas, electricity, telecommunications (including high-speed Internet and digital wireless), rail, industrial parks and highways. Building it requires investment — tax dollars — from elected bodies. Thusly, infrastructure is an investment because it creates a tangible asset for the community and provides industries with the tools they need. Officials serving in a statewide capacity work to effect legislation that ensures a competitive infrastructure across North Carolina.

Eighty percent of all companies seeking a location search for an available building in which to locate, according to data compiled by the North Carolina Department of Commerce. Communities can

respond to this reality by investing in shell buildings, which can be customized to fit companies' exact needs and the company can save time and money. Local governments can provide funding to construct the facility or partner with organizations such as "Committees of 100," banks and private developers to build them. Local governments can also work together to develop higher-end 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 simply the investments necessary to be competitive in attracting new industries and retaining existing ones. Like any investment, they must offer a suitable rate of return to the public or private investor. With the guidance of economic development organizations, elected officials make investment decisions that influence the site selection choices companies make. *(This issue is discussed further in a later section.)*

### 4. HELPING EXISTING INDUSTRIES

— Existing firms create the majority of new jobs, and elected officials encourage their economic development organizations to maintain a strong existing industry program to promote retention and expansion. State-sponsored programs that have a strong record in helping companies become more competitive — including the Industrial Extension Service and the Small Business and Technology Development Centers — should be supported with sufficient resources as well.

### 5. BUILDING A STRONG BUSINESS ENVIRONMENT

— Elected officials support their states, counties and communities in creating an appealing overall business climate. In addition to organization, infrastructure, industrial parks, shell buildings and incentives, this includes promoting workforce development, quality education from kindergarten through post-secondary, reasonable tax and utility rates, and planning. It also means advocating for a regulatory environment that does not impede a business's success and offering support structures that assist firms in complying with all necessary regulations.

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 with businesses, not adversaries.

## THE PROCESS

### STRATEGIC PLANNING

Sound planning is key to successful economic development and the initial step in that 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
- > Labor/Workforce Training
- > Sites and Available Buildings
- > Transportation
- > Community Services
- > Community Financing
- > Land Use Planning/Permitting
- > Taxes
- > Utilities and Telecommunications
- > Construction and Insurance
- > Industrial Resources
- > Incentives
- > Public Relations
- > Science and Technology

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 IT 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. MEASURING PROGRESS. A thorough and ongoing evaluation of progress is required.

## STRATEGIES

Listed below are five economic development strategies. Depending on whether a community or region is urban or rural, oriented toward manufacturing, agriculture, tourism or another industry segment, its strategic priorities will vary. Each involves leveraging resources and partnerships effectively, and each requires the energy, skill and commitment of local communities.

### 1. RETAINING AND EXPANDING EXISTING FIRMS

The first strategy is to support existing businesses — i.e., keep them in place and encourage their growth. Expansions can occur as local businesses:

- > increase sales of their current products;
- > discover and create innovative niche products;
- > diversify and begin marketing new products;
- > 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.

Commerce's staff in Existing Industry and International Trade are key partners for industry retention efforts. Staff of the Industrial Extension Service at North Carolina State University provide training and technical assistance to manufacturers in applying cutting-edge technologies and processes to increase profitability and therefore stay and grow in North Carolina.

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 industry is not happy with its community, new industry will not come.

### 2. IMPROVING LOCAL LINKAGES

This strategy seeks better ways to link local sellers with local buyers. The more a dollar circulates in the local economy before moving out, the more wealth will be generated. A survey of spending patterns of

institutional buyers in the community — the hospital, school district and governments (municipal, county, state or federal), for example — could identify new market opportunities for local businesses. Networking among businesses within an industry cluster can identify new customers and suppliers as well as suggest partnerships for technology or workforce development.

The strongest industry clusters in the state, such as biotechnology and financial services, feature strong and frequent linkages among firms that also compete with each other. Industry associations often act as facilitators of these networks.

### 3. CREATING NEW FIRMS & PROMOTING ENTREPRENEURSHIP

Communities can actively help new businesses get started. New businesses are created to sell products or services to replace those “imported” into the area or to provide products and services that have never been available locally. New businesses are also started to produce new products. Many communities also form investment funds or loan programs to support local start-ups, and business incubators are an effective mechanism for channeling business expertise to potential entrepreneurs. Colleges and universities often spin off new companies through technology transfer, as well as support entrepreneurs through research and training.

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 campus help small business owners at various stages of their firm’s growth. Councils for entrepreneurs are now active in at least three regions of the state.

### 4. CAPTURING NEW DOLLARS

There are numerous ways to capture outside dollars. A few examples include:

- > A local government receiving a grant from another governmental entity, non-profit or similar organization;
- > 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; and
- > A family of tourists renting a beach house for the week.

### 5. RECRUITING NEW FACILITIES

Although the volume of industry recruitment has decreased in the last 20 years, communities still want to be poised to attract new industrial or corporate facilities for firms engaging in manufacturing, research & development, transportation, distribution, technology and other activities. These announcements create an excitement and momentum for other initiatives. Recent North Carolina examples include:

- > The selection by Flextronics, Inc. of Franklin County for its design and manufacturing facility focused on optical technology;
- > General Dynamics Armament and Technical Products, Inc.'s corporate headquarters relocation from Vermont to the Charlotte/Mecklenburg area, as well as establishing a light manufacturing operation for aerospace and defense products;
- > The selection of Forest City by Mako Marine International, Inc. and SeaCraft Boats, a division of Tracker Marine Group, for a new boat manufacturing facility;
- > GOJO Industries' selection of Laurinburg to manufacture PURELL® Instant Hand Sanitizer;
- > Carolina Technical Plastics Corporation's selection of New Bern to produce plastic parts and components for home appliance manufacturers, particularly BSH Home Appliance Corp.; and
- > The choice of Raleigh-Durham by RH Donnelley, publisher of yellow pages directories, for its new corporate headquarters.

## TOOLS

Communities and regions must appraise their assets and liabilities in order to be successful in growing and recruiting companies. The following questions must be answered to give a realistic assessment of a location’s likelihood of success at attracting new jobs and investment.

- > What types of firms find, or would find, a competitive advantage in the community?
- > Does the community have the workforce, infrastructure (highways, utilities), products (e.g., buildings, sites) and climate that business requires?
- > What barriers exist that may hamper a community’s ability to compete for new projects?

Driving these strategies is a list of marketing and promotional tools and activities. These must be in place if relocating and in-state industries are to be familiar with North Carolina's many advantages. Marketing messages should be unified, coordinated and complementary across counties, regions and the state. A place's assets may be shown through a combination of tools that include, among others:

- > PROSPECT VISITS — There is no better way to communicate than face-to-face.
- > WEB SITE — A high-quality Web presence should 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 consultants.
- > COMMUNITY DATA BOOKS — Should be customizable to fit a prospect's unique needs.
- > BROCHURES — 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 — The public must be familiar with local economic development programs if support is to be expected.

## THE NEED FOR PRODUCT

In today's quick turnaround economy, North Carolina must have product to sell when an industry is looking; therefore, it is critical to have existing industrial buildings and sites in place before prospects arrive in a community. Most clients request an available building rather than an undeveloped site because it saves them time and money. In some cases, the prospect likes the area but not the first building. 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 "Mega-site" programs are designed to ensure that a basic level of site readiness (e.g. zoning,

environmental surveys, grading, initial engineering work, infrastructure, etc.) exists prior to the arrival of corporate relocation professionals.

These are fundamental expectations made of communities by virtually all businesses early in the search. Incentives only come into play later in the process and are usually customized to meet client needs.

## HOW A PROJECT HAPPENS

Projects can originate from many sources and can work through the system from many starting places. For example, an inquiry may begin 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, or from a trade show. Prospects may call the 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 NC Department of Commerce first. The following is an example of how a project works through the system when starting with a general inquiry about North Carolina.

The inquirer may be a representative of the company itself or a site selection consultant. Their first call will usually be a request for information about communities that match the company's site selection criteria. The state developer who is assigned to the project then contacts the local developers in the communities that have the assets the company is seeking. The local developers submit proposals to the state developer who sends all of the community packages to the prospect. After several calls between the parties to clarify and gather additional information, if the client is still interested in one or more of the proposed locations in North Carolina, the state developer will schedule and coordinate a visit by the client to those communities. It is important to recognize that the company will have eliminated many of the proposed communities based on the information they receive in the proposals.

At this point in the process, the client is usually "comparison-shopping" among several states and many communities; consequently, the first visit is a critical point in the sales process. Generally, the client will be visiting several communities in one day. Thus, time is at a premium. Both the state and local developers must be prepared with the precise information the

client wants to view in that short time. From the company's point of view, the purpose of the visits is to eliminate most of the communities down to a "short" list of two or three with which they 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 good Web sites and other marketing vehicles to tell their story when the company is screening out most communities.

Generally the state developer will be the primary contact with the prospect until the company picks a short list. Once the negotiations begin, the local developer takes the lead and is the primary contact and closer of the deal. 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 the company requests of the community during these negotiations may cover a broad spectrum of issues ranging from sites to schools to permits to financing to 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, local investment means locally coordinated investment from all resources including public dollars from all levels within the state, combined with private dollars that might have an interest in the project.

One issue in the process that is often misunderstood is the need for confidentiality. Participants in the process must understand the needs of the company to maintain confidentiality, primarily because companies do not want their competitors to be made aware of strategic decisions such as new locations or expansions. Many 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 the company is willing to make decisions. In today's competitive economy, the time is getting shorter and shorter. The participants in the economic development process must be prepared to be successful.

## FINANCIAL INCENTIVES

All businesses make an investment in order to achieve a return. So too must states and localities if they are to be competitive for new industry.

Most costs associated with relocating a business occur in the first 18 months, and many economic development policies are now designed to help companies ramp-up new operations with minimal disruption and financial drain. The most successful transactions occur when the community and the company see the location as a win-win for both. Each makes an investment, divides the risks and shares the rewards.

Incentive policies at all levels must be measurable. Quantifiable results must be gathered to show that the community or the state has derived benefits that outweigh the cost of the incentives. "Claw-back" provisions must be included that require firms to reimburse incentive providers should they fail to meet agreed investment and jobs targets.

Far from being "corporate welfare," incentives are comparable to other key site selection factors such as access to skilled labor, adequate buildings and facilities and high-quality infrastructure in making a state or community the most cost-effective destination for industry. With firms seeking to maximize shareholder value, financial support from communities that genuinely bolsters the bottom line is a critical site selection criterion. Because site searches are largely a process of elimination, communities and states refusing to offer reasonable incentives are not viewed as serious about economic development and are frequently 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 incentives that makes good economic sense. This means determining in advance the nature of tax benefits and supporting legislation needed, both of which may vary from location to location. In the end, any financial support for new or expanding industry must be predicated upon a targeted return on investment. Like any sound investment, incentives should more than pay for themselves in yielding additional jobs and investment and an expanded tax base.

## 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 October 2003. The amount of money available in each program is limited.

### STATE PROGRAMS

The state's COMMERCE FINANCE CENTER (CFC) serves as a "one-stop" financial center for relocating companies and existing employers needing information and advice on financing alternatives in North Carolina. More information is available at [nccommerce.com/finance/](http://nccommerce.com/finance/).

The JOB DEVELOPMENT INVESTMENT GRANT PROGRAM, enacted in 2002, offers grant funds for up to 15 companies per year that represent strategic investments for the state. An Economic Investment Committee, including the Secretaries of Commerce and Revenue makes the grant decisions. Grant amounts are based on a percentage (10–75 percent) of income tax that will be withheld on new jobs created.

In 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 do not create as much of a multiplier or infusion of new outside dollars.

The WILLIAM S. LEE ACT, enacted in 1996 and amended since then, provides tax credits that may be taken against state income, franchise or gross premiums tax burdens. These credits are for job creation, investment, worker training, and research and development in any of the state's 100 counties, though 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 1-5.

Additionally, the STATE DEVELOPMENT ZONE PROGRAM offers enhanced benefits to firms settling in one of over 50 development zones, which are typically 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.

Subject to availability, ONE NORTH CAROLINA FUND grants may provide funding for the installation or purchase of new equipment, structural repairs, improvements or renovation of existing water, sewer, gas or electric utility distribution lines; equipment for existing buildings and/or new buildings. The company must agree to meet the hourly wage test as required for the William S. Lee Act and the local units of government must agree to provide matching financial assistance to the company.

THE NORTH CAROLINA SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT 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.

The 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 applies for the funds on behalf of a private manufacturing business located or locating in its jurisdiction. IDF funds may be used 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 committed to be created by \$5,000 up to a maximum of \$500,000 or the cost of the project, whichever is less.

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

INDUSTRIAL REVENUE BOND (IRB) funds can be used only by a company engaged in some manner of manufacturing. IRB proceeds may be used only for land, building and equipment. The company must agree to pay its employees greater than or equal to the average weekly manufacturing wage of the county or the state average weekly manufacturing wage plus 10 percent.

The INDUSTRIAL ACCESS/ROAD ACCESS 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 may be used by businesses for facilities or projects that demonstrate energy efficiency or the use of renewable energy resources resulting in energy cost savings.

THE RAIL INDUSTRIAL ACCESS PROGRAM 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.

## 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 loans and grants. North Carolina's Eastern Region, for example, operates an incentive flex-grant fund that can allocate up to \$25,000 to counties in support of project expenses at the discretion of local development officials. In the past, these project expenses have included necessary site upgrades such as access roads and small-scale infrastructure and telecommunications improvements.

Similarly, companies relocating to one of North Carolina Southeast's 11 counties may be eligible for county-region matching grants equivalent to \$1,000 per new permanent full-time job up to a maximum of \$25,000. Awards are presented in a lump sum and may be used to offset costs of site development, shell building purchase, executive relocation expenses and a broad range of other areas. Approval of funds is typically based on wage levels of new jobs, and consideration is given for industrial projects going into economically distressed communities.

Other regions operate similar programs, though amounts and guidelines vary.

## LOCAL PROGRAMS

Counties may establish authorities to issue INDUSTRIAL REVENUE BONDS (IRBs) or INDUSTRIAL DEVELOPMENT BONDS, which provide tax-exempt financing for eligible new or expanded manufacturing facilities, distribution centers and R&D facilities necessary to the manufacturing process. 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, 10 percent above the state average or 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.

County and city incentive programs vary widely, but most offer cash benefits that are calculated based upon a formula of anticipated local tax revenue and job increases over a designated period of time. Robeson County, for example, maintains a three-tiered Industrial Development Incentive Grant Program, eligibility for which is based upon capital investment, jobs and wage levels. Land grants and other types of assistance are also 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 up-front financial assistance to companies based on a 3-5 year payback. The money can be used for site, facility and infrastructure improvements, land credits, 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 50-85 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.

## 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, Suite 102  
Raleigh, NC 27607  
Contact: John Peterson, Executive Director  
Toll-Free: (888) 24NCEDA  
Fax: (919) 882-1902  
Web Site: [www.nceda.org](http://www.nceda.org)

The N.C. DEPARTMENT OF COMMERCE is North Carolina's lead agency for economic, community and workforce development. The mission of the Department is to improve the economic well-being and quality of life for all North Carolinians. Services to businesses include: assistance with exporting; helping start-up firms, small but growing businesses and disadvantaged persons in inner cities and rural areas; business recruitment; retention and expansion services; and maintaining a comprehensive database of available commercial and industrial properties.

N.C. Department of Commerce  
301 N. Wilmington Street  
Raleigh, NC 27601  
Phone: (919) 733-4977  
Web Site: [www.investnc.com](http://www.investnc.com)

The ECONOMIC DEVELOPMENT COURSE is a comprehensive educational experience on the theory and practice of economic development. The course's core curriculum is augmented by region-specific subject matter. The one-week training course is designed to serve development professionals with public, civic or private development agencies, and it provides the background necessary for organizing, planning and operating economic development activities. Starting in 2004 the course will be offered through the UNC School of Government.

North Carolina Economic Development Course  
University of North Carolina  
Chapel Hill, NC  
Contact: Emil Malizia  
Phone: (919) 962-4759

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 non-profit, 501(c)(6), 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  
41 Marietta Street NW, Suite 420  
Atlanta, GA 30303  
Contact: Gene A. Stinson, President  
Phone: (404) 523-3030  
Fax: (404) 523-0406  
Web Site: [www.sedc.org](http://www.sedc.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, DC 20005  
Contact: Jeff Finkle, President  
Phone: (202) 223-7800  
Fax: (202) 223-4745  
Web Site: [www.iedconline.org](http://www.iedconline.org)

CORENET GLOBAL is a worldwide professional development and networking association for corporate real estate and related professionals. It was formerly 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 Street, Suite 1500  
Atlanta, GA 30303  
Contact: Peggy Binzel, President, CEO  
Phone: (404) 589-3200  
Fax: (404) 589-3201  
Toll free: 800-726-8111  
Web Site: [www.corenetglobal.org](http://www.corenetglobal.org)

Other resources in the state that have a focus on economic development include:

- > North Carolina Community College System, 58 campuses; provides nationally recognized industry training and workforce development programs, as well as assistance in business start-up through its Small Business Center network: [www.ncccs.cc.nc.us](http://www.ncccs.cc.nc.us)
- > Industrial Extension Service, North Carolina State University; focused 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; provides management counseling and market development services to growing small businesses statewide: [www.sbtcd.org](http://www.sbtcd.org)
- > MCNC; promotes technology-based economic development statewide through partnerships with universities, industry and government: [www.mcnc.org](http://www.mcnc.org)
- > North Carolina Biotechnology Center; supports biotechnology research, development and commercialization statewide: [www.ncbiotech.org](http://www.ncbiotech.org)
- > Golden LEAF, Inc.; receives funds through national tobacco settlement and provides grants to N.C. communities and non-profit organizations to create economic impact, particularly in places adversely affected by tobacco decline: [www.goldenleaf.org](http://www.goldenleaf.org)
- > North Carolina Rural Economic Development Center; serves the state's 85 rural counties by developing, promoting and implementing sound economic strategies: [www.ncruralcenter.org](http://www.ncruralcenter.org).

## NCEDA ECONOMIC DEVELOPMENT HANDBOOK EDITORIAL COMMITTEE

The content for this handbook was developed by a variety of NCEDA members volunteering their time to help educate others in the state about the constantly changing profession of economic development. The original committee that developed the first edition of this handbook in 2001 was chaired by Robin Hiott Spinks and included Ray Burrows, Doug Byrd, Brenda Daniels, Jim Fain, Oppie Jordan, Bob Leak Jr., Dianne Reid, Steve Yost and Lawrence Bivins. The revision in 2003 was chaired by Leslie Scott Stewart and included Ronnie Goswick, Scott Millar, John Peterson and Mac Williams.

## NOTES



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(888) 24NCEDA • Fax (919) 882-1902 • [www.nceda.org](http://www.nceda.org)