



HENDERSON COUNTY PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Best Practices in Funding Product Development



economic development consulting

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Executive Summary

Henderson County Partnership for Economic Development works to “attract and retain quality jobs; solicit new business compatible with the assets and values of Henderson County; promote Henderson County's business image; assist in expansion and retention of existing companies; and enhance Henderson County's overall quality of life.” In order to attract new businesses and retain existing businesses, Henderson County must have a place for them to grow.

Henderson County Partnership for Economic Development engaged Creative Economic Development Consulting to research best practices in funding product development. HCPED wanted to know how other economic development organizations, in partnership with local governments, have solved the main barrier to product development – cost. Creative EDC reviewed HCPED's inventory of sites, parks, and buildings. We looked at product development programs in three states, local and state programs, programs initiated through local policy, and some that required voter approval. From sales tax to general obligation bonds to set asides of net new revenue, we researched the effectiveness of different funding methods for site, business park, and building development.

We found that just as every economic development project is unique, so are the many ways communities fund product development. Overall, economic developers reported that having a dedicated funding source, such as a sales tax, is the most efficient. Communities that dedicate a percent of net new revenue generated from economic development projects like the performance-based approach. These dedicated funding streams keep the politics and bureaucracy out of product development and allow recurring, consistent, long-term investments to be made.

We recommend that Henderson County follow the best practice of creating a product development strategy that identifies sites, phases of development, cost estimates, and prioritizes projects. Creating a cumbersome process to approve expenditures only adds to the time involved in decision-making and creates more work for economic development staff. By having a plan in place, approved by stakeholders, HCPED can move forward developing product at a pace that meets the needs of business.

As with all best-practice studies, the key is finding the best practice that offers the greatest opportunity to overcome your specific challenges. We recommend that Henderson County move forward with a product development strategy and explore a dedicated funding stream that will provide for consistent, long-term investment in economic development.

Methods of Funding Product Development

Creative EDC interviewed local economic developers and researched best practices in funding product development. We focused on programs in North Carolina, South Carolina, and Virginia, three states that regularly compete. This section of the report summarizes each of the funding mechanisms reviewed.

Chester County, S.C.: One Cent Sales Tax

In November 2014, Chester County voters approved a six-year, one-cent local sales tax to be used for capital improvement projects. Many South Carolina counties have passed one-cent local sales tax initiatives for infrastructure and capital improvements. York County voters passed the “Pennies for Progress” sales tax that funds road improvements three times. Thanks to this program, the county has leveraged millions of state and federal transportation dollars for important projects, including widening I-77 into Charlotte.

Chester County had previously passed a one-cent local sales tax for a county detention center that is set to expire in July. The new Chester County one-cent sales tax is expected to raise \$13.5M over the six year window. The unique thing about the Chester County sales tax is the number of projects it will fund – 58. Many of the projects are related to economic development, such as water and sewer to industrial sites, spec building, public works facility upgrades, signage, and quality of life amenities such as recreation facilities.

Proposed projects that would be funded by a one-cent sales tax in Chester County:

- Sewer line from new Giti Tire plant to Lando facility, \$2 million
- Chester Technology Park “spec” building, \$2 million
- County government complex metal roof and renovations, \$1.51 million
- Construction of athletic field houses at each high school, \$1.05 million
- Lighting Chester Complex, Fields 1 through 5, \$650,000
- Chester City Hall renovations, \$525,000
- Playground equipment for three elementary schools, \$500,000
- Chester County School District regulation track, \$500,000
- Construction and equipment city of Chester Public Works yard debris site, \$415,000
- Two soccer fields with lighting, \$308,000
- Great Falls sewer line replacement (Brooklyn Bridge), \$300,000
- Two softball fields, Chester Complex; \$300,000
- Chester police substation, \$225,000
- Improvements to Joe Collins facility, \$225,000
- EMS equipment, \$215,000
- Voter registration building roof renovations, \$200,000
- Lighting Rodman Complex baseball fields 1 & 2, \$200,000
- Lighting at Republic Field, Great Falls, \$175,000
- Emergency Management Agency building renovations, \$175,000
- County Health Department roof and meeting room renovations, \$170,000
- Lewisville High School, concessions, restrooms and scoreboard, \$155,000
- Maintenance facility for county detention center, \$150,000
- Lewis fire station renovation and expansion, \$150,000

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- City of Chester fire department renovations and expansion, \$150,000
- Chester War Memorial building roof renovations, \$144,000
- Lighting Gayle softball field, \$137,500
- County library basement expansion, \$125,000
- Family Court building roof renovation, \$125,000
- City of Chester, West-End activity center renovations and expansion, \$125,000
- North Chester fire substation, \$125,000
- Fort Lawn fire substation, \$125,000
- City of Chester sidewalks, \$125,000
- Rodman Complex, baseball/softball field with lighting, \$115,000
- Great Falls wastewater treatment plant renovations, \$100,000
- Welcome sign at Exit 65 on Interstate 77, \$100,000
- County animal control new office building, \$75,000
- City of Chester Public Works facility renovations, \$75,000
- Chester County museum renovations, \$70,000
- City of Chester Housing Authority common area improvements, \$69,000
- Downtown Chester streetscape, \$65,000
- Wylie Park renovations, \$65,000
- Great Falls town hall renovations, \$50,000
- McKeown building renovations, \$45,000
- City of Chester "backlot" and amphitheater streetscape, \$45,000
- Great Falls Fire Station roof renovations, \$40,000
- Rodman Complex concessions, restrooms, \$40,000
- City of Chester overflow parking lot, \$35,000
- City of Chester various park renovations, \$30,000
- City of Chester signage, \$30,000
- County fire coordinator storage facility, \$25,000
- Upgrade lighting for Chester and Lewisville high schools, \$25,000
- South Chester fire station restrooms, \$20,000
- Chester Complex restrooms, \$20,000
- Great Falls leaf vacuum, \$20,000
- Upgrade Great Falls basketball and tennis courts, \$20,000
- Two helipads off I-77, \$16,800
- City of Chester Evergreen Cemetery, \$15,000
- Department of Juvenile Justice building roof renovations, \$10,000

Orange County, NC: Sales Tax for Economic Development

In November 2011, Orange County voters passed a one-quarter cent local sales and use tax for education and economic development. The tax was expected to generate \$2.5 million annually, to be split equally between education and economic development. In fiscal year 2013, the tax generated \$2,732,718.

A similar sales tax referendum failed to pass two years prior. It is believed to have failed because there were multiple proposed uses for the tax and there was no visible support by leadership groups. The lesson learned from the failed vote was to narrow the proposed uses to two or three rather than six. Thus, in 2011 the proposal was to spend the tax revenue on education and economic development. There was more community and leadership support for the second vote; however, it was important that the economic development department not cross the line and advocate for the issue. Orange County noted that some communities use a public relations firm to help with public awareness.

The tax revenues designated for economic development are to be allocated as follows:

	% of Total	\$ Annually
Debt service on water, sewer, and associated infrastructure made in Orange County's three Economic Development Districts (Eno, Hillsborough, and Buckhorn)	60%	\$750,000
Orange County's Small Business Loan Fund	16%	\$200,000
Entrepreneurial and Incubator Support	8%	\$100,000
Business Investment Grants	8%	\$100,000
Agriculture Investment Grants	5%	\$60,000
Marketing and Collaborative Outreach	1.5%	\$20,000
Advertising, Publishing, and Collateral Materials	1.5%	\$20,000

The most applicable of the funding allocations to this study is the 60% allocated to debt service on water, sewer, and associated infrastructure in economic development districts. The funding has allowed for infrastructure extensions in the Buckhorn area along I-85/I-40 to improve approximately 1,000 acres of industrial property. The expansion of the sewer system allowed for a significant investment from Morinaga America Foods, which became Orange County's largest corporate taxpayer outside of electric power utilities. Another example of the impact is improvements to Carrboro's failing sewer lines in its downtown, which impacted 20 small businesses.

Orange County still has product development challenges even with the dedicated revenue stream. Anything outside of the three economic development zones is not supported. Orange County manages growth by designating areas for public infrastructure investments. Another challenge is that even though funding is going into the Buckhorn area, it is not a bona fide business park. It is an industrial area which is less marketable than a business park. There is better land for industrial development in Orange County, but it is off limits because of planning and ordinance restrictions. Another challenge is that funding is restricted for water and sewer debt service; however, funding is needed for fiber and telecommunications, entrance roads, gas lines, etc. Orange County has not started extending infrastructure to the other economic development districts yet.

The resolution and obligation for the Article 46 one-quarter cent sales tax runs for ten years, while the debt service on infrastructure projects runs for 20 years. Without renewal of the resolution at the end of ten years, the general fund will be obligated to pay the debt service.

Regarding other designated funding programs from the tax, the small business loan program was initially seeded with \$200,000 before the tax was passed. Tax proceeds replenish the loan fund. The loan fund is managed out of the economic development department. As the marketing fund grows, OCED anticipates it will be hard to spend as designated. The LaUNCH incubator was a new initiative, not an existing program. Chapel Hill's downtown corporation manages the incubator. Most of the ongoing operational funding comes from UNC.

In retrospect, OCED would have preferred to have fewer restrictions on the funds in order to react to market needs. Overall, they would spend more money on infrastructure and less on things such as marketing, typically funded out of an operational budget.

Wilmington, N.C.: Proposed One-Quarter Cent Sales Tax

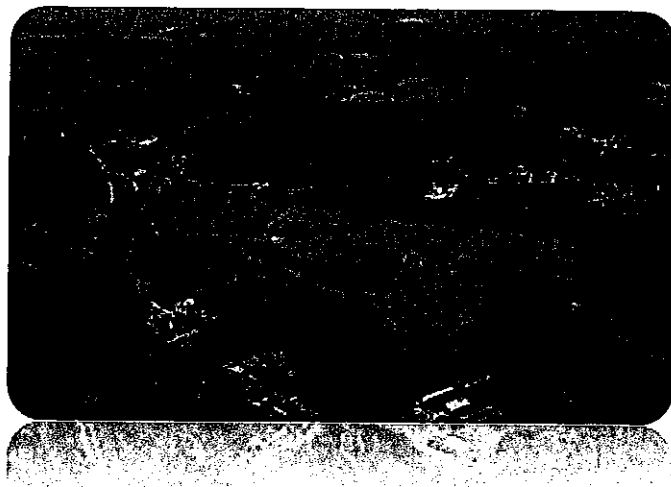
In December 2014, New Hanover County Manager Chris Coudriet commented on how a one-quarter cent sales tax could be used to spur economic development. A one-quarter cent sales tax, with a seven year time limit, would raise approximately \$49M, or \$7M a year for seven years. The county manager recommended \$23M be spent on infrastructure projects, \$15M on site acquisition and preparedness, \$8M for incentives, and \$3M to establish a revolving loan program for existing small businesses.

The comments on how a one-quarter cent sales tax could boost economic development in Wilmington and New Hanover County came following a presentation of how a one-cent sales tax transformed Oklahoma City. A presentation given by Jane Jenkins, president and CEO of Downtown Oklahoma City Inc., highlighted investments in sports facilities, river development, and downtown businesses.

The one-quarter cent sales tax has not been approved for a referendum in New Hanover County. At the time, the topic is being discussed among economic development and local government groups.

Burke County, N.C.: Economic Stimulus Package

In 2004, Burke County dedicated one cent from property taxes to pay for three specific projects: an industrial park, a multi-purpose pavilion, and emergency services training center at Western Piedmont Community College. Of the \$5.8M cost, \$3.3M was dedicated to the industrial park, \$1.5M to the pavilion, and \$1M to the emergency services training center. The municipalities dedicated one-cent of their property tax revenue to the industrial park project.



The Burke County Industrial Park is a multi-jurisdictional park, meaning the cities and county jointly share in the development cost and share the tax revenue. It took less than one year to develop the agreements, purchase the

site, and begin development. The local governments share in development costs and tax revenue based on the following percentages: Burke County 43.37%, City of Morganton 41.15%, Town of Valdese 9.8%, Town of Rutherford College 3.08%, and Town of Drexel 2.61%. Burke County Industrial Park lies at an exit on I-40. To date, Burke County has graded six pads in the industrial park and is actively marketing the location.

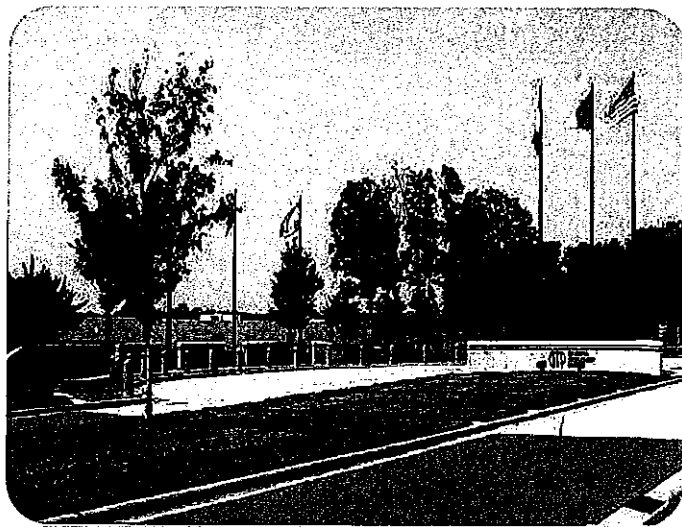
Gaston County, N.C.: Dedicated Funding for Product Development

In 1982, Gaston County boosted its local sales and use tax from 4 to 4.5 cents. The new one-half cent was dedicated to capital improvements and education. Approximately 30% of the new revenue was dedicated to capital improvements. Improvements included infrastructure such as water tanks, distribution lines, and capacity enhancements. The County took applications from cities and developers, but they could change the priority of capital projects if a new project emerged. Eventually, the County was spending \$2M a year on capital improvements to support economic development.

When the state took away the intangibles tax, the county placed the sales tax revenue back into the general fund. Gaston County maintained their commitment to economic development and approved annual general fund appropriations for capital projects to replace the \$2M that had been allocated from the sales tax.

Gaston County EDC developed a long-range capital improvement plan based on a site study that ranked approximately eight sites and all related development projects. It included land purchases, options, clearing, infrastructure, grading, roads, signage, etc. The County approved capital improvement projects based on priorities in the site study. From 2006 to 2011, Gaston County spent approximately \$16M on product development.

In 2011, Gaston County EDC began paying for product development from the sale proceeds from industrial parks. They have been using this revenue source as general fund appropriations declined.



In 2014, Gaston County launched a \$120,000 grant pool for private property owners. The private sector can apply for grants for site planning, geotechnical studies, water and sewer extensions, etc. The EDC will act as the project manager for these projects, working in collaboration with the private sector.

Gaston EDC reported that the most effective funding source was the dedicated sales tax set aside. There was an obligation to spend that money on economic development. Since 2006, product development has been at the mercy of the budget process. Gaston County Commissioners have never refused to invest in any important economic development project; however, the dedicated funding source bypassed the political and sometimes cumbersome process involved in budget requests. Institutionalizing the funding of product allowed for consistent investments to be made over a long period of time.

The staff-led approach is preferred to an approval/review committee process. When the EDC completed the site study and identified and prioritized capital improvement projects, it was clear which projects should be funded. When there was a committee established later to review capital requests, staff had to build a case each time for the funding request. It took a lot of staff time and resources to go through the committee approval process to get to the same end conclusion.

Gaston County EDC works off of a ten-year break-even window on product development. All sources of revenue are considered in the return on investment calculation, not just property tax revenue.

Since 2006, the EDC has developed 2,700 acres and 600,000 square feet of industrial facility space and rebuilt Gaston County's manufacturing base, which was decimated in the late 1990s and early 2000s.

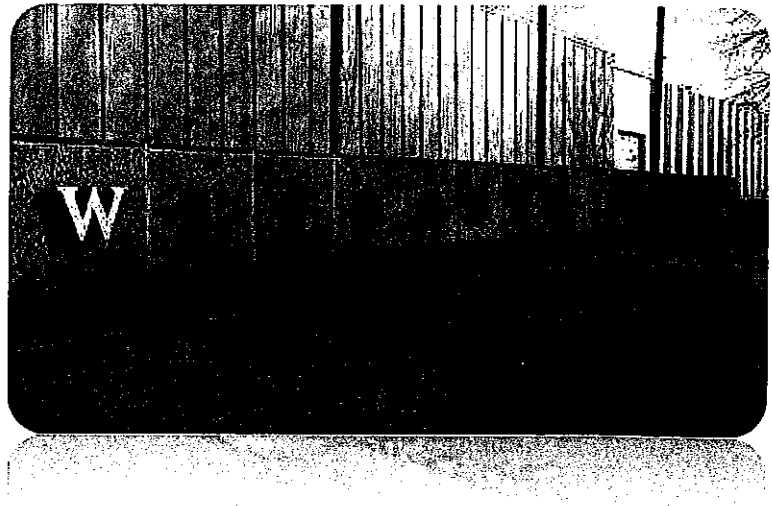
A key lesson learned by the EDC is that success doesn't breed support. All of this work in product development did not get the EDC any equity, and each time it had to build the case again for investments in economic development.

Winston-Salem, N.C.: Bond for Product Development

In 2014, the City of Winston-Salem passed a \$110M bond for several infrastructure, roads, education, and economic development projects. Twenty-five million of the bond was dedicated to economic development. The city intends to use the funds for site identification, development, potential speculative building, and downtown greenspace associated with an office project. Some funding may be used for Whitaker Park redevelopment.

The bond funding will be repaid out of city tax revenue. Out of the four areas of funding, economic development is the only one that will generate tax revenue back to the city and help repay the bond.

Winston-Salem Business, Inc., the economic development organization for Forsyth County and Winston-Salem, will make recommendations to the city on projects for the bond funding. The city established a review committee and is setting up metrics to gauge return on investment. The committee will review local contracting rules and Minority and Women Business Enterprises contracting.



Winston-Salem citizens had to vote in each of the four funding areas separately - infrastructure, roads, education, and economic development. The city did a great job marketing the bond. The city was confident the bond would pass because of the active role city leaders, specifically a former Reynolds executive, took promoting the bond. There was really no negative feedback when promoting the bond. It passed by more than 60%. The lessons learned were to provide extensive community education and engage community leaders in a "United Way"-style campaign.

In addition to bond-funded projects, Winston-Salem Business has asked for a loan from the Dell incentive clawback to build a spec building. The loan will be repaid when the building sells. Bond funds may be used to close a funding gap for the spec building.

Even though the bond vote was positive and the funds are dedicated to economic development, Winston-Salem Business staff reported that having an ongoing, dedicated funding stream for product development is preferred. One-off funding, such as the bond, does not allow for the long-term, consistent, recurring investments that need to be made in product development. They have been investigating using a percentage of the lease revenue from developments as a dedicated funding stream.

Richmond County, N.C.: Industrial Park Bond

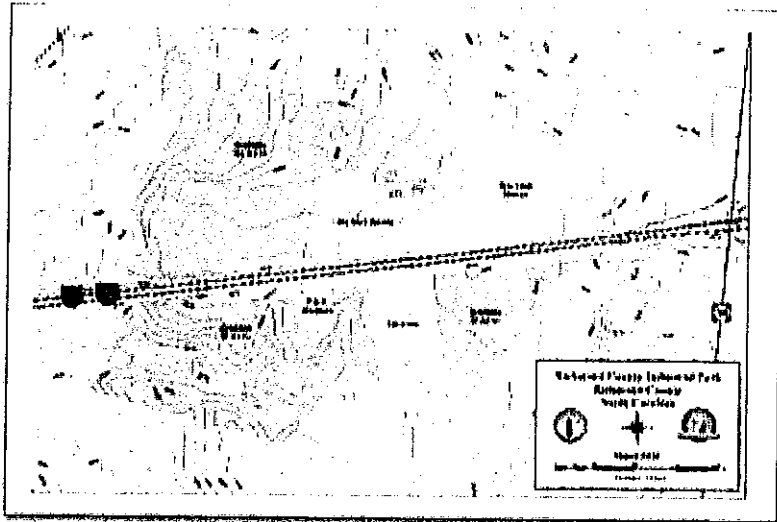
In 1995, in a special election, Richmond County voters passed a \$3M economic development bond referendum by 54%. The vote was for "economic incentives for new and expanding industry." The bond referendum came on the heels of losing approximately 7,000 textile jobs.

The vote allowed Richmond County ten years to enact the bond. In 2001, the county moved forward with bond funding for the Richmond County Industrial Park.

The county used approximately \$940,000 to purchase property, \$1.7M to extend water and sewer, and \$500,000 for professional services such as engineering and surveying. N.C. Department of Transportation built the access road for Ritz Craft, the first tenant in the park. A \$150,000 grant from Pee Dee Electric Cooperative paid for lighting. Entrance signs were approximately \$20,000. Over time, the county has invested more than the initial \$3M in bond funding and leveraged funding from many agencies and organizations.

The park is home to four companies: Ritz Craft Homes, Big Rock Sports, P & P Shutters, and Laticrete. It took approximately three years for the park to attract the first tenant, Ritz Craft Homes. There are approximately 268 acres available in the park.

In addition to the Richmond County Industrial Park, the county has invested in the Pine Hills Industrial Park and Rockingham West Industrial Park. They have used zero percent financing from Pee Dee Electric Cooperative (program referenced below) to finance a spec building and fund joint projects with the city.



Cumberland County, N.C.: Consortium Financed Spec Building

Cumberland County used a local bank consortium to fund a speculative building in the 1990s. A handful of banks underwrote the loan that included three years of no interest. After three years, the county made interest-only payments until the building sold. Interest payments, \$40,000 a year, came out of the economic development operating budget.

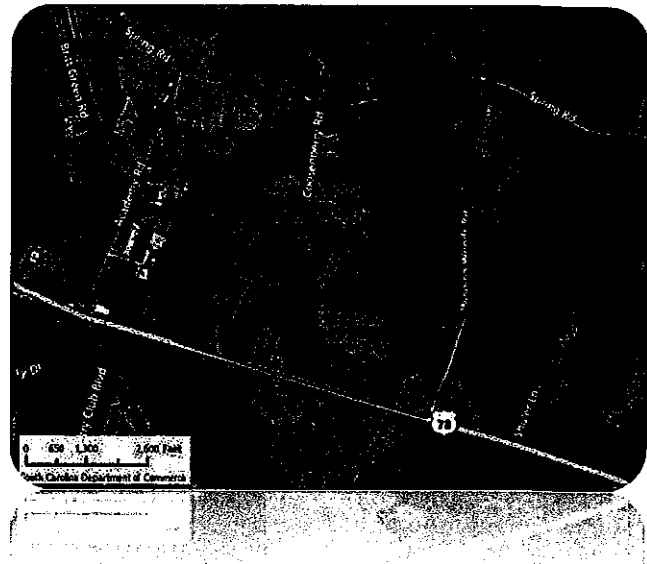
Spec building programs are an economic development marketing tool. Approximately 70% of all expanding and relocating companies desire an existing building. Spec buildings attract companies that want an existing building and are willing to invest in some upfit to make the building meet their specific needs. Even though spec buildings are a popular carrot to draw companies, it took the Cumberland County spec building ten years to sell. The location was reportedly good, and it was in an industrial park setting. The building was often eliminated by companies because it was not an exact fit and the prospects wanted the building for free.

After taking ten years to sell the building, with the county making \$40,000-a-year interest payments for seven years, the community soured on the spec building program. Local banks had no negative feedback on the program and the length of time to sell did not harm relationships with local banks. However, the current regulatory environment for banks would make it hard for the consortium to make a similar deal today.

Today, Cumberland County does not have a regular funding source for product development. They have not focused on product development because of the excess inventory throughout the recession.

South Carolina Counties: Percent of Fee-In-Lieu of Tax

In South Carolina, the most utilized statewide incentive is a fee-in-lieu of property tax. Companies may be approved to pay a fee-in-lieu rather than paying property taxes for a period of time, in essence a tax abatement. Several communities allocate a percent of each new fee to an economic development fund. Dorchester County is one of these counties. The county diverts five percent of each new fee into an economic development fund. The fund had reached \$4 million in 2012. Dorchester County has spent funds on water and sewer to industrial land, such as the Winding Woods industrial area to the right. Laurens County is another county in South Carolina that uses a percent of each new fee to fund product development.



Other communities, such as Charleston County, use a percent of each fee-in-lieu to fund economic development operations. Charleston County diverts 7.5% of the fee-in-lieu from its multi-county park to fund operations, totaling \$1.4M a year. Greenville County is another county that uses a percent of the fee-in-lieu to fund economic development operations.

The advantages to this funding mechanism is that the revenue stream is performance based. The better the economic development agency performs, the more companies are located, the more fees collected, and the more money goes into the fund.

This concept can be applied to North Carolina by allocating a percentage of net new tax revenue associated with economic development projects into a dedicated fund for economic development. For example, if HCPED recruits a company that pays \$100,000 a year in new tax revenue to Henderson County, 5%, or \$5,000 a year, will be diverted to an economic development fund.

Community Development Block Grants for Shell Buildings

Through the Small Cities Community Development Block Grant Program, loans of up to \$1,000,000 can be made for the construction and upfitting of publicly owned shell buildings. The program is designed to “provide high-quality industrial buildings to market to new and expanding business and industry.” Sites must have infrastructure to be eligible. Sites certified by the Department of Commerce receive preference for funding. The loan is made to a local government; however, a local government can apply for a nonprofit to be the recipient and be responsible for construction and marketing the building. The program charges two percent simple interest, has a five year loan term, and requires a dollar for dollar match. The Rural Economic Development Division of Commerce administers the program.

North Carolina: Proposed Business Facilities Development Act

There has been a recent effort to pass the Business Facilities Development Act in North Carolina. The bill did not pass in the 2014 session, but is being revived with renewed interest in 2015. The proposed act would create a zero or low interest statewide loan fund that local governments and nonprofit economic development organizations could tap for infrastructure, site development, and spec building development. The current proposal is to seek funding for a statewide facilities study for 2015 and establish the loan fund in 2016. It remains to be seen whether this act will have enough support to be passed in the current legislative session, and, if passed, how Henderson County could benefit. However, it warrants a close watch by HCPED because there is not a statewide product development financing program in North Carolina.

North Carolina Department of Commerce Building Reuse Grant

The building reuse grant program was administered through the NC Rural Center until 2014, when it was moved to the newly formed Rural Economic Development Division at the NC Department of Commerce. Grants are available for improvements to vacant buildings and for existing businesses to renovate buildings. Unlike the other programs featured in this report, a project must be pending to apply for a building reuse grant, and the grant award is based on

new job creation and distress level of the community. This program does not address product development needs in advance of a project.

Utility Product Development Programs

Utility companies have played an active role in product development in North Carolina and other states. Utilities have programs to enhance sites in their territory, improve infrastructure, and build spec buildings. Even though most of the programs below are not available to Henderson County, we list them to exhibit the programs to which competing communities have access.

⊙ Santee Cooper Economic Development Loan Program

In 2012, Santee Cooper, South Carolina's largest power generator, initiated an economic development loan program to provide zero-interest loans for infrastructure and product development. To date, the program has awarded \$48 million to 23 projects, mainly for industrial spec building development. In 2014, grants were awarded to Orangeburg County for a 75,000 square foot building, and to Anderson County for a 50,000 square foot spec building. The grant program has been successful at attracting companies to South Carolina communities. One example is Sigmalex, which located in the Orangeburg County spec building.

⊙ Duke Energy Site Readiness Program

The Duke Energy Site Readiness Program was started in 2005 and has assessed approximately 97 industrial sites over 38 counties in North and South Carolina. The company attributes part of its success and being named as one of the nation's "Top 10 Utility Economic Development Programs" to the Site Readiness Program. The Duke Energy website says:

"The Site Readiness Program is not just another "site certification" program. This program is intended to identify, assess, improve, and increase awareness of industrial sites in the Duke Energy region. The goal of the program is to increase the inventory of industrial sites throughout the Carolinas, and to advance the state of readiness of these sites. To qualify for the Site Readiness Program, a site must be a legitimate industrial site (usually 75 acres or more) and Duke Energy must be able to compete for service to the site. The site can be either a single site for a large industrial facility or a potential industrial park (multi-tenant site)."

Duke Energy offers implementation funding in the form of a \$10,000 matching grant. The grant is used to fund improvements recommended during the site evaluation process.

HCPED has successfully completed the Duke Energy Site Readiness Program for both Ferncliff and Tap Root parks.

© **NC Electric Cooperatives**

Many economic development organizations in North Carolina have used the NC Electric Cooperatives' zero-interest Rural Economic Development Loan program for spec buildings and other economic development projects. Co-op programs include low-interest loans and business opportunity grants, including the zero-interest Rural Economic Development Loan available through the U.S. Department of Agriculture.

Funding and service is available to county and municipal economic development commission projects, tourism authorities, water and sewer systems, shell buildings, small business incubators, and activities such as assisting existing business to expand through refitting buildings and direct assistance for expansion of facilities and workforce development.

In the past ten years, cooperatives' contributions to economic and community development have resulted in more than \$570 million in investments in local businesses and industrial development.

© **ElectriCities of N.C., Inc.**

Even though the program is not applicable to Henderson County since it does not have any municipal electric systems, we did want to note a new site qualification program launched in 2015 by ElectriCities of N.C. Smart Sites is a shovel-ready site development program similar to the Duke Energy Site Readiness Program and the N.C. Department of Commerce Site Certification Program. Member communities of ElectriCities can apply for grant funding to qualify a site as shovel-ready. ElectriCities will conduct special marketing initiatives for Smart Sites.

© **Appalachian Power**

Appalachian Power in Virginia offers grants to economic development organizations for industrial site and business park feasibility studies, master plans for spec building and business parks, environmental studies, cultural resource studies, and other studies related to product development. Grants are up to \$20,000.

Catawba County, N.C.: Site Preparedness

In the 1990s, Catawba County had a program to aid private property owners with site improvements. The county invested in site certification and other due diligence reviews with an

agreement that the landowner would repay the cost when the land sold. Investments were made in due diligence reviews that often led to site certification. Gaston County, reported above, is doing something similar with a new grant program targeted to private landowners and developers. Henderson County has had similar partnerships with private developers to fund due diligence work. Henderson County required repayment of the investment if the property did not sell for an industrial purpose.

Virginia Tobacco Commission

Unlike Golden LEAF programs, Virginia's Tobacco Commission has programs targeted to product development. Communities in Southside and Southwest Virginia, distressed tobacco dependent areas, have access to funds for industrial sites and business/technology parks, improving water, sewer and other utility infrastructure, and developing tourism infrastructure. Funds were used to help pay for grading three land pads in the Oak Park Center Business Park in Washington County.

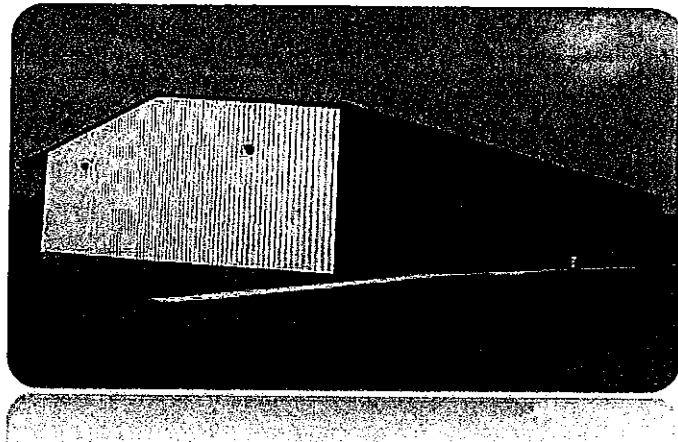
The Tobacco Commission also has funding available for megasites based on a 2011 study that identified key megasites across the commonwealth.

Abbeville County, S.C.: Manufacturing Incubator

Abbeville County Economic Development built a manufacturing incubator to jumpstart development in a new industrial park. Existing business can use the incubator to ramp up a new product line. New companies locating in the business park can get started in the incubator during construction on their permanent facility. A small business can grow out of a garage into the incubator, then on into the park.

Abbeville County completed construction on the 22,000 square foot, four-bay manufacturing incubator, located in the Lakelands Commerce Center. The incubator offers a host of services to support companies, including legal, insurance, banking, finance, marketing, etc. Like many incubators, Abbeville County set a three year graduation window. A unique and creative twist is that graduating companies are given a carrot to stay in the County. If a graduate immediately moves outside the County, they owe the County the difference between fair market rent and the subsidized rent they paid. If the company locates in-county, they do not repay the rent subsidy. Companies must stay in-county for three years for the subsidy waiver.

The approximate \$1.45M project was funded jointly through a \$1M EDA grant and \$450,000 of local funds that come from utility tax credits and infrastructure funding. The land and site prep costs were included as part of the local match to EDA.



Multi-Jurisdictional Parks in North Carolina *(excerpted from an article co-written by Crystal Morphis for the IEDC Economic Development Journal)*

A multi-jurisdictional business park is just as the name implies, two or more local jurisdictions partnering in developing a business park. The jurisdictions can be composed of any unit of local government and can be funded with or without private partners. Multi-jurisdictional parks are sometimes called revenue sharing parks. These types of parks have been established between cities, counties, and private partners. Multi-jurisdictional parks are formed as an economic development tool, which allows localities to create a marketable product in order to recruit new and retain expanding companies.

Perhaps the greatest benefit of a multi-jurisdictional park is that it offers a way to share the costs and benefits of product development. Partners share the costs of due diligence, infrastructure extensions, land, transportation access, site preparation, signage, and the many other expenses that go into developing a business park. Return on the investment is realized by sharing property tax revenue, which is increased as the park is developed and when businesses invest in a new facility at the park. Tax revenue is shared among the jurisdictions that partner in the development, regardless of whether the park is located in a particular jurisdiction. Most often, revenue is shared proportional to each partner's investment in overall development costs.

- © Multi-jurisdictional parks are good land use policy. Every municipality and county may not need or desire to develop a business park in their jurisdiction. In fact, many do not have the resources. Land in some areas is best suited for tourism, recreation, or housing, and sustainable development practices may not support business park development. Instead of developing a park in a location where it does not fit with current land use policy, it is often better to find a partner and develop a park where it is appropriate.

- ⊙ By pooling resources, communities can create a superior business park to those developed with fewer resources. One common pitfall of smaller communities developing parks is the lack of, or failure to commit, the substantial resources needed to create a product that is marketable. Water and sewer lines may not have been extended, access roads may remain unpaved, and land may remain uncleared. Developers today know that parks must be fully developed and shovel-ready in order to be competitive. Multi-jurisdictional parks allow communities with limited resources to pool resources with partners and invest in the development steps needed to create a marketable park.
- ⊙ Funding is more widely available from grant and appropriation sources for regional economic development projects. Grant agencies often give priority to regional economic development projects and/or make more funding available. Arguments for special appropriations at the state level carry more weight when made on behalf of a region, rather than a single community. It is also easier to gain political support when a development has the potential to positively impact the constituents of multiple districts.
- ⊙ There are an increasing number of communities that have outspoken groups opposed to development. These communities need a tax base from business and industry to support local government services, but face obstacles in expanding their tax base. By joining with a neighboring jurisdiction that welcomes business development, partnerships can be established that allow for employment centers near a workforce, but away from areas coveted by anti-growth groups.
- ⊙ Land costs in some areas have been driven out of range for business and industrial development. A city or county may desire new business locations but cannot secure competitively priced land within its jurisdiction. If that is the case, it could be advantageous to partner with a neighboring community in which land costs are substantially less and, therefore, more appealing to business and industry.
- ⊙ It can be the case (particularly in mountainous areas) that it is more efficient for a neighboring local government partner to extend infrastructure to the site of a new business park (e.g. water), which may lie outside its jurisdiction. The provision of infrastructure would be a basis for a multi-jurisdictional business park.
- ⊙ In North Carolina, and in some other states, legislation has been passed that provides for certain multi-jurisdictional business parks to share the most favorable state incentive treatment that would be allowed for the most distressed local government involved in the development. The effect of “sharing” a favorable incentive tier ranking will boost the marketability of all of the property.

Triangle North is the largest multi-jurisdictional park development in North Carolina. One regional nonprofit corporation controls sites in Vance, Granville, Warren, and Franklin Counties. Other multi-jurisdictional parks are Commerce Station in Huntersville-Cornelius-Davidson, Burke County Industrial Park, and the International Logistics Park in Brunswick-Columbus Counties.



Best Practices Summary

Just as every economic development project is unique, so are the many ways communities fund product development. The key is to find what works in your community. And as we learned from Gaston County, what works changes over time. Here is a summary of what we gleaned from the best practices research.

- ⊙ Economic developers agree that a dedicated funding source, such as a sales tax, is the best funding option because of the obligation to use the funds for economic development. A dedicated funding stream avoids the politics, bureaucracy, and lengthy timeline of making individual requests out of the general fund.
- ⊙ Those communities in South Carolina that dedicate a percent of new fee-in-lieu projects recommend the funds be used for product development and that economic development operations remain funded separately. This allows for a dedicated funding stream for product development. Local leaders like the performance-based approach - the better the economic development program performs, the more money that goes into the fund.
- ⊙ Gaston County's best practice of creating a long-range product development plan with prioritized projects and identified costs was key to their success. It takes the guesswork out of which project is to be funded. Their methodical approach was consistent, garnered stakeholder buy-in, and took out the guesswork.
- ⊙ All agree that creating review and approval committees only added to the time involved in decision-making and created more work for economic development staff, only to reach the same conclusion.
- ⊙ Communities that partner with the private sector through a loan program for enhancements believe the public investment sparks more private investment.

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Competitive Assessment Comparison

2002

2013

STRENGTHS

Potential Available Workers	State & Local Taxes
Labor Productivity, Work Ethic & Labor/Management Relations	Labor Productivity, Work Ethic & Labor/Management Relations
Blue Ridge Community College & Technical Training	Blue Ridge Community College & Technical Training
K-12 Education	K-12 Education
Quality of Life	Quality of Life
Health Care	Health Care
Proximity to a Metro Area with National Visibility	Proximity to a Metro Area with National Visibility
Favorable Economic Geography & Highway Access	Favorable Economic Geography & Highway Access
Ground Transportation	Ground Transportation
	Telecommunications
	Electricity & Natural Gas
	Perceived Business Climate
	Unified Support & Vision for Economic Development
	Resources Devoted to Economic Development
	Air Transportation

NEUTRAL

Labor Cost	State & Local Incentives
Immediate Labor Availability	Water & Sewer
Air Transportation	Cooperation Among Regional Governments
State & Local Taxes	Labor Cost
State & Local Incentives	Health Insurance Costs
Water & Sewer	Cost of Living
Telecommunications Services	
Electricity & Natural Gas	
Industrial Land Cost & Availability	Industrial Land Cost & Availability
Perceived Business Climate	Immediate Labor Availability
Unified Support & Vision for Economic Development	Potential Available Workers
Cooperation Among Regional Governments	
Resources Devoted to Economic Development	
Cost of Living	
Health Insurance Costs	

WEAKNESS

Economic Investment Fund of Henderson County

Draft Mission:

The Economic Investment Fund of Henderson County will protect and advance Henderson County's quality employment and tax base capacity through product and workforce development – improving Henderson County's competitive position for quality jobs and improving the lives of its citizens. The fund will employ a product development strategy focused on identifying, optioning, and acquiring real property, and improving the marketability of real property through due diligence, infrastructure improvements, and site development. The fund will support proactive engagement with schools and students, increasing awareness about careers in manufacturing, and encouraging workforce preparedness.

Why is this entity needed?

- HCPED has identified two primary weaknesses (product and workforce) that will limit the capacity of our local economy, retention and growth of local government tax base, quality employment opportunities with strong wages, and encouraging dollars circulating in our local economy.
- Workforce development has not kept pace with the needs of Henderson County companies, sparking serious concerns for both existing and prospective companies considering Henderson County as a location. The Made in Henderson County initiative was started over 2 years ago, focused on connecting schools and industry – the Economic Investment Fund will allow Made in Henderson County to pursue funds dedicated specifically to 501(c)(3) entities.
- HCPED's success with recruitment and expansion projects has led to a depleted inventory for sites and buildings.
- No single-tenant industrial buildings, greater than 12,000 sf with full utilities are currently available in the county – over 70% of our project inquiries are specific in requesting an existing building.
- Remaining industrial sites are primarily smaller, topographically-challenged and at a cost disadvantage in comparison to communities that we routinely compete against.
- 501(c)(3) status would allow the acceptance of real property as a charitable contribution.
- The Economic Investment Fund aims to identify and preserve critical sites to ensure that Henderson County continues to have the opportunity to drive its local economy through quality employment, with quality wages. Success in this effort will continue to drive revenue to local governments through industrial tax base, a low ad valorem tax rate, and payroll dollars circulating to area small businesses.

What would funds be used for?

- Further identification and analysis of prospective industrial property.
- Due diligence, infrastructure improvements and extensions, site development, property options, and possibly acquisition of real property for industrial development.
- Encouraging the preservation and retention of existing industrial buildings, and the construction of new industrial buildings that fill an inventory gap and improve the county's competitive position.
- Further examine the feasibility of a multi-jurisdictional product development structure.
- To advance workforce development efforts aimed at connecting schools and industry, and to broadcast the value in diverse career paths afforded by local industry.

Why do we need an independent organization from HCPED?

- The entity's charitable status will encourage new investment, while allowing a specific focus on product and workforce development.
- HCPED will continue to drive the county's existing industry retention and expansion program, marketing the county to targeted sectors, recruitment of quality jobs and tax base, and advocating for a competitive business environment.
- The Economic Investment Fund will focus specifically on improving and preserving real property for industrial development purposes, and supporting proactive workforce development efforts. This work will ensure that HCPED has product to market, workforce to market, and that our community retains a strong competitive position for economic development projects into the future.
- The EIF will be served through a shared resources agreement with HCPED, no dedicated staff is planned or anticipated.
- The advantages of an independent (c)(3) include:
 - accept tax-deductible, charitable contributions from private partners
 - pursue grants that are exclusively available to (c)(3) entities
 - accept real property as a tax-deductible, charitable contribution
 - encourages multi-jurisdictional public participation at the municipal and county level