

Survey of Economic Development Tools of Cities and States in the United States

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*Indicates tools Utah is currently using

Business Attraction and Retention

This category outlines tools that can be used to attract out-of-state businesses into the state. While some examples of tax-incentive strategies are mentioned, this is not intended to be an exhaustive or comprehensive list.

Agreement not to Annex ¹	An agreement for a city not to annex a business property for a set period of time to attract a business into an area. The city gets the benefit of having the business locate in the area and the creation of additional jobs. The business is freed from ad valorem taxation of its property by the city for the designated period of time. Example: Texas
Freeport Exemptions ¹	Property tax reductions or exemptions on goods in transit that are located in the state for only a short period of time. These exemptions enhance the ability of the state to attract warehouse and distribution center facilities by offering special property tax exemptions for the goods they typically handle. Example: Texas
Improving Business Environments ^{2*}	Reducing difficulties imposed by state and local business and licensing laws that create barriers of entry for new businesses. Typical approaches focus on reducing the time it takes to process applications, reducing the costs to businesses, and reducing the complexity of the process.
One-Stop Shop ^{2*}	A central hub for business information in a state. The office works with all other internal branches and offices of the state on behalf of businesses (taxing, inspections, licensing, etc.) The office could include a special phone number for business enquiries. Examples: Michigan, Utah, Virginia
Private Activity Bonds ^{3*}	Bonds that finance land, buildings, or equipment to develop or expand businesses and have a lower interest rate than conventional financing because they are issued by the state or local government. Also known as industrial revenue bonds. Every state engages in Private Activity Bonding on some level.
Property Database ^{2*}	A statewide land plan identifying what lands are unused, which types of sites and premises are available for business use, which sites are readily available, and what further sites or premises are needed to meet business needs. The database is typically publicly available for business use. Examples: Kentucky, Utah
Tourism Promotion Areas (TPA) ^{4*}	Areas established by the state or local government for the purpose of imposing special assessments on lodging businesses to fund convention and tourism promotion. If conducted on a municipal level, interlocal agreements are usually required with each city and community in a proposed TPA. Examples: Utah, Washington
Targeting to Attract Businesses ^{3*}	Marketing strategies that target a type or group of firms the state wants to attract. Usually focused on sectors with growth potential, linkages to existing businesses in the state, and other reasons to be attracted to the particular state. Tactics include brochures, advertising in trade publications, advertising supplements, sending direct mail, participating in industry trade shows, telemarketing, or conducting seminars. Examples: Arkansas, Utah

Coordination of Economic Development

Every state has dozens, if not hundreds of different non-profit, for-profit, and public organizations attempting to spur economic development. These options seek to coordinate these organizations' efforts into a single program or in a single geographical area. Options range from local to regional coordination.

Business Improvement Districts (BID) ⁸	Creating defined areas within which businesses pay an additional tax in order to fund projects within the district's boundaries. Grant funds or other incentives can be made available to recruit new business. BIDs can clean streets, provide security, make capital improvements, and market the area. They can also compile information on properties available for sale and share it with prospective business owners. Examples: New York, Oklahoma, Tennessee
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Creation of an Export-Promotion Agency ^{9*}	Agency that synchronizes the resources available in the state to maximize exports. It coordinates the efforts of other smaller groups that are trying to increase exports and establishes connections between foreign-trade offices and private-sector exporters. These agencies usually focus on finding synergies between state and national export-promotion programs. Examples: Alabama, California, Pennsylvania, Utah
Export Financing Programs ¹⁰	Programs designed to assist small to medium-sized businesses in obtaining financing to begin exporting. Focuses on the financial barriers that prevent businesses from taking the necessary steps required for exporting. Example: Pennsylvania
Inter-Local Agreements ^{1*}	Localized coordination efforts between cities and counties intended to attract and retain business development within their region. They are prevalent in rural areas where communities may not have the funds to do a great deal of individual marketing. They are also popular in more populous areas where a regional approach can maximize the efforts to recruit larger businesses. They can be formalized into a written agreement. Every state and most cities engage in some form of interlocal agreements for economic development.
Intraregional Coordination ^{3*}	Coordination of economic development efforts between states at the broadest level. Efforts focus on avoiding competition among communities within a region. Coordination involves economic development planning, financing, recruitment, and retention functions. States may also pool resources to attract companies to the region. This could occur in an informal setting as well as through a formal organization. Example: Western Governors Association
State Trade and Export Promotion (STEP) ^{11*}	Federally administered program designed to help increase the number of small businesses that are exporting products. It is funded by federal grants and matching state funds. The STEP program also seeks to raise the value of exports for small businesses that are already exporting. All states use this program in some way.
State Trade Commissions ^{10*}	Trade commissions created by states to increase exports. They examine difficulties facing small and medium-sized businesses that do not export, such as trade barriers, language barriers, and networking problems. Provides information and support necessary to begin exporting. Example: Utah

Direct Business Development

This category covers hands-on tools the state can use to spur economic development. While some of these options offer development incentives, most are direct investments from the state. These programs are generally tailored to a target audience and require more overhead and effort to implement.

Agriculture Development Loans ¹	Government loans that seek to promote and protect agricultural business operations. These programs typically offer short-term and long-term financial assistance to businesses and individuals that engaged in agricultural enterprises, as well as to rural political subdivisions engaged in economic development. Examples: Minnesota, Michigan
Angel Investment Credits ¹²	Tax credits to interested firms that make an investment in one of the state's new business ventures. The program offers tax credits to qualifying firms in an amount equal to a predetermined percentage of their direct investment in a qualified business venture. Examples: Connecticut, Georgia, Minnesota
Business Incubator ^{3*}	Low-cost office space and support services provided by the state for start-up businesses in targeted industries. The goal of an incubator is to provide support services to startups that might not be able to afford the basic needs of a new business. Such programs are intended to foster synergy through the communication and proximity of incubator tenants. Examples: Oklahoma, Texas

Crowd Funding ¹³	Efforts to help local businesses raise money through crowd funding sites, such as kickstarter.com, or by tapping local loan and investment clubs. Public resources are used to assist in advertising and marketing the effort. Reciprocally, crowd funding can also be used to finance public projects and reduce government spending. Example: Kansas
Funding for Emerging Technology ^{1*}	State funding designed to help increase the long-term growth of the economy by attracting top research talent to develop new technologies. These technologies will potentially grow existing industries, develop new industries, and expedite development and commercialization. The programs work through partnerships between the state, institutions of higher education, and private industry. Example: Texas, Utah
Immigrant Business Enterprise ⁵	Programs aimed at helping immigrants and minorities increase their economic standing through entrepreneurship. They target disadvantaged citizens through relaxed credit and collateral requirements. Programs concentrate on selecting more economically promising businesses as loan recipients and tailoring capital assistance services to the needs of their clients. Examples: Florida, Maryland
Microenterprise Development Program ⁶	Provides low-income microbusinesses (businesses with five or fewer employees that require no more than \$35,000 in startup capital) with skills, training, and capital. Goal is to help them improve and achieve economic self-sufficiency. Usually targets those at or below 150 percent of the poverty line. Loans through these programs generally carry market interest rates and are short-term. Examples: Washington DC, Vermont, Maine, Nebraska, Oregon
Product Development Fund ^{1*}	Revolving loan program that provides financing for the development, production, and commercialization of new products in the state. Categories within the fund may include inventions, devices, techniques, or processes that have advanced beyond the theoretical stage and are capable of having a commercial application. Example: Texas, Utah
Revolving Loan Fund (RLF) ⁷	Fund providing loans to small business owners at rates and terms more favorable than those offered in commercial markets. These loans are often given to low-income entrepreneurs. When the original capital base is paid back in principal, interest, and fees, the money is then lent back out for further investment into entrepreneurial activity. Examples: Oregon, Ohio, Massachusetts
Rural RLF or Grant Program ^{7*}	Same as a Revolving Loan Fund but used to target rural communities. Examples: Nevada, North Dakota
Social Investment Funds ⁶	Funds or programs that harness the power of private enterprise for social good by supporting benefit corporations. Benefit corporations are impact-driven businesses that seek to fill social voids in communities and are required to maximize social benefits. They have higher standards of corporate purpose, accountability, and transparency. Policymakers examine what barriers may exist for these businesses and provide support and incentives where needed. Examples: Pennsylvania, Maryland
Startup Fair ³	Publicly run event where prospective entrepreneurs can meet with those who have experience launching a business or who can offer other useful support services. An economic development agency places fledgling businesses in contact with low-cost or no-cost mentors (such as retired executives) who can provide advice for small businesses in the area of management, marketing, accounting, and financing. Example: Iowa
Young Farmer Loan Guarantees ¹	Programs providing financial assistance through loan guarantees to young individuals within a specified age range and who are establishing or enhancing their farm, ranch, or other agriculture-related business. Examples: Missouri, Iowa

Market Development Incentives

These options usually spur from policy decisions to focus on a particular problem. Some focus on individual while others focus on industries. All are intended to provide market incentives to provide a broad-based solution to a particular problem.

Green Business Incentives ^{12*}	Creates incentives for industries that are considered “green” by providing grant programs, employee tax credits, or new job tax credits. These incentives could target wind and solar energy production or the development of electric vehicles. Examples: Colorado, Massachusetts, Montana, Utah
Home Buyer Tax Credits ¹²	Tax credits for buyers of existing or previously vacant homes. They are designed to decrease the amount of foreclosed homes on the market, liquidate vacant properties, and increase the overall outlook of the housing market. Example: California
Job Creation Tax Credits ^{12*}	Offers tax credits for creating jobs that meet predetermined qualifications. They usually target a certain demographic or geographical area. Examples include hiring individuals who are unemployed, hiring veterans, hiring previously laid off workers, jobs created in counties with exceptionally high unemployment, manufacturing jobs created, or small businesses who create jobs. Examples: Florida, Alabama
Mortgage Guarantees ¹⁰	Establishes a trust fund for mortgage guarantees in hopes of stimulating the state’s housing market. The fund is to be used to reimburse investors suffering foreclosure losses on loans. Example: Alabama
Quality Jobs Tax Credit ¹⁴	Provides tax credits for employers who create jobs that pay a wage above a predetermined dollar amount. Designed to increase the median income of an area as well as bring qualified jobs to an area in greater numbers. It could also be used to increase demand for education. Example: New Mexico

Infrastructure Investment

These approaches are aimed at improving the infrastructure on which businesses rely, whether directly through publicly funded projects or indirectly by creating market incentives for businesses to develop infrastructure. Each of these approaches involves capital improvement projects intended to strengthen the backbone of the economy.

Capital Improvement Programs (CIP) ^{3*}	Comprehensive five-to-six-year capital improvement project plans designed to support both commercial/industrial and residential growth. Capital improvements typically include major nonrecurring expenditures for projects such as civic centers, libraries, museums, parks, highway construction, sewage and water treatment plants, water and sewer lines, and swimming pools.
Capital Investment Incentives ¹⁰	Provide funds to help offset business’ costs associated with upgrading utility infrastructure, business expansion, or new construction. This can be provided in the form of tax credits or grants for businesses that invest in infrastructure development. Example: New York
Infrastructure Development ¹⁰	Allocating money for infrastructure projects for the purpose of creating jobs. Projects could include highway and bridge development, water treatment, or government facility construction. Examples: Illinois, North Carolina, Ohio, Oregon, Vermont ,Virginia
Public Facilities District (PFD) ¹⁵	Municipal corporations created to oversee regional public facilities projects that otherwise may not be feasible. Types of projects include professional sports stadiums, conference or convention centers, regional recreation centers, theaters, or any other public facility. PFDs are usually given independent taxing authority. Example: Washington
Telecommunications Development ^{16*}	Development of telecommunications infrastructure to provide incentives for businesses to move to an area. This can include the perpetuation of internet infrastructure in more rural areas or development of fiber optic networks in more developed areas. Because many cities and counties cannot provide this costly infrastructure, they can provide environments intended to encourage its private development. Examples: Iowa, Washington, Utah

Land Supply

The high costs associated with land development force businesses to carefully consider the land they purchase. The tools below are intended to ensure that businesses have knowledge of and access to the most suitable lands for development.

Brownfield Development ³	Development of an abandoned, idled, or underused property where expansion or redevelopment is complicated by real or perceived environmental contamination. Often this land is located in areas convenient for housing and transportation development. Governments can make infrastructure investments to make the land more attractive for business development. Example: Michigan
Enterprise Zones ^{12*}	Establish geographical areas and offer tax concessions, infrastructure incentives, and reduced regulations to attract private investments into the zones. They are intended to encourage development in blighted neighborhoods. Some states have wrapped all local enterprise zones under one statewide program to place standardized incentives on all the zones. Examples: Arizona, Texas, Utah
Land Assembly ³	When the public sector acquires or uses existing lands and building to assemble a larger property more conducive to economic development. If lands are not already publicly owned, they are acquired on the open market or through eminent domain. Purchase of adjacent land parcels can be used to assemble a larger parcel under a single owner. The land is then made available to public or private developers, usually through a bidding process. Example: Michigan
State-Created Business Parks ^{3*}	Business parks created by the government's use of eminent domain and infrastructure development. They typically meet the specific needs of sought-after industries. Additionally, such programs can focus on public purposes like job creation rather than profit making. Examples: Warren County Virginia, Carlton County Minnesota
Tax-Increment Financing (TIF) ^{3*}	Also known as Redevelopment Agencies or Economic Development Agencies, TIF is a method of financing redevelopment activities. The local government identifies an area as the TIF district and determines property tax revenue collected in that area before redevelopment occurs. It then borrows money to improve the development prospects of the area. Ideally, as private development occurs, tax revenue increases and the excess above the pre-redevelopment property tax revenue pays off the loans and finances further redevelopment. All states engage in TIF at some level.

Quality of Life Improvements

Businesses give important consideration to the quality of life in the areas where they locate. A good quality of life means employees are less likely to voluntarily relocate, thus decreasing company turnover. States have many options available to help improve the quality of life in their jurisdictions, making the state a more attractive place for business.

Community Development Corporations (CDC) ^{17*}	Nonprofit, community-based organizations that secure private and public capital through development of both residential and commercial property. Often created and funded by cities, their activities include developing affordable housing, redeveloping properties, implementing economic development and social programs, and providing property management. All states have CDCs.
Neighborhood Empowerment Zones ¹	Groups set up to increase the economic prospects of particular geographical zones. They function much like improvement districts, except that they also focus on improving the quality of life in their areas. They do this by promoting the creation of affordable housing, increasing economic development, increasing the quality of social services, and providing public safety education. Example: Texas

Parking and Business Improvement Areas¹⁸

Local efforts to improve the public facilities and services available within a defined geographic zone. They are financed through a special assessments imposed on developments located within the improvement areas. The assessments can be used to finance the construction of parking facilities in the area, decorate public areas, promotion of public events, furnishing music in public places, provision of maintenance and security of common public areas, or planning and promotion of the area. Example: Washington

Quality of Life Strategies³

When a city or state tries to influence the factors that contribute to a good living environment. New businesses will be attracted to communities with the most appropriate combination of factors, and existing businesses will expand for the same reason. People also use quality of life indicators to measure neighborhood and community desirability. Examples of common targets include air quality, recreational access, and schools.

Workforce Education

Businesses value an educated and skilled workforce. It is important for states both to educate the upcoming workforce to provide them the best opportunities, as well as to provide additional training and skills for the current workforce to improve their vocational prospects. These tools are intended to directly and indirectly provide this education.

Entrepreneurship Education¹⁹

Teaches would-be business owners about financial institutions, government agencies, and community resources that can support a start-up business. Since many business owners start out with little experience or formal education in business operations, this program can also provide training on basic business functions, including budgeting, management, and marketing. For example, Florida pairs its universities with entrepreneurship education programs.

On-The-Job Training Programs²⁰

Programs encouraging employers to provide job training to employees while they are at work. If employers provide additional training or education to existing employees, they are reimbursed for a predetermined percentage of employees' wages during their training. Another strategy is to reimburse an employer for all or part of the professional costs of training the employee. Example: Louisiana

Procurement Assistance Programs^{19*}

Target small-to-medium-sized businesses by providing them with technical training on government contracting and bidding processes. They include notification of current bidding opportunities. To provide more direct assistance, some states have "set aside" programs where a certain percentage of government contracting is designated for minority firms. Almost all states have procurement Assistance Programs.

Unemployment Modifications¹²

Allows unemployment insurance claimants to gain workforce training by interning at local businesses for a specified number of weeks, while still receiving unemployment benefits. This encourages job seekers to improve their prospects of obtaining a job. Example: Hawaii

Welfare-to-Work^{21*}

Programs that require individuals to meet certain requirements to continue receiving state welfare assistance. Each program has different requirements, but programs commonly make welfare benefits contingent upon gaining additional training or education, continued job applications, internships, vocational training, or enrollment in community college programs. Examples: California, New Jersey, Utah, Wisconsin

Workforce Development Training²¹

Provides companies in the state with funding or customized workforce training. Aims to improve the competitiveness and productivity of the state's workforce and business environment. Example: Louisiana

Workforce Grants²⁰

Provides workforce training grants to businesses and industries that use the money in partnerships with local educational institutions to train their employees. Educational institutions customize training to the businesses' schedule and needs. Example: Louisiana

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