

**State Economic Development Task Force
Local Government
Utah League of Cities & Towns
Mayor Tom Dolan**

The State Economic Development Task Force has received a comprehensive review of the key elements for a sustainable state economy and the resources required to achieve the highest level of performance. It has been established that the health and vitality of cities is critical to the economic development process. The cities or counties are where businesses will locate. Local communities are the focal point for economic development and quality jobs and quality capital investment. Providing quality municipal services such as public safety, fire, emergency medical, local transportation systems and a high quality of life are essential to having businesses expand or relocate in Utah.

One of the key areas assigned to the Task Force was the identification of regulatory or other barriers that impede or could be the source of a loss of economic production or economic development. Given the dynamics of a global economy and the dramatic impact of access to data and advanced communication capability, businesses no longer have to locate in New York City, Hong Kong or London to effectively compete and grow. This change has put Utah cities in the position of having to compete with numerous locations throughout the United States and even international locations. The phenomenon of multinational and technologically advanced businesses has changed and expanded the definition of infrastructure.

With projected statewide population growth of 2 million people by 2040 the current tax structure of local and state government are not sustainable and will not be able to provide the water, housing, transportation and open space to remain competitive in the new economy. There is need for state and local government to work in collaboration and cooperation to achieve the implementation of the Envision Utah Quality Growth Strategy.

The disconnect between the state and local government relative to tax structure results in a zero sum game for local government. Cities that have to provide the new services, roads and other infrastructure associated with major employers do not realize funding to support and sustain those expenditures.

There must be a shift to a holistic economic development strategy that adapts to the new demands being placed on state and local government. Economic development is no longer just a process of advertising and introducing potential businesses to the State. Given the advances in technology the representatives of prospective companies looking for a site to relocate or expand their business arrive in Utah armed with extensive data relative to demographics, work force profiles, technological and communications infrastructure.

The volume and quality of the data presented to the Task Force has been excellent. The issues raised concerning the role of local government in the economic development process are substantive and require the prompt attention of the Legislature and local elected officials. The limited time available to the Task Force did not allow for the development of specific proposals to guide the state and local communities toward a desired future. Commitment to further collaboration is critical for Utah to remain competitive in attracting quality jobs and quality business investment.

Given the extraordinary projected growth in population, state and local leaders can choose to simply respond to the growth through a series of short term financial solutions or the leadership can be provided to guide and manage the coming growth to achieve a sustainable economy and desired future for the people of Utah.

COMPREHENSIVE TAX REFORM REMOVING BARRIERS TO ECONOMIC GROWTH

- The underpinnings of the tax structure of state and local government represent policies that have limited relationship to the new technological and global economy.
- The disconnect between the funding of state and local government must be corrected and aligned toward quality job growth.
- Recognition that the current tax structure for local government with the exception of sales tax does not allow for the impact of inflation on the purchasing power of local government. There is a disconnect between the annual increased cost of goods and services purchased by local government from the private sector absent some inflationary index on the property tax.
- Simply modifying the formula for the distribution of sales tax will only result in creating “winners and losers.” Consideration needs to be given to either a statewide increase in the sales tax for local government, or a local option increase in the funding, as part of any change to the distribution formula.
- The Utah League of Cities & Towns is forming a task force to thoroughly review the issues related to local government funding. Communication and collaboration with the State Legislature is essential to achieving a tax structure that will sustain providing municipal services in the face of the growth of population over the next two decades.

COMPREHENSIVE REFORM OF BUSINESS INCENTIVES REMOVING BARRIERS TO ECONOMIC GROWTH

- There is an existing disconnect between state and local government relative to quality job creation. Local government does not have an economic incentive to provide the services associated with the services required for new businesses.
- There is an existing disconnect between the desired future of the Envision Utah Growth Strategy and existing funding investments for sustainable economic development.
- There is an absence of economic incentives to address the critical air quality issues that threaten the health and quality of life of citizens not only along the Wasatch Front but all areas of Utah.
- The only “tool” provided to local government for economic development is the Community Development & Renewal Agencies (Urban Renewal, EDA and CDA). Tools need to be developed that are flexible to the specific needs or specific objectives desired by the local community and the state. One size does not fit all.

Benchmarking Best Practices For Quality Job Creation, Quality Development & Quality of Life

- Review economic development practices in other states that have replaced Tax Increment Financing based on property tax with a sales tax or other tax alternative. This would have the effect of removing school districts from having to participate in Tax Increment Financing.
- Restructuring of economic development incentives to address the barriers created by the existing tools:
- Align local economic development tools with the creation of quality jobs.
- Flexibility to customize an incentive proposal proportional to the project meeting or exceeding criteria for above average wages and benefits; utilization of parking structures or alternative transportation for employees to promote smart land use and mitigate impact on air quality; energy efficient construction with reduction of energy use, water use; purchasing from Utah suppliers and utilization of local construction companies and professional design and engineering services.
- Major Project Zone – Transit Oriented Development Zone – establish criteria for a development project area that has significant economic impact for state and local government. Criteria might include private sector investment exceeding \$200 million; minimum 300 primary jobs created and establish the wage guideline; creation of a transit oriented development project or multi-modal transportation project with criteria as to the size and private sector investment; creation of a resort with regional impact; etc. Provide flexibility for incentives that are proportional to the investment being made by the private sector and estimated impact on the local and state economy.
- Utilize economic development incentives to promote air quality through the creation of satellite employment centers that are located closer to the immediate population. Reduces the length of trips by automobile and provides the potential for the efficient use of transit and/or active transportation.
- Establish a rigorous process for the review and analysis of projects seeking public sector investment.