Winchester, VA Board Retreat

June 18, 2019

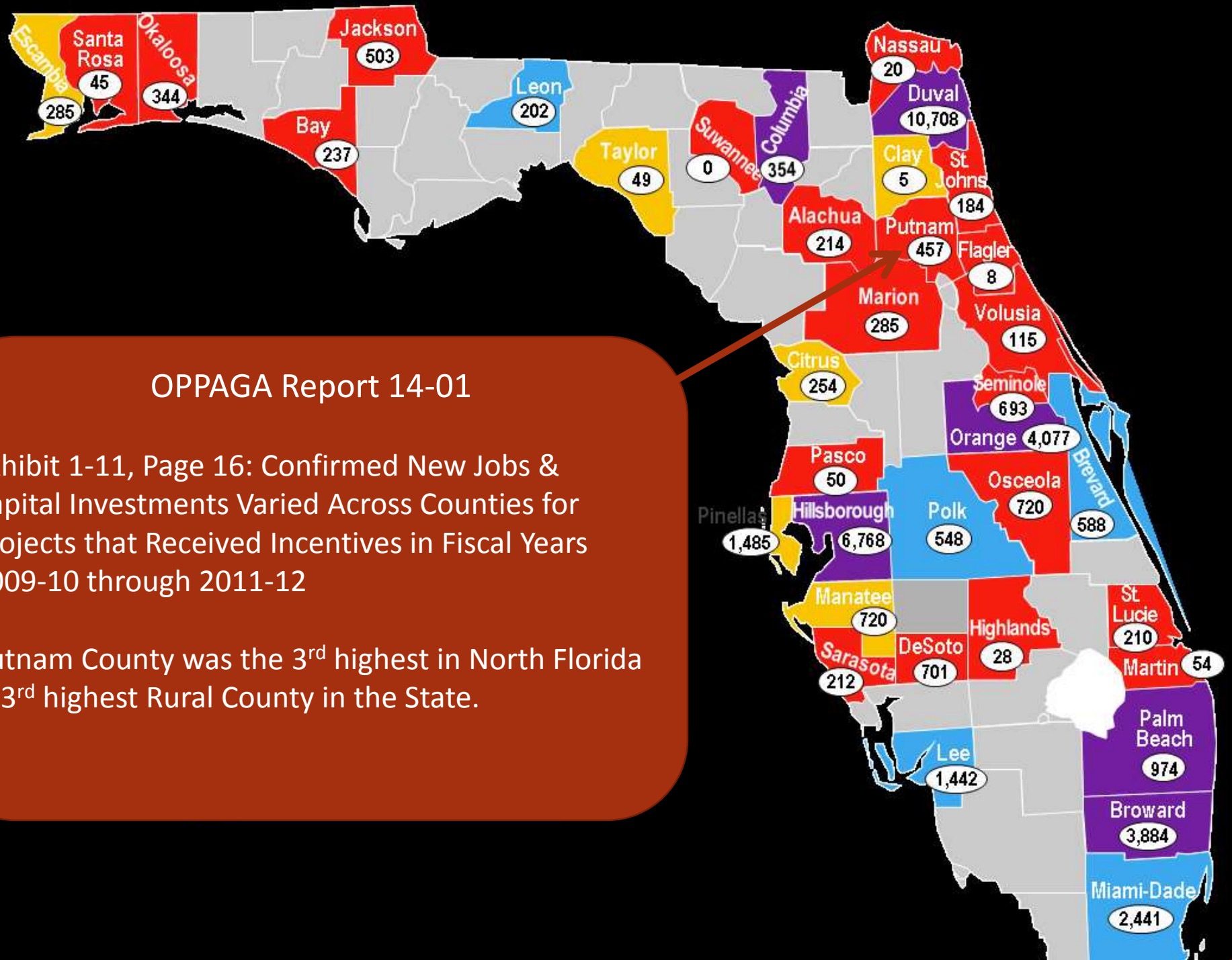
Alex McCoy, MBA, CEcD, EDFP, IOM
C.E.O.
Lawrence Co. Regional Chamber of Commerce
Lawrence Co. Economic Development Corporation

Alex McCoy, MBA, CEcD, EDFP, IOM

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

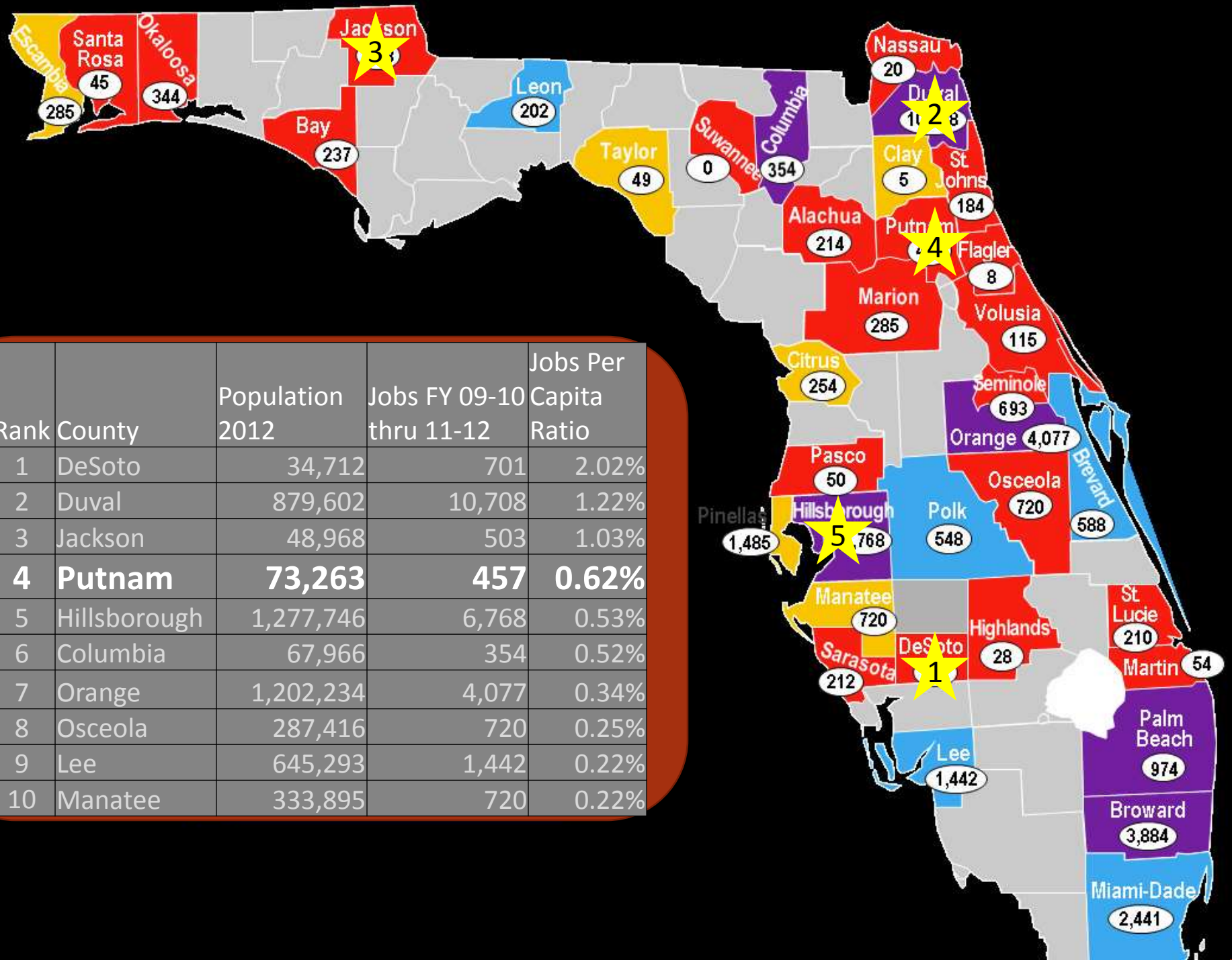
- From: Southwest Georgia
- Interests: SEC college football, BBQ, & golf
- Started in Community Dev.: 2003
- Degrees: Mercer University BBA ’02; MBA ’05
- Other:
  - University of Oklahoma Economic Development Institute, 2009
  - FEDC – Young Professional of the Year, 2012
  - IEDC – Certified Economic Developer (CEcD), 2012
  - NDC – Economic Development Finance Professional (EDFP), 2016
  - U.S. Chamber Foundation – Institute of Org. Mgt. (IOM), 2016
  - DCI – 40 Under 40 Rising Starts in Economic Development, 2016



OPPAGA Report 14-01

Exhibit 1-11, Page 16: Confirmed New Jobs & Capital Investments Varied Across Counties for Projects that Received Incentives in Fiscal Years 2009-10 through 2011-12

Putnam County was the 3rd highest in North Florida & 3rd highest Rural County in the State.



Rank	County	Population 2012	Jobs FY 09-10 thru 11-12	Jobs Per Capita Ratio
1	DeSoto	34,712	701	2.02%
2	Duval	879,602	10,708	1.22%
3	Jackson	48,968	503	1.03%
4	**Putnam**	**73,263**	**457**	**0.62%**
5	Hillsborough	1,277,746	6,768	0.53%
6	Columbia	67,966	354	0.52%
7	Orange	1,202,234	4,077	0.34%
8	Osceola	287,416	720	0.25%
9	Lee	645,293	1,442	0.22%
10	Manatee	333,895	720	0.22%

Hudson Frank McCoy
Born: Dec. 29, 2017
Weight: 7 Lbs. 13 Oz.
Length: 20”

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Defining Community & Economic Development

ED a Different Meaning to Everyone

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Average citizens
  - Attracting/retaining jobs that pay living wages which they can perform; improve quality of life
- Elected officials
  - Generate non-residential revenues to pay for services; jobs for constituents; political success
- Existing business community
  - New customers; improved/new workforce skills; economies of scale; shared service burden; innovation

What is Organized Economic Dev.?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Defining Organized ED:

- *Organized ED is a deliberate set of programs, policies, or activities intended to improve the economic well being and quality of life, and to create or retain jobs within a community over time*

Goals of Organized ED efforts:

a) Create/Retain permanent higher wage jobs
b) Stimulate private sector investment
c) Grow the community's non-residential tax base
d) Help communities plan for the future
e) Attract businesses by building a better operating environment

Organized ED Is and Isn't

- Is an ongoing-process
- Is about doing a lot of little things right by various players
- Requires a serious long term view/ commitment from the public to build the community's wealth

- Is NOT an event
- Is NOT a single act performed by a single person
- Is NOT something that can be switched ON and OFF on a whim, with one year's lost efforts taking several years to recover from

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

The County Store

Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!

- Cashier → Tax Collector
- Security → Law Enforcement
- Maintenance → Public Works
- Interior Design → Planning & Zoning
- Price Marker → Property Appraiser
- Management → Elected Officials/Manager
- Landscapers → Parks & Recreation
- Human Resources/Training → Public Education
- Sales, Marketing, Business Customer Service, Product Research and Dev., & Growth Strategy Advisor → Economic Development Organization

What's in ED?

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Power of Knowledge and Leadership

LAWRENCE COUNTY REGIONAL CHAMBER OF COMMERCE

Transforming Lives, Together!

- Bus. Retention & Expansion
- SBD & Entrepreneurship
- Bus. Attraction
- Tourism
- Real Estate Development & Reuse
  - Brownfields
  - Downtown
  - Product
- Workforce Development
- Strategic Planning / Public Policy
- Tech-Led Development
- Neighborhood Development
- Development Finance
  - Projects
  - Infrastructure
  - Product

What is Community Development?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Defining Organized CD:

- *Community development a process where community members come together to take collective action and generate solutions to common problems*

Goals of Community Development efforts:

a) Build civic and institutional capacity within groups to better create positive change with communities
b) Create a common vision / plan with broad support
c) Promote understanding between different groups to create consensus and collaborations
d) Help build a more "sellable" product
e) Attract people by making the community more desirable

Stage 3

Community Development

Communities are Complex Places

Growing Community

- Controversy is normal
- Objective view of politics (focus on common good)
- Willingness to accept risk
- Willing to tax themselves
- Schools stress academics
- Growth is planned
- Makes room for newcomers
- Can learn from anyone
- Leadership is dispersed among many people

Dying Community

- Controversy is avoided
- Politics based on personalities, not issues
- Common good pushed aside
- Unwilling to tax themselves
- Schools focus on sports
- Growth is unplanned
- Newcomers must pay their “dues”
- Some people / groups are considered dumb / worthless
- Small groups hold all the power – sometimes a single person

Comparing Community & Econ. Dev.

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Topic	Community Development	Economic Development
Customer	Individual / Family	Business
Level	Micro	Macro
Base Unit	Family	Firm
Focus	Quality of Life	Overall Business Climate
Goal	Population Growth	Resource Growth

What Economic Development Looks Like?

The ART of the DEAL

Florida Enterprise Florida

A Sample Economic Development Project — *from Start to Finish*

1 Source of Leads

Industry Support | **COMPETITIVE OPPORTUNITIES** | Local Communities
Workforce | Existing Facilities | Taxes | Incentives
Education System | Business Climate

- Trade Shows
- CoreNet / IAMC
- EFI Website
- Repeat Customers
- EFI Marketing Efforts
- Site Selection Consultant Events
- Established Relationships
- Branding / Advertising
- Board of Directors / Governor

ACME HEADQUARTERS

ACME HQ

CORPORATE HQ

$75M CAPITAL INVESTMENT

500 NEW HIGH-WAGE JOBS

Acme assigns the search to an internal representative.

Acme hires a consultant to start the site selection process.

Florida is on radar screen due to lead generation efforts.

Florida is not suggested

Consultant reaches out for more information about Florida.

- EFI reaches out to company proactively.
- Direct contact with partner EDO
- Call to Governor's office or legislator
- EFI website

Direct contact with EFI (lead)

Business Development (BD) project manager makes contact with the consultant or company to assess needs and determine how EFI can assist.

2

EFI determines it can assist the company and sends an initial proposal based on the type of project.

Acme is interested in specific Florida location(s).

EFI assists. **GO TO STEP 5**

EFI determines it is not best suited to assist with the project.

EFI offers the project to a partner organization.

Partners determine if they want to follow up on project. If yes, EFI will assist as needed (STEP 3).

Acme isn't sure where to look in Florida. EFI evaluates Acme's needs, develops a list of potential locations and provides general information.

Acme prefers a single point of contact – EFI – for confidentiality and efficiency.

3

Acme issues a formal RFP to Florida and other states.

EFI works with community partners to gather specific information such as potential sites, demographics and local incentives.

EFI analyzes Acme's needs from a statewide perspective and determines decision drivers and assesses eligibility and need for state incentives.

EFI formally presents Florida's proposal.

4

Florida makes the cut.

Florida is cut from list of options

EFI follows up to determine why project was lost.

EFI arranges site visits to one or more Florida communities for Acme. Acme tours available real estate and addresses issues such as permitting, labor, quality of life, education and infrastructure.

Acme narrows its search and revisits any Florida site that makes its short list. Acme meets with community and local economic development leaders, as well as real estate brokers, workforce experts and local regulatory agencies.

Florida is cut from list of options

5

Local, regional and state leaders develop a competitive incentives package.

Florida is cut from list of options

EFI follows up to determine why project was lost.

Florida is one of 2-3 remaining locations, and Acme begins working on a real estate deal and filling out incentives applications.

EFI may involve the Governor and/or local government leaders to call or meet with Acme.

Acme considers all benefits, crunches the numbers internally, comparing Florida's offer to other states'.

Florida loses the deal to another state

Company officials and/or consultant determine the best deal for Acme and present a recommendation to the company's board. Incentives are reviewed.

The board agrees Florida is the top contender. Acme buys real estate and completes deal.

EFI remains involved to ensure the terms of the deal are carried out.

Florida Wins the Deal!

In the longer term, EFI continues relationship building and offers other support, such as export assistance.

2 YEARS LATER ...
Acme announces expansion plans. SEE STEP 3

The ART of the DEAL

PART 2: THE INCENTIVES

Florida Enterprise Florida

Step 3 *(From The Art of the Deal)*

a

The Art of the Deal, Step 3

ACME HEADQUARTERS

ACME HQ

CORPORATE HQ

$75M CAPITAL INVESTMENT

500 NEW HIGH-WAGE JOBS

EFI analyzes Acme's needs from a statewide perspective and determines decision drivers and assesses eligibility and need for state incentives.

EFI and DEO conduct basic due diligence.

EFI identifies solutions that will meet Acme's needs (may include incentives).

EFI identifies identifies resources and compiles information to address key decision drivers (Workforce Florida, Space Florida, DEP, DOR, DOT, etc.).

Incentives are not part of the solution.

EFI ensures Acme's eligibility for incentive programs.

EFI assesses competitive environment to ensure Florida's incentives are appropriate and competitive.

b

Acme completes and submits specific incentive applications to EFI.

EFI reviews application and submits to DEO.

EFI reviews local community's level of contribution and participation in the overall incentives package.

Local community does not support incentives.

EFI and DEO analyze costs and benefits to the state given proposed incentives package.

EFI staff consults with Secretary of Commerce (SOC) regarding proposed incentives package as needed.

SOC declines; staff prepares alternative package.

Cash-based incentives discussed at the Incentives Review Committee.

EFI negotiates incentives package with Acme.

EFI conducts further research. Counter negotiations may take place.

DEO completes final review and approves.

c

Cash Based Incentives

DEO submits to Governor.

Governor reviews and makes a determination of award.

Governor/LBC does not approve funding.

DEO presents Closing Fund or Innovation Fund proposal to Legislative Budget Committee for approval.

Other Incentives

Acme is informed of incentives award.

Performance contract is negotiated between Acme and DEO and is sent to company for approval.

d

Acme expands or locates in Florida.

DEO notifies Acme of claim reporting period.

Acme submits claim form and supporting documentation to DEO.

Additional information provided by Acme.

DEO reviews information.

DEO needs additional information.

Acme has not met contract requirements.

Contract is no longer active unless there is a legislative mechanism for renegotiation.

Acme has met contract requirements.

Incentives payment made to Acme.

Process repeated annually for duration of the contract.

2 YEARS LATER ...
Acme contemplates expansion plans. SEE STEP a.

Enterprise Florida
11/2012

MAKE GIFS AT GIFSOUP.COM

Guzer.com
MAKE GIFS AT GIFSOUP.COM

GIFSOUP.COM

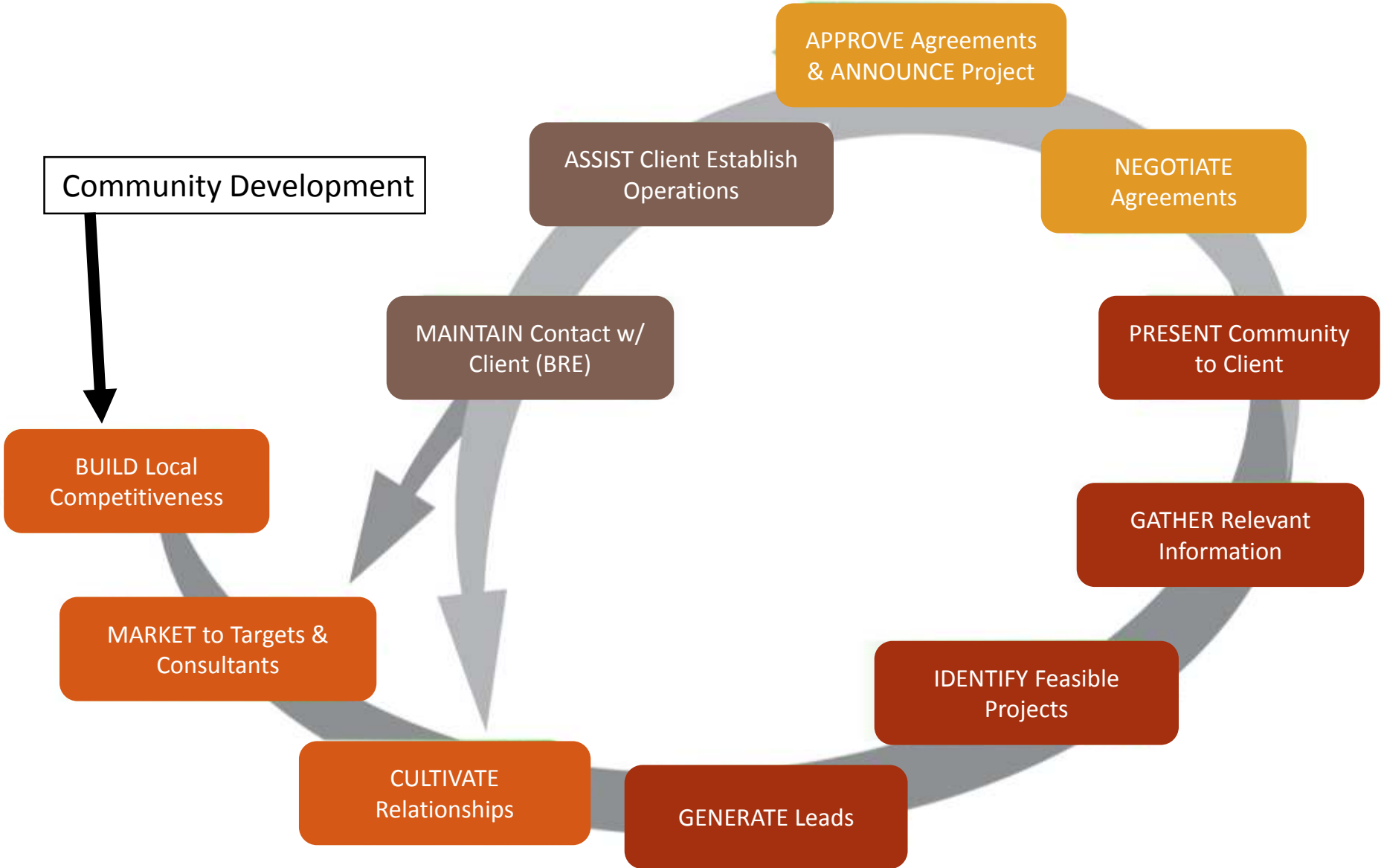
MAKE GIFS AT GIFSOUP.COM

SENORGIF.COM

Overview of the ED Process

Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!



Three Types of Job Growth

Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!

Manufacturing, Warehousing, Distribution	Retail, Trade, Transportation; Hospitality & Tourism	Allied Health; Retail, Trade, Transportation; Hospitality & Tourism
Typically larger projects with a choice of where to locate. Product consumption across a very broad area. • BA • BRE	Improve business climate through public policy, marketing, and improve access to capital • BRE • SBD • Tourism	Business climate and strong customer base • SBD • Entrepreneurship • Tourism

Economic Base Theory

Lawrence County Regional Chamber of Commerce

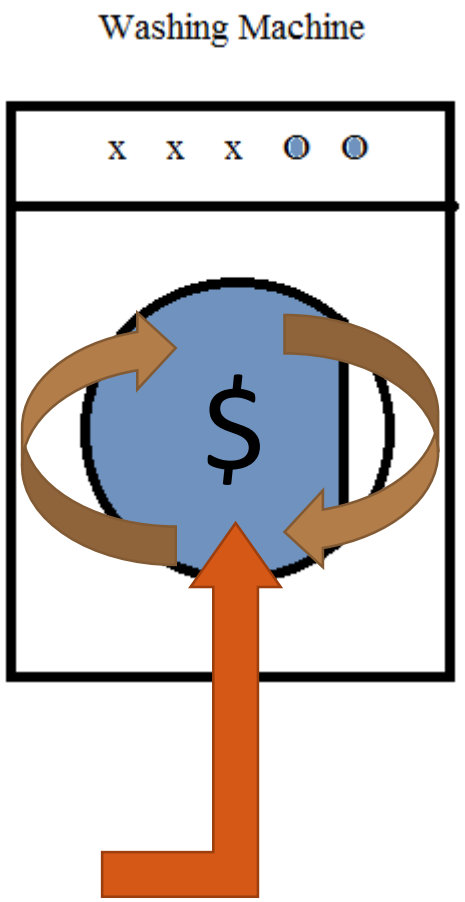
Transforming Lives, *Together!*

"Primary Employer / Job"

- Firms that "Export" their goods outside the community actually "Import" new wealth
- "Export" firms tend to have higher multiplier impacts within local economies and create demand for "Secondary Employers / Jobs"

Primary vs. Secondary Employers

- Primary Employers (ex: manufacturing, distribution, high-end services, etc.)
  - bring cash into the community by selling their goods/services outside the community
- Secondary Employers (ex: retail, most service based firms, etc.)
  - recycle cash already in the local economy
  - usually driven by local business conditions (ex: amount of area disposable income, number of customers, etc.)



Multiplier Effect – Lawrence County, PA

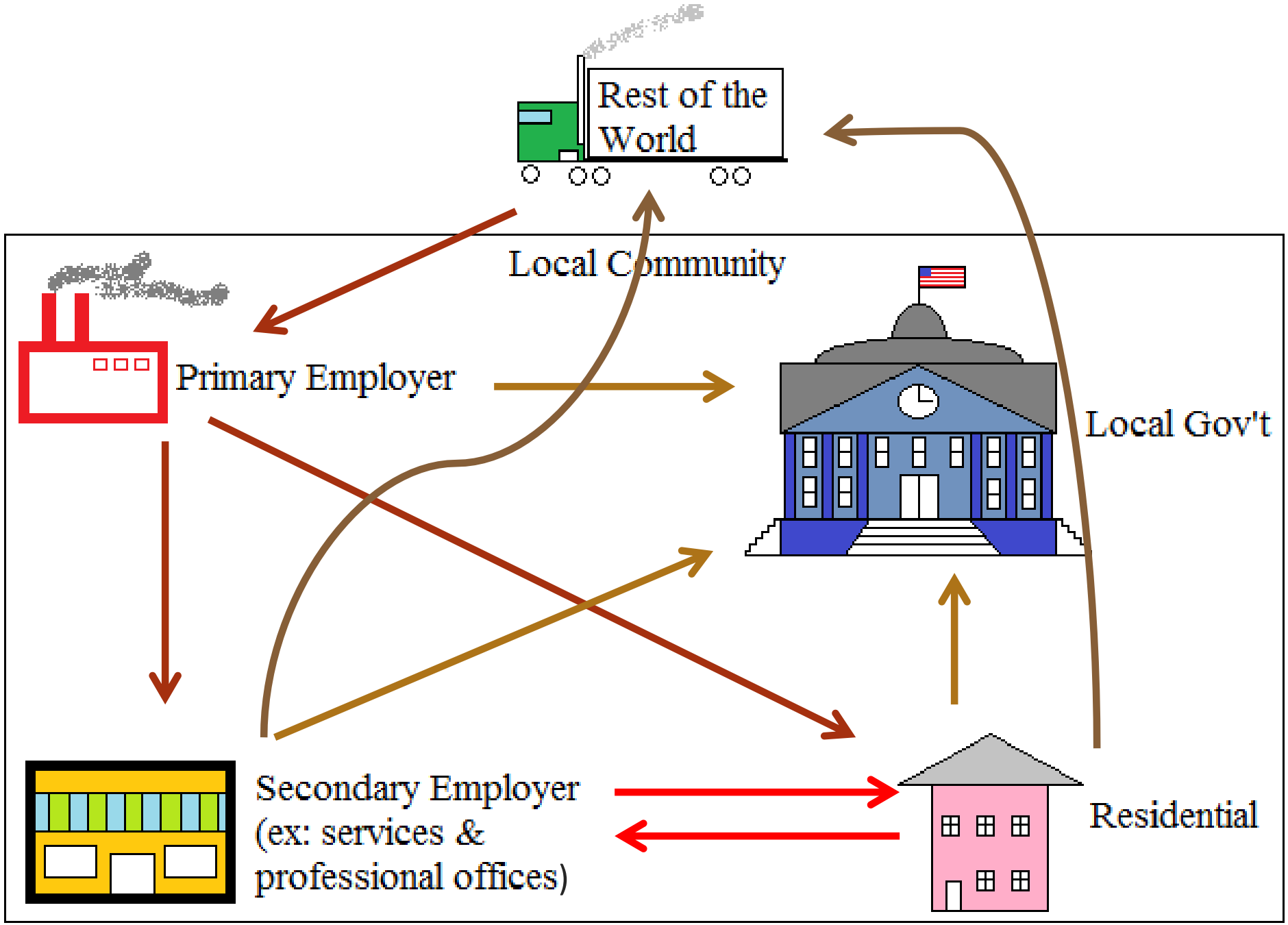
Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Industry	Job Multipier	Avg. Job Wage	Income Effect
Restaurants and other eating places	1.12	$13,089	$17,747
Personal Care Services	1.13	$18,025	$23,071
Clothing Stores	1.23	$19,194	$28,122
Healthcare Practitioners	1.31	$31,658	$43,691
Legal Services/Law Offices	1.38	$50,360	$65,110
Fabricated Metal Products	1.40	$49,321	$64,847
Plastics Manufacturing	1.41	$52,935	$68,850
Forging and Stamping	1.54	$66,470	$87,431
Oil and Gas Extraction	2.18	$98,812	$144,615
Petroleum and Coal Products Mfg	3.44	$62,827	$157,538

Source: JobsEQ

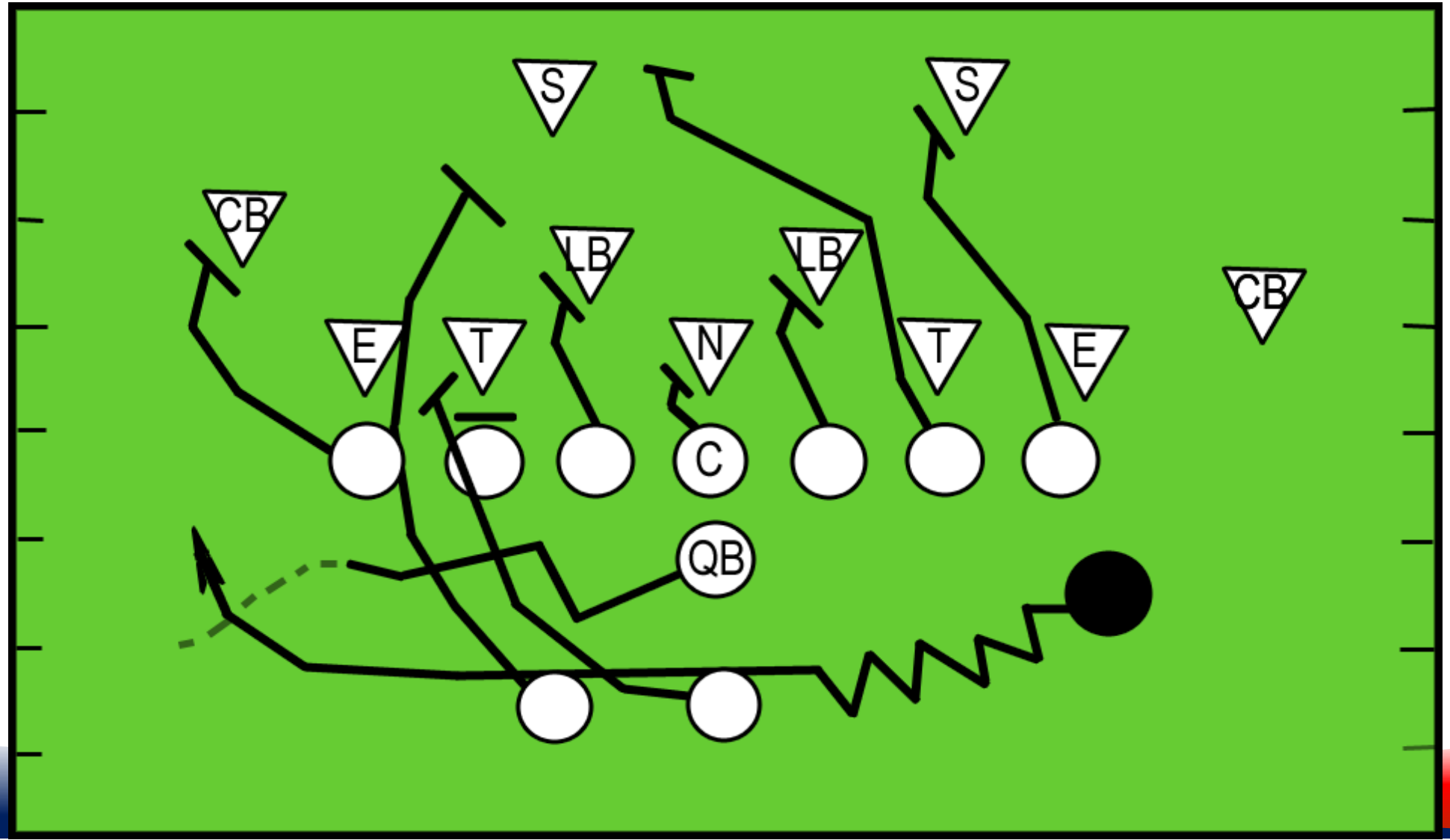
$38,816 (Avg. County Wage Rate Source: PA Dept. of Labor and Industry)

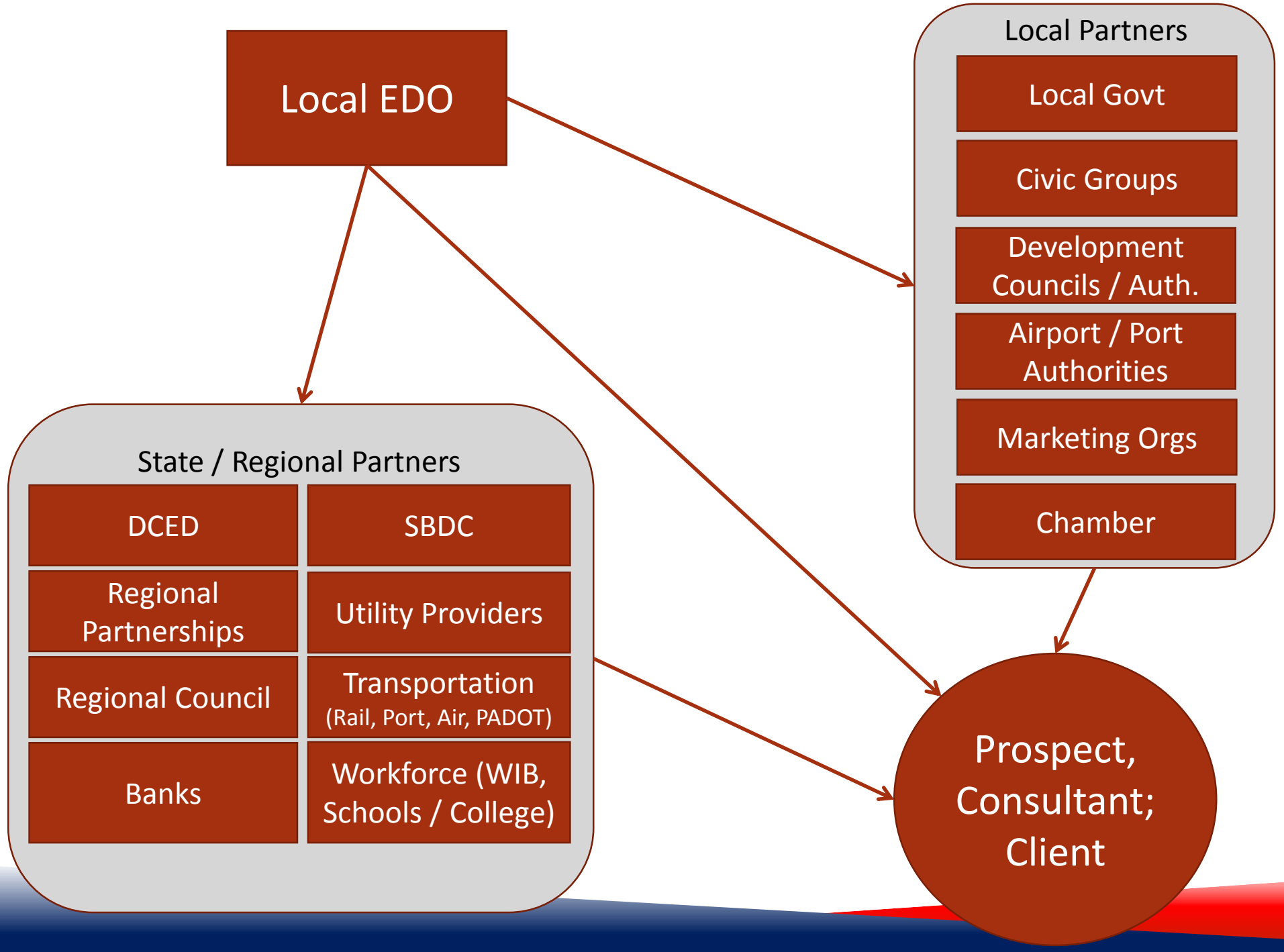

Rest of the World
Local Community
Primary Employer
Local Gov't
Secondary Employer (ex: services & professional offices)
Residential

The Team Consists of Players

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*





Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

How EDs often Feel

Why is CD & ED Important?

Successful Community & Economic Dev.

Lawrence County Regional Chamber of Commerce

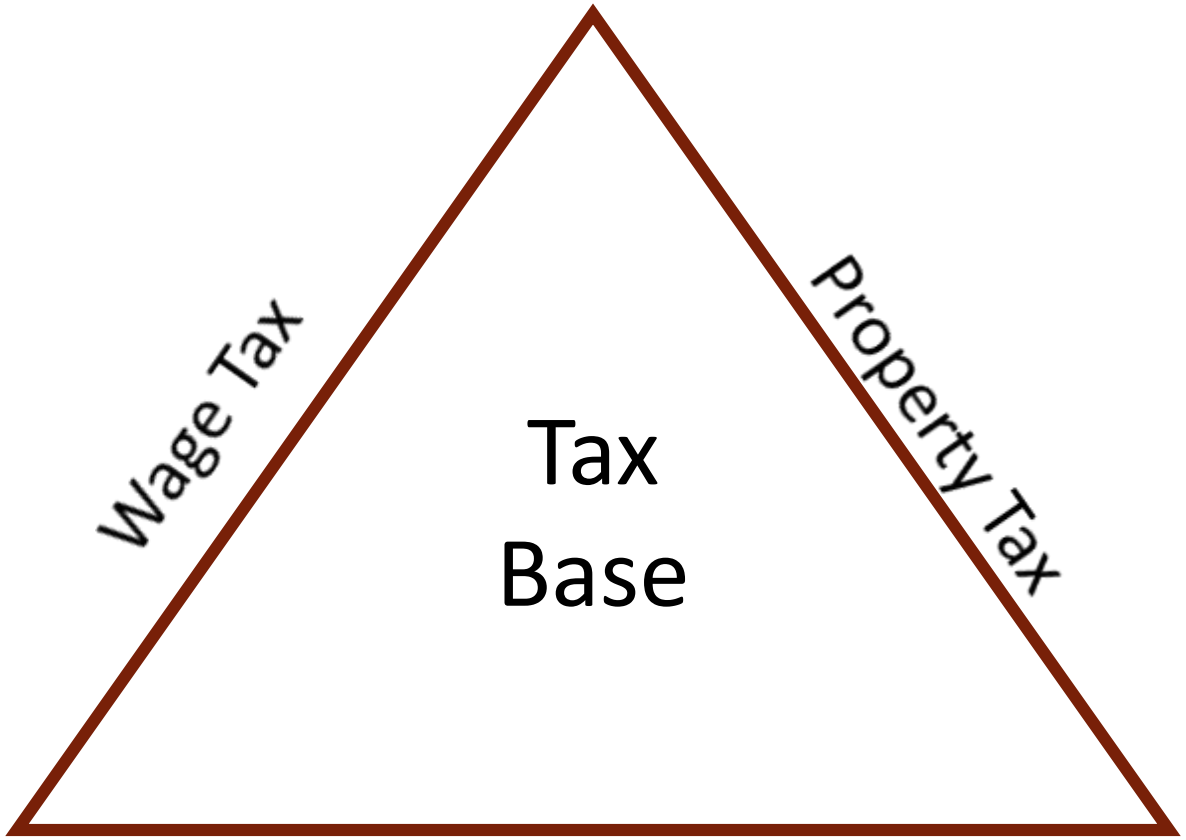
Transforming Lives, *Together!*

- Average Citizens – Family sustaining jobs = “American Dream”
- Existing Businesses – New markets & customers = growth
- Public Officials – Growing businesses + citizens w/ good jobs = Revenue to pay for services
- Self-sufficient / strong families = stronger communities
- Strong tax base = maintain / expand the Gov’t service = quality of life
- Quality Community and Economic Development = Community’s Quality of Life / Place

The Tax Base (County/Municipalities)

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*



Hotel Accommodation Tax

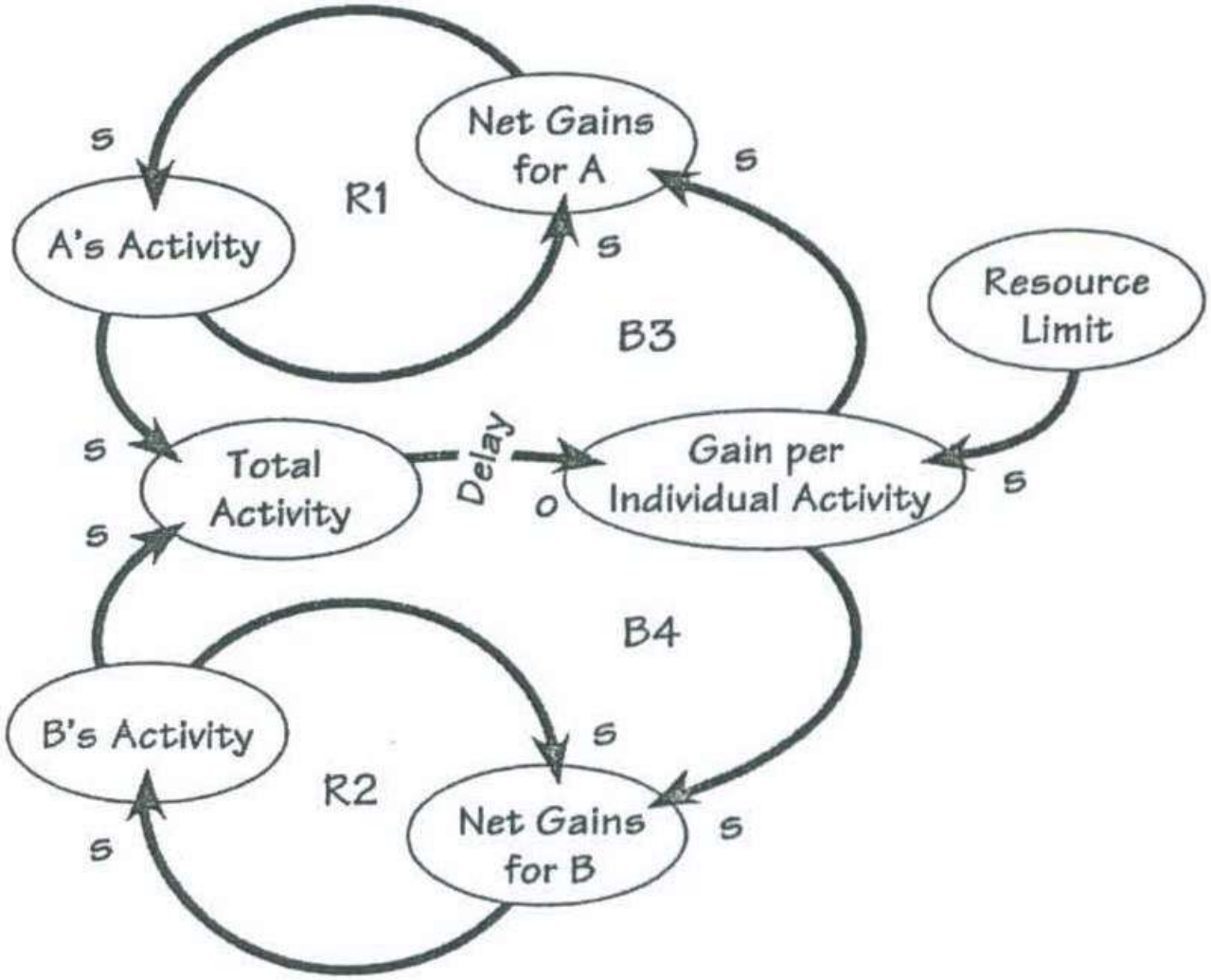
CRAZY CAT LADY JENGA

The cat? No. I haven't seen her...

7

Tragedy of the Commons

The "Tragedy of the Commons" archetype identifies the causal connections between individual actions and the collective results (in a closed system). It hypothesizes that if the total usage of a common resource becomes too great for the system to support, the commons will become overloaded or depleted, and everyone will experience diminishing benefits.



What ***DOES*** the "*Tragedy of the Commons*" have to do with ***ANYTHING***?!?

Lawrence County Regional Chamber of Commerce

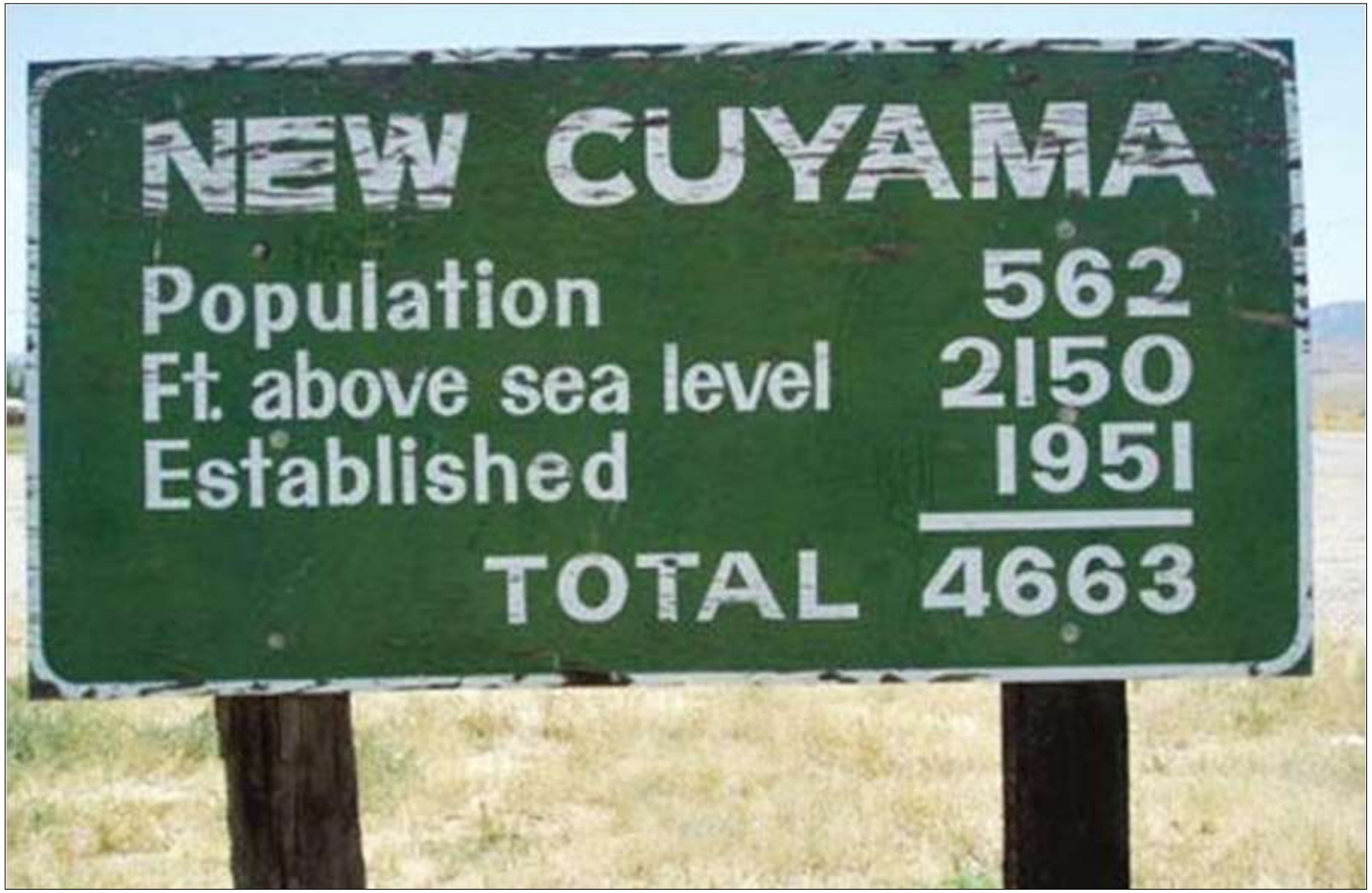
Transforming Lives, *Together!*

- Who has ownership over the Tax Base???
- Communities shouldn't be passive about growing their tax base, they must be aggressive with:
  - Proactive investments in infrastructure, transportation projects, & creating product
  - Pursue high value projects
  - Engage existing stakeholders / businesses to improve the existing business climate
  - Assist smaller businesses
  - Promote leadership development throughout community

By the Numbers

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*



American Farmland Trust

SAVING THE LAND THAT SUSTAINS US

LAWRENCE COUNTY REGIONAL CHAMBER OF COMMERCE

Transforming Lives, Together!

- A group that assists farmers & ranchers protect their land, produce a healthier environment & build successful communities
- Created a Cost of Community Service model to examine the cost / benefit impact of various land uses on local government
- Performed more than 130 studies in: CO, CT, FL, GA, ID, KY, ME, MD, MA, MI, MN, MT, NH, NJ, NY, OH, PA, RI, TN, TX, UT, VA, WA, & WI

Study's Limitations

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

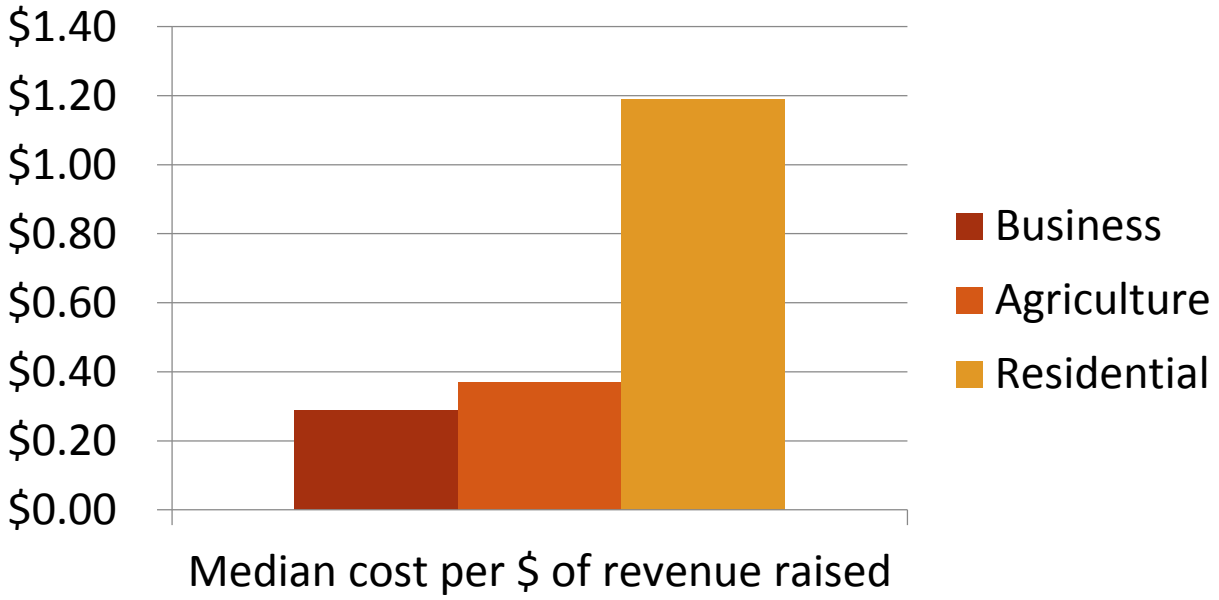
- No really large MSA's studied
- Only one coastal community studied
- Communities provide different <u>services</u> depending on the desires of the public
- Communities provide different <u>levels of service</u> depending on the desires of the pubic

American Farmland Trust: Cost of Community Services

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Over 130 studies done over 20 years
- Results: Bus $0.29, Ag $0.37; Residential $1.19



Virginia Communities Studied

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

	Residential Including farm houses	Commercial & Industrial	Working & Open Land	Source
Virginia				
August County	1 : 1.22	1 : 0.20	1 : 0.80	Valley Conservation Council, 1997
Bedford County	1 : 1.07	1 : 0.40	1 : 0.25	American Farmland Trust, 2005
Clarke County	1 : 1.26	1 : 0.21	1 : 0.15	Piedmont Environmental Trust, 1994
Culpepper County	1 : 1.22	1 : 0.41	1 : 0.32	American Farmland Trust, 2003
Frederick County	1 : 1.19	1 : 0.23	1 : 0.33	American Farmland Trust, 2003
Northampton County	1 : 1.13	1 : 0.97	1 : 0.23	American Farmland Trust, 1999

Various Project's Value

(City of New Castle, Lawrence County example)

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

	Real Estate		Payroll			Hotel		
Type	**Building Value**	**Land Value**	**Jobs**	**Wage/ Week**	**Total/ Year**	**Sales**	**5% Hotel Occupancy Tax**	**Total Local Taxes**
Manufacturer	$4,000,000		100	$1,041	$5,413,200			**$281,671**
		$500,000						
60 Rm. Hotel	$3,000,000		8	$245	$101,920	$1,565,850	$78,293	**$96,595**
		$100,000						
Retail Shop	$500,000		15	$510	$397,800			**$31,605**
		$100,000						
Restaurant	$500,000		30	$245	$382,200			**$32,057**
		$100,000						
Home	$200,000							**$7,857**
		$20,000						

- Hotel Tax: 60 rooms, 65% occupation, $110 room rate, & 5% local tax
- Property Tax Millage: 6.999 County, 32.31 Land, 9.357 Improvements, 17.27 School
- Income Tax: 2.10%; Wage / Week + $52.00/year LST (City of New Castle 2016 Rate)

Property Types

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Consumers

- Generates greater cost to provide services than it produces in revenue
  - Ex: Single Family Residential

Producers

- Produces more revenue than it cost to provide services
  - Ex: Commercial, Industrial, and Open / Ag Land

Lawrence Co, PA: Parcel Type with Tax Value

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Parcel Type	Number	%	Avg Value	Total Value	%
Improved Farm Land (>10 ac)	1,243	2.22%	$124,020	$154,156,293	3.84%
Commercial	2,727	4.86%	$309,176	$843,123,209	20.98%
Industrial	611	1.09%	$296,711	$181,290,170	4.51%
Vacant Land (>10 ac)	2,013	3.59%	$37,834	$76,160,594	1.90%
Vacant Land (< 10 ac)	14,154	25.24%	$7,183	$101,674,550	2.53%
Residential	33,622	59.95%	$78,583	$2,642,115,353	65.76%
Manufactured Homes	1,405	2.51%	$9,582	$13,463,066	0.34%
Utilities	309	0.55%	$19,533	$6,035,800	0.15%
Total:	**56,084**	**100%**		**4,018,019,035**	**100%**

Source: Lawrence County Assessment Office Report 5/19/2017 (excludes Govt. and other public property).

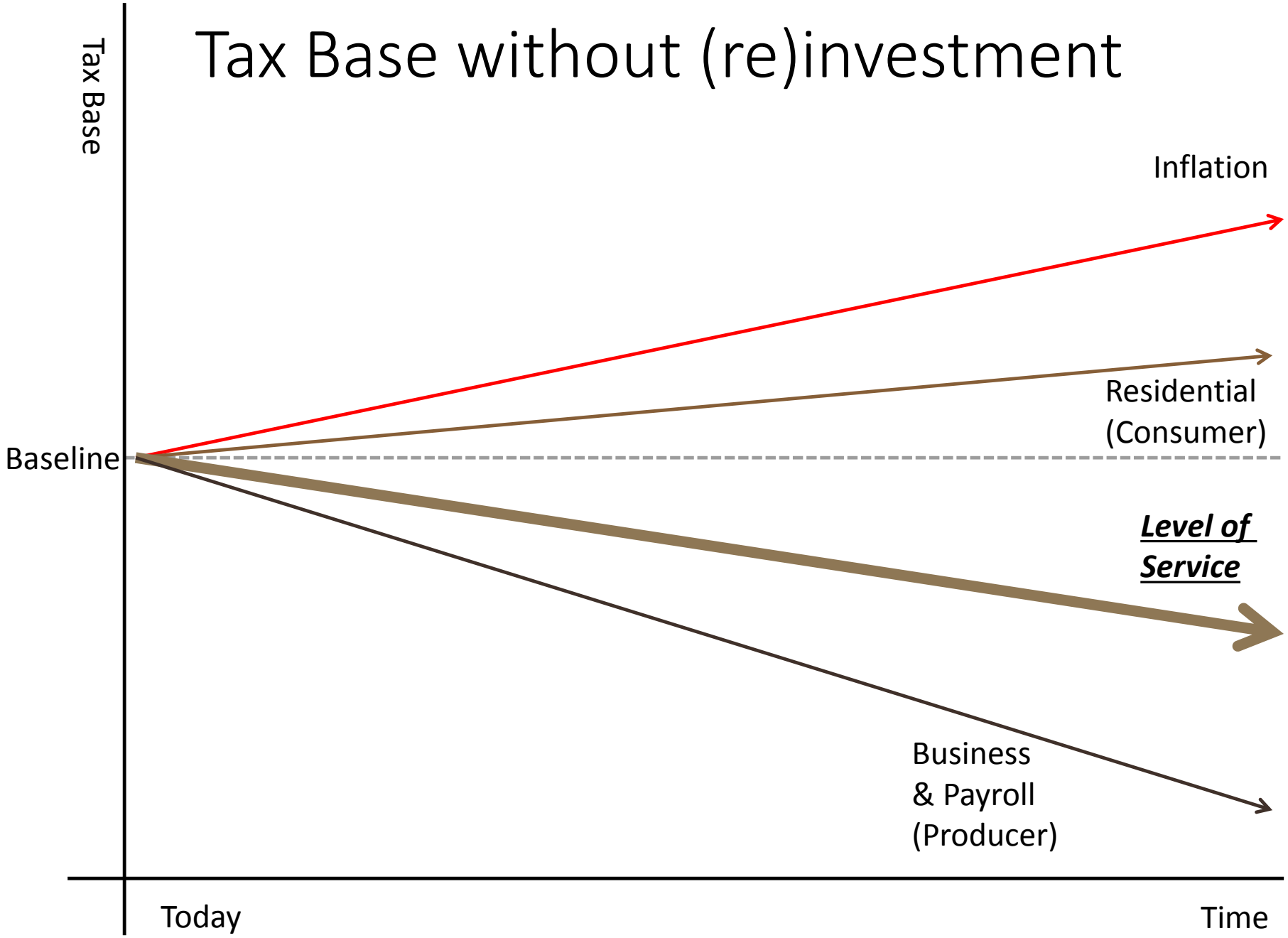
Balancing the Budget

Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!

(Producer Property Tax Base + Consumer Property Tax Base) × Necessary Tax Rate = Balanced Budget

Tax Base without (re)investment



Owning a Home City of Winchester, VA

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Median House Value, 2013-17: $226,200
- Debt Svc at $0 down, 4.0%, 30 years: $1,079/Mo.
- Estimated mo. taxes, insurance, PMI: $521/Mo.
- Max desired % of income on housing: 30%

($1079 + $521) / .30 = $5,333/Mo.

or **$63,996** After Tax Income

WORK INFO

Marital Status
Single Married

JOB

Location
Winchester, VA

Dependents
0

Pay Frequency
Monthly

Allowances
1 Federal
1 State
1 Local

How many allowances should you claim?

Type Hourly Salary

Salary (per year)
$ 89,190

Add Overtime

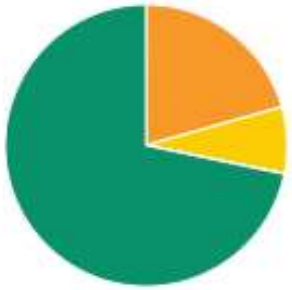
Winchester Median Household Income, 2013-17: $49,330

Your estimated monthly take home pay:

$5,333

Where is your money going?

Gross Paycheck		**$7,433**
Taxes DETAILS	20.59%	$1,530
FICA and State Insurance Taxes DETAILS	7.65%	$569
Pre-Tax Deductions DETAILS	0.00%	$0
Post-Tax Deductions	0.00%	$0
Take Home Salary	**71.76%**	**$5,333**



LAWRENCE COUNTY REGIONAL CHAMBER OF COMMERCE

Transforming Lives, Together!

There is only so much time

(168 hours if you don't sleep…)

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Sector	Avg $/ Week	Hourly Rate (40 Hrs.)	Weekly Pay for $89,190	Annual Pay	Hrs work needed for housing
Utilities	$1,750.63	$43.77	$1,715.19	$91,033	39.2
Professional, Scientific, & Technical Services	$1,339.60	$33.49	$1,715.19	$69,659	51.2
Public Administration	$1,275.62	$31.89	$1,715.19	$66,332	53.8
Finance & Insurance	$992.44	$24.81	$1,715.19	$51,607	69.1
Real Estate & Rental & Leasing	$358.17	$8.95	$1,715.19	$18,625	191.5
Arts, Entertainment, & Receation	$296.35	$7.41	$1,715.19	$15,410	231.5
Accommodation & Food Services	$270.12	$6.75	$1,715.19	$14,046	254.0
Agriculture, Forestry, Fishing & Hunting, & Mining	$229.69	$5.74	$1,715.19	$11,944	298.7

Source: DataUSA

LAWRENCE COUNTY
REGIONAL
CHAMBER OF COMMERCE

Transforming Lives, Together!

What Does ED Cost?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Incentives, Business Parks, Industrial Parks, Speculative Buildings, Marketing Materials, Trade & Industry Shows, Relationship Building & Maintenance Time, Researching on / for Clients, Meeting with Site Selectors, Expanding Water / Sewer / Road / Rail / Airport Capacity, Improving K-16 Educational Opportunities, Comprehensive Plans, Zoning, Future Land Use, etc., etc., etc.

Lawrence County Regional Chamber of Commerce

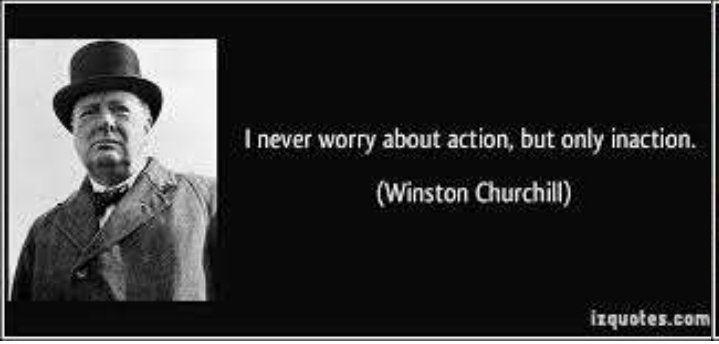
Transforming Lives, *Together!*

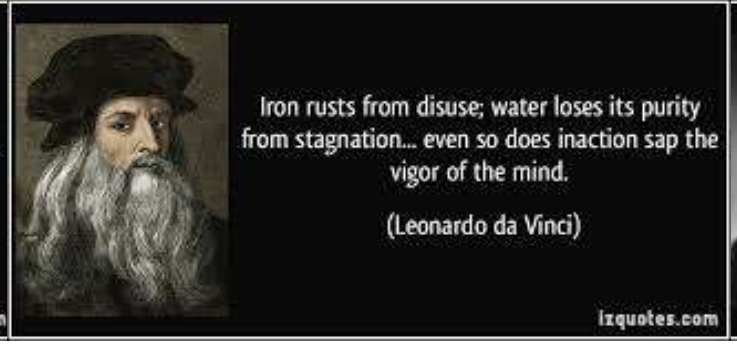
An Economist Measures in Opportunities, Not in Money!!!

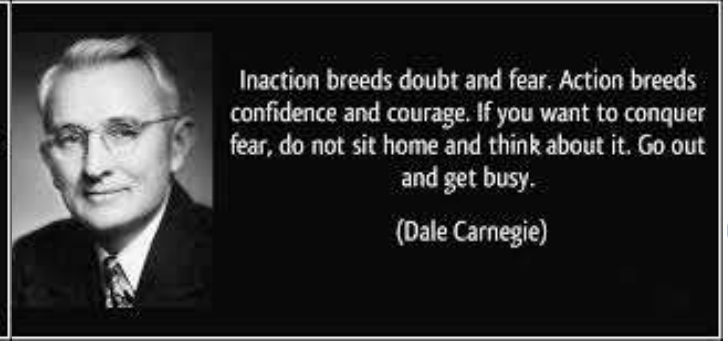
The Economist

What Did We Forgo by Not Investing?

By Not Investing Over Time, Communities Lose Out On: Jobs, Increased Home Values, New Customers for Existing Businesses, Existing Business Expansions, Additional Tax Revenues for: New Schools, Textbooks, After School Programs, Art / Music Classes, Athletics, Teachers, Police Officers, Fire Fighters, Road Repairs, Jails, Parks, Reductions in Slum / Blight, etc., etc., etc.







Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

THE REAL QUESTION BECOMES:

"CAN YOU AFFORD NOT TO DO IT???"

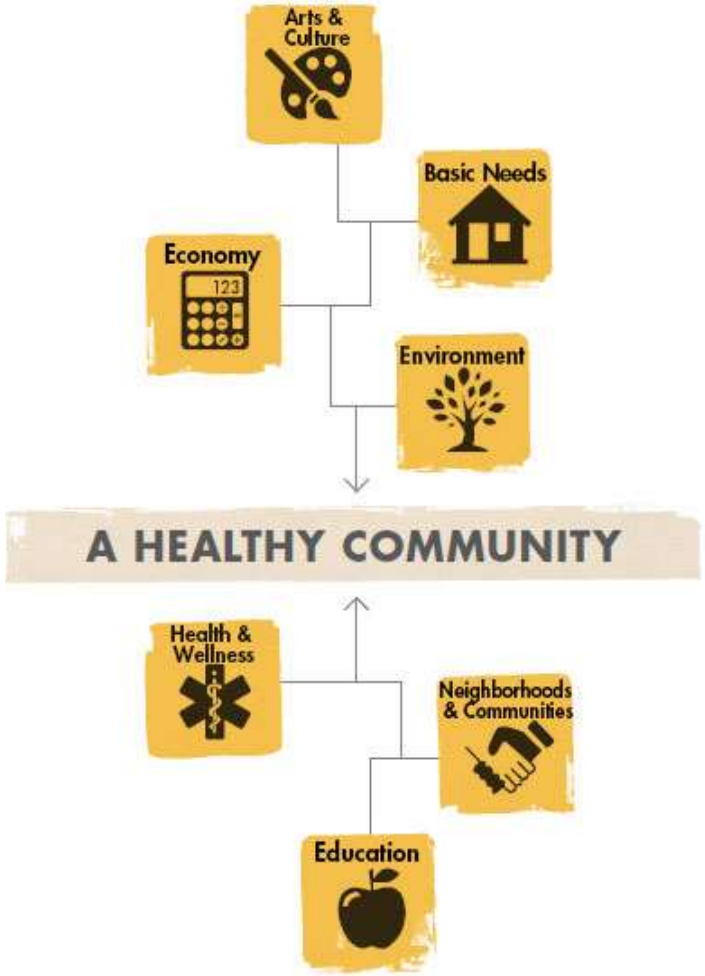
What Makes Up Great Quality of Life?

Illustration by Rory Seaford of The Creative Element,

Leads to Economic Security for Everyone!

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*



- Successful projects lead to:
  - Jobs for yourself, kids, neighbors, friends, & relatives
  - New tax base to pay for schools, public safety, roads, public health, & parks
  - New customers for service businesses, new service businesses opening, diversity in the local marketplace

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

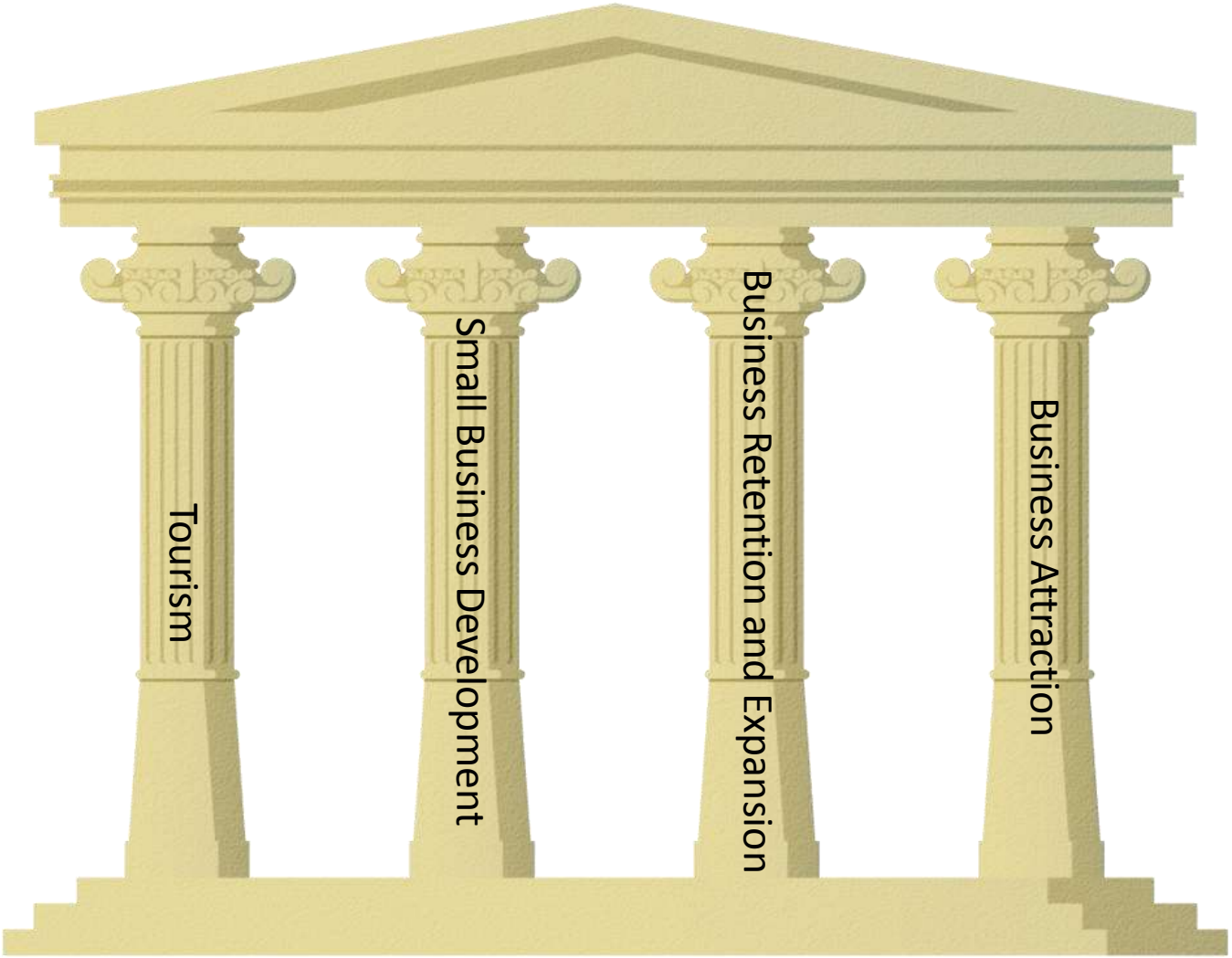
Common Economic Development Strategies

	DEAL FOCUSED	PROMOTION FOCUSED	RETENTION/ ENTREPRENEURSHIP FOCUSED	INFRASTRUCTURE FOCUSED
MISSION	Jobs and wealth from outside	Awareness, inquiry	Jobs and wealth from inside	Improve the business environment
KEY AUDIENCE	Site selectors, prospective companies	Site selectors, prospective companies	Local companies and entrepreneurs	Local elected officials, governments
METRICS	Deals closed, deals in pipeline	Awareness, inquiries/ mo.	Meetings, issues solved, policy	Projects built, legislation passed
STAFFING	1/2 business developers, 1/2 marketers	2/3 marketers and information producers	1/2 business developers, 1/2 service providers	1/2 lobbyists, 1/2 policy/ infrastructure
CORE SKILLS	Service, person-to-person communication, sales	Content creation, digital communications	Service, consulting	Lobbying, public affairs

ED Strategies

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*



Tourism

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Tourism is a “clean” industry encompassing portions of the hospitality, transportation, retail, & entertainment industry
- Tourism attracts temporary visitors to places where they purchase goods / services before leaving

Characteristics of Tourism

1. Cost effective way to create low skill jobs within an area
2. Extremely sensitive to fluctuations in the business cycle
3. Offers low wages and limited opportunities for occupational advancement

EXPECTATIONS

REALITY

Small Business Development

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- SBD focuses on creating an environment conducive for entrepreneurial development
- SB distinguish themselves by being innovative, flexible, and strongly tied to their community
- SB often require access to ED finance tools and technical assistance to grow and develop new products

Characteristics: SBD

1. Great point of entry for workforce
2. SB can often use existing buildings / be very flexible with space requirements
3. SB can diversify local economies and add to the quality of place

Year: 1962

Openings: 1

Total Stores: 1

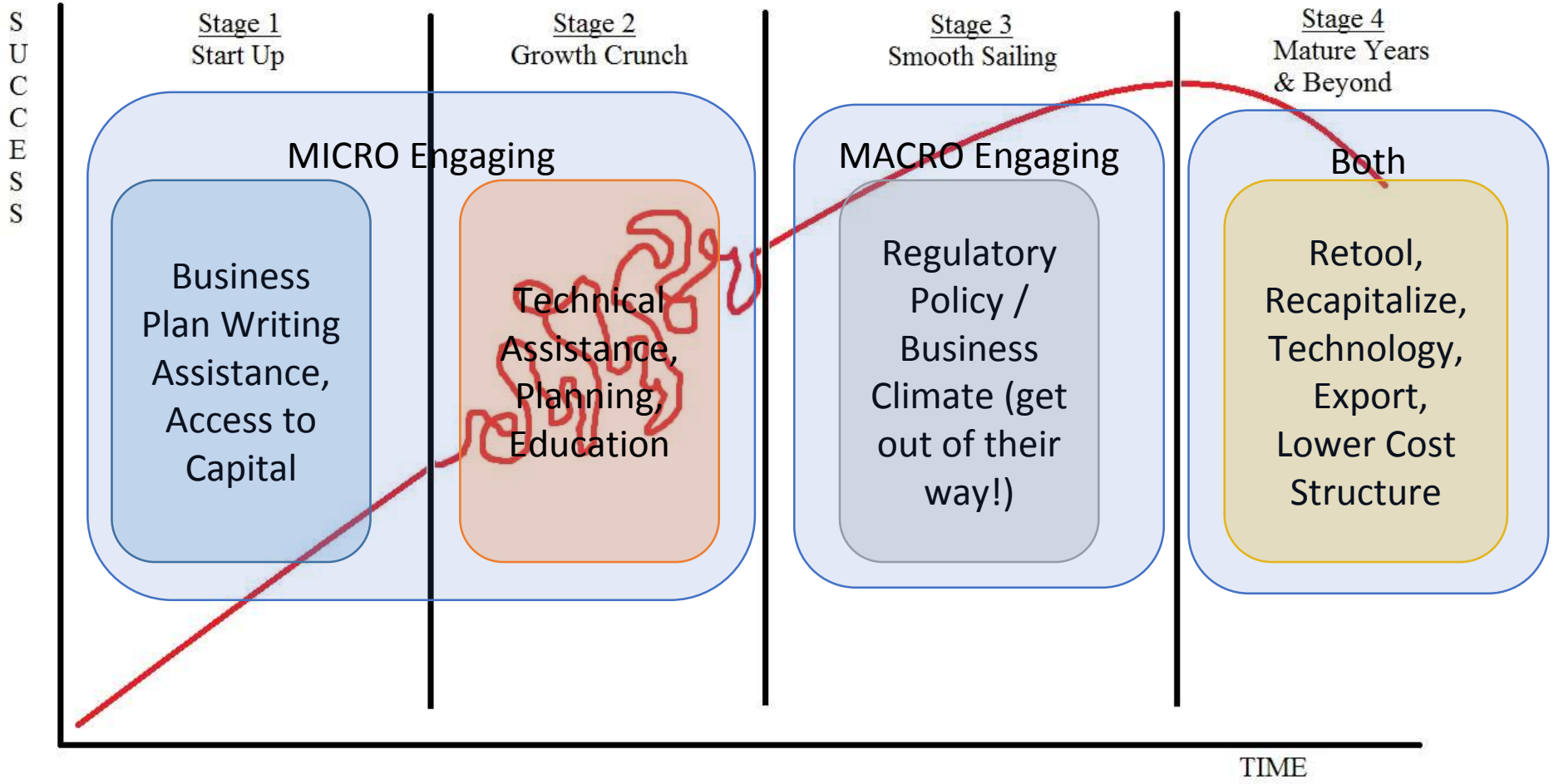
The Growth of Walmart

Map

Life Cycle of a Business

Lawrence County Regional Chamber of Commerce

nsforming Lives, *Together!*



Active Targeting SBD?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Every firm has a breakeven point
- Can be viewed as the number of customers, based on their average purchase
- When firms increase and customer base stagnates, firms lose revenue
- The result: firms will close until breakeven is reached or a profit is made.

Customer Base = 1,000 People

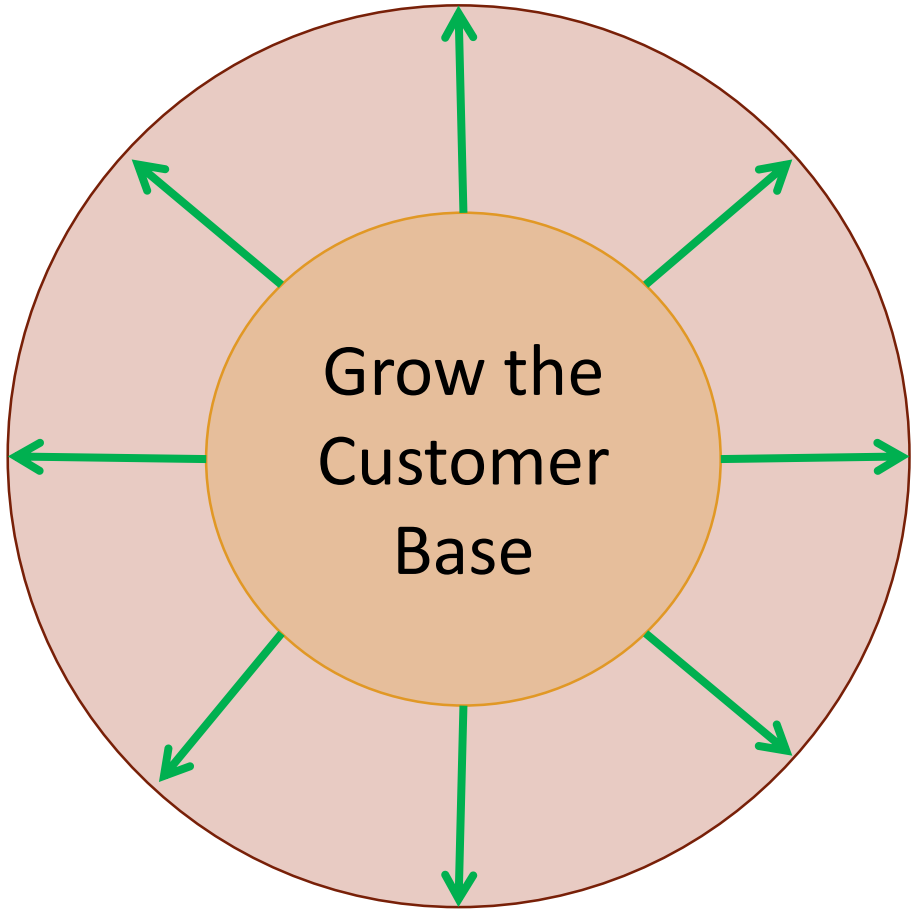
5 Restaurants	200
Breakeven Point	170
Profit / Loss	30

10 Restaurants	100
Breakeven Point	170
Profit / Loss	-70

- The better choice is to grow the customer base and have sustainable growth!

Limits to SBD

- Businesses require economies of scale to operate profitably
- A customer base of a certain size with a specific disposable income will produce only so much volume
- Customer Base can grow by adding people or income



Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Business Retention and Expansion

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- BRE is a focus on helping existing businesses stay competitive, growing, and healthy
- BRE usually is the #1 activity of EDOs
- Most job growth comes from existing businesses

Characteristics of BRE programs include:

1. Prevent business relocation and survival during difficult times
2. Partnership program with companies conducted via periodic surveys, interviews, and visitations
3. Leverage relationships between businesses and EDOs to create needed programs, policies, and procedures, as well as flag at-risk businesses, and ensure that existing programs / efforts remain effective

What is BRE?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

"Systematic effort designed to keep local companies content at their present locations, which includes helping companies cope with changing economic conditions and internal company problems."

- IEDC 2006 Intro Manual Glossary

BRE Programs assist firms in an effort to:

- Keep them from relocating to other areas
- Help them survive economic difficulties
- Assist them with expansions that add new jobs
- Increase their competitiveness in the marketplace

Common Challenges of Companies

We are growing out of this facility. Where is space ready for us?

Our operations have changed. Do we need all our facilities or should we consolidate?

Our new product will open new markets for us. What is the best location to serve these new geographies?

Our last union contract negotiation was a killer.

Would relocating help us to better attract the talent we need now?

Our largest customer is expanding. Where should we be located to better serve them JIT?

I've been reading a lot of great things about the business climate in Ohio…

Taxes are killing us. Where would they be less of a burden for our company?

BRE Impact on Communities

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Relocation/Closing Impact

- Eliminates local jobs
- Reduces tax base
- Lowers property values
- Contributes to blight/ decline
- Lowers community image
- Shakes confidence
- Domino effect on suppliers

Expansion Impact

- Keeps or increases jobs
- Preserves or increases tax base
- Increases property values
- Increases wages
- Enhances community image
- Increases confidence
- Creates new business

Ten BRE Warning Signals of a Firm Relocating/Closing

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

1. Declining sales/employment
2. Larger non-local ownership
3. Recent ownership change
4. Lease of property, with lease expiring
5. Other facilities producing same product/service
6. Negative attitudes about the community
7. Unbearable regulatory burdens
8. Union contract expiring
9. Planning to expand employment/sales
10. Facility and site expansion plans

Comparing BRE to Attraction

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- In any given year, up to 80% of net new jobs are created by an existing business
- 100% of jobs lost are from existing business
- BRE is cheaper. It can usually use pre-existing infrastructure, available labor pool, little marketing is needed, and have lower risk
- Don't write off 80% of the market place
- BRE – Know who you're working with,
- Attraction – Working with Strangers

BRE as an Attraction Tool

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Existing firms have a multitude of business contacts from peers, suppliers, customers, consultants, etc. Your existing firms interact with these people often! What are they telling these people about you?
- When you build an environment that is great for local firms to grow, you also are creating an environment that is great for new firms!

Vs.

Remember, our firms are someone else's prospect!

Business Attraction

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Traditional view of ED, highly visible
- Usually has high cost for marketing, infrastructure development, and incentives
- May quickly increase tax base, employment, and diversity of area economies

Some characteristics of Business Attraction include:

1. Attraction programs promote an area's favorable business climate, available infrastructure, and similar factors to target businesses and site consultants

2. Prospects are evaluating a site to make a business decision

3. Prospects seek communities where their project can be successful and minimizes risk factors

4. Confidentiality is critical! If they believe the information is not safe with you, they won't share it and you may not be able to close the deal

BA & Site Selection

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

"Traditional approach to ED to entice companies to relocate or to set up a new branch plant or operation in a state or locality; often referred to as 'smokestack chasing.'"

- IEDC 2006 Intro Manual Glossary

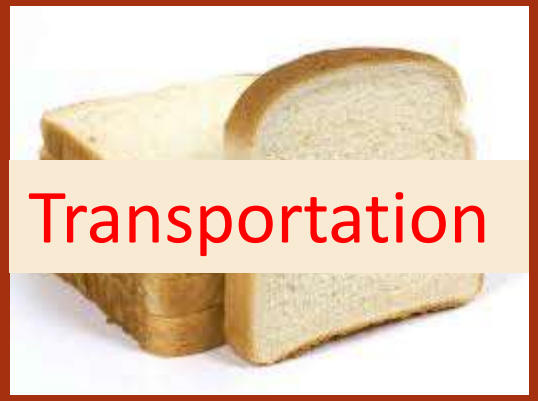
"Site Selection indicates the practice of new facility location, both for business and government. Site selection involves measuring the needs of a new project against the merits of potential locations."

- Wikipedia

Making a PB & J Sandwich

Lawrence County Regional Chamber of Commerce

Transforming Lives, Together!



LAWRENCE COUNTY REGIONAL CHAMBER OF COMMERCE

Transforming Lives, Together!

(Labor + Location + Product + Access To Capital + Infrastructure + Business Climate + Transportation + QoL) x Risk = ***<u>VALUE</u>***

Client Observation

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

"Why do all of the economic development people and politicians spend all of their time talking about quality of life when I want to know how pro-business they are? With the exception of a few managers, the rest of the 400 people will be hired locally. I have to assume those 400 like it where they live. Tell me about the quality of the local workforce, their work ethic, and how the state and locals will help get this plant built, and how they will support us over the years we're there. Show me what you have done for other manufacturers, not the new high school football stadium."

•*President of Division, Fortune 1000 Manufacturing Company*

Companies Need Shovel Ready Sites

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- What do we mean by "Shovel Ready"?
  - Available: site is for sale, preferably with established terms and conditions
  - Fully-served: all utilities are in place, or at least designed with accurate cost estimates
  - Developable: wetlands delineated and mitigated, environmental assessments are complete

Companies do not build facilities in communities, they build them on sites!

No, Not All Sites are Equal

Thank You

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Alex McCoy, MBA, CEcD, EDFP, IOM

CEO (A.K.A. Chief Buffalo Caretaker)

Lawrence County Regional Chamber of Commerce

New Castle, PA

amccoy@lawrencecountychamber.org

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

Circles and Squares

What to Do?

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Divide into Five (5) teams of near equal size
- To play this game, I cannot tell you the rules
- We will play three (3) practice rounds, followed by ten (10) active rounds
- The team with the highest score wins
- In each round, teams have to decide if they want to be either a CIRCLE or a SQUARE
- I will call on teams randomly to record their decision

To the Victors . . .

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

??????

Good Luck!

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

5 ● = Win $1

1 ● / 4 ■ = ● Loses $4 / ■ Wins $1

2 ● / 3 ■ = ● Loses $3 / ■ Wins $2

3 ● / 2 ■ = ● Loses $2 / ■ Wins $3

4 ● / 1 ■ = ● Loses $1 / ■ Wins $4

5 ■ = Lose $1

Reviewing the Results

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- How did teams do?

Let's rename the teams

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

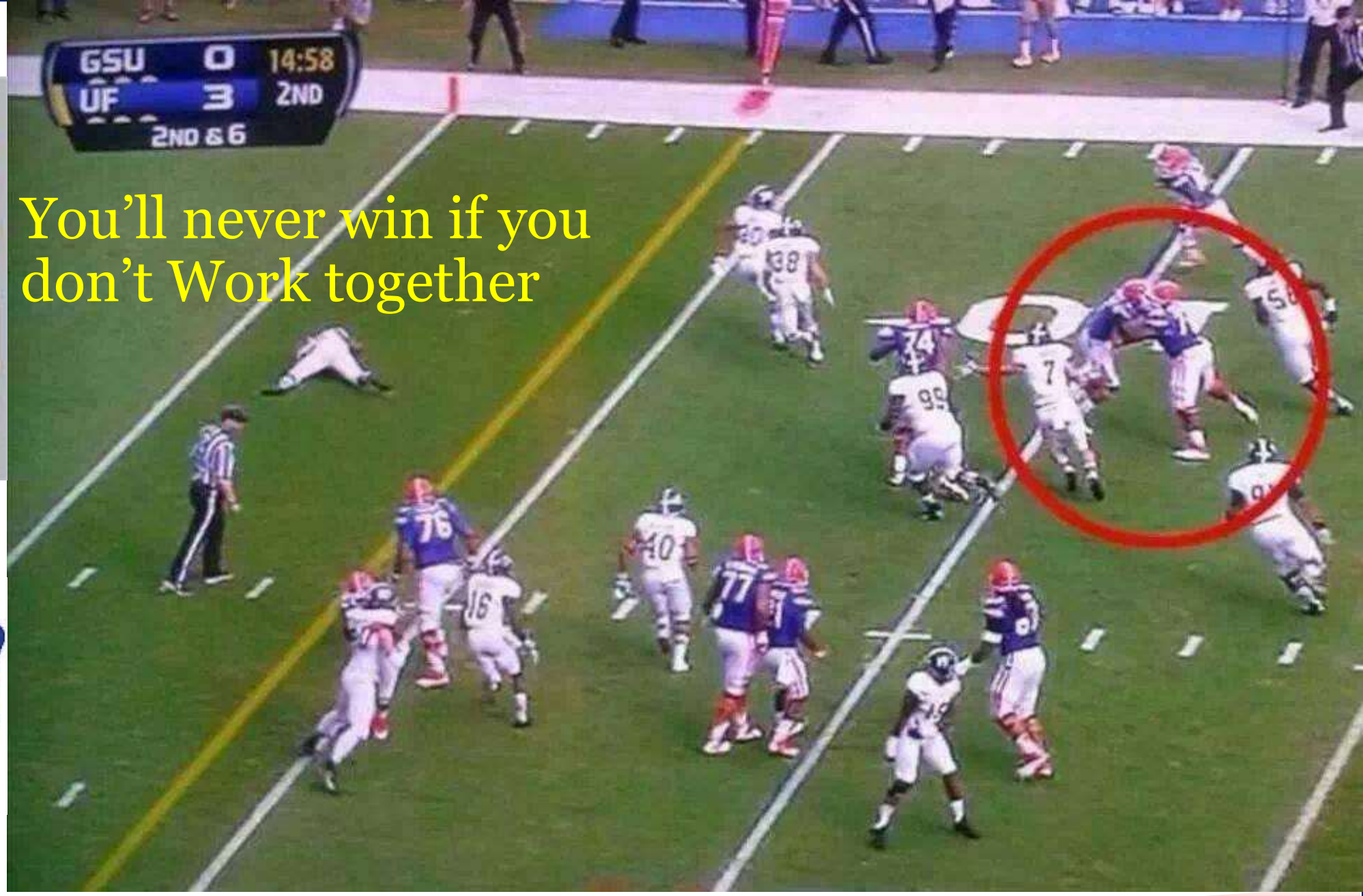
- Team 1 → County Commission
- Team 2 → City Council
- Team 3 → Hospital Authority
- Team 4 → School Board
- Team 5 → Chamber / EDO / Hospital / Downtown Merchants / Tourism Development Council / Environmental Lobby

Take Away: Circles & Squares

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

- Trust is the foundation of every successful relationship
  - Ethical behavior is a must to build trust!
- We are not single actors. Our decisions impact other people / groups. It's important to understand the significance of the decision we are making.
- Communities capable of building cohesive teams that share a common vision are better suited to build long term sustainable wealth over time.
- Had every team said "Circle" in each round, all teams would have finished with 24 points



You'll never win if you don't Work together

Growing Community

- Controversy is normal
- Objective view of politics (focus on common good)
- Willingness to accept risk
- Willing to tax themselves
- Schools stress academics
- Growth is planned
- Makes room for newcomers
- Can learn from anyone
- Leadership is dispersed among many people

Dying Community

- Controversy is avoided
- Politics based on personalities, not issues
- Common good pushed aside
- Unwilling to tax themselves
- Schools focus on sports
- Growth is unplanned
- Newcomers must pay their “dues”
- Some people / groups are considered dumb / worthless
- Small groups hold all the power – sometimes a single person

Please Enjoy the Rest of Your Evening!

Lawrence Co. Regional Chamber of Commerce

&

Lawrence Co. Economic Development Corporation

info@lawrencecountychamber.org

Office Phone: 724-658-1488

Thoughtleader:

Pacesetter:

Lawrence County Regional Chamber of Commerce

Transforming Lives, *Together!*

IDA / EDA 101: THE BASICS

June 18, 2019

Virginia Economic Development Partnership
VEDP.org

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY

- **Governed by a 17-member Board of Directors**
  - **11 appointed by the Governor or the General Assembly**
  - **6 ex-officio: Secretaries of Commerce & Trade and Finance; staff leaders of General Assembly money committees; leader of the Virginia Port Authority; leader of the GO Virginia funding organization**
- **CEO is hired by the Board – not a political appointment**
- **Primarily funded by annual appropriations: ~ $30MM**
- **About 110 employees throughout Virginia and the world**
- **Focused on:**
  - **bringing capital investment and jobs to Virginia**
  - **helping Virginia companies expand**
  - **helping Virginia companies access foreign markets**
- **Much like your local IDA/EDA, VEDP is a separate political subdivision**

STRATEGIC PLAN – 5 GOALS

- **Robust state growth:** Over the next several years, position Virginia to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the U.S.
- **Every region wins:** Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers).
- **Best state for business:** Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average position among the top 3-5 states).
- **Top state EDO:** Reestablish VEDP as one of America's premier state economic development organizations (principally to better enable accomplishment of the top three goals).
- **Super collaborator:** Exhibit collaboration and coordination as hallmarks of VEDP (i.e., focus on the "P" in VEDP).

ECONOMIC DEVELOPMENT IS A TEAM SPORT

- **Locality, including its EDA/IDA and its Public Service Authority**
- **Region**
- **Commonwealth, including VEDP and other agencies and institutions**
- **Utilities**
- **Educational institutions and workforce partners**
- **Professionals: financial advisors, bankers, investment bankers, bond counsel, trustees**

TOPICS TO BE COVERED

- Legal constraints
- Purposes, powers and functions
- Common and less common activities
- Virginia Freedom of Information Act
- Public Procurement Act / Ethics in Public Contracting
- Conflict of Interests Act
- Miscellaneous

LEGAL CONSTRAINTS

DILLON'S RULE

- **Dillon's Rule: Local governments and political subdivisions have only the powers expressly granted to them by the General Assembly and those powers necessarily or fairly implied in or incident to the powers expressly granted**
- **Unless the General Assembly says so, the powers granted to local governments and political subdivisions are <u>not</u> to be read expansively**

VIRGINIA CONSTITUTION

- Credit Clause
- Article X, Section 10
- Prohibits the lending of public credit for private purposes
- Look to the “animating purpose” of the transaction
  - Investments
  - Loans and Grants
  - Leasing

VIRGINIA CONSTITUTION

- **Public Purpose Clause**
- **Article X, Section 8**
- **Provides that all public funds must be used for public purposes**
  - **Public purposes encompass a broad range of activities, including economic development**

VIRGINIA CONSTITUTION

- **Uniformity of Taxation Clause**
- **Article X, Section 1**
- **Provides that all similarly situated property and taxpayers should be taxed similarly**

PURPOSES, POWERS AND FUNCTIONS

WHAT'S IN A NAME

- **Industrial Development Authority**
- **Economic Development Authority**
- **Exactly the same powers conferred under exactly the same Act**
- **"EDA" likely to be more descriptive of role**
- **Name change by ordinance amending the ordinance that created the Authority**

WHAT IS AN IDA / EDA?

- Enabling Act: Industrial Development and Revenue Bond Act
- Political subdivision of the Commonwealth
  - A separate legal entity
- Usually, created by one locality
  - Act authorizes 2 or more localities to jointly create an Authority
  - Act authorizes 2 or more Authorities to act jointly
- Usually, 7 Directors appointed by the locality's governing body
- Usually, Directors well-positioned to influence economic development policy in their communities

OTHER TYPES OF AUTHORITIES

- **Regional Industrial Facilities Authorities**
  - **2 or more localities (2018 change, from 3)**
  - **Specific revenue-sharing ability: "the member localities may agree to a revenue and economic growth-sharing arrangement with respect to tax revenues and other income and revenues generated by any facility owned by an authority"**
  - **Member localities may pay to RIFA tax revenues generated at the site**
- **Redevelopment and Housing Authorities**
- **Public Service Authorities**
  - **Water and sewer**
  - **Solid waste**
- **Community Development Authorities**

ENABLING ACT FOR AUTHORITIES

- **Broad powers**
- **Animating purpose – public benefit:**
  - **promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth**
- **Secondary purpose – economic benefit to private entity**
- **Authorities uniquely qualified to assist with economic development and administer incentives**
- **Have powers <u>not</u> specifically granted to the localities that created them**

SPECIAL POWERS

- Make grants to private entities
- Sell properties without holding a public hearing
- Lease and sell properties at, above or below FMV – not just to the highest bidder
- Issue bonds for the benefit of private entities
- Make loans to private entities and forgive repayment of those loans
- Exercise all powers beyond the borders of the locality
- Think of powers expansively
- Express exemption from the Public Procurement Act for any cost related to a “facility”

AUTHORITIES UNDER MORE SCRUTINY

- **2018: SB714 – Patron Senator Amanda Chase**
  - **Version 1: abolish authorities because not transparent and not properly managed by elected officials**
  - **Version 2: any local ED expenditure shall first be approved by the local governing body**
  - **Version 3: the locality to approve all ED grants made to any person <u>and</u> budget of any local authority annually**
- **2019: Called for a JLARC study**
- **Increased attention to activities**
  - **Calls to General Assembly members for greater scrutiny over Heartland Authority – largely over FOIA**
  - **Grumbling in Danville over EDA-owned buildings**
  - **Significant fraud case ($17.6MM) in Front Royal, involving local economic development director (and sheriff!)**

SOURCES OF IDA / EDA FUNDING

- Most Authorities operate on a shoe-string
- Contributions of $$ and property from locality
  - Can be tied to particular revenue streams
  - Amherst County new $.01
- Revenues from property – industrial parks
- Fees for issuing bonds or making loans
- Local Enterprise Zone / Technology Zone / Local Defense Production Zone / Green Development Zone Tax Program
  - Capture % of real property or M&T taxes in Zone
- No power to tax
- A trend?: 2019 legislation authorizes Halifax County to levy an additional 1% sales tax and devote funds to school construction or renovation
- Federal and state grants

SITE GRANTS

- Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund
  - Site assessment grants (up to $50,000) to assess environmental conditions
  - Site remediation grants (up to $500,000) to do something
- Virginia Business Ready Sites Program (VBRSP) for 100+ acre industrial sites
  - Site characterization grants to defray cost of assessing current condition (up to $5,000)
  - Site development grants to get a site to the next tier (up to $500,000)
  - Special program to assess every site 25+ acres
    - <u>Now</u> is the time to get on this list
- GO Virginia grant opportunities

NEW INFRASTRUCTURE OPPORTUNITIES

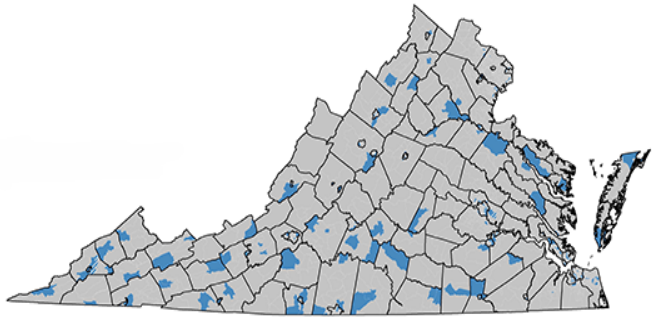
- **Three new pieces of legislation in 2019 for the development of infrastructure for industrial / business parks**
- **Virginia loses projects with some regularity because we have a lack of shovel-ready large industrial sites – need sites that can be ready to go in 12-18 months**
- **#1: Pilot program to allow electric utilities to construct transmission lines and substations to a "business park" with 100+ acres**
- **#2: Allow any public utility to plan for and acquire utility rights-of-way to serve an industrial site**
- **#3: Pilot program to allow electric utilities to provide or make available broadband capacity to non-governmental internet service providers in areas underserved by broadband**

GO VIRGINIA: COLLABORATIVE ED ACT

- GO Virginia Collaborative Economic Development Act
- Starts with a regional plan to collaborate on economic development:
  - General ED and diversification efforts, or
  - Specific infrastructure or training for specific company
- Regional = 2 or more localities
- Localities share costs and revenues
- Plan results in certified company creating 200+ new jobs and $25MM capex (or 25 jobs / $1MM)
- Up to 45% of personal income tax withheld from workers for up to 6 years
- Proceeds to be spent on plan-related infrastructure or training

NEW TOOL – OPPORTUNITY ZONES

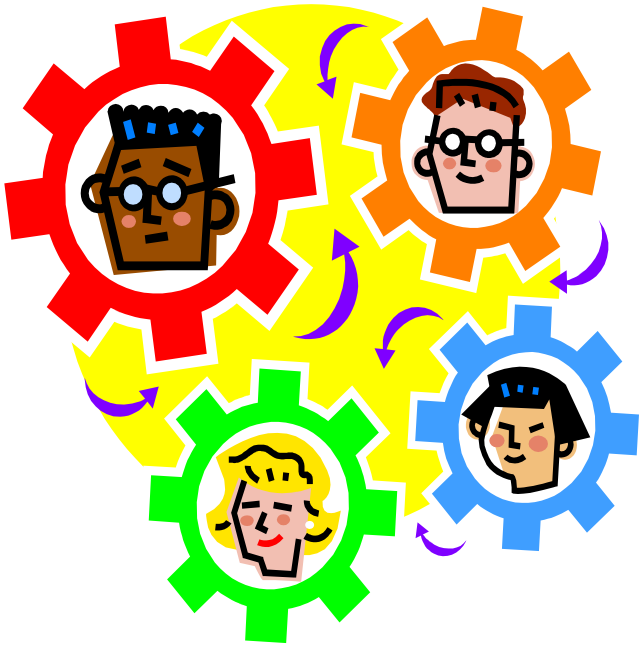
- New federal legislation
- Investors with unrealized capital gains will receive tax benefits for investing those gains in a Qualifying Opportunity Fund that will invest in Opportunity Zones:
  - Defer taxes on capital gains
  - After the deferral, pay those taxes at a reduced rate
  - Pay as little as 0% taxes on profits, if the investment is held for at least 10 years
- Investment companies are creating Qualifying Opportunity Funds to accept the capital gains and make the new investments
- Virginia has 212 Zones
- See DHCD website



NEW TOOL – INCOME TAX MODIFICATIONS FOR CERTAIN COMPANIES IN CERTAIN LOCALITIES

- New Initiative to Spur Economic Activity in Distressed Communities
- Available for new (after 1-1-18) traded-sector companies locating in one of 51 named localities
- Applicant must:
  - Invest at least $5 million in real property and create at least 10 new jobs, or
  - Create at least 50 new jobs at 1.5x minimum wage
- If criteria are met and certified by VEDP:
  - Company <u>will</u> qualify, in effect, for a 0% Virginia income tax rate for its income for up to 6 years
  - Company <u>may be</u> eligible for a grant for up to $2,000 per new job for 6 years, at least half of which must be shared with its employees
  - Grant fund is a limited resource, so future grants cannot be promised up-front

COMMON ACTIVITIES



COMMON ACTIVITIES

- **ED support / cheerleaders**
- **Product development: own / improve / market industrial parks and other properties**
- **Administer grant and ED incentive programs**
- **Issue bonds for private entities and localities**

ED SUPPORT: INTERNAL

- **Internal: with locality governing body and staff**
  - **Be the eyes and ears of the business community**
  - **Keep elected officials and locality staff apprised of the interests of local businesses**
  - **Keep elected officials and locality staff apprised of the need for product, workforce and good business environment**
  - **Help elected officials and locality staff analyze opportunities**

ED SUPPORT: EXTERNAL

- External: with existing and prospective businesses
  - Be the voice of the economic development office
  - Help to identify opportunities and challenges
  - Speak to prospects
- Economic development is a team sport
  - Directors can provide access to business community

"PRODUCT" DEVELOPMENT

- Product: shovel-ready land
  - Graded
  - Appropriate zoning, utilities, roads and infrastructure
    - See information above regarding new infrastructure opportunities
  - Environmental concerns identified
- Product: buildings, including shell buildings
- Product: business environment
  - Appropriate tax policies
  - Timely planning and permitting
- Product: workforce
  - Know what skills local businesses need – now and later
  - Work with K-12, Community Colleges and 4-year colleges
  - Array of federal and state programs and tax credits to enhance local labor force

ADMINISTRATION OF GRANTS

- At the intersection of Dillon's Rule, the Credit Clause and the Uniformity of Taxation Clause
- Authorities have the express power to make grants for ED purposes
- Other states can, and do, provide direct tax abatements
- Virginia localities can, if they wish, get to the same place by offering, through the Authority, a grant equal to % of taxes paid
- Grants payable in installments are subject to annual appropriation
- Often, local grants payable in installments are tied to local tax revenue

PATH FOR GRANT PAYMENT

RETURN ON INVESTMENT

- From the Commonwealth's point of view:
  - Individual income taxes of employees
  - Sales taxes on capital investment
    - But not on manufacturing machinery & tools
- From the locality's point of view:
  - Real property taxes
  - Personal property and machinery & tools taxes
  - Other local taxes, fees and charges
- It's not always about the money, but the ROI should form the basis for decisions on discretionary incentives

PERFORMANCE AGREEMENTS

- **Discuss terms with the company up-front**
- **Document the public purpose**
- **Describe how, when and in what amounts grant payments will be made**
- **If desired, describe any restrictions on the use of grant proceeds**
- **Describe what performance targets the company must achieve, and by when**
- **Describe how, when and in what amounts any claw back repayments may be due**

GRANTS FOR SPECIFIC PROGRAMS

Administer grant programs tied to specific behaviors

- **Façade improvement**
- **Signage**
- **Foot traffic**
- **Google Street View Virtual Tour**

BOND FINANCING

- Revenue bonds for private entities
  - Manufacturing facilities
  - Exempt facilities (docks and wharves, sewage, solid waste, etc.)
  - Charitable facilities
- Remember state-wide powers
- Authority has no payment responsibility, but merely acts as a conduit
- Pass-along the benefit of tax exemption
- Often, Authority collects an annual fee
- May, also, finance Locality's public assets

Private Activity Bond Financing

- Qualified private activity bonds are exempt from federal and state income taxation, so investors are willing to accept a lower interest rate
- Because of federal constraints, not currently popular
  - Narrow definition of “manufacturing”
  - Bond size limited to $10 million
  - Aggregate capital expenditure limited to $20 million

- **EDA has a critical role in issuing bonds for charitable entities:**
    - **Private schools**
    - **Health care facilities**
    - **Recreational facilities (YMCAs)**
- **These facilities are important in building the fabric of a live-work-play community**
- **Fewer constraints than those facing manufacturing small issue bonds**
- **May be asked to issue these bonds for facilities located elsewhere in the Commonwealth**

LESS COMMON ACTIVITIES

LESS COMMON ACTIVITIES

- Own and operate business incubators
- Own local airports
- Develop local infrastructure – Tesla charging stations
- Run the locality's economic development function
  - Greater flexibility in operations / more flexible spending rules
- Assist with Specialty Zones / financing for tourism projects in Tourism Zones
- Own and finance properties for businesses
- Operate a loan program

LOCAL LOAN PROGRAMS

- **Tailored to meet perceived need**
- **May be industry-specific**
- **Variety of sources of funds**
- **Often the 1st $ in and the last $ out of a deal – Gap financing**
- **Requires staffing to administer correctly**

SPECIALTY ZONES

- Specialty Zones
  - Technology Zones
  - Tourism Zones
  - Local Defense Production and Support Services Zone
  - Housing Rehabilitation and Housing Revitalization Zones
  - Revitalization Zones – Cities and Towns only
  - Green Development Zones – New in 2017
  - Arts and Cultural Districts – Revamped in 2018
  - Abandoned School Revitalization Zones – New in 2018
- Can provide local benefits, such as local regulatory relief, special zoning, BPOL relief or fee reductions or waivers

TOURISM FINANCING PROGRAM

- Allows localities to provide special funding to Tourism Projects in Tourism Zones
- Capture the local 1% sales tax in the Zone, plus a like amount from the Commonwealth's 4.3%, plus a like amount from the Developer
- Use funds to pay gap financing debt service
- Developer needs to provide 70% of funding
- If "Tourism Project of Regional Significance," can capture 1.5%
  - $100 Million +
  - Developer has 80% of funding in place

VIRGINIA FREEDOM OF INFORMATION ACT

CONFIDENTIALITY

- Maintaining confidentiality is critical
- We are in the problem-solving business – can't solve a problem that the company is afraid to share
- Companies want to maintain confidentiality to preserve relationships with vendors, suppliers, customers and employees
- Publicly-traded companies need to be mindful of any forward-looking or material statements
- Company or products may be controversial
- Known interest in a site may drive up its price

THE COMPANY'S NEEDS MATTER

- It's our job to help a company solve its problems:
  - It needs a new, expanded or improved facility with good infrastructure
  - It needs a trained workforce
  - It needs ready access to suppliers and customers
  - It needs new markets for its products
  - It needs access to innovation resources
  - It needs access to capital
  - All buttressed by reasonable costs and taxes
- Companies go:
  - Where the problems are solved
  - Where costs of growth are reduced
  - Where there is security in the business and talent climate
- Companies do not go where VEDP tells them to go

CONFIDENTIALITY

- **Loose lips sink ships**
- **Here's our standard response to casual inquiries:**

  "For competitive reasons and to protect confidential company information, we cannot comment on current or potential economic development prospects"

VIRGINIA FREEDOM OF INFORMATION ACT

- **Two parts – ensures the people of Virginia:**
  - **Ready access to Public Records held by a Public Body**
  - **Free entry to meetings of Public Bodies**
- **Authority is a Public Body**
- **Each Director must be provided with a copy of FOIA upon appointment <u>or</u> reappointment and "read and become familiar" with FOIA**
- **Regional economic development group might, or might not, be considered to be a Public Body, depending on the source of its funding**
- **New in 2019: local <u>elected</u> officials must take a training course every two years**

WHAT IS A PUBLIC RECORD?

- **All writings and recordings, whether in hard copy or electronic, prepared by or in the possession of a Public Body or its employees or agents for the transaction of public business**
- **Notes, letters, emails, databases, voice mails, message boards, texts, tweets**
- **Includes emails still hiding in your Deleted Items box on your computer**

WHAT IS NOT A PUBLIC RECORD?

- **Your brain cells are <u>not</u> a Public Record**
- **Recollections of conversations and what you might think about something are <u>not</u> Public Records, unless you write notes, save a voice mail, tape the conversation or otherwise memorialize the conversation or thought**
- **You owe no one an “explanation”**
- **Keep snarky comments in your brain cells**

HARDWARE DOESN’T MATTER

- **Authority-related emails on your home computer are Public Records**
- **Authority-related emails on your work computer are Public Records**
- **Authority-related emails sent/received from personal email accounts are Public Records**
- **Authority-related texts on your personal cell phone are Public Records**

REQUEST

We must disclose all Public Records requested, unless an exemption exists.

The request:

- Need not invoke FOIA
- Need not be written
- Need not be directed to a particular person

- The motivation for the request is irrelevant
- Have 5 working days to respond
  - Can ask for a 7 working-day extension
- May ask for clarification from requester, or tell them “we assumed you meant…”
- Public Record may be requested by a Virginia resident or media representative

PRIMARY ED EXEMPTION

Proprietary information, voluntarily provided by private business pursuant to a promise of confidentiality from a public body, used by the public body for business, trade, and tourism development or retention; and memoranda, working papers, or other information related to businesses that are considering locating or expanding in Virginia, prepared by a public body, where competition or bargaining is involved and where disclosure of such information would adversely affect the financial interest of the public body.

OTHER EXEMPTIONS

- Contracts and contract negotiation, until final decision made
- Executive Working Papers
  - Records prepared by or for the Governor, LG, AG, Cabinet Secretaries, CEOs of political subdivisions
- Financial documents for a private company submitted with a request for IDB financing
- Public Records recorded in or compiled exclusively for use in a Closed Meeting
- Trade secrets, with earmarking
- Written advice of legal counsel

NONDISCLOSURE AGREEMENTS

- **Non-Disclosure Agreements cannot trump FOIA**
- **FOIA *allows* you to protect proprietary information from disclosure**
- **An NDA will likely *require* that you protect that information from disclosure**
- **Be sure that they are reasonable and allow for normal business activity**
- **NDAs often include provisions requiring you to give notice to companies that you received a request, prior to responding to the request**
  - **This is perfectly appropriate, and, for a publicly-traded company, absolutely necessary**

PUBLIC MEETINGS

- Gathering of ≥3 Directors, at which public business may be discussed, is a Public Meeting
  - Or 2, if a quorum is less than 3 (for a 2, 3 or 4-member group)
- Includes committee meetings
- Might include ribbon-cuttings and other public or private events
- Must be open to the public and 3 day's prior notice must be provided / posted
- Public meetings vs. public hearings
- Must have written minutes
- Rules do not apply to staff meetings

ELECTRONIC PARTICIPATION

- Modified as of 2018
- Individual members may ask to join electronically, for health or personal reasons
  - Have a policy
  - Chair approves or disapproves in accordance with policy
  - Limited to twice per calendar year per member
  - Quorum of warm bodies

PUBLIC MEETINGS, CONT.

- Except in emergencies, cannot meet by conference call or electronically
- Cannot vote by proxy
- Cannot vote (except straw poll) in Closed Meeting
- To take formal action from a Closed Meeting, need to reconvene in Open Meeting
- Closed Meetings permitted in some cases
- Form is substance – follow the rules for getting into and out of a Closed Meeting
  - Going in: cite FOIA exemption(s) and give some inkling of topic
  - Coming out: certify that only discussed matters that could be discussed in a Closed Meeting and that were identified when going in
- 2019: New $1,000 civil penalty for improperly certifying the exit from the Closed Meeting

CLOSED MEETING EXEMPTIONS

- See primary economic development exemption for Public Records – can convene a closed meeting to discuss that information
- “Acquisition” or “disposition” of real property
- A prospective business or the expansion of an existing business where no previous announcement has been made of its interest in locating or expanding its facilities in the community
- The award of a public contract, including its terms and scope – disclose contract later
- Consultation with legal counsel

PROCUREMENT / CONFLICTS

PUBLIC PROCUREMENT ACT

- **Most goods and services purchased by an Authority must be acquired by competitive bid or competitive negotiation**
  - **But see Slide #14 for exemption for costs related to "facility"**
- **Does <u>NOT</u> apply to goods and services purchased by a private entity that is receiving Authority financing**
- **Most Authorities work through the purchasing office of the locality**
- **Exemptions exist for small purchases and sole-source contracts**

ETHICS IN PUBLIC CONTRACTING

- Appendage to Public Procurement Act
- No kickbacks
- No false statements in procurement transactions
- No soliciting gifts from bidders

CONFLICT OF INTERESTS ACT

- **Stated purpose: "… representative government is dependent in part upon … its citizens maintaining the highest trust in their public officers and employees … citizens are entitled to be assured that the judgment of public officers and employees will be guided by a law that defines and prohibits inappropriate conflicts and requires disclosure of economic interests"**
- **Vast changes in 2014, 2015, 2016 and 2017 General Assembly**
- **A new "Council" has been formed, with a duty to review financial reports**

YOU WANT TO BE HELPFUL….

- **Making connections is part of the job of Authority members and economic developers**
- **Seeing the big picture is part of the job of Authority members and economic developers**
- **Be sure that you are motivated more by the desire to help the prospect company than to help yourself, your family and your friends**
- **Especially challenging in smaller communities**

CONFLICT OF INTERESTS ACT

- **Prohibits certain contracts and transactions by Authority members with public entities**
- **May require notice of potential conflicts and abstention**
- **Requires public financial report by Authority members:**
  - **As a "condition to assuming office"**
  - **Annually thereafter**
- **Directors must be provided with a copy of COIA upon appointment <u>or</u> reappointment and "read and familiarize themselves" with COIA**
- **New in 2019: local <u>elected</u> officials must take a training course every two years**

CONFLICT OF INTERESTS ACT

- **Cannot use for your own economic benefit non-public confidential information that you have acquired by reason of your position**
- **Be wary of any business-related gifts over $20**
- **Cannot accept a business opportunity when there is reasonable likelihood that the opportunity is being afforded to influence you in the performance of your official duties**
- **Cannot do business with the Authority (except certain fixed/uniform price goods or services)**
- **Land mines for doing business with businesses doing business with the Authority**

MISCELLANEOUS

OATH OF OFFICE

- **Each Director needs to take oath of office**
- **Upon appointment <u>or</u> reappointment and "before entering upon his duties"**
- **Words prescribed by law (Section 49-1)**
- **For Authority Directors, administered by the Clerk of the local Circuit Court**

EMINENT DOMAIN

- **Eminent domain is the taking of private property for public use:**
  - **The Commonwealth and localities occasionally use it for roads, schools and other public infrastructure**
  - **Utilities occasionally use it for utility infrastructure**
- **Although economic development is a "public purpose" the power of eminent is not available for economic development purposes**
- **EDAs do not have the power of eminent domain**
- **Localities may not exercise the power of eminent domain to provide property to EDAs**

JUDICIOUS USE OF POWERS

- Voltaire: With great power comes great responsibility
- Be transparent, when you can
- Be inclusive and welcoming
- Follow the rules
- From our friends in Halifax:
  - Honest
  - Strategic
  - Deliberate
  - Agile
  - Collaborative

RESOURCES

- VEDP:
  - www.vedp.org
- Virginia Economic Developers Association:
  - www.goveda.org
- Council of Development Finance Agencies:
  - www.cdfa.net
- Area Development Online: free weekly e-newsletter
  - www.areadevelopment.com/newsletter/
- Site Selection Magazine: free subscription
  - https://siteselection.com/
- Virginia Department of Housing and Community Development – Enterprise Zones, GO Virginia, Opportunity Zones:
  - https://www.dhcd.virginia.gov/

Sandi McNinch, General Counsel
smcninch@vedp.org / 804.545.5617