

Business Incentives and Economic Development in Lane County



October 2013

Final Report

Prepared for:

Lane County Economic Development

125 E. 8th Avenue
Eugene, Oregon 97401

Prepared by:

Community Planning Workshop

A Program of the
Community Service Center



UNIVERSITY OF OREGON



Community
Planning
Workshop

Special Thanks & Acknowledgements

Community Planning Workshop wishes to thank the following individuals for their assistance with this project.

Glenda Poling
Sarah Mizejewski

CPW Staff

Robert Parker, AICP Director
Angela San Filippo, Project Manager
Erik Forsell
Leigh Anne Michael

Table of Contents

Executive Summary	i
Findings	i
Strategies for Establishing an Incentive Policy.....	iii
Chapter 1: Introduction	1
Background	1
Purpose and Methods	2
Chapter 2: Overview of Economic Development Incentives	4
Why Incentives?	4
Chapter 3: Business Incentive Programs in Oregon	7
State of Oregon	7
Counties and Regions	8
Chapter 4: National Case Studies	11
Overview	11
North Carolina	11
California.....	14
Chapter 5: Conclusion	16
Key Findings	16
Strategies for Establishing a Business Incentive Policy	17
Appendix A: Business Oregon Programs.....	A
Appendix B: Oregon Forms and Criteria	C
Marion County	C
Appendix C: National Case Studies.....	D
North Carolina	D
California.....	G
Additional States and Counties.....	K
Appendix D: Works Cited	L

EXECUTIVE SUMMARY

Lane County Economic Development is reviewing its practices related to business incentives. This report presents research on the purpose of business incentives, what kinds of business incentives are common practice for economic development purposes, and the impacts, both positive and negative, that have resulted. This report also includes information regarding the business incentives available in Lane County, the State of Oregon, and other select counties and regions throughout the country. This report is not intended to be an evaluation of Lane County practices.

Overview

Business incentives can be broadly defined as public subsidies to privately held businesses (Chi & Hoffman, 2000). The primary goal of most business incentive programs is to strengthen local economies by inducing growth in targeted areas by providing new jobs or retaining existing jobs, while also generating long-term positive tax revenues for state and local governments (Chi & Hoffman).

The use of business incentives has increased in the last forty years; currently every state has some type of business incentive program. For many years, providing direct financial incentives to new or expanding businesses has been a core component of economic development strategies in Lane County. Historically, Lane County provided financial incentives in the form of public infrastructure improvements and direct financial support. Despite the historic use of business incentives, Lane County does not have a formal policy that defines the specific circumstances when business incentives are used. Every other business incentive program that CPW reviewed in the State of Oregon and nationwide has established application procedures and eligibility requirements. The applications and eligibility requirements help to narrow down applicants, take some of the emotion and politics over selecting businesses for incentives, and help to track the public benefits and other impacts of business incentive programs.

To address the lack of a formal policy, Lane County is pursuing the idea of developing a policy framework for awarding business incentives that will guide the program and create an established format and procedures for awarding business incentives.

Specifically CPW identified business incentive programs that are currently used by Oregon counties, researched best practices for business incentive programs, and identified elements and guiding principles that include management and implementation strategies.

Findings

Following is a summary of key findings of CPW's research related to local financial incentive programs:

- **Lane County and Marion County were the only two Oregon Counties CPW identified along the I-5 corridor that provide direct financial incentives to**

spur business development. Both counties use lottery funds for their programs. Marion County suspended its program between 2009 and 2013.

- **As a general rule, local governments have clear eligibility requirements and application procedures for all business incentive programs.** Providing direct financial business incentives without predefined application procedures and eligibility criteria, as Lane County has historically done, is unique in Oregon and unusual nationwide. These programs typically include the following elements:
 - Specific eligibility requirements. Every business incentive program also has specific eligibility requirements that focus on benefits to the public good: for example, job creation, increasing sales revenue, and adding to the public infrastructure.
 - Restrictions on multiple incentives. Restrictions on combining business development support from more than one local government program (e.g., a local government would not provide an SDC reduction for a business located in an enterprise zone).
 - Clear application procedures. This typically includes deadlines for applications (usually once per year), application packets, and guidelines for how staff can interact with potential applicants.
 - Performance metrics. These often go beyond the typical measures of jobs created and/or retained and include such measures as sales growth, sales revenue, and capital investment.
 - Application fees. Some programs require application fees. This requirement may be counter to the intent of the program and appears to be more common for programs that offer loans or larger incentives.
 - Clawback provisions. Many economic development incentive programs include so-called “clawback” provisions—provisions that require the recipient to pay back some or all of the incentive if specific conditions such as jobs created, or duration are not met.
- **Programs that rank applications are less common.** Despite all states and counties having application guidelines and procedures, only two of the six programs CPW reviewed have established a ranking or prioritization method for reviewing applications and awarding funds.
- **Marion County is the only other Oregon county CPW identified that provides direct financial incentives for economic development.** The Marion County program includes established goals and objectives, eligibility requirements, a formal application process, and contingency planning.

Following is a summary of general findings of CPW's research:

- **Incentives, by definition, imply some type of opportunity cost to local governments.** Resources spent on incentives cannot be used for other public purposes. The fact that so many local governments use incentives suggests a perception that the opportunity cost of incentive programs creates public benefit that exceeds other investment.
- **Business incentives have the potential to increase the tax base, add higher wage employment opportunities, and improve quality of life.** Business incentives may also have unintended consequences, for example, pulling public dollars away from infrastructure, health, and education opportunities and causing bidding wars with other municipalities that result in offering too much money to lure companies (James, 2009).
- **Every state and many local governments in the United State have some sort of business incentive program.** According to a 2012 New York Times study, up to 80 billion dollars are spent each year on business incentives in the name of economic development. Moreover, the use of business incentives has substantially grown over the last 40 years (PEW Center on the States, 2012).
- **The economic development literature does not conclusively show that one type of business incentive is more effective than other types.** This lack of clarity seems to be primarily attributable to the wide variety of programs that are in place in states and local jurisdictions throughout the nation and the general lack of program evaluation strategies in place in most of these programs. However, it is apparent that the business incentive programs with measureable goals and objectives and implementation strategies to achieve them have the most potential for relating public benefits back to business incentive programs.

Strategies for Establishing an Incentive Policy

If Lane County chooses to establish a policy that addresses direct financial incentives, CPW suggests the county incorporate some basic elements, or strategies into the policy to guide management and implementation of the business incentive program.

Management Strategies

Create a **strategic plan** that defines measurable and achievable goals and objectives of the business incentive program. The plan does not have to be long and complicated but rather should be simple and concise, see Appendix B Marion County EDAB 2013 Strategic Plan. Goals and objectives should be based on current community and business needs and should be specific to the business incentive program.

Evaluate and update the strategic plan on a regular basis to ensure the goals and objectives stay current with changing community and business needs. The

implementation strategies should also be a part of this review so that they reflect the most current goals and objectives of the program.

Periodically conduct an **evaluation of cities and rural areas** in Lane County and establish a system of categorization similar to North Carolina's tier system to help ensure that the business incentive program is equitable throughout Lane County.

Establish a **management structure** that defines what party is in charge of the application review process and which party has final decision-making authority. Consider establishing an advisory board representing key industries, local officials, and economic development professionals to assist with these processes.

Conduct periodic case study review of incentive programs. A periodic review will help ensure that Lane County is aware of state and national business incentive programs that are available, and to understand what works and what does not work in these programs. The review should also identify business incentive programs throughout Oregon to help ensure that additional direct financial incentives complement and do not compete or over allocate incentives to the same businesses.

Implementation Strategies

An **application process** with clearly defined and transparent guidelines, qualifications, and deadlines will help Lane County narrow down applicants and should limit questions or misunderstandings about why an applicant did not qualify for the program. The qualifications of applicants should relate directly back to Lane County's economic development goals and objectives. See Appendices B and C for examples of applications.

A **ranking or prioritization process** for applications that is established before applications are received will assist in the review process and will take out some of the emotion and politics that are involved in awarding business incentives. Examples of ranking methods include Chatham County's scorecard (Appendix C) and Marion County's 60-point system (Appendix B).

Performance evaluation and reporting criteria should also be part of the established guidelines in the application. These criteria will help to ensure businesses that have received financial incentives are using the funds the way they agreed and they are meeting the application criteria. Evaluations or reporting should take place at necessary intervals to meeting the application criteria.

Possible performance measures include but are not limited to: earnings per share, net income or revenue, sales growth, job retention, results of customer surveys or ratings, average employee earnings, and average tenure of employees.

Reporting criteria include self-reporting of the performance criteria as well as receipts or some other form of proof of how funds were spent.

The business incentive agreement should include a **contingency plan** to ensure the incentives are used in the agreed upon manner. The contingency plan is the process for returning or paying back incentives for businesses that have not met the objectives, have clearly misused funds, or violated state or federal laws.

Program evaluation should occur periodically. This will help to better understand the impacts of business incentive programs. The program evaluation includes information from performance evaluations and an overall cost benefit analysis.

Possible evaluation criteria include net sales revenue, sales growth, job retention, results of customer surveys, and average employee earnings.

Program evaluation is a weak point of many business incentive programs but it is a necessary step to hold businesses accountable and to help understand and document the public benefit of the business incentives.

CHAPTER I: INTRODUCTION

Lane County Economic Development is reviewing its practices related to business incentives. This report presents research on the purpose of business incentives, what kinds of business incentives are common practice for economic development purposes, and the impacts, both positive and negative, that have resulted. This report also includes information from interviews and research regarding the business incentives available in Lane County, the State of Oregon, and other select counties and regions throughout Oregon. This report is not intended to be an evaluation of Lane County practices.

Background

The term business incentives can be broadly defined as public subsidies to privately held businesses, including but not limited to tax incentives and financial assistance programs. Tax incentives refer to any credit or abatement of corporate income tax, personal income, property tax, or other business related taxes. Financial assistance refers to any type of direct or subsidized loan or loan guarantee, bonds, grants, infrastructure development or improvements, or public utility rate breaks (Chi & Hofmann, 2000). These types of programs are primarily designed to encourage businesses to locate, hire, expand, and invest within a designated region (PEW Center on the States, 2012).

The primary goal of most business incentive programs is to strengthen local economies by inducing growth in targeted areas by providing new jobs or retaining existing jobs while also generating long-term positive tax revenue for state and local governments (Chi & Hofmann, 2000). Business incentives are most often only one tool in a larger economic development program that can include much broader processes and policies with the goal of improving not only economics but also the political and social well-being of the community (Sweeney, 2004). This report primarily focuses on direct financial business incentives that can include any type of grant, infrastructure development, or transfer of property.

According to an analysis by the New York Times, states and local municipalities spent more than \$80 billion dollars on incentives for economic development in 2012 (New York Times, 2013). Moreover, the use of incentives has substantially grown over the last 40 years. Currently every state in the United States has at least one tax incentive program and most have several. Despite the prevalence of incentive programs, most states have not taken the basic steps to produce evidence of whether the incentive tools they are using are delivering a strong return on investment. A recent PEW study on state evaluation programs of tax incentives stresses the fact that policy makers should know whether incentive tools deliver a strong return on investment and argue that regular, rigorous, and comprehensive evaluations are critical to that understanding (PEW Center on the States, 2012).

Business Incentives and Lane County

Providing direct financial incentives to new or expanding businesses is a core component of economic development strategies in Lane County. Historically, Lane County has been able to provide financial incentives in the form of public infrastructure improvements and direct financial support as well as tax abatement through the enterprise zone. Direct financial incentives include tax waivers and cash-up-front incentives that are funded through State Lottery receipts.

Incentives awarded in 2013 ranged from \$50,000 to over \$200,000 and were provided for covering the costs of such things as tenant improvements and building permits for businesses locating in Lane County. Financial business incentives awarded in Lane County in 2013 thus far will provide additional employment opportunities ranging from 25 to over 200 jobs. Prior to 2013, typical financial business incentives were in the range of \$100,000 per business.

Lane County does not have a formal policy that defines the specific circumstances when incentives are used. Currently, decision making on awarding incentives in Lane County is usually discussed when businesses are making a final decision as to which state or community they choose to locate. Lane County has also used financial incentives for the retention of local businesses that find themselves in expansion modes that may take them out of Lane County or even the state.

To address the lack of a formal policy, Lane County is pursuing the idea of developing a policy framework for awarding business incentives that will guide the program and create an established format and procedures for awarding business incentives.

Purpose and Methods

This report presents background research and case studies related to the use of business incentives as an economic development strategy that will provide groundwork and background research for developing a policy framework for awarding business incentives.

Specifically, Lane County Economic Development Staff asked the Community Planning Workshop (CPW) to:

1. Identify incentive programs that are being used by Oregon counties along the I-5 corridor;
2. Research best practices related to implementation of business incentive programs;
3. Identify elements of good incentive policies including application criteria, evaluation mechanisms, and management strategies.

CPW focused research of economic development incentives on recent studies relevant to the use of business incentives as an economic development strategy. CPW's research focused on identifying successful incentive strategies and the strengths and limitations of business incentives. The overview helped to develop and guide our case study research.

County staff were interested in better understanding how other Oregon counties are using business incentives. To gather information on county incentive programs, CPW conducted interviews with staff from several counties in the I-5 corridor, local or regional economic development organizations, and statewide programs.

CPW selected national case studies that targeted counties and states with effective economic development and business incentive programs and have demographic and geographic similarities to Lane County. The intent of the national case studies was to explore best practices and what types of implementation strategies have been used for program management, business evaluation mechanisms, and application criteria specifically related to business incentives.

Organization of Report

The remainder of this report is organized as follows:

- **Chapter 2: Overview of Economic Development Incentives** - presents information obtained from the literature review and includes an overview of business incentives as an economic development strategy and a more detailed discussion of their purpose and impacts to a community.
- **Chapter 3: Business Incentive Programs in Oregon** - describes the current business incentive programs and strategies used by Oregon counties and state and regional economic development organizations.
- **Chapter 4: National Case Studies** - presents an overview of what types of business incentive programs are offered nationally at the state and regional level. More in-depth reviews were conducted for the states of North Carolina and California.
- **Chapter 5: Key Findings and Considerations** - describes the key findings of this research and best practices for Lane County to consider with regard to establishing a policy and framework for awarding business incentives.

This study also contains the following appendices:

- **Appendix A: Business Oregon Programs:** contains a more comprehensive description of business incentive programs and financing available through Business Oregon including links to applications, criteria, and guidelines for each program.
- **Appendix B: Oregon Forms and Criteria** – contains links to business incentive applications and established criteria for business incentive programs.
- **Appendix C: National Case Studies** – contains more detailed information related to each of the national case studies and links to business incentive applications and established criteria for business incentive programs.
- **Appendix D: Works Cited**

CHAPTER 2: OVERVIEW OF ECONOMIC DEVELOPMENT INCENTIVES

This chapter provides an overview of economic development incentives. The goal is to provide a broad perspective of business incentive programs and some of the potential impacts, both positive and negative, of these programs.

Why Incentives?

Governments use economic development incentives to encourage employment growth, higher wages, and improvements in quality of life. The theory is that by attracting capital investment and employment, benefits will trickle down to the community residents in terms of financial stability and quality of life (Sweeney 2004). According to Wassmer and Anderson (2001), another purpose of incentives is to correct market conditions that favor businesses locating in particular locations.

Business incentives generally have the ultimate goal of enhancing the viability of businesses within the jurisdiction. To achieve this goal, business incentive programs generally will include at least one of the following qualities: reduce upfront costs, reduce operating costs, remove barriers to entry, or reduce on-going business costs. Typically, business incentives have been provided through public funding of infrastructure by way of utilities or transportation needs. Most recently, jurisdictions are offering targeted business incentives that are targeted to the needs of specific industries and individual businesses. (Reid, 2013).

Business incentives can be broken down into four broad categories: infrastructure, tax policy, community development, and direct financial incentives (Sweeney, 2004). Table 2-1 is derived from Sweeney's article and provides simplified examples of each of these types of business incentives. Community development incentives can be any of the other three categories of business incentives for the development or maintenance of a community development purpose, e.g. green space, recreation areas, cultural assets, medical facilities, higher education, or technical training programs.

Table 2-1: Business Incentive Categories

Infrastructure	Financial	Tax Policy	Community Development
Public utilities	Bonds	Credits	Quality of life
Transportation	Grants	Exemptions	Education
Real estate	Loans	Reductions	Medical

Source: Sweeney, 2004.

Various types of infrastructure, tax policy, and financial business incentives have proven successful for encouraging businesses and economic growth. According to Mark Sweeney (2004), reducing the costs of capital and operating expenses can encourage business growth. Capital cost reductions can include preparing sites and improving infrastructure in anticipation of a business. Operating cost incentives

include providing cost avoidance and cost reimbursement, or personal income tax capture programs.

While infrastructure and tax policy strategies are the most common methods used by local governments to attract economic development, Kenneth Hunter (2001) claims community development incentives are becoming more widely accepted. Infrastructure, tax policy, and financial approaches are often focused on how the government can support businesses in the present, while community development strategies consider how decisions and actions made in the present can improve economic and social conditions in the long-term. These policies aim to promote research and development, entice new business formation, and improve quality of life (Hunter 2001).

What are Potential Impacts of Business Incentives?

The literature suggests a diverse set of outcomes from economic development incentives. Results include both potential costs and benefits. The following are some success stories with multiple community benefits followed by an outline of some of the potential costs and limitations of business incentives.

Benefits

Potential benefits of business incentives include: higher revenue from increased investment and social benefits that include increases in employment, increases in the tax base, and improved quality of life (James, 2009).

According to Basile et al. (2011) tax abatements can attract businesses because they show that a jurisdiction is pro-business. Such tax abatements at the local level can be used to neutralize state taxes that local governments find objectionable. For example, if a state taxes a type of industry that a local municipality would like to attract, the municipality can use its own authority to offer tax abatements equal to or greater than the value of the state tax to effectively nullify the tax and attract that industry or business.

In Vermont, the state government initiated the Vermont Employment Growth Incentive in January 2007. This program provides financial incentives for businesses to undertake economic activity that would not have occurred otherwise. The granting of the money is based on specific performance criteria. Five years after it was initiated, the Vermont Secretary of Commerce and Community Development (2012) reported that the program had created 726 new, full-time, non-owner jobs that paid a salary 160 percent higher than the state's minimum wage. This occurred by inducing 21 companies to start or expand in the state and 17 other companies to relocate to Vermont.

Limitations

The potential costs of business incentives include: revenue losses that would have been made even without the incentives, indirect costs as a result of economic distortions and administrative costs, and potential decrease in available funding for other public services like education and public health services (James, 2009). The following are recent studies to provide examples of the potential limitations and

unintended consequences of business incentive programs. Moreover, incentives, by definition, imply some type of opportunity cost to local governments. Resources spent on incentives cannot be used for other public purposes. The fact that so many local governments use incentives suggests a perception that the opportunity cost of incentive programs creates public benefit that exceeds other investment.

Zheng and Warner (2010) believe that offering business incentives can be counterproductive in the most competitive regions. They state that in these contexts, governments participate in a “race to the bottom” and end up offering too much to lure companies. Basile et al (2011) claim municipalities will continue to offer larger incentives than their neighbor to remain competitive. Many times municipalities engage in a bidding war for the sake of having a company locate within their border, even though it may result in a net loss for the local economy.

Basile et al (2011) claim that providing tax abatements to large corporations instead of small local businesses has the potential to pull public dollars away from infrastructure, health, and education improvements.

In a study of tax incentives in Nebraska between 1987 and 1995, Zheng and Warner (2010) found incentives provided the most support for counties with high employment rates, but no impact on the counties that had the most severe unemployment rates.

Wassmer and Anderson (2001) found local offers of property tax abatements for manufacturing businesses only had a positive influence on manufacturing property values for 25 percent of the years studied. They also found no positive influence on property values from local offers of commercial property tax abatements.

In addition to the potential costs to local communities and jurisdictions, there is research indicating that business incentives do not substantially change where a business locates or expands their operations. According to research by Jason Jolley, et al. (2011), businesses care most about skilled labor, state and local taxes, and logistics. In a survey of Chief Executive Officers (CEOs) of major international businesses in North Carolina, the respondents considered the following factors to be the most important in the creation and retention of businesses to any particular place: labor availability, transportation, quality of life, business climate, education opportunities, and clustering of similar or related industries. Many of the CEOs stated taxes and other financial incentives play a very little role in deciding where to locate (Rondinelli and Burpitt, 2000).

CHAPTER 3: BUSINESS INCENTIVE PROGRAMS IN OREGON

This chapter provides some of the rationale for why Oregon has pursued business incentives as an economic development strategy and an overview of business incentive programs that are available in Oregon. This is followed by CPW's reviews of business incentive programs that are currently in use by counties and regional economic development organizations.

State of Oregon

Oregon has historically and is currently faced with economic and fiscal sustainability challenges and Oregon continues to underperform in key economic measures when compared to the nation. The average personal income of Oregon residents has trailed the nation since the 1970s and the gap has steadily increased. Oregon has also consistently experienced worse unemployment than the nation; this is especially true in non-metropolitan areas (Reid, 2013).

Through Business Oregon, the State offers a number of programs and funding sources to incentivize business development opportunities that lead to job creation. State of Oregon services are dependent on personal income tax funding, while municipal and other local services are predominantly funded through property taxes. Enhancing and diversifying Oregon's economy is one mechanism to decrease Oregon's reliance on personal income tax to fund state services (Reid, 2013).

Funding related to infrastructure for utilities and transportation is the most common business incentive in Oregon. Generally, business incentive programs in Oregon take one of the following six forms: reduced property taxes, credits or waivers on business income, low interest loans or loan guarantees, reduction in development costs, business site provision, and grants (Reid, 2013).

Business Oregon offers incentive programs that fall under tax and renewable energy related incentives and business financing resources. The tax incentive programs include programs such as Enterprise Zones, Strategic Investment Funds, and Oregon Investment Advantage. The application, guidelines, and criteria for qualifying for tax incentive programs are provided by Business Oregon. In most cases the local municipality or regional jurisdiction agrees to provide businesses with local tax rebates, credits, or waivers and initiate the program in their area (Business Oregon, no date, a).

Certain tax incentive programs must meet established criteria. For example, Enterprise zones are available to cities and regions with household median income less than 80% of state median income or an unemployment rate that is 2 percentage points or more above the comparable state unemployment rate. In addition, the Oregon Investment Advantage applies only to cities with populations of 15,000 or less people (Business Oregon, no date, a).

Other incentive programs like the Strategic Investment Program, Construction-in-Process, Employer-provided Dependent Care Tax Credit, Work Opportunity Tax Credit, Research Tax Credits, and Film and Video Incentives are available statewide. See Appendix A for more detail on each of these programs along with links to program applications (Business Oregon, no date, a).

With the exception of the Rural Renewable Energy Development Zone, the renewable energy related incentives are offered statewide. The renewable energy incentives include tax incentives, grant programs, and loan programs (Business Oregon, no date, a). Details on these programs and links to applications are available in Appendix A.

Financing resources are available statewide through lottery funds and include direct loan and loan guarantees. See Appendix A for a complete list of financing programs including descriptions and links to applications and criteria for each program (Business Oregon, no date, b).

Counties and Regions

To better understand if and how business incentives are used in Oregon, CPW interviewed six county and two regional economic development organizations. CPW’s review included Marion, Josephine, Jackson, Clackamas, Linn, and Lane Counties, Southern Oregon Regional Economic Development, Inc. (SOREDI) serving Jackson and Josephine Counties, and Strategic Economic Development Corporation (SEDCOR) serving Marion and Polk Counties. Additional information and insight was provided through interviews with Oregon Economic Development Association, Oregon Business Council, Business Oregon, and Oregon Business Association.

CPW’s research shows that counties in Oregon primarily rely on state level programs for business incentives. Business Oregon is the primary state organization that offers business incentives as described in the previous section. Table 3-1 provides a breakdown of the types of state programs that are currently in use in each of these counties.

Table 3-1: State Business Incentive Programs Currently in Use

County	Business Oregon Incentive Programs				
	Enterprise Zone	Electronic Commerce Overlay	Strategic Investment Fund	Oregon Business Development Fund	Rural Renewable Energy Development Zone
Clackamas	√		√		√
Jackson	√	√		√	
Josephine	√	√		√	
Lane	√				
Linn	√				
Marion	√				

Source: Community Planning Workshop

Table 3-1 suggests that Enterprise Zones are the primary incentive program that counties make use of through Business Oregon. Criteria for establishing enterprise

zones are set by state statute and are applied through local government. Criteria are based on size, quantity, and economic criteria. There are currently over 60 enterprise zones in Oregon and Business Oregon has the ability to award four more enterprise zones. According to Business Oregon, enterprise zones are a bottom-up locally driven approach where municipalities apply for zones through Business Oregon, thereby ensuring there is local interest and demand. Business Oregon makes sure that the requirements are met, but according to a Business Oregon representative, the requirements are not that stringent and usually parts of any city and all of rural Oregon can qualify. However, creating an enterprise zone is not something that staff can just do; they need votes from the community.

According to Business Oregon, the primary goal of Enterprise Zones is to help areas that are in need; however, enterprise zones are not a cure all and will not make economically depressed areas all of a sudden attract businesses. Business Oregon recognizes that establishing an Enterprise Zone will not change the economics of an area. The local and regional contacts act as the liaison between Business Oregon's state level programs and the local businesses and jurisdictions. In theory, local jurisdictions could add additional criteria or more specific requirements to the State business incentive programs, however all local and regional jurisdictions interviewed use the established Business Oregon requirements for business incentive programs and the forms come from Oregon legislature (See Appendix A).

SORED, Linn County, and Marion County were the only jurisdictions and organizations in Oregon that CPW identified that offer additional assistance and incentives to businesses in form of loans or direct financial incentives.

SORED

SORED is a non-profit regional economic development agency that serves Jackson and Josephine Counties. SORED assists new and existing companies expand and identify necessary resources including engaging businesses with coaches and mentors. SORED manages the enterprise and e-commerce zones, which provide businesses with property tax abatement and income tax credits. Finally, SORED also provides loans to start-up and expanding companies (Southern Oregon Regional Economic Development, Inc., no date).

SORED offers loans of \$15,000 to \$250,000 through the SORED Business Development Fund. Loan candidates must provide documentation that they have been declined by another bank. Unlike many financial institutions, SORED reviews the loan applications based on future projections rather than past history. Loan candidates must create at least one job for every \$15,000 to \$20,000 borrowed. The borrower must also have equity of at least 10 percent of the project amount and the loan cannot fund more than 75 percent of the project. Loan funds may be combined with Oregon Business Development Funds to increase the amount of loans up to \$950,000 (Southern Oregon Regional Economic Development, Inc., no date).

Linn County

Linn County offers no interest loans to businesses through the Linn County Investment Fund. The purpose of this fund is to overcome the difficulty that local small businesses have in attracting capital to develop a new crop, product, process, or service. Financing through this fund is available for up to 50 percent of a project's cost on a dollar-for-dollar matching basis. Funding for this program is based on a United States Small Business Administration grant through the Community Adjustment and Investment Program (CAIP) (Linn County, no date).

Marion County

In 2013, Marion County reinstated its lottery grant program. The grant program was suspended in 2009 because of a lack of funding and a decrease in the amount of lottery receipts. Each year Marion County receives 2.5% of the net revenues of video lottery games played within the county. Marion County designates the video lottery funding to support a variety of economic development activities (Oregon Transparency 2012). Part of the video lottery funds are made available as business grants. According to the Marion County Economic Development Advisory Board (EDAB) chair, the priority is to assist employers based locally to strengthen businesses. Marion County was the only other county CPW identified that provides direct financial incentives (Marion County Oregon, 2013).

The goals of the grant program are to assist private sector employers retaining and creating jobs, developing new products or services, and supporting core sectors of the economy within Marion County in traded-sector industries, agriculture and natural resources, and tourism. To qualify for the grant program, applicants must be an established for profit business with three years of financial performance history (Marion County Oregon, 2013).

The EDAB reviews and ranks all applications on a 60-point system based on each of the following criteria that are worth 10 points each:

- Create or retain jobs
- Expand an employer's services or production
- Bring in sales revenue from outside Marion County
- Enhance the property tax base
- Other factors that support the purposes of the grant program, e.g. target sectors
- Budget

After ranking all applicants, the EDAB makes a recommendation to the Marion County Board of Commissioners for final funding approval (Marion County Oregon, 2013). See Appendix B for application materials, EDAB bylaws, current members and representation by sector, and the 2013 EDAB Strategic Plan.

CHAPTER 4: NATIONAL CASE STUDIES

CPW reviewed business incentive programs from other states and counties to further understand the impacts of business incentives and provide insight into programs and strategies that have worked in areas that are geographically and demographically similar to Lane County.

CPW reviewed business incentive programs in Escambia County, Florida; Michigan, Utah, and Texas; and conducted interviews and more in depth reviews of Buncombe and Chatham Counties in North Carolina and Alameda County in California. The following is an overview of the business incentive programs; in depth descriptions, forms, and evaluation criteria are available in Appendix C.

Overview

According to a recent New York Times study, every state offers some type of business incentive. A full accounting of these incentives is not possible because they are granted to thousands of government agencies and officials and many do not evaluate the programs, track the creation of jobs, or know the true value of the business incentives. In comparison to other states, Texas offers the most incentives and Alaska, West Virginia, and Nebraska award the most business incentives per resident. Most incentive money is spent on the manufacturing industry, followed by agriculture, oil, gas, and mining industries, and coming in fourth is the film industry. (New York Times, 2013).

The states and counties that CPW reviewed with the most robust business incentive programs were Michigan, Utah, and Texas. The amount and type of Incentive programs in these states was overwhelming. CPW did not go into more detail of these programs because of the dissimilar demographics, politics, and/or economies of these states. However, each of these states has established extensive application procedures, links are provided in Appendix C as additional resources for Lane County.

Escambia County, Florida; Buncombe County, North Carolina; and Alameda County, California were the only counties that CPW encountered that offer direct financial incentives at the county level. Escambia County's business incentive programs have applications and criteria that have to be met to qualify for programs, links to these materials are in Appendix C.

Attributable to Buncombe, Chatham, and Alameda County's more similar demographics and geographic characteristics to Lane County, their business incentive programs are reviewed in more detail in the following section. To provide context and comparison information, state information is provided first followed by more specific information for each county.

North Carolina

Similar to Oregon, North Carolina provides business incentives through state run economic development programs. The North Carolina Department of Commerce

provides the state run programs to lessen the tax burden and lower the overall costs for companies to locate and do business in North Carolina (Chatham County Economic Development Corporation, no date). Counties also have the opportunity to provide county specific incentives at their discretion. Similar to Oregon, the state provides tax credits on state income taxes to businesses, while counties provide tax abatements on county property taxes. Businesses in North Carolina can receive business incentives from the state and county at the same time.

North Carolina uses a county tier designation to distribute business incentives among the state's 100 counties (North Carolina Department of Commerce, no date). The county tier designation system has three tiers to rank each county's economic well-being. The North Carolina Department of Commerce ranks the state's 100 counties based on economic well-being and assigns each county a tier. The 40 most distressed counties are designated as Tier 1, the next 40 as Tier 2, and the 20 least distressed counties as Tier 3. Many state programs incorporate the Tier system to encourage economic activity in less prosperous areas of the state. See Appendix C for descriptions of the most relevant business incentive programs and links to application forms and eligibility requirements.

Chatham County

In addition to State of North Carolina incentives, Chatham County provides county property tax abatements to businesses locating or expanding in the county. The county reviews projects on a case-by-case basis. Chatham County created an Incentive Policy to evaluate eligible businesses and determine the percentage of tax abatement received by the business (Chatham County Economic Development Corporation, no date). The policy is a scorecard adding up to 100 points. The property tax abatements are available throughout the county and are not limited to specific zones. However, a business receives more points on the scorecard for locating in an area with infrastructure than locating in an area without infrastructure.

Chatham County does not have an official application for businesses seeking property tax abatements. Instead, the business representative(s) meet with staff from the county and the Chatham County Economic Development Corporation to discuss the project. Information needed for the scorecard is discussed in this meeting. County staff assesses the business in house using the scorecard.

The scorecard contains both qualitative and quantitative aspects consisting of the following areas:

- Number of jobs
- Quality of new jobs
- Level of capital investment
- Wage level of new jobs
- Number of existing county residents hired
- Environmental impact
- Industry cluster/business type

The scorecard represents Chatham County's desire for high-quality jobs. The scorecard also balances the local government's need for capital investment and

associated property tax value, desire to preserve the natural environment, and interest in incentivizing the location or expansion of targeted industry clusters.

Once the business meets with the county, it receives a score of up to 100 points in the following areas:

- Jobs – 50 points
- Capital Investment – 20 points
- Environmental Impact – 15 points
- Industry Cluster/Business Type – 15 points

Chatham County uses the score to decide the percentage of property tax abatement the business receives. Chatham County evaluates the businesses receiving tax abatements annually using the scorecard and has the right to modify the tax abatement amount based on the evaluation. See Appendix C for scorecard.

Buncombe County

In addition to State of North Carolina incentives, Buncombe County has an economic development policy program that provides incentives for businesses to locate in the county limits. The county encourages and supports the development of both new industry and the expansion of current industries. Usually the county provides assistance through infrastructure development; however, in compliance with North Carolina General Statutes (NCGS), such assistance may also be provided through land development, site preparation, building preparation, and other means identified in **NCGS 158-7.1**; see Appendix C for full language.

Tax abatements on the real property value of a proposed development are the main form of economic incentives in Buncombe County (Buncombe County, North Carolina, no date). For businesses to be eligible for tax abatement, the business must make an investment that is not currently taxed in Buncombe County. The purpose of this policy is to support the expansion of current industries as well as new industries. Buncombe County does not provide incentives for retail, commercial, or residential projects.

Buncombe County has a process for evaluating the percentage of tax abatement for each business. Each project will be evaluated on an individual basis using the Economic Development Incentive Schedule that consists of:

- Initial investment
- Maximum economic development incentive
- Eligible number of years
- Building and equipment incentive
- Job incentive (based average wage value)

To be eligible for tax abatements, a business must:

- Enhance the tax base of the county
- Determine the average wage expected from the new or expanded business
- Provide and pay for at least 50 percent of employee health insurance for new jobs

- Adhere to the laws of the State of North Carolina
- Be deemed not harmful to the environment in accordance with all federal, state, and local regulations

Buncombe County’s economic development incentives are ultimately decided and managed by the elected Board of Commissioners; county staff manages daily activities that fall under the guise of any economic development incentives or strategies that are applied within the county. At this time, Buncombe County does not have a formal methodology for prioritizing projects.

California

California provides business incentives through state and locally run economic development programs. The Governor’s Office of Business and Economic Development (GO-Biz) is the single point of contact for economic development and job creation efforts (Governor’s Office of Business and Economic Development, no date). California’s business incentive programs are state developed; however, many incentives are site driven and are negotiated with local governments. Each project is evaluated locally either on a case-by-case basis or using local economic development policy. Businesses in California can receive business incentives from the state and county at the same time.

GO-Biz offers a wide range of services to businesses locating or expanding in California. GO-Biz’s services include financial assistance and loan programs; economic development zones; labor availability and education information; state and local permit assistance; transportation and infrastructure information; information on tax credits and other incentive programs; and economic and demographic data (Governor’s Office of Business and Economic Development, no date). In addition, Go-Biz serves as a liaison between businesses and California’s regulatory agencies and local governments. See Appendix C for program descriptions and links to application and eligibility requirements.

Alameda County

In addition to state incentives, Alameda County has a suite of incentive packages in coordination with local jurisdictions to locate and maintain businesses within the county. For the purposes of this research, CPW focused on the \$topwaste business incentive program.

The primary purpose of the \$topwaste Programs is to provide businesses with support when addressing efficient recycling and waste removal equipment and policies. Funding and technical assistance is provided from Alameda County’s waste diversion program to businesses locating or currently inside the county boundaries. The program offers three main sub-programs: mini-grants, low interest loans, and use reusables grant program (County of Alameda, California, no date). See Appendix C for complete descriptions and links to applications.

Alameda County manages its business incentive program through the Alameda County East Bay Economic Development Alliance. The organization is run by an Executive Committee, which answers to a Board of Directors. The Alliance has a full

staff that carries out the operational activities related to business incentives in the county.

Alameda County has an application processes for all available incentives. City staff review the applications and applications are generally approved if all conditions are met. Under certain circumstances, such as industrial development bonds or especially large contracted services, the decision will ultimately be subject to Board approval. See Appendix C for links to application and evaluation criteria.

CHAPTER 5: CONCLUSION

This chapter presents the key findings that came out of CPW's research as well as guiding principles for business incentive programs. The guiding principles include management and implementation strategies derived from other business incentive programs. These are provided for Lane County's consideration should they decide to establish a policy framework for awarding business incentives.

Key Findings

The following are a list of key findings from the literature, business incentive program reviews, and interviews with local jurisdictions and economic development professionals.

Literature and Program Reviews

- According to the literature review, the most important factors in the creation and retention of businesses are labor availability, transportation, quality of life, business climate, education opportunities, and clustering of similar or related industries.
- It is unclear whether certain types of business incentives (e.g. tax incentives versus direct financial incentives) are more effective than others. The reason for this lack of clarity is probably because business incentive programs vary widely from state to state and region to region and comprehensive evaluation mechanisms are not necessarily implemented as part of these types of programs.
- Public benefits that have been attributed to business incentive programs include increases in the tax base, additional employment opportunities, higher wage jobs, and general quality of life.
- Potential unintended consequences of business incentive programs can include pulling public dollars away from infrastructure, health and education improvements; creating bidding wars with other municipalities that result in offering too much money to lure companies; and providing business incentives to companies that would have located in the area regardless
- A comprehensive evaluation system that includes a cost benefit analysis is necessary to fully understand and measure the local benefits from providing business incentives.
- State economic development programs are more likely to offer direct financial incentives than county jurisdictions.
- Monetary incentives offered at the State level are generally in much larger amounts and in a variety of programs that enable these states to use these programs to compete in the global marketplace.

Oregon Programs

- Enterprise Zones are the most commonly used state business incentive program.
- Marion County is the only other county in Oregon that CPW was able to identify along the I-5 corridor that also offers direct financial incentives.
- Marion County's business incentive program has clearly defined goals and objectives, application procedures, and management strategies.

Case Studies

- All counties and states that were reviewed award direct financial business incentives as one component of a larger economic development program.
- All counties and states reviewed have established application procedures and eligibility criteria.
- Only two case studies (Marion County and Chatham County) have established a ranking or prioritization system for business incentive applications.
- Both North Carolina and California have evaluated their counties using similar criteria to Oregon's enterprise zones.
- Many of the case studies have an advisory board or a committee that reviews applications and provides recommendations to the local jurisdiction or Board of Commissioners.
- Requiring applications, establishing eligibility requirements, and implementing a review and evaluation process will require staff time and resources for both the responsible local jurisdiction and the businesses applying for funds.

Strategies for Establishing a Business Incentive Policy

If Lane County chooses to establish a policy that addresses direct financial incentives, CPW suggests the county incorporate some basic elements, or strategies, into the policy to guide management and implementation of the incentive program.

Management Strategies

Create a **strategic plan** that defines measurable and achievable goals and objectives of the business incentive program. The plan does not have to be long and complicated but rather should be simple and concise, see Appendix B Marion County EDAB 2013 Strategic Plan. Goals and objectives should be based on current community and business needs and should be specific to the business incentive program.

Evaluate and update the strategic plan on a regular basis to ensure the goals and objectives stay current with changing community and business needs. The implementation strategies should also be a part of this review so that they reflect the most current goals and objectives of the program.

Periodically conduct an **evaluation of cities and rural areas** in Lane County and establish a system of categorization similar to North Carolina's tier system to help ensure that the business incentive program is equitable throughout Lane County.

Establish a **management structure** that defines what party is in charge of the application review process and which party has final decision-making authority. Consider establishing an advisory board representing key industries, local officials, and economic development professionals to assist with these processes.

Conduct periodic case study review of incentive programs. A periodic review will help ensure that Lane County is aware of state and national business incentive programs that are available, and to understand what works and what does not work in these programs. The review should also identify business incentive programs throughout Oregon to help ensure that additional direct financial incentives complement and do not compete or over allocate incentives to the same businesses.

Implementation Strategies

An **application process** with clearly defined and transparent guidelines, qualifications, and deadlines will help Lane County narrow down applicants and should limit questions or misunderstandings about why an applicant did not qualify for the program. The qualifications of applicants should relate directly back to Lane County's economic development goals and objectives. See Appendices B and C for examples of applications.

A **ranking or prioritization process** for applications that is established before applications are received will assist in the review process and will take out some of the emotion and politics that are involved in awarding business incentives. Examples of ranking methods include Chatham County's scorecard (Appendix C) and Marion County's 60-point system (Appendix B).

Performance evaluation and reporting criteria should also be part of the established guidelines in the application. These criteria will help to ensure the businesses that have received financial incentives are using the funds the way they agreed and are meeting the application criteria. Evaluations or reporting should take place at necessary intervals to meet the application criteria.

Possible performance measures include but are not limited to earnings per share, net income or revenue, sales growth, job retention, results of customer surveys or ratings, average employee earnings, and average tenure of employees.

Reporting criteria include self-reporting of the performance criteria as well as receipts or some other form of proof of how funds were spent.

The business incentive agreement should include a **contingency plan** to ensure the incentives are used in the agreed upon manner. The contingency plan is the

process for returning or paying back incentives for businesses that have not met the objectives, have clearly misused funds, or violated state or federal laws.

Program evaluation should occur periodically (semi-annually to annually). This will help to better understand the impacts of business incentive programs. The program evaluation includes information from performance evaluations and an overall cost benefit analysis.

Possible evaluation criteria include net sales revenue, sales growth, job retention, results of customer surveys, and average employee earnings.

Program evaluation is a weak point of many business incentive programs but it is a necessary step to hold businesses accountable and to help understand and document the public benefit of the business incentives.

APPENDIX A: BUSINESS OREGON PROGRAMS

Tax and Renewable Energy Related Incentives

Tax Incentives

- Enterprise Zones – are available to any local or port jurisdiction with property tax authority for a three to five year tax exemption on new property. There are 50 Enterprise Zones in urban areas and 13 in rural areas throughout Oregon.
- Strategic Investment Program – local taxing jurisdictions agree to exempt large capital equipment investment from local property taxes.
- Construction-in-Process – unfinished facility improvements may be exempt from local property taxes.
- Oregon Investment Advantage – businesses that locate or employ people in rural or economically distressed areas can earn up to a ten-year waiver on income taxes for specified business functions.
- Employer-provided Dependent Care Tax Credit
- Work Opportunity Tax Credit
- Research Tax Credits
- Film and Video Incentives – this is a host of incentive programs for film and video productions that take place in the state and includes cash rebates for up to 20 percent of the production’s Oregon-based goods and services and an additional cash payment of up to 16 percent of wages paid to production personnel.
- Strategic Reserve Funds – primary tool to provide grants, low- or no-interest loans, and/or guarantee loans for business development. This is the only program that directly spends State funds.

Renewable Energy Related Incentives

- Business Energy Tax Credit – direct tax credits for investments in alternative energy, recycling, manufacturing, or conservation-related programs.
- Rural Renewable Energy Development Zones
- State Energy Loan Program
- Renewable Energy Development Grants
- Biomass Producer or Collector Tax Credits
- Energy Conservation Tax Credit
- Alternative Energy Systems

Financing Programs

Business Oregon’s financing programs fall under the following categories: direct loans, loan guarantee programs, bonds, grants, and brownfield redevelopment.

Direct Loan programs

- Regular Oregon Business Development Fund
- Targeted Oregon Business Development Fund
- Entrepreneurial Development Loan Fund

Loan guarantee programs

- Oregon Capital Access Program
- Oregon Credit Enhancement Fund

Bonds

- Industrial Development Bonds

Grants

- Oregon Trade Promotion Program
- Oregon STEP Program

Brownfield Redevelopment Fund

APPENDIX B: OREGON FORMS AND CRITERIA

Marion County

The following are links to the documents and forms references in the text of this report.

[Marion County EDAB Strategic Plan](#)

[Marion County EDAB 2009 Bylaws](#)

[Marion County EDAB 2013 Members](#)

[Marion County EDAB sector representation](#)

[Marion County Lottery Grant Application and Criteria](#)

APPENDIX C: NATIONAL CASE STUDIES

North Carolina

North Carolina provides an array of financial incentives to businesses locating or expanding in North Carolina. CPW focused on four of North Carolina's financial incentives:

1. Article 3J Tax Credits
2. Job Development Investment Grant
3. One North Carolina Fund
4. Job Maintenance and Capital Development Fund Grants

All four programs have statewide criteria and application materials. Links to additional materials are available with each program explanation.

Article 3J Tax Credits

Article 3J Tax Credits are designed to attract and foster the expansion of target industries in North Carolina. Target industries include: aircraft maintenance and courier services, company headquarters, call centers, information and technology services, and manufacturing. Article 3J provides tax credits for businesses that either: create jobs, invest in business property, or invest in real property (Tier 1 only). A businesses can use Article 3J Tax Credits to offset 50 percent of the business' income and franchise tax liability. Any unused Article 3J Tax Credits can carry forward for up to five years. Article 3J Tax Credits use the county tier designation (North Carolina Department of Commerce, 2007).

To be eligible for an Article 3J Tax Credit, a business must:

- Be in an eligible target industry
- Pay all full-time employees at or above the wage standard of the county's Tier designation
- Offer qualifying health insurance for all full-time employees and pay at least 50 percent of employee premiums
- Not have received any significant violations with the North Carolina Department of Environment and Natural Resources in the past five years
- Not have received any "willful" or "failure to abate" serious OSHA violations in the past three years
- Not have any overdue taxes

The following links provide more information regarding the Article 3J tax credit:

[Article 3J Tax Credit Information](#)

[Summary of Article 3J Tax Credits](#)

[Enabling Legislation-House Bill 2170](#)

Job Development Investment Grant

The Job Development Investment Grants (JDIG) is a discretionary incentive that provides sustained grants to new and expanding businesses on an annual basis (North Carolina Department of Commerce, no date). North Carolina can award 25 JDIG cash grants directly to new and expanding businesses a year at a total of \$15 million (North Carolina Statutes and Codes, no date).

North Carolina awards grants to businesses if they need the grant to carry out the project in North Carolina, create new jobs, and make an investment commitment. JDIG grant payments can last for up to 12 years and provide up to \$180 million in benefits. The total amount paid in any year cannot exceed \$15 million.

To be eligible for a Job Development Investment Grant, a business must:

- Provide a net increase in employment
- Increase opportunities for employment
- Strengthen the state's economy
- Make the project consistent with the economic development goals of the state and the area in which it is located
- Be competitive with another state(s) or country
- Require the grant to complete the project in North Carolina
- Meet health insurance and workplace safety requirements
- Maintain operations at the project location, or another approved site, for at least 150% of the term of the grant
- Sign a claw-back provision for the State to recapture all or part of the grant if the business fails to remain at the site for the required years
- Pass a cost-benefit analysis

The JDIG program is overseen by an Economic Investment Committee comprised of five members: the state's Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State Budget and Management, and two private sector members approved by the North Carolina General Assembly. The Committee recommends a Grant based on evaluation of the application and cost-benefit analysis. A Grant award by the Committee will specify the term and annual maximum Grant amount (North Carolina Department of Commerce, no date).

The following links provide more information and materials regarding the JDIG program:

[JDIG Application Information](#)

[Criteria for Operation and Implementation of Job Development Investment Grant Program](#)

One North Carolina Fund

The One North Carolina Fund helps recruit and expand jobs in value-added, knowledge-driven industries and retain quality, growing industries already located in the state. The fund provides financial assistance through nonrecurring appropriations made by the North Carolina General Assembly for businesses or

industries seeking to expand or relocate in North Carolina that are deemed vital to a healthy economy. The purpose of the fund is to increase North Carolina's competitiveness; therefore, business location or expansion projects must be in competition with another state. Businesses can receive money for installation or purchase of equipment; structural repairs, improvements, or renovations; and construction of or improvement to new or existing infrastructure.

The One North Carolina Fund requires local governments to match the grants allocated to them. Local governments must provide a match equal to the value of the grant. Local governments may make a match in one, or a combination, of the following ways: cash, fee waivers, in kind services, donation of land, buildings, or other assets, or provision of infrastructure.

To be eligible for the One North Carolina Fund, a business must:

- Agree to meet an average wage test for the county the business is locating
- Provide high-quality jobs
- Provide strategic importance to the State, Region, or Locality
- Provide a low environmental impact
- Complete an agreement with local government for matching funds

The following links provide more information about the One North Carolina Fund:

[One NC Agreements Required; Disbursement of Funds](#)

[One NC Guidelines](#)

Job Maintenance and Capital Development Fund Grants

The Job Maintenance and Capital Development (JMAC) Fund is a discretionary incentive program that provides sustained grants to businesses on an annual basis located in Tier 1 counties (North Carolina Department of Commerce, no date). The purpose of the JMAC Fund is to encourage the retention of high paying, high-quality jobs and large-scale capital investments in North Carolina. The hope is that these investments will increase the competitiveness of North Carolina's economy. North Carolina can give five JMAC grants a year. Grants can last up to 10 years and provide \$69 million in funds.

To be eligible for the Job Maintenance and Capital Development Fund Grants, a business must:

- Locate in a Tier 1 county
- Have no overdue tax debts
- Have no OSHA violations
- Have no North Carolina Department of Environmental and Natural Resources violations
- Pay at least 140 percent of the average wage in the county where the business is locating
- Pay 50 percent of health insurance premiums

The Economic Investment Committee oversees the JMAC Fund Grants. The Committee recommends a Grant based on evaluation of the application. A Grant

award by the Committee will specify the term and annual maximum Grant amount (North Carolina Department of Commerce, no date).

The following links provide more information regarding the JMAC program:

[JMAC Statute](#)

[JMAC Requirements](#)

Chatham County

[Chatham County Incentive Policy Scorecard](#)

Buncombe County

[NCGS 158-7.1: full language](#)

[Buncombe County Economic Development Incentive Policy](#)

California

California provides ten state business incentives in three categories: tax incentives, financing programs, and energy and environment programs (California Governor's Office of Business and Economic Development, 2013). CPW focused on the four most relevant tax incentives and financing programs for Lane County:

1. Enterprise Zone Program
2. New Jobs Tax Credit
3. California Capital Access Program
4. Collateral Support Program

All three programs have statewide criteria. The local jurisdictions handle the application materials and process.

The following link provides additional information about every business incentive program that California has in place:

[State of California Business Investment Guide](#)

Enterprise Zone Program

The Enterprise Zone Program is designed to stimulate business investment and job creation in disadvantaged areas of California (California Governor's Office of Business and Economic Development, 2013). Each Enterprise Zone provides businesses with state incentives and may include additional local incentives and benefits. California has 42 Enterprise Zones. GO-Biz creates the Enterprise Zone policy and criteria for establishing an Enterprise Zone, while the local jurisdictions manage their respective Enterprise Zone(s) and create the criteria for businesses locating in the Enterprise Zones.

Benefits of the Enterprise Zone Program include:

- Hiring tax credit
- Sales or use tax credit

- Increased expense deduction
- Net operating loss carry forward
- Net interest deduction for lenders
- State preference points for state contracts

For a business to receive the hiring tax credit, the business must hire targeted unemployed or underemployed individuals (California Department of Housing and Community Development, no date). The businesses receive the tax credit in the form of a voucher to be used when filing state taxes. To receive the tax credit, the business must fill out the Voucher Application and Income Verification Worksheet for the qualifying employee(s). Once the application is approved, the business receives a Voucher Certificate.

The following links provide information regarding Enterprise Zones; applications are not available because they are implemented by the local jurisdiction:

[Voucher Application](#)

[Income Verification Worksheet](#)

[Voucher Certificate](#)

[G-TEDA Monthly Report Form](#)

New Jobs Tax Credit

The New Jobs Tax Credit is intended to stimulate job creation in small businesses (California Governor's Office of Business and Economic Development, 2013). California defines a small business as a business with 20 or less employees. The New Jobs Tax Credit provides a tax credit of up to \$3,000 for each new full-time employee hired (State of California Franchise Tax Board, no date). The state caps each qualifying business at a total \$400 million tax credit. Businesses claim the New Jobs Tax Credit on its Personal Income Tax or Business Entity Tax Return.

To be eligible for a New Jobs Tax Credit, a business must:

- Pay each full-time employee for no less than an average of 35 hours a week
- Employ a total of 20 or less employees the previous tax year
- Produce a net increase in full-time employees

The following link provides more information regarding the New Jobs Tax Credit:

[Form 3526 - New Jobs Tax Credit](#)

California Capital Access Program

The California Capital Access Program (CalCap) works with participating local banks and lending institutions to provide loans to small business that do not qualify for loans under conventional underwriting standards (California Governor's Office of Business and Economic Development, 2013). The California Pollution Control Financing Authority runs the CalCap program. CalCap functions as a loan portfolio insurance that provides up to 100 percent coverage on loan defaults. Businesses

can use the loan funds to acquire land, construct or renovate buildings, purchase equipment, working capital, and energy improvement projects. Businesses can also use the loan funds as bridge financing before the business obtains permanent financing. There is no minimum loan amount, however, the loan amount caps at \$15 million. Participating lenders set all the terms and conditions of the loan.

To be eligible for CalCap, a business must:

- Operate primarily in California;
- Employ at least 50 percent of employees from California; and
- Employ less than 500 employees.

The following link provides more information and relevant documents for the CalCap program:

[CalCap Information and Documents](#)

Collateral Support Program

The Collateral Support Program (CSP) is a subset of another incentive program, the California Capital Access Program. CSP works with participating local banks and lending institutions to provide loans to small business that do not qualify for traditional business loans and cannot receive funding otherwise (California Governor's Office of Business and Economic Development, 2013). The CSP pledges cash to cover the collateral shortfall of loans of \$100,000 or more. CSP covers up to 40 percent of the loan and provides an additional 10 percent loan default coverage for businesses located in severely economically depressed areas (California State Treasury, no date). The minimum loan amount is \$100,000 and caps at \$20 million. Participating lenders can supply up to \$5 million each to the qualified business. Participating lenders set all the terms and conditions of the loan including the amount of collateral support required for the loan.

To be eligible for CSP, a business must:

- Have its primary economic effect in California by:
 - Receiving 51 percent of total revenues from business activity in California OR
 - Creating or retaining 51 percent of total jobs in California
- Employ less than 750 employees

The following link provides additional information and documents for the Collateral Support Program:

[Collateral Support Program Information and Documents](#)

Alameda County

Mini Grant Program

The mini grant program is intended for smaller businesses and eases those businesses into compliance with new recycling and composting requirements by California State Law (\$topwaste Partnership, no date, a). The proposed project

must be in the area of food scraps collection or waste prevention and have an impact in Alameda County, California. Typical projects are for start-up/one-time expenses to start or expand a workplace waste reduction program.

The minimum Mini-grant award is \$500, and the maximum is \$5,000. For organizations that generate less than 10 cubic yards of garbage per week, the maximum Mini-grant award is \$3,000, unless otherwise approved. Applicants are encouraged to contribute at least some amount of matching funds to the project.

The following links provide the application materials and more information about the Mini Grant program:

[Mini Grant Application Packet](#)

[Mini Grant Sample Funding Agreement](#)

Low Interest Loans

Loans of \$50,000 to \$240,000 are available to finance projects aimed at recycling, composting or reusing materials that would have otherwise gone to Alameda County landfills (Stopwaste Partnership, no date, b). Funds can be applied toward machinery and equipment, inventory, start-up or expansion, or working capital. Example projects include purchasing balers, compactors or shredders, process-efficiency equipment, expanding your recycling-based business or buying a new truck.

The StopWaste.Org Revolving Loan Fund provides low interest loans for businesses and non-profits that utilize recycled, composted or reused materials. Designed to support the growth of a robust reuse- and recycling-based economy, these low interest loans provide flexible financing options

The following link provides eligibility information for the low interest loan program:

[Eligibility Form](#)

Use Reusables Grant Program

This program offers competitive grants of up to \$30,000 for organizations that are planning to incorporate reusable packaging into their transport and distribution (Use Reusables, no date). Eligible projects include those that replace single- or limited-use transport packaging with durable, reusable pallets or bins, reusable pallet-wrap, expanded use of intermediate bulk containers (IBCs) and other projects that significantly reduce expendable packaging.

The following links provide application materials and a sample grant application for the Use Reusables Grant Program:

[Use Reusables Grant Application Packet](#)

[Sample Completed Grant Application](#)

Additional States and Counties

The following states and counties were used in CPW's review process but in depth research and interviews were not conducted. The links are provided to give Lane County additional resources and examples of business incentive application forms, procedures, and eligibility requirements.

Michigan

[Technology Commercialization Application Form](#)

[Talent, Innovation, & Entrepreneurship Application Form](#)

[Pure Michigan Urban Investment Program Intake Form](#)

[Collateral Support Program Loan Enhancement Intake Form](#)

Utah

[Rural Fast Track Application](#)

[Industrial Assistance Fund Application](#)

[EDTIF Tax Credit Application](#)

Texas

[Texas Enterprise Fund Due Diligence Process](#)

[Texas Enterprise Fund Application](#)

[Texas Enterprise Zone Application](#)

[Texas Leverage Fund Application](#)

[Texas Industry Development Loan Program](#)

[2013 Texas Capital Fund Project Short Form Application](#)

Escambia County, Florida

[Economic Development Incentive Application](#)

[Economic Development Incentive Fund Program Application](#)

[Land Purchase Incentive Program Application](#)

APPENDIX D: WORKS CITED

- Alameda County, California. No date. Stopwaste.org. Retrieved September 10, 2013, from Who We Are: <http://www.stopwaste.org/home/index.asp>
- Basile, Ralph, Brian Dowling and Tory Salomon. "Scorecard." *Economic Development Journal*, Vol. 10 No. 1 (Winter 2011): 50-57.
- Betz, Michael, Mark Patridge, David Kraybill and Linda Lobao. "Why do Localities Provide Economic Development Incentives? Geographic Competition, Political Constituencies and Government Capacity." *Growth and Change*, Vol. 43 No. 3 (September 2012): 361-391.
- Buncombe County, North Carolina . Buncombe County Economic Incentive Policy. Buncombe County, North Carolina, no date. <https://www.buncombecounty.org/common/admin/economicpolicy.pdf> (accesses August 25, 2013).
- Business Oregon. No date, a. *Business Oregon: an Oregon state agency*. Retrieved September 9, 2013, from Oregon's Incentives: <http://www.oregon4biz.com/The-Oregon-Advantage/Incentives/>
- Business Oregon. No date. *Business Oregon: an Oregon state agency*. Retrieved September 9, 2013, from Business Financing Resources: <http://www.oregon4biz.com/Business-financing-resources/>
- California Department of Housing and Community Development. Hiring Credits & Vouchering. No date. <http://www.hcd.ca.gov/fa/ez/vouchering.html> (accessed September 4, 2013).
- California Governor's Office of Business and Economic Development. "State of California Business Investment Guide." 2013.
- California State Treasury. California Capital Access Program. No date. <http://www.treasurer.ca.gov/cpcf/calcap/index.asp> (accessed September 4, 2013).
- Chatham County Economic Development Corporation. "Chatham County Incentive Policy." Incentive Policies. n.d. <http://www.chathamcdc.org/resources/incentive-policies> (accessed 2013).
- Chatham County North Carolina. Local Information. No date.. <http://www.chathamnc.org/Index.aspx?page=2> (accessed 2013).
- Chi, K. S., & Hofmann, D. J. (2000). *State Business Incentives: Trends and Options for the Future Second Edition*. Lexington: Council of State Governments.
- County of Alameda, California. Small, Local, and Emerging Business Program. No date. <http://www.acgov.org/auditor/sleb/overview.htm> (accessed September 3, 2013).

Economic Development Coalition Asheville-Buncombe County. Target Clusters. No date. <http://www.ashevillechamber.org/economic-development/target-clusters> (accessed 2013).

Governor's Office of Business and Economic Development. About GO-Biz. No date. <http://business.ca.gov/AboutUs.aspx> (accessed September 4, 2013).

Hunter, Kenneth G. "An Analysis of the Effects of Lobbying Efforts and Demand-Side Economic Development Policies on State Economic Health." *Public Administration Quarterly*, Vol. 25 No. 1 (Spring 2001): 49-78.

James, S. 2009. *Incentives and Investments: Evidence and Policy Implications*. Washington, DC: Investment Climate Advisory Services to the World Bank.

Job Development Investment Grants (JDIG). No date. <http://www.thrivenc.com/incentives/financial/discretionary-programs/job-development-investment-grant> (accessed 2013).

Job Maintenance and Capital Development Fund (JMAC) Grants. Vers. Criteria for Operation and Implementation of Job Maintenance and Capital Development Fund Program. Thrive in North Carolina. No date. <http://marketing.thrivenc.com/acton/attachment/4901/f-0043/1/-/-/-/file.pdf>.

Job Maintenance and Capital Development Fund Grants. No date. <http://www.thrivenc.com/job-maintenance-and-capital-development-fund-jmac-grants> (accessed 2013).

Jolley, Jason, Patrick McHugh and Dianne Reid. "Incentives 2.0." *Economic Development Journal*, Vol. 10 No. 2 (Summer 2011): 28-35.

Linn County Oregon. No date. *Linn County Oregon*. Retrieved September 9, 2013, from Business Development Center: <http://www.co.linn.or.us/busdev/default.htm>

Marion County Oregon. 2013. *Marion County, Oregon*. Retrieved September 9, 2013, from Marion County Economic Development Advisory Board: <http://www.co.marion.or.us/BOC/EDAB.htm>

North Carolina Department of Commerce. 2013 Article 3J County Tier Designations. No date. <http://www.nccommerce.com/research-publications/incentive-reports/county-tier-designations> (accessed 2013).

North Carolina Department of Commerce. Article 3J Credit Summary. North Carolina : North Carolina Department of Commerce, 2007.

Oregon Transparency. Oregon County Expenditures of State Lottery Funds. State of Oregon, 2012.

PEW Center on the States. (2012). *Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth* . Washington, DC: The PEW Charitable Trusts.

Reid, W. (2013). *A Review of Public Incentives for Economic Development in Oregon*. Portland: Oregon Economic Development Association.

- Relocation and Expansion Services. No date.
<http://business.ca.gov/RelocateExpand.aspx> (accessed September 4, 2013).
- Rondinelli, Dennis A. and William J. Burpitt. "Do government incentives attract and retain international investment? A study of foreign-owned firms in North Carolina." *Policy Sciences*, Vol. 33 (2000): 181-205
- Southern Oregon Regional Economic Development, Inc. No date. *SOREDI: to help business prosper*. Retrieved September 9, 2013, from <http://www.soredi.org/>
- State of California Franchise Tax Board. New Jobs Credit. No date.
https://www.ftb.ca.gov/businesses/New_Jobs_Credit.shtml (accessed September 4, 2013).
- Sweeney, Mark. "The Challenge of Business Incentives for State Policymakers: A Practitioner's Perspective." *The Journal of State Government*, Winter 2004: 8-11.
- Stopwaste Partnership. No.date, a. Business Mini Grants. Retrieved September 10, 2013, from Stopwaste Partnership:
<http://www.stopwaste.org/home/index.asp?page=97>
- Stopwaste Partnership. No date, b. Low Interest Loans. Retrieved September 10, 2013, from Stopwaste Parntership:
<http://www.stopwaste.org/home/index.asp?page=531>
- Use Reusables. (n.d.). Use Reusables Grant. Retrieved September 10, 2013, from Use Reusables : <http://www.usereusables.com/resources/grants/>
- Vermont Secretary of Commerce and Community Development. "Report to the Vermont General Assembly Regarding the Employment Growth Incentive Program." January 2012.
<http://accd.vermont.gov/sites/accd/files/Documents/business/vegi/2012SECgeneralAssembly.pdf>.
- Wassmer, Robert W. "Can Local Incentives Alter a Metropolitan City's Economic Development?" *Urban Studies*, Vol. 31 No. 8 (1994): 1251-1278.
- Wassmer, Robert W. and John E. Anderson. "Bidding for Business: New Evidence on the Effect of Locally Offered Economic Development Incentives in a Metropolitan Area." *Economic Development Quarterly*, May 2001: 132-148.
- Zheng, Lingwen and Mildred Warner. "Business Incentives Use Among US Local Governments: A Story of Accountability and Policy Learning." *Economic Development Quarterly*, Vol 24 No. 4 (2010): 325-336.