11

Matthew Hicks and Saralyn Stafford

Economic Development

Ask 10 people to define economic development and you are likely to hear 10 different answers. In general, economic development refers to the creation and retention of wealth in a community and the improvement of living standards. The public policy benefits of economic development include expanding and diversifying the tax base, reducing unemployment, improving overall quality of life, and enhancing a community's image. In the past, economic development meant landing the next large manufacturing or distribution facility in one's county. Today a number of strategies may be used such as supporting entrepreneurs, promoting tourism, assisting existing businesses, recruiting big box retailers, building industrial parks, encouraging mixed-use developments, incubating technology start-ups, and locating manufacturing and distribution centers. In order to implement these strategies, counties generally focus on putting in place needed infrastructure. They offer tax incentives and foster an educated workforce in addition to forming economic development leadership teams and funding development authorities.

Despite the myriad definitions of economic development and the activities that support it, county commissioners must understand the problems their particular communities face and help them identify priorities. Should the county focus on recruiting a particular sector such as the biotechnology, energy, or health-care industry? Is the county better suited for call centers, agribusiness, or some other specialty? Are there cultural and historical assets that make the county ideal as a tourist destination? A county may be so diverse that multiple goals should be established. It is up to elected, business, and civic leaders to realistically answer these questions, define what economic development means in their respective counties, and direct resources in order to achieve specific economic goals.

STATE AND LOCAL ROLES IN ECONOMIC DEVELOPMENT

Several state and regional organizations are engaged in economic development and are available to assist counties. These include the Department of Economic Development, the Department of Community Affairs, the Small Business Development Center, Georgia Power, and local electric membership corporations. The Georgia Department of Economic Development is the official marketing arm of the state, responsible for promoting Georgia to prospective businesses, tourists, and new residents, among others. Project managers employed by the department are responsible for working with companies that have expressed an interest in Georgia. Their job is to "sell Georgia"—in other words, to recruit business—by providing specific information on communities that meet the needs outlined by prospective companies. Like the department, several major utilities (Georgia Power Company, Georgia Electric Membership Corporation, and Electric Cities of Georgia) have statewide project managers who work with businesses and consultants to provide information and services in order to encourage their location or expansion within the state.

The role of the local economic development team is to provide the product—the buildings, sites, infrastructure, workforce, and quality of life—that the statewide partners are selling. In addition, the local economic development team must actively market the local community, in part by developing and maintaining a community Web site with current and in-depth information important to businesses, tourists, consultants, and other groups who are researching locations. Most searches by economic development prospects begin with a Web site review. If a county does not have an informative Web site, it will not make it through this first review. Community marketing also includes conducting outreach to targeted prospects and developing and maintaining good relationships with statewide partners. It is important to keep them informed of available properties and events in the community. Trust is also crucial between local and statewide partners because both entities' reputations are at stake when sharing prospective locations for a company or consultant review.

Statewide partners are responsible to the prospect first; their job is to suggest locations in Georgia that meet the needs of the business or consultant. The job of the local economic development team is to have, maintain, and present the local community's product to the world. A community may be invited to work with the statewide project managers or to interact directly with a business or consultant. Information requests must be answered promptly and accurately. If a prospect does visit a community, the local team should follow the agenda in order to meet the prospect's needs.

Quite often, a company or consultant will request complete confidentiality regarding its identity and interest and will limit the number of contacts on a first visit to just one local representative. Should that confidentiality be breached, the consequences would negatively affect not just that particular opportunity but also the community's reputation among future prospects and statewide economic development partners. Because of the open records act, companies and consultants desiring confidentiality should limit documents, letters, e-mails, or other records that reveal the company's identity. Counties are required to comply with the open records act.[1] If the county has documents, letters, e-mails, or other records identifying an interested company, those records must be released, if requested, unless those records fall into a specific exemption.[2]

ROLE OF THE COUNTY COMMISSIONER

Companies that are considering investing in a community look for stability, predictability, and a united approach by county leaders. It can shake the confidence of an economic development prospect to discover that local elected officials are divided or not "on the same page" as other county leaders. A team approach involving a number of private and public stakeholders (one being the county commission) is generally the most effective way for a county to address economic development. A county's "economic development team" or "community sales team" may consist of chamber of commerce and other business leadership, development authority staff, regional commission staff, county and municipal officials, local college and technical education officials, or other parties. This team will usually lead, formally or informally, efforts related to the establishment of goals and implementation of necessary activities.

The county commissioner plays a critical role as a member of a county's economic development team by both serving as an ambassador for the county and making critical funding and resource decisions. The level of hands-on involvement by a county commissioner largely depends on whether the county has a professional economic development staff. The staff can be employed directly by the county or by a development authority, chamber of commerce, or some related entity. It is best to have a single point of contact, often referred to as the economic developer, who is able to address economic development–related matters that arise within the community. This contact person should be authorized to speak and act on behalf of the local community in dealings with both statewide partners and businesses. A commission that displays a united effort, with a single point of contact, presents the most professional image and simplifies efforts, especially when statewide project managers are involved.

Every county commissioner should know his or her county's strengths and assets and economic development goals. A commissioner should also know the members of the county's economic development team. Becoming familiar with existing industries and workforce statistics can also be very helpful.

The county commission plays a crucial role in economic development through its budget process and funding decisions. Types of budget decisions that can assist in economic development include funding utility and public works infrastructure and economic development organizations, such as development authorities. A county is authorized by law to dedicate up to one mill of property taxes to fund a development authority for the purpose of developing trade, commerce, and industry.[3] A city may levy up to three mills.[4] In addition, a county or city may levy a hotel-motel tax, which can be used to promote tourism, conventions, and trade shows and fund facilities such as convention and conference centers.[5]

The county commission is also responsible for making land-use decisions[6] such as zoning[7] and comprehensive planning[8] and setting permitting policies that affect the location of industries and the use of public infrastructure investments.[9] Further, county leaders must be involved in deciding upon an incentives policy that makes sense in meeting local economic development goals. Promoting economic development is not a single event but rather a process that requires a long-term commitment of time and resources by the county commission.

BUSINESS RETENTION AND JOB CREATION

The local economic development team also plays an extremely important role with regard to existing businesses and industries in a community. In fact, business retention may be the most important role a local team can assume since existing businesses and industries in a county already contribute to the local economy and any necessary infrastructure investment has already been made. The team's relationship with existing businesses and industries will also help determine whether a company should expand in a county or go to a more hospitable location when economic times are difficult. New business prospects will look at the relationships that existing businesses have with local officials when they visit. Often, they will have private discussions with existing industries to see what kind of support the local government gives after a location decision has been made.

Traditionally, expansion of existing businesses creates more new jobs in a community than does recruitment of new businesses. These additions to the workforce are often few, resulting in perhaps only a couple of new jobs, and receive little attention, but they do add up over time. Many industries have multiple locations, and when decisions must be made regarding cutting or adding a product line, they will look to the communities with the best business environment and local support in their decision-making process. Regular communication between the local government and established companies can reveal problems, such as public infrastructure or regulatory issues, before they become insurmountable.

Local industry councils are one type of forum in which industry managers can share the challenges they are facing and collaborate with other business owners and local leaders to overcome competitive hurdles. Ultimately, this type of effort ensures that good relationships are developed and maintained between existing industries and local leaders. It is important for county commissioners to support existing local industry council efforts or encourage the establishment of such a council if the county does not have one.

Job creation is accomplished through not only recruitment and retention of industry but also the support of small businesses and entrepreneurs. Most businesses in the United States are categorized as small businesses (fewer than 20 employees), and many have no employees, as they are solely owned and operated by entrepreneurs. These businesses generally are the largest sources of new job creation annually across the country. A supportive environment for their growth can be an effective means of job creation and retention in many communities. The Georgia Department of Economic Development has coordinated resources and assistance available for small businesses and entrepreneurs and can assist local communities in developing support programs.[10] Further, the state-sponsored Small Business Development Center offices provide technical assistance for existing small businesses and individuals who are interested in starting a business.[11]

DEVELOPMENT AUTHORITIES

Authorities are creations of government.[12] They are, therefore, public bodies whose boards comprise appointed public officials who are subject to many of the same responsibilities as elected officials. These officials are appointed in order to accomplish specific duties on behalf of local or state governments.[13]

Development authorities bridge the gap between the public and private sectors to facilitate job creation projects that are desirable to both. Most communities have some form of development authority (also called an industrial authority or payroll authority) that works for the county and/or city in economic development efforts.

A development authority may have been created by one of three methods: local constitutional amendment, general law, or local act. New development authorities may not be created by constitutional amendment. However, development authorities created by local constitutional amendment before the 1983 Constitution may continue to exist. The General Assembly has authorized a development authority for each county and city.[14] However, the development authority is not fully created until the county commission (or city council, in the case of a city) adopts a resolution declaring a need for the development authority.[15] A copy of the resolution must be submitted to the secretary of state.[16]

The method of creation determines the specific powers of the authority. In general, a development authority is charged with the "development of trade, commerce, industry, and employment opportunities," which is a "public purpose vital to the welfare of the people of the state."[17] The Georgia Department of Community Affairs maintains records on development authorities and requires a yearly registration for active development authorities. The department also maintains a database that lists all authorities within a community, which method was used to form the body, who serves on the authority, and contact information.[18]

The county commission appoints members to the development authority.[19] Commissioners should be familiar with current members and when new appointments or reappointments are due.

As previously noted, the county commission may also fund the work of the development authority through general fund appropriations or millage allocations. Local governments may also include capital projects, such as the purchase and development of land for industrial parks, in special purpose local option sales tax projects.[20] An assured funding source for a development authority will facilitate its long-range planning on behalf of the community.

Joint development authorities may be formed between multiple cities and counties in order to accomplish regional goals for economic development.[21] This type of authority is created through resolutions being adopted by the governing authorities of each participating government.[22] Typically, a joint development authority is formed for the purpose of sharing resources for developing product and marketing an area, with revenue generation shared between the jurisdictions that are represented on the authority. In addition to allowing for the pooling of resources by multiple communities, the use of joint development authorities offers an increased state job tax credit of $500 for job creation as an incentive for new or existing industry expansion within the areas served by the authority.[23]

INDUSTRIAL REVENUE BONDS AND OTHER INCENTIVES

One of the ways in which development authorities can attract new business is to issue revenue bonds for industrial purposes.[24] This type of bond is issued on behalf of a private company, and repayment is guaranteed by that company. It does not obligate county funds. The bonds may be income tax free, which can allow for a lower rate of interest. The authority serves as a conduit, enabling a project to be financed at rates well below those that would be available through commercial lenders. Bond proceeds typically are used by the company to purchase land, buildings, and equipment through a lease-purchase arrangement with the authority. The property is actually owned by the development authority, which makes the property tax exempt, and then leased to the company. The lease payments made by the company provide the revenue for the authority to make the interest and principal payments due on the bonds.

Since the development authority is the legal owner of assets purchased through the bond issue, and because it is a governmental entity, its property is not subject to ad valorem taxes.[25] If the board of tax assessors and the tax commissioner recognize that the company's interest in the lease is tax exempt, too, then the company receives a tax abatement. In the state of Georgia, this is one of the only ways in which a county can provide a property tax abatement to a private company. It can be an incentive for a company to locate a project in a community.

Typically, the contract between the development authority and the private company provides that the company pay charges based on its ownership in the project, which would increase each year for the duration of the contract. This type of agreement is referred to as payment in lieu of taxes, or PILOT. Most counties do not include school taxes in this agreement, so the private company would pay school taxes each year at the full rate.

A community might consider other incentives to attract business. These incentives should be agreed upon in advance of any marketing activities. The local economic development team (that is, the community sales team) should determine what is reasonable and what the person who is designated as the single point of contact or the economic developer may offer in negotiations with a prospect.

Several tools exist that can assist a county in developing a reasonable incentives policy that ensures a return on investment. Many counties, through their development authorities, offer incentives that are based on a combination of the number of jobs anticipated and the private investment made in the community. Such incentives might include the following:

- Fee waivers (permits, impact fees, etc.)
- Infrastructure improvements
- Free or reduced-cost land from the development authority
- Free or reduced-cost services from local businesses
- Lowered or eliminated building lease costs
- Other creative ways to save a company initial start-up costs

An incentive or package of incentives, will not "win" a new business location for a community if the business needs of the company cannot be met as well. Typically, incentives come into play when a company has narrowed down its options to just two or three communities that meet all its business requirements. A community should never invest more in incentives than it expects to receive in benefits. A structured memorandum of understanding should be signed by representatives of both the community and the company specifying exactly what is expected and agreed upon by both sides and outlining the penalties for failure to fulfill the agreement. Ultimately, if anything is being offered by the county in the memorandum of understanding or any other form of agreement, it must be approved by the county commission in a meeting.[26]

The State of Georgia also offers incentives to attract and retain business and industry, including the Job Tax Credit Program, and financing assistance programs through the Georgia Department of Community Affairs and the OneGeorgia Authority.[27] One of Georgia's most valuable incentives is the QuickStart training program, which is facilitated by the Technical College System of Georgia and local technical colleges and which offers free customized training to companies that provide new jobs in Georgia.[28]

The state's incentives are available to both new and existing industries that are creating new jobs in Georgia or making new capital investments. County commissioners should ensure that existing companies are treated in the same manner as new companies. In other words, it is not wise to offer an incentive to a new company that would not also be offered to an existing company under the same job creation or capital investment circumstances.

CREATING A SUCCESSFUL ECONOMIC DEVELOPMENT STRATEGY

Every community has distinctive attributes and assets that should be considered in creating a successful strategy for economic development. The realities of funding availability and partnerships to support development efforts are also important considerations. As mentioned earlier, many primary responsibilities of a county commission—such as comprehensive planning,[29] land-use regulation,[30] and provision of adequate public services[31]—set the stage for successful economic development efforts.

Industrial recruitment is just one aspect of economic development, and it may not be the best focus for some communities. Those that do not have the necessary flat land for industrial parks or sufficient water and sewer infrastructure to support industries should explore other strategies in their economic development efforts. Additional economic development strategies that a county may consider include tourism development, small business development, and downtown development, all of which can benefit a county's tax base.

Successful economic development involves having the following:

- a cohesive, well-prepared local sales team with a professional economic developer who represents the community
- a product—whether it is an attractive, well-maintained downtown business district or a new industrial park
- a qualified workforce
- a plan that includes multiple strategies to create jobs and investment and to capitalize on a community's assets
- a marketing effort that includes an excellent Web site
- a long-term commitment to the process, recognizing that economic development is an effort that brings benefits over time

Many public and private entities offer assistance to communities in developing a strategic plan for economic development. Among them are the Georgia Electric Membership Corporation, Georgia Power Company, Electric Cities of Georgia, the Georgia Department of Community Affairs, the Georgia Department of Economic Development, the Georgia Institute of Technology, the University of Georgia, and regional commissions. With the help of these agencies, communities can engage in a collaborative effort to determine their strengths and weaknesses as well as opportunities and threats to success. These organizations show communities how to use this information in order to achieve their aspirations and thereby develop a workable economic development plan that will bring long-term benefits and improve residents' quality of life.

NOTES

1. Official Code of Georgia Annotated (O.C.G.A.) §50-18-70 et seq.
2. O.C.G.A. §50-18-72.
3. O.C.G.A. §48-5-220(20).
4. O.C.G.A. §48-5-330.
5. O.C.G.A. §48-13-51.
6. Ga. Const. art. IX, §2, ¶4.
7. O.C.G.A. §36-66-1 et seq.
8. O.C.G.A. §36-70-1 et seq.
9. Ga. Const. art. IX, §2, ¶1.
10. Georgia Department of Economic Development (www.georgia.org).
11. Small Business Development Center (www.sbdc.uga.edu).
12. Ga. Const. art. IX, §6, ¶3.
13. O.C.G.A. §36-62-4.
14. O.C.G.A. §36-62-4(a).
15. O.C.G.A. §36-62-4(c).
16. Ibid.
17. Ga. Const. art. IX, §6, ¶3.
18. Georgia Department of Community Affairs Directory of Registered Local Government Authorities (www.dca.ga.gov/development/research/programs/RASearch.asp).
19. O.C.G.A. §36-62-4.
20. O.C.G.A. §§48-8-111(a)(1)(C), (D).
21. O.C.G.A. §36-62-5.1.
22. Ibid.
23. O.C.G.A. §36-62-5.1(e)(2).
24. O.C.G.A. §36-62-9.
25. O.C.G.A. §48-5-1.
26. O.C.G.A. §36-10-1.

27. O.C.G.A. §48-7-2; www.dca.ga.gov/economic/TaxCredits/index.asp; Georgia Department of Community Affairs Financing programs (www.dca.ga.gov/economic/Financing/index.asp); One Georgia Authority (www.onegeorgia.org).
28. Quick Start program (www.georgia.org/WhyGeorgia/FirstClassWorkforce/Pages/QuickStart.aspx).
29. O.C.G.A. §36-70-1.
30. O.C.G.A. §36-66-1; Ga. Const. art. IX, §2, ¶3.
31. Ga. Const. art. IX, §2, ¶3.