Economic Development Commission
July 8, 2014 Meeting
6:30 PM
911 Tenth Street, Golden, CO 80401

Opening (6:30 to 6:45)
Goal: Agreement to meeting objectives
1. Approval of Agenda
2. Approval of meeting notes from May 13, 2014
3. Public Comment

Discussion/Action Topics (6:45 to 8:00)
Goal: Commitment to progress or support needs for work program elements
Outcome: Updated focus area task status and assignments

1. Economic Incentive Program Update

2. 2014 Work Program
Commission will discuss updates pertaining to the 2014 work program. Specific updates are expected for:
- Business Attraction/Networking Events
- Marketing Update
- Education Update
- Innovation Update

3. Communications
- GURA – Colacci
- Prospect/Development Project Report
- Chamber of Commerce – Condon, Rinehimer
- Community Marketing Committee – Block, Rinehimer
- General comments

4. Schedule/Assignments/Feedback

5. Wrap up and Adjourn (8:00)

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More than MONEY
Alternative Incentives that Benefit Companies and Communities
More than Money:
Alternative Incentives that Benefit Companies and Communities

June 2, 2014
International Economic Development Council

The International Economic Development Council (IEDC) is a non-profit membership organization serving economic developers. With more than 4,400 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban, and local to international, IEDC’s members are engaged in the full range of economic development experience. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions.

www.iedconline.org

Bill Sproull, FM
President and CEO, Richardson Chamber of Commerce
Chairman of the Board

Paul Krutko, FM
President and CEO, Ann Arbor SPARK
Immediate Past Chair of the Board

Jeffrey A. Finkle, CEcD
President and CEO
International Economic Development Council

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Primary Authors
Swati A. Ghosh
Tye Libby

Editors
Louise Anderson
Lynn Knight

Graphics Support
Mishka Parkins
Economic Development Research Partners (EDRP)

The EDRP Program is the “think tank” component of IEDC, designed to help economic development professionals weather the challenges and grab opportunities from economic changes affecting our communities. EDRP members are leaders in the field of economic development, working through this program to improve the knowledge and practice of the profession.

Amarillo Economic Development Corporation
American Electric Power
Ann Arbor SPARK
BNSF Railway Company
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Buffalo Niagara Enterprise
Camoin Associates
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Columbus 2020!
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Towson University
Tulsa Regional Chamber
York County Economic Alliance

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Acknowledgments

We would like to thank a number of people for their insights and support of this project. The Economic Development Research Partners (EDRP) program provided the impetus and resources for this project. In particular, we thank the Alternative Incentives Taskforce members for their time and guidance in the report’s development. Many thanks to:

- Kenny McDonald, Columbus 2020! (Chair)
- Julie Engel, Greater Yuma Economic Development Corporation
- Kurt Foreman, Greater Oklahoma City Chamber of Commerce

Special thanks to Gene DePrez, Senior IEDC Fellow for his contributions in the development of the survey, leading facilitated discussions with practitioners, and in reviewing several drafts of the report. We also thank Emily Brown, Economic Development Associate at IEDC for her contributions in the development of the survey.

We would also like to thank the economic development practitioners who participated in the survey, follow-up focus group discussions as well as informational interviews while developing the case studies. Although too numerous to thank individually, we appreciate you taking the time and sharing such useful information with us. This paper would not be possible without your support.

Lastly, we would like to thank Jeffrey Finkle, CEcD, IEDC’s President and CEO, for his support throughout this project.
Executive Summary

Economic development organizations (EDOs) provide incentives of various kinds for business attraction and expansion. The vast majority of such incentives are financial – i.e. tax breaks, grants and loans that communities offer to businesses as a direct subsidy. A fast-evolving alternative focuses on incentives that are not direct subsidies, and help not only the businesses but also the community. They are called alternative incentives.

Alternative incentives are an EDO’s means of assisting businesses aside from purely financial subsidies. Such incentives reduce the risk or cost of doing business in a community. If a business shuts down or leaves, the investment stays behind in the community and another business can take advantage of that asset. Examples of alternative incentives include workforce development programs, customized research and data, infrastructure improvements, among others.

Sponsored by the Economic Development Research Partners program, this paper explores different types of alternative incentives used by EDOs and advocates for their increased use either alone or in conjunction with financial incentives. This research shows that alternative incentives can be an effective strategy for business attraction.

Underpinning the main findings and recommendations in this report is a survey conducted by the International Economic Development Council in March 2014. A brief literature review and detailed information interviews with practitioners were also conducted. Alternative incentives are divided into five categories: research, real estate, talent/workforce development, networking/promotion, and infrastructure.

The main findings from the survey are as follows:

- Most of commonly used alternative incentives are considered “typical economic development practice”
- Alternative incentives can be effectively used, though they are more commonly used in conjunction with other financial incentives
- Organizational type and structure don’t impact the types of alternative incentives used
- Incentives is a local game

The main recommendations from the study are as follows:

- Focus on Building Relationships
- Examine your Organization’s Strengths and Utilize Them Creatively
- Offer a Wide Spectrum of Services
- Bring Along the Key Stakeholders
- Focus on the Needs of the Community
Introduction

Incentives are a highly debated topic in economic development, yet incentives are among the most important tools used to entice businesses to come to a location. As Steven Levitt and Stephen Dubner argue in a New York Times article, “Economics is, at root, the study of incentives: how people get what they want, or need, especially when other people want or need the same thing…. An incentive is a bullet, a lever, a key: an often tiny object with astonishing power to change a situation.”

Many economic development programs are incentives of different types to help businesses and jobs grow locally, such that the benefits accrue not only to the businesses but also the community.

In the economic development lexicon, incentives typically mean financial incentives – i.e., tax breaks, grants and loans that communities offer to businesses as a direct subsidy. Critics maintain that there is no proven correlation between the use of incentives and increased economic activity in a community. A recent report by the Institute on Taxation and Economic Policy (ITEP), a non-partisan research institute, states that, “tax incentives are of little benefit to the states and localities that offer them, and that they are actually a drag on national economic growth.” Several similar studies point to the shortcomings of using financial incentives as a strategy for job growth.

Yet economic development practitioners contend that incentives are a way for their communities to “stay in the game” of business attraction. It helps them to remain competitive and signals to potential businesses that they are business-friendly. In some cases, it helps communities mitigate the challenges businesses face in one community that they wouldn’t in another. A fast-evolving alternative focuses on incentives that are not direct financial subsidies. These incentives are programs that help not only businesses but communities as well. These are called alternative incentives, also known as nonfinancial incentives, non tax incentives or inducements.

Alternative incentives are an economic development organization’s (EDO) means of providing business assistance separate from purely financial incentives. Most of these are programs or investments that decrease the cost or risk of operating a business in that community, but that also stay behind if the business

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shuts down or relocates to another community. Such incentives can include transportation and logistics investments, workforce training programs, and efficient permitting processes, among others. Many successful organizations use a combination of financial and alternative incentives for business attraction (explored in more detail later).

Sponsored by the Economic Development Research Partners (EDRP) program, this paper explores the different types of alternative incentives EDOs use in business attraction and how they are successfully utilized by EDOs. This paper does not argue against the use of financial incentives; rather, it advocates for increased use of alternative incentives either alone or in conjunction with financial incentives.

What is an alternative incentive?

There is uncertainty surrounding what constitutes an alternative incentive. If these incentives are everything other than financial incentives, the argument can be made that essentially everything that an EDO does has a cost attached to it, such as staff hours, forgone revenues, and more. Therefore, everything is a financial incentive.

The distinguishing factor between financial and alternative incentives is whether the incentive benefits a single company or the community at large. For example, a workforce training program will benefit potential workers and residents in the community while also helping the business find people to hire with the desired skills. In the event of the business downsizing or shutting down, the workers can remain in the community and be hired by other businesses.

In-kind services can also be considered alternative incentives. Therefore, although expedited permitting processes and customized research will only benefit the business that is utilizing the alternative incentive, it helps improve the overall business climate of the community and its competitiveness in general.

Alternative incentives fall into five main categories:

- **Talent / Workforce development**
  Access to skilled and talented workers is considered the number one criteria for site selection decisions today, irrespective of the industry. Businesses also need to make sure that they have access to training programs so that their workers can keep up with the pace of innovation and technological change. Labor market analysis, ability to offer customized job training, and connections to local training programs are some alternative incentives that communities can offer that also meet important business needs.

- **Real Estate and Permitting**
  Streamlining a community’s planning and permitting processes is more than a question of convenience for the businesses. Prolonged processing increases the cost of development and decreases businesses’ ability to respond to rapidly changing market realities. Communities can also offer other types of real estate services, such as lists and data on available buildings, assistance with feasibility studies and more.
• **Research and Data**

Built on economic gardening principles, communities can offer specialized data analysis services to businesses. Such services are especially valuable to those that lack the in-house capacity to conduct sophisticated analysis or otherwise cannot access specialized datasets. Also included in this category is access to community-level information, both through an economic development agency website as well as connections to current employers who can offer insights into the quality of the business environment.

• **Networking and Promotion**

Helping incoming businesses make connections in the community is as much about customer service as it is about developing and strengthening existing clusters and local supply chains through business-to-business connections. This category also includes services such as assistance with spouse relocation, access to cluster partnerships and peer mentoring.

• **Infrastructure Improvements**

As the price of energy increases and a product’s speed to market becomes more important, a community’s ability to connect efficiently with global transportation and logistics systems determines its competitiveness. This category also includes less expensive infrastructure improvements such as signage and streetscape upgrades, among others.

**Don’t most communities already offer these services? How can they be categorized as incentives?**

Yes. It can be confusing to discern between what constitutes an incentive versus what is an EDO’s responsibility as described in its charter or mission. This also has ethical implications. If the EDO is supposed to work on improving the business climate of the community, and it is something that the EDO will do irrespective of whether a business is interested in locating in the community, how can it be considered an incentive for the business? A fine line differentiates the two and in most cases it is at the EDO’s discretion to identify something as a responsibility or an incentive.

In a survey conducted by IEDC for this study (discussed in more detail later), information was gathered about which services are considered to be incentives versus typical economic development practices. The survey analysis shows mixed results. In some cases it is easy to discern whether a particular service or practice is considered an incentive, while there appears to be no consensus on others.

This blurry line also can be attributed to the fact that as EDOs evolve, some practices have become more commonplace and are now considered typical economic development practice, though they might have been considered an incentive in the past. In fact, the survey results confirm this. The most commonly offered *alternative incentives* (at least for the purposes of this study) are services or practices that most practitioners identify as typical economic development practice, though many also view them as incentives.
Why should communities offer alternative incentives?

Although there are several criticisms of the practice of offering incentives of any kind, financial or otherwise, and while academic literature discusses financial incentives of all kinds at length, there is surprisingly little written about other options available to communities and EDOs. Such lack of information about alternative incentives highlights the need for practical and useful information on this topic.

The main arguments in favor of alternative incentives are as follows:

- They improve the competitiveness of a community.
- Investments are retained in the community and accrue to a larger group of stakeholders rather than a single business.
- Like financial incentives, alternative incentives also reduce the risks or costs of doing business in a community.
- Alternative incentives can be used to develop a more diversified and comprehensive incentives strategy for businesses.
- Communities may be able to save money by offering alternative incentives and reducing their reliance on financial incentives alone.

Methodology

IEDC conducted a survey of its members in March 2014 to learn about the different types of alternative incentives EDOs use. Incentives were divided into the five main categories described above with several sub-categories included in each:

- Research
- Real estate
- Talent / workforce development
- Networking / promotion
- Infrastructure

The survey received 222 responses from all around the United States and Canada, the results of which provide the basic data for this paper. The survey itself was prepared after detailed background research. Several economic development practitioners participated in focus group discussions as part of the data analysis and research on how EDOs utilize alternative incentives. This information was supplemented with case studies developed through informational interviews with practitioners and experts.

This paper is divided into four sections and an appendix. The first section introduces the topic, describes alternative incentives and presents arguments in favor of their use. The second section summarizes the data analysis. The third section includes several case studies, showcasing communities and organizations of different sizes and how they use alternative incentives. Section four concludes the paper with recommendations for economic developers. The appendix includes detailed data analysis.
What do practitioners say about alternative incentives?
An Analysis of the Data

The alternative incentives survey gathered information on more than 40 different types of alternative incentives and business services that EDOs offer for business attraction.

Below are the highlights of the survey results. A detailed data analysis of each question is included in the appendix.

Most of the commonly used alternative incentives are considered “typical economic development practice.”

The top ten most commonly provided alternative incentives are:

- Data (demographics, community resources, community assets)
- Available building/sites listings
- Detailed information on certified sites, available sites, available buildings
- Introductions to community leaders (e.g., elected officials, business leaders, professional organizations, trial club memberships)
- Permitting guidance
- Logistics assistance for touring the community and arranging meetings
- Assistance with regulatory issues (e.g., environmental, work rules, licensing, workplace safety, banking, insurance, etc.)
- Labor market analysis
- Inventory of specialized university, college or technical programs
- Peer-to-peer employer experience interviews that allow prospects to speak with other community businesses of similar size or type

Most of these are more likely to be considered typical economic development practice than an incentive by respondents (reinforcing the difficulty of discerning alternative incentives from EDO responsibilities).

Alternative incentives can be successfully used alone, though they are more commonly used in conjunction with other financial incentives.

Just over 50 percent of the respondents reported using alternative incentives alone, whereas over 80 percent of the respondents said that they have used them in conjunction with financial incentives. When used alone, the most common alternative incentives are expedited permitting, providing research and data, and relationship-building support for the incoming business. When paired with financial incentives,
workforce development emerges as one of the most common services offered along with financial incentives.

Organizational type and structure do not impact the types of alternative incentives used.

EDOs of all types\(^4\) and structures\(^5\) provide the most commonly used alternative incentives. However, public-private partnerships (organization type) and autonomous EDOs (organizational structure) tend to provide a wider variety of alternative incentives, overall, than other types of organizations. PPPs are also much more likely to provide alternative incentives related to workforce development than any other type of organization. Workforce development incentives include:

- Customized job training
- Access to relevant post-secondary education career tracks in the local area
- Access to WorkKeys (ACT WorkKeys is a job skills assessment system that helps employers develop a high-performance workforce.)
- Pre-screened workforce recruitment assistance

Incentives are a local game.

According to the survey, counties and municipalities are much more likely to offer alternative incentives than states or regions. They also tend to offer a wider variety of alternative incentives than states or regions.

Additionally, smaller communities tend to offer more alternative incentives for business attraction than larger communities. Communities with populations of 50,000 to 100,000 and 100,000 to 250,000 are the most likely to use alternative incentives.

Case Studies

This section of the paper presents several examples of organizations using alternative incentives alone and in conjunction with financial incentives for business attraction and retention.

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\(^4\) Categories in organization type include: autonomous EDO, economic development department within a larger organization, government, chamber of commerce, consulting firm, community or neighborhood development organization, university or academia, utility company, and other.

\(^5\) Categories of organization structure include: public entity, private nonprofit, private for profit, public private partnership, and other.
Award Winning Workforce Development Incentives – Louisiana Economic Development, Louisiana

Louisiana Economic Development (LED) is a state-level EDO that is responsible for “strengthening the state’s business environment and creating a more vibrant Louisiana economy.” While the organization has significant financial resources at its disposal, it often relies on alternative incentives to attract and retain businesses.

One of LED’s most effective alternative incentives is providing access to its FastStart program, which was named the top workforce training program in the United States by Business Facilities magazine. The program provides free customized employee recruitment, screening, training development, and training delivery for eligible new or expanding businesses. There is no application required, so the process can begin almost immediately. However, to be eligible, a company must operate within one of five industry sectors:

- Advanced or traditional manufacturing
- Digital media
- Headquarters and business operations
- Research and development
- Warehouse and distribution

In addition, the company must commit to creating a net of at least 15 new, permanent jobs for manufacturing or distribution centers or at least 50 new, permanent jobs in one of the other industry sectors.

To begin the process, an LED team works with company officials to analyze every aspect of the proposed operation. This typically includes conducting a business analysis, developing a needs assessment, or creating staffing plans. It should be noted that the company has full control over final approval of these plans.

After the analysis, LED begins identifying workers that match the company’s required skill set(s). LED identifies skilled workers through targeted job fairs, corporate recruiting services, social media campaigns, or campus visits.

LED then conducts detailed interviews, job observations, and simulations to determine the best available candidates. To recruit possible workers, LED often creates an internet landing page that includes a recruitment video and information on the area’s quality of life. Candidates are able to submit applications and upload resumes online. Once candidates are chosen, they are presented to the company, which has final say over the selection process.

Once candidates have been selected, LED designs a customized and comprehensive training program for the company. This training provides workers with both technical and soft-skills they will need to be engaging and effective. The result is more productive workers who can be quickly integrated into the
company’s workforce, thereby avoiding costly delays and on-boarding efforts. LED works with each company until the final employee is hired and trained.

For example, LED worked with manufacturers throughout the state to develop the certification for manufacturing (C4M) program geared towards skills required in manufacturing. It is offered to high school students, and at community colleges. It even accepts experienced workers looking for a career change.

LED follows up on these efforts by offering around-the-clock support. The program’s success is graded on the company’s own performance metrics as well as customer satisfaction measured through surveys completed on project completion. LED also arrange follow-up in person meetings with program participants several months later. Since it began in 2008, FastStart has assisted over 100 businesses throughout Louisiana. LED has plans to expand the program in the near future.

Small Can Be Big – Annapolis Economic Development Corporation, Annapolis, Maryland

The Annapolis Economic Development Corporation (AEDC) is the primary economic development organization for Annapolis, Maryland, a city of approximately 40,000 people. Because the city had a negative experience with financial incentives in the past, it now relies heavily on alternative incentives to attract and retain businesses.

Soon after the AEDC was founded in 2010, the organization began analyzing the city’s economy to determine its primary economic drivers and employment generators. Part of this effort included developing an inventory of available business spaces in the city. During the process, AEDC discovered that the vast majority of vacancies were smaller than 25,000 square feet. Thus, the city was severely limited in its ability to recruit large businesses.

Understanding their limitations, the AEDC determined that the city needed to work to promote entrepreneurism. The AEDC established the Entrepreneurs and Investors Program, an event that is held every two months to provide business education and networking opportunities. These meetings also give the AEDC a chance to regularly check in with local entrepreneurs, better follow their development, and offer assistance when possible. The AEDC hoped to have 25 people attend the first meeting, but 50 showed up. Today, 75 to 100 people attend each meeting, each of which features guest speakers who are local and national entrepreneurs.

In addition to promoting entrepreneurism, the AEDC has utilized alternative incentives to attract new businesses. In one such example, First Annapolis Consulting—a company with over 70 employees—was looking to move from its headquarters near Baltimore-Washington International Airport. The AEDC knew it would be difficult to compete against areas with less expensive land and abundant parking outside of the city, so it worked with the City of Annapolis to facilitate a reduction in parking costs for First Annapolis employees. In addition, the AEDC compiled a welcome packet for each employee that included maps, a visitor’s guide, and coupons good for discounts at local businesses. The AEDC also communicated with
company employees to promote the city’s circulator bus, which stopped directly outside of First Annapolis’s new facility. This bus now makes it easy for employees to access downtown shops and restaurants, and it was a significant selling point for the company.

In another project, the AEDC helped locate the first mid-Atlantic storefront for Cariloha, a company that sells clothing and accessories made from bamboo. The AEDC provided the company with data on community demographics and tourism. In addition, the AEDC helped the company with site location and provided permitting assistance that helped the company navigate the process quickly and efficiently.

Ultimately, the AEDC focuses on adding value in creative ways to the businesses it serves, most of which count fewer than 10 employees. Since “time is money”—especially for small businesses—the AEDC often provides permitting assistance in order to guide businesses through the process quickly and efficiently.

Although the AEDC does not provide direct cash incentives, it partners with other regional and state organizations to arrange financing for Annapolis businesses. For instance, Anne Arundel County, Maryland, offers loans to small, minority, and women-owned businesses through its VOLT Fund. The county also has a general business loan fund and a façade improvement program. The AEDC also offers access to grants from the Technology Council of Maryland and the Maryland Venture Fund from the state’s Department of Business and Economic Development.

Furthermore, the AEDC serves as a strong advocate for the local business community. When the City of Annapolis recently modified its tax credit program, AEDC provided input to make sure the local business community was receiving an equitable share of historic tax credits to help ensure the health of the local business climate.

**Getting the Workers to the Companies – Hamilton Economic Development Division, Hamilton, Ontario**

The City of Hamilton, which has a population of 520,000, is located approximately 40 miles southwest of Toronto along the banks of Lake Ontario. The City of Hamilton’s Economic Development Division (HED) serves as the City’s primary economic development organization. It was created in its current form in 2006 with a mission “to serve as the catalyst for continued economic growth, job creation, and revitalization in Hamilton.”

While the HED offers a wide range of economic development services, the organization is particularly adept at using alternative incentives to attract businesses to the city. One key component of these efforts is HED’s Small Business Enterprise Centre, which is located within Hamilton City Hall. The center operates as an arm of HED, and is a first-stop source for business information, guidance, and professional advice on starting and running a successful business.

The center houses lawyers and accountants, along with specialists in retail, commercial, industrial and intellectual property, who volunteer to field questions and offer advice to local businesses. The first hour of
consultation is free, while the second hour is only $20. The center also provides free office space where local entrepreneurs can host meetings and conduct business.

In recent years, HED has successfully recruited multiple inbound call centers. In one such case, American Express demonstrated an interest in locating in Hamilton. HED provided the company with pre-screened workers whose skills fit the company’s hiring criteria and then held a job fair to help the company make direct hires. In fact, HED management noted that hosting job fairs has become an effective way to connect companies with Hamilton’s skilled workforce.

HED hosts at least one job fair per year, with the largest event (which counted over 200 registered attendees in 2014) taking place each spring, within a few weeks of most college graduation ceremonies. At this job fair, 14 companies participated, representing multiple industries. The event was held at McMaster University’s Innovation Park.

HED holds additional job fairs on an ad hoc basis—for example, for a company that is looking to hire workers with a certain skill set, as in the American Express case above. In such cases, HED works with the City of Hamilton’s Community Services Department to arrange the logistics. The event often is held on the campus of a local community college or university. However, HED also has access to a large building within its local research park that offers plenty of parking. Depending on the circumstances, HED may ask the participating companies to sponsor the event. Other times, HED may provide the funding from its own budget. Both ways, the cost is relatively small, and both HED and the Hamilton community benefit when a company hires new workers.

HED promotes job fairs through its Small Business Enterprise Centre, social media, the local newspaper, and public-access television. If workers with the desired skill set are in short supply, HED has professional trainers on site for introductions to the hiring company. People have traveled up to 150 miles to participate in HED’s job fairs.

In addition, HED offers an online site selection tool free of charge. This service provides detailed information on available buildings; e.g., size, location and zoning. These listings are updated daily in order to provide the most current information possible. Once customers identify potential sites, HED representatives help connect them with business or industrial realtors. In fact, HED representatives often participate in site location trips with potential customers.

**Information is Money – Kilgore Economic Development Corporation, Kilgore, Texas**

Located 100 miles east of Dallas, the city of Kilgore, Texas, is home to approximately 13,000 residents. The city is served by the Kilgore Economic Development Corporation (KEDC), whose limited budget is wholly funded by a half-cent sales tax in the city. Thus, the organization must rely on alternative incentives to help attract businesses to the community.
In one such example, KEDC worked to help Skeeter Products, Inc., a boat manufacturing company, expand its facility in Kilgore to produce boat trailers. KEDC began by using NAICS codes to develop a database of potential wholesalers, retailers, and suppliers throughout the state and region. This effort convinced the company that it would have a viable market for its new product. Then, KEDC worked with local land owners to arrange for continuous acreage to be purchased for the expansion.

When it was discovered that the Texas legislature was considering new air quality regulations that would have hindered Skeeter’s ability to expand, KEDC took action to defend the company’s interests. KEDC navigated different channels—including partnering with the Texas Economic Development Council—to lobby against the state-level regulations. KEDC also authored a letter to the Texas Commission on Environmental Quality informing the body that the proposed legislation would significantly hinder one of Kilgore’s local industries.

Another KEDC success came when Tuboscope Vetco, a Houston-based company that provides a variety of oil and gas field machinery services, decided to relocate a subsidiary facility from Kilgore to a city about 75 miles away. The company’s executives in Kilgore, hesitant to move, contacted KEDC and asked that the organization research the relocation and provide a list of pros and cons. KEDC spent a significant amount of time researching transportation costs, tax rates, and each community’s access to skilled employees. When presented with these detailed statistics, the Tuboscope Vetco headquarters decided against relocating the Kilgore facility. KEDC’s effort saved 30 jobs and retained $2.5 million in investment in the community.

In addition to data and research, KEDC effectively utilizes a number of other alternative inducements. For instance, KEDC has a strong partnership with Kilgore College, and it works with the school’s workforce development program to provide customized training programs for local businesses. KEDC management emphasized the importance of workforce development initiatives to economic development in her community.

In another example, KEDC worked to locate the Surface Equipment Corporation to Kilgore. Once the company had identified a piece of property for its new facility, KEDC worked to get the agricultural land rezoned for manufacturing. During construction of the facility, KEDC worked with the local fire marshal on behalf of the company to ensure that the new building was up to code, thereby avoiding costly delays down the road.

KEDC has also served as a liaison between businesses and the local utility, the Southeastern Electric Power Company, when beneficial. The KEDC had previously facilitated utility audits for new and existing businesses, as these audits (which are often provided free of charge) can determine whether a company is eligible for a tax break because of its energy use.

Lastly, KEDC provides business owners with introductions to town leadership via quarterly luncheons. This allows local business people and political leaders to interact and get to know each other. When political leaders are able to speak with local business leaders one-on-one, they often better understand the impact of the policies they enact on businesses.

Holly Hill is a small city in eastern Florida with a population of approximately 11,700. In recent decades, the city’s economy has benefitted from its proximity to Daytona Beach, which is known as a motorsports mecca. Each year, thousands of tourists descend upon Daytona Beach for motorsports events such as the Daytona 500, the Rolex 24, the Coke Zero 400, and Daytona Beach Bike Week.

Recognizing that the motorsports industry was a natural fit for its community, Holly Hill Economic Development (HHED) undertook a strategy aimed at attracting motor vehicle-related businesses to the city. These efforts have resulted in six such businesses locating in Holly Hill over the past two years.⁶

One such business is Beannie’s Motorsports. In order to help recruit the business, HHED began by providing the business with detailed data on the community’s demographics, resources, and assets. This included statistics on both the number of permanent residents in Holly Hill and the significant number of tourists who visit the community each year. Then, HHED staff worked to modify an overlay district in order to allow for a motorcycle company to locate there. As a result, the owner of Beannie’s Motorsports—Whitney Van Horn—became the first female franchisee of the Tennessee-based motorcycle manufacturer, Boss Hoss.

Another successful HHED project involved locating The Car Shop in Holly Hill. This car care center, which also sells automotive trailers, won Haulmark Industries, Inc.’s “Outstanding Regional Dealer” award in January 2014. HHED worked with the local workforce development board (CareerSource) to arrange specialized training for their employees. In addition, HHED coordinated a small property improvement incentive of $25,000 to provide partial assistance with landscaping and signage.

Lastly, HHED regularly provides other alternative incentives to businesses looking to locate to Holly Hill. For instance, it is not uncommon for HHED to bring the mayor and chamber of commerce representatives together to meet with prospective businesses. In addition, HHED often arranges for business-to-business introductions and facilitates local supply chain integration.

Ultimately, Holly Hill Economic Development’s motor vehicle based marketing strategy has paid dividends for the community and its tax base. As HHED management noted, “Our businesses have been tremendously pleased with the traffic that brings in a lot of interest in the area.”

Recommendations

As is demonstrated in the case studies, all types of communities utilize alternative incentives successfully. Below are some recommendations that can help economic development practitioners use alternative incentives effectively.

⁶ http://www.news-journalonline.com/article/20140313/BUSINESS/140319731

More Than Money
Focus on Building Relationships

Building relationships is the best way of learning about a business’s needs and the starting point for determining how the EDO might be able to help. At the same time, EDOs must focus on building relationships with other economic development stakeholders within the community. For services and programs that EDOs may not have the ability to offer in-house, they can refer businesses to others in the community that can help.

Examine your Organization’s Strengths and Utilize Them Creatively

As organizations always look to save money, repurposing or reassigning existing resources and assets can be extremely beneficial. For example, research staff can be used to offer (or strengthen) data and research services that will benefit existing and incoming businesses. Market research is one of the most valuable services to provide to a business that is looking to relocate or expand.

Offer a Wide Spectrum of Services

Although it is highly dependent on the amount of resources available in an organization, a wider variety of services and programs ensures that an EDO is able to offer something to everyone. It is not necessary that the EDO offer everything in-house, though. The EDO should be able to connect the business to resources throughout the community and help them build relationships in return.

Bring Along the Key Stakeholders

Engaging community leaders, such as elected officials, business leaders, investors, and others – from an early stage – by educating them on the value of alternative incentives can help enrich the economic development network and the ability of the community to help its businesses. Once key stakeholders understand the reasoning and impacts of alternative incentives, they can be champions for utilizing them more effectively. Having community leaders on board also signals to the private sector that it is a business-friendly community, and local stakeholders are willing to assist as needed.

Focus on the Needs of the Community

Although EDOs would like to help every business, they are constrained by time and resources. Targeting specific industry sectors that align with the community’s overall economic development goals is an effective strategy.
Appendix – Detailed Survey Results

I. Background on Your EDO

The first section of the survey gathered information about the respondent and organization to better understand their responses later in the survey. Below are the results.

**Organization Type**
- Economic Development Organization (Autonomous): 35%
- Government: 34%
- ED Division or Department within a Larger Organization: 12%
- Consulting Firm: 6%
- University/Academia: 2%
- Chamber of Commerce: 4%
- Utility Company: 1%
- Community Development or Civic Organization: 2%
- Other (Please Specify): 4%

**Organization Structure**
- Public Entity: 50%
- Private Nonprofit: 21%
- Private For-Profit: 10%
- Public-Private Partnership: 16%
- Other (Please Specify): 3%

The survey results provide a detailed overview of the types and structures of economic development organizations, offering insights into the composition and focus of these entities.
II. Prospect Service Management

Section two delved into the use of various prospect management services.

Question: Does your EDOs have a structured prospect management system in place?

Of the 48 written responses to this question, 25 respondents mentioned customer relationship management (CRM) software. Of that total, the following specific services were mentioned.

- Microsoft Excel (1)
- Executive Pulse (1)
- Salesforce (7)
- ACT (1)
- Synchronist (2)

Other responses included:

- “Prospects are assigned based on geographic origin.”
- “We rely on a firm that sifts real estate and lease needs of the national business sector.”
- “Local, state and County partners with several peer ED public/private agencies”
- “Centralized with one person who is responsible for bringing in other staff and partner organizations”
- “Retained [a consultant] to develop and help implement Bio/Life business recruitment program.”
- “Leads from government economic development agency in which they want our participation; some prospecting outreach.”
- “Each prospect is assigned to a broker depending on area of business expertise”
- “Lead generation service - we receive non-exclusive leads generated by an outside firm”

Question: Does your EDO assign an account manager (or other single point of contact) to each prospect?

Of the 19 written responses to this question, 11 cited their organization being a “one-man shop” as the reason for why their EDO did not assign an Account Manager.

Other responses include:
• “As we have a small staff (just three) two of us are designated to handle all requests to and from prospects.”
• “We are marketing to 3,000 prospects - qualified prospects get assigned a account manager”
• “Both full-time employees handle the prospects.”
• “Due to capacity issues, it is sometimes necessary to have different team members working on a project as it moves toward completion.”

Question: Does your EDO utilize customer relationship management (CRM) software?

Of the 48 written responses to this question, the following software was mentioned.

• Salesforce (23)
• Executive Pulse (7)
• Microsoft (4)
• Customized (3)
• Synchronist (2)
• ChamberMaster (2)
• Address Two (1)
• E-Sync (1)

Question: Does your EDO offer a “one-stop shop” where business prospects have access to multiple services/agencies in one place at the same time?

• “Chamber, Tourism, CVC (SBA/public lending institution), minority/diversity organization, Downtown Org”
• “Development Authority, Land Bank, Revolving Loan Fund, Heir Property Project”
• “Economic Development and Development Services (planning, permitting, etc.) in same building”

Does your EDO assign an Account Manager (or other single point of contact) to each prospect?

- Yes 66%
- No 34%

Does your EDO utilize Customer Relationship Management (CRM) software?

- Yes 44%
- No 56%

Does your EDO offer a “one-stop shop” where business prospects have access to multiple services/agencies in one place at the same time?

- Yes 68%
- No 33%
Ilona the County, public utility district, community college, private utilities, ports, department of ecology, governor’s office, department of commerce, WorkSource one stop, Job Corps, private businesses and developers, small business development center.

- “SBDCs, Cities, County, Chambers of Commerce and the One-Stop Career Centers”
- “City, county, public utility district, community college, private utilities, ports, department of ecology, governor’s office, department of commerce, WorkSource one stop, Job Corps, private businesses and developers, small business development center.

- “On occasion Chamber of Commerce, EDO, WIB, Local Gov”

### III. Types of Nonfinancial Inducements

After conducting background research and consulting with economic development practitioners, IEDC staff developed a list of 41 items that were classified as alternative incentives. The list was organized according to five primary categories: Research (9 items), Real Estate (8 items), Talent/Workforce Development (6 items), Networking/Promotion (10 items), and Infrastructure (8 items). Since opinions varied as to what constitutes a alternative incentive, IEDC decided to conduct a broad survey in order to understand what practices are currently being employed in the field.

In Section III of the survey, respondents were asked to select whether they considered each item an example of a typical economic development practice, an alternative incentive, or both. The following is an analysis of the survey results from this section.

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7 IEDC used the term “nonfinancial inducements” for the survey. Although the rest of the paper uses the term “alternative incentives” to describe the same services and programs, the appendix continues to use the original term to remain true to the data analysis of the survey.
In the “Research” category, at least half of respondents said the following items were examples of alternative incentives.

- Assistance with developing an organizational strategic plan or marketing plan (50%)
- Aerial orientation by plane or helicopter (52%)
B. Real Estate

In the “Real Estate” category, at least half of respondents said the following items were examples of alternative incentives.

- Real estate advisory services (E.g., feasibility studies, financial modeling) (58%)
- Architectural/Engineering feasibility assistance (69%)
- Special signage (E.g., obtaining concessions from landlord) (61%)
In the “Talent/Workforce Development” category, at least half of respondents said the following items were examples of nonfinancial inducements.

- Access to WorkKeys (56%)
- Pre-screened workforce (54%)

“Labor market analysis” and “inventory of college programs” were largely considered to be typical economic development practice and not an incentive.
In the “Networking/Promotion” category, at least half of respondents said the following items were examples of alternative incentives.

- Inventory/reduced rates for professional services and service providers (71%)
- Integrate senior management and spouse into community (trailing spouse) (53%)
- Soft landing for foreign firms (HR, legal, cultural, educational) (62%)
- Relocation services, pro bono or discounted services (76%)
E. Infrastructure

In the “Infrastructure” category, at least half of respondents said the following items were examples of alternative incentives.

- Transportation, employee shuttle assistance (69%)
- Streetscape improvements (62%)
- Public transportation passes (73%)
- Bicycle-pedestrian infrastructure (57%)

IV: Your EDO and Alternative Incentives

In Section IV of the survey, respondents were presented with the same list of 41 items that were classified as examples of alternative incentives, but this time they were asked to select the items used by their organizations. The following is an analysis of the survey results from this section.
Most respondents utilize at least one alternative incentive in the “Research” category.

Some 67% of respondents reported offering data on demographics, community resources, and community assets. In addition, 60% of respondents reported offering logistics assistance for touring their community and arranging business meetings, while 57% reported offering assistance with regulatory issues.

When analyzed by organization type, the figures show that most organizations provide research data to businesses as a means of alternative incentive.

**Percent of Organizations that Utilize Data as an Alternative Incentive**

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Company</td>
<td>100%</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>80%</td>
</tr>
<tr>
<td>Economic Development Organization (Autonomous)</td>
<td>75%</td>
</tr>
<tr>
<td>University/Academia</td>
<td>75%</td>
</tr>
<tr>
<td>Government</td>
<td>68%</td>
</tr>
<tr>
<td>Economic Development Division or Department within a Larger Organization</td>
<td>67%</td>
</tr>
</tbody>
</table>
Community/Neighborhood Development or Civic Organization  50%
Other (Please Specify)  38%
Consulting Firm  31%

When grouped by organizational structure, the figures show that public-private partnerships are far more likely to provide data services than other types of economic development organizations.

**Percent of EDOs that Utilize Data as an Alternative Incentive (Grouped by Organizational Structure)**

<table>
<thead>
<tr>
<th>Organization Structure</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Private Partnership</td>
<td>86%</td>
</tr>
<tr>
<td>Public Entity</td>
<td>66%</td>
</tr>
<tr>
<td>Private Nonprofit</td>
<td>63%</td>
</tr>
<tr>
<td>Private For-Profit</td>
<td>48%</td>
</tr>
</tbody>
</table>

**B. Real Estate**

Most respondents utilize at least one type of alternative incentive in the “Real Estate” category.

The most prevalent offerings identified were: a listing of available buildings/sites (64%), information on certified sites (62%), and permitting guidance (60%).
When analyzed by organization type, the data shows that government organizations provide permitting guidance at about the same rate (64%) as autonomous EDOs (65%) and economic development departments within larger organizations (74.1%). The percentage of government organizations that provide expedited permitting (50%) is actually lower than that of autonomous EDOs (53%) and economic development departments within larger organizations (59%). A similar percentage (~50%) of these three types of organizations reported providing zoning and rezoning exceptions.

C. Talent / Workforce Development

“Labor market analysis” (56%) and “inventory of post-secondary education programs” (55%) were the only examples of alternative incentives in the “Talent/Workforce Development” category that were cited by more than 50% of respondents.

Meanwhile, 36% of respondents indicated that their organization provides access to a pre-screened workforce.
“Introductions to community leaders” (61%) is the only example of an alternative incentive in the “Networking/Promotion” category that was identified by a majority of respondents.

However, 48% of respondents indicated that they provide legislative advocacy at the city, county, or state level, and 44% of respondents assist with supply chain logistics and business-to-business connections.

Percent of Organizations Providing Businesses with Introductions to Community Leaders

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Organization (Autonomous)</td>
<td>74%</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>70%</td>
</tr>
<tr>
<td>Economic Development Division or Department within a Larger Organization</td>
<td>63%</td>
</tr>
<tr>
<td>Government</td>
<td>59%</td>
</tr>
<tr>
<td>Community/Neighborhood Development or Civic Organization</td>
<td>50%</td>
</tr>
<tr>
<td>Other (Please Specify)</td>
<td>37%</td>
</tr>
<tr>
<td>Consulting Firm</td>
<td>23%</td>
</tr>
<tr>
<td>Utility Company</td>
<td>0%</td>
</tr>
</tbody>
</table>
Respondents show that “road or rail improvements” (47%) are the most commonly used alternative incentive in the “Infrastructure” category.

The next most commonly used alternative incentives in the “Infrastructure” category are traffic studies (28%) and streetscape improvements (26%).

**Additional Inducements**

Question: Are there were any additional alternative incentives that should be included in IEDC’s list of 41 items?

Some of the more interesting suggestions include the following.

- “Media support with a project announcement.”
- “The city offers a robust group of business development tools that includes mentoring, peer advisory boards, and seminars.”
- “Recreation options”
- “Serve on Community Advisory Boards during industrial project development and once in operation”
- “Perhaps community access for families - assistance in school integration for children, tutors, language assistance, etc.”
V: Short Answer Questions

Question: Has your EDO successfully attracted a business by relying solely on nonfinancial inducements?

51% responded “Yes.” When asked to describe the nature of the incentive provided, respondents offered comments that fit, for the most part, into five broad categories.

Expediting Permitting

- “Often, expediting the process works.”
- “Expediting permitting process. Provided prospect with contact information of training services, business planning services”
- “It was more beneficial to get into their space quickly (cash flow) so we assisted with the permit and Certificate of Occupancy as the true incentive.”

Research/Data

- “Sales tax data, gap analyses, traffic counts, etc. help especially with retail”
- “Provided market information and a list of companies within a region, in a particular industry sector, to be used by the prospect in identifying potential candidates for acquisition, to establish U.S. operations.”

Relationship-building

- “Attracting a segment of a specified target industry thru marketing efforts, and providing hands-on counseling and guidance.”
- “These are only methods of business attraction, identifying and cultivating relationships with entrepreneurs.”
- “They never asked for financial incentives and we did utilize a lot of trailing spouse tours, Exec Admin Assistant tour, aggregated vendor lists for them, made introductions, etc.”
- “A high-growth, DBE-certified, professional services company elected to expand to [city] over several other cities due to strictly alternative incentives provided by [EDO]. Market familiarization, personal introductions to the business community and prospective customers, site selection, and municipal liaising with the [city’s economic development department] were delivered.”

Has your EDO successfully attracted a business by relying solely on nonfinancial inducements?

- Yes 51%
- No 49%
Infrastructure

- “Company was interested in our region. Corporate management did not want to deal with all of the contracts, etc. that financial incentives require, but they located anyway based on shovel ready site and transportation access to their markets.”

Miscellaneous

- “In Canada we don’t use financial incentives and have been successful in attracting businesses.”
- “In [Canadian city], the Municipal Act prohibits financial incentives outside of Ministry Approved "community improvement areas". Therefore, most business attraction incentives in municipalities outside of Toronto offer only alternative incentives.”

Question: Has your EDO successfully attracted a business by pairing nonfinancial inducements with more traditional financial incentives?

80% responded “Yes.” When asked to describe the nature of the successful pairing, respondents offered comments that fit, for the most part, into four categories.

**Workforce Assistance**

- “Gap financing, combined with workforce assistance.”
- “Issues of workforce availability and infrastructure addressed along with traditional financial incentives.”
- “The typical local incentive packages include incentives offered by our workforce development organization (job screening, job fairs, WorkKeys testing)”
- “Often done with larger projects involving use of public incentives and workforce training or assistance in curriculum development at the community college level.”

**Expedited Permitting**

- “We have paired expedited and one stop permitting, creative infrastructure programs with traditional financial incentives.”
- “Attracted a state agency headquarters through a combination of financial incentives, new infrastructure, expedited permitting, and customized transit routes to accommodate workers”
• “One example is the successful attraction of [company] to [city]. The [company] selected [city] as their expansion site due to their eligibility for the [state’s] Quality Jobs and Industrial Tax Exemption Incentive programs paired with alternative incentives from [EDO] including market and demographic research, connections to other businesses and entities, permitting and licensing assistance, and relocation services.”

Research/Data

• “Strong data + a little financial help when necessary = happy business with good ED relationship”
• “Use of tech transfer programs usually government and or university based.”

Infrastructure

• “Expanding the target industry segment with property improvement incentives, i.e. signage, landscaping, and property façade improvements.”
• “The majority of our projects are exactly this. Infrastructure, sites, workforce information, etc. plus a financial incentive such as a performance grant, reduced lease rate, free land, etc.”

Miscellaneous

• “We have secured several relocation projects where alternative incentives were a large part of the company’s decision. However, the deal was cemented with the use of traditional incentives.”
• “We find that financial assistance accounts for about 12%-15% of total project investment, therefore while important, it is not a driving factor for the location/expansion decision. Rather, we also focus time and energy on providing assistance in other areas which allows us to build a better relationship than other communities/regions.”
• “We always use what you are describing as alternative incentives as a way to add additional assistance to the company. Being helpful is what EDO’s do”
• “We pair alternative incentives with financial incentives when there are free market barriers to accomplishing our community’s social goals such as the redevelopment of environmentally contaminated development sites such as brownfields.”

Question: Do you know of any EDOs (other than your own) that have effectively utilized nonfinancial inducements?

Do you know of any EDOs (other than your own) that have effectively utilized nonfinancial inducements?

- Yes 46%
- No 54%

More Than Money
(Rockford, IL)"

- "Most rural areas do not have money to throw at projects"
- "Montreal International for Greater Montreal"
- "Carmel, IN rarely uses financial incentives, purely quality of life and environment"
- "Municipalities in Ontario who are regulated by the Province to not offer financial incentives would have all used alternative incentives"
- "Oklahoma City"
- "Macomb County, MI"
- "San Francisco, Oakland"
- "Tyler TX EDC, Longview TX EDC"
- "The combined incentive approach is common in Florida’s urban areas."