



POPE FLYNN
GROUP

Economic Development – Strategies & Implementation for Successful Results

Advanced Municipal Elected Officials Institute

February 6, 2019

Economic Development In Context

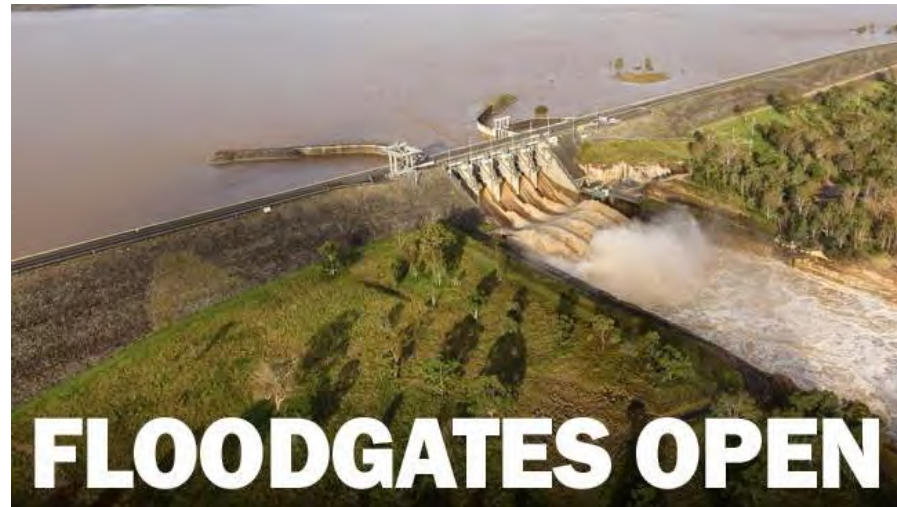
- Modern Public Finance has its roots in ill-conceived and ambitious economic development projects
- Particularly the boom in speculative railroad projects in the late 19th century
- E.g. – the Boston, Hartford & Erie Railroad obtained \$3 million from the Massachusetts legislature in 1864 and by 1870, had \$10 in the bank

Which of the following types of investment are economic development?

- Auto Manufacturing Plant?
- Barber Shop?
- Regional Headquarter Facility?
- Walmart Store?
- A Tourist Theme Park (Carowinds)?
- Title Loan store?
- Restaurant?

Economic Development Incentives

- Given the historical limitations on public finance, it should be no surprise that significant efforts have been made to get around them
- “Economic Development” blessed as a public purpose in the 1980’s by the South Carolina Supreme Court opened the floodgates



Economic Development Policy

- No matter the size or scope of the governmental entity, its intersection with efforts to entice private industry requires forethought
- Ad hoc approaches rarely look good in retrospect, and can set difficult precedent
- Financial policies that address economic development can keep you out of trouble
- Does your procurement policy allow for sole-sourcing if presented with a transformative project? Are local vendor preferences part of economic development/redevelopment?

Economic Development Policy

- How does the project affect the City (is growth important)?
- What services will I have to provide?
- How will my existing customers/taxpayers be affected?
- What will it cost me to provide service?
- Do I have the capacity/infrastructure to support growth?
- Does this fit within my capital improvement plan?
- Do I have a rate structure that meets an business/industry's needs?

Common Mistakes in Economic Development

- Excessive enthusiasm
- Believing developers
- Not considering what you get
- Helping those who do not need the help
- Trying to give something to everyone
- Retroactively adopting “precedents”
- Taking an ad hoc approach

Developing an Economic Development Policy

- What are my goals? What am I trying to accomplish?
 - Jobs? Redevelopment? Anything?
- What do I have to offer?
- What can I afford?
- How will existing businesses be affected?
- Can I support this growth?
- Am I getting an adequate return on my investment?



Economic Development Incentives

Measuring Public Purpose – Granular

- Catalytic effect?
- Contribution on employment?
- Property tax base growth?
- Sales taxes/fees?
- Future development?
- Preservation?
- Other indirect public benefits/costs (i.e. service to unserved area)?
- Unique niche fulfilled?
- Likelihood of development absent incentives?
- Benefits to key area (be careful)?
- Compatibility with organizational goals?

Economic Development Incentives

Nichols Test (1986) determine whether public purpose:

- What is the intended or ultimate goal or benefit to the public?
- Are public parties or private parties the primary beneficiaries?
- Is the benefit to the public speculative?
- What is the probability that the public interest will be ultimately served and to what degree?



It Means Different Things to Different Entities

- State – tax credits, economic development bonds, grants
- County – multi-county parks, FILOT, SSRC, utilities and services
- Municipal – TIFs, Bailey Bill, locally developed incentives
- SPD – increased demands on services

Economic Development Incentives

- Municipal Incentives
 - Consent to Multi-County Business Parks
 - Tax Increment Financing Districts
 - Municipal Improvement Districts
 - Economic Development Rates for Utilities
 - Bonds
 - Grants



Incentives | Economic Development



- The State.



- Summit Contracting Group, Inc.

THE STATE OF SOUTH CAROLINA
 In The Court of Appeals

 APPEAL FROM RICHLAND COUNTY
 Court of Common Pleas
 L. Casey Manning, Circuit Court Judge

 Case No. 2016-CP-40-00946

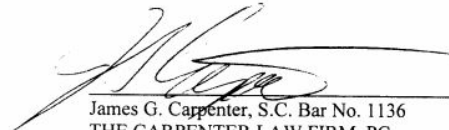
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 JEANETTE W. MCBRIDE
 C.C.P. & G.S.
 RICHLAND AND FAIRFIELD COUNTY
 FILED

South Carolina Public Interest Foundation and William B. DePass, Jr., individually, and on behalf of all others similarly situated, Appellants,
 v.
 The City of Columbia, Richland County, and Fairfield County, Respondents.

NOTICE OF APPEAL

South Carolina Public Interest Foundation and William B. DePass, Jr., individually, and on behalf of all others similarly situated appeal the Judgment and Order of the Honorable L. Casey Manning filed February 16, 2017. Appellants received written notice of the entry of the Order on February 17, 2017.

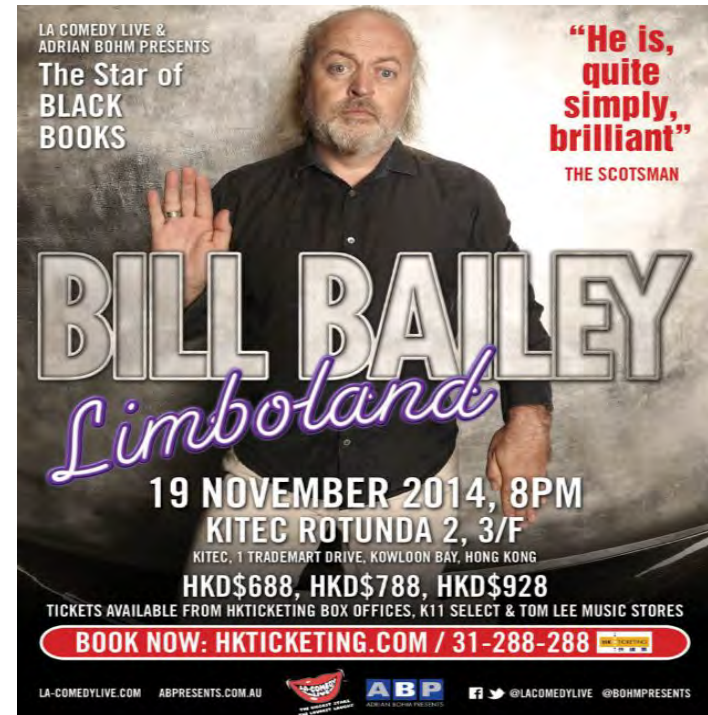
March 8, 2017



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Economic Development Incentives

- Municipal Incentives
 - Bailey Bill
 - Tax Credits (retail, textile, etc)
 - Omnibus Econ Dev Ordinance
 - Economic Dev Utility Rates
 - Façade grants
 - Direct Grants



Incentives | Economic Development Economic Development Incentives



Economic Development Requires Regionalism

Under South Carolina law, any local government function can be provided on a regional basis.

South Carolina Constitution, Article VIII, Section 13

Any county, incorporated municipality, or other political subdivision may agree with the State or with any other political subdivision for the joint administration of any function and exercise of powers and the sharing of the costs thereof.

Economic Development Requires Regionalism

- But mistrust and old grudges can impede progress



- Important to build relationships, otherwise, you're



Economic Development Required Policy, Capacity, and Cooperation

- Ad hoc economic development creates bad precedent, and creates avoidable problems
- Develop and understand organizational goals regarding economic development
- Understand the tools in your toolbox, and how and when to use them

Hypothetical #1



Hypothetical #1

An out of town restaurant developer reaches out to the Mayor about building a “Berder King” in your community. The City owns an outparcel that would be a great spot for this development. The developer says that they are interested in the City, but “cannot make the numbers work.” What do you do?



Hypothetical #2

As a new member of City, you ran on a platform to support economic development and revive downtown. Your supporters expect results, but the rest of council is reticent about change. They also have stated publicly that tax dollars should not be wasted on public development. What do you do?



Hypothetical #3

- A. *There is a vacant big box retailer located within a municipal donut hole. A developer has expressed interest in the development, but wants to know what your City can do to incentivize her to make the development work?*
- B. *Does the calculus change if the property is located within the City limits?*





Contact | Economic Development

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