

Is It/Was It a Good Deal? Making the Case for Economic Development Incentive Evaluation

College Station, Texas

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My History



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Please consider these concepts so you don't
have your butt chewed off like what
happened to me!



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When you, as the Economic Developer, recommend incentives for a project, how sure are you that it is the right deal? How and when do you effectively evaluate afterwards if the deal had the impact that was projected? This session will give economic development professionals the tools to develop quantitative and analytic measures to guide decision making before and after the deal, to enhance your community's impact of incentivized development.



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The Issue – Economic Development Incentives

- Attack on a core platform of our profession
 - Press Reports
 - HQ2 & FOXCONN
 - State Audits
 - Advocacy Research
 - Good Jobs First
 - Libertarian State Policy Institutes
 - GASB 77
 - Academic Research
 - At best skeptical, at worst hostile

“Good Jobs First Analysis” – April 2017, LeRoy
<https://www.goodjobsfirst.org/GASB77Analysis>



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Before the Deal - Scorecard

A scorecard system uses a quantitative methodology to determine “**why**” and “**how much**” incentives to be offered to an economic development project

Evaluation Metrics

- Project Investment
- Direct Jobs that will be Created
- Average Wage of Jobs Created
- Above Average Company Provided Benefits
- Direct Jobs that will be Targeted to Disadvantaged Populations
- Indirect Jobs that will be created
- Wages/Payroll
- Targeted Locations
- Targeted Industries
- Other _____



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Before the Deal - Scorecard

Examples

In Texas:

- San Marcos
- Abilene
- Frisco
- Kyle
- Orange
- Rockdale
- Tomball

Outside of Texas:

- Kansas City, Missouri
- Gulfport, MS

Lincoln Institute General recommendations.

- Limit the length of tax abatements
- Structure the abatement that percentages decrease over time
- Establish wage and employment targets...and claw backs

“GASB 77 – Reveal the Cost of Property Tax Incentives for Business”

Lincoln Institute of Land Policy, *Land Lines* – July 2017, Wagaman



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During the Deal - Dashboard

- An Ongoing BRE program to keep in touch with incented projects is imperative
- A dashboard system is an ongoing comparison of the proposed impacts versus the actual impacts
 - Dashboard metrics are similar to those used to qualify the project before the offering of financial incentives
 - The data can be reported in aggregate form or by project
 - Data should be reported/posted publicly.



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During the Deal - Scorecard

Examples

In Texas:

- | | |
|----------------|---------|
| – Denton | Report |
| – Flower Mound | Report |
| – Carrollton | On Line |
| – San Antonio | On Line |
| – San Marcos | On Line |

<https://www.cityofcarrollton.com/business/carrollton-development/incentives/active-economic-incentive-agreements>

<https://www.sanantonio.gov/EDD/ActiveIncentiveAgreements>

<https://www.sanmarcostx.gov/774/Economic-Development-Incentive-Agreement>

Outside of Texas:

- Memphis/Shelby County, TN
- Tallahassee-Leon County, FL

<http://database.growth-engine.org/>

<http://oevforbusiness.org/economic-dashboard/>

Upjohn Institute Three recommendations.

- Put budget caps on tax incentives
- Restrict tax incentives by targeting only high-multiplier industries
- Expand customized services to locally owned, small and medium sized businesses.

“Improving Economic Development Incentives” Upjohn Institute for Employment Research – 2018, Bartik



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After the Deal - Long Term Analysis

Every community has a **history of incented projects**, some that **performed well** and **those that did not**. This history provides an **opportunity to learn, evaluate and adjust policy**.

- Historical Analysis
 - Did it do what was expected?
 - Were there any other unanticipated impacts?
 - With this knowledge, can we impact future decisions? If it works, keep doing it...if it does not work, stop doing it!
- Long term study is a challenge
 - Data Availability
 - Data Format
 - Time to complete study



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After the Deal – Long Term Analysis

Examples

In Texas:

- Frisco

Outside of Texas:

- Kansas City, Missouri (Jackson County)

Three recommendations from **Pew Charitable Trust**.

- Develop a plan to institutionalizes the process of evaluation and monitoring
- Measure the impact of incentives on the local economy
- Inform policy choices by city and other local officials

“State Tax Incentive Evaluation Ratings” Pew Charitable Trusts – 2017



Final Thoughts

- Core function of economic development is under attack - We need to acknowledge and adjust.
- Challenges to overcome – Time, Resources & Data Availability. Start now...it will be easier later
- This is an opportunity to quantify the impact of our other functions of economic development such as: Workforce/Talent development and place making.
- Communicate, communicate, communicate...Tell Stories with Data.



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