



Is it/Was it a Good Deal?

Southern Economic Development Council Annual
Conference

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Introduction

When you recommend a project to your elected leadership, how sure are you that it is a good deal? Or once you are successful in recruiting that deal, do you do anything ongoing to see if the deal had the impact that you projected? And, if you find any project works better than others, do you inform policy makers and then adjust policy going forward?

- Panel Discussion Leaders
 - Adriana Cruz, President – Greater San Marcos Partnership
 - David Parker, Director of Economic Development – City of Gulfport, MS



The Issue – Economic Development Incentives

- Attack on a core platform of our profession
 - Advocacy Research
 - Good Jobs First
 - Libertarian State Policy Institutes
 - Academic & Think Tank Research
 - At best skeptical, as worst hostile
 - GASB 77
 - Community Financial Reporting



Scorecard – Before Deal

- **Question 1: Do you “scorecard” deals that come to you to determine the level of incentives that will be offered? If so, what items do you “count” toward your analysis?**
- **Framework: A scorecard matrix can make the questions of “why” and “how much” an easier conversation. A collaboratively development scorecard can make the approval process smoother and quicker because incentives are scaled to community priorities.**



Scorecard Discussion/Recommendations

City of Gulfport TIF Return on Investment Calculator			
Yellow Cells are Input	Project Lucy	Project Basketball	Hypothetical
TIF Amount	\$ 11,406,001	\$ 1,285,705	\$ 4,000,000
TIF Period	15	15	12
Debt Rate	5.00%	5.00%	5.00%
Debt Payment	(\$1,048,880.23)	(\$123,867.76)	(\$464,116.92)
% Debt Payment covered by TIF	40%	72%	12%
City Revenue			
Sales Tax	\$ 883,572	\$ 177,804	\$ 114,500
TIF Rate	50%	50%	15%
Annual Taxes Invested	\$ 441,786	\$ 88,902	\$ 57,250
Present Value of New Revenue Invested	(\$4,385,587.61)	(\$922,772.36)	(\$462,188.02)
Present Value of New Revenue Collected	\$4,585,587.61	\$922,772.36	\$1,386,504.06
Sales Tax Collected per Investment Dollar	\$ 0.40	\$ 0.72	\$ 0.35
Sales Tax Generated per Investment Dollar	\$0.80	\$1.44	\$0.46

ROI Assessment Score	Not Recommended	Low Impact	Standard Impact	High Impact
Sales Tax Generated per Inv \$	< \$0.25	\$0.25 - \$0.40	\$0.40 - \$0.75	> \$0.75

Project Assessment Score	Not Recommended	Low Impact	Standard Impact	High Impact
Commercial Community Impact	< 30	30 - 60	61 - 150	> 150

Job Credit Scoring		
# of Jobs Created or Retained	Project Job Impact	Point Value
0 - 10	0	10
11 - 30	1	20
31 - 75	0	30
76 - 150	0	40
150 - 300	0	50
300 + up	0	60
Job Credit Score		20
Capital Investment Impact		
Total Investment	Capital Investment Impact	Point Value
< \$100K	0	0
\$100K - \$500K	1	10
\$500K - \$1M	0	20
\$1M - \$2M	0	30
\$2M - \$10M	0	40
\$10 - \$20M	0	50
\$20 and up	0	60
Capital Investment Score		10
Commercial Community Impact		30

Measurements:

- TIF Amount
- TIF Period
- Debt Rate
- Debt Payment
- Taxes Invested
- PV of New Revenue Invested
- PV of New Revenue Collected
- Sales Tax Collected per Investment \$
- Sales Tax Generated per Investment \$



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Scorecard

Discussion/Recommendations

- ED Policy & Firm-Based Incentives
 - Application required with project information
 - Items in evaluation are those important to the community AND generate fiscal impact
 - Minimum Requirement & Evaluation Criteria
 - Health benefits & location
 - Economic and fiscal Impact
 - Linkages to local economy: target industry, HQ, growing industry
 - Infrastructure impact
 - Character of jobs: local hires, wages (\$15/hr), training
 - Quality of life/culture
 - > 60 points to qualify for incentive



Ongoing Deal Review

- **Question 2: After success, do you monitor the deal to gauge impact...outside of official claw back provisions? If so, how often do you review the performance of the project and what do you measure?**
- **Framework: Are you prepared for that call from the press a few years after that new company opens that asks...**"How is ABC Company doing?"** And you say fine and they say, **"well they are closing...and they never had the number of jobs you said they had."** Uh-oh!**



Ongoing Monitoring Discussion/Recommendations

- More than just BRE
 - Incentive agreements are property/sales tax rebates (Ch. 380/381)
 - Performance based agreements – **no clawbacks**
 - Compliance certificate document is included in agreement, based on terms
 - Reviews are annual (some quarterly)
 - Report to City finance department/ County General Counsel's office which verifies job numbers, capex



Long Term Impact

- **Question 3: Do you formally analyze economic development projects that worked and what projects did not perform as well over a long term (5-20 years)? With this data do you inform policy makers and then adjust community policy?**
- **Framework: 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.**



Long Term Analysis

Discussion/Recommendations

- 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!
- Example – Fullerton Dissertation
- Long term study is a challenge
 - Data Availability
 - Data Format
 - Time to complete study



State/Community Examples

Core function under attack which tells us we need to do this part of economic development differently to acquire the data to defend and attack...or acknowledge and adjust

- Scorecard Examples
 - Gulfport, MS
 - Kansas City, MO
 - San Marcos, TX
- Ongoing Deal Review - Dashboard Examples
 - San Marcos, TX
 - Tallahassee, FL Office of Economic Vitality
 - State of Florida - The Department of Economic Opportunity
 - Memphis EDGE
 - Tulsa, OK
 - San Antonio, TX
 - Austin, TX
- Long Term Impact Examples
 - Jackson County, MO



Recommendations

- **Brookings** report recommendation is to ensure that incentives along with broader objectives, public transparency, and rigorous evaluation
- 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
- **Lincoln Institute** recommendations.
 - Limit the length of tax abatements
 - Structure the abatement that percentages decrease over time
 - Establish wage and employment targets...and claw backs



Final Thoughts

- Acknowledged Challenges to Overcome – Time, Resources & Data Availability.
- Hopeful items
 - NY Times Article
 - New Communication Strategies Through the Sharing of Project Impact Data



References

- “Who Benefits from Economic Development Incentives” Upjohn Institute for Employment Research” - March, 2018, Bartik
- “Big Business Tax Breaks May Worsen Income Inequality” Governing Magazine - May 2018, Maciag
- “Examining The Local Value of Economic Development Incentives”, Brookings Institution – March 2018, Parilla & Liu
- “State Tax Incentive Evaluation Ratings” Pew Charitable Trusts – 2017, Goodman and Chapman
- “GASB 77 – Reveal the Cost of Property Tax Incentives for Business” Lincoln Institute of Land Policy, *Land Lines* – July 2017, Wagaman
- “Why Cities Can’t Stop Poaching from One Another” New York Times - June 8, 2018, Badger
- *New Power: How Power Works in Our Hyperconnected World and How to Make it Work for You* – 2018, Heimans & Timms



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