Bloomberg Associates

Tactical Guide: Municipal Economic Development Funding

Bloomberg Philanthropies
COVID-19 LOCAL RESPONSE INITIATIVE

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resource development group

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INTRODUCTION

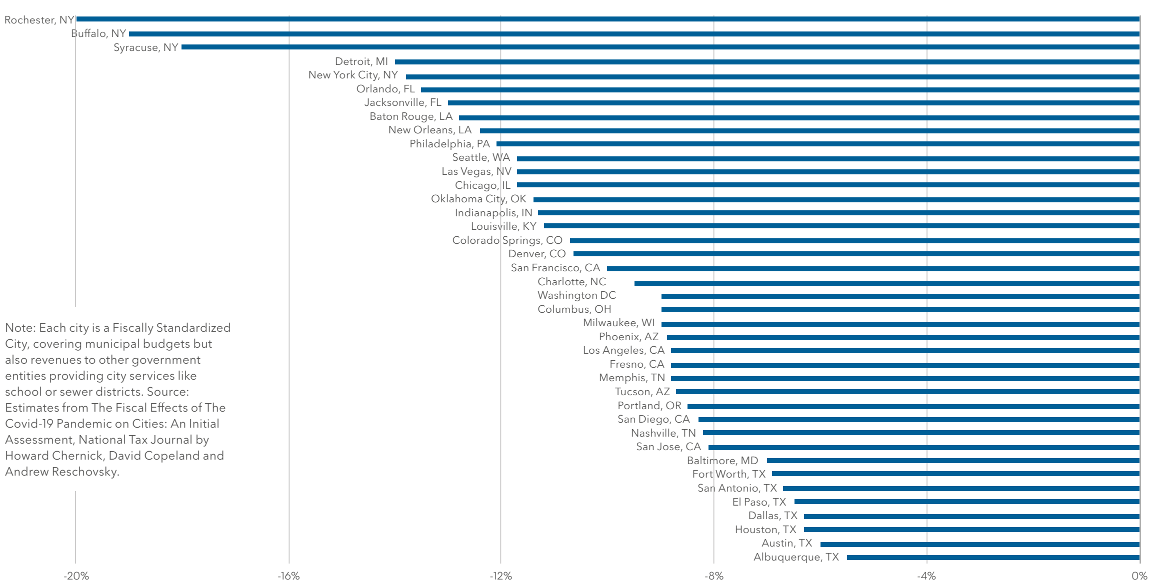
This tactical guide is designed to help local economic and workforce development leaders to identify and pursue new sources of operating funding. It prioritizes opportunities that require limited or no organizational adjustment, and are efficient to pursue with limited or no restrictions regarding use.

The opportunities suggested in this tactical guide are divided into three budget impact categories: generation, reallocation, and cost savings. For each opportunity, there is a "why?" statement, background, case study, and adaptation steps.

THE CHALLENGE

The economic impact on local governments is already manifesting, with significant financial shortfalls and "many communities likely to lose 10 percent or more of the revenue they would have seen without the pandemic."[1]

ESTIMATED DECLINE IN ANNUAL REVENUE FOR FISCAL YEAR 2021



(Link to article/larger graph image here)

It is increasingly clear that current means of funding city-level economic development will no longer be sufficient to meet the needs in the current and post Covid-19 induced economic environment.

Bloomberg Associates (BA) and Resource Development Group (RDG) have identified new and innovative funding sources, currently available but often under-utilized by cities. We encourage city leaders to investigate these opportunities to fill funding gaps.

[1] https://www.nytimes.com/2020/08/17/upshot/pandemic-recession-cities-fiscal-shortfall.html

METHODOLOGY

We identified and prioritized the funding opportunities which are listed in this tactical guide as follows:

- We surveyed/conducted select interviews of 28 city-based economic development organizations (see Appendix A: Control Group summaries).
- We carried out independent research on state and federal level funding opportunities.
- We drew on RDG's extensive experience over the past 25 years, working with more than 200 economic development organizations and generating over $2 billion in revenue for them.

TOP FUNDING OPPORTUNITIES

The following table summarizes the most productive opportunities to enhance, replace, and/or diversify municipal funding streams for economic development:

While the opportunities listed in the table may not be surprising for many economic development leaders, the case studies and examples in the tactical guide provide valuable insights into creative uses and/or successful applications.

LEGEND

Financial impact:	**H: high (+$500,000)**	**M: medium ($100,000-$500,000)**	**L: low (-$100,000)**
Implementation time:	**S: short (-90 days)**	**M: medium (90 days-6 months)**	**L: long (+6 months)**

Budget Impact	Actionable Funding Opportunity	Financial Impact (H, M, L)[2]	Implementation Time (S, M, L)	Case Studies
1. Generation	A. Add private funding as a new, flexible source of funding, by creating enduring investment partnerships	H	M	Rocky Mount, NC
	B. Decide when to seek grants from philanthropic foundations, and improve your strike rate	H	L	Indianapolis, IN
	C. Maximize federal funding sources by using HUD's Section 108 loan	H	M	Salem, OR
	D. Maximize federal funding sources by using New Markets Tax Credits (NMTC), which are available for a wide range of applications	H	L+	Union City, TN
2. Reallocation	A. Reallocate municipal tax revenues to replace general fund cuts, such as tax increment financing, property tax, sales tax, and real estate transfer tax	H	S	Chicago, IL Gwinnett County, GA Oklahoma City, OK
3. Cost savings	A. Outsource programming to a local chamber, business, or other organization, in ways which achieve better delivery and cost savings	H	M	Oklahoma City, OK
	B. Generate revenue by selling, or monetizing city-owned buildings, infrastructure, and other assets	M	S	Surprise, AZ
	C. Integrate programs to achieve better delivery and cost savings	M	M	Baltimore, MD

[2] Budget impact categorization is based on what the corresponding opportunity does predominantly.

1. GENERATION

A. PRIVATE FUNDING

ACTION:

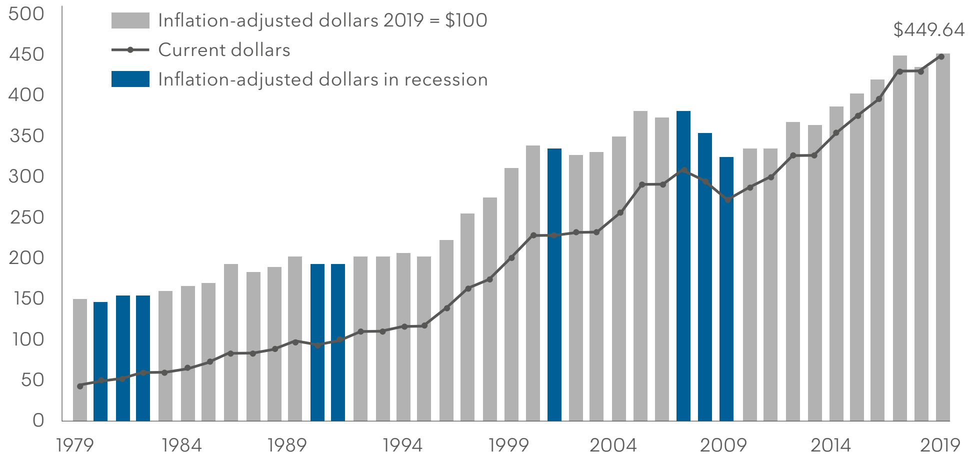
Cities should investigate and pursue private funding for specific projects and/or portions, or all of operational funding.

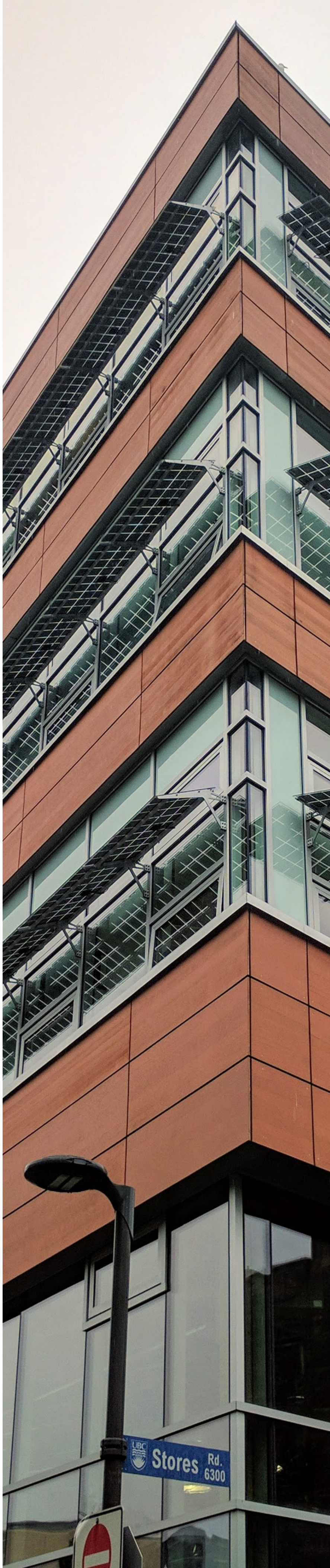
WHY:

Private funding is often the quickest way to gain unrestricted or partially restricted funding. Also, private dollars:

- Are fungible
- Are sustainable
- Allow for creativity and innovation
- Are available – in 2019, over $20 billion in corporate contributions,[3] an all-time record, flowed to non-profits and not-for-profits in the U.S. While there will likely be a dip in 2020, the US economy and, correspondingly, corporate contributions, will recover. See Appendix B: 2019 Giving USA.

TOTAL US GIVING: 1979–2019 (BILLIONS)





[3] Data and Graph source: https://nonprofitquarterly.org

BACKGROUND:

There are three main private funding models: membership, sponsorship, and investment. Each of these has certain benefits but for municipal economic developers, the investment model is usually the most advantageous.

- The **membership model** is based on a transactional relationship, i.e., you give me x amount of money and I will provide certain tangible benefits – a seat on my board, ability to participate on a task force, networking opportunities where you may meet people with whom you can later do business, etc.

- The **sponsorship model** is generally an advertising/branding opportunity and often relies on events for application, i.e., you give me x amount of money, and we will put your name on our materials advertising said event.

- The **investment model** suggests a transformational relationship between the donor and recipient; we (the organization) are offering you an opportunity to pool resources with other like-minded "investors" to change our economic landscape for the better. This model is grounded in an aspirational desire to have real impact through strategy and sustainability, rather than the shorter-term objectives of extending one's brand identity, or creating near term transactional business opportunities.

While the "investor" prospect pool tends to be smaller and comprised of larger, more established companies, it also produces larger and more sustainable funding. Moreover, it requires less internal infrastructure to pursue – events, networking, etc., are not necessary. As a result, this tactical guide focuses on the investment model.

As you review this section, keep in mind that private funding can be:

- **Restricted –** directed to a specific project or program area. Corporate foundations will often utilize this approach to provide resources.
- **Unrestricted –** available for general use, allowing for maximum flexibility in spending. Most corporate support for economic development falls into this category

Private funding can be used for many purposes, including:

- To fund operations – salaries, administration, programs
- For incentives/cash reserves ("opportunity" funds)
- To entertain prospective investors
- For additional "bandwidth", in the form of people and/or program resources
- To recruit talent
- For special projects and initiatives

Austin, Texas is an example of a municipal economic development entity that has recently moved to a partially private funding model. See here for more information.

CASE STUDIES:

1. Rocky Mount, NC – The Carolina Gateway Partnership

The Carolinas Gateway Partnership was formed to support economic development in Nash and Edgecombe counties, which have a combined population of 146,000. Their economies had been heavily reliant on tobacco and textiles, which had declined, with wages falling behind the rest of the state.

The city of Rocky Mount resides in both counties, and neither of the previous county-led economic development efforts had been able to successfully engage the city's political leadership.

The event which spurred a new approach was the acquisition of Hardee's by CKE Restaurant Holdings, and the subsequent move of the company's corporate headquarters to St. Louis.

The new approach was led by the Rocky Mount Mayor and locally headquartered Centura Bank CEO. They created a task force and appointed a consulting firm to develop a two-county economic development strategy and research different organizational options.

They elected to **create a 501(c)6 not-for-profit corporation as a public-private partnership** and subsequently closed down the county economic development departments.

The new agency then **executed an investment campaign** that raised $300,000 (unrestricted) private sector funding per year, for five years. The **local governments then matched this amount**.

The city subsequently **created a complimentary 501(c)3** to receive funding from corporate and private foundations, initially the newly created Golden Leaf Foundation.

Today, the agency's annual budget is some $1.1 million, 60% of which comes from local governments on a per capita basis (which is used to fund general operations), and 40% of which comes from private companies and foundations (which is used to pay for local incentives).

It revisits its strategy and launches a new investment campaign every 5 years. Learn more here.

IMPACT:

The rationale for creating the partnership was the belief that **combined private sector and government leadership, behind an agreed strategy, with clear objectives and benchmarks, would be more effective in attracting and retaining businesses** than the two county departments had been. This belief has been proven correct, which is why corporate and government leaders have agreed to continue to fund the organization.

The partnership has successfully diversified the region's economy, by attracting businesses such as Sara Lee, QVC, Universal Leaf, Hospira, and Cummins Engine Plant. You can read more about the partnership's impact here.

2. Indianapolis, IN - Develop Indy

See case study, which is an example of both philanthropic and private funding sources, here.

HOW TO ADAPT:

A city will need to put the following building blocks in place before seeking private investment:

1. Corporate Structure

Corporations will generally not contribute directly to government entities. Therefore, it is important that the receiving entity is structured to receive private funding.

RDG estimates that approximately 35% of municipal economic departments are currently structured to receive private funding, meaning they are organized as a 501(c)3 charitable foundation, 501(c)6 not-for-profit, or federal/state-chartered equivalent (such as a community improvement corporation, industrial development authority, or community development corporation).

If your department is not organized in one of these ways, you should look to create one of these organizations. The 501(c)3 approval process can take up to a year.

Cities may elect to create both a 501(c)6 and 501(c)3 or a state-sanctioned equivalent that offers the benefits of both in order to receive funding from all possible sources and maximize programmatic potential.

Structure	Organization Type	Key Components
501(c)3	Religious, educational, charitable, scientific, literary, public safety, etc. Requirements to attain 501(c)3 status are rigorous and can be time-consuming	Philanthropic and corporate foundations are more likely to contribute to a 501(c)3. Contributions are federal tax exempt. Donor contributions are fully deductible. There may be state sales/ property tax exemptions. There are significant restrictions on lobbying. The ways funds can be spent are generally more restrictive
501(c)6	Business leagues, chambers of commerce, trade/ professional associations. Attaining this status is efficient and quick	The contributions are deductible as trade/ business expenses. More expansive education/public policy work is allowed. Generally, more flexibility in how funds are spent

Go here to learn more about organizing as a non-profit or not-for-profit organization.

2. **Oversight/Governance**
   Corporations and private foundations often prefer to contribute to organizations that offer an opportunity for them to provide input and oversight of expenditures. As such, it is important that the receiving entity establish a governance/ oversight structure that affords participation, such as an advisory board/council.

3. **Investor Relations**
   There may be a need to recruit a staff member to manage corporate and philanthropic relationships. This role would create a structure for investor engagement and communication, including task forces, committees, and governing/ advisory boards/ councils. Without this position, it is less likely that support will be sustained. See Appendix C: Sample Investor Engagement Platform.

4. **Sustainability**
   Cities should approach corporations seeking multi-year financial commitments, which will help build financial sustainability. This will require both an underlying strategy and proof of delivery. Most agencies are operating under some type of strategy that will lend itself to minimal adaptations in order to attract corporate/ foundation funding.

5. **Funding Environment**
   Many economic development departments are part of a larger ecosystem that relies on corporate funding. The larger the market, the more complicated the landscape. As such, it will be important to coordinate with other organizations that are also pursuing private funding. Otherwise, It is likely that multiple parties will be seeking funds from the same sources and each request will be less likely to succeed.

DO’S & DON’T’S:

DO:

1. **Get your Mayor/City Manager involved** and deploy other elected officials. Relationships are key, and your leadership’s willingness to participate in requests for financial support will make a difference.

2. Build your narrative around short- and long-term strategies, grounded in key performance indicators. **Companies invest in results, not programs**. Resist the temptation to focus on all of your activies; rather, focus on what you have accomplished, how you have impacted your communities, and how the impacts can be attributed back to you. (See Appendix D: Industry Case Study for an example of a successful fundraising campaign highlighting impact and results.)

3. Engage corporations at the **highest level possible**. Most companies have committees and processes which determine financial support decisions. However, those rules and processes often do not apply to the C-suite.

4. Show an interest in your prospect by **listening more than talking**. People enjoy talking about what they do, so ask questions. The formula for a successful ask is grounded in relationship chemistry.

5. To learn more see Appendix E: Building a Sustainable Future and Appendix F: Fundraising 101.

DON’T:

1. **Don’t assume** the people you are approaching know what you do. In fact, it is more likely that they will initially be confused when approached. Be prepared to explain/differentiate your work from that of the local chamber, complimentary EDCs, etc.

2. **Don’t tell them everything you know**. Rather tell them what they need to know and be prepared to answer questions and provide more detail if asked. Remember that corporate leaders have short attention spans and limited time and concentration to devote to your request. Get to the point and align your request with their strategic imperatives.

3. **Don’t be uncompelling**. Focus on the specific need and how the company can help address it via financial support.

4. **Don’t duplicate efforts** by other government officials. Don’t have multiple people from the municipality making separate, uncoordinated requests. Make sure you are internally coordinated so that you look fully buttoned up to the outside world.

B. PHILANTHROPIC FOUNDATIONS

ACTION:

Cities should pursue grants/donations from philanthropic foundations and other sources.

WHY:

There are more than 119,000 philanthropic foundations[4] in the U.S. and Canada. The potential to access philanthropic funding for economic activities is significant, growing, and often untapped or underutilized.

After the 2008–09 financial recession, many foundations increased funding for job and workforce programs, as well as other city economic development programming and operations that advance public welfare.

BACKGROUND:

Cities should consider seeking 501(c)3 charitable status for their economic development agency or forming a partnership with an existing 501(c)3 organization. RDG estimates that 65% of city economic development agencies do not currently have 501(c)3 status.

In some states, such as Georgia, there are state-sanctioned equivalents of the 501(c)3 structure that allow for similar treatment of philanthropic financial support.

[4] https://www.issuelab.org/resources/36381/36381.pdf

If a city does not have a s501(c)3, or state equivalent, it should first consult legal counsel to understand state and city rules and ethical standards around the solicitation and management of private funding.

Once it has established a 501(c)3, it should aggressively pursue philanthropic funding, while still leveraging all available publicresources.

Philanthropic funding typically comes in the form of project grants, operating support, planning grants or program-related investment.

Appendix G lists examples of philanthropic for economic and community development activities.

COMMUNITY REINVESTMENT ACT STRATEGY

The Community Reinvestment Act (CRA) established an investment performance evaluation system, administered through the Federal Reserve, that "credits" banks for lending in low-income geographies. The credits can be used during mergers and acquisitions.

Banks which contribute to city-led projects which can demonstrate direct/ indirect impact on low-income geographies can receive such a credit, thus making the project more attractive.

WHERE TO BEGIN:

1. Determine community development needs and opportunities that the city can address, including, but not limited to:
   A. Affordable housing;
   B. Services for low/moderate individuals;
   C. Small business finance;
   D. Neighborhood revitalization; and
   E. Eligible activities that support areas designated under the Federal Neighborhood Stabilization Program, which targets high foreclosure levels (Source FDIC).
2. Inventory local financial institutions and their assessment areas.
3. Communicate your strategy to the financial institutions and seek their support and funding for specific projects.

CRA funding is well-established and can be substantial. It is particularly relevant now given the increased attention on equity and diversity. For example, Bank of America recently announced that it will reinvest $1billion in locally-based equity and diversity programs over four years.

CASE STUDY:

Indianapolis, IN – Develop Indy

Develop Indy is the economic development agency for the City of Indianapolis/Marion County (city/county unified government). In 2014, it was merged with the Indy Chamber and Indy Partnership (the regional marketing organization).

The impetus for the merger was: a history of under-performance by various economic development structures and multiple "starts and stops"; the appointment of a new chamber CEO; and the decision to commission the chamber to develop a regional community economic development strategy.

The merger was championed by the Mayor and Eli Lilly's CEO, **who also agreed to lead efforts to raise corporate and philanthropic funding**. The city also agreed to continue to provide funding.

Each year, the city agrees with Develop Indy on a **detailed contract of services and KPIs**, which is then approved by the city council. The agency's CEO reports to both the mayor and the chamber CEO.

The agency also created an **advisory board**, comprising Develop Indy investors, who are appointed by the chamber and approved by the mayor. The board provides both oversight and direction to Develop Indy staff.

The agency can **access both private and philanthropic funding, via its 501(c)6 and the chamber's 501(c)3**. Its annual budget is ~$1.7 million, of which the city contributes ~$1 million and foundations and companies contribute ~$500,000.

Significant contributors include Indianapolis Power and Light, Anthem, IU Health, the Lumina Foundation, the Central Indiana Community Foundation, and the Eli Lilly Corporation Foundation.

IMPACT:

Develop Indy has been able to **use corporate and philanthropic dollars to grow programs and staff**. It also benefits from **greater economies of scale, which supports better service delivery**. Most recently, it created a micro-lending program for entrepreneurs/small businesses which was funded by $25 million from the city, matched by foundations and corporations, and managed by the chamber. You can read more here.

HOW TO ADAPT/APPLY:

Cities must first determine if they are eligible to receive funding from a specific foundation.

For example:

- Kresge Foundation's American Cities Program focuses on urban centers and supports programming which increases access to jobs, education, housing, city services, and quality public places
- JPMorgan Chase's Advancing Cities Initiative provides funding to cities which are focusing on inclusive growth and economic opportunities. The foundation targets cities where conditions exist to help those who have not benefited from economic growth.

Cities should use the following checklist when applying for philanthropic funding:

1. **Identify the specific funding need for your project/organization.**
2. **Conduct research to identify corporate and private foundations which have priorities that align with your goals. If your request does not match the foundation's priorities, it is highly unlikely you will receive a grant.**
   A. Websites, annual reports and 990 forms can provide insights on a foundation's priorities.
   B. Foundation clearinghouses, such as the Foundation Center and GuideStar, can also be useful.
   C. But you will typically need to reach out to foundation staff for detailed information.
3. **Determine application rules, such as eligibility, geographic focus, estimated size of grant, pre-application information, contacts, and URL for application. (Requests are usually submitted online).**
4. **Identify foundation staff and board members for one-on-one engagements.**
5. **Determine if current staff can write the application, or if you should hire a professional grant writer.**
6. **Identify an in-house lead for assembling the application.**
7. **Schedule regular update meetings to ensure data collection/ proposal development is on schedule.**
8. **Complete a first draft of the application within a minimum of two weeks prior to the deadline. Note that some foundations will review your application and provide suggestions for improvement prior to official submission. Check if this opportunity is available.**
9. **Have your organization's highest-ranking officer sign the application and provide a cover letter.**

Cities can expect philanthropic funding applications to include:

- Description of the funding purpose
- Demonstration of fiscal and administrative stability
- Budget history
- Impact on specific community demographics and needs
- Examples of broad community support and impact
- Methodology for monitoring and reporting progress

DO'S & DON'T'S:

DO:

1. Work with legal counsel to **determine if you should seek 501(c)3 status**. The approval process may take up to a year, but can be expedited if funding has been pledged from a donor that is both 1) substantial, relative to your budget and 2) has a specific expiration date. Moreover, the IRS will often grant conditional status which allows you to accept funds and place them in escrow until your application is approved.

2. **Research the foundation's priorities** and only request grants that align with them. Websites, annual reports, and 990 forms can provide insight on priorities, geographical limits, staff contacts, board members, and grant application guidelines.

3. **Know the timing/cycle** for a funding request. Most foundations have a rigid grant cycle and deadline for submitting proposals.

4. Determine if there are **other community entities** undertaking similar initiatives and if it makes sense to partner and jointly request funding.

5. **Analyze your staff's capacity** to complete the research and post-grant monitoring. Seeking and applying for grant opportunities can be time-intensive. See Appendix H for an example of a foundation request (Inasmuch Foundation).

6. **Follow the foundation's application directions/guidelines**. Foundations receive large numbers of applications and tend to reward those that can follow directions.

7. Try to **establish a relationship with the foundation staff member** to whom your request will be assigned. If you have questions, contact the program staffer/officer.

8. **Get your Mayor/leadership involved**. Relationships are key for all foundations and your leadership's engagement with board members and staff will help to build trust and confidence and increase your chances of success.

9. Make sure you **understand all the grant approval requirements**. Most grants have specific reporting requirements and performance benchmarks, and not satisfying them will put future grants in jeopardy.

DON'T:

1. **Don't count on a philanthropic clearinghouse website** to provide the detailed information required for your request. Websites, like GuideStar, GrantStation, and the Foundation Center, are good starting points, but you will need to do additional research.

2. D**on't take liberties with your proposal** and add information that is not requested. If the directions ask for a one-page explanation of where the funding will be used, don't send two pages.

3. **Don't send your application to multiple staff members** at the foundation. Stick to the designated staff contact, unless instructed otherwise.

4. **Don't be elusive with your request**. Your proposal should focus on specific needs and how the funding will fill a specific gap.

ADDITIONAL RESOURCES:

- Appendix I: CRA case study
- Appendix J: Top 10 Ohio Recipients of Economic Development Grants
- Appendix K: Samples of Hillman and Heinz Foundation's city and community economic development support

C. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) SECTION 108

ACTION:

Municipalities should pursue HUD Funding and specifically section 108 loan guarantees of the Community Development Block Grant program, to help offset project costs.

WHY:

- Section 108 enables exceptionally low interest-rate-subordinate funding for eligible projects.
- The funds are fairly flexible in terms of use.
- The program has been run since 1974 and is, therefore, reliable.
- To date, there has not been a single default under the program.

BACKGROUND:

HUD Section 108 increases the capacity of block grants by enabling a community to borrow up to five times its annual CDBG allocation.

The community pledges its current and future CDBG allocations as security for the loan. This does NOT mean that the city will forfeit its CDBG allocations. Normally, the borrower (in the case study below, the city) pays back the loan via revenue created through project proceeds. It is only if the proceeds are not forthcoming that HUD would use pledged CDBG funds to continue to make payments on the loan.

CDBG

The **Community Development Block Grant** (CDBG) Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons.

Section 108 funding can be used to:

- **Acquire real estate**. For example, Addington Ridge, NC used $694,000 of Section 108 guaranteed loan funds to acquire and improve a site in the Deep River neighborhood, which it then sold to a developer for affordable housing.
- **Construct, reconstruct, or install public facilities** (such as streets, sidewalks, and other site improvements).
- Make related relocation, clearance, and site improvements.
- **Rehabilitate a publicly-owned property**. For example, Anaheim, CA used $7 million of Section 108 guaranteed loan funds to restore a historic orange packing facility. The building was rehabilitated into a food market, which has catalyzed economic development in the downtown neighborhood.
- **Lend money to a for-profit business**, in order to support economic development goals. For example, Reading, PA used $1.5m of Section 108 guaranteed loan funds, in conjunction with a $1.4m economic development grant, to help a subsidiary of Summa Industries to purchase machinery and equipment for its newly constructed, 138,000 ft2 facility. The new facility created approximately 200 jobs, which largely went to low- and moderate-income residents.

CASE STUDY:

Salem, OR – Salem Convention Center

The city wanted to build a new convention center to support economic growth in the downtown area. The cost was going to be $31.8m and the city faced a funding shortfall.

The city recognized that a combination of TIF and private funding were not going to be sufficient to fund the development. So it applied for $7.9m of section 108 guaranteed loan funds. These were awarded on the basis of existing financial commitments, an assessment of the project's feasibility, and (critically) the commitment to create 37 full-time jobs, including 20 jobs for low- and moderate-income residents.

A project was structured as follows:

- VIP's Motor Inns (a private company) purchased the downtown lot, and then approached the city's Urban Renewal Agency about the possibility of a coordinated public private development of a conference center and hotel.

- The private entity financed the hotel, while the public agency financed the conference center and parking garage. The city funneled its contribution through the agency.

- The site was reconfigured through a lot line adjustment so that the agency owned the conference center land (which was important for future conference center revenue, and was needed to pay back the section 108 loan).

The center has since made more than $51 million net revenue, and helped to drive the revitalization of downtown.[5]

ADDITIONAL INFORMATION:

https://www.huduser.gov/portal/publications/pdf/HUD_Section108_LoanGuaranteeProgram.pdf

https://www.cityofsalem.net/urban-renewal

[5] For more information on the CDBG Entitlement Program, click here

HOW TO ADAPT/APPLY:

1. Check on the current availability of section 108 financing to which your city is entitled. (Note that non-entitlement communities can still apply for section 108 loans with the support of their State).

2. Identify potential projects that meet both your goals and HUD's requirements.

3. Assess project(s) for financial feasibility.

4. Complete a citizen participation process and local review:

   A. Solicit input from local stakeholders

   B. Advertise the availability of the draft application

   C. Make the application available electronically, as well as via hard copy (e.g., in public libraries)

5. Submit the application to HUD and await approval (usually in around 45 days).

6. Manage your funds, and report related activities, through HUD's Integrated Disbursement and Information System (IDIS).

The HUD Exchange website provides simple (really) and detailed steps to ensure your successful application.

DO'S & DON'T'S:

DO:

1. **Utilize grant specialists** and grant management software. Often cities will have a central grants department with liaisons for divisions/ departments, thus reducing the need for a grant specialist within each department. If you cannot access a grant specialist/software, consider partnering with a local foundation.

2. **Read all the rules for section 108**. They are flexible! But all activities must meet one of these three objectives:

   A. Principally benefit low- and moderate-income residents; or

   B. Assist in the elimination or prevention of slum and blight conditions; or

   C. Meet other community development needs that have an urgency and are of very recent origin.

3. **Weigh the timing, required effort, and level of funding**. If you do not already originate loans, the process is going to take considerably longer. The typical time from application to approval is 45 days.[6]

4. **Connect with another municipality** that has a successful program and learn from their experience/mistakes.

DON'T:

1. Don't apply for a section 108 loan if the project **cannot generate sufficient revenue to repay the loan**, as the municipality will still on the hook for repayment.

2. **Don't inflate your job creation numbers**. Section 108 is tied to job creation, so if a project does not hit forecast job numbers, you may be required to payback.

3. **Don't take shortcuts with citizen engagement**. Educating local residents will help to keep the project moving forward. (Section 108 sounds a lot like section 8, which can ruffle feathers).

[6] https://www.hudexchange.info/programs/section-108/section-108-program-eligibility-requirements/#apply-for-the-section-108-program

D. NEW MARKETS TAX CREDITS

ACTION:

Cities should partner with Community Development Entities (CDEs) to access New Markets Tax Credits (NMTCs) to fund real estate developments.

WHY:

NMTC investments can fund catalytic development projects in low- and moderate-income communities. By partnering with a CDE to access NMTCs, cities can attract third party funding that might otherwise have had to come from the general fund.

BACKGROUND:

NMTCs can be an important source of funding for businesses and community facilities in distressed urban and rural communities. Individual and corporate investors can receive a 39% tax credit (taken over seven years) for qualified investments into CDEs. CDEs can then use the proceeds of those investments to fund business expansions, community facilities, and other community projects.[7]

The project owner makes annual interest payments to the CDE during the seven-year life of the loan structure, eventually closing out the transaction at a substantial discount.

[7] https://nmtccoalition.org/progress-report-2019/about-the-nmtc/

Examples of NMTC-funded projects include:

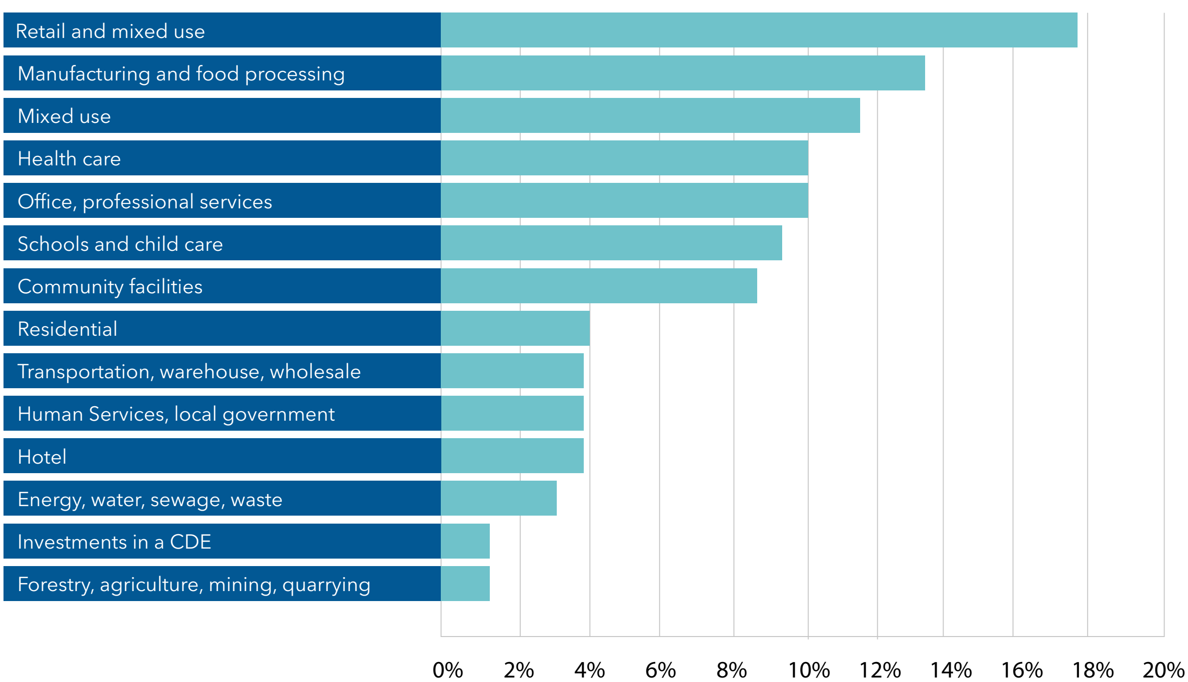
- **Business expansions:** $10 million NMTCs contributed to the construction of a $13 million, twin bay airplane paint shop, as part of a $22.36 million investment in an Airbus facility in Mobile, AL.[8]
- **Infrastructure improvements:** NMTCs contributed to the conversion of a vacant mall into a 750-car parking garage and retail/ entertainment complex in St. Louis, MO.[9]

To become certified as a CDE, an organization must submit a CDE Certification. Application to the Department of the Treasury CDFI Fund. The application must demonstrate that the applicant meets each of the following requirements:

- Be a legal entity at the time of application.
- Have a primary mission of serving low-income communities.
- Maintain accountability to the residents of its targeted low-income communities.

NEW MARKETS TAX CREDIT (NMTC)

Percentage Share of Projects by Industry 2003-2015



Source: Urban Institute calculations based on project reporting data from the CDFI Fund.
Notes: Projects with "other" industries comprising 0.1 percent of all projects not displayed.

[8] https://munistrategies.com/project_portfolio/maas-aviation/ and https://nmtccoalition.org/project/maas-aviation/

[9] https://nmtccoalition.org/project/mercantile-exchange/

A CDE can be a Community Development Finance Institution (CDFI), mainstream financial institution, government/quasi-government, nonprofit, or for-profit. A city government can become a CDE.

The CDFI Fund conducts an annual competition (incredibly competitive) for NMTC allocations. Applications are scored against four criteria: community impact, business strategy, capitalization strategy, and management capacity. CDEs typically engage a consultant to support their allocation.

CDEs that are awarded NMTC allocations sign an allocation agreement, before raising private investment to deploy to appropriate projects. Most NMTC allocations go to CFDIs, followed by mainstream financial institutions, and then governments.[10]

A benefit of becoming a CDE is the access to unrestricted funding, via received interest payments.

[10] https://www.taxpolicycenter.org/briefing-book/what-new-markets-tax-credit-and-how-does-it-work

CASE STUDY:

Union City, TN - Williams Sausage Company Expansion

Williams Sausage Company, founded and based in Tennessee, needed risk capital to fund a $48m project, comprising of a 200,000 ft2 production facility, distribution center, truck maintenance shop, and corporate office.

The company engaged a site selector consultant to review 13 sites. Tennessee state, Union City, Obion County, and the Tennessee Valley Authority offered an incentive which included $44m in NMTCs. But for the NMTCs, Williams would have not located at a distressed site in Union City.

The project components included the following:

- Williams employed site selector and incentives consulting firm, HWH Group, which identified funds and helped coordinate the incentive package.
- Five CDEs contributed NMTCs to the incentive package, which also included state and local incentives.
- CDE, Stonehenge Capital (not located in TN), provided $10 million of qualified low-income community investments (QLICIs) to fund the purchase of equipment. This qualified under its allocation agreement as an innovative use of NMTCs.

IMPACT:

The project created 210 new jobs in a distressed neighborhood. It is also expected to create a further 321 jobs over the next 5 years.

The company is working with local workforce development agencies to train and hire underserved, low-income residents to become technicians and professionals at the facility.

ADDITIONAL INFORMATION:

News Release by Stonehenge Capital

https://nmtccoalition.org/project/williams-sausage/

HOW TO ADAPT/APPLY:

1. **Develop a relationship with local, or even non-local, CDEs, which can apply for NMTCs for priority project(s). CDEs can make investments within their approved service areas. These range from local to national.**

   A. The CDFI Fund website has a mapping tool that shows approved service areas (see example below).

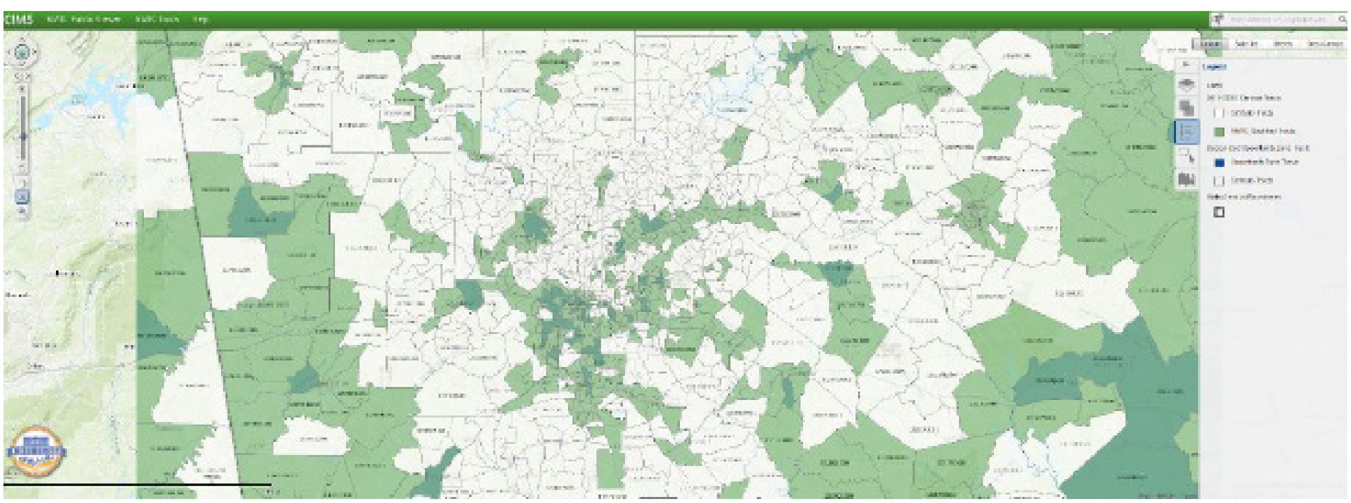
   B. The CDFI Fund website has a search function that allows you to identify CDEs that have remaining, available NMTC allocation authority.

2. **If you are a CDE, identify projects that meet your goals and NMTC usage requirements prior to application. Alternatively, propose your project to a CDE which has unused allocation.** (The CDFI Fund publishes Qualified Equity Investment Reports monthly. See example report.)

3. **Work with the CDE to submit an electronic allocation application via the Awards Management Information System (AMIS)**

   A. This "how to apply" report contains detailed advice on how to prepare your application

4. **Report your compliance via AMIS.**



CDFI Fund website's mapping tool, example: Atlanta, GA.

DO’S & DON’T’S:

DO:

1. **Be aware of NMTC application deadlines**, which are shared on the Department of the Treasury CDFI Fund website.
2. **Identify potential projects** which are NMTC-eligible. Help projects to become NMTC-ready, through land use approvals.
3. **Talk with other cities** that have successfully worked with CDEs to capture NMTC investment in their community.
4. **Engage local stakeholders** to ensure support for the project.
5. **Work with existing experienced CDEs:**

   A. Applying for a NMTC allocation is a complex process.

   B. Most successful applicants are existing CDEs and CDFIs with significant experience.

   C. Working with the CDE can ensure that your project makes it into its application, or is allocated excess credits.

DON’T:

1. **Don’t go into this process alone**, or without advice.
2. **Don’t partner with only one CDE**. Multiple CDEs can invest in the same project.
3. **Don’t underestimate the severity of “recapture.”** While this risk is low if the transaction is structured properly and compliance is up to date, penalties are harsh (100% of the credits can be recaptured with interest and penalties).

ADDITIONAL RESOURCES:

- Introduction to the NMTC program
- How the NMTC program works
- Searchable awards database
- Additional Department of the Treasury funding opportunities in Appendix L
- Additional federal resource options in Appendix M

2. TAX REALLOCATION

During the pandemic recession, cities should revisit tax revenue and allocations, to see if funding could be reallocated to economic and workforce development programmings.

Tax revenues are likely to be more sustainable and predictable than general fund revenues.

Moreover, revisiting tax revenue allocations can be an initial step when exploring organizational restructuring, which can create efficiencies and cost savings.

The tax revenue categories explained in this section of the tactical guide are:

- Tax Increment Financing (TIF) revenues;
- Real Estate Property Taxes;
- Sales Taxes; and
- Real Estate Transfer Taxes.

Municipal Revenue

General Fund revenues are typically the primary funding source for municipal economic development departments (EDO's) not organized as a 501(c)3 or 501(c)6. It must be noted that currently, there are numerous additional adjunct funding resources available through various Federal Programs and Grants (i.e., CARES Act, HUD/CDBG funding enhancements, EDA grants, etc.) as well as state programs as a result of COVID-19. These supplemental funding opportunities are limited in nature, somewhat politicized, and not guaranteed nor sustainable. However, given the unprecedented nature of the pandemic and resulting economic damage, it is highly recommended that municipalities pursue these programs. Municipalities should carefully weigh the benefits and administration costs of said programs unique to their respective community, region, and state. It is also likely that EDOs may also have to compete for grant funding designated for specific programs (such as disaster recovery efforts, small business development, or workforce training) from public sources. This highlights the need for economic development professionals to broaden their skills to include grant writing and proposal development, even when working for public-sector organizations. The focus of the research for this tactical guide is deemed to be long-term, sustainable, and ubiquitous throughout municipal government operations in the U.S. The intent of this research is to provide the tools and ideas to help augment general fund revenues with more stable funding for economic development programs and efforts. Of note and as a result of COVID-19, the majority of general fund, or unrestricted revenues, are now, or will be, vulnerable and potentially unsustainable in the near future. It cannot be understated that economic development professionals need to broaden their skills to include grant writing and proposal development, even when working for public-sector organizations.

A. TAX INCREMENT FINANCING (TIF) REVENUES

ACTION:

Cities should review and develop plans to utilize TIF district revenues within their city. TIF revenues that have not yet been spent or accounted for should be used to augment,or even replace, general fund revenues for economic development programming.

WHY:

Cities in every US state use TIF revenue. Cities allocate funds generated from TIF districts into specific budgets, which are not co-mingled with general fund revenue. This lack of co-mingling is usually a legislative requirement.

However, this should not stop cities from creatively analyzing the activities which are able to be funded under TIF to see if there are opportunities to substitute general fund programs with complimentary TIF-funded programming.

BACKGROUND:

TIF revenues are often used to finance infrastructure, as well as development/redevelopment projects, that would not be feasible "but for" the TIF financing.

The program works as follows:

- The city borrows money through a bond issuance, or another debt instrument, to improve a distressed property.
- As the property improvements are completed and the property's assessed value increases, incremental tax revenue is generated.
- The city repays the bonds from the incremental revenue.

TIF legislation is constantly changing and can sometimes be politically charged. Understanding your local rules and "philosophies" regarding TIF is a critically important first step.

At the same time, cities should think about ways to broaden the use of TIF. For example:

- Marketing efforts, which are specific to a TIF district, can be leveraged to promote the wider community. At the very least, continued marketing efforts of TIF districts may provide some relief to general fund marketing allocations.
- Community improvement projects (CIPs) and district maintenance. Cities typically "charge" these expenditures to the general fund or other funding streams, but reallocating TIF revenues to these purposes may help offset other departmental expenditures. This, in turn, could free up general fund revenues for economic development programming.
- Paying for staff/personnel costs.
- Fund property acquisitions.
- Creating immediate economic development opportunities (such as ad hoc events).
- Enhancing security/district services.

The Council of Community Development Finance Authorities (CDFA) has produced a comprehensive Tax Increment Finance Center. For more information on the CDFA Tax Increment Finance Center, click here.

CASE STUDY:

Chicago, IL - The Hatchery

The city of Chicago built a 67,000 ft2 food and beverage business incubator in an economically depressed west side neighborhood with very high unemployment. The incubator includes 56 commercial-grade kitchens, co-working and shared space, meeting space, and a community center.

Neighborhood residents are offered priority access to all of the spaces, discounted and hourly rates (which do not require a lease agreement), and free classes for both job seekers and entrepreneurs.

The project cost $32.4m and the city contributed a 2.6 acre parcel of land (which it sold for $1) and $7m of TIF funds. It was a creative approach to allocating TIF funds and not the “typical” deal which focuses on “gap and but for” financing for a predominantly private project.

The facility is co-owned by two long-standing Chicago nonprofits - microlender Accion Chicago and business incubator Industrial Council of Northwest Chicago.

IFF, a CDFI, served as the lead developer and was charged with pulling together financing and land parcels.

The financing breakdown was as follows:

- Debt financing from Chicago Community Loan Fund, IFF, MB Financial, and PNC Bank;
- $10.25 million of NMTCs from PNC Bank, Community Reinvestment Fund, and the City of Chicago;
- Grants from Kellogg Co., ConAgra Foods, Walton Family Foundation, and others;
- $7 million in TIF from the city of Chicago; and
- The $1 sale of 12 vacant city-owned lots (which were combined with 9 other parcels of developer-owned land).

IMPACT:

The Hatchery is projected to create 900 jobs and $25 million in pre-tax wages in five years.

ADDITIONAL INFORMATION:

https://thehatcherychicago.org/

B. REAL ESTATE PROPERTY TAXES

ACTION:

Cities should explore allocating a specific percentage (or millage) of real estate property taxes for economic development programming. Any allocations should be targeted for specific, quantifiable, and impactful projects and programs.

WHY:

Real estate property taxes are one of the most stable and significant sources of revenue for many cities, and so can support expanded economic development programming.

BACKGROUND:

Many city and state governments are heavily reliant on property taxes. While many cities offer property tax abatements and rebates for specific projects, few allocate or reallocate a percentage of the tax revenue for economic development projects and operations.

Such allocations can be used to:

- Acquire property, including raw land and rights-of-way, for high priority economic development projects. These could be industrial parks and mixed-use developments that will generate a return on investment.
- Fund commercial rehabilitation, expropriation of private property (eminent domain), redevelopment, or storefront improvement programs. Such investments, which physically improve underperforming real estate, will typically help seed additional capital investment.
- Fund local incentives, contributions to economic or workforce development partners, or outsourced programming.

CASE STUDY:

Gwinnett County, GA

In 2020, the Gwinnett County Board of County Commissioners led a campaign to increase property taxes by 30 cents per $1,000 of assessed property value.

The new tax will "provide funds for financial assistance to the Development Authority of Gwinnett County for economic development purposes."

It is expected to generate $1m funding for additional programming, which will increase the economic development department's budget from $5.2m to $6.2m.

Specifically, the revenue will fund the creation of the Gwinnett Entrepreneur Center which provides physical space, education, and networking connections for startups, the expansion of the Infinite Energy Center, and the development of the Water Tower @Gwinnett for water-related research and training.

ADDITIONAL INFORMATION:

https://www.gwinnettcounty.com/web/gwinnett/Home/CitizenFinanceGuide

C. SALES TAX

ACTION:

Cities should consider whether to introduce a local sales tax or to allocate existing sales tax revenue for economic development. If sales tax is prohibited by state law, cities should identify like-minded communities to lobby for change.

WHY:

Although sales taxes may not be stable during challenging economic times, they can still relieve some of the pressure on the general fund to pay for economic development programming.

Moreover, many sales taxes are paid in part by people residing outside the city.

States such as Wyoming, Nebraska, Oklahoma, Texas, and Missouri allow cities to levy local sales taxes for economic development purposes. Go here to learn more about Texas' experience.

BACKGROUND:

While it may be challenging to introduce a new tax at this time, many cities and states allocate a proportion of local sales tax revenue for community economic development efforts. The funds are used to fund:

- Specific economic development programs
- Local buy campaigns
- Incentives for reinvestment,
- Enhanced services and staffing,
- Capital investments

Sales tax may also be rebated to support new or expanded entertainment, hospitality, recreation, retail, etc. offerings.

CASE STUDY:

MAPS – Oklahoma City

The residents of Oklahoma City approved a new, time-limited tax to fund capital investment programs, which were known as Metropolitan Area Programs (MAPS).

The first MAPs was an additional one-cent sales tax, which raised $350 million, and was used to revitalize downtown, improve Oklahoma City's image, and create new and upgraded cultural, sports, recreation, entertainment, and convention facilities.

The city subsequently proposed a second MAPS program, MAPS for Kids, which was again funded by an additional penny of sales tax. The new tax raised $514m which was combined with a $180m Oklahoma City Public Schools' bond issue to renovate 70 school buildings and fund classroom technology and transportation projects. 70% of the funds were disbursed to the Oklahoma City Public School District, and 30% to the surrounding suburban school districts.

In 2008, the city's residents approved a third MAPS program to fund improvements in the downtown arena and build a practice facility for a new NBA franchise.

They approved another MAPS programs to fund a Better Streets, Safer City program, and, in December 2019, a new "MAPS4" program. Since its creation, MAPS have provided $1.81b of funding, and the current programs are expected to provide $978m between 2020 and 2028.

ADDITIONAL INFORMATION:

https://www.okc.gov/government/maps

D. REAL ESTATE TRANSFER TAXES

ACTION:

Cities that levy real estate transfer taxes should consider allocating a portion to specific economic development programming.

WHY:

While real estate transfer taxes can be somewhat volatile, they also offer a sustainable source of funding. They are also specific in nature, so the impact on the general public is limited. As such, they tend to be expended for very specific purposes for the communities which paid them. To reduce volatility, cities can transfer some of the revenue from these taxes to a revolving economic development fund which continues beyond a single fiscal year.

BACKGROUND:

Real estate transfer taxes are imposed on the transfer of title of real property. In most cases, they are based on the value of the property transferred.

Legislation in 37 US states permits such taxes and cities often have the ability to levy the tax and use it for purposes, such as:

- Allocate money to an economic development incentive fund for targeted businesses and industries.
- Provide funding for neighborhood commercial enhancement programs which help stem blight, and leverage private sector investments through a match program, or tax credits.
- Fund travel, contracts for services, continuing education and training, trade show promotion and events, marketing, special events, and opportunistic one-time activities.

3. COST SAVINGS

A. PROGRAM OUTSOURCING

ACTION:

Cities should revisit their economic development programming to see if it would be cheaper to use vendors for particular programs.

WHY:

It can be sometimes cheaper and/or more effective to hire a third party to deliver your programming. This can be a public-private partnership, which leads to both cost-savings and greater community support.

The practice of outsourcing is similar to, but not the same as, the more common practice of cities contributing to a regional economic development marketing organization, that then pools these funds with private sector resources to deliver larger-scale campaigns and programs.

Cities have successfully used outsourcing to deliver:

- Regional branding and marketing
- Local business retention and expansion programs
- Proposal preparation
- Prospect lead identification
- Inbound and outbound business recruitment missions (both planning and execution)

CASE STUDY:

Oklahoma City

Oklahoma City outsources components of its economic development programming to the Oklahoma City Chamber of Commerce.

The parties agree to an annual contract for services, with rigorous reporting requirements and proper oversight. This contract, which can be found in Appendix N, is an excellent example of a comprehensive engagement agreement, containing all key elements needed to define the relationship.

The arrangement was put in place during a period of economic turbulence. The leadership was provided by the mayor and the leaders of local companies, like Kerr-McGee, Devon Energy, Chesapeake Energy, Oklahoma Gas and Electric, and Opubco.

They agreed that the city should focus on infrastructure and public improvements, while the Chamber should deliver branding, marketing, and business recruitment, retention, and expansion.

Critical to the arrangement were a very high level of trust, aligned vision and goals, and shared commitment to partnership.

The chamber subsequently led a successful campaign to win residents' approval for the city's MAPS programs for public improvements (see earlier case study).

The relationship between the city and chamber has evolved over two decades and changes in leadership, but it continues to be based on a shared vision for the community.

IMPACT:

- The chamber leverages a 4:1 return on city funding, with contributions from private corporations and local foundations.
- A portion of the funding has been used to deliver four MAPS campaigns, which have delivered more than $3 billion in public improvements.

HOW TO ADAPT:

1. Undertake an analysis of program returns on investment and potential cost savings. (Note: this will be challenging if program owners report only activities delivered, and not outputs and impact).

2. Identify potential organizations which have the experience and capacity to deliver the programs.

3. Draft a request for proposals which clearly defines the scope of work, *output-focused* key performance indicators (not activities delivered), and how the organization will be expected to engage the City.

4. Create a contract for service that clearly outlines roles, responsibilities, and expectations.

5. Require a say in the recipient organization's governance arrangements (e.g., board observer, quarterly reporting, step in audit rights, etc.). In all likelihood, the city will become the recipient's largest funder. As such, it is appropriate for the city to have a role in governance and oversight.

6. Make sure the contract includes *output-focused* key performance indicators, with agreed definitions and metrics and clear milestones.

If the recipient is likely to be a chamber of commerce, or free-standing economic development corporations, satisfy yourself that the organization:

- Has a credible track record of success.
- Has performed at a high level over a long period of time.
- Will be viewed by stakeholders and residents as credible and apolitical.
- Will be able to deliver the program more effectively.
- Will be able to leverage third-party funding for the program.

DO'S & DON'T'S:

DO:

1. **Collaborate with organizations that you trust.**
2. **Be very clear on your expectations** regarding deliverables, key performance indicators, metrics and reporting.
3. **Agree on a process** and chain of command for decisions and communications.
4. Schedule **regular update meetings** to discuss progress/roadblocks and issues.
5. **Keep councilmembers and administrators regularly informed.**

DON'T:

1. **Don't let cost savings be the only driver** in deciding whether or not to outsource. You must also trust that the vendor can do the job effectively.
2. **Don't expect the vendor to know about challenges/issues** that you have experienced in previous years. If there are skeletons in the closet, disclose these before contracting.
3. Don't forget that **you may be the organization's largest single source of funding**. That means the impact of the relationship goes beyond the parameters of the contract. It is in your interest to ensure the recipient remains financially viable and civically responsible.

B. ASSET MANAGEMENT

ACTION:

Cities should explore ways to leverage real estate, enterprise, or physical city-owned assets to fund economic development programming.

WHY:

Most cities own numerous real estate, infrastructure, and enterprise assets and have a concerted asset management program. However, this program does not usually prioritize investments/reinvestments which deliver economic development goals (which can yield longer-term returns for the city).

Cautionary Tale and Learning Lessons

1. In 2008, the City of Chicago Mayor Richard Daley successfully lobbied for the approval of an agreement which privatized all of the parking meters in the City for a period of 75 years for an immediate $1.157 billion cash infusion (for a one-time payment towards the city's unfunded pension liability). This agreement immediately drew the ire of the public who immediately saw escalating meter rates as well as the Chicago Inspector General at the time who proclaimed the agreement undervalued the system by $975 million. It is expected that by 2021, the initial $1.157 billion will be recouped by the private operator with 62 years left remaining on the lease. The agreement to commercialize Chicago's Parking Meters is considered a case study in what not to do. As other cities such as Louisville, Indianapolis, and Cincinnati have considered commercializing their parking meter assets over the past 10 years, they have been much more cautious in their commercialization efforts.
2. The International Monetary Fund (IMF) released an article in March 2018, which summarized how cities can unluck their public wealth by, " doing a better job of managing their assets." Specifically, as this relates to cities in the U.S., the article references Boston, MA and outlines how the city ban expect to achieve better performance (i.e. up to fourfold based on the research cited) by simply analyzing and reporting their existing assets return on investment (ROI). As such, the article projects that Boston could achieve a 3% return on its commercial assets by managing these more professionally and with independent oversight.

Click here for more information on Cautionary Tale and Learning Lessons.

BACKGROUND:

City assets can include both physical real estate and enterprise (e.g., database) and physical infrastructure (e.g., street lighting).

Cities that are facing funding shortfalls should look at opportunities to monetize or privatize assets. In this way, they may be able to address short-to mid-term budget gaps, avoid layoffs and service cuts, fund new programs, and/or respond to a crisis or unexpected event.

City assets that are commonly commercialized include parking garages, parking meters, airports, landfills, utilities, and infrastructure assets, such as bridges.

Cities can commercialize these assets by:

- Creating a public-private partnership;
- Doing a sale-leaseback, which both provides immediate funding and alleviates future maintenance and operation costs; and
- Utilizing them for immediate opportunities such as incubators/accelerators, shared workspaces, and maker spaces.

Best Practices from International City/County Management Association (ICMA).

Click here for ICMA Best Practices.

Cities should also consider whether a larger asset portfolio would be more attractive to partners.

Cities may need to review existing regulations if they are to maximize the value of the assets.

CASE STUDY:

Surprise, AZ – TechCelerator

During the 2009 Great Recession, the city of Surprise, AZ (a suburb of Phoenix) created a technology incubator to support entrepreneurs. The incubator is housed in a 60,000 ft2, city-owned building, which had previously served as the Surprise City Hall.

The city's economic development team convinced the city's management not to sell the property while the real estate market was depressed.

Instead, the team rolled up their sleeves and, with volunteers and a shoestring budget of $1,000, created the incubator. This involved making physical improvements to the building, reusing existing furniture, fixtures, and equipment, and assigning a part-time staff person to manage the facility.

The incubator offers start-up space, small business assistance, an incubator, affiliate services, co-working space, and global concierge services (soft landing for international businesses).

It also offers below market rent to local startups, as well as administrative support and access to advisers who help the startups "graduate" from the facility within three to five years. The hope is that these startups will then set up shop in the city of Surprise.

IMPACT:

It cost the city ~$6m less to repurpose an existing building, rather than build new. The incubator profits, which are in the range of $25,000 a year, are reinvested into start-up support.

Over 10 years, the incubator has supported 500 new technology jobs, and 50 new businesses, and it continues to be a viable venture.

ADDITIONAL INFORMATION:

https://www.aztechcelerator.com/

C. PROGRAM INTEGRATION

ACTION:

Cities should explore opportunities to integrate complementary departments, agencies, and/or programs, such as economic development, workforce development, community development (planning, building, zoning), neighborhood development, housing, equity/economic mobility, tourism/convention attraction, and finance authorities.

WHY:

Department, agency, and/or program integration may make sense on a number of fronts. It can lead to cost savings, economies of scale, and efficiencies, as well as the ability to leverage additional sources of revenue. It can also help to join up complementary programming, which can lead to more targeted and effective delivery.

BACKGROUND:

The two most popular areas to combine are workforce and economic development. These activities are closely intertwined, with economic development being the "engine", and workforce development being the "fuel."

Integration of these areas can support:

- Joint outreach to employers to discuss support for retention and expansion, as well as workforce training opportunities.
- Combined intelligence and insights into key employers.
- "Double hatting" and more efficient deployment of staff.

Many cities also combine economic and community development activities within one agency. Integrating services such as planning, zoning, and inspections with economic development activities can be an efficient way to share business information and expand outreach. In addition, community development agencies/programs may be able to fund additional staff and programs from their fee-based revenues.

While funding for different agencies/ activities may be allocated for a specific purpose (e.g., workforce development), it can often offset some, albeit very specific, allocations from the general fund or another unrestricted source. For example, a local workforce agency may be able to provide financial resources to a city economic development partner through a contract for services. The same could hold true with private sector trade associations, and educational institutions.

However, the integration of complementary agencies and/or programs can often become highly political, so cities will need to consider integration might affect the new organization.

CASE STUDY:

Baltimore County, MD – Baltimore County Department of Economic and Workforce Development

Baltimore was facing a mismatch between demand for and the supply of skilled labor. In response, the County Executive passed legislation to create a reorganized Baltimore County Department of Economic and Workforce Development.

The reorganized department brought together economic development services for businesses, workforce development services for businesses, and workforce development services for job seekers/workers. Its goal was to make the county a thriving location for businesses, and a place where well educated and trained residents enjoy ample economic opportunities.

The reorganized department's roles include:

- Attracting, retaining, and supporting the expansion of businesses.
- Fostering the creation of high-quality jobs.
- Preparing and training residents for in-demand careers.
- Bringing employers together with the qualified talent they need to succeed.
- Expanding Baltimore County's economic base.

In addition, the department provides oversight of (and coordination with) the Mayor's Office of Employment Development, Visit Baltimore, the Baltimore Office of Promotion and Arts, the Baltimore Convention Center, and the Baltimore Development Corporation.

In 2019, the department realized a year-on-year budgetary cost saving of 9.4%, which can be directly attributed to the merger. In addition to cost savings, the reorganized department has had more success in retaining employers, increasing the employment rate, attracting capital investment, and delivering impact projects.

ADDITIONAL INFORMATION:

https://www.baltimorecountymd.gov/Agencies/economicdev/about-us/index.html

ADDITIONAL RESOURCES :

- Appendix O: Other Municipal-Based Potential and Specific Tools
- Appendix P: Targeted State Funding

APPENDIX: LINKS TO EXTERNAL DOCUMENTS

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