



POPE FLYNN  
GROUP

# Economic [Re]Development Toolbox

South Carolina GFOA

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## 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 19<sup>th</sup> 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

## Economic Development In Context

- Failure of the Union Pacific Railway to market bonds for the second transcontinental railroad and associated bank failure contributed to the Panic of 1873 and led to the failure of many railroads, which had been supported by state and local governments



## Economic Development In Context

- Widespread defaults and litigation lead to severe limits on the ability of government to joint venture with private enterprise, lend the public credit, and undertake financings secured by taxing power
- Bondholders experienced significantly varying outcomes in litigation relating to municipal bonds, leading the market to question representations by local governments and their local counsel
- In response, bondholders demanded that underwriters obtain an objective opinion regarding the bonds, typically from a Wall Street firm
- Bond issues with “nationally recognized bond counsel” sold more readily and the practice became standard in the industry

### Economic Development In Context

- That is all to say that the willingness and ability for governments to find ways to entice industry to locate in its area has a long and colorful history, and continues full tilt



## 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 – anything else??????

## 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?

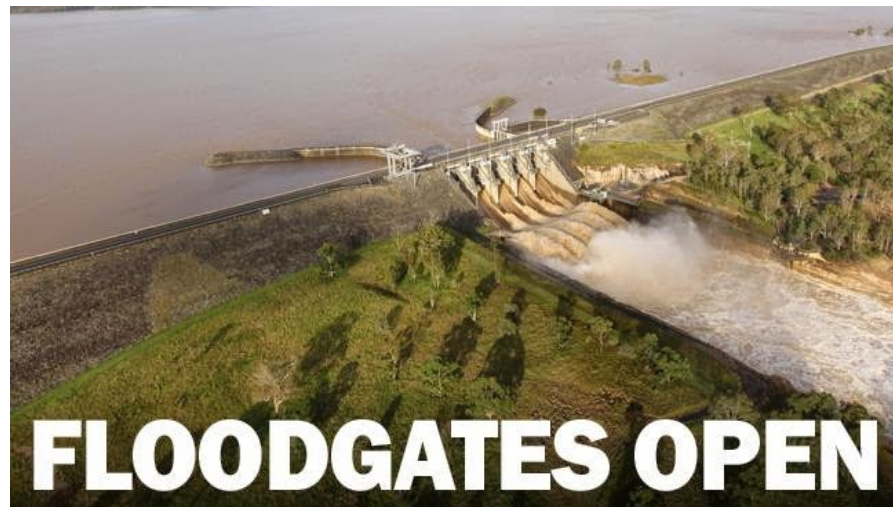
## Economic Development Policy

- 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?



## 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 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?

## 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

- County Incentives
  - Multi-County Business Parks
  - FILOT Agreements
  - SSRC/SSRB
  - Economic Development Rates for Utilities
  - General Obligation Bonds
  - Grants
  - Revenue Bonds (can be a difficult fit)



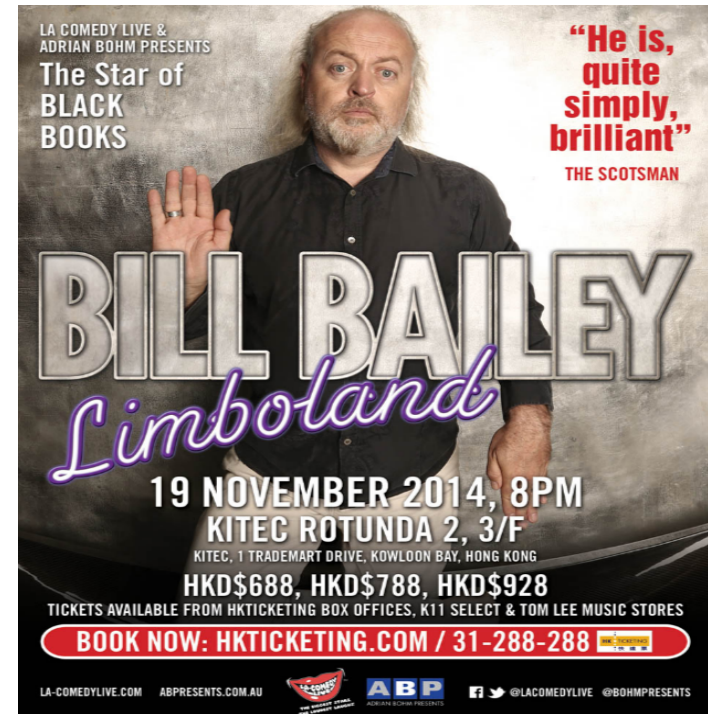
## Economic Development Incentives

- Municipal Incentives
  - Consent to Multi-County Business Parks
  - Tax Increment Financing Districts
  - Municipal Improvement Districts



## Economic Development Incentives

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



## Economic Development Incentives

- Special Purpose District Incentives
  - Economic Development Rates for Utilities
  - ?????

## Economic Development and Regionalism

*“A region is an area safely larger than the last one to whose problems we found no solution.”*

- Jane Jacobs



## 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



## Economic [Re]Development Toolbox

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