

EXECUTIVE SUMMARY: DRAFT ECONOMIC INCENTIVE POLICIES

Expanding Jackson County's Economic Potential

The Office of Economic Development and the Business and Industry Advisory Committee have been reviewing options for economic incentive policies as requested by the Board of Commissioners. Jackson County is one of only two in the 18 western counties without an incentive policy – the other being neighboring Swain County. The School of Government estimates that 75% of the state's 653 local governments use economic incentives. *The adoption of these three policies will allow Jackson County to expand the range of development tools that it needs to succeed in today's competitive economic environment.*



Comparatives and Best Practices

We utilized responses from nearly 100 other governments to determine what models might work best for us and what other communities advised from their experiences. From those responses, we developed these policies using examples from counties of similar population and industry, with an emphasis on job creation. We selected the model of using a strategic policy to guide the implementation of both discretionary and statutory incentive programs, relying on the same variety of incentive options used by other local governments.

Legal Issues: North Carolina Statutes

North Carolina limits incentive activities by local governments under NC G.S. 158-7, which requires that all economic development appropriations are funded only by the levy of property taxes and the allocation of other revenues not restricted by law. This statute also defines what specific activities may be undertaken by local governments, allowing two types of programs: *statutory*, which are open to all businesses and offer a fixed incentive based on specific criteria, and *discretionary*, which allow local governments to offer a variety of incentives on a case-by-case basis. *These draft policies rely on cash grants based on property tax revenues to supply the funds for any economic incentives and utilize both a statutory and discretionary approach.*

Draft Policy Overview

- *The Economic Development Strategic Policy* establishes County authority over the program and outlines the general implementation and review measures.
- *The Discretionary Economic Incentive Policy* authorizes custom incentive packages created on a case-by-case basis, which are typically reserved for projects in which incentives other than cash grants are needed.
- *The Statutory Economic Incentive Policy* establishes an Economic Development Incentive Program, open to all applicants who meet specific criteria, which offers cash incentives for minimum job creation.

Protecting Our Investments

In all cases, draft policies include language that retains the right of discretion for the County and establishes Economic Development Agreements (EDAs) containing what are often called “clawback provisions” for every incentive granted. These EDAs establish means for regaining incentives should a company fail to meet its obligations and allow the County to audit or examine those companies for the satisfaction of performance standards. *All policies should include language that requires each applicant to demonstrably prove that without County support the jobs proposed would not be created in Jackson County, and protects the County's discretionary authority in making final decisions on incentive awards.*

Request for Review

We ask that you carefully review these policies for compliance with North Carolina and federal laws, suggested templates for EDA contracts, and alignment with county economic development goals. The full research report is available in our office and we are happy to answer any questions you may have.