

Economic Development 101

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Leadership NC Class 31

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Different Definitions

“Economic well-being and quality of life of a nation, region or community are improved according to targeted goals or objectives” – Wikipedia

“The process by which the overall health, well-being, and academic level of the general population improves” – Market Business News

“The process in which an economy grows or changes or becomes more advanced, especially when economic and social conditions are improved” – Cambridge Dictionary (Lego video)

Growth v. Development

Growth is about change in economic factors – number of jobs, wage levels, property values

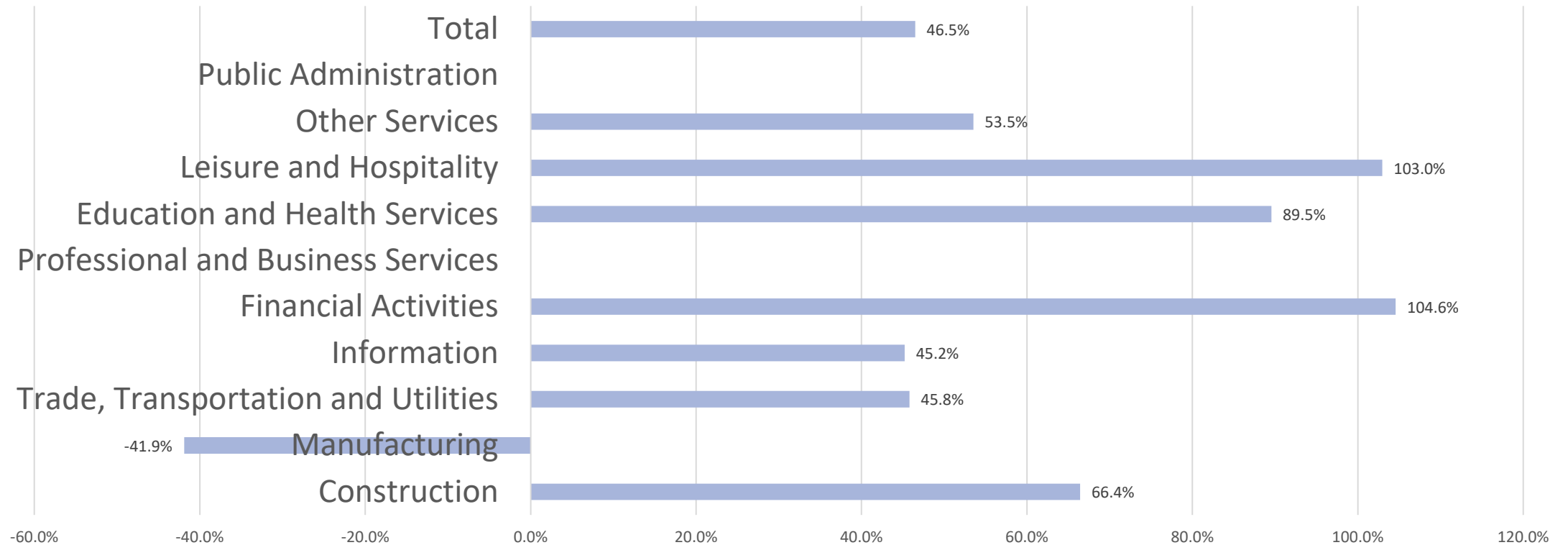
Development is more about the long term

Be Careful

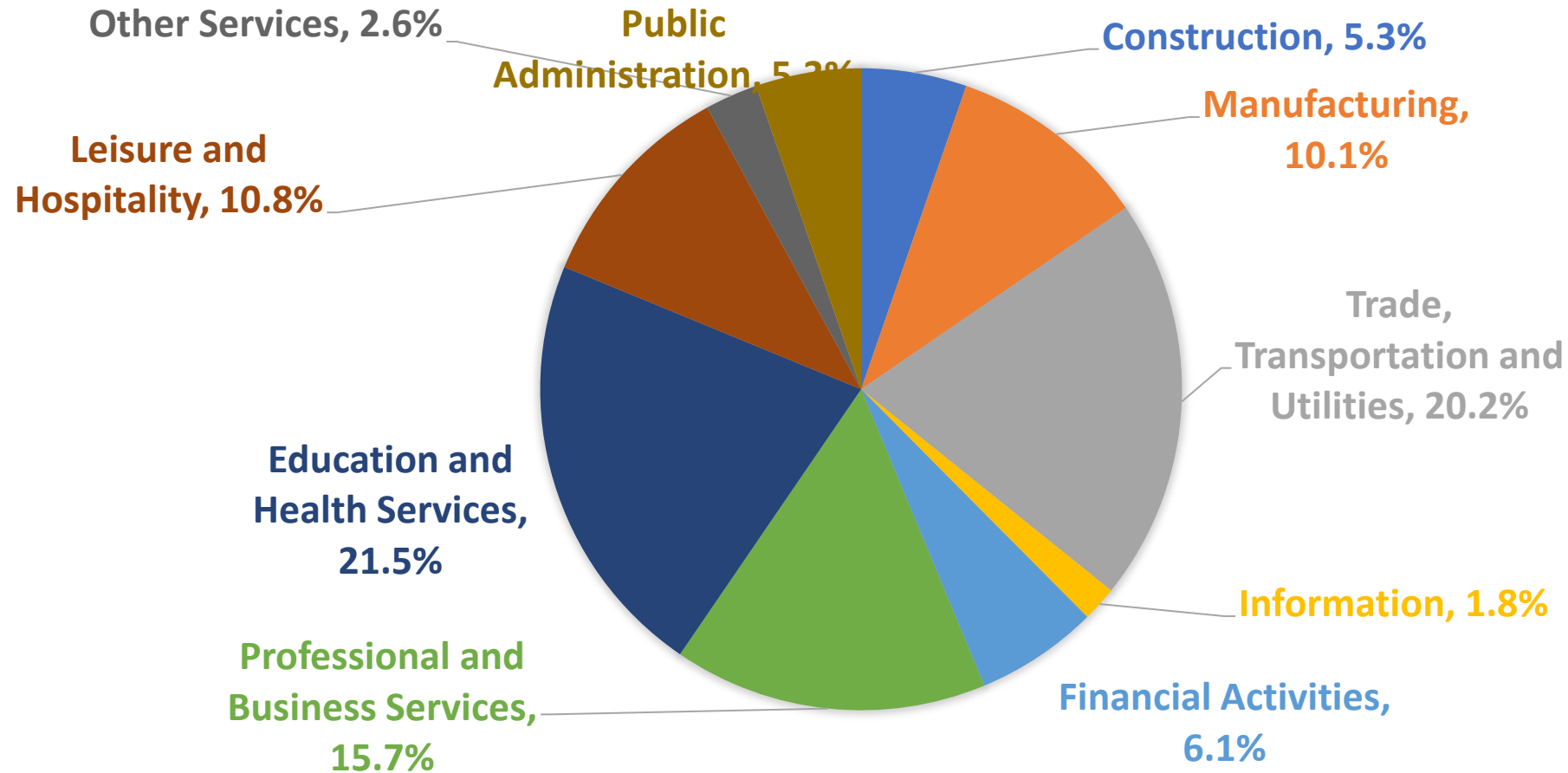
	1993 Manufacturing	1993 Total	1993 % Manufacturing	1993 % of State Total
Guilford	55,564	235,476	23.6%	7.3%
Wake	25,869	274,849	9.4%	8.6%
Total	831,469	3,207,241	25.9%	
	2022 Manufacturing	2022 Total	2022 % Manufacturing	2022 % of State Total
Guilford	31,787	284,390	11.1%	6.0%
Wake	22,290	617,818	3.6%	13.1%
Total	473,463	4,698,369	10.0%	

The Economy Has Changed

% Change NC Employment by Sector, 1993-2002



And Guess Which Sector Employs Most?



Economic Development is Small Piece of Economy

Economic development projects are most commonly manufacturing projects (69 percent of 2023 total was manufacturing)

Economic development projects are a fraction of job creation: 190,000 jobs created in 2022 (28,690 Commerce/EDPNC projects)

Economic Development Projects

Are considering more than one state/nation

Have to meet certain job quality criteria

Generally make or sell a product or service that transcends community lines (traded sector)

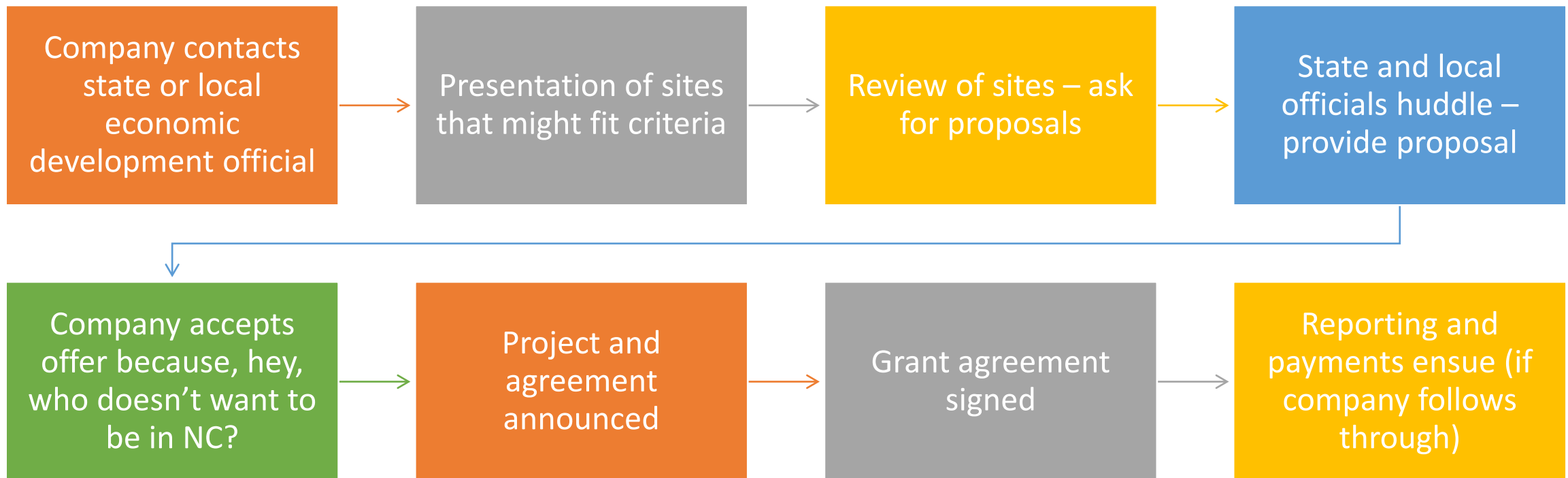
The Economic Development Industry is New

- Loss of Mercedes Plant to Alabama Was a Trigger (early 1990s)
- Tension between meeting market failure & meeting market demands
- Advent of Tier System and Tax Incentives (late 1990s)
- Growth in cash grants (One NC to **Job Development Investment Grant (JDIG)** – 2003)
- Reduction in tax rates/elimination of tax credits (2011ish)
- Establishment of EDPNC (2014)
- Advance of larger and upfront grants for megaprojects (last few years)

Terms

- **Incentives** cash or near cash payments to companies
- **JDIG** state cash incentive program
- **Tiers** measure of relative economic health of the state's 100 counties
- **Megaprojects** projects over 1,000 new jobs and/or \$500 million in capital investment
- **Clawbacks** mechanism for govt to reclaim cash already paid if companies fail to meet goals
- **Performance-based** incentives only paid after company meets goals

Process



A Minute on the Tier System

100 counties ranked

- 40 most economically distressed (Tier 1)
- Next 40 most distressed (Tier 2)
- 20 least distressed (Tier 3)

Rankings based on four metrics –per capita property values, population change, median income, unemployment rate

Everyone wants to be in lower tier

Relative nature is a problem

Cutoff is a problem

Not as Big a Risk to the Taxpayer

North Carolina generally provides incentives only:

- - after jobs or other criteria have been met
- - after model has been used to prove cost-benefit

Grants called incentives actually have direct benefits beyond company

- - water, sewer infrastructure can be used for the next project
- - worker training (even customized) builds individual skill

Community Economic Development

- Downtown revitalization
- Local programs
- Building Reuse
- Equitable Economic Development



A row of wooden figures, with one red figure standing out in the center. The figures are arranged in a line, receding into the distance. The background is a light blue gradient.

Not a Substitute for Solid
Fundamentals

What Are Fundamentals?

Labor

- Quality of Labor
- Quantity of Labor

Location

- Proximity to markets

Infrastructure

Taxes

Regulation

Quality of Life

Other Criticisms

Giving companies money for projects that would happen anyway

Bias for the new shiny object over the tried and true

Helps those who know how to “work the process”



Questions?



What Are the North Carolina Trends?



Perennial

Urbanization

Manufacturing transition

Aging/Changing Demographics



Emerging

COVID reactions

Clean energy/climate

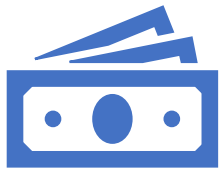
Biggest Changes Last 30 Years

- Union
- Johnston
- Pender
- Wake
- Brunswick
- Mecklenburg
- Cabarrus
- Hoke
- Currituck
- New Hanover

- Hyde
- Scotland
- Martin
- Graham
- Washington
- Edgecombe
- Tyrrell
- Bertie
- Halifax
- Rutherford



EDPNC Quarterly Report

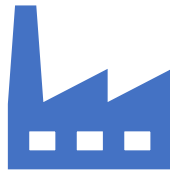


Pipeline

241 projects

\$53 billion in investment

74,500 jobs



86 percent manufacturing



85 projects went elsewhere

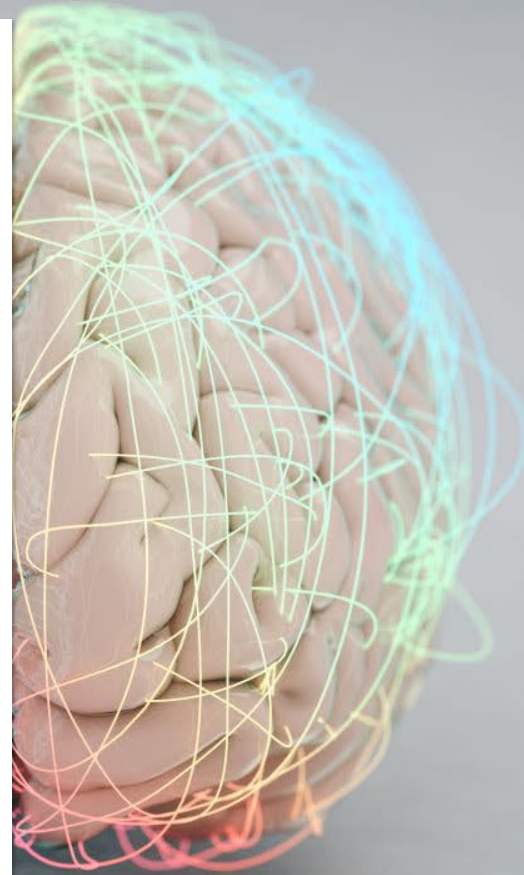
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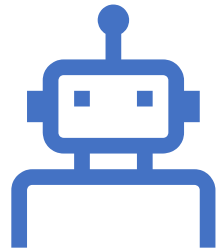
Proximity to supply chain

Labor Force Changes (Quantity)

- Rural brain drain
- Changes in Aging (baby boomers retiring)



Labor Force Changes (Education/Quality)



State driven and
controlled



Priority has been higher
education



Also gets to quality of
life

Post-COVID Changes

War for talent is more intense (leisure/hospitality)

Bigger firms had more access to financial capital

Worker supports more important

- Child care
- Health care
- Flexible schedules

Post-Covid and Federally-Influenced Changes



SUPPLY CHAIN
QUESTIONS



CLEAN ENERGY/GREEN
TECHNOLOGY

Big Projects Are Clean Energy Related



Toyota

EV batteries



VinFast

EV vehicles



Kempower

Electric charging stations



Epsilon Advanced EV battery inputs

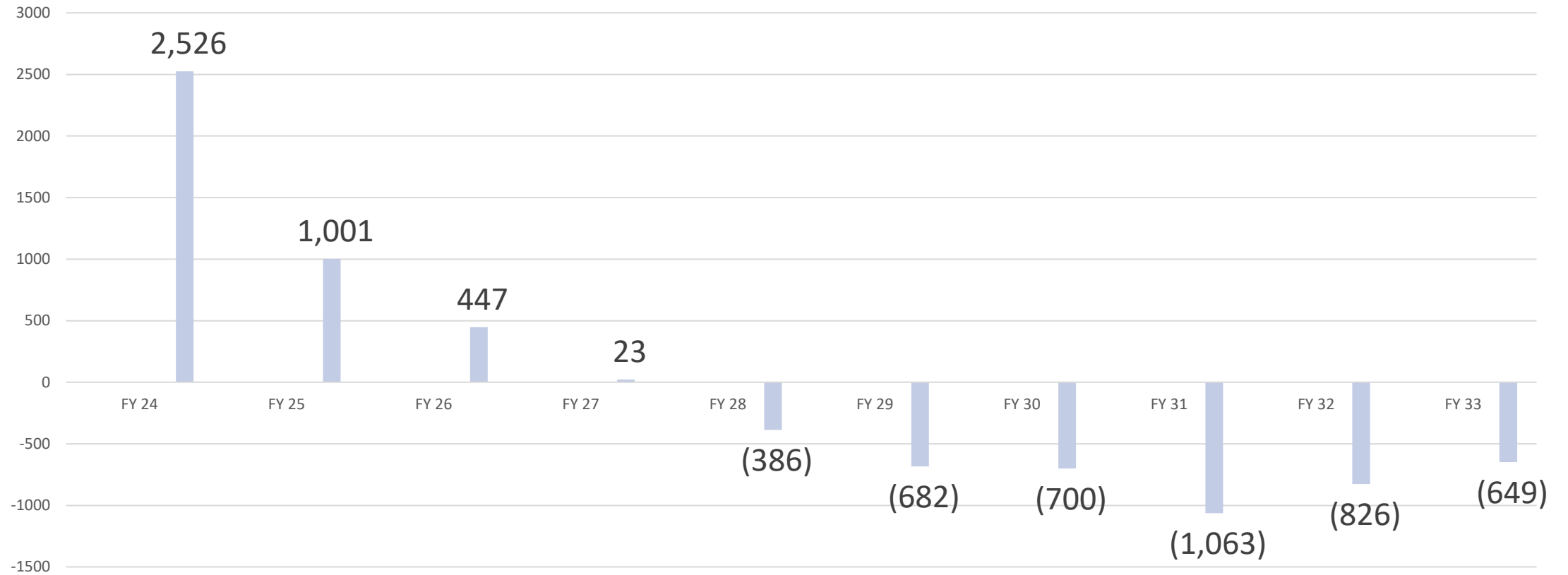
Recent
Policy Strengths

Infrastructure
Investments

Tax rate
reductions

A Note of Caution on the Budget Future

Difference Between Statutory Revenues and Spending at 3.5 percent annually





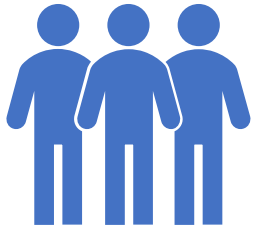
Wildcards

- Concentration of growth
 - Housing costs
 - Traffic congestion
 - Grid demand
- Casinos/Legalization of Marijuana
 - Not dead yet

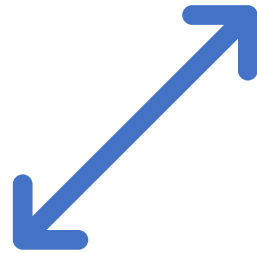
What Next?

- Wake/Mecklenburg: Regain momentum, post-office
- Collar counties: Diversify base beyond residential
- Manufacturing hubs: Share infrastructure and market talent
- Really rural: Tourism, agriculture innovation

Be Hopeful!



Get more talent ready and employers ready for more talent



Recognize NC strength as a lot of medium-sized communities



Stagnation is the enemy



Questions?

Sources of Data

- Slides 4-6, NC Department of Commerce QCEW data found here <https://d4.nccommerce.com/QCEWSelection.aspx>
- Slide 7 based on author's examination of NC Department of Commerce press releases
- Slide 22 author's calculations from NC Department of Commerce employment data found here: <https://d4.nccommerce.com/LausSelection.aspx>
- Slide 29 author's calculations based on internal fiscal division documents and budget trends