

Economic Development 101

Dan Gerlach
Dan Gerlach LLC
Leadership NC Class 32
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dangerlachnc@gmail.com

252-326-1191

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

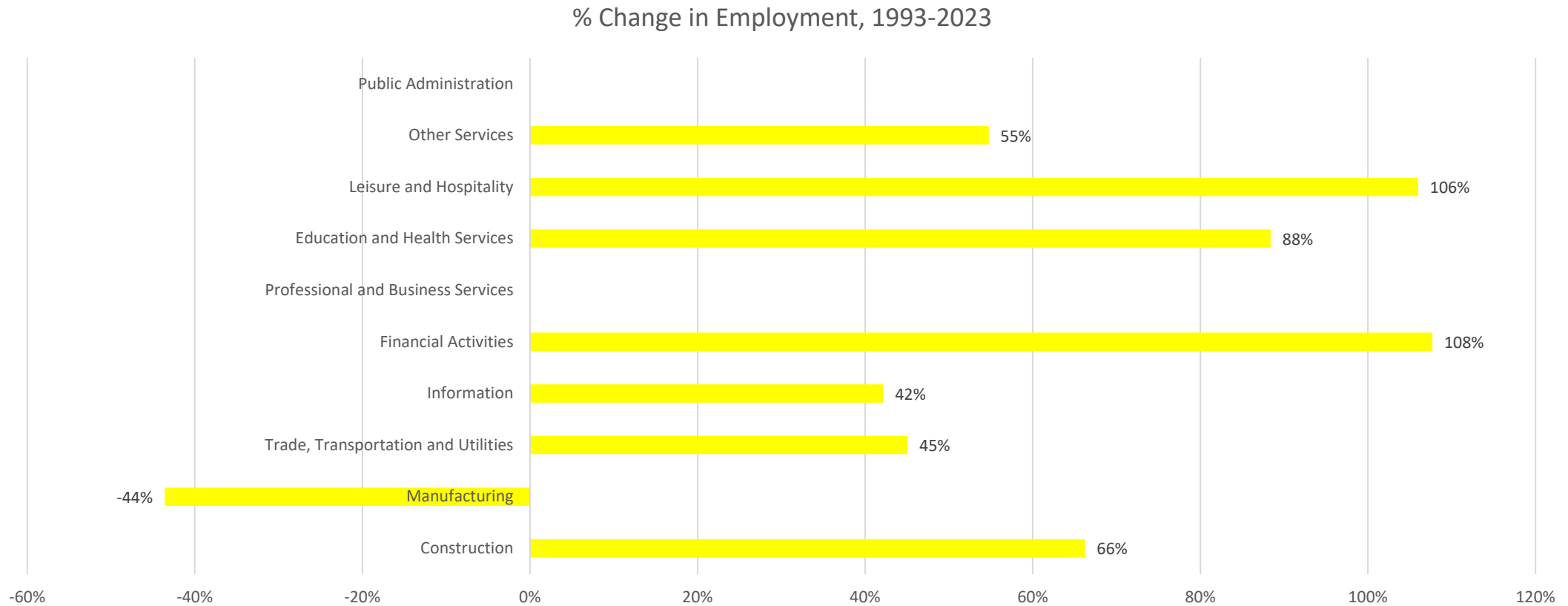
Growth is about change in economic factors – number of jobs, wage levels, property values

Development is more about the long term

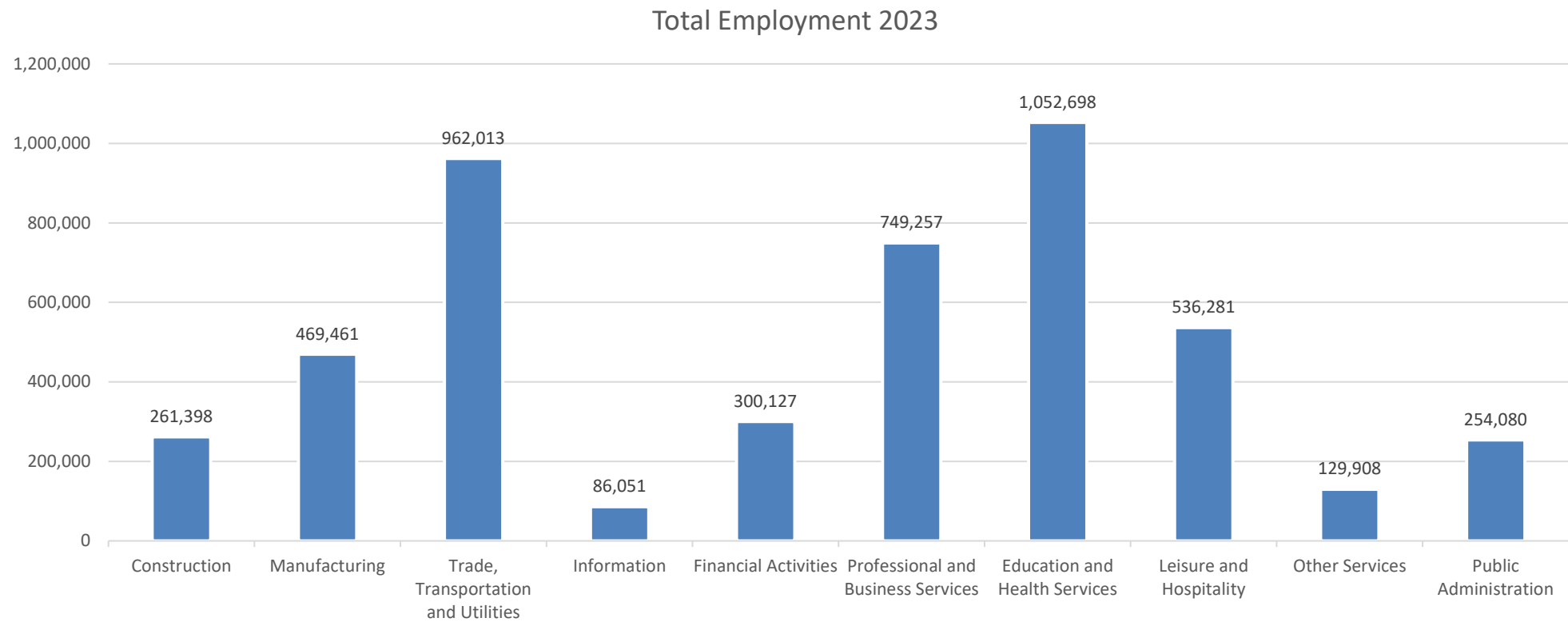
Be Careful

	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%	
	2023 Manufacturing	2023 Total	2023 % Manufacturing	2023 % of State Total
Guilford	31,474	287,091	11.0%	5.9%
Wake	23,057	639,858	3.6%	13.2%
Total	469,461	4,829,450	10.0%	

The Economy Has Changed



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)

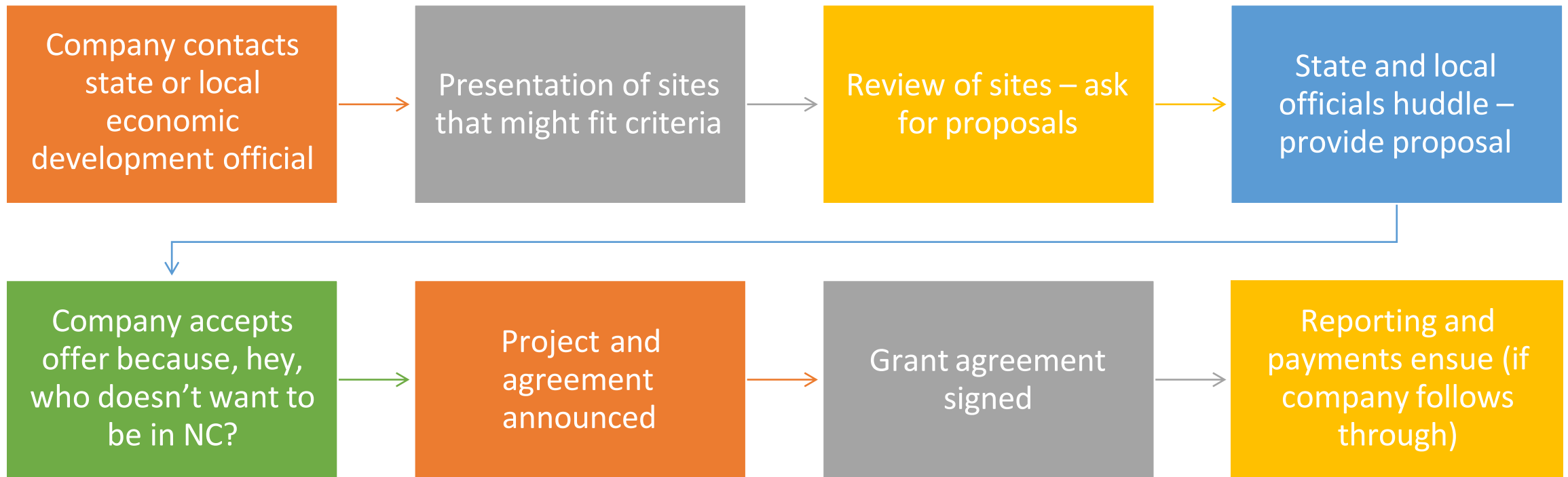
The Economic Development Industry is New

- 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





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

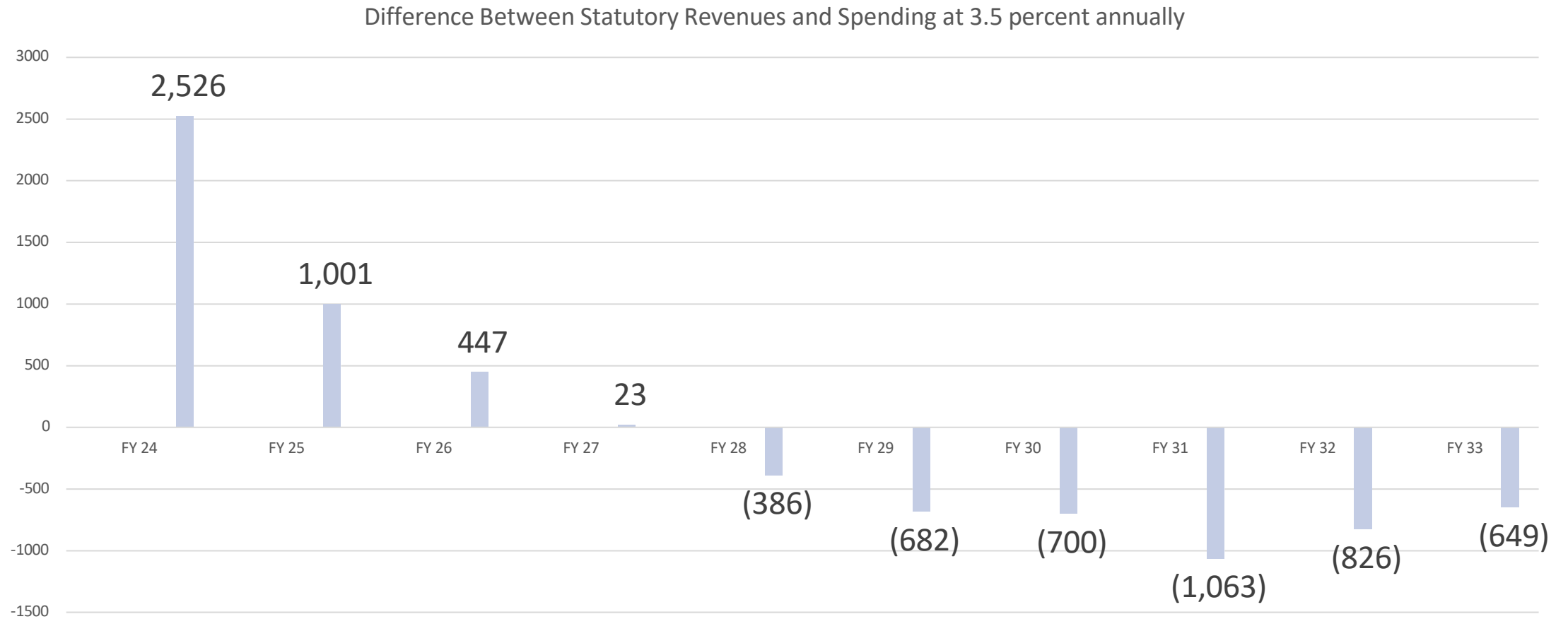
Other Criticisms

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”

A Note of Caution on the Budget Future





Wildcards

- Concentration of growth
 - Housing costs (81% of avg)
 - Traffic congestion
 - Grid demand
- Policy Shocks (clean energy)
- Other Shocks
- Casinos/Legalization of Marijuana
 - Not dead yet

The image features a dense field of 3D question marks. Most are a muted grey color and are slightly out of focus, creating a sense of depth. In the center, one question mark is a vibrant orange color and is in sharp focus, standing out from the rest. The word "Questions?" is written in a clean, white, sans-serif font, positioned directly over the orange question mark.

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 18 author's calculations based on internal fiscal division documents and budget trends