

# Incentivizing Economic Development

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Assistant Professor and Extension Economist  
Food and Resource Economics, UF/IFAS

Manatee County Workshop

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BUSINESS DEVELOPMENT, ECONOMIC POLICY, ECONOMY, JOBS

## Foxconn qualifies for third round of state subsidies for scaled-down development

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BY JOE SCHULZ • DECEMBER 11, 2023

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By Rick Brooks Staff Reporter of The Wall Street Journal

April 3, 2002 12:01 am ET



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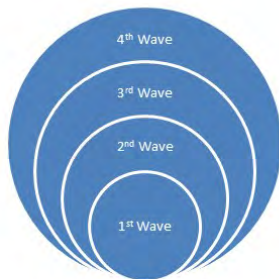
By Scott Calvert [Follow](#)

Nov. 26, 2018 5:30 am ET

# Four waves of economic development strategy thinking

Think of waves as cumulative strategies that build on each other

- Adapt to a changing economy
- Meet emerging needs
- Integrate new knowledge



# 1st wave focuses on industry recruitment

Arose from local efforts in 1930s to aid recovery from the Great Depression and diversify economy



**MISSISSIPPI**  
*A Great Agricultural State*  
*Going to town*  
**INDUSTRIALLY**

**T**HROUGHOUT the nation attention centers on Mississippi's program to secure an equitable balance of agriculture with industry. Business leaders already are inquiring as to progress and results.

**Here Is The Answer**

- Value of manufactured products UP 67 per cent.
- Number of industrial workers UP 33 per cent.
- Industrial payrolls UP 46 per cent.
- AND—26 new major industries have located in Mississippi within the past six months.

**And Here Are The Reasons**

- MISSISSIPPI abundant in natural resources—clay, timber, natural gas, abundant water supplies, sea food, fertile farmlands producing basic crops.
- MISSISSIPPI labor is 99.6 per cent native born.
- MISSISSIPPI has enacted new legislation for the balancing of agriculture with industry.
- MISSISSIPPI, already adequately served by rail and water lines, is paving 4700 miles of new highways to complete her distribution system. Modern transmission lines provide low cost electric power from Tolk and private systems.
- MISSISSIPPI cities and towns offer friendly cooperation and assistance to sound industries seeking new locations or wishing to expand present facilities.

**Write Today for Your Copy**

of this illustrated booklet, "Mississippi's Industrial Future," which tells you why and how to get into the industrial market.

**MISSISSIPPI INDUSTRIAL COMMISSION**  
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- Limited taxation
- Tax abatements



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Counties need to **know the ROI**



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## Ideas relevant today

“Consistently ranked one of the best states for business, Florida is committed to **keeping regulatory requirements and business taxes low**. That and a strong economy and **zero personal state income tax** make it a great place to do business.”

**-Florida Economic Development Organization**

“Tennessee is proud to be a **right-to-work state** with **no personal income tax** on wages. Our **state and local tax burdens are among the lowest in the country**, and our state budget operates with a healthy surplus rather than a deficit... Successful overhaul of our **tort and worker compensation laws**.”

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### **Three sources of growth in economic development:**

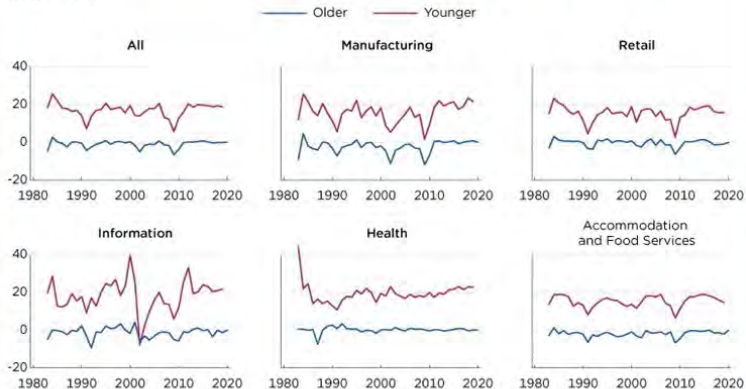
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# Entrepreneurship and job creation

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## Net Job Creation Rate for Select Industries: Older vs. Younger Firms

(In percent)

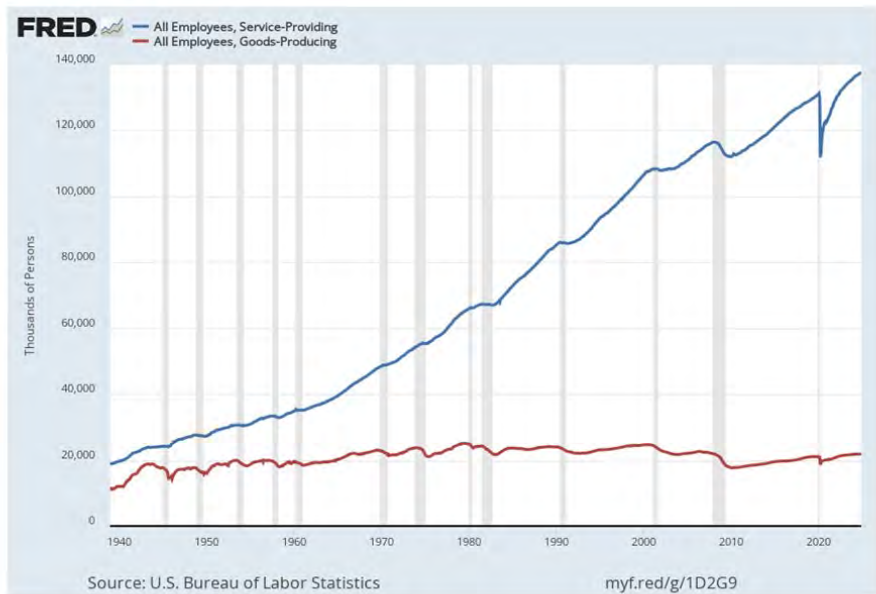


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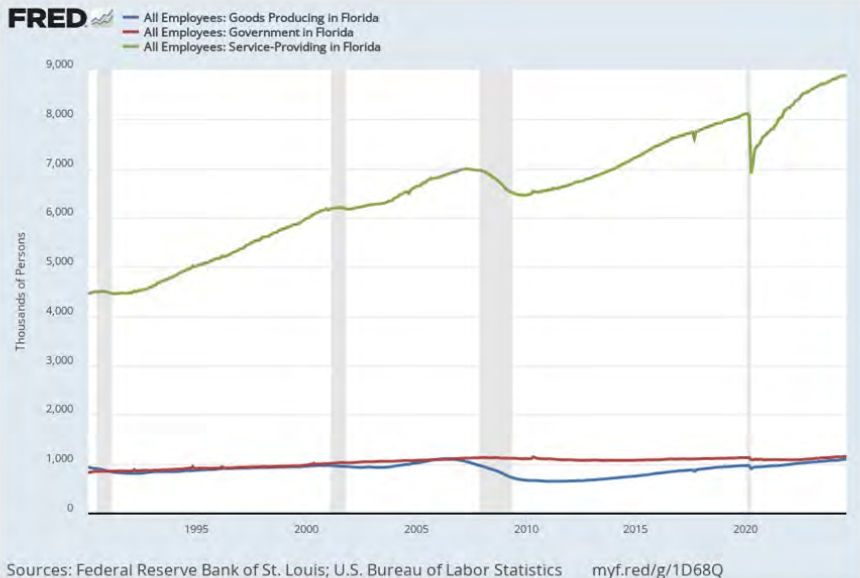
Source: U.S. Census Bureau, 2019 BDS dataset:

<[https://www2.census.gov/programs-surveys/bds/tables/time-series/bds2019\\_sec\\_fa.csv](https://www2.census.gov/programs-surveys/bds/tables/time-series/bds2019_sec_fa.csv)>

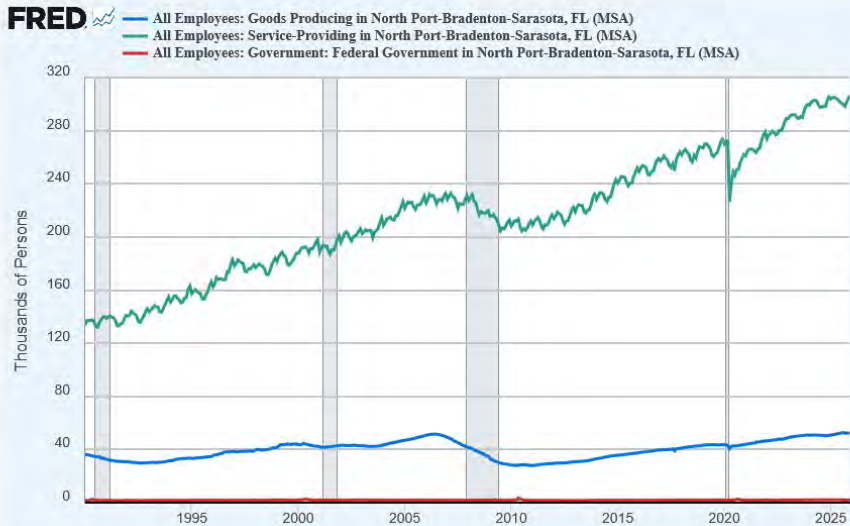
# US transition towards a service-producing economy



# What about Florida?



# What about Manatee?



Sources: Federal Reserve Bank of St. Louis; U.S. Bureau of Labor Statistics via FRED®

fred.stlouisfed.org

## 3rd wave focuses on public-private partnerships and growing industry clusters

Flows from research in the 1990's and 2000's on firm location theory

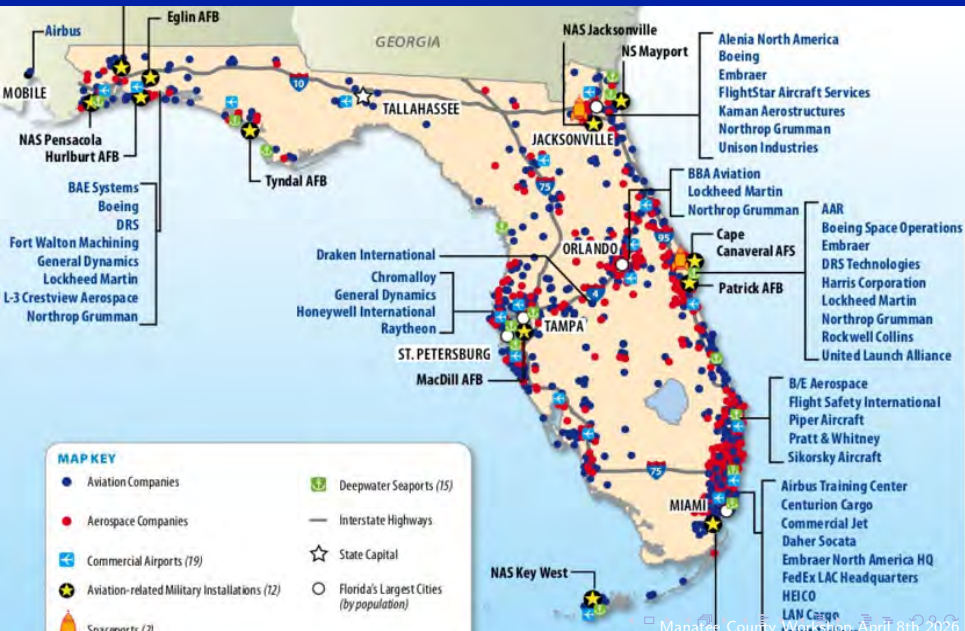
Firms in some industries find it optimal to locate close to one another (economies of agglomeration)

- Tighten supply chains
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### Key takeaways:

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# Aerospace clusters in Florida



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When considering industry clusters, think about your county's strengths, or "**comparative advantages,**" and which industries these most complement

Incorporate a **systems thinking approach** to economic development beyond taxes, labor costs, land prices, and regulations

**Food for thought:** What industry clusters exist or are emerging in Manatee? What opportunities exist to support those clusters?

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Entrepreneurship literature has long shown that **quality of life** is one of the most important factors in location decision (Halstead and Deller 1997):

- Found that QOL factors were far more important than taxes and infrastructure to startups
- “Find an area that you want to live, and then start your business.” - survey respondent
- Florida has a **comparative advantage** in this arena, is your community leveraging it?

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Shift in focus from “jobs, jobs, jobs” to “people, people, people”

# Place-Making attracts the people that attract development

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**A welcoming community**

# Manatee County Economic Development Incentives – Waves Overview

Incentive	Description	Wave
Rapid Response Team Incentive	Expedited county review for new or expanding businesses.	2nd Wave
EDI Grant	Grants for high-wage job creation and investment, paid for performance.	1st Wave, 2nd Wave
SWD EDI Grant	Incentives for SWD businesses creating jobs and investing in redevelopment.	2nd Wave
Local Jobs Bonus	Bonus for hiring from SWD focus areas.	2nd Wave
Inclusive Econ. Development Bonus	Bonus for employing graduates of local inclusive programs.	2nd Wave, 4th Wave
Alternative Transportation Impact Fee	Reduces impact fees for businesses creating quality jobs.	1st Wave
SWD Alternative Transportation Impact Fee	Impact fee relief for targeted industries in SWD via EDI.	1st Wave, 2nd Wave
SWD Facility Inv. Fee Reimbursement	Reimbursement of facility fees for quality job creation in SWD.	1st Wave, 2nd Wave
SWD Permit Fee Reimbursement	Covers building permit fees for qualifying businesses in SWD.	1st Wave, 2nd Wave
Economic Development Ad Valorem Tax Exemption (EDAVTE)	Tax exemption for manufacturers creating high-wage jobs.	1st Wave

Manatee County is doing a great job implementing 1st Wave and 2nd Wave incentives at the local level, and there are opportunities to further diversify the strategy with 3rd Wave and 4th Wave incentives.

# Model 3rd and 4th Wave County Initiatives

County	Program	Brief Description	Wave
Hillsborough, FL	Manufacturing Academy & Apprenticeship/Internship	Provides workforce training, credentials, and on-the-job learning opportunities for students, veterans, women, minorities, and underserved communities through private-sector partnerships.	3rd Wave, 4th Wave
Franklin, OH	Food Fort	Food business incubator that provides loans, training, technical assistance, marketing support, and access to a commercial kitchen for entrepreneurs.	3rd Wave
Alameda, CA	New Beginnings Initiative	Provides job skills, arts education, mentoring, and employment opportunities for at-risk youth through partnerships with the private sector and county departments.	3rd Wave, 4th Wave
Tarrant, TX	Infant Toddler Developmental Screening Initiative	Coordinates developmental screenings and referrals for infants and toddlers through county and community partnerships to improve school readiness and long-term economic self-sufficiency.	4th Wave

# Dashboard to help counties track economic development progress

[Access County Dashboard](#)

**Track key economic indicators and benchmark performance**

**Thank you for your time  
Please complete the learning outcomes survey!**

**Email: [n.palardy@ufl.edu](mailto:n.palardy@ufl.edu)**

## Case Study: Data centers

The standard data center development model of high pressure, speedy dealmaking and nondisclosure agreements delivers short-term construction jobs and revenue, but little durable local economic upside

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Data from the U.S. Chamber of Commerce's Technology Engagement Center showed that economic benefits of a typical large data center decline substantially after the construction phase:

- 1,000-ish short term jobs (construction)
- <200 operational jobs (ongoing, longterm)
- Aside from ongoing tax revenue, little tangible benefits to community

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Recent examples suggest that negotiated data center co-investments can anchor regional tech ecosystems:

- **Public-Private Partnerships:** Microsoft helped open a manufacturing-focused AI Co-Innovation Lab on the campus of the University of Wisconsin-Milwaukee to leverage AI adoption in the manufacturing sector
- **Workforce Pipeline:** Microsoft partnered with Gateway Technical College to launch Wisconsin's first Datacenter Academy to train more than 1,000 students over five years for high-demand data center roles

# Incentivizing Economic Development

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# Common perception of economic development incentives

BUSINESS DEVELOPMENT, ECONOMIC POLICY, ECONOMY, JOBS

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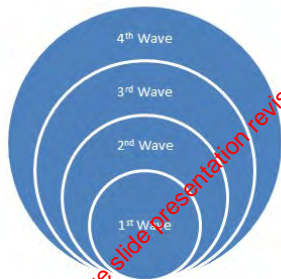
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# Mississippi Balance Agriculture with Industry Program (1936)

Created to aid recovery from the Great Depression and diversify economy

First to base rationale around the idea of creating a **positive business climate**:

- Cheap labor
- Cheap land
- Limited regulation
- Limited taxation

First shots in “new war between the states” for manufacturing jobs

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# 1st wave focused on industry recruitment

Flows directly from Mississippi Balance Agriculture with Industry Programs and directed at attracting large firms

“What is good for General Motors is good for America” - Charles Wilson, former CEO of GM

A positive business climate usually means **reducing or subsidizing the cost of doing business**

- Tax abatements
- Cheap or free land/buildings
- Less regulation
- Cheaper labor (right-to-work, lower minimum wage)
- Tort reform
- Public dollars invested in infrastructure

Implies a competitive, zero-sum game approach to development

## Ideas remain prevalent today at the state level

“Texas offers companies of all sizes and all industries one of the **best business climates** in the nation, with a fair, transparent tax and regulatory structure designed for businesses to succeed. With **no corporate or personal income tax**, companies doing business in Texas enjoy one of the lowest overall tax burdens in the country. Texas prides itself on being a **right-to-work state**, and will continue to make strategic investments to ensure it maintains our competitive advantage, allowing businesses to prosper and grow.”

-Texas Office of the Governor

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**-Tennessee Department of Economic and Community Development**

**Trivia:** Which state has the 2nd lowest beer excise tax (used to be 1st)?

## 2nd wave focuses on business retention and entrepreneurs

Emerging research in the 1980s challenged the existing model for economic development:

- 1) Existing firms were responsible for majority of new jobs nationally (80% Birch 1981, 40%, Kraybill 1995)
- 2) Entrepreneurship essential for job growth (Birch 1987, Haltiwanger, Jarmin & Miranda 2011)
- 3) National transition from a goods producing economy to a service producing economy

### **Three sources of growth in economic development:**

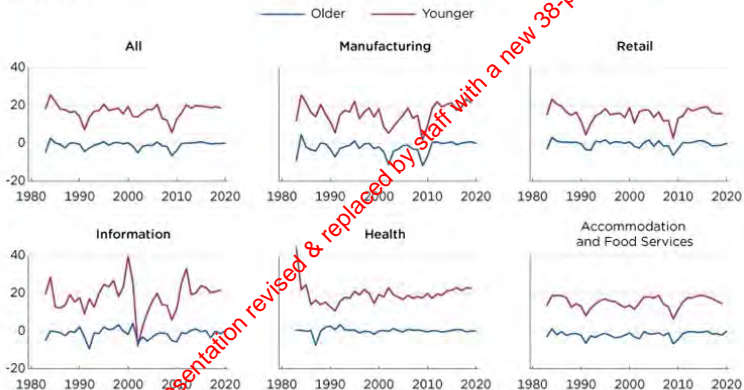
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- Growth/expansion of existing firms (business expansion and retention) (2nd wave)
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# Entrepreneurship and job creation

Figure 2.

## Net Job Creation Rate for Select Industries: Older vs. Younger Firms

(In percent)

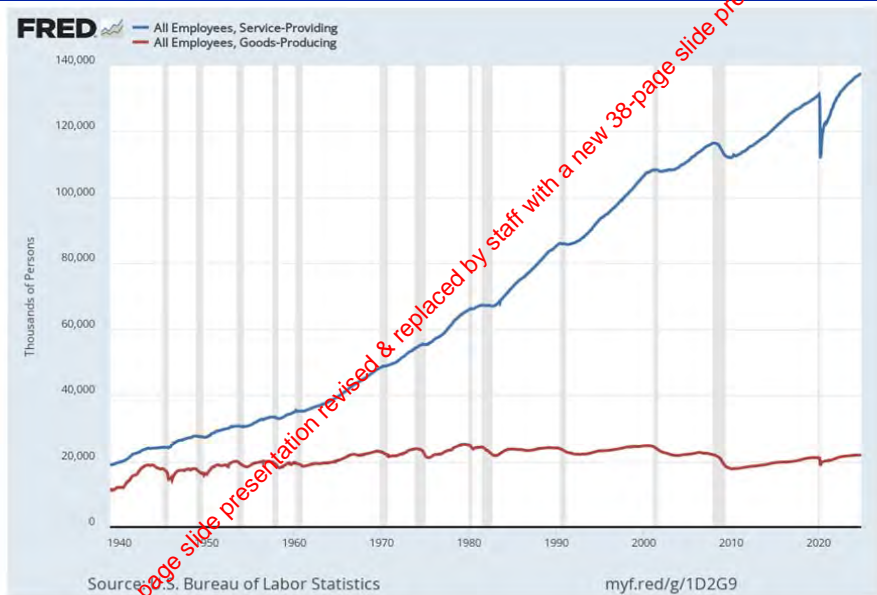


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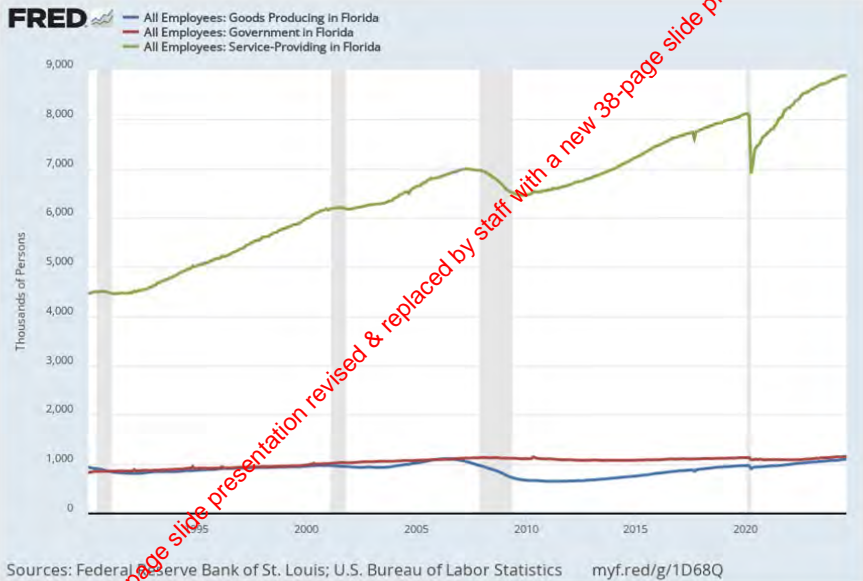
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# US transition towards a service-producing economy



# What about Florida?



# Rise of Business Retention and Expansion programs

## Key components of a Business Retention and Expansion (BRE) program:

A BRE program is a proactive approach to economic development designed to help local governments **better understand the challenges and opportunities businesses in the community face** and connect them with the resources that they need to succeed.

BRE also focuses on gathering feedback and insights on the overall business climate, which is aggregated and **analyzed to identify trends**

**UF AskIFAS series on how to launch a successful Business Retention and Expansion Program**

**Guide to conducting a Business Owners Survey**

# 3rd wave focuses on public-private partnerships and growing industry clusters

Flows from research in the 1990's and 2000's on firm location theory

Firms in some industries find it optimal to locate close to one another (economies of agglomeration)

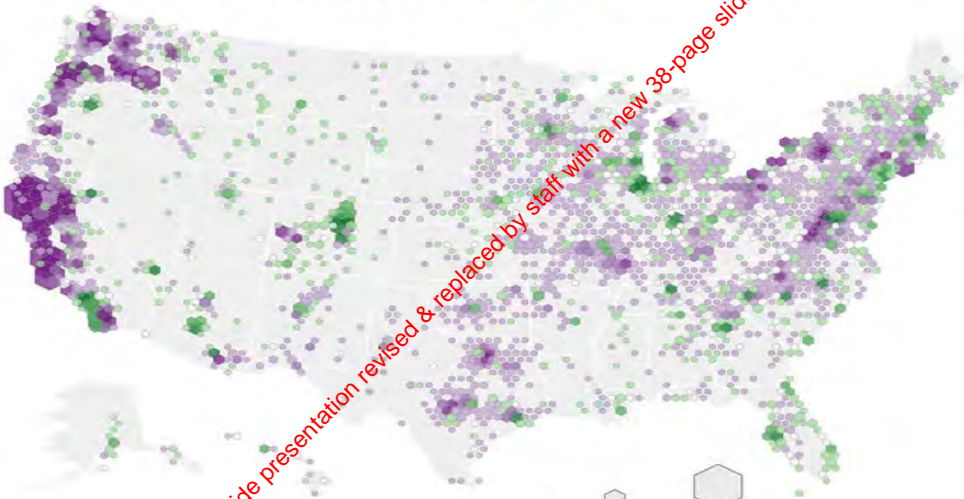
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# Brewery and winery clusters

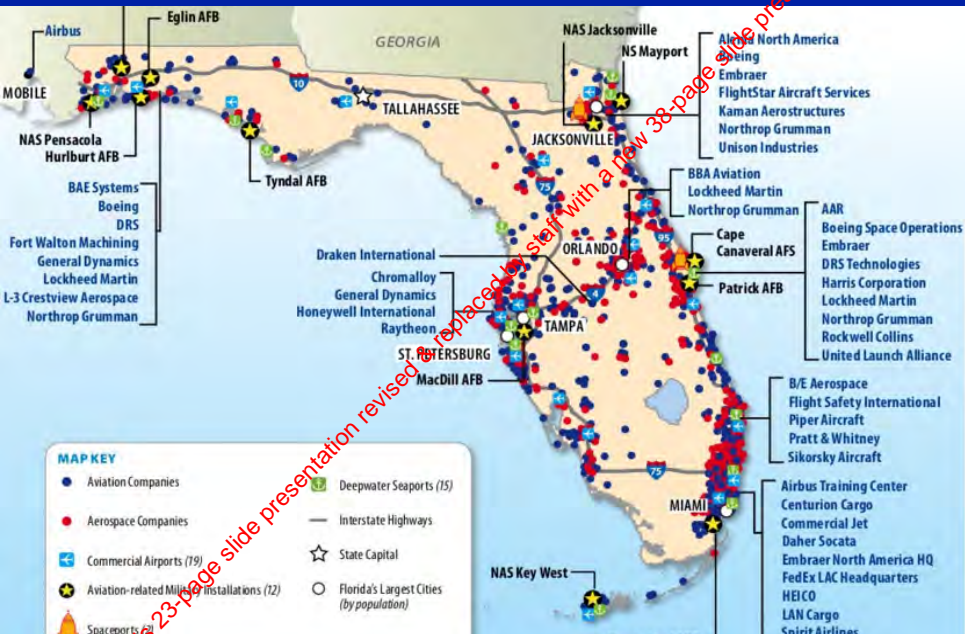
MORE WINERIES MORE BREWERIES



*This 23-page presentation revised & replaced by staff with a new 38-page slide presentation*

Hexes sized by total # of breweries and wineries in that area: 1 50 500

# Aerospace clusters in Florida



# 3rd wave: Public-private partnerships and growing industry clusters

Viable clusters are more than just businesses interconnected through geographically grouped supply chains

**Strong social capital and professional networks** key components of viable clusters

Incorporates a **systems thinking approach** to economic development beyond taxes, labor costs, land prices, and regulations

**Food for thought:** How can counties strengthen professional networks and social capital within industry clusters?

## 4th wave: “Place-Making” as an economic development strategy

Recent economic development studies suggest that **jobs follows people** more than the other way around (Deller 2021)

Entrepreneurship literature has long shown that **quality of life** is one of the most important factors in location decision (Halstead and Deller 1997):

- Found that QOL factors were far more important than taxes and infrastructure to startups
- “Find an area that you want to live, and then start your business.” - survey respondent

Shift in focus from “jobs, jobs, jobs” to “people, people, people”

# Examples of “Place-Making” as community economy development

**Good schools**, not only as labor pipeline but also to attract young families

**Public safety**, do I feel safe walking my dog at midnight

**Viable local business organizations**, including professional development opportunities

**Community cultural events** (fairs, festivals, farmers markets, celebration of local culture and art)

**Early childhood education** and care (can help address labor shortage)

**Support for entrepreneurs** and networking opportunities for small businesses

**A welcoming community**

# Manatee County Economic Development Incentives – Waves Overview

Incentive	Description	Wave
Rapid Response Team Incentive	Expedited county review for new or expanding businesses.	2nd Wave
EDI Grant	Grants for high-wage job creation and investment, paid for performance.	1st Wave, 2nd Wave
SWD EDI Grant	Incentives for SWD businesses creating jobs and investing in redevelopment.	2nd Wave
Local Jobs Bonus	Bonus for hiring from SWD focus areas.	2nd Wave
Inclusive Econ. Development Bonus	Bonus for employing graduates of local inclusive programs.	2nd Wave, 4th Wave
Alternative Transportation Impact Fee	Reduces impact fees for businesses creating quality jobs.	1st Wave
SWD Alternative Transportation Impact Fee	Impact fee relief for targeted industries in SWD via EDI.	1st Wave, 2nd Wave
SWD Facility Inv. Fee Reimbursement	Reimbursement of facility fees for quality job creation in SWD.	1st Wave, 2nd Wave
SWD Permit Fee Reimbursement	Covers building permit fees for qualifying businesses in SWD.	1st Wave, 2nd Wave
Economic Development Ad Valorem Tax Exemption (EDAVTE)	Tax exemption for manufacturers creating high-wage jobs.	1st Wave

Manatee County is doing a great job implementing 1st Wave and 2nd Wave incentives at the local level, and there are opportunities to further diversify the strategy with 3rd Wave and 4th Wave incentives.

# Model 3rd and 4th Wave County Initiatives

County	Program	Brief Description	Wave
Hillsborough, FL	Manufacturing Academy & Apprenticeship/Internship	Provides workforce training, credentials, and on-the-job learning opportunities for students, veterans, women, minorities, and underserved communities through private-sector partnerships.	3rd Wave, 4th Wave
Hillsborough, FL	Competitive Sites Program	Identifies, inventories, and prepares strategic sites for targeted industry development and large-scale expansions, supporting county readiness and cluster growth.	1st Wave, 3rd Wave
Franklin, OH	Food Fort	Food business incubator that provides loans, training, technical assistance, marketing support, and access to a commercial kitchen for entrepreneurs.	3rd Wave
Alameda, CA	New Beginnings Initiative	Provides job skills, arts education, mentoring, and employment opportunities for at-risk youth through partnerships with the private sector and county departments.	3rd Wave, 4th Wave
Tarrant, TX	Infant Toddler Developmental Screening Initiative	Coordinates developmental screenings and referrals for infants and toddlers through county and community partnerships to improve school readiness and long-term economic self-sufficiency.	4th Wave

**Thank you for your time  
Please complete the learning outcomes survey!**

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## Case Study: Data centers

The standard data center development model of high pressure, speedy dealmaking and nondisclosure agreements delivers short-term construction jobs and revenue, but little durable local economic upside

- Brookings Institute

Data from the U.S. Chamber of Commerce's Technology Engagement Center showed that economic benefits of a typical large data center decline substantially after the construction phase:

- 1,000-ish short term jobs (construction)
- <200 operational jobs (ongoing, longterm)
- Aside from ongoing tax revenue, little tangible benefits to community

# Increasing demand for AI services and public backlash are forcing companies to negotiate better deals

AI-era scaling and competition for mega-sites, grid access, and permits are giving state and local governments new leverage.

Recent examples suggest that negotiated data center co-investments can anchor regional tech ecosystems:

- **Public-Private Partnerships:** Microsoft helped open a manufacturing-focused AI Co-Innovation Lab on the campus of the University of Wisconsin-Milwaukee to leverage AI adoption in the manufacturing sector
- **Workforce Pipeline:** Microsoft partnered with Gateway Technical College to launch Wisconsin's first Datacenter Academy to train more than 1,000 students over five years for high-demand data center roles