

ECONOMIC DEVELOPMENT TOOLS & GLOSSARY

ECONOMIC DEVELOPMENT TOOLS AND STRATEGIES GLOSSARY

Advocacy Entity: Planning and management entities separate from governmental agencies responsible for designated areas. Entity assumes promotion of area, manages and coordinates its implementation, initiates actions to move area closer to its vision. Specific functions may include: acquire, assemble, hold and convey land to permit new forms of infill development; facilitate targeted home rehabilitation loans; coordinate and participate in real estate development and infrastructure financing; facilitate actions of public agencies responsible for government services; monitor traffic issues and manage parking efficiently; monitor security matters; coordinate the dissemination of market information; establish fees, rates and charges for use of property; and direct marketing and promotion.

Affordable Housing Demonstration Project: Public-private effort whereby public sector contributes land, financing, or the like, and private sector (developer) contributes their expertise and money to joint development of an affordable housing project; program is designed to educate delivery system (property owners, developers, lenders, public officials, community at-large, etc.) on “value” of developing product in the market.

Brownfields: Contaminated former industrial and commercial lands – comprising a portion of sites that could be redeveloped.

Business Recruitment/Retention: Program, frequently administered by an economic development entity, which assists with the recruitment (attraction) or retention of business either into or within a designated area; program elements might include financial assistance, regulatory assistance, and/or marketing.

Capital Access Fund (State): Established to increase the availability of financing for businesses and nonprofit organizations that face barriers in accessing capital; guidelines are generally more permissive than conventional lending criteria. A reserve account is established at the lending institution and fund acts as a credit enhancement, inducing financial institution to make a loan.

Capital Improvement Plan (CIP): Dollars earmarked for improvement and extension of infrastructure in municipalities.

Community Development Assistance (CDA) (State): Authorizes up to certain percent state tax credits to eligible contributors investing in approved community projects; in certain instances applicants must meet economic distress criteria; non-profit developers subject to limitations on per project tax credits.

Community Development Block Grants (CDBG) (Federal): Federal grants, administered through local or regional offices, designed to lower the overall cost of a project; projects must demonstrate the ability to improve the economic conditions of an area.

Community Development Corporation (CDC): Nonprofit organizations based in specific neighborhoods and subject to local governance. CDCs may rehabilitate and build affordable housing for neighborhood residents, foster local economic development, and provide an array of related social services.

CDFIs - Community Development Financial Institutions: Networks of federal banks, credit unions, and CDCs that target loans to redlined areas.

Community Reinvestment Act (CRA): Program under which federally-insured lending institutions are provided incentives to offer assistance with development financing for local projects (particularly those in economically-distressed areas); assistance usually offered at a favorable rate; institutions earmark a percent of their lending dollars for this program.

Concentrated Public Facilities: City investment in identified areas by locating both facilities and publicly sponsored developments and amenities in places where infill development is desired; result is a greater leverage of public dollars through strategic investment, and ability to assist developer with financial pre-leasing requirements.

Cultural Arts Activities: Activities and programs which encourage use of the arts in a designated area by a variety of participants.

Cultural Tourism: Marketing and promotion of cultural and historic community elements of interest to visitors to an area; a thriving industry for many areas of the east and south. Cultural tourism efforts generally originate

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	at a grass-roots level, but quickly require the assistance and coordinate of municipal and state entities.
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<p>Density Bonuses: Incentive offered to developers of projects that meet specified goals (i.e., affordable housing, public spaces, transit, etc).</p> <p>Design Guidelines: Formal set of guidelines (with over-sight by a board comprised of area stakeholders, neighborhood representatives, and design professionals) for use by investors doing projects within priority areas. Guidelines address character and quality levels and frame discussions with staff.</p> <p>Design Standards: Formal set of standards (either administered through an appointed design-review committee and/or municipal staff) for development which require certain development character and quality levels for the built and natural environment.</p> <p>Developer RFPs: Request-for-Proposals from potential developers of projects in designated areas. Selection of developer based on dollar amount of bid; quality of design; developer’s track record; and preferences of neighborhood residents.</p> <p>Development Fee Waivers: Development fees are monetary charges on development to recoup a portion of the capital and operating costs required to accommodate a project. Note: Fees for sewer/water hook-ups, building permits, processing fee, etc. can be waived or delayed until the developer sees a positive cash flow as a means to encourage infill projects.</p> <p>Development Standard Waivers: During approvals process, City can grant waivers or variances for items including height limits, setbacks, density, lot coverage, rear access, etc.</p> <p>Economic Development Administration (EDA) (Federal): Public entity which provides assistance in form of planning grants and construction financing - for the development of projects in rural and urban locations which will result in the creation of jobs for the community.</p> <p>Educational Seminars: Programs hosted by a variety of entities (i.e., lender, developer, municipal, etc.) which promote an open dialogue among those individuals and organizations which represent delivery system; can occur in a</p>	<p>Empowerment Zone (Neighborhood or Federal): Allows businesses that construct or rehabilitate commercial property to deduct one-half of “qualifying revitalization expenditures up to \$10 million;” within neighborhoods (local), -- located entirely or partially within a CDBG-eligible area designed to promote the creation or rehabilitation of affordable housing; increase economic development; or increase the quality of social service, education or public safety provided to residents in the zone through a waiver of fees combined with other municipal incentives.</p> <p>Engage Elected Officials: Variety of methods by which elected officials are engaged in planning and implementation efforts; improved communication between staff and elected officials. <i>Note: This should be a common practice, not project-specific.</i></p> <p>Enterprise Zone: State-designated area where businesses located within them that make capital investments, hire new employees, contribute to economic development plans, rehabilitate old buildings and/or do research and development are provided a tax credit. An approach to revitalizing distressed areas by offering tax incentives, regulatory relief and improved government services.</p> <p>Environmental Impact Reports (EIR)s: Used to assess environmental impacts and determine mitigation measures needed for building a redevelopment plan, specific plan, or community plan. As projects are identified, the City may be asked to conduct additional environmental reviews or focus on few identified areas.</p> <p>Façade Maintenance Program: Any program – local, state or federal – including low interest loans and/or grants – which encourages investment in, and improvement to, building facades within a planning area. May also be designed as a matching funds program, within a district, for building façade maintenance.</p> <p>Foreign Trade Zone: Also known as Free Trade Zone, parts designated by the government for the duty-free entry of non-prohibitive goods; merchandise may be stored, displayed, assembled, packaged, or used for manufacture</p>
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<p>variety of forums; purpose is to provide participants with various perspectives and an understanding of initiatives designed to facilitate development process.</p>	<p>within the zone and re-exported without duties being levied.</p>
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<p>Government Liaison: Individual or committee charged with establishing and maintaining a dialogue between various branches of government (local, county, regional) regarding issues such as – intergovernmental agreements, regulatory reform, facilities planning, etc.</p> <p>Historic Preservation Easement: A mechanism which permanently protects historic properties; a private legal interest conveyed by a property owner to a preservation organization or to a government entity. Once in place, it binds both the current owner and future owners to protect the historic character of the property subject to the easement. While some easements are for a period of years, in most instances easements are created as permanent restrictions.</p> <p>Historic Preservation Investment Tax Credits (Federal): Percent of rehabilitation costs of income-producing properties can be used as a tax credit which can be sold on the market.</p> <p>Historic Preservation Revolving Loan Fund: Available to provide low interest loans to property owners at any income level in historic districts. The loans are usually available on a competitive basis to all property owners any income level for exterior rehabilitation projects.</p> <p>HOME: HOME Investment Partnership Program, whereby HUD allocates funds by formula among eligible state and local governments to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary and affordable housing for very low-income families.</p> <p>Improvement District: Both an organizing and financing technique for area revitalization. District provides stable stream of income for activities and projects considered special to area or in addition to general municipal services. Districts are vehicle for providing additional services for a fee and not to substitute for services funded through traditional tax revenues.</p> <p>Infill Development: Development of new homes, commercial and/or retail buildings, and public facilities on unused or underused lands in existing communities.</p>	<p>Infrastructure Cost Participation: Cost of infrastructure (either on-site or off-site) shared by developer and/or property owner with an entity (public (city/county), private (developer co-op), or semi-private organization which will benefit from its availability – can be offered through a formal program or on a case-by-case basis.</p> <p>Land Assembly: Land assembled by public, private or non-profit entity in effort to position for development of larger projects. Assembly can happen through purchases of properties, vacating and/or rerouting streets, alleys, etc.</p> <p>Land Donation/Write-Down: Property owner -- public (city/county), private (developer), or semi-private organization – contributes land to a project either as a donation without an expected return, or at a reduced price. City-acquired property through fee simple transactions and foreclosures are an obvious source for land contributions.</p> <p>Land Swap: To develop specific infill site in specified way, potentially contrary to existing property owner or developer, cities can offer an exchange of city-owned land of similar value in alternate location.</p> <p>Level-of-Service: Roads within community are designed to meet specified goals regarding mobility, connectivity, and regional planning and land use development. Level-of-service is measure used to describe street standards necessary to address role of the street. By adjusting level-of-service you address the tension between through-trips and access to activities and services along the road (corridor).</p> <p>Leverage Infrastructure Funding to Support Private Money: Within a predefined area, public investment for infrastructure located strategically to leverage private investment.</p> <p>Limitations on Infrastructure Extensions: Method used in regional growth management whereby efficient development patterns are rewarded.</p>
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<p>Linked Deposits: Local development agencies and downtown development organizations use their bank deposits to leverage bank lending for activities supported in the area. City or development agency deposits its funds in one or several banks with provision that bank make loans in support of identified community objective. <i>Note: In select instances, cities have foregone interest on these deposits so that the bank can make loans at below market rates.</i></p> <p>Liquor License Restrictions: Limit on the number of liquor licenses which issued in a designated area. Restrictions generally tied to businesses which generate over a certain percent of their revenue from liquor sales. The purpose of this action is not to eliminate restaurants, but concentrations of bars.</p> <p>Loan Pool (Lending Pools): Several lending organizations contributing financing to a project or projects, thus sharing risk. An amount of capital pledged by several entities for lending to businesses based on some agreed upon goals or other criteria. Pledges can be in the form of loans, letters of commitment and stock purchases. Pool can be either organized formally or on a case-by-case basis.</p> <p>Low Income Housing Tax Credits (State): Dollar for dollar reduction or credit against an investor’s federal income tax liability on salary, wages, business, etc.; credit is treated like a cash payment or as a reduction against the amount of tax owed; sale of tax credits by the developer contributes to project equity, thereby reducing developer’s out-of-pocket investment.</p> <p>Low Interest Loans/Subordination: <i>Loans</i> for construction, acquisition, operation, etc. are offered to qualifying individuals or organizations at a preferred interest rate; <i>subordination</i> by a public (city/county), private (lender), or semi-private organization of a loan provides a guarantee to the lending organization that in the event of default debt service will be paid.</p> <p>Main Street Program: Financial and advisory assistance for downtowns and neighborhood commercial districts by use of preservation and economic development strategies; affiliated with the National Trust for Historic Preservation.</p>	<p>Management District: Both an organizing and financing technique for area revitalization. District provides stable stream of income for activities and projects considered special to area or in addition to general municipal services. Districts are vehicle for providing additional services for a fee and not to substitute for services funded through traditional tax revenues. Similar to Improvement District, but emphasis on marketing, management and promotion.</p> <p>Micro Loan Program: Offers small amounts of capital usually less than \$2,500 to very small businesses for wide range of capital needs including façade improvements, working capital and personal needs; provide loan guarantees. <i>Downside: Excessive credit analysis and underwriting costs.</i></p> <p>New Market Tax Credits: Designed to stimulate investment in low-income qualifying areas by providing financing assistance to qualified projects; investors receive a federal income tax credit equal to 39 percent over seven years. The project, in turn, received an equity contribution equal to 25 percent of the amount of tax credits sold; assuming the project has access to up to \$20 million of tax credits that can be sold to investors, then 25 percent of that amount, or \$5 million could be put directly into the project. <i>Note: A non-profit corporation, known as Community Development Entity acquires and sells the credits for eligible projects.</i></p> <p>Non-Profit Developer Support: Variety of financial and regulatory tools and programs which streamline and reduce costs for “eligible projects” by “eligible developers.”</p> <p>Overlay Zone (i.e., historic, parking): Designated area superimposed on one or more existing zoning districts; designed to protect or enhance an area’s special qualities; governmental review of all developments, with the power to approve design according to standards contained in the ordinance or in a district plan or design guidelines; program elements include “bonuses” and “requirement adjustments.”</p> <p>Park-in-a-Park: Creative method by which parking is secondary to design and landscaping, giving visual appearance of cars in park rather than trees in a parking lot.</p>

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<p>Parking District: Designated area wherein parking design, development and management issues among multiple facilities are controlled by select entity beyond that provided for by standard municipal levels of service and control.</p> <p>Pedestrian Enhancements and Linkages: Various public, private and non-profit initiatives to improve the pedestrian environment in a designated area, i.e., permanent and temporary streetscape elements, sidewalk widening, reduced speeds, etc. Resulting environment designed to accommodate needs of pedestrians, as well as through- and destination-traffic, by incorporating select infrastructure improvements, design elements, and traffic management mechanisms. Methods to achieving this include: separating traffic through use of parallel streets; limiting access points; linking parking lots; coordinating traffic signals; adding alternative transportation lanes; widening sidewalks; providing crosswalks; providing street lights and furniture; preventing “deadening” uses without building front; and incorporating transit stops.</p> <p>Predevelopment Funding Grants: Financing for project expenses incurred prior to construction, i.e., soft costs including consulting, design, engineering, and planning, and marketing, etc. <i>Note: The Economic Development Administration (EDA) has funds for predevelopment and construction costs.</i></p> <p>Project Thresholds: Project size thresholds, predetermined and designed to allow smaller projects to be rapidly permitted, saving extensive reviews for larger developments and environmentally sensitive sites.</p> <p>Public Subordination: City/county provides a guarantee to the lending organization that, in the event of default, debt service will be paid.</p> <p>Redevelopment: Restoration of existing buildings and properties blighted and/or which diminish the character and function of a neighborhood including adaptive use and historic preservation properties.</p> <p>Regulatory Reform: Initiative by government entity to amend existing regulatory documents to be responsive to prevailing market and economic conditions; examples might include: new or amended zoning designations, planning approval process reform, updated comprehensive plan, etc.</p>	<p>Revenue or General Obligation Bond: If a project has a secure revenue stream, such as parking fees resulting from construction of a parking structure, bonds may be issued and amortized by the anticipated revenue which results from the improvement that was funded. Bonds are not secured against the taxing authority of the City, and therefore do not require a public vote.</p> <p>Reverse Mortgage: Low interest loan based on equity in home; particularly relevant for seniors. Use of reverse mortgage dollars are generally restricted to property reinvestment projects.</p> <p>Revolving Loan Funds: Flexible funding in the form of loans, guarantees and interest subsidies to firms which further local development goals; designed to alleviate high costs and short supply of capital for businesses, particularly small ones, or those located in distressed areas. Components include: lower rates, longer terms; many capitalized by/with federal funds combined with private funds.</p> <p>Re-Zone Parcels: Either city-owned and initiated, or petition-based, through an organized effort initiated by the “advocacy entity” to enlist the support of property owners within a designated area – request for a change in property zoning designation (to mixed-use); the objective is to provide landowners the incentive and economic strength to maintain and redevelop a high-quality environment and react more swiftly to market trends.</p> <p>Sales Tax Refund: Refunds on net state sales and use taxes and franchise taxes for paying local school taxes up to \$10 million.</p> <p>Sales Tax Sharing: Future sales from a development can be rebated to developer to pay for infrastructure - city/county agrees to split sales tax revenue with developer, then developer uses to pay for infrastructure.</p> <p>School Programs: Programs (i.e., essays, art, civic participation) which encourage the involvement of students in a designated area.</p> <p>Self-Certification Program: Contractors assume responsibility for inspecting and certifying the correct completion of their own work. Quality is assured by random spot checks; contractors who cheat lose their licenses.</p>

Self-Supporting Municipal Improvement District (SSMID): District providing stable stream of income for activities and projects considered special to area or in addition to general municipal services. Districts are vehicle for providing additional services for a fee and not to substitute for services funded through traditional tax revenues.

Signature Project: Public-private effort whereby public sector contributes land, financing, or the like, and private sector (developer) contributes their expertise and money to joint development of a significant project within a designated planning area; program is designed to encourage development of project which will serve as a catalyst for additional investment.

Smart Growth: Growth management program which combines incentives, disincentives, and traditional planning techniques to promote a pattern of growth that achieves economic, environmental, and quality-of-life objectives.

Streamlined Development Approval: Initiative by government entity to facilitate a timely approvals process for (re)development projects meeting certain criteria. Also referred to as a “green-tape” permitting program. Critical elements of program: 1) streamlined permit and entitlement process; 2) greater predictability; and, 3) fairness in fees and exactions. Components: 1) appointed case manager; 2) consolidated permit process; 3) waived or reduced fees; 4) reduced number of changes to previously approved plans; 5) stoppage to the issuance of conflicting requirements by different departments; 6) a single public hearing; 7) streamlined environmental review process.

Tax Abatement or Rebate: Taxing entity (usually the city) abates or rebates a portion of tax burden; this can happen in the form of an adjustment on an individual property basis, or in an abatement zone.

Tax Exempt Bond Financing: Method of financing long-term debt issued by government whereby bondholders need not include interest payments on taxable income.

Tax Increment Financing (TIF): A district obtains funds from increases in regular tax revenues that arise from new development in the district; incremental increase in tax revenues over designated base year revenues is diverted to a special fund; diversion of regular tax revenues rather than additional fees to generate revenue for district investments. Can be used in conjunction with municipal bond issues whereby increment is pledged to repayment of the bond issue, or actual increase allocated to an administering agency directly to finance redevelopment activities.

Transfer of Development Rights (TDR): Ability to transfer property entitlements from one property to another when one of the parcels is located in a designated development area.

Transit-Supportive Land Use: Land uses and land use forms supportive of alternative forms of transportation. Typical elements include: high-density residential, employment uses, commercial developments and public spaces.

Turnkey Facilities: Buildings, frequently institutional, developed (and some times managed) by a private entity for another entity. Benefits to developer include a developer fee, management fee, position in the project, etc.

Urban Renewal: Tool used for purpose of eliminating slum or blighted areas within municipality, and positioning areas for development or redevelopment. Actions under urban renewal include demolition of structures; construction of infrastructure and public spaces; sale of property; and, relocation of businesses and residents.

Underground Utilities: City works with local utility and cable companies to place all utility lines underground; maintenance, weather-related repairs, and service disruption costs are reduced. City also encourages low-rate programs to assist developers with burying utility infrastructure.

Source: Leland Consulting Group.