To: Members of the Regional Economic Development Alliance Study Committee
Date: November 15, 2019
Re: Economic Development Programs & Tools Subcommittee's Recommendations

Overview

The Regional Economic Development Alliance Study Committee (REDASC) was tasked with studying the features, benefits, and challenges of establishing regional economic development alliances. Created via the enactment of HB 122 in the 132nd General Assembly, the study committee is composed of 17 members, 11 of which are voting members. The committee's voting members include six legislators, the director of the Ohio Development Services Agency (DSA) as the representative of the Governor, two economic development professionals, and two representatives of academia engaged in relevant fields of study. The remaining committee members represent stakeholders such as economic developers and planners; regional and state advocacy and issue groups, and foundations.

The REDASC held a series of meetings around the state during which they heard from a myriad of local and regional economic development professionals and organizations, chambers of commerce, representatives of Ohio's businesses and industries, travel and tourism organizations, representatives of local and regional government, and other interested parties. Following the last of the regional meetings, the study committee discussed the items, ideas, and issues brought forward. The committee determined the bulk of the presented information fell into four categories and subsequently organized subcommittees which were tasked with identifying changes or enhancements which could potentially strengthen economic development efforts at the local, regional, or state levels. The subcommittees included:

- Revenue Sharing Among NE Ohio Jurisdictions,
- Commercialization of IP and Cooperation with Higher Education,
- Economic Development Programs and Tools, and
- Alignment of Infrastructure Decision Making with Economic Development Strategies.

Subcommittee on Economic Development Programs and Tools

This report reflects the work of the Subcommittee on Economic Development Programs and Tools (Program and Tools) and outlines the recommended changes and enhancements to economic development tools, policies and programs that should receive priority attention and consideration by the administration, legislators, policy makers, and the state's economic development leaders.

This Subcommittee noted that while there was diversity in the specific ideas, concerns, and needs brought forward during the regional meetings, the bulk of the information centered around a handful of recurring themes. As such, the subcommittee focused its attention on these themes. The members endeavored to develop strategies and actions which could address key concerns but maintain the flexibility to meet the unique needs of Ohio's communities and allow them to quickly respond to changing opportunities and challenges.

Recommended Strategies for Success

The members of this Subcommittee identified five economic development strategies that can address the REDASC recurring themes, which include some of the most prevalent and pressing challenges to economic development efforts in Ohio.

1.) Re-evaluate the criteria and/or statutes for existing economic development programs and tools that have been underutilized or a barrier to data sharing exists,
2.) Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio,
3.) Expand the state's capacity for economic growth by funding community readiness investments to ensure all regions have the assets and infrastructure to support business attraction, retention and expansion,
4.) Recognize the need for place-based metrics and criteria that reflect community and region-specific metrics, qualitative criteria and community impact and also allow for collaboration metrics to be considered in criteria to incentivize collaboration,
5.) Maintain local control and flexibility in economic development decision making as a reflection of the diversity of the state's regions and communities and the value the role of the local economic development professional.

These strategies have the potential for near-term action, continuous effort, and longer-term consideration by the administration, legislators, policy makers, and the state's economic development leaders. For example:

- In the near term, these strategies could be considered for application to existing economic development tools and programs and in response to priority challenges and opportunities.
- As part of a continuous effort, these strategies could be considered to respond to the business, economic, and market factors of the ever-changing global marketplace which impacting economic development in Ohio.
- With respect to longer term consideration, the subcommittee recognizes there are challenges and barriers which warrant priority attention but the breadth of which require more in-depth consideration, and therefore more time, by legislators, policy makers, and stakeholders.

1. Revise the Criteria and/or Statute for Existing Economic Development Programs

This strategy was developed in response to "lessons learned" since the inception of these programs as well as a result of changes in the marketplace, advances in technology, and revisions of tax laws over time. It balances potential outcome and impact with the need to minimize risk and maximize return on investment. This strategy stresses the need for program flexibility to meet the unique challenges and opportunities within Ohio's diverse regions, communities, and industries. Additionally, the criteria revision strategy reflects a desire to address historical barriers economic development that have persisted in some areas of the state.

A. Job Creation Tax Credit (Ohio Development Services Agency)

Overview

The Job Creation Tax Credit (JCTC) is a performance-based tax credit calculated as a percent of created payroll. It is usually claimed against the company's commercial activities tax, but other taxes are also eligible such as the tax on foreign insurers, personal income tax. To be eligible for the JCTC, companies must create at least 10 jobs (within three years) with a minimum annual payroll of $660,000 and the jobs must pay at least 150 percent of the federal minimum wage are eligible for the credit. Companies must apply for the credit before committing to a project and must provide three years of company financial history. The Ohio Tax Credit Authority must approve JCTC applicants before hiring begins.

The JCTC is an important program that supports job creation projects and is administered by the Ohio Development Services Agency. Given the JCTC is primarily a program used in attraction projects, on the front end JobsOhio serves as the initial contact with companies entering into a JCTC agreement. However, ODSA is responsible for post-approval project/agreement servicing, drafting tax credit agreements and amendments, upholding the terms and conditions of the tax credit agreement, reviewing annual jobs reports, issuing tax credits and providing technical support to companies with existing tax credits.

Recommendations

- ***Consideration should be given to allow for the use of an alternative measure of a company's financial stability and position in lieu of the current requirement for three years of financial history in circumstances where a company has been in existence for less than three years.***
- ***Consideration should be given to the utilization of alternative criteria ties to specific place-based metrics that allow for greater flexibility in priority communities or regions.***

Rationale

Job creation tax credit programs are an important economic development tool and critical to business attraction efforts. Business attraction or large expansion projects can create hundreds or possibly even thousands of new jobs in a community. Given the possible scale and impact of these projects, large attraction or expansion projects are often the types of projects that make headlines. But, job creation also comes in the form of entrepreneurship, small business development, and the growth of an existing business that leads to the creation of a new, separate entity.

Given that a significant part of new job growth comes from entrepreneurship or the success of existing businesses within the state that results in the formation of a new company, it is important that job creation tax credits are a tool that can be used to support these efforts. However, program criteria the require three years of financial records prevent newer companies from even initial consideration for a JCTC.

The 3-year requirement can cost Ohio the opportunity to benefit from the growth of an existing company and also the ability to participate in the economy of entrepreneurship. Often these entities are financially sound and have a proven track record of success that can be demonstrated using other metrics but they simply are not able to meet the three-year requirement. It's important to note that the JCTC, as a performance-based program, currently has a built-in mechanism to mitigate risk. The credit is only received if the agreed upon jobs are created. It is still very important to comprehensively evaluate a candidate for the JCTC but an alternate method, criteria, or mechanism for assessing the financial stability of a company that has less than three years of company financials should be considered to ensure viable start-up and spin-off companies are not automatically excluded from consideration for the Job Creation Tax Credit.

Similarly, flexible criteria which takes into consideration place-based metrics, or metrics that reflect and/or are specific to a community or region can make the JCTC a particularly helpful tool in areas of Ohio which have historical or situational economic distress. The threshold for eligibility could preclude the use of the tool in communities with some of the greatest needs. A new project may not meet the threshold of 10 jobs created in three years and $660,000 payroll to make a significant statewide impact but the impact on the region or community could be transformational based on poverty rates, unemployment, and population trends.

B. Job Retention Tax Credit (Ohio Development Services Agency)

Overview

The Ohio General Assembly created the Job Retention Tax Credit (JRTC) program in 2001 for the purpose of fostering the retention of full-time jobs in Ohio. The program makes available nonrefundable tax credits to reduce a company's tax liabilities. When it was created, the Ohio Tax Credit Authority and the Ohio Department of Development administered the JRTC program. Currently, the Ohio Development Services Agency (DSA), the successor to the ODOD, administers the program

Since the program's inception, the JRTC has seen changes which were designed to make the program more flexible and reflect current market factors including a lowering the number of jobs retained from 1,000 to 500 several years ago and the recent removal of any job retention or payroll thresholds for certain eligible businesses. There also have also been multiple changes to Ohio's tax law which have expanded the types of taxes against which the credit can be used. However, those adjustments have not changed the fact that job retention remains an economic development priority in all regions of the state. The JRTC has been underutilized with no new agreements since 2012 but recent changes under HB 166 may see renewed interest and greater use of the JRTC.

Recommendations

- ***Consideration should be given to using additional metrics, such as industry recognized cost calculations, to evaluate the eligibility of a JRTC and determine the amount of the credit by providing a more accurate evaluation of the cost to remain located in Ohio in comparison to relocating to another state.***
- ***Consideration should be given to decreasing the threshold for capital investment, in specific situations, to help retain small manufacturers.***

Rationale

As business location decisions are increasingly focused on global cost competitiveness, retention programs that recognize a company's capital investment and underlying costs may be more effective at keeping jobs in Ohio. Recent changes that remove payroll and employment thresholds are a big step in the right direction. However, further revisions to the state's job retention programs may be necessary to keep Ohio competitive. For example, criteria which prioritizes capital investment AND uses industry recognized cost calculations as the basis for additional criteria may provide a more accurate picture than job numbers or payroll when evaluating certain types of retention projects.

Criteria for qualification of the JRTC should reflect criteria manufacturers are evaluating for their global capitol decisions including operational efficiency of equipment, labor cost per part, energy cost per part, profitability, quality and many others. These types of measures, when combined with other appropriate metrics for the size of the company, could provide valuable insight for determining the value of a retention project.

C. Revitalization Program (JobsOhio)

While most of the programs referenced in this report are state-administered, both the Revitalization and Economic Development Grant Programs are delivered by JobsOhio, a private-nonprofit corporation. As a result, JobsOhio can implement programmatic changes without legislation changes. This subcommittee included the below recommendations to assist JobsOhio in their efforts to enhance their current strategic plan and portfolio of programs.

Overview

JobsOhio's revitalization loan and grant program is designed to support and acceleration accelerate redevelopment of sites in Ohio. According to JobsOhio, priority consideration is extended to projects where the cost of the redevelopment and remediation are more than the value of the land and a site cannot be competitively developed in the current marketplace. Priority consideration is also extended to projects that support near term job creation and retention opportunities for Ohioans and industry clusters in JobsOhio's targeted sectors. Revitalization projects typically retain and/or create at least 20 jobs at a wage rate commensurate with the local market.

Other investment dollars, both private and public, are also driving factor for consideration. JobsOhio requires investors to sign a letter of intent and hold options or the title to the property. JobsOhio previously offered a 'pilot' revitalization program that did not require a job creation component and was helpful to communities. The pilot expired December 2018.

Typical loans range from $500,000 to $5 million and grants are typically up to $1 million. Eligible costs include: demolition, environmental remediation, building renovation, asbestos and lead paint abatement, removal and disposal of universal and construction waste, site preparation, infrastructure, and environmental testing and lab fees

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Recommendations

- ***Consideration should be given to reducing the requirement for an end user especially since these projects often take longer to complete, making the attraction challenging.***
- ***Consideration should be given to the use of revitalization fund grants greater than $1 million to make impact investments which would accelerate the revitalization process and speed at which the property can be brought to market.***
- ***Consideration should be given to the use of place-based metrics and criteria such as community impact and market demand to provide flexibility in assessing project eligibility as well as the amount of the grant or loan awarded.***

Rationale
JobsOhio can strengthen their local partnerships and advance development outcomes by increasing the level of risk they are currently willing to consider. Ideally the program's criteria should balance the need to realize a return on investment and still meet market demands. For example, JobsOhio's recent pilot program offered additional or alternative qualifying scoring criteria that communities and developers could more readily meet to qualify for support. Alternative criteria that balances risk with market demand and community impact

Additionally, JobsOhio might consider a tiered evaluation system that is factors place-based criteria modeling. For example, the states of Georgia and North Carolina factor employment, population, poverty rates, along with market demands, which help mitigate disparity among communities. These tiered systems allow communities to be assessed in "real-time" and move between tiers on an annual of biennial basis. Other tools such as market and feasibility studies may provide additional assessment options.

The program's currently requires an end user who has signed an agreement such as a letter of intent, option, lease or holds title for the project site limits the utilization of the JobsOhio Revitalization Program and, ultimately, the ability to grow Ohio's site inventory. Incentives that minimize risk are effective tools but neither time nor uncertainty are able to be mitigated under the end user criteria. The program's criteria should balance the need to realize a return on investment and the need to respond to market demands to meet the speed of business. Utilizing the results of the recent pilot program, additional or alternative qualifying criteria should be developed.

Stated earlier?

D. Economic Development Grant (JobsOhio)

While most of the programs referenced in this report are state-administered, both the Revitalization and Economic Development Grant Programs are delivered by JobsOhio, a private-nonprofit corporation. As a result, JobsOhio can implement programmatic changes without legislative changes. This subcommittee included the below recommendations to assist JobsOhio in their efforts to enhance their current strategic plan and portfolio of programs.

Overview
JobsOhio's economic development grant program promotes economic development, business expansion, and job creation by providing funding for eligible projects. Grant decisions are based on a number of project factors, including but not limited to job creation, additional payroll, fixed-asset investment commitment, project return on investment, and project location.

The program requires the creation of jobs within a specified period of time and may consider the amount of payroll per job created. JobsOhio may consider providing assistance for eligible projects that improve operational efficiencies or production expansion, along with the retention of jobs. The program includes projects by companies engaged in JobsOhio's targeted industries and business functions. JobsOhio will set a wage floor based on multiple wage considerations. Ineligible projects include but are not limited to retail and other population driven businesses.

Recommendations

- ***Consideration should be given to expanded criteria, such as the adoption of a local or regional economic development strategy, to augment the requirement that the project be in one of JobsOhio target industries.***
- ***Consideration should be given to the creation of criteria which incentivizes or gives priority consideration to projects that demonstrate collaboration among multiple political jurisdictions and non-governmental organizations.***

Rationale

Targeted industry-specific programs are important to sustain and grow Ohio's economy. Attracting and growing the major industries are sound strategies for the state as a whole. However, there are areas of the state, often in rural and disadvantaged locations, where these specific industry clusters are not prevalent, which limits JobsOhio's ability to offer assistance.

To increase their market saturation and project opportunities, JobsOhio might consideration creating a new program that provides economic development grants for projects that align with an adopted local or regional economic development strategy and that grows revenues for the area, even if the industries are not a JobsOhio identified targeted industry. For example, in border communities' new sales tax and tourism revenues are the economic development engines. This expanded analysis would increase JobsOhio's opportunities to grow Ohioans' wealth.

Similarly, this grant could be a tool to encourage regional cooperation such as the development of a regional development plan. For example, Columbus ONE has worked with MORPC to develop an employment/population growth plan. Projects in which multiple communities or local governmental entities are working collaboratively may have a higher likelihood of success and larger impact. Many communities experience a mass employment migration across county boundaries daily. Residential development is not a core JobsOhio target but this grant could address vital workforce development growth opportunities. Criteria could include identifying communities that have seen significant employment growth but have not experience similar residential growth.

E. Roadwork Development 629 Funds

Overview

Roadwork Development (629) Grants are awarded for public roadwork improvements that support the expansion or attraction of businesses. Projects primarily involve manufacturing, technology, research and development, corporate headquarters and distribution activity. Eligible costs include widening, paving, road construction and reconstruction and right-of-way infrastructure improvements such as sewer or utility lines. Local governments, port authorities or companies are eligible. Grants are usually provided to a local jurisdiction and generally require local participation in the form of a 50% match.

Recommendations

- ***Consideration should be given to reducing the require local match as the roadwork projects requiring this level of funding are cost prohibitive for many communities.***
- ***Consideration should be given to the creation of criteria which incentivizes or gives priority consideration to projects that demonstrate collaboration among multiple political jurisdictions.***

- ***Consideration should be given to adding additional or clarifying language that allows for capital investment to replace jobs created or retained for purposes of the 629 roadwork program.***

Rationale

Roadwork infrastructure projects are critical to support economic development, but they are also very expensive projects. The Roadwork Development 629 Fund program can be a very useful tool in helping communities fund roadwork projects that will support economic development. Following reductions in the local government funds, communities have struggled to fund big ticket infrastructure projects. It's important that the local matching funds do not create an unintentional barrier to these funds being used as intended. Currently, 629 projects require an 50% match, which is a policy decision and not required by legislation. In comparison, the ODOT only requires a 20% or less match local match, depending on the local economy.

Collaboration can make these projects a reality. A recent example of the successful use of this tool is evident in the Dorr Street Interchange Project in Toledo. This project, with an anticipated cost of $41 million, received the highest project score in the State of Ohio from ODOT. The City of Toledo worked with regional stakeholders including planning organizations, economic development organizations, private developers and the University of Toledo to create a comprehensive plan.

F. Ohio Enterprise Bond Fund

Overview

The Ohio Enterprise Bond Fund, rated AA+ by Standard & Poor's provides financial assistance for allowable costs of eligible projects in the State of Ohio. The Ohio Treasurer issues bonds, the proceeds of which are loaned to businesses for allowable costs of eligible projects. The OEBF Loan provides long-term, fixed-rate project financing for qualifying businesses that create or preserve employment opportunities in the State of Ohio. Eligible borrowers include corporations, partnerships, sole proprietorships, limited liability companies or limited liability partnerships engaged in the creation or retention of jobs in industrial, manufacturing, commerce, research and development or distribution ventures. The program may finance allowable project costs with OEBF loans typically ranging in size from $2,500,000 to $10,000,000. The amount of the OEBF Loan will take into account additional financing offered through other State loan programs; total financing from State programs should typically range from 20% to 40% of the project's total investment.

JobsOhio and the JobsOhio Network, the state's economic development organization, are responsible for the marketing, initial company contact, and company application process through loan approval and the approved loans are managed by the Ohio Development Services Agency.

Recommendation

- ***Consideration should be given to identifying factors impacting the underutilization of the OEBF and determining how the Ohio Enterprise Bond Fund can be greater utilized as it can meet a specific need in the marketplace.***

Rationale

The OEBF Loan provides capital to developed companies with limited access to funding at costs comparable to those of rated multi-national corporations. Since its inception in 1988, the Treasurer's Office has issued

135 bonds series through the OEBF program, totaling nearly $700 million in par, and ranging in size from $650,000 to $15 million. The borrowers have included large corporations with rated debt to small, unrated corporations. No OEBF Program bonds have ever been in default. The OEBF has an independent rating from the State of Ohio and does not impact the State's credit rating in any manner.

Clearly this is can be a very helpful tool that can meet a specific need in the marketplace. However, anecdotally, the Ohio Enterprise Bond Fund is an underutilized tool. It would be beneficially to review the history of the fund over the past ten years and identify factors that may be impacting the utilization of this tool.

G. PACE

Overview

Property Assessed Clean Energy (PACE) financing is a dynamic and rapidly growing mechanism to finance energy efficiency and renewable energy projects in Ohio. Through PACE, special assessments are used to repay and secure upfront funding for improvements that save or generate energy. PACE financing in Ohio involves public-private cooperation between a property owner, a lender, a municipal corporation or township and an energy special improvement district (ESID).

Recommendation

- ***Consideration should be given to revisions to the process for creating an Energy Special Improvement District to streamline the process, remove contiguous property barriers and ensure fair representation.***

Rationale:

The rules in O.R.C. Section 1710 make it very difficult to set up an Energy Special Improvement District on a county-wide basis. The current process is time-consuming and wasteful of valuable financial resources. Please see Attachment A for more information.

H. Rural Industrial Loan Program

Overview

The Rural Industrial Loan (RIPL) Program was reinstated in the state's FY2019-2020 operating budget with a $25 million allocation. The program provides direct loans and loan guarantees to rural, distressed local communities and other eligible applicants committed to creating well-planned industrial parks. The RIPL loans can be used to construct, rehabilitate, renovate, or enlarge industrial park buildings, as well as to make infrastructure improvements. Eligible rural areas in Ohio include distressed, labor surplus and situational distressed counties as defined by the Ohio Revised Code.

The RIPL may finance up to 75% of allowable project costs with loans ranging in size from $500,000 to $2,500,000. Development requires a minimum of 10% equity contribution from the borrower in the eligible project, however a greater equity contribution may be required based on due diligence. The remaining eligible project shall be funded by the borrower either directly or indirectly through third party investors and/or private lenders. At least 50% of the outstanding loan balance will be forgiven by Development upon successful completion of the project as described in the application and loan agreement. If the RIPL funds represent less than 50% of the total project costs, the percentage of loan forgiveness will be increased to an amount equal to 100% less the percentage of the project being funded by the RIPL.

Recommendation

- ***The subcommittee has no recommendation regarding this program at this time other than monitoring the program for early outcomes and feedback from stakeholders. Program guidelines were released in early November and appear to contain loan forgiveness provisions which addressed initial questions.***

Rationale

The lack of move-in ready and shovel-ready sites is a barrier to economic development in rural communities. Speculative real estate development is generally too risky for local development organizations or private developers without some amount of grants, subsidies, or other risk mitigating funding. But, with those types of incentives, rural industrial development can and has occurred in Ohio. Under the former Rural Industrial Loan Program, for which funding was repealed in 2015, and former Industrial Site Improvement Fund, 12 projects were completed creating more than 600 jobs in the APEG region alone. The Rural Industrial Loan Program was reinstated in the state's FY2019-2020 operating budget but it did not contain key language which clarifies the funding can be used for a grant or other upfront subsidy in addition to loans. The grant funding allows the first phases of development to commence and without these dollars, the loan fund will not work as intended and be an effective economic development program for rural areas. This issue has been addressed in the rules and program guidelines recently released by the Ohio Development Services Agency.

I. Data Mining to Support Workforce Development

Overview

Workforce development continues to be the number one issue in Ohio if you talk to business leaders, policy makers, and economic development leaders. It's a complex problem for which there is no one silver bullet solution. Great strides have been made in coordinating and streamlining state services. There may yet be room for additional strategies to foster more interdepartmental and intradepartmental collaboration between the agencies which touch education, workforce development, job services, and economic development.

Recommendation

- ***Consideration should be given to additional opportunities and challenges to creating an IT solution and address privacy legal issues to enable multiple state agencies, federal government entities, employers, four-year universities, two-year colleges, and job training programs to share data to address Ohio's workforce challenge.***

Rationale

Ohio has access to data on all Ohio residents unemployed or underemployed through the Jobs and Family Services office. Unfortunately, the data is often difficult to data mine or is protected through state and federal regulations. For example, an individual may be receiving multiple benefits including housing, transportation and food assistance. It is not possible to sort the data to determine who is receiving multiple benefits. It is also not possible to identify the heavy "users" of the assistance programs. For example, it would be beneficial to identify individuals using the skills assessments to improve their marketability. These individuals are self-selecting as interested in getting a job and should be connected with potential employers. As of September 2019, Ohio has 243,000 unemployed individuals. Ohio can best develop a series of workforce solutions when the entities work together to mine the various data sets available to them. The state should utilize all possible tools and work with County JFS Directors to immediately place individuals back in the workforce.

2. New Programs and Tools to Keep Ohio Competitive

This strategy was developed in recognition that, to be competitive, the state of Ohio must remain vigilant in monitoring the ever-changing national and global market factors so it is prepared and positioned to quickly respond to new opportunities and challenges. Likewise, this strategy is rooted in the need to continuously evaluate how to best support economic development efforts that can bring increased economic prosperity to all regions of the state. recognition of the diversity of Ohio's communities and industries, response to the impact of the ever-changing global marketplace on that Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio,

A. Creation and Retention Hybrid

It is important that Ohio remain aware of what it takes to be competitive as states all around the country continue to revise their existing economic development programs and create new programs. For example, Mississippi recently initiated a program specifically for manufacturers that proactively makes available a capital investment credit if a threshold of $1 million is met AND the company has been in the state for two years. Programs such as this "Manufacturing Investment Tax Credit" supports the retention and expansion of manufacturers, but also supports the state's attraction efforts as companies that are relocating may consider Mississippi if their plans make it likely that they would automatically receive a credit for capital investment after two years.

The investment tax credit Mississippi offers is an investment tax credit to companies that have maintained a manufacturing facility in the state for at least 2 years. To qualify, a business must invest at least $1 million in buildings and/or equipment. A corporate income tax credit equal to 5% of eligible investment may be awarded to qualifying manufacturers with a maximum available credit of $1 million per project. These non-refundable and non-transferable credits can be used to offset up to 50% of a company's tax liability in a given year and unused credits may be carried forward for up to 5 years.

Additional research and modeling would be necessary to understand the potential impact in Ohio to determine if a "come grow with us" program that supports early capital investment would complement attraction efforts. The hybrid is an example of a tool that could be particularly helpful in attracting small manufacturers and/or supporting retention efforts, particularly in regions in which business retention and expansion is a critical component of their economic development strategy.

B. Technical Assistance Program

Core economic development readiness activities are challenging in communities in which there may be a gap in technical or professional competencies such as the lack of a municipal building department with engineers to assist in site authentication and permitting activities or economic development professionals with experience or expertise in the use of Ohio's economic development programs and tools. There is a need for more technical assistance (familiarity with infrastructure, utilities, environmental permitting, financing, economic development programs, transportation, etc.) to augment local resources particularly around site development and readiness.

C. Community Readiness Investment Program

Ohio must expand its capacity for economic development by ensuring all regions have the necessary assets and infrastructure to support business attraction, retention and expansion. Too often communities aren't prepared to compete because they simply aren't ready or able to meet the timeframe required for an attraction or expansion project. Proactive community readiness investments could help ensure Ohio's communities are ready to compete which ultimately benefits the local, regional, and state economies. State level funding is necessary to address the lack of infrastructure assets including but not limited to broadband, utilities, transport and transit (roads, air, rail, public).

Likewise, state level funding that allows for impact investments to support revitalization and redevelopment is necessary for sites to be revitalized, authenticated so they become economic development assets at a pace that meets needs. The size and scope of these projects make it impossible for regional and local communities and organizations to overcome these challenges at the pace necessary to support economic development. Again, a tiered system which takes into account factors such as unemployment, population, poverty, and unique site attributes could be part of the criteria for community readiness investments.

D. Residential Development Program

Workforce continues to be one of Ohio's and the nation's greatest challenges. Recent programs and initiatives such as TechCred, In Demand Jobs Week, Industry Sector Partnerships, and High School Career Credentials are underway to help address workforce challenges in workplace and education settings. However, other factors can impact the ability of Ohio and individual communities to recruit the talent necessary to meet workforce demands. In some communities, housing has become part of the complex workforce equation.

Recent legislative efforts to incentivize residential development have been problematic in their one-size-fits-all-approach, underutilization of existing tools, and potential consequences on future growth dependent tools such as TIFs. As residential development is historically not a preferred incentive practice given traditional ROI methodology, it is important to include narrow criteria for any residential incentive program to ensure the program is used to spur residential development only in communities where there is a demonstrated need for more residential development or for certain types of residential development.

Best practices that encourage multi-income residential development (Pennrose Yates Village Redevelopment[i]), utilize research-based housing market studies and align with local and regional economic development strategies should be part of the criteria for ensuring narrow use of these incentives. Similarly, local communities should have the flexibility to determine if and how to use of any residential incentives. Such programs should not be automatic or mandated by the state.

3. Expand State's Capacity for Economic Growth via Community Readiness Investments

This strategy focuses on utilizing community readiness investments to help communities develop the assets they need to support local and regional economic development efforts and contribute to state economic growth. Ohio's economic future hinges on the state's ability to expand its capacity to support economic growth. The state's capacity for economic growth will ultimately be determined by its ability to make strategic community readiness investments now so Ohio's communities have the assets necessary to support additional business attraction, retention, and expansion efforts into the future.

These assets include but are not limited to sites, infrastructure, workforce, housing, broadband, transit solutions, population, and reliable and affordable energy. While major metropolitan areas and target industries may continue be the backbone of Ohio's economy, future opportunities will depend on the state having additional capacity in every region of the state. Redevelopment of urban areas, suburban infill projects, and greenfield preparedness will play rolls in not just business attraction and retention but also housing and placemaking to attract and retain Ohio's workforce. Infrastructure to move people and product, broadband to support the gig economy and keep friends and family connected, and a workforce prepared with the skills to tackle in-demand jobs will be integral parts of a prepared Ohio.

Resources must be invested today if Ohio is going to remain competitive well into the future. Few communities have the resources to fly solo in developing assets to support economic development efforts. Likewise, it often the assets of an entire region, such as regional transportation infrastructure and workforce, that are under consideration in business location decisions. As such, collaboration between political jurisdictions, public private partnerships, innovative state programs and community readiness investments are necessary for sustained economic growth in Ohio.

Making community readiness investments now will help ensure all of Ohio's regions have the assets and infrastructure to support continued business attraction, retention and expansion.

4. Place-Based and Collaboration Criteria, ROI, and Metrics

A. Place-based ROI Metrics

There is no question that return on investment (ROI) must be part of the criteria used to determine the appropriateness or need for any economic development program or tool, likelihood of achieving results, minimize risk, safeguard investments and protect the public interest. However, traditional economic development ROI methodology related to payroll, jobs created, and jobs retained do not capture or consider the value of the potential community impact. Traditional ROI criteria consider the state as a whole and are not indexed or tied to community or region-specific factors. The impact to a local community or region is a critical consideration if economic development efforts are to achieve their main goal of "improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life." (Source: Economic Development Reference Guide, International Economic Development Council).

A model which includes place-based ROI metrics such as employment, population, and poverty rates has a greater probability of achieving the overarching goal of economic development. Other states such as

Georgia and North Carolina have successfully incorporated these factors without creating a cumbersome or overly complex system by creating tiers that allow communities to move from one to another based on shifts within those key factors. For example, a community could be in one tier in 2020 and, after experiencing significant economic distress event such as the loss of a major employer or natural disaster, move into another tier that reflects "real-time" data.

B. Collaboration Metrics

Collaboration can be an important factor in the success of economic development efforts and reflect that a regional approach to economic development is often necessary given that assets such as transportation, utilities, large land parcels, and workforce do not stop at city or county lines. This lack of asset boundaries, when coupled with the ripple effect-whether positive or negative--of many economic development actions, reinforce the need for collaboration between state, regional, and local partners. Adding criteria that rewards demonstrated collaboration, partnership, or cooperation can encourage regional efforts as well as partnership and cooperation between multiple political subdivisions such as counties, cities, towns, and townships. Awarding additional points through the use of a multiplier or similar approach that prioritizes collaboration is preferred over criteria which would require collaboration or partnership so as not to allow any one entity to make an application less competitive.

5. Local Control & Flexibility

Local Control and Flexibility

Ohio has a long history of valuing local control and recognizing the diversity of the state's regions and individual communities. These differences, evident in everything from topography and natural resources to industry and population, are an asset to the state. But they also create a unique set of economic development opportunities and challenges in each community. Legislators, policy makers and state-level economic development leaders must be ever-aware of that diversity and realize that a one-size-fits-all approach to economic development is not good for Ohio. Flexibility at the local level, based on a community's strengths and weaknesses and assets and needs, is key to successful economic development efforts. The use of any program or tool should be via opt-in rather than mandate, to allow local communities the flexibility they need and maintain local decision-making authority. Requiring the use of any program or automatically providing an incentive that forces a community to forgo revenue or dictates revenue use is highly problematic.

Summary

The members of the Subcommittee are grateful for the opportunity to participate in the regional meetings and hear first-hand from elected officials, business and industry leaders, economic development professionals, representatives of academia, and concerned citizens among others. The purpose of this report was to identify strategies to address the most pressing challenges and potential opportunities.

The Subcommittee knows that no single strategy can be the solution, particularly in a diverse state like Ohio. As such, the Subcommittee focused on five strategies that have the potential to enhance Ohio's "economic development toolbox" and which encourage the state to make community readiness investments to help communities develop the assets they need to compete for business attraction and expansion projects and support existing businesses.

In keeping with one of the goals of the Regional Economic Development Alliance Study Committee, the Tools and Programs Subcommittee sought to identify actions that could be taken in the near term. Additionally, the Subcommittee believed it was important to look forward and identify potential future actions and long-term strategies. Finally, the theme of flexibility and place-based metrics is woven throughout the strategies in recognition of the diversity of Ohio's communities as well as the barriers which have caused some areas of Ohio to not receive the same level economic development activity as other communities during the most recent economic expansion.

In summary, the Subcommittee recommends the administration, legislators, policy makers, and the state's economic development leaders consider the following five strategies to support economic development efforts across Ohio.

1.) Revise the criteria and/or statutes for existing economic development programs and tools that have been underutilized or for which there is a barrier to data sharing that could be helpful,
2.) Create new programs and tools to allow the state to compete in the ever-changing global marketplace and respond to new and emerging opportunities and challenges in Ohio,
3.) Expand the state's capacity for economic growth by funding community readiness investments to ensure all regions have the assets and infrastructure to support business attraction, retention and expansion,
4.) Recognize the need for place-based metrics and criteria that reflect community and region-specific metrics, qualitative criteria and community impact and also allow for collaboration metrics to be considered in criteria to incentivize collaboration,
5.) Maintain local control and flexibility in economic development decision making as a reflection of the diversity of the state's regions and communities and the value the role of the local economic development professional.

The Subcommittee asks that the full Regional Economic Development Alliance Study Committee consider these recommendations and adopt this report. These strategies outlined within the report align with Ohio's economic development priorities and complement current economic development efforts while meeting the unique needs of Ohio's communities.

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[i] https://www.pennrose.com/news/news-releases/2019/pennrose-announces-yates-village-i-redevelopment-in-schenectady-ny/