

Economic Development and Business Incentives

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FAIRFAX, VA
MAY 2023



About us

Smart Incentives helps governments make sound decisions throughout the incentives process

- ✓ Analyze incentive offerings and program design
- ✓ Improve incentive program management
- ✓ Strengthen project compliance procedures
- ✓ Evaluate and report on program results

Partnerships

Collaborations

Center for Regional Economic Competitiveness (Senior Research Fellow) – regional economic development

PFM – public sector finance

SRI International – innovation strategy and policy

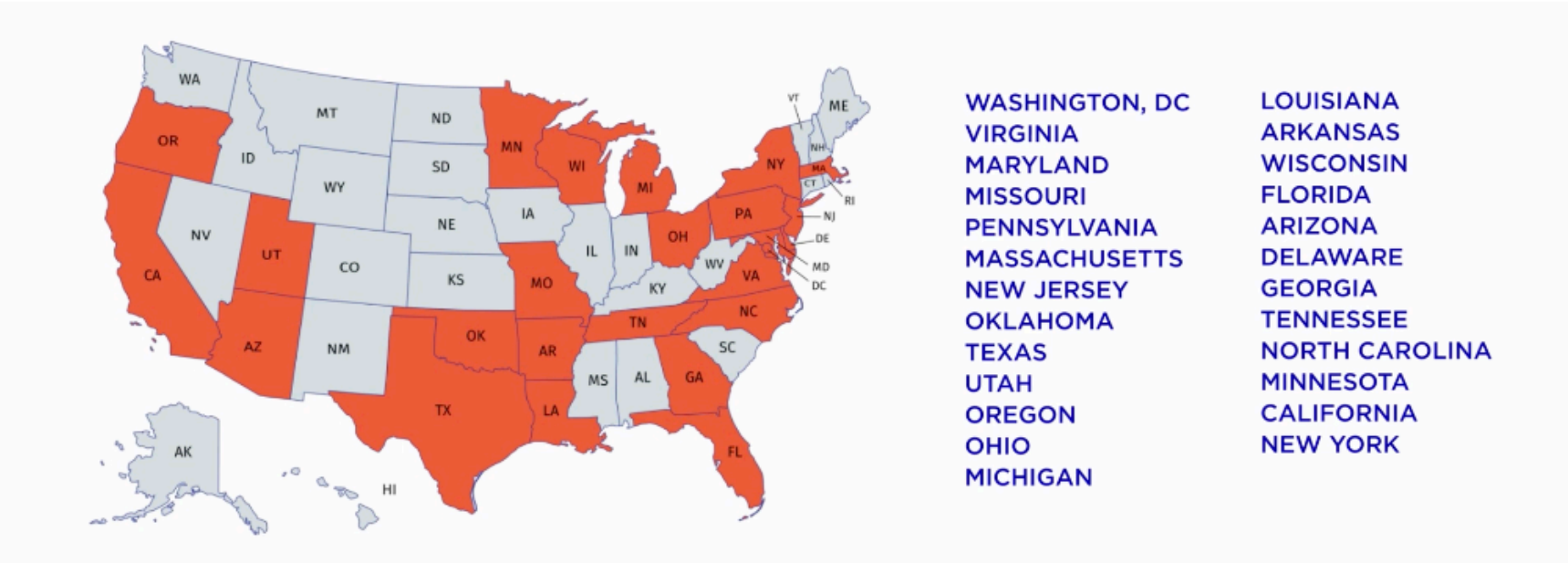
EntreWorks Consulting – entrepreneurship

Affiliations

Center for Regional Analysis, George Mason University

Gender and Policy Center, George Mason University

Our work



Research, advisory, speaking

Columbia Center on Sustainable Investment

Executive Training Program, Investment
Incentives and Sustainable Agriculture
Program (New York and Istanbul)

EU-OECD

Improving the Use of Investment
Incentives in the Southern
Mediterranean Region (Amman,
Jordan)

Incentive Program Assessments

Asia and Middle East



Business Incentives

What are business incentives?

Programs designed to influence
business investment behaviors

Taxpayer financed programs that
support individual businesses

Services, programs, or financial
offerings intended to alter,
reward or subsidize an action or
behavior

Incentive types

Financial

Regulatory

Site or Zone-
based

Fiscal

Services

Workforce

Hankook Tire

Manufacturing facility in
Clarksville, TN with 1800
jobs

\$150.6m incentive
package, including training

Local incentives include
469 acres of land (free)
with infrastructure, 20 year
property tax abatement

“Soft incentives” around
Korean Cultural Program



Hyundai Electric Vehicle

\$5.5b, 8,100 job EV plant
in Georgia

\$1.8 billion state and local
incentive package

Property tax abatements
and sales tax exemptions

Investments in the site and
infrastructure

Workforce training

Federal incentives -
Hyundai-LG battery plant



Photo by Jeff Whitten, Bryan County News

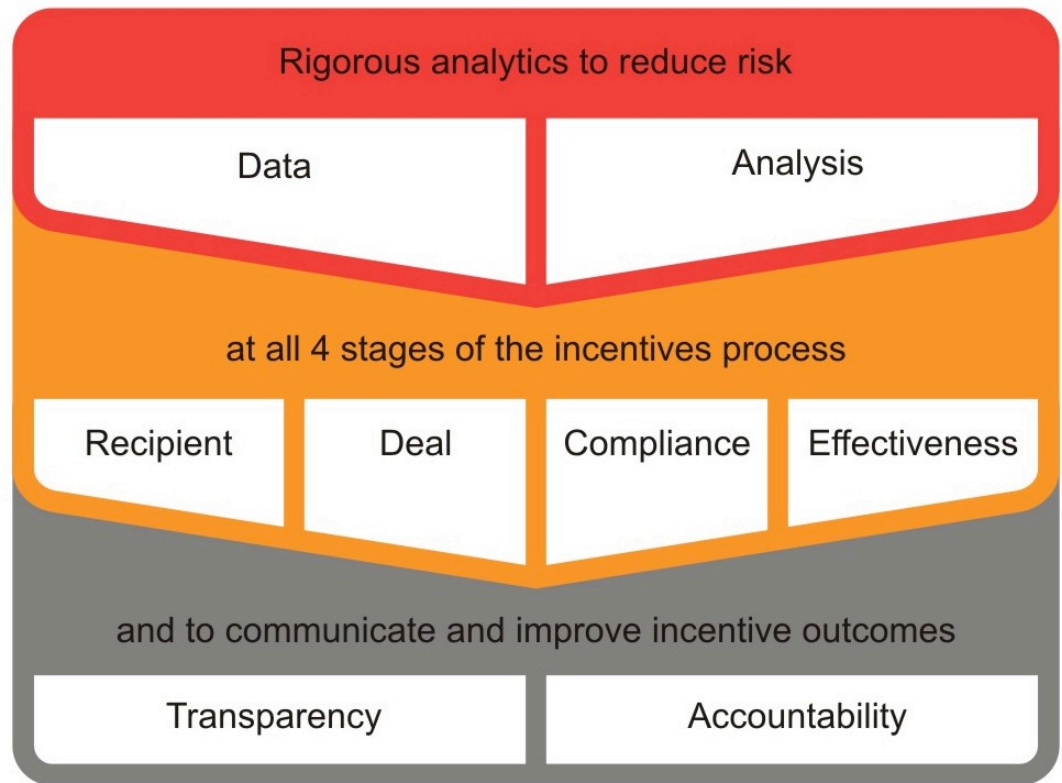
Why do we use incentives?

To achieve our community's economic development goals

- Jobs
- Worker training
- Business development
- Investment
- Downtown revitalization
- Brownfield redevelopment
- Quality of life and quality of place
- Strengthen tax base

Incentives are not just about winning a deal. Smart incentive use is always connected to a larger economic development strategy.

Incentive
use is a
process, not
a transaction



Site selection and incentives



First tier:

- Labor availability & costs
- Market demand & access
- Logistics & transportation
- Suitable land & real estate

Second tier:

- Economics, tax & incentives
- Business climate
- Energy availability & cost
- Quality of life

Incentives are used to **maximize opportunity** and **minimize risk**.

Source: Smart Incentives, JLL

Companies are seeking well-designed incentive programs that work for both the business and the community to drive long-term, mutually beneficial economic development projects.

Elected officials and community groups are demanding better data on incentive costs and usage.



Aligning incentive policies with community needs

How can state and local governments adapt their economic development efforts to be more responsive to community goals?

Determine priorities

- Listen and learn from the community
- Come together around data-driven findings

Design responsive programs

- Recognize the need for interconnected strategies
- Collaborate across government agencies

Evaluate with community priorities in mind

- Create metrics that reflect community goals, not just program activities
- Report back to the community

Crafting incentive packages

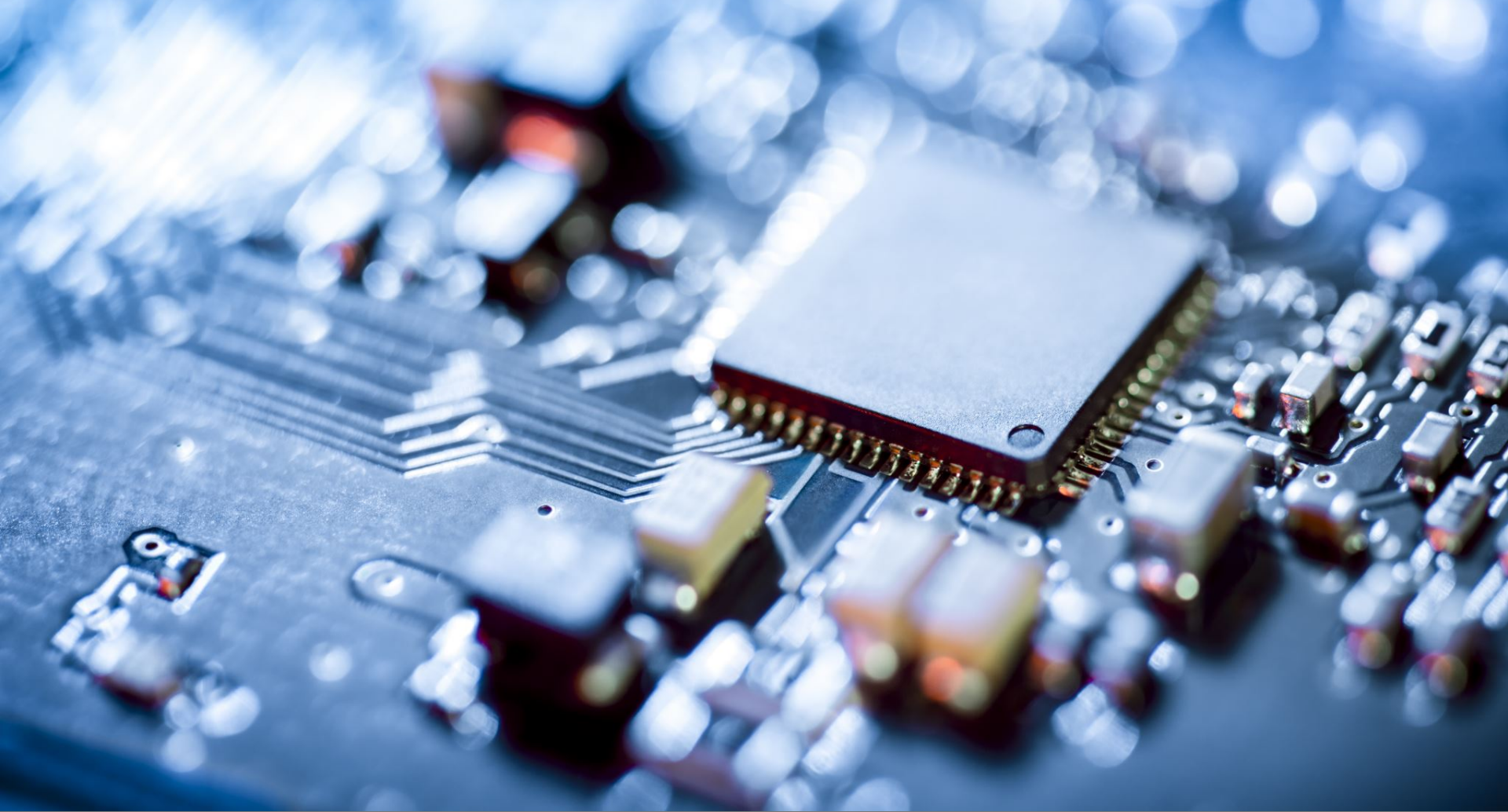
Bring together the right set of state and local incentives for the project

Invest in yourself, not just the company

- Business incentives alone do not carry the day
- Workforce, site, and infrastructure investments are critical elements of successful incentive packages

Engaged and united partners at the state and local levels

Investment partnership mindset



Semiconductor Incentives

US CHIPS Act and State + Local Incentives

US national context for semiconductor incentive conversations

Source: Government Incentives and US Competitiveness in Semiconductor Manufacturing, BCG and SIA, 2020.



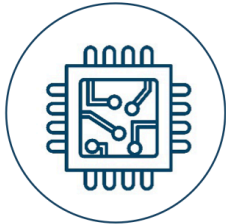
Incentives that lower the total cost of ownership



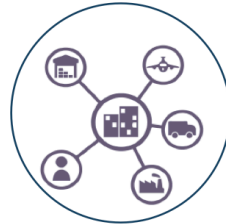
Build on strengths in talent and existing ecosystems



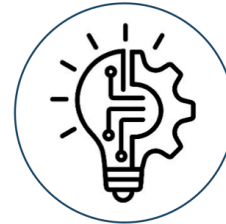
Taxation matters but is not the driver



Return leading-edge chip manufacturing to U.S.



Expand capacity to make current/mature chips and critical supplies



Reinforce U.S. strengths in chip design and equipment



Grow a U.S. workforce and strengthen communities

Create a domestic semiconductor ecosystem for national and economic security

CHIPS for America – Big Picture

Source: [CHIPS for America Incentive Program](#), September 2022

CHIPS Act incentives

Context for federal semiconductor incentives

- Incentives that lower the total cost of ownership
- Build on strengths in talent and existing ecosystems

CHIPS for America Incentives

- Direct funding (grants), loans, and loan guarantees
- \$39 billion for manufacturing
- \$11 billion for R&D

Federal semiconductor manufacturing investment tax credit

- 25% tax credit for qualified investment in manufacturing equipment and construction of manufacturing facilities

State and local incentives

Applicants must be offered a state or local government incentive in the jurisdiction where the facility will be built, modernized, or expanded

Incentives that create spillover benefits are encouraged

Covered incentives include but may not be limited to:

- Tax incentive
- Workforce-related incentive
- Concession with respect to real property
- Funding for R&D

Concluding thoughts

Incentives should be used to accomplish economic development goals – not just win a deal

Governments use many different types of incentives, not just tax breaks

Economic developers can put in place management procedures to make good decisions when providing incentives

These procedures can help answer community questions about how well incentives are working

Thank you
감사합니다

Connect

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