



AEDC ECONOMIC OVERVIEW

Prepared by

Arkansas Economic
Development Commission

October 15, 2015





AEDC History



Created in 1955 as the Arkansas Industrial Development Commission, AEDC celebrates its 60th anniversary this year.

AIDC's main focus was to bring new industries to Arkansas. Additionally, attention was given to expanding industries and modernizing agriculture to upgrade Arkansas's standard of living.

AIDC's first chairman, Winthrop Rockefeller, is credited with recruiting over 600 new industries to Arkansas and creating over 90,000 new jobs.

Commissioners

Mary Beth Brooks – Fayetteville

Mike Carroll - Fort Smith

Doug Falls – Jonesboro

James Freeman – Texarkana

Gene Hill – Camden

Tom Kirk – Paragould

Chester Koprovic – Fort Smith

John Lipton - Warren

Jack McNulty – Pine Bluff

Shelby Moore – Batesville

Mike Roberts – Little Rock

Steve Ronnel – Little Rock

Ken Shollmier – Little Rock

Philip Taldo – Springdale

Lee Webb, Jr. – Fort Smith

*Lang Zimmerman – Mountain Home

* Current Chairman of the Commission



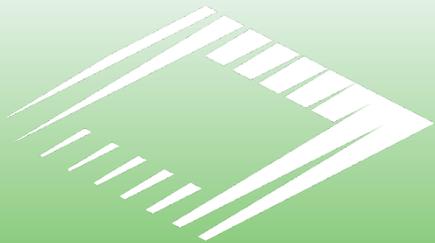
Danny Games
Deputy Director,
Global Business



Mike Preston
Executive Director



Amy Fecher
Deputy Director,
Finance & Administration



AEDC Leadership



To create economic opportunity by attracting higher paying jobs, expanding and diversifying our state and local economies, increasing incomes and investment, and generating positive growth throughout Arkansas





AEDC Divisions

Existing Business Resource Division

- Business and Industry Workforce Needs
- Identifying, Locating and Connecting Resources for Resolution of Issues
- Sector Management and Manufacturing Solutions

Steve Sparks, Division Director
(501) 682 - 1350
ssparks@arkansasedc.com

Small & Minority Business Division

- Training and Certification
- Loan Guaranty Program
- Professional Expert Referrals

Pat Nunn Brown, Division Director
(501) 682 - 6105
pbrown@arkansasedc.com

Grants Division

- Administration of State Small Cities CDBG Program
- Economic Infrastructure Projects

Jean Noble, Division Director
(501) 682 - 3471
jnoble@arkansasedc.com



AEDC Divisions

Rural Services

- Enhancing the Quality of Life for Rural Communities
- General Improvement Fund Grant
- County Fair Building Grant Program/Fish and Wildlife Education Grants
- Rural Community Grant Program/Rural Services Block Grant Program

Alex Johnston, Division Director
(501) 682-6012
ajohnston@arkansasedc.com

Strategic Planning and Research

- Economic and Demographic Research
- Legislative and Policy Development and Implementation

Kurt Naumann, Division Director
(501) 682-7308
knaumann@arkansasedc.com

Arkansas Energy Office

- Encourage Best Practices and New Energy Technologies
- Administer State and Federal Grant Funds
- Develop and Manage Energy Programs

Mitchell Simpson, Division Director
(501) 682-1060
msimpson@arkansasedc.com



AEDC Divisions

Community Development

- Provides Community and Leadership Training
- Assists Communities with Site and Building Listings

Denisa Pennington, Division Director
(501) 682-8624
dpennington@arkansasedc.com

Business Finance Division

- Bond Guaranty Program
- CDBG Loan-to-Industry Program
- Equity Investment Tax Credit Program

Bryan Scoggins, Division Director
(501) 682 - 7786
bscoggins@arkansasedc.com

Business Development Division

- Target Marketing and Proactive Recruitment
- Request for Information (RFI) Process/External Lead Development
- Business Expansions
- International Business: Foreign Direct Investment, Trade and Marketing

Bentley Story, Division Director
(501) 682 - 7384
bstory@arkansasedc.com



AEDC Divisions

Science and Technology

- Develop, Expand and Retain High-Paying, Knowledge-Based Industries (Innovate Arkansas)
- Research and Technology Programs (EPSCoR), Research and Development Incentives

Tom Chilton, Division Director
(501) 682-7322
tchilton@arkansasedc.com

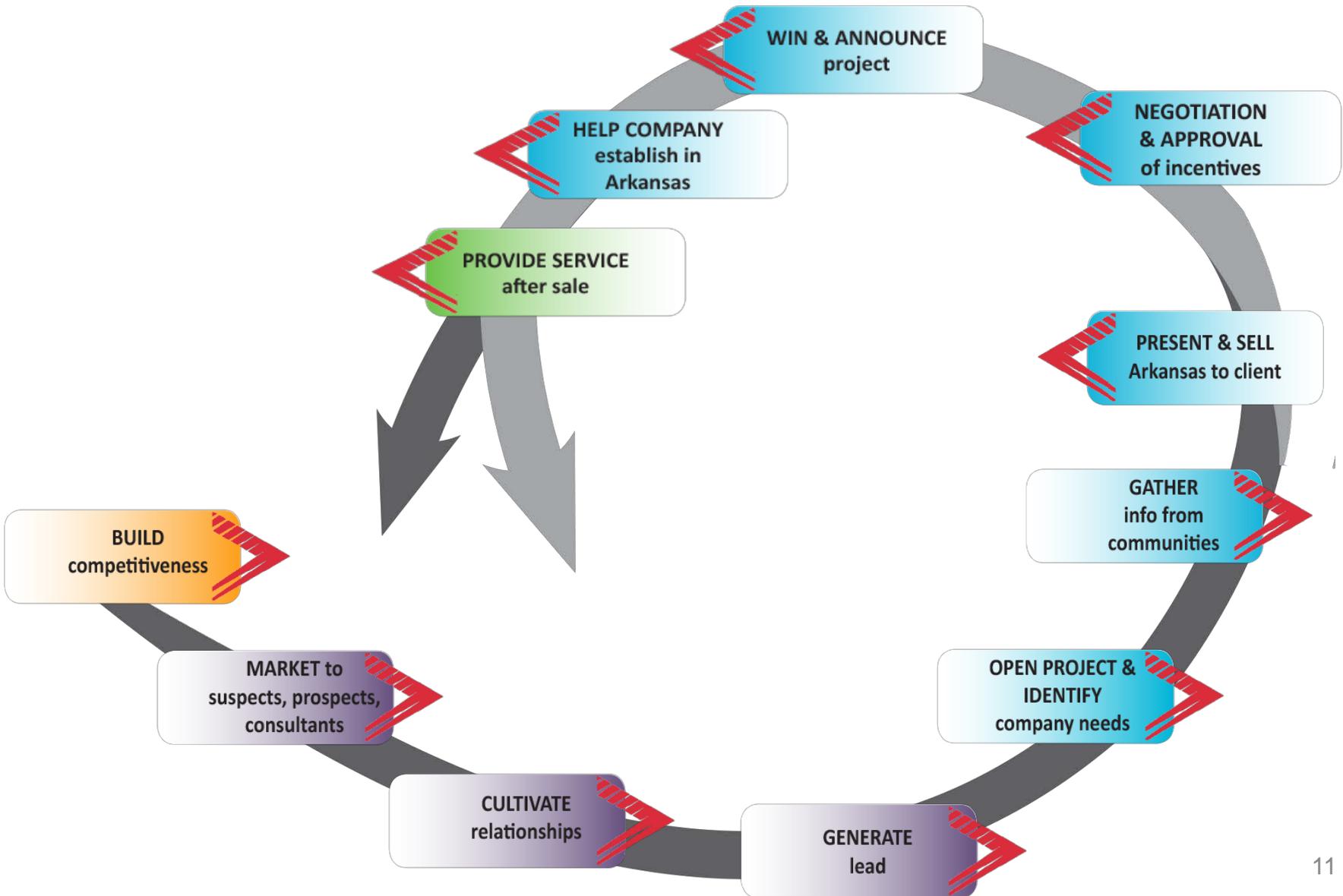
Arkansas Film Commission

- Administer Film Incentive Programs
- Liaison between the film industry and federal, state & local agencies

Christopher Crane, AR Film Comm
(501) 682-7676
ccrane@arkansasedc.com



The Competitive Project Process





Top Site Selection Factors

1. Highway Accessibility
2. Availability of skilled labor
3. Labor Cost
4. Expedited or “fast tracking” permitting
5. Available Land
6. State and Local Incentives
7. Energy availability and costs
8. Proximity to major markets
9. Occupancy or construction cost
10. Tax Exemptions



Top Quality of Place Factors

1. Colleges and Universities in the Area
2. Low Crime Rate
3. Ratings of Public Schools
4. Healthcare Facilities
5. Housing Cost
6. Housing Availability
7. Climate
8. Cultural Opportunities
9. Recreational Opportunities

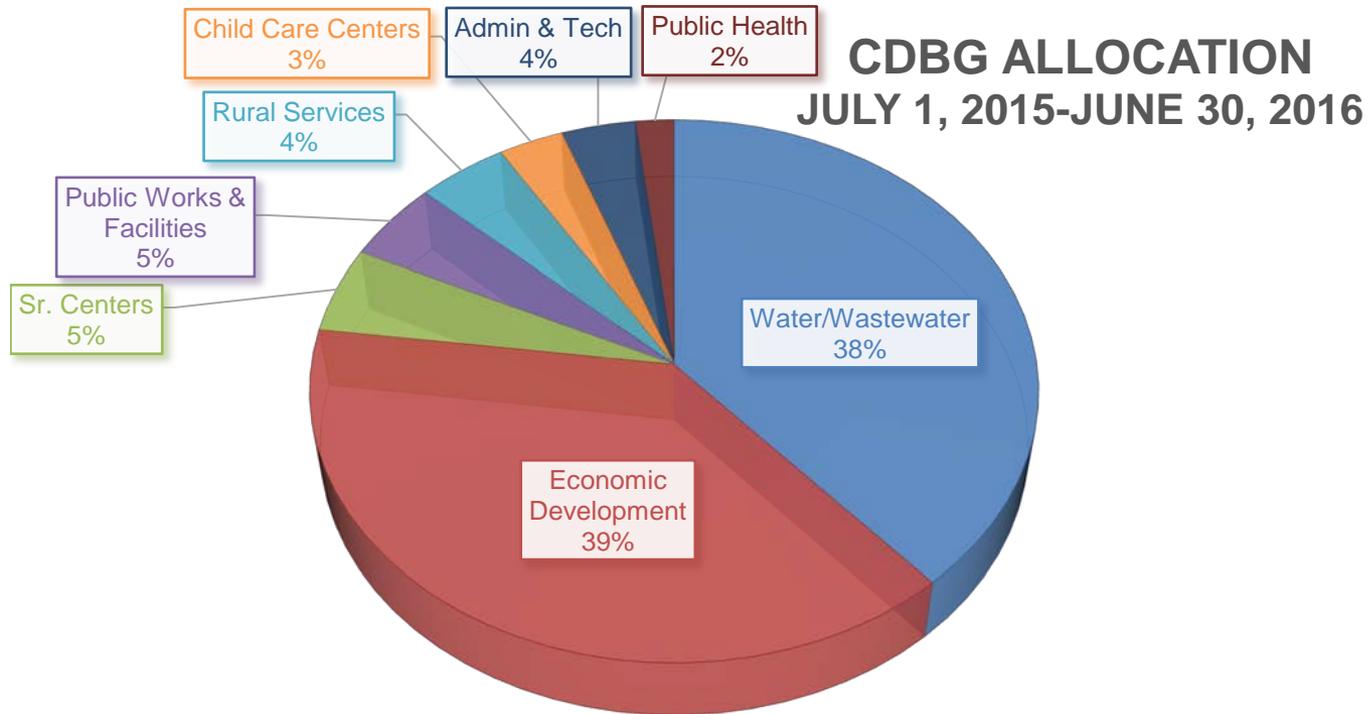


Fiscal Tools

- Bond Guaranty Program (1967)
- CDBG Loans and Grants (1983)
- State Economic Funding (EIF/GIF/GREIF/QACF)
- Amendments 82/90 (State Bonds for ED Infrastructure)
- Equity (Various partners)
- Partners (e.g., Delta Regional Authority, Planning and Development Districts)
- Sales/Use Tax Refund (0.625% July 1, 2015) on Utilities Used in Mfg (DF&A)
- Replacement and Repair (Mfg Machinery) 1% + 4.875%



CDBG Program



July 1, 2015 - June 30, 2016
Anticipated Allocation \$15,864,072



CDBG Program

Who to Contact for Funding

Water/Wastewater

AR Natural Resources Commission 501-682-3949

Child Care Centers

DHS Childcare and Early Childhood Ed 501-320-8940

Senior Citizen Centers

Local AAA or DHS Division of Aging/Adult Serv. 870-741-1144

Public Health Facilities

ADH, Center for Local Public Health 501-661-2574

Community Centers/Fire Protection

AEDC Division of Rural Services 888-787-2527

Economic Development/General Assistance/Other

AEDC 501-682-7682



State Economic Development Incentives

- Tier-Based or Not
- Statutory vs. Discretionary
- Job/Payroll Creation vs. Investment
- New vs. Existing Businesses
- Transferrable vs. Non-Transferrable



State Economic Development Incentives

Advantage Arkansas (1983)

- Income Tax Credit based on payroll of new full-time employees.

Credit Amount	Minimum Payroll	Tier Designation
1%	\$125,000	1
2%	\$100,000	2
3%	\$75,000	3
4%	\$50,000	4

- Credits accrue for 5 years.
- Offsets up to 50% of business income tax liability.
- Eligible businesses: mfg; distribution centers; office sector; HQ; commercial, physical and biological research; certain computer/software, motion picture, scientific and technical services deriving 75% of revenue from out-of-state.



State Economic Development Incentives

Create Rebate (1993) Discretionary

- Cash incentive based on payroll of new full-time employees.

Credit Amount	Tier Designation
3.9%	1
4.25%	2
4.5%	3
5%	4

- Credits may accrue for up to 10 years.
- Requires a minimum payroll of \$2 million.
- Eligible businesses: mfg; distribution centers; office sector; HQ; commercial, physical and biological research; certain computer/software, motion picture, scientific and technical services deriving 75% of revenue from out-of-state.



State Economic Development Incentives

ArkPlus (1995) Discretionary

- Income Tax Credit of 10% of investment based on investment and payroll thresholds.

Tier Designation	Investment Threshold	Payroll Threshold
1	\$5,000,000	\$2,000,000
2	\$3,750,000	\$1,500,000
3	\$3,000,000	\$1,200,000
4	\$2,000,000	\$800,000

- Offsets up to 50% of business income tax liability.
- Eligible businesses: mfg; distribution centers; office sector; HQ; commercial, physical and biological research; certain computer/software, motion picture, scientific and technical services deriving 75% of revenue from out-of-state.



State Economic Development Incentives

InvestArk (1985)

- Sales and use tax credit of 7% of new investment.
- Existing business-must be established in AR for 2 years.
- Must invest at least \$5 million in new construction, expansion or modernization.
- Offsets up to 50% of business sales and use tax liability (direct-pay sales and use tax permit).



State Economic Development Incentives

Tax Back (1983)

- Sales and use tax refunds on purchase of building materials, machinery and equipment for new construction, expansion or facility modernization.
- Must be used in conjunction with (and meet requirements of) job creation program.
- Must have local endorsement resolution.
- Must invest at least \$100,000.



State Economic Development Incentives

- Arkansas Tourism Development Act (15%-25% sales tax credit plus 4% income tax credit on payroll)
- Research and Development Income Tax Credit (20%-33% income tax credit based on research expenses)
- Equity Investment Sellable Income Tax Credit (33 1/3%)
- Targeted Business Sellable Income Tax Credit/Sales Tax Refunds (10% payroll)
- Digital Product Industry (Rebates of 20% production/10% AR payroll)
- Non-Profit (Cash payment of 4% of payroll)



Training Tools Available

- Prospect Readiness Educational Program (PREP)
- Establishing a Business Retention and Expansion Program
- Site and building development or identification



Prospect Readiness Educational Program

- **Mission Statement:** PREP is designed to offer communities hands-on training in all aspects of the economic development prospect visit.
- **Eligibility:** All Arkansas communities with an available site or building that meet AEDC's requirements (10,000 sq. ft. building or 10 contiguous acres) for listing on Arkansas Site Selection Center.
- **Steps Involved in the PREP Process:**
 - Complete the Site or Building Inventory for the locality that will be used for the mock visit.
 - Participate in the Prospect Readiness Training session.
 - Host a Mock Site Visit in the local community.



5 Steps to a BR&E Program

- Get Organized
- Gather Background Information
- Launch Industry Relations/Gather Information
- Solve Problems and Identify Opportunities
- Maintain Program and Public Relations



Arkansas Site Selection Center

- Searching for available sites and buildings is the most important activity site selection consultants do on the internet. It makes up approximately 55% of their internet activity.
- Arkansas's tool was introduced in July 2009:
www.arkansassiteselection.com/aedc/
- Requires local participation in the cataloging of property and updating community profile information.



Site Development Training

The purpose of the Site Class is to provide the skills for a community to create a quality product.

The size, type, and location of a community's site should be determined by the community's strategic plan, evaluation of the zoning ordinances, growth, and traffic patterns in conjunction with technical assistance from the Arkansas Economic Development Commission staff.



Local Incentives:

- Used to differentiate communities.
- Local communities cannot rely on state incentives alone to be competitive.
- Consider creating designated funding to support local incentives and infrastructure improvements.
- Local incentive



Local ED Sales Tax:

Three ACA authorizations for local economic development sales taxes

(§§14-174-101–14-174-109): ***Economic Development Tax*** authorizes cities and counties to levy sales and use taxes* to fund economic development projects. Acts 1012 and 1069 of 1993.

(§§14-175-101–14-175-116): ***Public Corporations for Economic Development Act*** authorizes municipalities and counties to establish public corporations, as state political subdivisions, to secure and develop industry and foster economic development.

(§§26-82-101–26-82-119): ***Local Sales and Use Tax Economic Development Project Funding Act*** authorizes cities and counties to levy sales and use taxes* in multiples of 1/8 cent, up to 1% to pay project costs of economic development projects.

* *Subject to approval by voters in a special election.*



Other Local Incentive Options

- In-kind services
- Property tax reduction / PILOT Agreement
- Space for incubator, training, interviewing
- Job placement assistance
- Temporary housing
- Training through local colleges
- Local permit fee waiver
- Expedite local permitting process



How Are Communities Successful?

- Think globally and act regionally
- Committed to improving education
- Continuous funding source designated for development
- Build strong relationships with existing companies
- Strong leadership
- Market to specific sectors
- Designated site
- Willing to invest in their community



Conclusion

- Economic Development must be a priority.
- Interaction on a consistent basis with your local education and business partners is key.
- Develop a strategic plan for Economic Development with a strong emphasis on improving workforce skills.
- Work collaboratively with neighboring communities.
- Resources and financing must be devoted specifically to Economic Development.



ARKANSAS ECONOMIC DEVELOPMENT COMMISSION

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