

ECONOMIC DEVELOPMENT

The traditional approach by this city and other cities to stimulating economic development is to attempt to solicit existing businesses into relocating their operations into our cities. As part of this convincing process, cities spend money on a variety of gimmicks such as full page ads in business and trade magazines, land write downs, development bonds, preferential services to potential new businesses and other "incentives". Despite all the hoopla and hand waving that goes on with these activities, one fact stands out --- these methods don't work! Very few businesses relocate or expand because of the efforts of cities to attract them. The primary factors affecting business location are proximity to suppliers and consumers and the suitability of the labor force.

As an alternative to the traditional methods of economic development, I offer the concept of an economic development plan which seeks to establish new enterprises as opposed to trying to convince existing ones to relocate. The concept calls for setting up an Economic Development Fund.

THE ECONOMIC DEVELOPMENT FUND

- I. Purpose - To establish new businesses which will provide new jobs, increase the tax base, and provide an expanding source of non-property tax revenue.
- II. Initial Funding - \$2,000,000 to \$3,000,000 in reallocated capital budget moneys.
- III. Operations of the Fund -
 - A) The Manpower Planner and the Economic Development Coordinator will carry on research in order to discover new enterprises which can meet the following criteria:
 - (i) the enterprise will be economically feasible.
 - (ii) the enterprise will provide new employment opportunities.
 - (iii) the enterprise will be environmentally compatible with the area.
 - (iv) the enterprise will improve the tax value of the area.
 - (v) the enterprise will not conflict with land use objectives.
 - B) After research has yielded a list of potential enterprises meeting the above criteria, the Economic Development Coordinator will take steps to establish the enterprises. These steps will include the following:

- (i) Assemble personnel capable of operating the proposed enterprise.
- (ii) Assist in incorporation and other necessary administrative start up functions.
- (iii) Prepare and execute a financing plan to capitalize start up and development costs. It is anticipated that the financing plan will include funds other than exclusively from the development fund.

IV. Assistance to Existing Enterprises - Loans may be made to existing enterprises if they meet the criteria established in III(A) above.

V. Eligible Enterprises - The city shall not own or operate any of the enterprises started or assisted. In addition, only the following types of enterprises will be eligible for development loans or assistance:

- A) Wisconsin Chapter 185 consumer or producer cooperatives.
- B) Wisconsin Chapter 181 non-profit corporations.
- C) Sole Proprietorships or partnerships, provided that they have an acceptable employee profit sharing plan.

Wisconsin Chapter 180 for profit limited liability corporations are ineligible for loans or assistance.

VI. The Economic Development Revolving Loan Fund - The bulk of the initial funding for this economic development proposal will be used to establish a revolving loan fund from which loans will be made to help finance new enterprises.

A) Repayment of Development Loans - All principle and 20% of the interest repayments will be returned to the revolving fund. The balance of interest payments will be returned to the general fund. All interest earned on idle cash balances will be returned to the general fund.

B) Interest Rates on Loans - Interest rates will be set based on the city's cost of capital, the term of the loan, the riskiness of the venture and other relevant factors.

VII. City Participation in the Earnings of the Enterprise - At the time a new venture is being established, the city will establish a rate of between 1 and 5% participation in the after tax earnings of the venture. This participation may be set for first year operations or may be differed for up to five years from the beginning of operations. The participation may be waived for any year if requested by the enterprise and approved by the city. All revenues from participation in enterprise earnings are returned to the general fund.

VIII. Fiscal Impact - Establishing the Economic Development Fund by reallocating moneys in the capital budget will neither increase nor decrease general fund expenditures for 1976. The fund should yield substantial fiscal benefit in future years.

Prepared by
Michael Sack
Alderman, Thirteenth District
Madison, Wisconsin

MS:smd

From the Reader of the Conference on Alternative State & Local Public Policies held June 10-13, 1976 in Austin, Texas. The reader was edited and compiled by Derek Shearer, California Public Policy Center Los Angeles, California and Lee Webb, Professor of Public Policy, Goddard College Plainfield, Vermont.

This item was made available by the Cornell University Library.

From Collection #6756, Conference On Alternative State And Local Policies Records.

Copyright and Permissions

Most of the items included in the Reader on Alternative Public Policies were published without copyright notice and hence entered the public domain upon initial publication. Some of the items found in the Reader are still subject to copyright. In some cases, even after extensive research efforts, we were unable to identify a possible rightsholder. We have elected to place the items in the online collection as an exercise of fair use for strictly non-commercial educational uses.

The Cornell University Library provides access to these materials for educational and research purposes and makes no warranty with regard to their use for other purposes. Responsibility for making an independent legal assessment of an item and securing any necessary permissions ultimately rests with persons desiring to use the item. The written permission of the copyright owners and/or holders of other rights (such as publicity and/or privacy rights) is required for distribution, reproduction, or other use of protected items beyond that allowed by fair use or other statutory exemptions. There may be content that is protected as "works for hire" (copyright may be held by the party that commissioned the original work) and/or under the copyright or neighboring-rights laws of other nations.

The Cornell University Library would like to learn more about these materials and to hear from individuals or institutions having any additional information about rightsholders. Please contact the Division of Rare and Manuscript Collections in the Library at: <http://rmc.library.cornell.edu>.