

LOUISIANA COMMUNITY DEVELOPMENT NEWSLETTER



Developing Local Incentive Programs

As the primary negotiators with businesses considering locating to or expanding in Louisiana, economic developers have the power to shape the future of our local communities. One of the most important tools in the economic developer's workshop are business incentives. Understanding the types of incentives available, how they work and when they should be employed is essential if your community's economic vision is to become a reality.

There are two main categories of incentives: statutory or non-statutory. Statutory incentives are established by law and commonly offered by the state

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or federal government. They are available to businesses that meet the program's qualifying criteria. These include:

- State-level training, tax abatements and rebates tied to specific investment or employment benchmarks.
- Federal tax credits and other benefits for locating a business in a designated geographic area, such as:
 - Empowerment Zone
 - Enterprise Zone
 - Depressed downtown areas
 - Brownfield areas
 - HubZones (which can be beneficial when competing on federal contracts)
- Disaster recovery areas (such as GO Bonds along the Gulf Coast).

Non-statutory incentives – also sometimes referred to as “elective” or “discretionary” incentives – include benefits that are offered or negotiated on a project-by-project basis. These may be offered by state, parish and/or local governments and other community partners, such as utilities and private sector or nonprofit economic development supporters. They may include:

- Loans
- Tax abatements
- Cash
- Rebates
- Site preparation and infrastructure investments
- Land discounts
- Any other benefit required to induce an industry to locate in the community

The competition is fierce among states and local communities seeking to attract private capital investment. In many business location decisions, incentives tip the balance. Learning how to leverage their value to drive economic growth in your community is a skill that can take years of experience to master. Some guiding principles:

- 1. Expend your resources judiciously.** Incentives are community currency. If you dedicate too much for one project, little will be left for the next.
- 2. Tailor the incentive to the business prospect.** Offering tax abatements are of no value if permits, training and energy costs are the prospective business's

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primary concern. Failure to listen closely is the most common incentive negotiating mistake.

3. Evaluate the fit between the prospective business and your community.

Incentives should be offered to ensure that the community develops in the manner desired by its citizens and leadership. With careful research and analysis, a community can be assured that its incentives support business development that aligns with its culture, character and core values.

4. Take stock of your current economic status. As important as identifying the types of businesses you want to attract to your community is developing a deeper awareness of the companies that are already rooted there. Inventory your key economic drivers and gain a better understanding of what activity is there, why it is there, what skills it supports and what resources it will require to continue to succeed and grow.

Professional approaches to creating and negotiating local incentives are essential to success in this high-stakes endeavor. To learn more about when and how to use local incentives, visit the [Louisiana Community Network page OpportunityLouisiana.gov](#).

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