

ED 101 - It's a Team Sport
Inventrek
March 24, 2011

- 9:00 a.m.** **Welcome and Introductions**
Jeb Conrad, President
North Central Indiana Economic Development Partnership
- 9:10 a.m.** **Overview of the Indiana Office of Community and Rural Affairs**
Steven Ray, North Central Community Liaison
Indiana Office of Community and Rural Affairs
- 9:30 a.m.** **Overview of the North Central Indiana Regional Economy**
Dr. Tom Lehman, Professor of Economics
Indiana Wesleyan University
- 10:00 a.m.** **Break**
- 10:15 a.m.** **Introduction to Economic Development**
Dick Heupel, Economic and Community Development Director
Building Better Communities
Ball State University
- 11:45 a.m.** **Introduction of *A Team Sport* Cast Members**
- 12:00 p.m.** **Lunch/Networking**
- 12:45 p.m.** ***A Team Sport*--An Interactive Role Play on Economic Development**
- 2:30 p.m.** **IEDC Strategies and Tools**
Don Foley, Senior Project Manager
Indiana Economic Development Corporation
- 3:00 p.m.** **Adjourn**

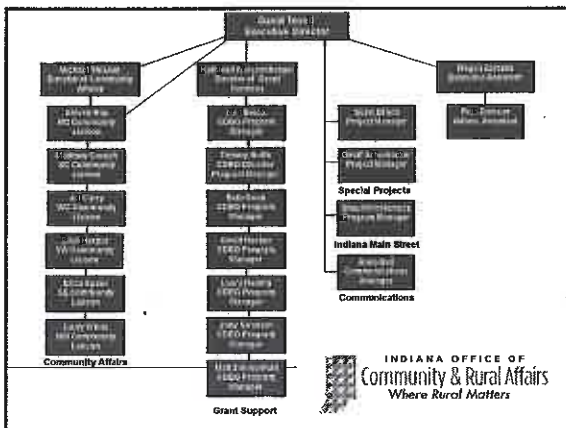
Indiana Office of Community and Rural Affairs



Indiana Office of Community and Rural Affairs

To work with local, state, and national partners to provide resources and technical assistance to aid rural communities in shaping their visions for economic development.

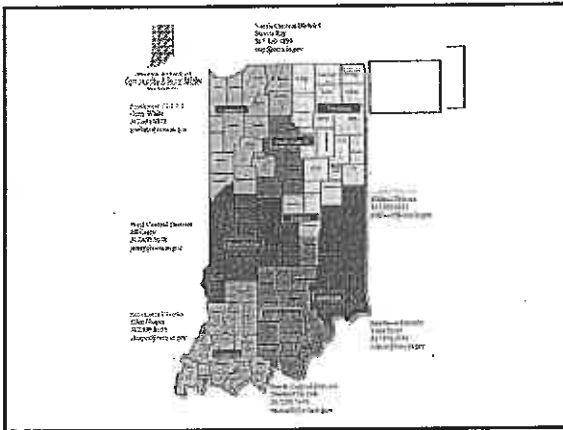




Community Liaisons

- Community Liaisons work proactively with Indiana's rural communities and their leaders by providing resources and technical assistance.
- They are strategically placed throughout the state and are committed to meeting the needs of rural Indiana.
- They assist communities and their leaders to generate creative solutions.





Community Development Block Grant Program (CDBG)

- Indiana administers federal funding from the U.S. Department of Housing and Urban Development (HUD). OCRA uses these funds to provide grants to small cities, towns, and counties with populations of less than 50,000 residents for community improvement projects.
- These federal funds are used to implement a variety of activities for housing and community development projects.
- Listed below are some of the grants OCRA offers through the CDBG program:
 - Economic Development Grants;
 - Health and Safety Projects;
 - Infrastructure Projects;
 - Quality of Life Projects; and
 - Urgent Need Grants.



Community Focus Funds (CFF)

- Awards are available to units of local government.
- Two or three competitive funding rounds per year.
- Maximum grant amount cannot exceed \$600,000.
- Required local match of at least 10% of the total project cost.
- Projects must benefit low to moderate income persons or eliminate slum/blight.



Planning Grants (PL)

- Awards are available to units of local government.
- Monthly non-competitive funding cycle.
- Maximum grant amount cannot exceed \$50,000.
- Required local match of at least 10% of the total project cost.
- Projects must benefit low to moderate income persons or eliminate slum/blight.



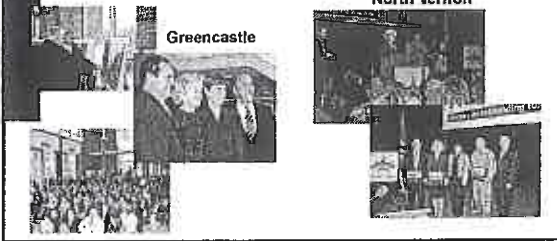
Stellar Communities

- Innovative new state program created to fund comprehensive community development projects in Indiana's smaller cities and towns.
- IHCDA, OCRA, INDOT are funding agencies
- Selected communities will complete multiple community development projects funded by the three partner agencies' programs, which may address housing, infrastructure, roadwork, streetscape, lighting, community centers, revitalization projects, and other quality of life issues.



Stellar Communities

- North Vernon and Greencastle announced as Indiana's first Stellar Pilot Communities March 10 and 11



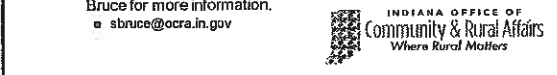
Indiana Main Street

- Indiana Main Street uses economic development, redevelopment, and historic preservation tactics to help individuals, businesses, and organizations strengthen the centers of their cities and towns.
- Indiana Main Street's Four Point Approach:
 - Organization
 - Design
 - Promotion
 - Economic Restructuring



HomeTown Competitiveness Program

- HomeTown Competitiveness (HTC) is a comprehensive approach to community development that can help rural communities tackle their current economic challenges. The HTC framework emphasizes five "pillars".
- Pillars of HTC:
 - Leadership
 - Youth development
 - Building community wealth/philanthropic giving
 - Entrepreneurship
 - Rural family success
- Currently accepting new community participants: contact Susie Bruce for more information.
 - sbruce@ocra.in.gov



Community Coaching/ Resource Development

- Assists in implementing community development projects
- Provides troubleshooting assistance regarding rural development needs
- Offers a neutral perspective on communities' specific issues
- Identifies and prepares communities to work with additional resources and partners



Contact OCRA

Indiana Office of Community and Rural Affairs
One North Capitol, Suite 600
Indianapolis, Indiana 46204
800.824.2476
www.ocra.IN.gov



**Introduction to Economic Development
ED101: It's a Team Sport**

North Central Indiana
Inventrek Technology Park
Kokomo, Indiana
March 24, 2011

Presented by:
Dick Heupel, CEcD
Building Better Communities
at Ball State University

What is Economic Development?

What is *your* definition?

What is Economic Development?

• Common measures

- | | |
|------------------------------------|----------------------------|
| - Job creation | - Quality of Life |
| - Business attraction | - Infrastructure dev |
| - Business retention/
expansion | - Increasing tax base |
| - New business development | - Agri-business dev |
| - Standard of living | - Education |
| - Tourism development | - Workforce
development |

What is Economic Development?

AEDC Definition

The process of creating wealth through the mobilization of human, financial, capital, physical, and natural resources to generate marketable goods and services. The economic developer's role is to influence the process for the benefit of the community through expansion of job opportunities and the tax base.

What is Economic Development?

IEDC Definition

Economic development can be defined as a program, group of policies, or activity that seeks to improve the economic well being and quality of life for a community by creating and/or retaining jobs that facilitate and provide a stable tax base.

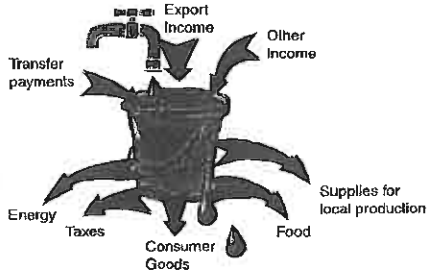
What is Economic Development?

David Dodson's Definition

Economic development is a process by which a community creates, retains, and reinvests wealth and improves the quality of life.

A Community Economy: The Leaky Bucket

from *Small Town Magazine*



Purpose?

-increased standard of living
-prosperity
-increase in per capita income
-increased wealth
-?????

Business Development Strategies

The "Big 3"

- Existing business expansion
- New business attraction
- New business start-ups

Existing Business Expansion

- Best opportunity to influence decision-makers
 - You already have the contacts
- Biggest contributors to the economy
- Aggressively promote investment incentives
- Protect your home court
- Best resource for new business attraction

New Business Attraction

- Necessary component
- Gets all the press
- Highly competitive business
- Low batting average
- Highly sensitive to business cycles
- Requires significant infrastructure
 - Water, sewer, roads, drainage, power, creative incentives

New Business Start-ups

- Long-term project
- Largest potential returns
- Not well integrated into culture, education
- Requires risk capital, business counseling, range of support services, tolerance to failure
- Patience

Diversified Strategies

- Visitor attraction
 - Fairs, festivals, shows, demonstrations, competitions
- Retail and services analyses
 - Feeds all three business development strategies
- Residential attraction
 - Q of L factors, retirees

Changing Dynamics

- Globalization ...
 - Increased competition, more strategic partnerships
 - Regional competitive advantages become critical
 - Increased cultural diversity
 - Community impacts
 - Multi-lingual environments
 - Unfamiliar customs
- ... *is here to stay!*

Changing Dynamics

- The Productivity Race
 - Requires higher investments, higher skills, continuous improvement, flexible environments
- The Innovation Race
 - Six Sigma, TQM Network, TIN, ...
 - Can be a distinct competitive advantage
 - Apple Computer, Starbucks, Indiana?
 - Shortened product life cycles

Changing Dynamics

- To Excel, Communities and Regions Must Embrace and Create Change
 - Identify, articulate, and exploit globally competitive regional advantages
 - Partner with historic competitors for shared success
 - Establish a solid reputation as a resource to prospective investors
- *BE CREATIVE*

Who's on the Team?

- Public/Private Partnerships
 - LEDOs
- Chambers of Commerce
- Small Business Development Centers (SBDC)
- Convention Visitors Bureaus
- Workforce Investment Boards
- Utilities
- Colleges and Universities
- Government
 - Local/state/federal
- Special Authorities
 - Redevelopment Commissions
 - Airport/Port Authorities
 - Foreign Trade Zones
- Regional
 - Regional Planning Commissions/Councils
 - Economic Development Districts

Why Team Approach?

- Shared goals
- Maximize resources
 - People = leadership
 - Duplication = waste
 - Turf battles = waste of time
- Maximize individual specialties
 - Don't be all things to all people
- Greater likelihood of success

Keys to Success

- Have a **shared vision** of the future
 - By key organizations/constituencies
- Have a **plan** for how you will get there
 - Each team member can see a role
- **Partner** with the state
 - Changing policies, programs, structures, but...
 - it's their mission too
 - Go as a 'community'

Local Tools

- **Property Tax Tools**
 - Property Tax Abatement
 - Tax Increment Financing
- **Income Tax Tools**
 - CEDIT
- **Financing Tools**
 - Revenue Bonds, GO Bonds, Private investment pools, RLFs,...

Speaking of ...

- Property Tax Abatement
 - Locally-controlled
 - Common Tool
 - In use by your collaborators and competitors
 - Show of good faith
 - Reduces up-front operating costs
 - **Also Commonly Misunderstood**

Speaking of...Tax Abatement

- Myth:
 - New businesses don't pay property taxes because of tax abatement
- Fact:
 - Applies to limited property categories
 - Real Estate *Improvements*
 - Manufacturing Machinery and Equipment
 - IT and selected technology investments only
 - limited categories of property taxes are eligible

Speaking of...Tax Abatement

- Myth:
 - New businesses don't pay property taxes because of tax abatement
- Fact:
 - Taxes on an abated business property begin phasing in with the second year's assessment

Speaking of...Tax Abatement

- Myth:
 - Tax abatement removes property from the tax base
- Facts:
 - Property tax is applicable only to NEW eligible property, not existing property
 - No Indiana property is taxed at a lesser amount in a succeeding year due to abatement

Speaking of... Tax Abatement

- Myth:
 - New businesses get all the tax breaks
- Fact:
 - Residential property owners get most of the tax breaks
 - **OVERWHELMINGLY!**

Speaking of... Tax Abatement

- Residential Property Owners' Tax Abatements:
 - Howard Co Med Dt Home Value = \$100,770*
 - Net Assessed Value \$ 35,844 (\$ 64,926)
 - Local Prop Tax relief and SME (\$ 3,373)
 - TOTAL DEDUCTIONS \$ 65,299**

* Source: Estimated 2009 value per City-Data.com
• Calculator found at: http://www.stafs.indiana.edu/dtjg_calculators2011/Taxcalc2011.asp

Speaking of... Tax Abatement

- Residential Property Owners' Tax Abatements:

Median Howard County Homeowner's
'automatic' property tax abatements =

65%

But wait....
...there's MORE!!

Speaking of...Tax Abatement

- Business Property Tax Abatements
 - Require fiscal body approval
 - Require annual reports
 - Can be rescinded by council
 - Expire completely after 10 years *maximum*

Speaking of...Tax Abatement

- Residential Property Tax Abatements
 - Are 'automatic' – sign a piece of paper
 - Have no requirements for continuation
 - Are PERMANENT

But WAIT.....

....There's MORE!

Speaking of...Tax Abatement

- Residential Property Owners' Tax Abatements:
- Senior Citizens whose homes \leq \$160,000 and incomes \leq \$30K (1) or \$40K (2)
 - Max annual increase of 2% / year
- 50% increase in Indiana earned income tax credits (\$6K to \$9K) as part of 2008 property tax reform

Speaking of... Tax Abatement

- Residential Property Owners' Tax Abatements:

But WAIT....
...there's STILL MORE!!

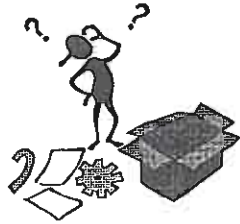
Speaking of... Tax Abatement

- Residential Property Owners' Tax Abatements:
 - Homeowners' property taxes capped at 1% of assessed value in 2010
 - Apartment and agricultural property caps are TWICE as high
 - Business property caps are THRICE as high

Speaking of... Tax Abatement

- Yes, there's STILL more:
 - Indiana Homeowners' Personal Income Tax deduction (Schedule 1)
 - Renter's income tax deduction on (Schedule 1)
 - Federal Income Tax itemized deductibility of mortgage interest payments

Questions?



1

INDIANA
ENGINEERING EXCELLENCE

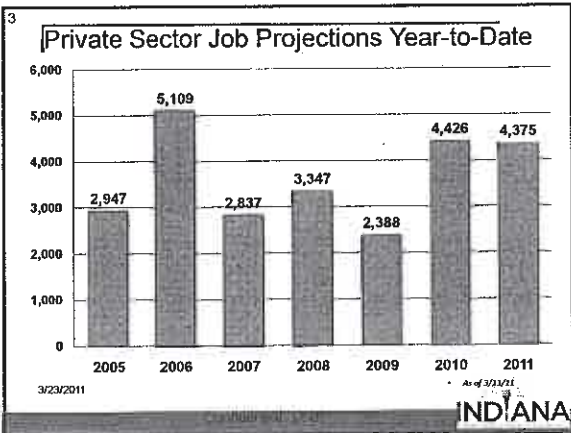
"Government does not create jobs; it only creates the conditions that make jobs more or less likely."

Governor Mitchell E. Daniels, Jr.
State of the State Address, January 18, 2005

3/23/2011

Indiana Economic Development Corporation

- Metrics
- Marketing
- Programs
- Process



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Business Climate Ranks 8th in U.S.

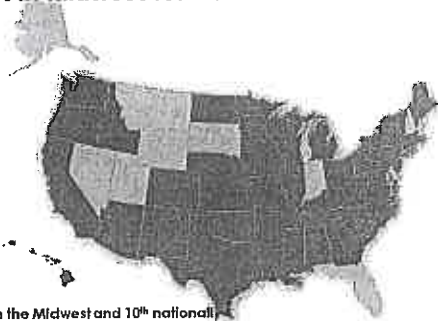


Based on a survey of real estate executives and Indiana's economic performance
3/23/2011

SITE
selection

11

Best in Midwest for Low Taxes

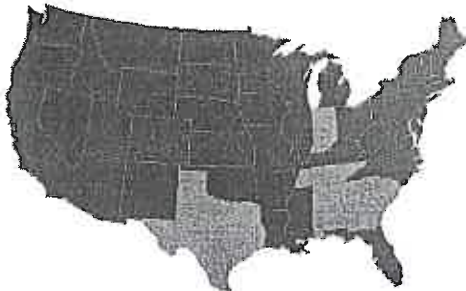


1st in the Midwest and 10th national
Illinois (23rd), Kentucky (19th),
Michigan (17th), Ohio (46th)

TAX
FOUNDATION

12

Top State For Business



6th Overall Best State for Business
Based on site selection consultants' rankings of states

AREA DEVELOPMENT
ONLINE

Business Incentives - Infrastructure

▪ **Industrial Development Grant Fund**

- Grant to the *community*.
- Offset to *public* infrastructure costs.
- Requires a competitive project.

Business Incentives – Training Grants

▪ **Skills Enhancement Fund**

- 2-year grant
- Up to 50% reimbursement; Maximum \$200,000
- Production skills, Quality, OJT, Certificates, Language

IEDC Processes

- Sites and Buildings Database
- Application for Incentives (AFI)
- Pre-Grid
- Pre-Commit Letter
- Contracting
- IEDC Extranet Compliance (NEW!)
- Indiana Supplier INSight

Indiana Economic Development Corporation

- Don Foley
- 317.233.3040
- dofoley@iedc.in.gov

Frequently Asked Questions

Why should I register my business on Indiana Supplier INSight?

You'll get free awareness of your business. You can post or bid on procurement opportunities.

Small businesses can post teaming interest on procurement opportunities.

What supplier information can I search?

Product and service capabilities, certifications, qualifications, diversity, demographics and much, much more.

How many businesses are registered on the Portal?

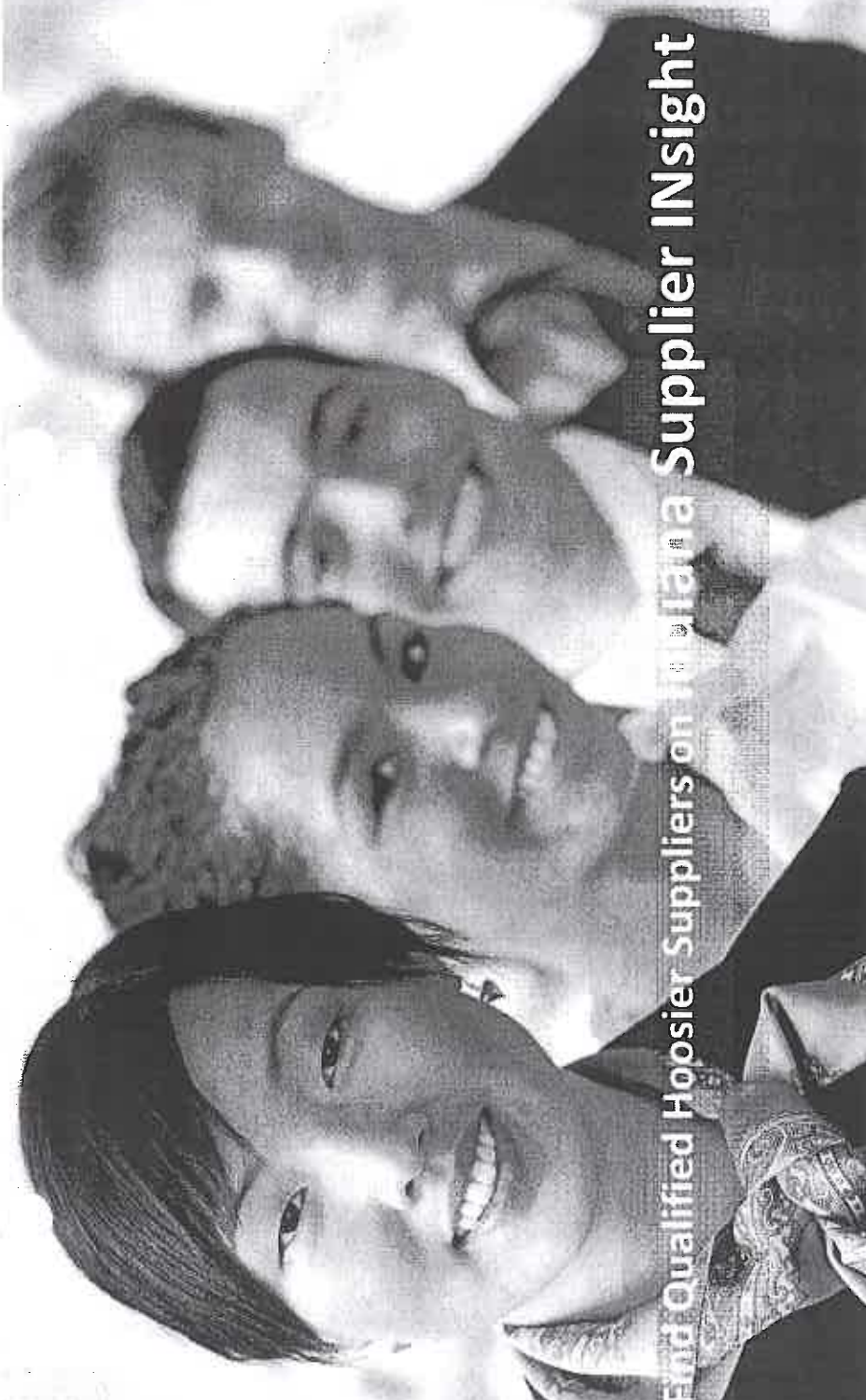
5,500+ businesses are registered as of Sept 1, 2010.

How do I learn more?

Contact Lisa Laughner at 317.532.4777 to register for a free training webinar:

Free online training Webinars held Tuesday's from 1:00 pm to 2:00 pm EDT

All you need is a computer and internet connection to participate.



Find Qualified Hoosier Suppliers on Indiana Supplier INSight

Hoosiers doing business with Hoosiers; now there's a way to grow Indiana's economy, right in our own backyard.

Indiana Supplier INSight is a FREE procurement portal for Indiana suppliers. Businesses register their company profiles on the website and participate as a supplier and/or buyer in procurement matchmaking. Sign up today and find Hoosier suppliers and opportunities for your business!

Register on the website: www.IndianaSupplierINSight.com or contact Lisa Laughner at laughner@conexusindiana.com or 317.532.4777 for info or to register for a free training webinar.

Indiana Supplier INSight is sponsored by Conexus Indiana, Indiana Economic Development Corporation, Indiana Secretary of State, Indiana Department of Administration and the Indiana Chamber of Commerce.

INDUSTRIAL

The Industrial Recovery Tax Credit provides an incentive for companies to invest in facilities requiring significant rehabilitation or remodeling expense. After a building has been designated as an industrial recovery site, companies may be eligible for a tax credit calculated as a percentage of qualified rehabilitation expense.

IDGF

The Industrial Development Grant Fund provides financial support for infrastructure improvements in conjunction with projects creating jobs and generating capital investment in Indiana. This grant provides money to local governments for off-site infrastructure projects associated with an expansion of an existing Indiana company or the location of a new facility in Indiana.

VCI

The Venture Capital Tax Credit program improves access to capital for fast growing Indiana companies by providing individual and corporate investors an additional incentive to invest in early stage firms. Investors who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana tax liability.

21ST CENTURY FUND

The Indiana 21st Century Research and Technology Fund was created in 1999 to stimulate the process of diversifying the State's economy by developing and commercializing advanced technologies in Indiana. During its first five years, the Fund supported the development of critical academic-commercial transferring advanced university technologies to the private commercial sector, and developing essential technical infrastructure. During its second five years, the Fund focused on the critically important early stages of technology development in small/medium size companies, and has created a large and growing portfolio of awardees, at all stages of development. Now, the Fund is beginning to emphasize its role in catalyzing the key inflections leading to sustained commercial activity, market penetration and accelerated jobs growth.

The Fund also manages the IEDC's SBIR/STTR programs, and all Fund support of early-stage technology commercialization in small/medium size companies will be provided through the SBIR/STTR proposal assistance and matching processes. Direct 21 Fund investments are aimed at providing financial support for gazelle-type companies making the transitional leap from general research and development and product development to accelerated market entry and exponential growth.

EDGE

The Economic Development for a Growing Economy (EDGE) is a refundable tax credit program that rewards companies creating new jobs and contributing to the growth of Indiana's economy. EDGE credits are calculated as a percentage of payroll tax withholding for net new Indiana jobs. EDGE credits may be awarded for up to ten years. Each year, a limited amount of EDGE credits are available for the retention of jobs in highly competitive situations.

HBITC

The Hoosier Business Investment Tax Credit (HBITC) program encourages capital investment in Indiana by providing a credit against a company's Indiana tax liability. The credit amount is based on a company's qualified capital investment with the final credit amount determined by the Indiana Economic Development Corporation (IEDC), based on an analysis of the economic benefits of the proposed investment.

SEF

The Skills Enhancement Fund (SEF) provides financial assistance to businesses training their workforce. Trainees must be Indiana residents. SEF reimburses eligible training expenses over a two-year term. Companies may reapply for additional SEF funds after their initial two-year term. IEDC typically does not provide reimbursement for training that is required by law.

SBIR

The Indiana Economic Development Corporation (IEDC), recognizing the unique challenges inherent in technology innovation and commercialization, particularly for emerging companies, has created a program to match Indiana Phase I grants from the Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) programs. These federal programs, managed by the Small Business Administration in the context of federal agencies and departments, provide competitively reviewed support for both proof-of-principle research and development (Phase I) and early stage product development (Phase II). The dual purpose of this matching grant program administered by the 21st Century Research and Technology Fund is to both increase the numbers and competitiveness of Indiana SBIR/STTR proposals, and to increase the success of Indiana companies in moving from Phase I to Phase II.

PATENT INCOME EXEMPTION

Exemption for Patent-derived Income

Effective January 1, 2008, certain income derived from qualified patents and earned by a taxpayer are exempt from taxation.

The Tax Exemption for Patent-derived Income defines qualified patents to include only utility patents and plant patents. The total amount of exemptions claimed by a taxpayer in a taxable year may not exceed \$5 million.

The exemption provides that a taxpayer may not claim an exemption for income derived from a particular patent for more than 10 taxable years. The exemption percentage begins at 50 percent of income derived from a qualified patent for each of the first five taxable years, and decreases over the next five taxable years to 10 percent in the 10th taxable year.

It also specifies that a taxpayer is eligible to claim the exemption only if the taxpayer is domiciled in Indiana and is: either an individual or corporation with not more than 500 employees; or is a nonprofit organization or corporation.

The Tax Exemption for Patent-Derived Income is established by IC 6-3-2-21.7.

The patent-derived income that is exempt under the bill includes:

- Licensing fees or other income received from the use of a patent
- Royalties received from the infringement of a patent
- Receipts from the sale of a patent
- Certain income from the taxpayer's own use of the qualified patent to produce the claimed invention

CLAIMING THE EXEMPTION

A taxpayer may claim the exemption for 10 years with respect to a particular patent. The total amount of exemptions for patent-derived income that a taxpayer may claim in a taxable year is \$5 million.

Year the exemption is Claimed for a Particular Patent	Percent of Patent-Derived Income Exempt
Years 1 through 5	50%
Year 6	40%
Year 7	30%
Year 8	20%
Year 9 and 10	10%

ELIGIBILITY

In order to receive the Patent-Derived Income Tax Exemption, the recipient must be a "qualified taxpayer," defined as: an individual or corporation domiciled in Indiana with 500 or fewer employees, including employees in the individual's or corporation's affiliates; or a nonprofit organization or nonprofit corporation domiciled in Indiana.

RESEARCH & DEVELOPMENT

Tax Incentives for Research and Development Engagements

The state of Indiana offers two tax incentives targeted at encouraging investments in research and development. Taxpayers may receive a credit against their Indiana state income tax liability calculated as a percentage of qualified research expenses. In addition, taxpayers may be refunded sales tax paid on purchases of qualified research and development equipment. The Indiana Department of Revenue oversees these incentive programs.

RESEARCH EXPENSE CREDITS

A taxpayer may be eligible for a credit on qualified research expenses. There are two separate formulas for calculating the credit. One applies to expenses incurred before January 1, 2008. The other applies to expenses incurred after that date. Potential Value of Incentive: Before January 1, 2008, the credit is equal to the taxpayer's qualified research expense for the taxable year minus the

qualified research expense over a base period amount greater than \$1 million. Credits awarded under this program may be carried forward for 10 taxable years. Refer to IC 6-3.1-4 for more details on the calculation of this credit.

Application Process—A taxpayer who qualifies for the exemption must claim the exemption in a manner prescribed by the Indiana Department of Revenue. The form used to claim the exemptions is available www.in.gov/dor

RESEARCH AND DEVELOPMENT SALES TAX EXEMPTION

There is a 50 percent sales tax exemption for qualified research and development equipment bought after June 30, 2005. The sales tax exemption is 100 percent if the purchase of such equipment is on or after July 1, 2007. Taxpayers may file a claim for the refund for tax paid on retail transactions that occur on or after July 1, 2005.

POTENTIAL VALUE OF INCENTIVE

The amount varies based upon the amount of the qualifying transaction.

QUALIFYING CRITERIA

An Indiana qualified research expense is defined as the sum of the following amounts, incurred by the taxpayer during the taxable year: wages paid to employees, supplies, services for qualified research or supervision of research activities. Qualified research expense is defined by Section 41(b) of the Internal Revenue Code as in effect on January 1, 2001. In prescribing what qualifies as a research expense, the Department of Revenue may consider the following:

- The place where the services are performed
- The residence or business location of the person or persons performing the services
- The place where qualified research supplies are consumed
- Other factors that the department deems relevant

base period amount, multiplied by 10 percent. After January 1, 2008, the credit is equal to the taxpayer's qualified research expense for the taxable year minus the base period amount up to \$1 million multiplied by 15 percent. A credit percentage of 10 percent is applied to any excess of

QUALIFYING CRITERIA

Research and development equipment is defined as tangible personal property that consists of the following: laboratory equipment, computers, computer software, telecommunications equipment, or testing equipment. The equipment cannot have been used in Indiana previously for any other purpose. The acquired equipment must also be directly devoted to laboratory research and development for new products, new uses of existing products, or improving or testing existing products.

Application Process—A taxpayer who qualifies for the exemption must claim the exemption in a manner prescribed by the Indiana Department of Revenue. The form used to claim the exemptions is available at www.in.gov/dor

TOOLBOX GUIDE TO DEVELOPMENT FUNDS

Indiana's Most Comprehensive Listing of Community and Economic Development Fund Programs

Need financial assistance for your community or an economic development program? We can help! Through Ball State's Building Better Communities, we offer Indiana's most comprehensive database. It is a compilation of local, state, federal, and privately-funded programs.

The toolbox will direct you to find funding support in many areas such as:

- ✓ Arts, Humanities, and Human Services
- ✓ Business Development
- ✓ Community and Economic Development
- ✓ Environmental Development
- ✓ Housing Development
- ✓ Parks and Recreation
- ✓ Tax and Finance
- ✓ Workforce Development

From agency contacts to types of assistance, we can direct you on the requirements to obtain these funds.

You will also find:

- ✓ Program Objective Requirements
- ✓ Types of Assistance
- ✓ Eligibility
- ✓ Available Funds
- ✓ Maximum Award Amount
- ✓ Matching Requirements
- ✓ Limitations
- ✓ Tax and Finance
- ✓ List of organizations who utilized the funds

The Toolbox Guide to Development Funds allows the individual to search the entire database or conduct an online keyword search of each category. Check out our free downloadable guide at www.bsu.edu/bbc/toolbox.

Contact Building Better Communities
Phone: 765-285-2773 Email: bbc@bsu.edu
Visit our website at www.bsu.edu/bbc