

# An Overview of Economic Incentives in the United States

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**Federal / State / Local**

**Statutory / Discretionary**

**Industry specific**

**Geographic specific**

## **INCENTIVES**

***Macro***

## Economic Incentives

**Goal: *Create Jobs***

**Could even be just a few ...**

**Demographic**

**Development (e.g., rural, inner city)**

**Not just capital investment  
(even EB-5)**

**Different from VC, angel investors, M&A, etc.**

## **Federal**

***Least flexibility***

***Potential for high dollar, Certainty for high paperwork***

**Loans**

**Grants**

**“Green” Clean tech**

**R&D**

**US companies**

## State

*Some flexibility*

**Often Tax Credits**

**Jobs-based  $\approx \approx$  “trophy” project**

**Infrastructure (local collaboration)**

**Workforce Training, e.g., Georgia “Quick Start”**

**Targeted Industries, e.g., Georgia – Film production,  
also included, digital media, interactive entertainment, etc**

**State assets – e.g., Georgia ports**

**R&D**

## **Local**

***Most flexibility***

**Real estate tax abatements**

**Personal property / machinery & equipment**

**Sales tax, e.g., construction, machinery**

**Grants, Loans**

**Industrial Development Authority**

**Industrial Revenue Bonds**

**Public Utilities**

**Permitting (Money & Time)**

## **Geographic specific**

**Federal / State / Local**

**Foreign Trade Zone**

**Tax Increment Financing (TIF), Tax Allocation District (TAD)**

**Enterprise Zone**

**Opportunity Zone**

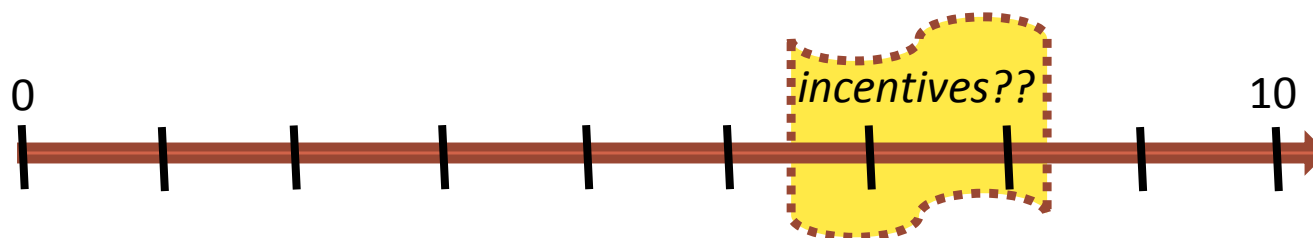
**Tier structure (e.g., Georgia)**

**CARE - Commercial Area Revitalization Effort**

**BID - Business Improvement District**

# Macro

Incentives – initial, up front, maybe 3, 5, 10 years if lucky



## Site Selection Process

*Best economic incentive is selection of appropriate location*



**Chosen and managed correctly, *these* are incentives:**

- ✎ Expenses - Operating & Capital**
  - Labor Costs**
  - Real Estate**
- ✎ Taxes**
  - Regulations**
- ✎ Workforce**
  - Skilled, educated**
  - “Right-to-Work”**
- ✎ Access to Market**
  - Customers**
  - Suppliers**
- ✎ Universities**
- ✎ Quality of Life**

## Industry Clusters - *have others like you succeeded there?*

- ***Precedence***
- ***Support***
- ***Networking***
- ***Workforce***
- ***Business Development***

Examples,

**Houston** -- oil & gas

**Portland (OR)** -- athletic apparel

**Atlanta** --

- Mobility
- FinTech
- Internet Security
- Health IT
- Advanced Manufacturing

## U.S. Southeast: New Center of American Automotive Industry



Sources: Georgia Department of Economic Development; Georgia Power

# Economic Indicators

	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
GDP (Millions) (2014, advanced statistics)	\$324,881	\$382,459	\$610,552	\$299,161	\$1,558,518	\$411,969
<i>Source: U.S. Bureau of Economic Analysis, 2015.</i>						
Net Job Creation (2013-2014 nonfarm employment change)	88,200	38,800	59,300	76,200	172,200	74,500
<i>Source: U.S. Bureau of Labor Statistics, 2015.</i>						
Metro Area Workforce						
Labor Force (2014)	2,807,686	2,609,749	4,904,194	3,002,772	9,938,936	2,458,842
Unemployment Rate (2014)	6.8%	5.2%	7.0%	6.3%	6.4%	5.2%
Median Hourly Wage (May 2014)	\$17.22	\$22.56	\$18.07	\$15.30	\$20.99	\$23.72
<i>Source: U.S. Bureau of Labor Statistics, 2015.</i>						
FORTUNE 500 Headquarters						
Number of FORTUNE 500 Headquarters (2015)	13*	2	9	3	48	6
Rank of Top Cities with FORTUNE 500 Headquarters (2015)	3rd	Not Ranked	4th (tie)	Not Ranked	1st	6th (tie)
<i>Source: FORTUNE magazine, June 2015.</i>						

\* yet, 86% of companies in Atlanta have fewer than 20 employees

# Demographics

	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
<b>Metro Area Population</b>						
Population (2014 Estimate)	5,614,323	4,732,161	9,554,598	5,929,819	20,092,883	4,594,060
Projected Population (2020)	6,145,110	4,863,780	9,941,390	6,344,080	20,618,520	4,727,370
Projected Growth Rate (2014-2020)	9.5%	2.8%	4.0%	7.0%	2.6%	2.9%
Median Age (2014 Estimate)	35.8	38.7	36.8	40.5	37.9	38.6
Foreign Born Population (2014 Estimate)	13.4%	17.6%	17.6%	39.2%	28.8%	30.4%
<i>Sources: U.S. Census Bureau 2014 Population Estimates; 2014 American Community Survey; Woods &amp; Poole Economics MSA Profile, 2015.</i>						
<b>Metro Area Education</b>						
Earned High School Degree or Higher (2014)	88.3%	90.8%	87.5%	84.9%	85.6%	88.1%
Earned Bachelor's Degree or Higher (2014)	35.8%	45.2%	36.1%	29.4%	37.9%	45.9%
Earned Graduate or Professional Degree (2014)	13.0%	20.2%	14.1%	10.7%	15.7%	18.5%
Total Post-secondary Degrees Awarded- Bachelor's degree or higher (2011)	42,126	73,088	82,055	37,259	163,503	34,886
Total Post-secondary Students Enrolled- Full-time Equivalent (2011)	277,831	316,917	511,702	319,278	917,295	245,673
<i>Sources: U.S. Census Bureau, 2014 American Community Survey; Metro Atlanta Chamber/Human Capital Research Corp. "Higher Education in America's Metropolitan Areas: A Statistical Profile, 2013."</i>						

# Transportation / Access

	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
Metro Area Air Service	ATL	BOS	ORD   MDW	MIA	JFK   LGA   EWR	SFO
International non-stop markets served	67	40	60   8	93	112   5   80	36
Domestic non-stop markets served	151	70	149   67	52	56   65   75	65
Source: InterVISTAS Consulting LLC, April 2015.						
Regional Container Port Service	Savannah, GA	Boston, MA	Baltimore, MD	Miami, FL	New York, NY	Oakland, CA
Distance to ocean port (kilometers)	402	0	1128	0	0	19
Source: Google Maps; individual port websites.						



# Commercial Real Estate

	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
Metro Area Office Market						
Class A Asking Rent (\$/sq.ft./yr.)	\$23.69	\$25.15	\$26.79	\$36.67	\$59.16	\$49.27
Class B Asking Rent (\$/sq.ft./yr.)	\$16.64	\$20.64	\$20.48	\$26.16	\$55.22	\$43.98
Total Office Market Inventory- Class A,B,C (sq.ft.)	303,577,453	388,418,386	459,408,553	99,724,263	558,211,997	161,667,395
Total Office Market Vacancy Rate-Class A,B,C	14.2%	9.2%	13.7%	11.6%	7.8%	7.4%
Metro Area Industrial Market						
	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	Long Island, NY Northern NJ	San Francisco, CA
Warehouse & Distribution Asking Rent (\$/sq.ft./yr.)	\$3.53	\$5.31	\$4.97	\$8.09	Long Is: \$11.63 North NJ: \$5.57	\$12.05
R&D / Flex Asking Rent (\$/sq.ft./yr.)	\$7.89	\$9.85	\$10.57	\$12.87	Long Is.: \$22.15 North NJ: \$12.02	\$25.58
Total Industrial Market Inventory (sq.ft.)	659,347,730	503,450,689	1,154,569,841	230,111,240	Long Is.: 347,649,648 North NJ: 805,369,476	94,659,417
Total Industrial Market Vacancy Rate	8.8%	8.2%	7.9%	5.6%	Long Is.: 4.8% North NJ: 8.1%	3.9%
Source: CoStar National Market Reports: Year-End, 2014.						

# Cost of Business

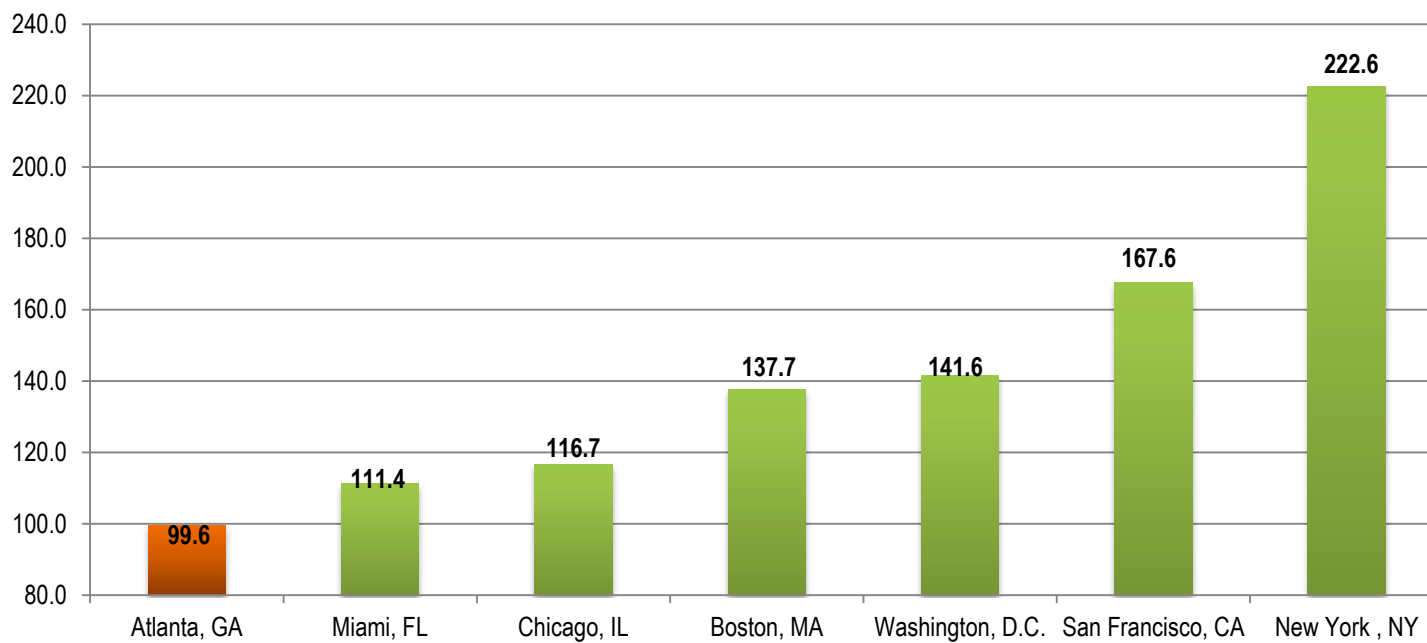
	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
Overall Business Cost Index (U.S. Average = 100)	94.7	101.1	99.1	97.0	103.6	104.2
Total Tax Index	81.1	90.0	93.9	91.7	111.8	102.1
Source: KPMG's Guide to International Business Location Costs, 2014; Competitive Alternatives: KPMG's Special Report on Tax, 2014.						
State Electricity Prices	GA	MA	IL	FL	NY   NJ	CA
Residential (avg price per kilowatt-hour)	11.57 ¢	17.40 ¢	11.41 ¢	11.98 ¢	NY: 20.05 ¢ NJ: 15.80 ¢	16.29 ¢
Commercial (avg price per kilowatt-hour)	10.28 ¢	14.65 ¢	8.73 ¢	9.97 ¢	NY: 16.11 ¢ NJ: 13.19 ¢	15.67 ¢
Industrial (avg price per kilowatt-hour)	6.52 ¢	6.21 ¢	6.35 ¢	8.06 ¢	NY: 6.50 ¢ NJ: 11.55 ¢	11.93 ¢
Source: Energy Information Administration, 2014 annual averages.						
State Taxes	GA	MA	IL	FL	NY   NJ	CA
State Corporate Income Tax (Jan. 1, 2015)	6.00%	8.00%	7.75%	5.50%	NY: 7.1% NJ: 6.5% to 9.0% (3 brackets)	8.84%
State Gross Receipts Tax (Jan. 1, 2015)*	None	None	None	None	None	None
State Individual Income Tax (Jan. 1, 2015)	1% to 6% (6 brackets)	5.15%	3.75%	None	NY: 4% to 8.82% (8 brackets) NJ: 1.4% to 8.97% (6 brackets)	1% to 13.3% (10 brackets)
State Sales/Use Tax (Jan. 1, 2015)	4.00%	6.25%	6.25%	6.00%	NY: 4.00% NJ: 7.00%	7.50%
Source: The Tax Foundation, Facts & Figures 2015. *Gross Receipts taxes are complex business taxes imposed at a low rate but on a wide base of transactions, resulting in high effective tax rates that can vary by industry.						
State Unemployment Insurance	GA	MA	IL	FL	NY   NJ	CA
Taxable Wage Base	\$9,500	\$15,000	\$12,960	\$7,000	NY: \$10,500 NJ: \$32,000	\$7,000
New Employers Tax Rate (based on taxable wages)	2.70%	1.87%	3.95%	2.70%	NY: 4.10% NJ: 3.40%	3.40%
Source: ADP, 2015 Fast Wage and Tax Facts, published 2/17/15						

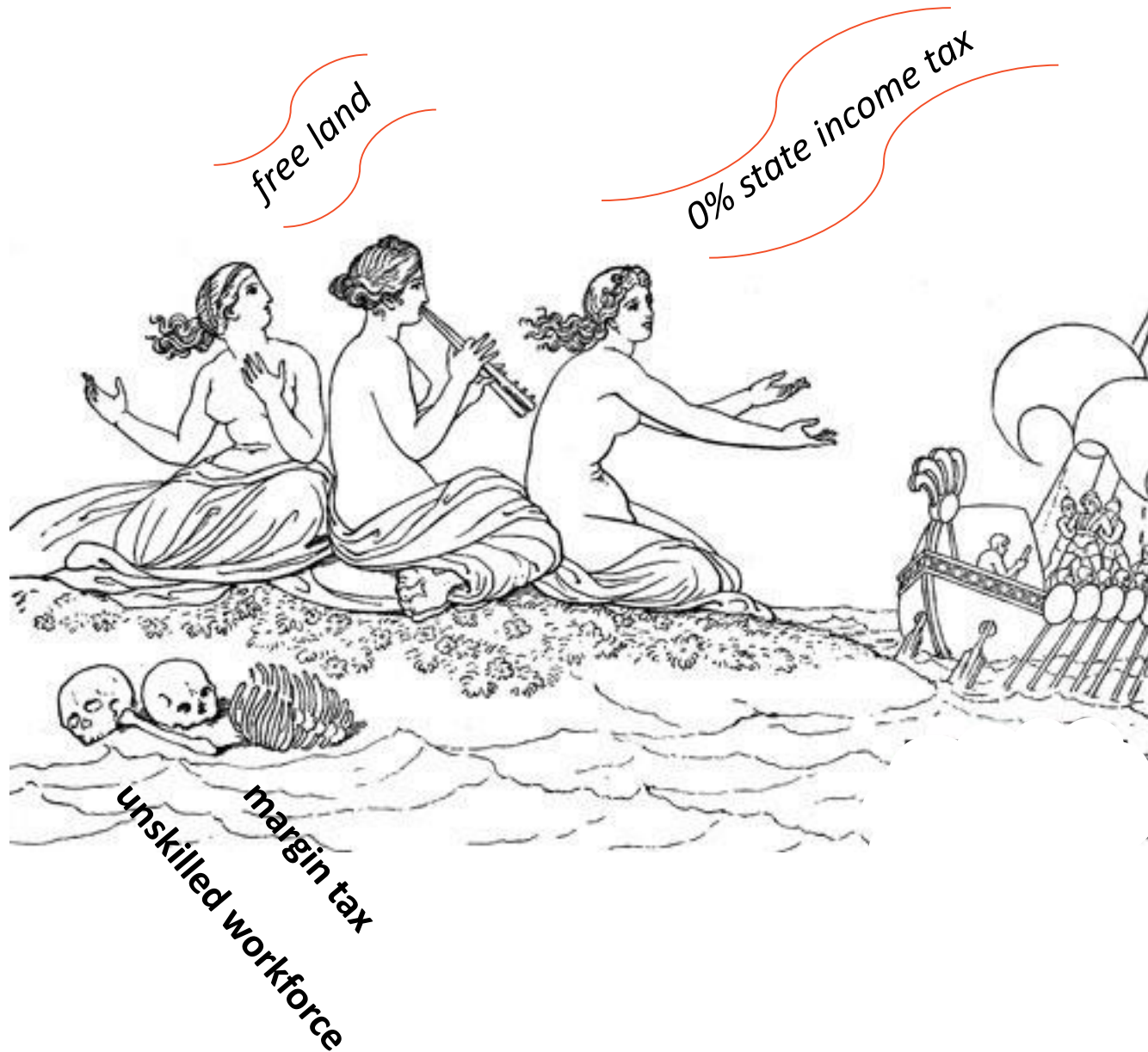


# Cost of Living

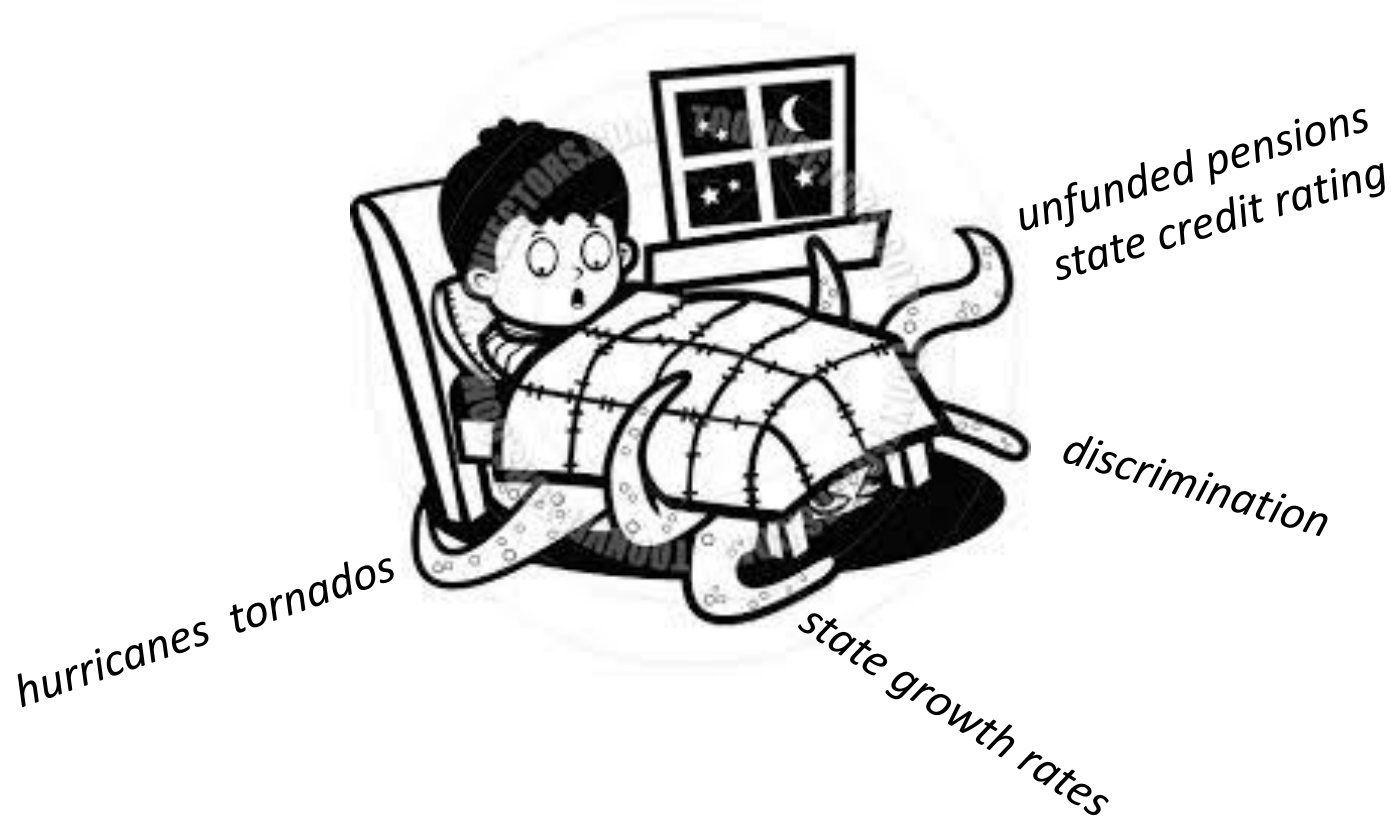
	Atlanta, GA	Boston, MA	Chicago, IL	Miami, FL	New York, NY	San Francisco, CA
Cost of Living Index (U.S. average = 100)	99.6	137.7	116.7	111.4	222.6	167.5
Average Housing Costs						
Average New Home Price (223 sq.meters, 4 BR, 2 BA)	\$286,196	\$487,661	\$428,069	\$357,091	\$1,358,576	\$920,224
Average Monthly Apartment Rent (90 sq.meters, 2 BR, 2 BA)	\$948	\$1,940	\$1,149	\$1,300	\$3,851	\$3,072

Source: ACCRA Cost of Living Index 2014, annual averages.





**Beware the monsters under the bed ...**



**Georgia ranked as Top U.S. State for Business  
by professional site selection consultants**

▪ **Atlanta**

**AREADEVELOPMENT**  
SITE AND FACILITY PLANNING

2016: *3<sup>rd</sup> year in a row*

**SITE  
SELECTION**

2016: *4<sup>th</sup> year in a row*

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*“Incentives cannot make a bad site good.”*

Joseph Folz  
General Counsel  
Porsche Cars North America





Mercedes-Benz

**“In fact, incentives, when you look at the whole picture, it’s just a small piece. We’re making a 50-year decision, and a pile of incentives in Year One, Two or Three over a 50-year decision doesn’t make a gigantic impact.”**

Steve Cannon  
CEO  
Mercedes-Benz USA

• *New York*

▪ *Atlanta*

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