

# "Creating Economic Opportunity"

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## Creating Economic Opportunity Through Multi-Jurisdictional Parks

As America emerges from the worst recession in generations, competition for economic development projects is more intense than ever before. The desperate need for job creation is driving changes in product development and incentives. In areas where the private sector is not creating product, public-private partnerships and publicly funded product development are filling the gap. In order to create a more marketable product in the face of increasing competition, the multi-jurisdictional park has emerged. This article discusses why multi-jurisdictional parks are a good economic development tool, how they are developed in North Carolina, and reviews five case studies. Multi-jurisdictional parks offer a way for communities to develop superior product while minimizing risk.

### What is a Multi-Jurisdictional Park?

A multi-jurisdictional business park is just as the name implies, two or more local jurisdictions partnering in the development of a business park. The jurisdictions can be made up of any unit of local government and can be funded with or without private partners. Multi-jurisdictional parks are sometimes called revenue sharing parks. This article details various kinds of multi-jurisdictional park that have been set up between cities, counties and private partners. The combination of partnerships is limitless. Multi-jurisdictional parks are formed as an economic development tool. It allows localities to create marketable product in order to recruit new and retain expanding companies

Perhaps the greatest benefit of a multi-jurisdictional park is that it offers a way to share the costs and benefits of product development. Partners share the costs of due diligence, infrastructure, land, transportation access, site preparation, signage, and the many other expenses that go into developing a business park. Return on the investment is realized by sharing property tax revenue, which is increased as the park is developed and when businesses invest in a new facility at the park. Tax revenue is shared between the jurisdictions that partner in the development, regardless of whether the park is located in your jurisdiction. Most often, revenue is shared proportional to each partner's investment in development cost.

### Why are Multi-Jurisdictional Parks a Good Economic Development Tool?

First and foremost, multi-jurisdictional parks are good land use policy. Every municipality and county may not need or desire to develop a business park in their jurisdiction. In fact, many do not have the resources. Land in some areas is best suited for tourism, recreation, or housing. And, sustainable development practices may not support business park development in every town in every county across the state. Instead of developing a park in a location that does fit with land use

policy, find a partner and develop a park where it is appropriate.

Second, by pooling resources, communities can create a superior business park to those developed with fewer resources. One common pitfall of smaller communities developing parks is the lack of, or failure to commit, the substantial resources needed to create a product that is marketable. Water and sewer lines may not have been extended, access road may remain unpaved, and land may remain uncleared. Developers today know that parks must be fully developed and shovel-ready in order to be competitive. Multi-jurisdictional parks allow communities with limited resources to pool resources with partners and invest in the development steps needed to create a marketable a business park.

Third, funding is more widely available from grant and appropriation sources for regional economic development projects. This is illustrated through several examples of multi-jurisdictional parks given below. Grant agencies often give priority to regional economic development projects and/or make more funding available. Arguments for special appropriations at the state level carry more weight when made on behalf of a region, rather than a single community. It is also easier to gain political support when a development has the potential to positively impact the constituents of multiple districts.

Fourth, there are an increasing number of communities that have outspoken groups which are opposed to development. These communities need a tax base from business and industry to support local government services but face obstacles. By partnering with a neighboring jurisdiction who welcomes business development, partnerships can be established that allow for employment centers near a workforce but away from areas coveted by anti-growth groups.

Fifth, land costs in some areas have been driven out of range for business and industrial development. A city or county may desire new business locations but cannot secure competitively priced land within its jurisdiction. If that is the case, it could be advantageous to partner with a neighboring community in which land costs are substantially less and, therefore, more appealing to business and industry. Communities that have long considered themselves out of business recruiting could be back in the ballgame through a partnership with a neighboring community with competitively priced land.

Sixth, it can be the case (particularly in mountainous areas) that it is more efficient for a neighboring local government partner to extend infrastructure to the site of a new business park (e.g. water). The provision of infrastructure would be a basis for a multi-jurisdictional business park.

Seventh, in North Carolina, and in some other states, legislation has been passed that provides for certain multi-jurisdictional business parks to share the most favorable state incentive treatment that would be allowed for the most distressed local government involved in the development. The effect of “sharing” a favorable incentive tier ranking will boost the marketability of all of the property.

## **How Multi-Jurisdictional Parks Are Developed in North Carolina**

Nexsen Pruet has served as legal counsel for structuring and documenting virtually all of

the multi-jurisdictional park projects in North Carolina, and pioneered this approach to product development in the state. The following summarizes that firm's approach to structuring these arrangements and a summary of the various projects in which it has been involved.

Multi-jurisdictional parks in North Carolina are typically structured between two or more governments through interlocal government agreements. Often this includes the creation of a private entity (typically a 501(c)(3) nonprofit corporation) which serves as a development partner and coordinates these efforts on behalf of the local governments involved. Early on, existing statutory authority was relied upon to justify these multi-jurisdictional projects. As the concept gained interest from a broader range of jurisdictions, it became evident that special legislation would be needed.

In North Carolina, the multi-jurisdictional approach to developing business parks has its bases in several statutory provisions:

- The Interlocal Cooperation Act allows two or more local units of government to enter into an agreement to do together whatever undertaking one of them might do on its own.
- The Local Development Act specifically authorizes local units of government to acquire land for and to develop industrial/business parks for the purpose of promoting economic development.
- Statutory authority exists for local governments (cities and counties) to contract with a private party to do those things which the local governments could otherwise do on their own.

For some time the above authorities were relied upon to do these types of projects, the rationale being that since local governments can develop business parks (Local Development Act), they can do so in conjunction with another local government (Interlocal Agreement Act), and can also do so through the auspices of a nonprofit corporation.

The General Assembly has passed a statutory provision which specifically authorized two or more local units of government to enter into an arrangement for the joint development of industrial parks. In the same session, a statutory provision was passed which allows for interlocal agreements for the joint development of industrial parks to be for a period of forty years, which in the 2005 Session of the General Assembly was changed to allow terms of up to ninety-nine years for such arrangements. Two legislative provisions have been enacted which, under very specific and limited circumstances, allows for the favored incentive treatment referred to above. More liberal and generally applicable legislation needs to be enacted.

Consequently, there is good statutory authority for multi-jurisdictional business park arrangements in North Carolina.

## **Case Studies of Multi-Jurisdictional Parks**

### Clay County, NC / Towns County, GA

The first multi-jurisdictional park in North Carolina was developed on a site that crossed the North Carolina/Georgia state line. Clay County is a small county in the western part of North Carolina in

the Blue Ridge Mountains. The county population is about 10,000 people (State Data Center, 2009). Towns County, GA, has a population of 11,000 and is directly across the state line (US Census Bureau, 2009). Due to limiting terrain in the mountains, one county could get water to the site and the other county could get waste water treatment lines to the site. There was a joint need for infrastructure in order to develop what was the one, large, flat plot of land available. Infrastructure is what drove this deal to become a multi-jurisdictional park.

## Commerce Station (North Mecklenburg Industrial Park)

Commerce Station is the new name for what was developed as the North Mecklenburg Industrial Park. It was the first multi-jurisdictional park formed solely by municipalities. The towns of Cornelius, Davidson, and Huntersville lie along I-77 in the northern part of the Charlotte, NC metro area. The towns share workforce, transportation corridors, retail base, and other economic and infrastructure links. The towns are small with populations of 11,000 in Davidson, 25,000 in Cornelius, and 41,000 in Huntersville (State Data Center, 2009).

The driving forces for these three towns to develop a multi-jurisdictional park were limited land availability, competitive land pricing, and bringing jobs to where the population base is. The towns have very little undeveloped land zoned for business and industrial use. In fact, the towns have little room to grow and expand with Lake Norman to the west, lack of infrastructure to the north, and Charlotte to the south. Land prices in the area have escalated due to residential and retail development. Finally, the towns are interested in creating local jobs that will attract out-commuters to stay home - adding the work component to the live, work, play model.

A regional economic development organization which represents all of these municipalities, Lake Norman Regional Economic Development Commission, led the effort to pull this project together. The municipalities worked cooperatively to negotiate and implement this arrangement.

Today, Commerce Station is home to Prairie Packaging and the newly announced location of ABB, a global leader in power and automation technologies for utility and industrial customers.

## Burke County Industrial Park

Burke County, NC, is located in the foothills of the Blue Ridge Mountains. It has a population of 89,000 (State Data Center, 2009) and has been referred to as the “Western State Capital” because it has the highest concentration of state employment outside of the North Carolina’s capital, Raleigh and Wake County. There are seven small municipalities in Burke County with populations ranging from 1,300 to 17,000 (State Data Center, 2009).

Burke County lies on I-40 between Asheville and Hickory. I-40 is a major east-west transportation route. In addition, within 45 miles, I-40 connects to I-77, a major north-south transportation route from Ohio to South Carolina. Yet, the County had not capitalized on the interstate for industrial development. Economic development leaders knew they needed to take advantage of interstate access in order to the economy to grow.

The primary driving force for this project was the obvious need for more developed, shovel ready industrial/business sites. To achieve this the County and many of the municipalities in the County

joined together in a multi-jurisdictional park effort. The site was developed as a first step in the partnership. The intention is to develop business parks in various locations in the County, consistent with marketability of the sites. Each local government commits an agreed upon per capita amount each year to a fund from which future business park development efforts are paid.

Burke County Industrial Park lies at an exit on I-40. To date, Burke County has graded six pads in the industrial park and is actively marketing the location. It is their first step to take advantage of the interstate access.

## Triangle North

Triangle North is the largest multi-jurisdictional park in North Carolina. The project, previously known as the Kerr-Tar Hub, was conceived by an economic researcher at the University of North Carolina as a way to bring needed jobs and business to the rural communities near the Research Triangle Park area. The area had primarily been a manufacturing economy until recently, when businesses closed or went overseas. This trend widened the gap between the urban and rural populations of the state in income, education and in employment.

Triangle North is located northeast of the Research Triangle Park and includes the counties of Granville, Vance, Warren, and Franklin. The map shows all four locations and their proximity to Research Triangle Park, major universities, and Raleigh-Durham International Airport.

The Kerr-Tar Hub began as an idea to develop a mini-hub to capture spin off development from the Research Triangle by offering more affordable development and operating costs. In order to determine a location for the mini-hub, each county submitted a site that would be evaluated based on a set of quantitative and qualitative assessment factors. Through the evaluation process, each site would be submitted for certification through the NC Department of Commerce Certified Site Program. The consulting team from Sanford Holshouser Economic Development Consulting, which led the site evaluation process, was also tasked with prioritizing the sites and recommending the top site for development as the Hub site. The Kerr-Tar Regional Council of Governments had secured funding through the U.S. Economic Development Administration and Community Development Block Grant Program to conduct site evaluations and certification. The project was awarded funding in large part because of its regional scope.

In 2004, sites in Franklin, Granville, Person, Vance, and Warren counties were put through a rigorous evaluation process. Assessments included soil analysis, environmental reviews, infrastructure, transportation, development analysis, and marketability factors. Through the evaluation process, it became evident that the sites would attract different target sectors that would compliment one another rather than compete. The Sanford Holshouser consulting team shifted course and recommended a network of sites rather than a single Hub site. The recommendation came because of the way each site could attract a complimentary target sector: high tech/aviation in Franklin County, life sciences in Granville County, mid-tech in Vance County, and distribution and manufacturing in Warren County. By this time, Person County had withdrawn from the project due to the inability to control a site for assessment.

In September 2005, an interlocal agreement (ILA) among the counties was completed. It provided for governance and funding for development and marketing of the large acreage certified industrial

sites. Franklin, Granville, Warren, and Vance counties signed the agreement in December 2005. As a result of the ILA, the counties agreed to equally split the costs of developing infrastructure for the parks as well as the tax revenues generated when companies located in one of the parks. The board chose the formation of a non-profit entity, the Kerr-Tar Regional Economic Development Corporation, to own and govern the hub. This would allow the development to move forward briskly with the fewest barriers to government and private funding.

Once the non-profit corporation was formed in December 2005, the wheels started turning quickly. A necessary first step was appointing a board. It was suggested that this entity consist of one County Commissioner each from Franklin, Granville, Vance, and Warren counties; two private sector individuals from each of these four counties; and three at large appointees.

Financial incentives and deals for development needed to be finalized up front to solidify county and state commitments to the project. Originally, two of the four counties were designated Tier I zones, and one was designated as a Tier II county; and one was designated as a Tier III County. A Tier I zone is a county identified by North Carolina as one of 40 of the most distressed economically; 40 counties are identified as Tier II, meaning they are distressed; and the remaining 20 counties in the state are identified as Tier III, or least distressed. The more distressed the County, the more state incentives available. The combining of the sites by legislation, which was enacted as a part of the Title 3J tax credit law, are now qualified as Tier I sites. Therefore, the sites qualify for the highest level of state incentives, e.g., state tax benefits of \$12,500 per job (Tier 1), and higher levels of incentive support from other state programs. It does not matter if a company locates in a Triangle North site that is in a Tier 2 county, it will receive the benefits of Tier 1 status because of the multi-jurisdictional park legislation. This sharing of Tier status between all Triangle North sites is a key advantage to developing a multi-jurisdictional park.

Nexsen Pruet worked with local leadership in obtaining two statutory amendments and a state appropriation of \$4 million for land acquisition to support the project. The project was able to garner state-level support because of the regional nature of the project and the number of jurisdictions that will receive economic benefit. In February 2008 when the final parcels were purchased, the Kerr-Tar Hub changed its name to Triangle North, to take advantage of the name recognition of the Research Triangle Park.

The four parks are:

- Triangle North Franklin: best suited for high-tech and aviation services due to proximity to Triangle North Executive Airport;
- Triangle North Granville: best suited for life sciences and technology, with Interstate 85 frontage and proximity to Vance-Granville Community College;
- Triangle North Vance: flexible sites for offices, mid-tech business and manufacturing off I-85 and across from Vance-Granville Community College; and
- Triangle North Warren: best suited for distribution, logistics and manufacturing due to its large acreage and proximity to major transportation routes.

The combination of light manufacturing, research and development, and technology-oriented companies could bring over 8,000 jobs to the North Triangle area. The four parks offer several types of certified building sites, shell buildings, and over 2,000 acres of land for companies that

can't afford to grow in the Research Triangle because of a lack of space and high land and operational costs. Since marketing the parks began, a pharmaceutical company announced its plans to build a facility in Triangle North pending FDA approval.

The project became an example of how well cooperation between two or more local governments can work to further economic development in the state. This project was recognized by the former U.S. Secretary of Commerce as the best example of regional cooperation in the country. It has been recognized by various other awards and honorable mentions such as an Innovation Award given by the National Association of Development Agencies.

The example set forth by the Triangle North development will promote similar projects in other areas of North Carolina. The counties and the state were committed to making the deal work, and a lot of compromise and hard work went into site assessment and qualification, drafting the ILA, forming the non-profit board, and working out the details - the devil is always in the details. Triangle North holds great potential for a very rural and depressed area of the state, and over time that potential will translate to new jobs and investment for North Carolinians.

## Columbus County / Brunswick County, NC

The most recent multi-jurisdictional park developed in North Carolina, and the first one in the eastern part of the State, was a partnership between Brunswick and Columbus Counties - International Logistics Park of North Carolina. The name of Brunswick County is likely not familiar to people outside North Carolina; however, its communities are probably very familiar to beach goers: Wilmington, Ocean Isle, Kure Beach, Carolina Beach, and Holden Beach. Columbus County is northwest of Brunswick County and is home to Lake Waccamaw. Currituck County's population of 24,000 is dwarfed by the 107,000 that live in Brunswick County (State Data Center, 2009). However portions of Brunswick County located in the area of the park are very rural and depressed. Brunswick County is ranked a Tier III county, primarily based on extensive build-up on the coast. Columbus County is a Tier I county and one of the most distressed counties in the state.

The driving force behind this project was to extend Tier I status to all of the industrial property in a park located in both counties. Also, the two Counties shared infrastructure costs and applied for and obtained grants for some of these costs.

A private development interest owned approximately 1,500 acres of developable property which straddled the two counties. The private developer entered into a development agreement with a nonprofit corporation which was established to carry out the project and represent the interest of the two counties

By the terms of this agreement:

- The developer conveyed its property to the nonprofit corporation for one dollar and a promissory note secured by a deed of trust, to trigger the provisions of a statute which allows for all of the land in the business park to be treated as a Tier I site, thereby allowing for the most favorable incentive treatment for the portion of the site in Brunswick County (approximately 1,000 acres). For example this increases the amount of state job tax credits

- from \$500 per job to \$12,500 per job.
- The private developer has ultimate responsibilities and discretion as to the development of the site, subject to the counties' land use ordinances. Development costs are to be borne by the developer, except for grants the counties obtained.
- When the developer needs a portion of the property to sell to a recruitment project the nonprofit conveys that amount of land back for one dollar.
- The Counties have obtained infrastructure grants to get water and sewer to the site. Columbus County, having a Tier I distress level, is most favored for infrastructure grants also.
- As a measure of consideration for this arrangement the developer is allocating 50 acres of land which will be fully owned by the nonprofit corporation, which it can sell and retain the proceeds.

The International Logistics Park of North Carolina is targeted to large warehouse and distribution projects which rely on ports access, which is proximate to this business park.

## **Multi-Jurisdictional Parks: A Multi-Faceted Economic Development Tool**

Multi-jurisdictional parks can solve many hurdles communities face in product development. Partnerships can be formed to raise more funding, extend infrastructure, develop competitively priced land, obtain more favorable incentive consideration, and lower risk. As the economic development community becomes more regional, multi-jurisdictional parks offer one more way to partner for economic opportunity.

### **About the Authors:**

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