

TASK FORCE MEMORANDUM

On Tuesday, April 22, 2008, Amber Bass, Jonah Shumate and I met with the following individuals in the Jonesboro Chamber of Commerce offices:

1. Mark Young, President & CEO of Jonesboro Chamber of Commerce.
2. Cliff Chitwood, head of the Great River Development Corporation.
3. Sue McGowan, head of Chamber and Paragould Economic Development Corporation.

These individuals have spear headed and led local economic development programs for their respective area. They spent approximately three hours telling us about the funding and management of their economic development programs. They answered a plethora of questions we had for them. Their assistance and cooperation was gracious and invaluable for us.

The following memo represents a brief summary of the information and wisdom they shared with us. We remain grateful for their assistance.

Mississippi County

In 2003, Mississippi County was in the midst of a deep and desperate recession. Unemployment exceeded 16%; 78% of school children were from households below the poverty level; population was on the decline and jobs were steadily decreasing. Residents were generally discouraged and negative.

An initiative was adopted to submit to the voters a 0.5% sales tax for economic development. The proposal was submitted to a county-wide special election vote. The commitment made to Mississippi County residents was that the County Quorum Court would authorize and approve all expenditures from the fund. A local non-profit corporation was formed to manage economic development called Great River Development Corporation and the Board consisted of mayors of First Class cities and other community leaders selected by local officials. The cities and counties provided the corporation with its initial funding of about \$200,000.00 and the corporation led the effort to pass the tax.

It was agreed that no money would be spent except in exchange for actual job creation. An agreement would be reached with prospective employers for per

capita incentives based upon a criteria for a certain number of jobs; certain minimum hourly wage requirements and certain time lines on reaching the agreed upon bench marks. If not met incentive money would be returned to the county based upon how much the results fell short of bench marks.

The tax passed by 60 votes. They were the first county in Arkansas to adopt a sales tax for economic developments. Expectations were that the tax would raise \$1.7 million in revenues per year. Since its adoption in 2003, there have been 2,750 new jobs created in Mississippi County. One-half of those jobs are expansions of existing businesses. The economy has grown to the point where the tax now generates \$3 million per year.

This growth does not count the new aeronautics business recently announced for the old air base in Blytheville. It will employ up to 500 people with an average salary at \$42,000.00 per year. The incentive program provided this industry with \$2.75 million in order to locate there and the state added another \$1 million.

Paragould

Initially Paragould approached economic development as we have with voluntary membership contributions in an arm of the Chamber of Commerce. It was called Paragould Twenty-Twenty. Later the Paragould Economic Development non-profit corporation was formed which had tiered memberships which raised about \$100,000.00 per year.

Thereafter three tax propositions were submitted to the people. The city of Paragould adopted a permanent 0.5% sales tax with \$100,000.00 of this sum dedicated to economic development. The balance went to operation and management of recreational facilities and additional police/fire services.

The city also passed a temporary 0.5% sales tax to build a community center (52,000 sq. ft.) as well as comprehensive recreational facilities. This tax supported a bond issue to build these improvements and will sunset when the bonds are paid.

The county also adopted 0.5% sales tax used for a bond issue to improve roads and bridges in the county and will sunset when the bonds are paid. Both bond issues raised about \$28 million for these capital improvements. The sales taxes were proposed at a special election. They also receive economic development assistance from their municipally owned utility.

Part of their economic development efforts have been to encourage retail development in things such as movies, hotels and restaurants. They have about \$300,000.00 available directly for economic development along with in-kind contributions.

Jonesboro

Jonesboro does not have an economic development tax. Economic development is handled and funded through two entities.

1. Jonesboro Economic Development Corporation, which has 50 individual members who are leaders in the area. An intergovernmental agreement with the city and county provides this corporation with \$200,000.00 per year for economic development. Most affairs are handled by a 6 member executive committee of the Board which is 30 of the 50 members. It also works with East Arkansas Business Development Corporation which encompasses a larger area.
2. Jonesboro Unlimited, which has about 100 businesses as members who each contribute \$1,000.00 per year with funds to go for economic development. This organization commissioned the study that recommended they seek food-based industries.

These two organizations converted Jonesboro from a reactionary mode to a proactive mode. The over-all economic development budget is about \$300,000.00 per year. However, Jonesboro owned utility is a major player in economic development. They can provide industry needed infrastructure assistance and lower electrical costs.

Mark said if he had Jonesboro Unlimited to do over they would have tiered memberships and raised more money. They also get a great deal of in-kind assistance from existing businesses. Attention to existing business is a big part of their economic development program. Also, the fact that they have ample water and waste water treatment facilities is also very important.

EL DORADO TASK FORCE VISIT

On Monday, April 28, 2008, Jonah Shumate, Larry Shaw, Robin Brock and I met with various leaders in El Dorado. The County Judge and Mayor were present along with Don Wales and Lori Coke of the Chamber of Commerce. Also present were two local community leaders, Robert Reynolds and Jody Mahoney.

Their economic development efforts began in 2001 when they realized that their water supply was not adequate for existing users and made economic expansion virtually impossible. Consequently, the first problem they faced was expansion of their existing water supply.

In February, 2002, the voters in the county approved a 1% sales tax to fund the expansion of the water system. The tax was the basis for the issuance of \$23,000,000.00 in bonds to finance the project. The tax was to remain in force for 7 years or until the bonds were paid, whichever occurred first. It passed at a special election with 61% of the vote. The bonds were paid off early and the tax expired on 12/31/05.

In November, 2005, a 7/8% sales tax was submitted to the voters at a special election with a sunset at the end of 6 years. The tax proceeds were to be used for economic development. There was a county-wide sales tax proposal which failed with 46% of the votes for and 54% against the measure. They attribute the failure to the lack of transparency in the project and failure to have a specific economic development plan. It received 60% favorable vote in El Dorado, but only 30% in the rural area.

Thereafter, the local leadership prepared a detailed Request For Proposal (RFP) and requested bids from various economic development companies. The RFP was for the development of a clear and specific economic development plan. Once the plan was developed and widely discussed within the city a 1% city sales tax for economic development was proposed. It had an 8 year sunset provision.

This sales tax passed in El Dorado by a vote of 60% for and 40% against. The tax was projected to raise \$4,400,000.00 per year. The plan spelled out the proposed uses of the money and it was implemented first by the mayor and city council who had the ultimate spending authority within the prescribed uses within the plan. The plan would be implemented by a 5 member board (El Dorado Economic Development Board) appointed by the mayor and confirmed by the City Council. This board had the authority to name task forces who would be charged

with carrying out specific portions of the plan. Currently, they have 23 task forces in place. The plan can be found on the city's internet website in its entirety.

They felt that the development of a clear and specific economic development plan was necessary before you put a funding proposal to a vote of the people. They emphasized development of broad input into the plan and development of broad support for the plan before an election is called. They emphasized that a special election is vital to the success. They encouraged efforts to pass a county tax before a city election is sought.

Pocahontas AR Taskforce Trip

On Wednesday, April 30th, Gary McDonald, Claudette Parks, David Dame, and Jonah Shumate visited with Wayne Gearheart (Economic Developer for Pocahontas) and Mayor Gary Crocker.

Wayne and Gary detailed out for the group the timeline for how they passed a series of two economic development taxes, with the first being in 1998. They had just lost Brown Shoe Company, which employed 700 people, and the sentiment was such that the community had to do something. There was also an issue of roads being in poor condition. So they passed a ¾% sales tax, with half of those monies going to roads, and the other half for economic development. That generated a total of about \$900,000 a year, with half of that (\$450,000) to ED.

That year (1998), they brought to Pocahontas a company called Pazload which is now their best paying and largest company in Pocahontas. They also recruited a company that is now closed called Whitewood. They bought and paid for a 120-acre industrial park with all industrial utilities run to the park, as well as other smaller companies from New York, Michigan, North Carolina, and helped keep about 200 jobs with local companies during this time. This tax was passed and is administered by the City Council with Wayne being the Economic Development Agent. Their structure is such that the Chamber does economic development, and they get general operating funds from the City and County, but no separate economic development entity. A small informal committee (Mayor, Chamber/Economic Developer, + 1—2 others prepare and bring proposals to the Council for consideration). This first tax had a 5-year sunset on it—which they viewed as essential for 1st vote.

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When it came back up for renewal in 2003, unemployment was back up, but they had recruited companies and jobs, and did with the money what they said they were going to do. So the public renewed the tax at 3/4%. It passed by 68%.

In 2007, they had a unique issue in that they were on the verge of losing their local hospital. The community believed if they lost their hospital, long term, they would be in very bad shape in all areas. So, they passed a 1% permanent sales tax, administered by the City Council, for anything legally that could be of the greater benefit of Pocahontas, and that is how it was worded—although the public viewed the tax as a “save our hospital” tax. They had enough trust of the people that they can use that money however they want to. It raises about \$1.3million a year, and they had looked at going for 1.25% to 1.50%, but settled on just the 1%. They fully believed they could have got what they wanted. Since last year in May, their hospital is either breaking even each month or making money, which has allowed them to put some of those funds towards economic development. They have also built new recreational complexes and fields, that are all paid for in full, as well as recruiting a new company last month that will employ 300 in a couple of years. We went to that location and they have already hired about 40 people and growing.

They target companies with 1-100 employees, and have several that fit in that category. But they are succeeding at a very good rate.

Some of the questions that we asked that gauged how they compare in areas were as follows:

- Was there ever a real distrust of the City by the residents? No, the people have trusted the City with these funds, because they simply did what they said that they were going to do with those funds and because the money is administered by the Council in an “open & visible” environment.
- How is/was the relationship with your City Council and Quorum Court? It was at times confrontational, but with a new Mayor and some turnover on the Council, it has gotten much better and are working together on many of the issues.
- Was there any distrust of the Council being the administrator of the funds? No—some occasional disagreement with how funds are spend but not distrust. Also, there is a “broad view” by some as to definition of economic development (example--money to support dinner theater, etc).
- Has there been growth in sales tax collections because of these jobs being created? Yes, not substantial increase, but an increase.

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- Have you had population growth or decline? Pocahontas is one of three places in Northeast AR that has had growth, the other two being Jonesboro and Paragould.
- What is your current tax rate? 8.25%
- Why jus the city on the tax? They knew people in the city were more progressive and because a previous tax to support the technical college passed in city but failed in county,
- What were the margins for the votes? In '98 it passed overwhelmingly (over 60% for), in 2003 68% voted for it, and in 2007 only 34 votes were against the permanent tax.
- How was the tax phrased in 2007? The monies can be used for any legally acceptable measure that is in the greater good of Pocahontas.
- Are you working on your retail base as well? Yes, we are working with large national retailers to come to Pocahontas.
- How has the new company started out? They have actually signed a primary care agreement with the hospital and have hired 40 so far.
- How many jobs have come from existing companies and expansions during all this time? A little less than half of the jobs, but are currently working with Pazload on an expansion where they gave over \$300,000 and the AEDC gave more than that for the expansion.
- Do you have an A&P Tax (Hamburger tax)? Yes, 2% on both hotels and restaurants, and generates over \$200,000 a year. It has grown, and they are seeing large sports tournaments being played there, and are improving their facilities with those monies. They have built a community center with those funds along with a fundraiser and a gift from the Walton Foundation to match. (We toured the facility and its very, very nice).

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In conclusion, we thanked the Mayor and Wayne for their time and answering all our questions. They were very gracious and we congratulated them on their recent achievements and accomplishments.