
Foundations for
Sustainable Local
Economic Development

Business Retention &
Expansion Strategies

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Contents

- Chapter 1- What is Business Retention and Expansion? 3
- Chapter 2 - Why Practice BR&E? 4
 - 2.1 - Two Approaches to BR&E..... 5
 - 2.2 - Foundations for BR&E: Understanding Local Businesses 7
- Chapter 3 - BR&E in Effect: Examination of BR&E Case Studies..... 13
 - 3.1 - Case Study 1 | Metropolitan BR&E: Jefferson Parish, Louisiana. 13
 - 3.1.1 - Gathering Information 13
 - 3.1.2 Information Assistance 14
 - 3.1.3 Incentive Programs 14
 - 3.1.4 Business Financing 18
 - 3.1.5 Work Force Development..... 21
 - 3.1.6 Quality of Life..... 22
 - 3.1.7 Summary 22
 - 3.1.8 Implementing Elsewhere..... 23
 - 3.2 - Case Study 2 | Rural BR&E: Swift County, Minnesota 26
 - 3.2.1 Cooperation and Support 26
 - 3.2.2 Agricultural Enterprises 28
 - 3.2.3 Results 29
 - 3.2.4 Option 29
 - 3.3 - Case Study 3 | State BR&E: North Carolina, USA 31
 - 3.3.1 - Small Manufacturing Firms and Small Businesses 31
 - 3.3.2 - Incentives Policy..... 32
 - 3.3.3 - Technical Assistance 33
 - 3.3.4 - Partnerships 35
 - 3.3.6 - Results 36
- Chapter 4 - Conclusion 39

Chapter 1- What is Business Retention and Expansion?

Business Retention and Expansion (BR&E) programs are economic development efforts designed to assist and encourage existing local businesses to expand and grow (Morse 1990). These programs include a variety of services and technical assistances to area businesses which may improve relationships between the “local government and community businesses, improve the quality of life or workforce, influence the R&E of state and federal facilities in an area, create early warning systems for plant contraction, closings, and relocations and designing an economic development strategy” (p. 2, Abate and Moser 2002).

Previously, the practice of Business Retention and Expansion programs focused primarily on the manufacturing sectors of the economy, as a means to regenerate existing businesses in the competitive market (Morse 1990). Today, BR&E is practiced in all industries and sector sizes.

BR&E plans and programs are usually initiated by a visitation program, in which local volunteers or government workers visit businesses to survey and assess issues of importance to the businesses and local workforce. By understanding the businesses’ concerns and needs, the local community can exercise good public relations necessary to strengthen the relationships between those businesses and the community. BR&E strategies look to address the following (Morse 1990):

- 1) Increase firm efficiency
- 2) Improve public relations between local government and local businesses
- 3) Improve the community’s quality of life
- 4) Offer subsidies for the retention and expansion of firms
- 5) Influence the retention and expansion of state and federal facilities
- 6) Create an early-warning system for plant contractions, closings, and re-locations, and
- 7) Design an overall long-term economic development strategy.

By addressing BR&E as a strategy for local economic development, the community can focus its strengths and resources on sustaining existing businesses critical to the stability of the social and economic climate of the area. Other economic development strategies, such as business recruitment, can aid a community by drawing in new sources of income and jobs, a larger tax base, etc. However, without proper vigilance over the existing businesses in a region, a community can easily lose stability if its current and newly recruited firms leave for other communities. So long as an economy exists, retention and expansion programs are necessary to nurture the success of the businesses and the community.

Chapter 2 - Why Practice BR&E?

Business retention is critical to a community's economic stability and growth. Many community development organizations focus on recruiting new businesses but in reality, less than 200 major plant relocations occur each year, (Cothran 2009d) and eighty percent of a community's new jobs come from existing businesses (Cothran 2009d). Additionally, the impact a departing company leaves on a community can be measured not just economically, but socially, i.e. lives upended, families disrupted, and foreclosed homes. The ripple effect of the loss of a major employer spreads throughout a community – with economic, social and psychological impact (Wardi 2007). New businesses are often recruited with financial incentives (such as tax breaks, attractive loan financing and grants) and promise of new infrastructure development. Incentives should be only be used when critical, but as current businesses often provide more economic benefits than new businesses, the incentives offered to prospective new businesses should also be offered to retain and expand current businesses (Maples 1996). Existing

businesses require some assistance, but their basic operational needs (such as infrastructure) are already fulfilled by the community. Additionally, these firms currently contribute to the job and tax base of the local community. Developing new businesses requires start-up time as well as the risk that an outside firm's current workforce will accompany it, thus decreasing new job opportunities for the local community. Another argument against recruiting businesses is that it is approximately three times cheaper to retain customers than it is to attract, recruit or market to potential new customers (Wardi 2007).

2.1 - Two Approaches to BR&E

Communities began exploring business retention strategies in the 1970s when manufacturing companies began leaving communities in search of lower operating costs. New Jersey is usually credited with developing the first Business Retention and Expansion program in the early 1980s. Through a partnership with the New Jersey Department of Commerce and Economic Development, New Jersey Bell Telephone, and Rutgers University, a methodical approach to expand existing businesses was developed (Wardi 2007). Business retention strategies attempt to fix urgent problems for local businesses, describe the local economy by communicating its positive attributes and trends, develop a strategic economic development plan designed to improve the local business climate, and foster local action through the creation of local implementation work groups (Kraybill and Weber 1995). In order to accomplish this, two BR&E methods were created: the traditional approach and the continuous approach (Cothran 2009a). The two approaches vary in nature, although both produce similar results. The traditional approach is a large-scale effort that occurs every few years and usually relies on local volunteers, while the continuous approach utilizes a small, but permanent staff.

The continuous approach targets only a portion of the market at a given time, but continuously analyzes the market and provides counselors who are always available for businesses to contact. The main drawback of the continuous approach is that since it does not target all businesses at once, it is easier for a business retention group to focus its resources on only larger businesses, possibly leaving out small to mid-size firms. A major benefit of continuous business retention is that it allows long term relationships to form between the business retention team and the local businesses. Some believe this is the most critical component of a business retention group because building relationships with corporate leadership enables a community to position itself as a valuable source for information and assistance, further enhancing the community's chances of securing job growth and retention (Dickery 2007). It also means that staff is available when there is an event that could hurt an industry, or, if there is a change in management within a corporation. A change in leadership often signals a change in direction for the company as well, or that a company may need to drastically reduce expenses (Arkansas 2006). The continuous approach provides the local business community with a constant staff that is available to meet the sudden need for attention and counseling should a change in leadership occur.

In both approaches, it is important to involve the local community, either directly as volunteers administering the program or as a consultant. Community members are crucial to BR&E research as they can provide significant input due to their knowledge and understanding of the community and its available resources. Business advisory councils made up of local citizens can stimulate public-private sector interaction and act as think tanks for solving issues which may arise during business expansion and retention (Maples 1996). All community members should be considered for input, but participants typically include business leaders,

consumers, political and governmental leaders, representatives of local service organizations (such as the Chamber of Commerce), leaders from the local financial industry, local economic and community development professionals, real estate professionals, local commercial property owners, and business students (Cothran 2009a). A survey of 12 different BR&E programs' related organizations and frequency of involvement with BR&E committees can be found in Figure 1.

Organization	percent
Business Owners	87.5
Chamber of Commerce	85.0
Public Officials	83.8
Industrial Development Authority	77.2
Banks	73.8
State and Federal Agencies	68.8
Public Schools	61.3
Utilities	57.5
Post Secondary Educational Institutions	50.0
Others	21.3
Religious Organizations	15.0
Main Street Program	10.0

Figure 1 | Community Organization Involvement with Business Retention and Expansion Programs (Ilvento and Loveridge 2000)

2.2 - Foundations for BR&E: Understanding Local Businesses

Business retention and expansion requires a keenly self-aware community that understands its abilities to complement the work and accommodate the needs of its locality. Prior to consulting businesses, communities should organize a database of all buildings in the area. The building data should include assessed value and taxes, last sale date and amount, availability for sale or rent, total square footage, building amenities, zoning class, historic status, and building condition. Businesses can use this data to compare and contrast possible properties to expand or grow their operations (University of Wisconsin Extension). The database should also have a portion covering pertinent information on current businesses. Such data could include unit condition and amenities, business classification and primary products/services, date established, business hours, space use, employment information and job availability (University of Wisconsin Extension). Any use of GIS for visualization would make the data more user friendly for businesses and development communities.

Developing a full list of this data could be challenging as not all businesses are registered with the Chamber of Commerce. Possible sources to develop a business list include: tax assessor (business licenses), utility lists, sales tax rolls, chamber membership lists, ES 202 (covered employment and wages) reports, County Extension Office or Conservation District (for agricultural enterprises), Social Securing Administration, the Internal Revenue Service, US Department of Labor, commercial directories, and telephone directories (Cothran 2009c) (Blakely and Leigh 2010). In addition to understanding their current buildings and businesses, communities should also gather data on existing local, regional, and national programs that could assist businesses. This should be either organized in easy to use and readily distributable literature or put on a public web site.

After the community data is collected, organized and reviewed to understand the area's current capabilities, businesses should be surveyed. A clear purpose should be developed for the survey, which could include identifying immediate problems facing a business to be addressed, perceptions of the community as a place to do business, the training and technical assistance needs of the business, or the future plans of a business (Cothran 2009b). A few useful questions could be:

- “Are they experiencing any business challenges?
- What information or assistance could they or their employees use?
- How useful to their business are your organization's existing products and services?
- How useful would products and services proposed by your organization be to their business?
- What other business incentives or assistance have they used or plan to use?
- Their attitudes related to being a business owner in your community?
- How satisfied they are with their present location?
- Do they have plans to expand or reduce operations?
- Are they, or the building owner, considering any building improvement projects?”

(University of Wisconsin Extension, 1)

Survey information can be gathered by a variety of methods. Proven methods include mail surveys, telephone interviews, site visits with volunteers, or site visit with a development team. If site visits are conducted (sometimes known as Business Retention and Expansion Visitation programs, or BREV), it is important to review the company's web site, public financial statements, and industry trends prior to the visitation so as to avoid data replication and

inefficiency. After the data is collected, it is the responsibility of the business retention manager to choose a course of action. There are usually too many business issues for a single BR&E group to address, thus it is necessary to form partnerships with local businesses to assist and act as advisors.

Type	Advantages	Disadvantages
Mail Survey	<ul style="list-style-type: none"> ❑ Minimizes time demands ❑ Low cost ❑ Most appropriate for follow up surveys 	<ul style="list-style-type: none"> ❑ Managers do not like spending time filling out surveys ❑ Slow return rate ❑ No relationship building takes place
Telephone Interviews	<ul style="list-style-type: none"> ❑ Minimizes travel expenses ❑ Can be scheduled at convenience of respondent ❑ Most appropriate for follow up surveys once a relationship has been established 	<ul style="list-style-type: none"> ❑ Perceived as impersonal ❑ Managers don't like giving out confidential information over the phone ❑ Does not allow for strong relationships to be built ❑ No informal info gathering takes place
Site Visit with Volunteers	<ul style="list-style-type: none"> ❑ Personal approach at lower cost ❑ Local businesses may be more trusting of private sector individuals ❑ Allows more businesses to be surveyed 	<ul style="list-style-type: none"> ❑ Wide variation in quality of data gathered ❑ May not be perceived by company management as a business professional ❑ Volunteers may fail to complete assigned interviews
Site Visit by a Member of the Development Team	<ul style="list-style-type: none"> ❑ Consistent quality of data gathered ❑ Creates trust and strong relationships ❑ Allows for informal information gathering ❑ Managers more likely to share confidential information 	<ul style="list-style-type: none"> ❑ Time constraints will most likely reduce the overall number of firms that may be contacted ❑ Stretches capacity of BAT given its other responsibilities

Figure 2 | Data Collection Method (Arkansas 2006)

Key areas that communities will most likely need to address after analyzing company concerns expressed in the business surveys are workforce development, marketing, land acquisition, and financing. Communities can address these issues with help from educational

institutions, workforce development organizations, local government regulatory and service providers, utilities, and professional associations such as the Chamber of Commerce (Cothran 2008). As mentioned earlier, the business retention team may be able to provide direct assistance to the businesses or act as a link to partners who can help the business. Forms of assistance seen in the past have included (University of Wisconsin Extension):

Marketing Assistance	<ul style="list-style-type: none"> • Store presentation and window display • Merchandise presentation • Merchandise selection • Customer service • Locating buying groups
Technical Assistance	<ul style="list-style-type: none"> • Inventory control • Computer usage • Web site development
Operations Assistance	<ul style="list-style-type: none"> • Developing/updating business plans • Accounting and record keeping • Compliance with local, state and federal regulations • Personnel management and training • Local code enforcement and public policy

In addition to addressing current issues important to businesses, business retention groups can use knowledge gained from their business surveys and buildings database to help firms identify ways to expand. If a business wishes to expand, the city can offer the list of buildings that satisfy the business’s needs and encourage them to move into one that would promote business clustering. If the appropriate building is not available, the retention team should work with the city to rezone property in order to provide an appropriate expansion possibility. The business retention team can also use their market knowledge to help businesses assist each other and create marketing or city events that will increase market flow for the businesses.

Upon the completion of survey analysis, a final report is distributed to the general public. Under the traditional approach, this process could span between 12-18 months (Blaine, Hudkins et al. 1999). Under the continuous approach this would be an ongoing process, however, it would be beneficial to produce annual and biannual reports as another way to keep the community informed.

Communities working to support local businesses in turn often find these companies develop a greater sense of commitment to the community, are more active in community affairs and are more generous in their contributions to local civic groups and events (Arkansas 2006). If an existing business is thriving and growing, or, is viewed as having growth potential, it may also be the target of recruitment activities by another community. Additionally, a strong, visible BR&E strategy sends a message to prospective new businesses that a positive climate exists for growth and prosperity in that community, be it a nation, state or town.

Organizations that specialize in BR&E exist to assist local economic development agencies with the tools and resources necessary to model a strong BR&E program. Organizations such as these are the Business Retention and Expansion International (BREI) and the International Economic Development Center (IEDC). Additionally, many state and county extension services offer BR&E support and services for the local business community. Increasingly, colleges and universities offer BR&E support through economic development departments, or specifically, BR&E departments.

BREI also offers certification for those seeking to specialize in BR&E. Members of BREI can earn certification on two levels. The entry level certification, BRE Project Coordinator, can be earned through successful completion of the BRE Fundamentals course. Certification is valid for three years with continued membership and recertification for

members is available after three years. Members can earn an advanced certification as a Business Retention and Expansion Professional (BREP), as well. It is awarded to members after the completion of educational requirements, and recertification at the BREP level is offered as well.

Chapter 3 - BR&E in Effect: Examination of BR&E Case Studies

3.1 - Case Study 1 | Metropolitan BR&E: Jefferson Parish, Louisiana.

The city of Kenner and its metropolitan area are part of the Jefferson Parish of Louisiana. Jefferson Parish is the largest parish in Louisiana with a population of 435,334 and approximately 307 square miles of land. The Jefferson Parish Economic Development Commission (JEDCO) is an independent entity in the Jefferson Parish government. JEDCO has a 21 person board of commissioners with 13 of the members elected to represent business organizations. JEDCO's staff consists of 15 people, of whom with four concentrate on business retention and expansion (Bologna 2010).

3.1.1 - Gathering Information

JEDCO began its first business retention and expansion efforts in the early 1990s. It conducted a business survey which was mailed out to about 1000 businesses. Since then JEDCO has supported a continuous BR&E program. Every year the BE&E staff calls about 500 businesses. Half of those businesses are called every year because they have been identified as part of the parish's top 250 businesses. The rankings are determined by revenue, quantity of jobs, and quality of jobs. Each year a target industry is chosen and those businesses fill out the remaining 250 surveys (Bologna 2010).

JEDCO implements a collection of site selection tools, marketing efforts, workforce development assistance, business financing, loan programs, and tax incentives to encourage its local businesses to remain and grow in Jefferson Parish. JEDCO interfaces with local businesses when a company contacts them directly, when a bank or developer contacts them, or when it has identified an opportunity through surveys (Bologna 2010).

3.1.2 Information Assistance

Jefferson Parish was largely built out by the 1980s, thus it is critical that JEDCO assist businesses in identifying available sites for their expansion. Approximately 3-5 companies are looking for a new site every month and companies must almost exclusively expand into existing buildings (Bologna 2010). JEDCO's real estate database contains up-to-date listings include warehouse, retail, and office space; industrial buildings; and available parcels of land. JEDCO also maintains demographic information so businesses can choose their expansion location where their employees and customers are located.

JEDCO's marketing database contains a listing of Jefferson Parish business and is designed to help businesses identify local suppliers and buyers, as well as aid with their company's marketing efforts. In addition to the marketing database, JEDCO works to create a positive business climate locally, regionally, and nationally through media campaigns, tradeshow participation, and regular press conferences. In 2009, JEDCO had 407 marketing database requests, 78 real estate database requests, and provided 83 demographics reports (Bologna 2010).

3.1.3 Incentive Programs

Quality Job Program

The quality job program is a state run program that has been implemented in JEDCO to retain 11 jobs. The program targets six industries specified in Louisiana's 2020 Vision Plan: biotechnology and biomedical, micro-manufacturing, software, internet and telecommunications, environmental technology, food technology, and advanced materials. To qualify for the program a business must qualify as either a target industry, a manufacturer, or make 50 percent of its sales out of state. Within 90 days of the qualifying date, the employer must offer a basic health benefit plan to individuals who obtain the new direct jobs at a value of at least \$1.25 per hour. Employers must create at least 5 new direct jobs and have a minimum of \$500,000 gross annual payroll for new direct jobs within 3 years of the effective date of the contract. The payroll requirement is halved if the company employs less than 50 people (JEDCO 2010).

If these requirements are met, the company receives several benefits. It can receive payroll rebates for new direct jobs at 5 percent if they pay at least \$14.50 in hourly wages and health care benefits, or, 6 percent if combined wages and benefits exceed \$19.10. The company can also take a sales/use tax rebate on new infrastructure, machinery, and equipment purchased during the construction period and used exclusively on site, or, a refundable investment tax credit of 1.5 percent on certain capital. To qualify for the tax rebate or credits, 35 percent of all new jobs must go to a resident of an Enterprise Zone, or, a person receiving some form of public income assistance who has a reading, writing, or math proficiency below the 9th grade reading level, or, is physically challenged (JEDCO 2010).

Even though the program offers extensive benefits to companies that create quality jobs, it is important to note that Jefferson Parish has only gained 16 jobs and retained 11 jobs from the

program (JEDCO 2010). While the state incentive, are lucrative, not many Jefferson companies have been able to access the program because of the difficulty in qualifying. Over the last ten years about 15-20 JEDCO companies have used this incentive (Bologna 2010).

Restoration Tax Abatement Program

The restoration tax abatement program is used to encourage the expansion, restoration, improvement, and development of existing commercial structures. Only equipment that becomes an integral part of the infrastructure qualifies, and the development cannot occur in an Enterprise Zone or Economic Development Zone. The tax abatement grants a five year deferred assessment of the ad valorem property taxes normally assessed on renovations and improvements (JEDCO 2010).

An Advanced Notification must be filed with the Louisiana Office of Business Development prior to starting construction, purchasing, installing equipment, or hiring. The application is then sent back to JEDCO for approval. It must finally be approved by the Louisiana Board of Commerce and Industry (JEDCO 2010).

JEDCO works with the local companies to assure that the Restoration Tax Abatement program will still result in savings after the high fees. There is a \$100 advanced notification fee, and an application fee of: $(project\ amount * 15\% * total\ local\ millage\ rate * 5\ years)$. The restoration tax abatement program retained 8 jobs in Jefferson Parish in 2009 (JEDCO 2010).

Manufacturing Tax Incentives

Manufacturing companies represent 7 percent of Jefferson's employment base and offer a high average wage of \$946/week (JEDCO 2010). The entire state of Louisiana has suffered a

loss of manufacturing companies and thus the state instituted the Manufacturing Sales Tax Exclusion and the Industrial Tax Exemption programs (Bologna 2010). These are newer programs so numbers are not available for their results but Jerry Bologna, head of JEDCO's Business Retention and Expansion program, believes these will be important programs because most Louisiana manufacturing companies have left Louisiana in the past when they wanted to expand due to the state's taxes.

Jefferson Parish manufacturers are also eligible for the state Business Retention and Modernization Tax Credit. The proposal must increase the manufacturer's efficiency or capacity of its facility by ten percent. This modernization investment must be a critical investment such that without it, a facility would have a high risk of closure in the near future, or, the employer must have multi-state operations and have an established competitive capital project with an approved investment of at least \$5 million (JEDCO 2010). This Business Retention and Modernization Tax Credit is also available for consolidating companies even if companies are not creating jobs. JEDCO can offer this incentive to consolidating companies as long as their overall balance sheet for the incentive averages to the earlier mentioned requirements (Kurtz 2010). Eligible companies may earn certified tax credits at a rate of 1 percent over a 5 year period subject to a cap of \$10 million in tax credits per program per year. A written application must be sent to the Louisiana Economic Development Division. A company's acceptance into the incentive program only allocates money. Companies must present the state of Louisiana with CPA receipts and maintain the negotiated number of jobs required before they receive any money (JEDCO 2010). An internal policy is that if the company falls below 95 percent of its letter of intent for negotiated payroll and job amount, then it loses half of its credit for that year

and if it falls below 80 percent, then it loses all of it. If the company meets its requirements the next year then it can receive its full promised funds for that year but, cannot retrieve the lost funds from the previous year. If the company does not use all of its allocated funds, it is allowed to roll them over to the next year (Kurtz 2010). The program is new and funding does not begin until July 2011. In Jefferson Parish, Zatarain's has applied for the program. Zatarain's is a producer of Cajun food products and was recently acquired by McCormick, a company known for its Pacific Northwest style seafood and other spices. JEDCO used the Business Retention and Modernization Tax Credit Program to retain the current Zatarain's business component, and now McCormick is planning a significant investment in Jefferson Parish (JEDCO 2010).

Ineffective Incentive Programs

Unfortunately some of the state incentive programs that could be targeted at BRE have been ineffective in Jefferson Parish. For example, the Clean Energy Tax Credits have never been used in Jefferson Parish. Louisiana is still working to establish a green mentality in the state. The state's mentor-protégé program is designed to give established companies tax incentives to mentor younger companies. Unfortunately no companies in Jefferson Parish have used this program and the state as a whole is having a hard time implementing the program (Bennett 2010). David Bennett of the Louisiana Economic Development department says they have been struggling with finding mentors since possible mentors do not see all of the requirements worth the tax incentive.

3.1.4 Business Financing

SBA 504 Loan Program

According to Jerry Bologna, the head of JEDCO BRE, the SBA 504 loan program has been extremely successful. To be eligible for the program, a company must be for-profit, located in Jefferson Parish, and create/retain one job per \$50,000 in SBA 504 assistance. On the loans the bank takes the first position on collateral and 50 percent of the loan. SBA finances 40 percent of the project, and ten percent equity is required from the owner/business. This is an attractive loan because less equity is required and the bank benefits by being the first lender with only 50 percent of the load. JEDCO is willing to be flexible about the one job per \$50,000 as long as all of their loans balance to this average (JEDCO 2010). Bologna has seen the SBA 504 Loans as a very successful business retention and expansion tool, mostly due to their flexibility and financing setup.

Louisiana Revolving Capital Fund

Funds from the Louisiana Revolving Fund are available to any for-profit company in Jefferson Parish. Funds may be used for: land/building acquisition, equipment, professional fees related to the project, working capital, and inventory. The loans must be at least \$25,000, the interest rate to be determined after review by the JEDCO staff and finance committee (JEDCO 2010). In 2009, 11 of these loans were authorized by JEDCO with a total project value of \$3,153,826. It is estimated they will create 167 new jobs and a positive economic impact of \$11,125,473 (JEDCO 2010).

HUD Community Development Block Grant – Revolving Loan Fund

The HUD grant focuses on business retention and expansion of jobs for low-to moderate income individuals. The loan size is between \$10,000 and \$150,000, and may be used for

land/building acquisition, new construction/renovation, purchasing equipment, professional fees related to the project, and working capital. The loan's main advantage is its low fees with a maximum of \$250. Applications are reviewed by JEDCO staff and recommendations are made to Jefferson Parish Community Development and the JEDCO Finance Committee. The JEDCO staff negotiates the loan rate based on the number of jobs created. (JEDCO 2010) As of December 31, 2009, JEDCO had \$441,059 of outstanding HUD loans (Netterville 2009).

Economic Development Administration (EDA) Loans

EDA loans are targeted at small business expansion projects. For every \$2 of private funds from a private lender and/or equity, JEDCO will loan \$1. JEDCO requires one job created per every \$10,000 loaned. Loans are between \$25,000 and \$150,000, and can be used for land/building acquisition, purchasing equipment, and working capital. Fixed asset loans can last 5-20 years while working capital loans can only last 3-7 years (JEDCO 2010). As of the end of 2009, JEDCO had \$918,577 in outstanding EDA loans (Netterville 2009).

Industrial Development Bonds

Through state legislation, JEDCO is authorized to issue Industrial Development Bonds. The bonds must be applied to finance land acquisition, building construction and the purchase of new equipment. As of December 31, 2009 JEDCO had \$2,865,500 in outstanding IDBs. In 2009 JEDCO issued an IDB and structured Payment-in-Lieu-of-Taxes to Durr Heavy Construction. The deal saved 124 jobs and Durr Heavy Construction constructed a \$4 million headquarters building in Jefferson Parish (JEDCO 2010). During the last 12 years, JEDCO has only issued 3 IDBs with 500 jobs retained and/or created due to company headquarters remaining in the parish. Only 3 bonds have been issued over the last twelve years due to the

high costs of issuing the bonds. Solid companies can often obtain commercial loans at similar rates without the fees (Stephenson 2010).

3.1.5 Work Force Development

Louisiana FastStart

The Louisiana FastStart program was modeled from Georgia's FastStart program (Bologna 2010). The program provides project evaluation, workforce solutions, material development, pre-employment identification, evaluation and feedback, course delivery, customized training, and core skills training for expanding companies. The courses have eliminated up to 2/3 of training time (LED 2010). The program is free for manufacturing companies, corporate headquarters, warehouse and distribution businesses, research and development companies, or other strategic facilities that commit to creating at least 15 new jobs, or any service-related operation that commits to creating at least 50 new jobs. Requests for the program are evaluated by the Louisiana Economic Development FastStart team (JEDCO 2010). This is a new program and has yet to be used by Jefferson Parish.

Other Training Programs

JEDCO also implements three other training programs: On-The-Job Training, Incumbent Worker Training (OJT) Program, and Small Business Training Program. All three have been seen as successful by the head of JEDCO's economic development team (Bologna 2010). The OJT program reimburses 50 percent of qualified wages during the training of new or existing employees in order for them to gain necessary occupational skills for employment or advancement within the company. The Incumbent Worker Training Program and Small

Business Training Program help established businesses pay for formalized employee training (JEDCO 2010). The Incumbent Worker Training program has been established for five years and is usually used by ten to 15 Jefferson Parish companies per year. The Small Business Training Program is less known and has been used by about five JEDCO companies (Bologna 2010).

3.1.6 Quality of Life

JEDCO's 2010 economic plan, which was implemented from shortly before Katrina to when the JEDCO 2020 economic plan was written in 2007, focused on creating a low tax, low cost environment to encourage business retention and expansion. JEDCO also supported databases, marketing, and workforce development initiatives. With JEDCO's 2020 economic plan, they are expanding their efforts to include quality of life issues by focusing on improving infrastructure and community needs. To remain attractive to businesses, JEDCO hopes to keep Jefferson Parish a low cost, low tax business environment while making strategic investments to improve the overall quality of doing business in the parish. These new quality of life initiatives include: flood protection, crime abatement, education, infrastructure, and beautification. In 2009, JEDCO's work to improve infrastructure retained Unistar Plastics in Jefferson Parish by resolving rail service issues that threatened to move the company out of state. Unistar remained in Jefferson Parish, retaining 80 jobs, and is now considering consolidating manufacturing jobs from around the country to Jefferson Parish (Associates 2008).

3.1.7 Summary

JEDCO has made most of its BRE techniques available to all industry sectors, which has resulted in successes like the retention and expansion of Ruelco, Geocent, Marque, Unistar Plastics, and McCormicks. Jefferson Parish’s economic growth can be seen by the increase in median family income and decrease of family poverty rate in Figure 3. The increase in family poverty rate in 2005 was due to Katrina, but the current poverty rate is now less than before the Hurricane.

	1990	2000	2005	2007
Median Family Income	\$32,446	\$45,834	\$53,341	\$57,409
Family Poverty Rate	11.4%	10.8%	12.3%	9.2%

Figure 3 Family Income and Poverty in Jefferson Parish (Associates 2008)

One key feature to note about the JEDCO programs is their flexibility by maintaining program requirements as portfolio averages and bending the requirements for individual cases when necessary. JEDCO uses state and national programs like the Restoration Tax Abatement program, but created its own program to fill gaps (e.g., Jefferson Economic Development Fund). Most of JEDCO’s loan amounts and rates are determined on case by case basis with JEDCO and the company.

3.1.8 Implementing Elsewhere

JEDCO’s business retention and expansion plans are successful because they have targeted specific growth goals while working to keep state, national, and their local programs flexible so that rules do not prevent them from retaining and expanding jobs. Their 2010 plan focused on

decreasing the cost of doing business in the area because they were losing companies to areas with less financial burden. Since Jefferson Parish is built out JEDCO also developed a detailed business and property database to assist expanding businesses. JEDCO's 2020 program continues with these efforts and focuses on the next level of concern for parish businesses, quality of life. JEDCO's success can be significantly attributed to its targeted efforts that still maintain flexibility to create the necessary resources for retaining and expanding businesses. JEDCO's financial flexibility, dense database, and continual surveying of businesses have required a staff of four economic developers. If Jefferson Parish's loan allocation programs are made slightly more structured by tying the rates to a function of job creation, like the HUD Community Block Grant Revolving Loan Fund, then other municipalities may have the resources to mimic JEDCO's financing initiatives. Economic development groups can also indirectly help businesses financially by marketing the community businesses on the national scale and by providing a marketing database that keeps money within the community by connecting local buyers and suppliers. This should be implemented in rural and metropolitan communities but the ability of a locality to maintain the marketing database will be dependent on their business to BR&E staff ratio. If the staff cannot maintain an up to date database it will not be worthwhile and they should concentrate on other BR&E strategies.

It is critical to remember BR&E must go past finances. Companies also need quality workers. No matter how much financial support is provided to a company, they cannot be successful without the proper human power. If a company can't find the right human power locally, they will go searching for it somewhere else. All communities should create job training programs for incumbent workers, new employees, and workers seeking employment. Finally,

the most critical component of BR&E for metropolitan regions could be maintaining a real-estate database. Most metropolitan areas are built out and if companies are staying in the community then they must grow within existing infrastructure. The real-estate database presents local businesses with the qualities of available buildings and infrastructure so that they can find the appropriate property within their existing community. Without providing this information the BR&E programs are working against retention because they are helping the company outgrow the community and move elsewhere.

3.2 - Case Study 2 / Rural BR&E: Swift County, Minnesota

Swift County is located in rural western Minnesota and hosts a small population of just 11,956 people. After witnessing a high success rate following its first BREV program in 1994, Swift County leaders initiated the program once more in 1998. In 1998, local farm prices began plummeting and the community leaders and development authority (Swift County Rural Development Finance Authority) sought to implement four priority projects under two strategic areas to exercise effective BR&E strategies. Local leaders decided to concentrate on improving the quality of life for rural farmers and diversifying agricultural enterprises as a means to focus on the agricultural economy (Darger 2001).

3.2.1 Cooperation and Support

Greater Involvement and Leadership for Rural Women

Through the BR&E visitation programs (BREV), Swift County leaders recognized the damaging effects of farm economics on its women and families. The project team found that there was a heightened sense of isolation for women during times of crisis on the farm. The effects of the declining farm economy spilled over, affecting not only the women of the farm, but their role and interaction with their spouses and families, causing further stress and concerns in the rural community. The team proposed linking women together as a part of the possible solution. By initiating a support group, FarmWoman Forum, women of farming communities were able to seek support and guidance from a network of peers who understood and could relate to similar problems and stressors. This support group averaged 37 women in attendance per meeting, and provided the women with “opportunities for communication, fellowship, and leadership education.” Additionally, the FarmWoman Forum created a video entitled “Healing

Stories” that tells the story of three farm women and how they coped with the farm price crisis (Darger 2001). This new support system for women helped increase the quality of life for farming families, thus allowing them to better cope with related problems. This also allowed women to focus more attention and energy on farming instead of the distractions related to social impacts during difficult economic times.

Improved Health Care Delivery for Farmers

For many of the self-employed farmers in rural Swift County, obtaining affordable health care was still a challenging problem. Farmers and farmers’ spouses often seek work off of farms due to the lack of affordable health coverage available. The inaccessibility to health care created a potential risk for Swift County’s farming industry, as increasingly more farm-employed citizens could transfer to alternative employment opportunities which would provide health care coverage. Prior to 1999, only three to four Swift County families were enrolled in Minnesota Care, the statewide health care plan.

To encourage and increase access to affordable health care for farmers, the BREV team aimed to establish group coverage rates for farmers through a local insurance group. It also aimed to see if the farmers could obtain benefits through Minnesota Care, a statewide health insurance network, only preferred as last resort provider. Both attempts, however, resulted in legal barriers as group policy rates were not available for the farmers unless they were all employed by a unified group. This aside, the project helped over 50 Swift County families enroll in the Minnesota Care health plan by establishing an enrollment center in Swift County.

Prior to this effort, Swift County families that wanted to enroll in the health plan needed to travel to the closest enrollment office, in St. Paul, Minnesota, to apply. The team has also

looked into pursuing state policy that would extend group coverage health care eligibility to farmers, however, due to policy challenges, this initiative was unsuccessful (Darger 2001).

Promote Effective Use of Farmer Cooperatives

Swift County leaders were committed to initiating value-added cooperative ventures as well as encouraging existing coops to provide higher returns to their patrons. Swift County leaders initiated debate about cooperative principles, around questions such as “should coops be operated just like investor-owned businesses or should they be more focused on advertising farmer interests” (Darger 2001). The success of this project was slower than the previous two, partially because the scope of the project is much greater than the prior two projects. In promoting more effective use of farmer cooperatives, the project team has more people to reach out to as well as more layers associated with research before implementing a sound strategy for new cooperatives (Darger 2001). The team worked with the University of Minnesota’s Department of Applied Economics to create educational materials that would serve cooperative board members. Before initiating this project, further visitation surveys must be implemented to gain an understanding of the current perceptions of farmer cooperatives. After requiring into further research regarding the current status of the project, it is unclear whether the development authority has continued forward with this initiative.

3.2.2 Agricultural Enterprises

Improved Delivery of Information on Alternative Enterprises

Diversification of industry is vital to the long-term economic prosperity of any economy. By balancing an economy with various industries, it is able to pull from different revenue sources, utilize different resources (so as not to put a strain on one or a few main resources), and

offer more opportunities for jobs and job-skill development. Unfortunately, 90 percent of Swift County's farmland is dedicated to the cultivation of soybeans and corn (Darger 2001). This lack of diversification increases inherent risks to the farmers.

To address this concern, Swift County leaders proposed a meeting where agriculture companies could present production opportunities for diversification to local farmers. Among the suggestions offered were to increase livestock and contract farming (9,400 acres). Using these tactics, program leaders estimated that farmers' incomes would increase by an additional \$300,000 by the contracts alone, after adjustment for current market prices. Another suggestion was the formation of an export cooperative that provides soybeans for Asian markets (Abate and Moser 2002). Swift County Extension received a \$10,000 start-up grant and \$3,150 in funds to conduct field trials for edible soybeans for this particular market (Darger 2001).

3.2.3 Results

Swift County leaders' approach to the BR&E program resulted in a four prong project that focused around improving the quality of life and support for the area's farming families and on expanding alternative markets for the diversification of the local economy. The four methods used in this study projected strong short-term results, however, a comprehensive look at the long-term effects has not yet been released. Following the completion of the preliminary study and creation of program initiatives, the economic development plans became the full responsibility of the Rural Development Authority.

3.2.4 Option

An additional option in rural BR&E initiatives is to coordinate with the local Chamber of Commerce, planning offices and economic development department (or associated equivalent) to

create a long-range economic development plan. Early County, located in southwest Georgia along Alabama's eastern border, is under the direct advisement and support of a private foundation that created a 50 year plan-- or rather, vision—to promote economic development. The foundation, Early County 2055, is divided into increments of five years, with a strategic plan that is incorporated into the county's comprehensive plan. The organization was contracted by the Chamber of Commerce and local development authority to create the economic development plan for the county. Within this plan, it focuses primarily on maintaining local small businesses and utilizing existing resources to attract “best fit” firms (Collins, Lisa 2010).

Early County's main economic drivers are its agricultural heavy weights: peanuts and cotton. However, when a Salmonella outbreak at the local peanut manufacturing plant made national news in 2008, the large firm was forced to close and the county's local workforce suffered from the sudden loss in employment. Currently, Early County is focusing on maintaining its local small businesses. Due to the small population of the community, local economic development leaders were able to distribute a survey to local businesses on their perceptions of the local economic climate and to visit with those businesses that they believed they could help directly. Early County did not have a BR&E program or large visitation initiative, but through personal phone calls and visits from the local chamber, Early County 2055 employees, the development authority, city councilmen, and county commissioners, the county was able to promote the 50 year vision for economic growth and learn to serve the needs of the existing community.

A main focus area of Early County 2055 is to attract firms to the area. To do this, Early County is capitalizing on its local resources and selling its self-identified southern, rural charm to promote a lifestyle that encourages a work-from-home type climate. Lisa Collins, Director of

Economic Development at Early County 2055, pitched the idea as a way of attracting firms that want the perks of a slower lifestyle, but all the technological advantages of working in a large city (Collins 2010). Early County 2055 is working with the Municipal Electric Authority of Georgia (MEAG) Power to attract target firms to the area. For a rural community with few resources, Collins stresses the importance of encouraging public-private partnerships to aid local existing businesses. Through an ambitious action plan, such as Early County 2055, and a strong network of public and private partners intent on seeing the community's economic life grow, Collins believes that the small community will soon benefit from the retention and expansion of local businesses and the role of those local businesses and industry resources in attracting new large firms to the county (Collins 2010).

3.3 - Case Study 3 / State BR&E: North Carolina, USA

3.3.1 - Small Manufacturing Firms and Small Businesses

North Carolina's economy is strongly supported by its small businesses and small manufacturing firms (SMFs). North Carolina has been an increasingly bustling area of economic activity in America, with Charlotte serving as one of the nation's most popular cities for firms to relocate (Kilborn, 2009). Charlotte is being combined with the international mega city Atlanta to create a larger area under economic analyses, the Piedmont Atlantic megaregion (Regional Plan Association, 2010), or, as Richard Florida describes in *Who's Your City*, the Char-lanta megaregion (Florida, 2008). With an increasing demand for the successful synchronization of local and state economies, particularly within the Piedmont Atlantic megaregion, it is vitally important for the area's states to encourage positive economic growth and prosperity.

North Carolina's economic leaders are working hard to encourage a sustainable state economy. These efforts include, but are not limited to, strategic business retention and expansion policies to support small manufacturing firms and small businesses.

Within the last five years of the Lambe and Schweke 2007 entitled, report, North Carolina's economy suffered from a "record number of jobs lost, plants closed, and mass layoffs as major elements of its traditional manufacturing base moved abroad" (Lambe 2007). To address the rising demands of the North Carolina's rapidly transforming economy, many economic development strategies were implemented to help sustain its current economic climate and to promote future growth and development. According to the study, manufacturing firms employ 15 percent of the state's workforce and contributes to 23 percent of the state total economic output (Lambe 2007). Over the last 5 or 6 years, many local development agencies (if not most) have started focusing on retention and expansion of existing industries (Lambe 2007). Programs such as incentives packages were arranged to aid existing businesses expand or stay put within the state, as opposed to losing business either from a firm relocation or firm closing.

BR&E strategies in North Carolina's Department of Commerce (NCDOC) are operated on three levels: state, regional and local. "At the state level, [NCDOC] operates a modest BR&E operation, including a business service call center. At the regional level, the state is divided into seven economic development partnerships which generally focus on marketing their region, both to new firms and to potential clients of existing firms (i.e., export promotion). At the local level, county economic development associations and chambers of commerce focus – in varying degrees – on existing industries within their communities" (Lambe 2007).

3.3.2 - Incentives Policy

Statewide BR&E initiatives encouraged the promotion and use of incentives policies administered through the NCDOC “Commerce Finance Centers” such as (Lambe 2007):

- *William S. Lee Quality Jobs and Expansions Act*- Rewards eligible companies expanding or relocating in North Carolina which hire within the current North Carolina workforce.
- *Industrial Revenue Bonds*- Assists new and expanding industry while ensuring the North Carolinian workforce has access to good jobs and wages.
- *Community Development Block Grants*: Funds for local governments (municipal or county, excluding entitlement cities or designated urban counties) to assist specific firms to create or retain local jobs.
- *The Industrial Development Fund*: Grants and loans accessible by local government applicants (municipal or county) for incentive industrial financing.
- *One North Carolina Fund*: Financial assistance to businesses or industries looking to relocate outside of the state and noted for significant contributions to the local economy by the Governor.
- *Job Development Investment Grant*: Provides annual grants to new and expanding business measured against a percentage of withholding taxes paid by new employees (Lambe 2007).

3.3.3 - Technical Assistance

The state also offers a large variety of technical support for small manufacturing firms. The state also offers technical support to small businesses as a BR&E initiative through the Biz Boost program.

SMFs, however, can utilize the following organizations and firms to offer specialized guidance in workforce development, technical and administrative assistance, as well as strategies to increase profitability and competitiveness (Lambe 2007).

- *International Trade Division at NCDOC*
- *Division of Employment and Training at NCDOC*
- *N.C. Community College System (58 colleges)*
- *North Carolina State University's Industrial Extension Service (IES)*
- *Small Business and Technology Development Centers (SBTDCs)*

North Carolina Biotechnology Center

Research has shown that over that last 25 years, businesses which receive assistance (via counseling or financing programs) from the North Carolina Small Business and Technology Development Center (SBTDC) outperform their competitors, even in times of recession (Petheridge 2010). North Carolina aimed to stabilize the state's economy by retaining its current businesses and provide a path for future growth. To do this, the North Carolina Commission on Workforce Development sought to "[leverage] its partnerships to assist vulnerable firms" (Maples 1996; SBTDC 2009). By offering the incentive of uniform benefits statewide, more businesses were able to utilize these support systems in place, which could lead to increased business retention and expansion for the statewide economy. North Carolina's Biz Boost program, developed by the Small Business and Technology Development Center (SBTDC), is an example of a regional project turned statewide initiative to help retain and expand small businesses by helping them "become more efficient and effective; enhance their marketing and find new customers; improve their chances for accessing credit and funding; strengthen employee performance; manage uncertainty; and prepare for the future" (Petheridge 2010).

The Biz Boost initiative is imperative as the largest employers of North Carolina's economy are small to mid-size firms. "Roughly 95 percent of all firms in the state employ fewer than 100 people" and account for at least 65 percent of net new jobs in the last decade (Petheridge 2010). These jobs account for approximately 43 percent of North Carolina's annual payroll (Petheridge 2010). In times of financial distress, industries and businesses suffer from a decrease in demand for goods or services. To accommodate the decreased demand and adjusted operating budget, supply is generally reduced and consequently the jobs that support those goods and services are cut as well. By helping to improve business operating strategies that could decrease job cuts, business closures or eliminate sales of goods and services offered, the statewide initiative could help ensure economic stability by maintaining current employment. In doing so, the statewide income remains significantly higher than it would if multiple firms eliminated jobs or operations.

North Carolina's small businesses are no exception to the effects of the struggling economy. These businesses have experienced flat to declining sales and have cut their workforce. While other workforce development programs exist to train and retrain current employees (such as the Workforce Investment Act), few programs are established to provide assistance directly to the leadership and operations specialists of these firms (Petheridge 2010). The Biz Boost program is a unique approach to aid both initiatives, by examining areas such as operations, management and marketing to retain existing jobs and offering technical assistance for business owners and managers (Petheridge 2010).

3.3.4 - Partnerships

By utilizing local partnerships, the SBTDC was able to promote the program and increase awareness for its services to a wider audience. Partnerships were significant contributors to the success of the program by undertaking the following activities (Petheridge 2010):

- Met with SBTDC Deputy Director and other key SBTDC staff to discuss roles, responsibilities and expectations
- Met with key SBTDC contact in their region to map out a strategy for promoting the initiative and providing appropriate referrals
- Coordinated follow-on meetings with local economic development representatives and/or their boards
- Identified and referred client companies as appropriate, continuously coordinating activities with the SBTDC
- Promoted the Biz Boost initiative through web site links, newsletter announcements and meeting presentations throughout their regions.

3.3.6 - Results

Given the challenges of the economic climate, small manufacturing firms in North Carolina are still strong. SMFs continue to:

- employ 15 percent of the state's workforce (or roughly 600,000 workers),
- encompasses 10,700 individual facilities across the state (95 percent with fewer than 500 employees)
- contributes 23 percent of our state's total economic output
- pays an average weekly wage of \$818

- generates “spin off” of \$1.43 worth of additional economic activity for every \$1 in manufactured goods (Lambe 2007).

Biz Boost was initially created as a regional program within North Carolina. However, after receiving positive results, the state chose to implement the program in hopes to replicate the same success on a larger scale. Since the inception of the program in 2010 to September 2010 (most recent data collection), the SBTDC served clients which represented 89,209 full time jobs (average 89 jobs per business), 3,554 part time jobs, and over \$6.1 billion in sales in the state economy. In cooperation of the 1,067 clients served, the SBTDC has helped create 1,579 jobs and retain 1,013 jobs, a total retention and expansion of 2,592 jobs in small businesses. Through the Biz Boost program, the creation and retention of each job cost the state a mere \$631 per job, or \$1,635,552, presumably a significant difference than the expected loss of income if those 2,592 jobs were eliminated (Petheridge 2010).

In addition to the creation and retention of over 2,500 jobs, the SBTDC has also offered 21,034 hours in business counseling thus far. Its services have reached eight industry types including Manufacturing, Construction, Professional, Scientific, Technical Services, Retail, Wholesale, Health Care and Social Assistance, Accommodation and Food Services, and Other across all 100 counties (Petheridge 2010).

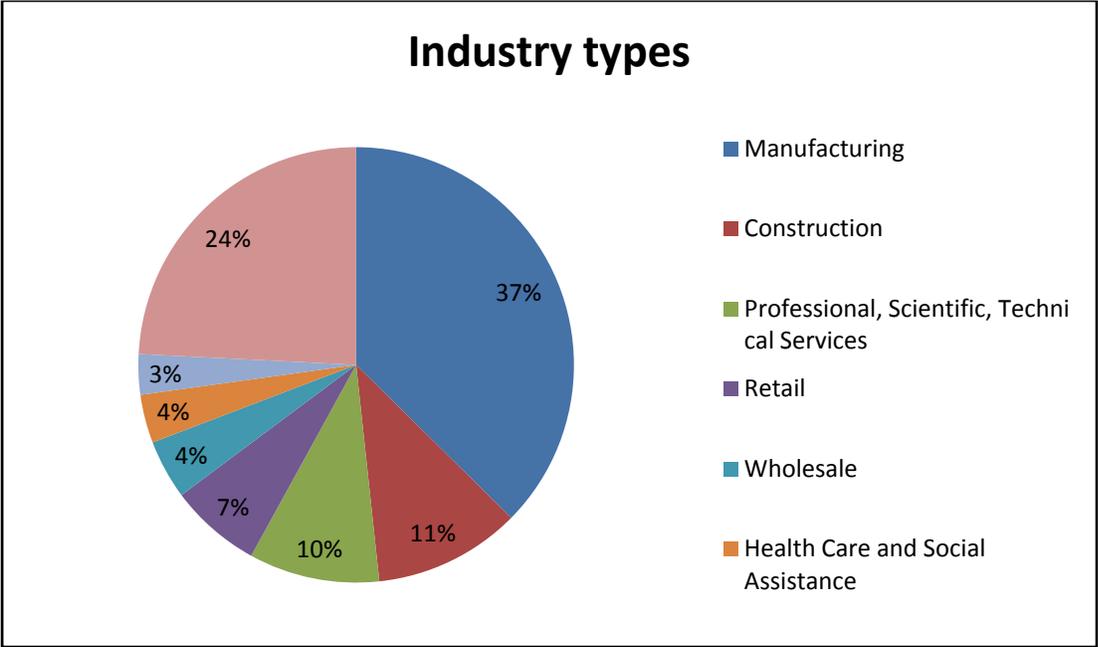


Figure 4 | Industries participating in the Biz Boost Program (Petheridge 2010)

Chapter 4 – Conclusion

	Metropolitan	Non-Metropolitan	Statewide
Successful Strategies	<p>Technical Assistance and Resources</p> <ul style="list-style-type: none"> • Incumbent Worker Training (OJT) Program • On-The-Job Training • Louisiana FastStart Program • Real Estate Database • Demographic Information • Marketing Database • Quality Job Program <p>Financial incentives</p> <ul style="list-style-type: none"> • Industrial Development Bonds • HUD Community Development Block Grant – Revolving Loan Fund • Economic Development Administration (EDA) Loans • Louisiana Revolving Capitol Fund • SBA504 Loan • Restoration Tax Abatement • Business Retention and Modernization Tax Credit 	<p>Establish a long-term economic development plan</p> <p>Improve quality of life</p> <ul style="list-style-type: none"> • Improved health care delivery • Promote more effective use of existing programs, i.e., farmer cooperatives • Increase involvement and leadership for rural women <p>Improve information delivery for business opportunities</p> <ul style="list-style-type: none"> • Improved delivery of information on alternative enterprises • Personal conversations and visitations with region’s small businesses • Disseminate surveys • Utilize BR&E as a recruitment strategy <ul style="list-style-type: none"> – invest in existing resources to attract “best fit” industries and firms – promote rural, quiet, quality of life 	<p>Promote awareness and use of financial incentives</p> <ul style="list-style-type: none"> • William S. Lee Quality Jobs and Expansion Act • Industrial Revenue Bonds • Community Development Block Grants • The Industrial Development Fund • Job Development Investment Grant <p>Offer technical assistance and resources to address the following:</p> <ul style="list-style-type: none"> • Enhance their marketing and find new customers • Improve their chances for accessing credit and funding • Strengthen employee performance • Manage uncertainty • Prepare for the future <p>Provide technical assistance and resources through economic development organizations such as,</p> <ul style="list-style-type: none"> • International Trade Division at NCDOC • Division of Employment and Training at NCDOC • N.C. Community College System (58 colleges) • North Carolina State University’s Industrial Extension Service (IES) • Small Business and Technology Development Centers (SBTDCs) • North Carolina Biotechnology Center

	Metropolitan	Non-Metropolitan	Statewide
Unsuccessful Strategies	<ul style="list-style-type: none"> • Mentor-Protégé Program • Clean Energy Tax Credit 	<ul style="list-style-type: none"> • Affordable group health care rate for private farmers 	

Often, business recruitment is seen as the prime tool to promote economic stabilization and prosperity. However, it is equally, if not more, imperative to be keenly aware of the concerns and needs of existing local businesses. In practice, BR&E is perhaps one of the most important and efficient of the sustainable economic development strategies.

The partnership between a business and its community is mutually beneficial, as continued growth and success of area businesses provides and maintains jobs and income for the local workforce. Alternatively, a strong workforce and available infrastructure provide businesses with the tools necessary to conduct their work. Local economic development planners should be aware of the value and impact an expanding industry in the local economy could offer. Additionally, the retention and expansion of local businesses provides greater opportunities for local citizens which can improve upon the quality of life for the community. These opportunities include, but are not limited to, job development, health care coverage, and job-skills training and education.

Communities should focus on BR&E as a means to stabilize businesses and to ensure fewer large-impact changes to the economic health of the industry and the surrounding community – resulting in a stable and sustainable local economy.

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