ECONOMIC DEVELOPMENT INCENTIVES

A WHITE PAPER PREPARED FOR:

SCOTTSDALE CITY COUNCIL

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City of Scottsdale Economic Vitality Office
480-312-7989
economic@scottsdaleaz.gov

Community Investments and Incentives

Introduction

Incentives have been present in the relationship between business and government long before the practice of economic development was created. Today a commonly asked question by companies looking for a new location or by existing companies looking to renew their lease or buy property is "What types of incentives do you have to offer me?" While most of the national data and discussion on incentives reflect high dollar incentives for manufacturing activity or large business/office employers, in Arizona incentives are more typically related to retail development, due to Arizona's fiscal policy of strong reliance on sales tax revenues.

Over the past year, the discussion in Arizona of the merits of the use of incentives for economic development purposes has escalated dramatically. Numerous high profile incentive deals and battles, such as the Chandler – Gilbert "car wars" with $100 million in incentives offered for a new auto mall, have led to a growing concern about the use and abuse of incentives. These discussions have led to a variety of suggestions on how to deal with this issue, including shared revenue agreements, legislative action to eliminate their use, and voluntary agreements between major cities.

This paper will explore a variety of trends and specific data regarding economic development incentives. The first section is an overview of incentives on a national basis, followed by a discussion of Arizona incentives, and finally specific Scottsdale incentives. The second section deals with incentive programs and policies. Included as an attachment is a summary of every financial incentive offered by Scottsdale since the inception of its economic development program.

Part 1:
National and Local Trends

The Need for Incentives

Based on a national survey conducted by the International Economic Development Council (IEDC) the primary reason cities and states offer incentives is to remain competitive. When a company chooses to relocate or expand locally, nationally or internationally they narrow their search to communities that appear to fit their needs. The desire of the community and/or state to have the company in their locale dictates their interest and ability to invest in its future either through the capital investment and jobs the company will bring. States and cities continue to increase the locational ante, and corporate America has increasingly come to expect incentives as a standard part of doing business.

Incentives escalate due to competing states/communities being more aggressive with their offerings, typically - but not always - at the company's request. The playing of one community off of another is what has set the standard for the high profile incentive wars typically seen in the eastern portion of the US. Site Selection magazine conducted a survey of corporate real estate professionals -- almost 80 percent of respondents said incentives enter into their firms' corporate location strategies. Many companies do not rank incentives as an important initial location factor; however, once the search has been narrowed to several locations, incentives may play a significant role in the final decision-making process.

Companies ask for incentives for several reasons:

- companies use them to offset hard or soft costs associated with the relocation
- companies need the government to assist with, build or provide hard or soft infrastructure
- they can assist in a company's bottom line
- they have become standard practice

In the 1990's, according to IEDC, the following incentives were the most often used (based on frequency):

1. On the job training
2. Customized job training
3. Low interest rate loans
4. Site Infrastructure assistance
5. Accelerated Permitting Process/Fee Waivers
6. Pre-hire assistance
7. Property Tax reductions
8. Enterprise Zone tax credits
9. Industrial Development Revenue Bonds

The participation of municipalities in these incentive packages is typically limited to site infrastructure, property tax abatement, property buy downs, and accelerated permitting process/fee waivers. The other types of incentives listed are more typically the responsibility of federal or state governments. It should be noted that some of the incentives listed may not necessarily financial in nature – i.e. accelerated permitting process – but nevertheless do play an important role in a company's decision-making.

In addition to these structured types of incentives, companies also typically receive locally based, private sector assistance. Local banks, realtors, moving companies, accountants, attorneys etc. can assist both the company and its employees through a wide range of services, including below cost home loans, banking services, realty services, moving companies, and other relocation assistance. This function is typically handled through the private sector, such as through a local Chamber of Commerce or independent Economic Development Organization. These services are often given to all clients regardless of whether or not they are requesting additional financial incentives.

National Incentive Trends – Eastern U.S.

Communities and states in the eastern portion of the United States are typically much more aggressive and forthcoming with incentives. States and cities primarily target manufacturers and large employers as their focus is on capital investment and jobs in their state/community. The structure of the incentive activity in these states and cities is dictated by several factors – the decline in their employment base, the legal ability to offer a wider range of incentives relative to the West, the necessity for retention and attraction of manufacturers and major employers considering lower cost or more desirable locations, community and political support for incentives, and a municipal and state revenue structure based on property tax.

The table below shows a few examples of huge incentives packages given to companies in the last decade or so, with some topping $500,000 in incentives per employee. All of the projects shown were in competition with other states and cities whose incentive packages were just shy or 'not quite right' for the company.

YEAR	STATE	COMPANY	JOBS	INCENTIVE	$/JOB
1991	Indiana	UAL	6,300	$451 million	$ 71,587
1993	Alabama	Mercedes	1,500	$253 million	$168,666
1997	Penn.	Kvaevner	950	$307 million	$323,157
2000	New York	IBM	1,000	$504 million	$504,000
2002	Alabama	Hyundai	2,000	$252 million	$126,000
2003	Texas	Toyota	1,600	$133 million	$ 83,125

The revenue structure of states and communities in the eastern half of the U.S. is typically based on property tax. The result of tax reductions and waivers often means schools and other tax reliant entities (Community Colleges, Flood and Fire Districts etc.)

do not receive tax revenues or receive reduced amounts of revenue as negotiated by state and community officials. Taxes also may not flow to the municipality or state, constricting their ability to provide services and limiting their bonding capacity. Research shows that until recently relatively few 'checks' were in place for performance standards and location longevity. Cost/Benefit Analyses that have been independently reviewed have revealed estimates of extraordinary payroll multipliers and assumed significant spin-off economic activity in order show any level of return on investment.

Clearly, massive incentives skew traditional location decision-making by degrading the efficiency of markets. While technology and innovation in materials and business practices have accommodated a more footloose market environment, location decisions made by high dollar incentive packages are made to accommodate money versus proximity to raw materials, work force, transportation networks and market locations. Further, if incentives encourage businesses to select inferior locations, public subsidies are probably being used to cover market inefficiencies.

One of the most significant incentive providers over the past decade has been the State of Alabama. Over the past ten years Alabama has paid out well over $583 million dollars in incentives for four automobile manufacturing or assembling facilities. This 'investment' has been for 7,000 automotive related jobs (average payout: $83,300 per job) with an outlay of $2 billion in capital investment. All of the deals include a 10 or 20-year exemption of state property taxes and a same period elimination of all or some percentage of city and county property taxes. Cost benefit analyses made for two of the deals are vague in nature and generous in their assumptions. The state assumed manufacturing suppliers would chose to locate in Alabama and a multiplier effect of at least 6 was used to determine payroll impact (multiplier of 6: $40,000/year wage equals $240,000 in economic impact). According to an article by Katherine Zachery in WardsAuto.com, these aggressive incentives have caused a severe financial strain for Alabama, and a resultant political upheaval: "Gov. Don Siegelman of Alabama, who offered these incentive packages … to lure auto makers to his state, was voted out in November's elections, aborting his mission to make Alabama the automotive capital of the South. Those massive incentive packages – most recently given to Hyundai Motor Co. Ltd. and Honda Motor Co. Ltd. – became a key factor leading to his ouster".

In the case of one of the automotive plants attracted (Mercedes Benz), Alabama rushed incentive legislation through specifically for the Mercedes plant in 1993. The Legislature failed to realize that other companies would choose to take advantage of the legislation and quickly qualified for the Mercedes designed incentives. Eighty-seven firms took advantage of the incentives the bill offered before the State could alter the legislation – legislation that was later struck down by the courts. The State of Alabama had to raid its pension fund to make promised payments to Mercedes. While Alabama has made an aggressive effort to build an automotive manufacturing base from nothing, other states in the southeast and northeast have been as generous in their incentives and projected returns and, often, at the cost of public education and public services. Note that Mercedes played three states off of each other to enhance the incentive packages offered to the company.

National Incentive Trends – Western U.S.

Generally speaking, states and cities in the western U.S. struggle with different incentive issues. The revenue base is generated primarily from sales tax revenues, and gifting clauses exist in many of the western states' Constitutions. As a result, targets for economic development are not comprised of just manufacturers and major employment generators, but also any business with the potential of creating significant new direct tax revenues. For much of the last 30 years the western U.S. has been in an economic expansion relative to the eastern U.S. The need to lure jobs to communities in the west is not as important as in the east, as many of the places in the west have been more successful at luring new businesses due to quality of life factors. However, incentives – regardless of geography – are part of the location decision process to many companies. Many states and cities in the west view incentives a necessary part of doing business.

According to IEDC, the majority of economic development practitioners in the western US do not believe they have enough 'incentive' capabilities. In the west, government issued loans and bonds, sales tax abatement, and streamlined zoning and development processes are the most commonly used incentives -- a different list than noted previously in this paper. Western states use public infrastructure projects, sales tax rebates, infill and redevelopment to provide incentives for investment and or revenues to the community. State and federal programs typically provide for job training programs, enterprise zones, Industrial Revenue Bonds, corporate income tax incentives, and property tax incentives. The majority of economic development practitioners also note that they manage incentives on a case-by-case basis versus legislation and policy according to IEDC.

Arizona Incentives

Compared to most other states, the State of Arizona offers very limited incentives for new jobs and capital investment. The incentives that do exist are typically aimed at rural and disadvantaged areas, and focus on job creation activities, including:

- job training funds (typically totaling around $3 million per year)
- lottery-sponsored CEDC (Commerce and Economic Development Commission) funds (typically several million per year) used for infrastructure improvements
- tax credit programs (Enterprise Zones, Foreign Trade Zones, R&D income tax credit, pollution and energy programs, etc.)
- Industrial development revenue bonds (tax free bonds)

Rather than focus on direct financial incentives for specific businesses, the State has philosophically focused on reducing tax rates and improving the business climate as a means of providing an incentive to all businesses. However the lack of meaningful state incentives often hampers Arizona's ability to attract the largest, most desirable

employers (such as corporate headquarters, Fortune 500 firms, signature E.D. projects) who typically are offered very significant incentive packages in other states.

Nearly every Arizona community is highly dependent upon sales tax revenues, and therefore, most of the incentives offered by cities over the past decade have been related to retail developments with the potential for significant new sales tax revenues. Every major metropolitan Phoenix community has offered incentive packages of one form or another for retail development over the past decade. Typically the most desirable projects, and therefore the ones to receive the greatest amounts of incentives, are regional level retail developments – those types of retail development that will pull in people from significant distances (importing sales tax dollars from other communities). Therefore, the most desirable projects are typically regional malls, major power centers, auto dealers, and unique, high volume retailers (Costco, IKEA, Bass Pro Shops, etc.).

In recent years, the City of Phoenix has become very aggressive in going after major retail projects. Between 1989 and 1995 Phoenix provided over $10 million in incentives to 15 different retail projects. Comparatively, in the year 2000 alone, the City of Phoenix agreed to $12.7 million in incentives for one just one project - a concentration of luxury auto dealers and a retail center - at the former Chauncey Ranch; this was recently amended by the City to add an additional $3 million for Shumacher Mercedes. The $15.7 million was structured on a performance based sales tax rebate from the City off of the project for 5 years from Certificate of Occupancy issuance. In addition to the rebate, the City of Phoenix agreed to install an $11 million pump station to serve the property. Finally, a pre-annexation agreement allowed the development to receive building permits from the County rather than the City, thus helping the developer avoid about $3 million in development impact fees for the site. The total package for this project is approximately $30 million.

Many other Valley communities have been very aggressive in recent years. Some of the notable incentives over the past year have included the southeast Valley's "car wars" – Gilbert's $60 million package and Chandler's $40 million package for the next automobile dealer complex, as well as the 101/202 power center battle between Tempe ($36 million) and Mesa ($42 million).

Scottsdale Incentives

The City of Scottsdale has generally used performance based sales tax rebates tied to public infrastructure for its incentive investments. Typically a portion (most of the time 50% or less) of the new tax revenue generated for the city is paid back to the developer as revenues are generated. The rebate is typically made to support public infrastructure built and paid for by the developer. Rebate eligibility is capped for to a specific time frame - typically 5-10 years, and has always been performance based.

The payback amount and time frame are calculated in conjunction with the developer and or tenant of the project. The developer is made aware that their payback is

dependent solely upon their (or their tenants) ability to generate sales tax dollars over a certain period of time. Staff further performs projections for a 20-year Return on Investment on the project for the community.

Attachment A, titled “Economic Investments”, provides an overview of all the economic development investments made by the City since the inception of its E.D. program. This attachment is broken down into 4 separate categories, representing the four key motivations the City has used to justify the incentives – tax generation, job creation, redevelopment, and historic preservation. Some observations based on this include:

- The City has invested in 18 projects since 1987, an average of just one per year.
- For projects specifically invested in for the purpose of increasing sales tax revenues (retail), the City will invest a total of $17.9 million over a 20 year period, and receive an estimated total of $331.1 million in new revenues from those projects – meaning the incentives represent only a 5.4% cost as a percentage of new revenue.
- For projects invested in for other purposes (redevelopment, job creation, or historic preservation) the City’s return on its investment is lower, but those projects have other primary benefits associated with them (spurring on redevelopment, creating high paying jobs, or preserving historic structures).
- One project did not met its revenue projections (IMAX), and therefore received less of an incentive than it was originally entitled to, and one project left town (Surface Tek) and was required to reimburse the City for its incentive; this demonstrates the performance nature of these agreements – when they do not do what they said they were going to do, the incentive is reduced or eliminated.

Other incentives commonly used by Scottsdale tend to be non-financial in nature. The most significant is the City’s ability to provide an expedited review and permitting process; for businesses, time is money, and so anything the City can do to get a new business open sooner is a benefit to them. This has been the most often used form of incentive over the past decade, and has been particularly important to major new office users. Additionally, the Scottsdale Chamber and the private sector provide a wide range of services (such as banks and relocation services) to assist a company and its employees in their move to Scottsdale. Finally, Scottsdale does offer qualifying businesses the opportunity to take advantage of tax exempt financing through the Scottsdale Industrial Development Authority. For certain businesses (primarily small manufacturing facilities and non-profits), this mechanism can assist by providing significant savings through lower interest rate financing. In recent years, given lower market interest rates, this has not been an attractive incentive for most businesses, as the time required to go through that process can often negate the interest rate savings.

Incentives offered by the State of Arizona, Maricopa County, the Maricopa County Community College System, and incentives offered in other metro area cities but unavailable in Scottsdale are listed in Attachment B “Arizona Incentive Programs”.

Part 2:
Economic Development Incentive Performance Tools

Since incentives clearly have the opportunity to be abused, there are a number of tools available to economic developers to help insure that the incentives meet performance objectives and provide the benefits to the area.

Clawback Agreements

In response to the lack of checks and balance mechanisms in incentive packages states and cities have begun to use 'clawback' clauses in their agreements. Clawback agreements ensure that the tax incentive offered is related directly to the actual investment made. The clause or agreement may be tied back to a pro forma share of incentives to jobs and/or investment or establish minimum thresholds of such. When incentives are granted upfront, as is typically the case in the eastern U.S., it is critical that clawbacks be used to insure the benefits stated will be there; if not, the company is required to payback all or part of the incentive, or is penalized other ways.

One of the more prominent cases relating to the enforcement of a clawback clause is the United Airlines facility in Indianapolis. Due to the economic slowdown in the travel market in 2001, United had stated the 'changed market circumstances alter the circumstances behind the agreement.' While UAL had constructed some of the promised facilities and had hired 3,000 people, the clawback agreement agreed to by UAL and Indiana provided a minimum build out for facilities (which was not met) and a minimum number of jobs (also not met) and time frame for these numbers to be met. Since the required numbers in their agreement were not met, the clawback agreement was invoked. UAL has defaulted on their agreement, at a cost of $190 million. Until UAL's recent bankruptcy filing, United was in negotiations with the state of Indiana on repayment of that amount; now it appears the State of Indiana has to get in line behind other creditors and may never recover any of what is owed.

Many incentive packages do not include enforceable performance standards or guarantees if any at all. An example is that of a 60 employee software company that had moved to Nebraska for $575,000 in cash and forgivable loans, which is now moving 12 miles away – to Iowa – after only a few years. Iowa has provided them with incentives to make the move, and without adequate performance criteria, Nebraska was left "holding the bag". Clawback agreements are simply a matter of good business, and they offer a mechanism to limit or effectively manage incentive risk.

Performance Based Incentives

In much of the western U.S., and especially so in Arizona, communities use a different mechanism to insure the effectiveness of incentives. Rather than provide incentives upfront, most incentives are structured as a "rebate" of future tax revenues; for example,

an incentive might be structured such that the project receives back a portion of the new tax revenue it generates to the community. Since the incentive is paid out based on the performance of the project, the community is never at risk. If the project never gets built, or closes immediately, then there is no incentive payment. If the project performs far better than expectation, then the incentive is paid off faster.

Scottsdale has traditionally used this model as the primary structure of its incentive packages. In nearly every case, the project has performed to expectations, or better than expectations, and so the full incentive is paid. In one case (the IMAX Theater at the Scottsdale Galleria), that project did not perform to expectations, and therefore it did not receive the full amount it had been originally entitled to. Scottsdale has never had a situation where it paid for incentives but did not get the stated benefit, because of the structure of its agreements.

Incentive Policies

Another mechanism that is occasionally used by states or cities is that of a formal economic incentives policy. The idea is to formally state in writing the criteria and mechanisms under which that locality would give incentives. On the positive side, having an incentive policy levels the playing field for all businesses, and keeps out any subjective decision-making from the process. On the negative side, incentive policies can often have the effect of stimulating greater use of incentives, as businesses can tailor their projects to fit standard incentive criteria. IEDC notes that the vast majority of communities do not have incentive policies; rather, they handle incentives on a case-by-case basis or have “unwritten” policies.

Incentive Policies: Comparable Cities

In evaluating incentive policy from cities considered comparable to Scottsdale, most communities do not use an incentive policy and determine appropriate businesses to offer incentives to on a case-by-case basis. How these cities chose to offer incentives varies based on their economic development goals, politics and geography. Often communities do not offer their own incentives, but rather depend on incentives from other agencies, such as state governments.

Stamford, CT is aggressively pursuing the enhancement of their entertainment district and offer incentive to appropriate entities. However their Brownfield program is federally funded. Plano, TX dropped their incentive policy after they discovered that “businesses and other communities where using it against them – businesses would tailor their proposals to coincide with the incentive policy, and then demand that they be given incentives even if they weren’t necessary”. Few of Scottsdale’s comparable cities have economic development policies; a sample of some of the comparable cities is shown on the next table:

City	Policy	Uses	Criteria	Incentive
Irvine, CA	No Incentives			
Lakewood, CO	Case by Case	Manuf./Office	Job Creation Payroll Investment	Job Training (State Program)
Clearwater, FL	Case by Case	Manuf./Office	150% pay of county wages min. 10 jobs	Tax Credit and Job Training (State Programs)
Bloomington, MN	Case by Case	Manuf.		TIF and Public Infrastructure
Hampton, VA	Case by Case	Manuf./Office/ Retail	ROI	3 yr recapture through tax revenues
Plano, TX	Case by Case	Manuf./Office	Job Creation Payroll Investment	Tax Abatement (state)
Arlington, TX	Case by Case & Policy	Manuf./Office/ Retail	Reinvestment Zone Min $5 mil in investment	Tax Abatement
Rancho Cucamonga, CA	Case by Case	Office/Retail	Case by Case	TIF
Stamford, CT	Case by Case	Manuf./Office	Clean Up	Brownfield (fed) Enterprise Zone (state)

Incentive Policies: Metro Phoenix

Locally, the picture shifts dramatically. Historically most Valley communities focused entirely on economic development in terms of manufacturing, distribution and office based employment creation. In the late 1980's/early 1990's local communities, including Scottsdale, began to also incent retail activities due to their high dependency on sales tax revenue. Most cities, including Scottsdale, continue to recognize the value of good jobs for their citizens, and have continued their efforts to attract major employers. But the vast majority of local incentives are provided for major sales tax generators.

The City of Scottsdale set the model for the structure of sales tax rebate investments for metro area communities. Most of the municipalities in the Phoenix metro area have engaged in offering incentives to retailers using Scottsdale's model. The reasons why are the city reaps new sales tax revenues that would not otherwise be recognized, even if they are at a reduced level for the first few years (versus no revenues). The payback is performance based and time capped. The value of this structure of incentive is that

there is little risk to the community for a loss, even if the project goes under, as the city has provided no upfront capital outlay.

Many communities have tied development agreements to specific uses on a site such as Phoenix' agreement for the United Auto Group AutoMall on the Chauncey Ranch site. The Town of Gilbert has even structured the payback in a recent development agreement to the specific type of Target store that eventually will build in a shopping center (Target Greatland vs. Target Superstore).

Most of the local communities, with the exception of Tempe and Goodyear, have chosen not use a written policy for general economic development incentives. The concerns expressed over using one is similar to that cited by Plano TX, that "companies will use a written policy against them."

The City of Goodyear has a very specific incentive policy oriented solely to big box and large format retailers. However the City determines its utilization purely on a case by case basis. The City of Tempe's Policy includes twelve criteria that are considered in evaluating the request for incentives. Not all criteria have to be met and meeting any or all of the criteria does not insure that any incentive will be awarded. Existing companies are also eligible to apply for incentives under the criteria. The twelve Incentives currently being defined by the City (from eminent domain to waiver of permitting fees) are listed in the context of the Policy. The City of Tempe reviews its policy and criteria on an annual basis.

Some Valley cities do have written policies regarding some very specific components of possible incentives. The City of Phoenix, for example, has a voter approved prohibition on the use of City financial incentives over $3 million for sports and cultural facilities without voter approval. These policies, however, tend to be extremely limited, and are not reflective of an overall economic development financial incentives policy.

Scottsdale Incentive Policies

While Scottsdale does not currently have a formal incentives policy, it has operated under a set of "guiding principles" regarding incentives:

- Incentives are to be used very judiciously – only for those projects that provide significant benefit to the community and demonstrate a need for assistance.
- Incentives are generally paid out of future tax revenues derived from the project itself, not paid upfront.
- The incentives are performance based – that is, the City shares back the revenues derived from the project. If the project does not generate adequate revenues within a certain period of time, it does not receive the full payment.
- There is a total dollar cap, and a time cap on all projects.
- The project must have demonstrated net positive revenues for the City.
- The City's assistance is tied to a direct public benefit, such as the provision of new public infrastructure.

Valley Communities Incentives

City	Formal Policy?	Typical % of Sales Tax Rebate	Typical Time Frame	Tool
Scottsdale	No	25-50%	2-10 years	Development Agreement
Phoenix	No	50% based on first years revenues	3-7 years	Development Agreement
Chandler	No	50% of revenues	5-10 years	Development Agreement
Tempe	Yes	25%	Max 10 years	Development Agreement
Mesa	No	50% of revenues	2-10 years	Development Agreement
Glendale	No	25-50%	2-20 years	Development Agreement
Goodyear	Yes	50%	5 – 10 years	Development Agreement
Gilbert	No	40 - 50%	5-10 years	Development Agreement

The national debates that rage over corporate welfare and 'give aways' merit attention and are perhaps appropriately labeled. Officials in the eastern half of the U.S. have perhaps overpaid for jobs and capital investment as the debate between the cost of forgone tax revenues and the resulting economic benefits continues. However, keep in mind the high levels of unemployment and resulting declines in the quality of life that occurred in these areas following the mass out migration of industry from the "rust belt" to the "sunbelt" during the past 30 years.

The opportunities that the sunbelt states offer, and the laws of the state constitutions of the western U.S. call for a more constrained incentives environment. The structure of the legal environment in which Scottsdale and other metro area communities work within dictate well-thought structure to the incentives available and offered. The political dogma of Scottsdale has historically and today required accountability. This has given Scottsdale an exceptional opportunity to use incentives to attract desired retail opportunities which bring not only new revenues but also offer a substantial Return on Investment for the community.

The Future for Incentives in Arizona

There has been a tremendous amount of discussion in the past year about trying to eliminate or limit the use of incentives for economic development. There has been particular concern about retail incentives, due to the high profile incentive packages, and competitions between communities for major retail.

A variety of suggestions have been made as to how to restrict incentives, including:

- The use of "shared revenue zones", in which neighboring communities agree to share all retail tax revenue derived from major retail projects within a certain area near the borders of those communities. Scottsdale is currently in discussions with the City of Phoenix about the potential for a shared revenue zone for the future regional mall/town center which is likely to be developed at the Scottsdale Road/Loop 101 interchange.
- The voluntary agreement by all cities in the Valley to either not use incentives for retail at all, or to put tight caps on their use (one suggestion was to limit all retail incentives to no more than 50% of revenues derived within a 5 year period).
- Legislative action to prohibit all economic development incentives, or to prohibit all retail incentive packages (but to still allow incentives for other purposes, such as job creation).
- Legislative action to penalize communities for using incentives. One bill last session (which did not pass) would have required any City granting an incentive to pay an equal amount to the State Department of Commerce.
- Change state tax laws to lessen cities' dependence on sales tax, to change sales tax revenues from point of sale to point of residence, or to require full sales tax revenue sharing based on population.

While it is impossible to predict which, if any, or the above suggestions will become reality in the next year, it is likely that the debate about the use of incentives, especially for retail developments, will continue to heat up in the coming year.

ATTACHMENTS:

A: SUMMARY OF ALL SCOTTSDALE FINANCIAL INCENTIVES

B: ARIZONA ECONOMIC INCENTIVES