**Balance Sheet:** A financial statement that summarizes the financial position of an entity by outlining its assets and liabilities and equity. Assets must equal liabilities and equity.

**Benchmarking:** Quantifiable measures of economic competitiveness and quality of life that can be collected on a regular basis. They are used to measure a region’s economic status and progress against comparable regions

**Business Improvement Districts (BID)** : Legally defined entities formed by property and business owners, where an assessment or a tax is levied for capital or operating improvements, as a means of supplementing city funding. The district is created by the public law or ordinance, but is administered by an entity responsible to the districts members, or to the local governing body. Some states authorize non-governmental, non-profit corporations to administer the district. Recent BID programs include economic and social development, transportation, parking management, and conversion of redeveloped commercial buildings for residential use.

**Capital:** Consists of property of wealth from which income is derived, expressed in terms of money, and which can be used to produce additional property or wealth.

**Capital Costs:** Costs of investment in major physical improvements, infrastructure and equipment, such as buildings, roads, and machinery.

**Capital Projects Fund:** Money that accounts for the acquisition of capital facilities. This money can be raised through bond issues or grants.

**Clawback:** Many localities enter into contracts with firms to which they offer incentives that require local commitments. Clawbacks describe the punitive steps taken against firms that break these contracts. For example, a firm may be required to pay fines or assist in finding a new tenant for its property if it chooses to leave a community.

**Debt Service:** The cash required in a given period, usually one year, for payment of interest and the current payments of loan principal on outstanding debt. Also, the borrower’s ability to meet debt and interest obligations.

**Density bonus:** It is used to alter height and bulk (density) regulations to encourage certain land uses and project features. Typically, it is used to obtain public benefits such as ground floor retail, affordable housing, open space, transit connections, and art and cultural amenities in exchange for greater density.

**Easement:** The right to use the property of another which may be granted explicitly, or earned by implication.

**Economic Base:** A method of classifying all productive activity into two categories: basic industries which produce and sell goods that bring in new income from outside the area, and service industries which produce and sell goods that simply circulate existing income in the area.

**Eminent Domain:** The authority to “take” private property for a public purpose upon paying a fair price for the property and relocating the tenants. The most frequent use of this authority is the act of “condemnation.”

**Empowerment Zones/Enterprise Communities (EX/EC) Initiative:** Established in 1994 and administered by the Department of Housing and Urban Development and Department of Agriculture, federal EZ/EC tools include not only business tax incentives but also transportation to work or school, drug and alcohol rehabilitation, and other local priorities. The program creates incentives for localities to develop their own approaches to alleviate poverty. All federally designated zones are areas of pervasive poverty, unemployment, and general distress. Each designated city receives a mix of grants and tax-exempt bonding, while employers in EZ/EC receive tax credits for new hires and accelerated depreciation credits.

**Enterprise Zones:** State enterprise zones are designated geographic areas that are eligible for special treatment and incentives to attract private investment. State guidelines define the size of a zone and the minimum level of economic distress to qualify as an enterprise zone. States can also limit the number and type of enterprise zones. These restrictions are generally set out in the state enterprise zone program.

**Flex Space:** (Flexible use space) Space that can be used for one or a combination of different types of production, e.g. manufacturing, office, service or distribution.

**Front-End Costs:** Capital required at the early stages of a development project, such as the cost of land, plans and working drawings, construction materials, and labor.

**Gap Financing:** A loan required by a developer to bridge the gap, i.e. to make u a deficiency between the amount of mortgage loan due on project completion and the expenses incurred during construction (financing that covers the difference between what a project can support and the cost of development or purchase.)

**GO Bonds (General Obligation Bonds:** Public use bonds backed by the full faith and credit of a government entity. GO Bonds may be repaid with general revenue or from borrowing or taxing proceeds collected by the issuer.

**Limited Tax GO Bonds**. Tax-exempt bonds secured by the revenue from the application of a fixed rate against taxable property. Not all states permit limited tax GO’s but those that do, such bond issuance does not require voter approval.

**Unlimited Tax GO Bonds.** Tax-exempt bonds secured through taxes that are levied without rate or amount limitations, in order to repay the principal and interest of the bond. They are typically used to finance public works infrastructure and land acquisition for blight elimination.

**General Partner:** The co-owner(s) of a venture who is liable for all debts and other obligations of that venture as well as for the management and operation of the partnership. The general partner can have control of the business and can take actions which are binding on the other partners.

**Ground Lease:** A financing tool in which the lessee, such as a developer or business, obtains use of a parcel of land from a lessor, such as a municipality, in return for periodic rent payments. If there is an improvement on the property, the lease is generally based on that portion of value attributable to land. At the end of the lease, the land and improvements revert to the landowner.

**Hard costs:** Bricks and mortar costs of development, including contractor’s fee and overhead.

**Incentives:** Benefits offered to firms as part of an industrial attraction retention or expansion strategy. A few incentives are tax abatements and credits, low interest loans, infrastructure improvements, job training and land grants.

**Industrial Development Bonds:** These bonds are used to finance acquisition, construction, expansion or renovation of manufacturing facilities and the purchase of machinery and equipment depending upon state law. IDB financing is subject to state and local laws, and federal income tax laws and regulations, if the interest on the bonds is expected to be exempt from federal income taxation.

**Industry Clusters:** Geographic concentrations of related businesses that are complementary or competing. Regions identify clusters as targeted businesses for future planning and marketing efforts. There are two types: buyer-supplier clusters and shared resources cluster.

**Land Banking:** A program that preserves industrial space for a city. A city or local development authority acquires and holds land until a developer steps forward with a proposal for its uses as an industrial site.

**Microenterprise:** A business that is “smaller-than-small.” Operated by a person on a full- or part-time basis, usually out of a home, e.g., carpenters, daycare providers, crafts persons, and caterers.

**Microloans:** Very small, short-term unsecured loans given to people without credit history and/or the collateral necessary to obtain a conventional loan. These are available from either local lenders or the SBA’s 7(m) Microloan Program.

**Mixed Use Zoning:** Zoning that permits the use of real estate for more than one purpose; such as a building that residential units, office and retail space. Mixed use can be horizontal (multiple uses in an area or one block/site and /or vertical (multiple uses in one building.)

**Multiplier:** A quantitative estimate of the impact (in dollars, jobs created, demand) of a project.

**Revolving Loan Fund (RLF):** A pool of public and private sector funds in which the money is recycled to make successive loans to businesses. Loans made by an RLF are repaid with interest and the payments are returned to replenish the lending pool so new loans can be made. The funds are thus recycled and the RLF grows as each generation of borrowers adds to the pool.

**Revenue Bonds:** Bonds backed by the full faith and credit of the government that can only be repaid using the revenue that was generated from the project that the bonds were sold for (parking garage is a good example).

**Sale/Lease Backs:** One party purchases land from a second party and leases it back to the second party. Often, the public sector purchases an asset from a developer or other party and then leases it back to the developer. The cash secured by the developer from the sale of the property to the public sector can be used for redevelopment purposes.

**Seed Capital:** Equity money supplied to help a company get off the ground. The money is almost always supplied by an entrepreneur and his/her family, friends, and relatives. Used to help attract (leverage) other investment.

**Smart Growth:** The efficient use of all available assets. According to the American Planning Association, smart growth involves efficient land use; full use of urban services; mixed use; mass transportation options; and detailed, human-scaled design.

**Soft Costs:** Development costs for various services, including architecture and engineering fees, construction interest, loan fees, insurance fees, legal and accounting fees and permit fees.

**Special Improvement Districts:** Mechanisms where local business and/or residents agree to voluntarily pay an additional tax, so local governments can finance and implement improvements within a specific and limited area. (Similar to Business Improvement Districts.)

**Tax Abatement:** Exemption or reduction of local taxes of a project for a specific period of time.

Tax Incentives: The use of various tax relief measures such as tax exemptions, tax credits, or tax abatements to recruit and attract businesses to a community, or help local businesses expand.

**Tax Increment Financing (TIF):** Funding for redevelopment of an area by using the increased in taxes generated by the redevelopment. It must have state and local enabling legislation.

**Tax Credits:** A form of tax incentive that allows the recipient to reduce the amount of tax obligation by the credit amount.

**Zoning:** Geographic designations of land by categories of use; residential, heavy and or light manufacturing, commercial, agricultural, institutional, etc.

*Note: There are easily hundreds of economic development specific vocabulary words, this is a very basic list. You are encouraged to attend a Basic Economic Development Course (BEDC) which is a week long course coordinated by the International Development Council. You’ll find a list of sites (26) on line at www.IEDCOnline.org.*