

# Glossary of Economic Development Terms

Local Economic Development (LED) has its own language and terminology. Terms such as capacity building, empowerment, indigenous development, and social capital are common and are used by a variety of participants in the local economic development field. However, many of the terms surrounding local economic development require a considerable amount of interpretation, comprehension and negotiation when applied 'on the ground' in different institutional settings. In recognizing that some of these terms are not universally understood, the following provides an understanding to this terminology by describing the more commonly used words and acronyms.

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**Additionality-** The principle that funding from a particular source is additional to that provided by national and local authorities. The additionality principle requires that funds awarded for a project should not be used merely to substitute or replace existing funds, but for additional projects and activities.

**Angel Investor-** An investor who provides equity investment to start-up businesses.

**Assessed Valuation-** The monetary worth of a property for the purposes of taxation. Total assessed valuation denotes the sum of the monetary worth of all taxable properties within a jurisdiction.

**Backward and Forward Linkages-** Economic connections among companies; backward linkages involve the purchase of inputs by a given firm from another, and forward linkages involve the sale of the given firm's outputs to another company.

**Base Industry-** Also known as "export" or "primary" industries, base industries sell or export their products and services outside the community and bring new dollars into the community, increasing the total dollars that circulate within the community and that are spent on non-base industries.

**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.

**Bond-** A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.

**Brownfields-** Commercial or industrial sites that are abandoned or under-utilized and have real or perceived environmental contamination.

**Business Assistance Center-** A one-stop center for streamlining local permitting, licensing, and fee payment processes and facilitating the decision-making processes.

**Business Attraction-** Efforts by local economic development organizations to encourage firms from outside their communities to locate headquarters or other operations within their jurisdictions.

**Business Climate-** Environment of a given community that is relevant to the operation of a business; usually includes tax rates, attitudes of government toward business, and availability.

**Business Creation-** Economic development strategy that focuses on encouraging the formation of new companies that are locally based and will remain in the community and grow.

**Business Incubator-** Entity that nurtures and supports young companies until they become viable, providing them with affordable space, technical and management support, equity and long-term debt financing, and employment. The three basic objectives in creating an incubator are (1) to spur technology-based development; (2) to diversify the local economy; and (3) to assist in community revitalization.

**Business Improvement Districts (BIDS) -** 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 district's members or to the local governing body. Some states authorize non-governmental, non-profit corporations. Recent BID programs include economic and social development, transportation, parking management, and conversion of redeveloped commercial buildings for residential use.

**Business Recruitment and Attraction-** Traditional approach to economic development to entice companies to relocate or to set up a new branch plant or operation in a state or locality; often referred to as "smokestack chasing."

**Business Retention-** Systematic effort designed to keep local companies content at their present locations which includes helping companies cope with changing economic conditions and internal company problems.

**Business Retention Strategies (BRS) -** BRS are systematic efforts designed to keep local companies content at their present locations within the city area. Strategies include helping companies cope with changing economic conditions, addressing new markets and even assisting with internal company problems. Business Start-up Support: Business support includes the full range of services available to people starting in business for the first time. Initiatives include: training, business advisory support, business networking and mentoring and financial assistance (grants, loans, interest rate subsidies are traditional methods; a more innovative approach to financial support is to try and attract as much private sector investment as possible, rather than public sector).

**Central Business District (CBD) of a Locality-** Usually this is an area with the highest concentration of businesses, including financial institutions, shops, offices, theaters, and restaurants.

**Community Development Block Grants (CDBG)-** A system of unified block grants under which communities with more than 50,00 people are entitled to receive funding while other communities may apply for discretionary funding. Its purpose is to encourage more broadly conceived community development projects and expand housing opportunities for low- and moderate-income persons. The three primary goals

of CDBG are to serve low- and moderate-income people, to eliminate slums and blight, and to address other community development needs that pose a serious and immediate threat to the health and welfare of the community. This program has provided significant support for economic development projects.

**Community Development Corporation (CDC)** - Organizations, typically non-profit 501 (c) (3)s, which can obtain federal and private support. They are governed by local residents, businesses, and community leaders through a board of directors that is in most cases elected from the CDC membership or the community. Some CDCs perform only economic development services, but most work only on housing issues. Those active in economic development provide technical assistance and financing and are committed to serving the impoverished people of America.

**Bank CDC-** Bank-sponsored community development corporations are a way for banks to contribute to economic revitalization by investing in local businesses and real estate investment projects that benefit low- and moderate-income groups. A community can establish a bank CDC by working with one or more local banks, the Federal Reserve, the Comptroller, and its respective state financial institutions' regulators. In the case of consortium bank CDCs, where several banks join together, the investors do not have to be just local banks. Bank CDCs can purchase, construct, or rehabilitate property.

**Certified Development Company (CDC)-** The originating and administrating body for the SBA 504 loans. The program provides long-term, fixed-rate financing to small businesses to acquire real estate, machinery, and equipment for the expansion of business or modernization of facilities.

**Community Development Financial Institution (CDFI)** - A specialized financial institution which works in market niches that have not been adequately served by traditional financial institutions. CDFIs provide a wide range of financial products and services, including mortgage financing, commercial loans, financing for community facilities, and financial services needed by low-income households. Some CDFIs also provide technical assistance. To be certified as a CDFI by the CDFI Fund of the Department of the Treasury, an institution must engage in community development, serve a targeted population, provide financing, have community representatives on its board, and be a non-governmental organization.

**Capacity Building-** Developing the ability of a community-based neighborhood organization to effectively design economic development strategies through technical assistance, networks, conferences, and workshops.

**Certified and Preferred Lenders Program-** U.S. Small Business Administration program that encourages highly active and expert lenders to provide funds to borrowers.

**Colorado Housing and Finance Authority (CHFA)** - We have been in existence since 1973 and our mission is to finance the places where people live and work throughout Colorado. CHFA Provides:

- Fixed rate financing to homebuyers, small to medium sized businesses, and multifamily rental housing developers.
- Education and technical assistance about affordable housing and economic development.
- This through a network of partners such as banks, developers, and local governments.
- The purpose is to build strong communities throughout Colorado. The expectation is that strong communities make strong economies.

**Clawbacks-** Many localities enter into contracts requiring local commitments with firms to which they offer incentives. 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.

**Clusters-** Collocation of firms in the same or similar industries to foster interaction as a means of strengthening each other and enhancing the community's competitive advantage.

**Community Development Venture Capital-** Capital made available through funds created by local communities for the purpose of making venture capital accessible to entrepreneurs in low-income areas.

**Comparative Advantage-** Term used when comparing economies of regions. It is the economic advantage gained by one area over another due to the fact that it can produce a particular product more efficiently. More efficient production of one good means there is a higher opportunity cost to produce another. This is the concept that drives trade between economies. Inter-regional and international trade exploits the comparative advantages of economies. (See Absolute Advantage)

**Consolidated Plan-** The Consolidated Plan, or ConPlan, combines all of the planning, application, and performance requirements previously required separately for Community Development Block Grants (CDBG), HOME, Emergency Shelter Grants (ESG), Housing Opportunities for People with AIDS (HOPWA), and programs, such as HOME, that require a Comprehensive Housing Affordability Strategy (CHAS).

**Corporate Welfare-** Government subsidies targeted to large corporations.

**Cost-Benefit Analysis-** A method for evaluating the profitability of alternative uses of resources.

**Cost Effective Analysis-** Compares alternative projects or plans to determine the least costly way to achieve desired goals. Usually, some index or point system is developed to measure the effectiveness of the proposal in meeting the goals and objectives.

**Customized Training-** Learning designed to meet the needs of a given employer; used by local governments to attract or retain major employers.

**Demand-side Theory of Development-** Explanation of economic development that focuses on discovering, expanding, and creating new markets; forming new businesses; nurturing indigenous re-sources; and involving government in the economy.

**Eco-Industrial Park-** Industrial park designed to encourage business interaction in ways that foster the reuse of waste streams, the recycling of inputs, and other mechanisms.

**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 exiting income in the area.

**Economic Base Analysis-** Is a comprehensive study of a locality's economy, focusing on the importance of exports. It should include an economic history, data on existing industries, trends, and forecasts of growth in wages and employment.

**Economic Development Administration (EDA)-** Created by the Public Works and Economic Act of 1965 as a part of the Commerce Department. The EDA's main goals are to alleviate unemployment and diversify the economy as well as assist urban areas with planning and emergency public works programs.

**Econometric Modeling-** A qualitative method for analyzing the impact of a proposed action on the economy. A model permits testing the effects of an anticipated or hypothetical change.

**Economies of Scale-** The phenomenon of production where the average cost of production declines as more of the product is produced.

**Edge City-** A newly emerged city that serves as a work and shopping center, with a large amount of office and retail space.

**Eminent Domain-** The authority to "take" private property 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 (EZ/EC) Initiative-** Established in 1994 and administered by the Department of Housing and Urban Development and Department of Agriculture, the 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 the EZ/EC receive tax credits for new hires and accelerated depreciation credits.

**Enterprise Development-** Assistance to entrepreneurs in support of the creation, growth, and survival of their businesses.

**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.

**Entitlement Community-** An entitlement community is eligible to receive annual CDBG funds that it can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons. Eligible grantees include local governments with 50,000 or more residents, other local governments designated as central cities of metropolitan areas, and urban counties with populations of at least 200,000 (excluding the population of entitled cities). The State CDBG Program offers funds to the state, which they then allocate among localities that do not qualify as entitlement communities.

**Entrepreneurial Training-** Programs that provide guidance and instruction on business basics such as accounting and financing to ensure that new businesses improve their chance of success. The most common training methods include classroom training, workshops, speakers, peer groups and one-on-one counseling, lectures, internships, as well as self-study and home-study.

**Equity Financing-** Investments are typically secured in this type of financial support in return for partial ownership of an enterprise; three mechanisms can be used for receiving an equity position in a firm: common stock, preferred stock, and convertible debt.

**Export Development Services-** Export assistance programs can help businesses to diversify their customer base, expand operations and become more profitable. Export services include: assessing company capacity for exporting; market research; information services (on exporting, trade regulations, transportation, etc.); international lead generation and trade shows/exhibitions or promotional marketing trips.

**First Wave-** Strategic paradigm of economic development that focuses on business attraction tactics.

**Fiscal Impacts-** The direct and indirect costs incurred and revenues received by local governments resulting from land use and other types of decision.

**501(c)(3)-** Approval given by the Internal Revenue Service granting exemption from federal income tax to a nonprofit organization, under Section 501(c)(3) of the Internal Revenue Code. Donations to such organizations are tax deductible. The organizations described in 501(c)(3) are commonly referred to under the general heading "charitable organizations."

**501(c)(6)-** Approval given by the Internal Revenue Service granting exemption from federal income tax to a business league, under Section 501(c)(6) of the Internal Revenue Code. Trade Associations and professional associations are considered to be business leagues. The business league must be devoted to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. No part of its net earnings may inure to the benefit of any private shareholder or individual and it may not be organized for profit or organized to engage in an activity ordinarily carried on for profit.

**Foreign Direct Investment (FDI)** - FDI is investment that is attracted from abroad. It can mean either Greenfield investment (i.e. investment in building new facilities on hitherto undeveloped sites) or portfolio investment (i.e. buying into an established business). Inward investment can take similar forms (either Greenfield or portfolio). However it could include investment from within your country as well as from abroad.

**Forward Strategy**- Is an arrangement to continue the life of projects after initial project funding stops. Sometimes described as an exit or succession strategy. This should be established at the outset of all projects that are likely to need ongoing capital or revenue resources after the initial period of establishing the project.

**Generally Accepted Accounting Principles (GAAP)** - Is the term used to refer to the standard framework of guidelines for financial accounting used in any given jurisdiction. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. Principles derive from tradition, such as the concept of matching. In any report of financial statements (audit, compilation, review, etc.), the preparer/auditor must indicate to the reader whether or not the information contained within the statements complies with GAAP.

- **Principle of regularity:** Regularity can be defined as conformity to enforced rules and laws.
- **Principle of consistency:** The consistency principle requires accountants to apply the same methods and procedures from period to period.
- **Principle of sincerity:** According to this principle, the accounting unit should reflect in good faith the reality of the company's financial status.
- **Principle of the permanence of methods:** This principle aims at allowing the coherence and comparison of the financial information published by the company.
- **Principle of non-compensation:** One should show the full details of the financial information and not seek to compensate a debt with an asset, a revenue with an expense, etc.
- **Principle of prudence:** This principle aims at showing the reality "as is" : one should not try to make things look prettier than they are. Typically, a revenue should be recorded only when it is *certain* and a provision should be entered for an expense which is *probable*.
- **Principle of continuity:** When stating financial information, one should assume that the business will not be interrupted. This principle mitigates the principle of prudence: assets do not have to be accounted at their disposable value, but it is accepted that they are at their historical value (see depreciation).
- **Principle of periodicity:** Each accounting entry should be allocated to a given period, and split accordingly if it covers several periods. If a client pre-pays a subscription (or

lease, etc.), the given revenue should be split to the entire time-span and not counted for entirely on the date of the transaction.

- **Principle of Full Disclosure/Materiality:** All information and values pertaining to the financial position of a business must be disclosed in the records.

**Gap Financing-** A loan required by a developer to bridge the gap, i.e. to make up a deficiency between the amount of mortgage loan due upon 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).

**General Obligation (G.O.) Bonds-** Traditional form of borrowing for state and local government; se-cured by full faith and credit of jurisdiction.

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

**Unlimited Tax G.O. 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.

**Great Outdoors Colorado (GOCO) -** GOCO's Mission: To help preserve, protect, enhance, and manage the state's wildlife, park, river, trail, and open space heritage.

In 1992, Coloradans took a major step toward preserving their state's outdoor heritage by voting to create the Great Outdoors Colorado (GOCO) Trust Fund, which now forms Article XXVII of the Colorado Constitution. The GOCO Amendment dedicates a portion of state lottery proceeds to projects that preserve, protect, and enhance Colorado's wildlife, parks, rivers, trails, and open spaces. Since it began awarding grants in 1994, GOCO has awarded almost \$549.8 million for more than 2,700 projects throughout the state. Pueblo has received grants through this fund for projects in the community.

**Greenfields-** Refers to factories and offices being built on land that has hitherto not been developed. Greenfield investments also imply that facilities are designed and built for investors, rather than the investor buying a facility already built.

**Growth Node-** A physical location where industry and/or commercial development is deliberately directed; done either to reduce growth pressures elsewhere in the city or to redistribute growth within a city.

**Hard Infrastructure-** Hard infrastructure includes all the tangible physical assets that contribute to the economy of a city. For example, transport infrastructure (roads, railways, ports, and airports), industrial and commercial buildings, water, waste disposal, energy, telecommunications etc. See also soft infrastructure below.

**Historic Arkansas River Project (HARP) –** is a 32 acre, urban, water based, multigenerational recreational environmental education Riverwalk amenity that is

publicly owned and free of charge to all populations within the region. It is located in the downtown area of Pueblo. It further serves the community by revitalizing a segment of the community that previously was unusable and unsightly. This urban development transforms the community and showcases the resolve of the citizens to not be limited to one industry. The development of the Historic Arkansas Riverwalk has been vital in attracting new businesses thereby helping to stabilize the economic base of the city.

**High Road Techniques-** High road techniques stress the need to make more efficient use of resources and invest in processes, technological innovation and employee skills. It views labor as an important commodity and skill enhancement as a crucial, targeted investment. It entails the mobilization and upgrading of local resources and the maximization of local strengths and advantages to balance relatively higher wage rates.

**Impact Fees-** Fees are required to cover costs of improving and/or building infrastructure needed as a result of the expected impact of development project on those facilities. Often required by localities for the approval of development projects.

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

**Incubator-Without-Walls-** Form of business incubation that does not take place in a single building, but instead comprises a network of entrepreneurs and entrepreneurship service providers throughout a community or region.

**Indicators-** Proxy measures to provide operational definitions to the multidimensional components of LED. Indicators are expected to serve the function of defining policy problems and informing policy formulation. They should provide a basis for policy discussion and planning.

**Indigenous Businesses-** Local businesses, usually those that have developed in the community. Increasingly, the term refers to all businesses in an area whether they are 'locally grown' or not.

**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.

**Industrial Revenue Bonds-** Bonds that provide lower-cost financing for real property improvements or the purchase or construction of buildings, facilities, or equipment.

**Industry Clusters-** Geographic concentrations of related businesses B complementary or competing. Regions identify clusters as targeted businesses for future planning and marketing efforts. There are two types: (1) buyer-supplier clusters and (2) shared resources clusters.

**Infrastructure Banks-** Public-targeted lending facilities, financed through a combination of bond issues, government funds and external donor support. They mobilize domestic funds, and create an attractive vehicle for donor funding.

**Informal Sector-** Not within formal or legal sector and therefore not raised and not provided with services. Not able to use assets as collateral for new productive investment.

**Investor Networks-** Investor networks match up potential investors (either anonymous "angle" investors or know investors) with start-up firms needing capital.

**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 use as an industrial site.

**Jobs-Housing Imbalance-** Spatial mismatch between where people live and where they work.

**Just-in-Time Inventorying-** Cost-saving approach by a manufacturer that involves maintaining no inventory of product inputs on-site; instead the inputs are delivered from the supplier(s) at the time they are needed in the production process.

**Labor-Force Theory of Development-** Explanation of development that stresses the importance of an educated, skilled, and dependable workforce for attracting and growing businesses; accepts the concept that the public sector has a responsibility to fit human resources to the needs of the business community.

**Labor Market Information-** The body of data available on a particular labor market, including employment and unemployment statistics, occupational statistics, and average hours and earnings data.

**Land Write-Down-** Providing land to developers a price that is below public sector expenses for improvements.

**Loan Pooling-** Two or more lenders contribute to a fund from which loans are made to applicants; publicly chartered, privately funded corporations can be established to pool resources.

**Local Economic Forum-** A coordinating mechanism set up to achieve the streamlining and improvement of local economic service delivery.

**Location Theory of Development-** Explanation of economic development that emphasizes factors such as transportation, access to raw materials and labor, taxes, business climate, and quality of life as they relate to industrial location.

**Long-Wave Theory of Development-** Explanation of economic development that contends that bursts of innovation lead to economic growth

**Low Road Techniques-** Low road techniques promote an area economic position through the lowering of production costs, especially wage rates; this is not a sustainable approach.

**Mezzanine Capital-** Funds or goods used to bridge the gap in resources from one stage of business to another. (see also Gap Financing)

**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, day-care providers, 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.

**Minority Businesses Development Agency (MBDA)-** As agency with the U.S. Department of Commerce, MBDA was established in 1969. The MBDA Provides assistance to socially- or economically-disadvantaged individuals who own or want to start a business. MBDA provides funding for Minority Business Development Centers, Native American Business Development Centers, Business Resource Centers, and Minority Business Opportunity Committees.

**Mobile Manufacturing (or service sector) Investment-** Where manufacturing (or service) companies have a wide choice of location choices. Consequently they are in very strong negotiating positions when it comes to choosing where to locate their businesses.

**Moderate Income-** A definition based on family income as a percentage of an area's median income. Different programs may set different percentages. According to HUD's guidelines, households whose incomes are between 81 percent and 95 percent of an area's median income with adjustments for smaller or larger families are considered to be moderate income.

**Multiplier-** A quantitative estimate of a project's impact (in dollars, jobs created, demand).

**Multiplier Effect-** The process of dollar and job generation as a result of a new or migrating business or project, or of a local business expanding production (to exports). The multiplier effect accounts for new local income generated by local spending that came from outside a community.

**NIMBY ("Not in My Backyard") -** Term used to describe local opposition to development projects.

**North American Development Bank-** Founded under the auspices of the North American Free Trade Agreement (NAFTA), NADB is a "bilaterally-funded, international organization, in which Mexico and the United States participate as equal partners." Its purpose is to finance environmental infrastructure projects. All financed environmental projects must be certified by the Border Environment Cooperation Commission, be related to potable water supply, wastewater treatment or municipal solid waste management and be located in the border region.

**North American Industry Classification System (NAICS) -** The industrial classification code system used for categorizing industrial establishments. Beginning in

1997, NAICS replaced the Standard Industrial Classification (SIC) as the system for classifying firms in the United States, Canada, and Mexico.

**One-Stop Business Service Centers-** One-stop business service centers are facilities where business persons can go to obtain the licenses and permits needed to start-up, operate, and expand their facilities. These centers improve the local business environment while reducing the number of separate agencies and offices a business must apply to for various licenses and permits, saving public and private time and financial resources.

**Opportunity Cost-** The revenue forgone by choosing one use of money and resources over another. The opportunity cost of investing in the stock market is the interest that the money could have earned while sitting in the bank.

**Overall Economic Development Plan (OEDP) -** A plan developed at the city, county or EDD level, as required by EDA, to identify the area's problems & opportunities for economic development, to de-fine goals & objectives, and listing infrastructure & other projects needed to achieve those goals.

**Pueblo Economic Development Corporation (PEDCO) -** The Pueblo Economic Development Corporation is a private, not-for-profit organization dedicated to the promotion of the Pueblo area to businesses and industries considering a new location or expansion.

**Real Estate Appraisal, Property Valuation or Land Valuation-** Is the practice of developing an opinion of the value of real property, usually its Market Value. The need for appraisals arises from the heterogeneous nature of property as an investment class: no two properties are identical, and all properties differ from each other in their location - which is the most important determinant of their value. So there cannot exist a centralized Walrasian auction setting for the trading of property assets, as there exists for trade in corporate stock. The absence of a market-based pricing mechanism determines the need for an expert appraisal/valuation of real estate/property.

A real estate appraisal is performed by a licensed or certified appraiser. If the appraiser's opinion is based on Market Value, then it must also be based on the Highest and Best Use of the real property. For mortgage valuations of improved residential property in the US, the appraisal is most often reported on a standardized form, such as the Uniform Residential Appraisal Report.<sup>[1]</sup> Appraisals of more complex property (e.g. -- income producing, raw land) are usually reported in a narrative appraisal report.

**Types of value...There are several types and definitions of value sought by a real estate appraisal. Some of the most common are:**

- **Market Value** – The price at which an asset would trade in a competitive Walrasian auction setting. Market Value is usually interchangeable with *Open Market Value* or *Fair Value*.

**International Valuation Standards (IVS)** define Market Value as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.<sup>[2]</sup>

- **Value-in-use** – The net present value (NPV) of a cash flow that an asset generates for a specific owner under a specific use. Value-in-use is the value to one particular user, and is usually below the market value of a property.
- **Investment value** - is the value to one particular investor, and is usually higher than the market value of a property.
- **Insurable value** - is the value of real property covered by an insurance policy. Generally it does not include the site (land) value.
- **Liquidation value** -- may be analyzed as either a **forced liquidation** or an **orderly liquidation** and is a commonly sought standard of value in bankruptcy proceedings. It assumes a seller who is compelled to sell after an exposure period which is less than the market-normal timeframe.

**Revenue Bond**- Bond backed by anticipated revenue stream from specific 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 payment 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.

**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.

**Second Wave**- Strategic paradigm of economic development that focuses on retaining firms already in the community and on creating new businesses.

**Secondary Financing**- A loan secured by a second mortgage on a property, sometimes used to refer to any financing techniques other than equity and first-mortgage debt.

**Shift-Share Analysis**- A method used to examine a local area's basic industries in terms of their growth and decline relative to national or regional trends.

**Site Location Assistance**- Local governments provide new, expanding, and relocating businesses with assistance for locating the sites which fit their facility's needs. These services include provide information on sites and organizing visitation programs.

**Small Business Administration (SBA)** - Founded in 1953, SBA's mission is to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." Its charter also mandates that the SBA ensure small businesses a "fair

proportion" of government contracts and sales of surplus property. Since its inception, the SBA has delivered more than 13 million loans, loan guarantees, contracts, and other form of assistance to small businesses.

**Small Business Development Center (SBDC)** - Facility that provides business development, information, and assistance in one location; administered by the U.S. Small Business Administration.

**Small Business Investment Company (SBIC)** - Privately owned and managed for-profit investment firms that use their own capital, plus funds borrowed at favorable rates with an SBA guarantee, to make venture capital investments in small businesses.

**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.

**Smokestack Chasing**- Pursuit of traditional manufacturing businesses by local economic development organizations.

**Social Capital**- In economic development, linkages between and among business development service providers and the companies they assist; these linkages are both internal, within a given-service provider organization, and external, between external service providers and businesses.

**Soft Infrastructure**- Soft infrastructure relates to the less tangible aspects of LED such as education and training provision, quality of life infrastructure such as park, leisure and library services, housing, business support, business networking and financing services etc.

**Small and Medium-sized Enterprises (SMEs)** - There is no definitive delineation between a small and medium sized business. As a general reference, small is often from 5 to 20 employees, medium from 20 up to 200. Businesses with fewer than 5 employees are usually called micro-enterprises. This is a guide only.

**Stakeholders**- Individuals and groups who have an interest in the issues in hand. They normally represent their own interests as stakeholders.

**Supply Chains**- The products and processes that are essential to the production of a good or service. For example, to produce frozen fish, the supply chain inputs will extend from fish catching, handling, processing, and freezing to packaging, storing and distribution. These are all elements of a supply chain. Integrated LED strategies will try and capture as much as possible of the higher value end of the value chain in their area. organization (and its clients) and external service providers and businesses.

**Special Assessment Districts**- Areas designated by a taxing authority to be assessed for tax purposes on a scale that differs from the rest of the taxed jurisdiction. Property in these districts may be taxed differently all together. They may be required to pay special

taxes more reflective of the greater benefit earned by some public expenditure in the district.

**Special Assessment Funds-** Costs of a project that benefit a specific group of properties may be assessed to those individuals and accounted for in the special assessment fund.

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

**Stakeholders-** Individuals and groups who have an interest in the issues in hand. They normally represent their own interests as stakeholders.

**Start-Up Company -** A company in the first stage of the evolution of a business.

**Start-Up Capital-** Funds that help nascent enterprises acquire space, equipment, supplies, and other inputs needed to launch a business.

**Supply Chains-** The products and processes that are essential to the production of a good or service. For example, to produce frozen fish, the supply chain inputs will extend from fish catching, handling, processing, and freezing to packaging, storing and distribution. These are all elements of a supply chain. Integrated LED strategies will try and capture as much as possible of the higher value end of the value chain in their area.

**Supply-Side Theory of Development-** Explanation of economic development that focuses on reducing costs of production to lure capital to a new location; typical strategies include tax abatements, reductions, and exemptions; guaranteed and direct loans; and reduced regulation.

**Sustainable Development-** Development that does not destroy or eventually deplete a location's natural resources. Sustainable development helps ensure a better, healthier living environment and contributes to an area's quality of life, one of the main goals of economic development.

**SWOT Analysis-** A tool used in the economic development planning process to assess a community's Strengths and Weaknesses, factors from within a community that can be changed, as well as its Opportunities and Threats, factors from outside that cannot be changed.

**Tax Abatement-** Exemption or reduction of local taxes of a project for a specific period of time. Contracts between a government entity and a holder of real estate that stipulate that some share of assessed value will not be taxed for an agreed time period; a typical goal of tax abatement is to encourage economic development.

**Tax Credit-** Money directly subtracted from a tax bill after a tax liability has been incurred.

**Tax Deferral-** Policy that permits individuals whose property values have risen dramatically through no fault of their own to pay taxes on the basis of old values.

**Tax -Exempt Bond-** Obligation that does not require recipients of interest payments to pay taxes on the interest revenue; although revenue bonds may be a form of tax-exempt bonds, not all revenue bonds qualify for a tax exemption (e.g., stadium projects, parking facilities, and non-government office buildings lost their tax-exempt status in 1986).

**Tax Exemption-** Policy that reduces the base from which property is assessed; accomplished by subtracting a given amount of money from the assessed market rate. Tax exemptions are often granted to individuals, institutions, or types of property.

**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)-** Tool of economic development in which taxes that can be traced to a specific development are used to repay bonds that were issued to finance that development. When bonds are fully paid, the jurisdiction can begin to receive the additional tax revenue produced by the development.

**Tax Stabilization Agreement-** Agreement to not raise taxes significantly; used to assure potential investors of a stable tax environment.

**Technical Assistance-** Includes aid with preparing grant applications, training staff, applying for loans and marketing the product. It may also include assisting a small business to improve its product or manufacturing process. Technical assistance is generally aimed at providing specific services that a small business typically cannot afford, or general business planning.

**Third Wave-** Strategic paradigm of economic development that aims to create a local or regional environment that is supportive of growth and development.

**Tranche-** In structured finance, a **tranche** (misspelled as **traunch** or **traunche**) is one of a number of related securities offered as part of the same transaction. The word **tranche** is French for slice, section, series, or portion. In the financial sense of the word, each bond is a different slice of the deal's risk. Transaction documentation (see indenture) usually defines the tranches as different "classes" of notes, each identified by letter (e.g. the Class A, Class B, Class C securities). The term "tranche" is used in fields of finance other than structured finance (such as in straight lending, where "multi-tranche loans" are commonplace), but the term's use in structured finance may be singled out as particularly important. Use of "tranche" as a verb is limited almost exclusively to this field.

**Under-employed-** Includes all persons whose skills, education or training qualified them for a higher skilled or better paying job than they presently hold. It also includes persons only able to find part-time rather than full-time work in their fields.

**Umbrella Bonds-** Low-cost financing with lower interest rates for projects too small to qualify for normal revenue bond programs. Bond proceeds are used as loans for acquisition of land, building, machinery, and equipment. The umbrella is a pool of small

bonds of \$1 million or less packaged into a larger bond and issued by the state or local economic development agency.

**Unemployed-** As defined by the U.S. Department of Labor, the term includes all civilians who were not employed, but were available and actively seeking work within the past four weeks, were waiting to be called back to a job from which they had been laid off, or were waiting to report to a new job scheduled to begin within 30 days.

**Value-Added-** Revenue created by the processing of resources; the amount of revenue is greater because those resources have been processed.

**Venture Capital-** An investment made where there is a possibility of very substantial returns on the investment, as much as 40 percent, within a short period. It is usually invested in dynamic, growing, and developing enterprises, not in start-ups.

**Workforce Investment Act-** Workforce Investment Act of 1998 is the federal government's effort to adapt workforce training system to current economic conditions. The economic development impact of WIA includes: (1) decentralizing decision-making to the local level; (2) allows local businesses to determine skill needs; (3) adapt training to local growth patterns; (4) promotes inclusion of economic development principles in plans; and (5) state required to submit economic development plans with WIA implementation plan.

## Supplement to terms

“The Original Charter Neighborhoods of Pueblo” these are excerpts from an article by Mary Jo Mauro.

### “The Original Charter Neighborhoods”

“**The Original Charter Neighborhoods of Pueblo**”, so named when the City of Pueblo adopted its charter, and located near the smelter mills, included: Bessemer, the Grove, Bojon Town, Goat Hill, Eastwood Heights (Dogpatch), Mesa Junction, the Blocks, and Peppersauce Bottoms.

**Bessemer** was named after Henry Bessemer, who invented a less expensive way to manufacture steel. The neighborhood was established when Pueblo, South Pueblo, and Central Pueblo joined into one town in 1886. The first streets were Abriendo, Evans, Cedar, Spruce and Orman. The Italian Women’s Society, The Black IIOF, the Greeks, and the KKK, all met at the same community hall, suggesting that Bessemer was one of the most diverse neighborhoods in the state.

**The Grove**, first mapped in 1889, took its name from a stand of cottonwood trees, which once grew at the confluence of the Fountain Creek and Arkansas River. This lush flood basin was likely a habitat for the earliest pioneers. Later, the neighborhood consisted of mostly Slavic, Croatian and Slovenian-heritage immigrants who lived in tiny, modest wooden and brick homes. The 1921 Pueblo flood carried off many of these houses, some of which were found and returned, mud-caked yet still somehow livable, to their original locations. The neighborhood extended farther east before Interstate-25 divided the area. In 1879, Silas Clark’s Pioneer Oil Company hit a natural spring while drilling for oil near Moynihan Park. Spring Street, site of the discovery, was named for it. The discovery spawned the Clark Sanitarium, a health resort that included a four-story hotel and bathhouse, as well as The Grove’s commercial district. These facilities were also destroyed in the 1921 flood, yet the Clark Spring Water Co. is still a thriving business located in the Grove today.

**Bojon Town**, located near the Grove, and also populated mostly by Slavic and Croatian immigrants, was an enclave on East Mesa Avenue near present day Eiler’s Bar, Saint Mary’s Church, and the Do Drop Inn. Bojon Town was actually a part of Bessemer until they were split apart by the construction of Interstate 25.

**Goat Hill**, also known as Tenderfoot Hill, was a small, unique residential neighborhood comprised mostly of adobe huts on the top and along the southern aspect of a prominent bluff east of, and overlooking, downtown Pueblo. The area at the base of the hill was originally settled by Mexican immigrants and was commonly referred to as “Little Mexico.” The September 1889 Sanborn map indicates the area as being occupied by squatter’s shanties. By the early 1900s, the neighborhood was occupied primarily by people of Italian descent and is so named because the Italians who settled there had herds of goats that grazed on the hill. Each residence had its

own outhouse, dog, goat, chickens, and sometimes a cow. The baking was done in beehive shaped outdoor adobe ovens. At the turn of the century, houses were almost built on top of each other on Goat Hill, and the immigrant families lived by self-made and self-imposed rules. Sicilians living at the bottom of Goat Hill relocated to the top of the bluff, some of them taking their mud-washed homes with them, after the 1921 flood destroyed their neighborhood.

**Eastwood Heights**, plotted in 1872 and also known affectionately as “**Dogpatch**,” saw diversity almost equal to that of Bessemer. Many Hispanic people settled there in adobe homes built of mud and straw. Dogpatch was famous for residents creating their own hodgepodge of architectural styles influenced by the Poles, Germans, Hispanics, Slavs, and Italians living side by side, each ethnic group adding to the eclectic mix of architectural styles. The steel mill and the Catholic Church were two important entities, which gave the immigrants a sense of community and common purpose.

**The Blocks**, is a neighborhood built by General William Palmer,, then known as Corona Park and located in the Mesa Junction, on a southern bluff overlooking the Arkansas River in 1872 in order to service the railroad workers he brought to Pueblo. He hired landscape artist, John Blair, from Chicago to design the area like English gardens. The neighborhood contains a diversity of houses and as you meander through the area east of Abriendo, many of the streets are oneway and seem to head directly into the Arkansas River. The meandering paths, in keeping with the trend of “the Picturesque Period” of architectural design, were in vogue in England at the time. In 1873, “Corona Park” was incorporated as part of the development plan known as South Pueblo.

Interestingly, the historic Hispanic street names of The Blocks and the historic South Pueblo neighborhood had nothing to do with Hispanic residents in Pueblo at the time. Instead, General Lewis Palmer had gone on a cruise to Mexico and visited old churches in Northern and Central Mexico. When he returned, he named the streets of South Pueblo after the churches and towns he had visited in Mexico, which had fascinated him. The Blocks neighborhood is so named because the area comprising each address was labeled “a block,” such as “Lot A: Block J,” a system which remained in effect until the 1930s, when actual addresses were assigned to each house.

**Peppersauce Bottoms**. Founded by John J. Thomas, an old Pony Express rider who came to Pueblo in 1863 from Wolf’s Bend, his camping spot 30 miles away, founded He opened the Drover’s Hotel on Santa Fe Avenue. Pueblo had only 75 residents then, but soon J.J. Thomas began promoting the Thomas Gardens, later known as Peppersauce Bottoms. Wagons, tents, and shacks of travelers, many with a desire to settle in Pueblo, occupied the area. At one time, immigrants from Mexico built huts in the cottonwood groves. Their colorful outdoor strings of peppers – chile ristras – are believed to have given the neighborhood its name. Located north of the Arkansas River, adjacent to the present day Midtown shopping district, the river flood plain was fertile with crops. In 1903, with a shortage of living quarters, poor European immigrants would build houses in the area wherever

they could. Hence, Peppersauce Bottoms was known for its squatters. Once a thriving farming community, the neighborhood was destroyed by the 1921 flood and many people who lived there were washed away, having never been registered or recorded.

**Aberdeen**, including City Park, was originally called "Carlile Park." Land developers Carlile, of Scottish heritage, and Dittmer, who was Swedish, wanted to create a neighborhood away from downtown and the mills. Dittmer had grown up on a farm in Sweden and was an expert gardener. He directed the planting of the trees and flowers in Carlile Park, specifically designed as an English Picturesque garden, including winding streets and ponds. Two-acre lots were planned for houses to be built in what was designed as an upscale, beautiful neighborhood.

But 1893 brought a stock market crash and depression due to rail speculation, causing the project to be put on hold until 1899. The plans for the Carlile Park development never materialized. When the developers sold the land to the City of Pueblo, City Park and the neighborhood of Aberdeen were born.

The economic boom of 1900 brought the classical revival to Pueblo, spawned by the Chicago World's Fair, which opened in 1893. This was an important turning point in Pueblo's architectural style. Developers who visited the fair witnessed and were influenced by the neo-classical style.

Pueblo followed the national trend of this style and today one can look around and observe the classical revival style at City Hall, the Pueblo County Courthouse, Central High School, and the Vail Hotel. The pre-1893 pink brick gothic styles were suddenly replaced by a new classical revival style, the roots of which were actually thousands of years old. Filled with history, diversity, and architectural gems, the neighborhoods of Pueblo continue to evolve and support a variety of vibrant and unique communities