



# **Evaluating York County's Business Environment**

**Final Report**

**December 1, 2006**

**The Thomas Jefferson Program in Public Policy**

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## **Introduction**

York County is a semi-rural county located in the center of the Virginia Peninsula looking to further its economic development. One of the fastest growing areas in Virginia, York County has enjoyed both commercial and industrial growth and an increased percentage of commercial tax revenues from 49 percent to its current 51 percent. An appealing location for businesses, York County boasts a prime regional location and a business friendly tax environment in addition to its high quality of life and its low cost of living.<sup>1</sup>

The County's rectangular shape and large tract of federal land splitting the County into North and South ends poses a unique challenge for economic development. Labor issues in York County arise from the lack of a good public transportation system and the subsequent isolation of the northern end of the County. Limited available land exists for development a consequence of York County's dense population and high federal land holdings. Yet another obstacle to economic development is York County's intricate permitting process. Despite these challenges, York County successfully continues to expand its business community.

As an extension of York County's effort to support economic development, the County's Economic Development Authority commissioned our team to assess the business climate of York County, VA. Officials from York County Economic Development Authority tasked our team with the job of creating quantitative benchmarks to evaluate the County's business climate and then conducting a comparison between York County and other similar, business-friendly Counties and Metropolitan Statistical Areas (MSAs) using the benchmarks. The Economic Development Authority also requested the team review and evaluate its current economic development efforts, in particular the bi-annual business retention survey.

Our team divided the project into four objectives, which began with conducting a literature review of pertinent research on economic development and consultations with local economic development experts. We reviewed both academic journals and professional articles for research regarding economic development and growth. The team also turned to articles from governmental entities like the Government Accountability Office and the Virginia state government for federal and state approaches to the matter. Meetings with local economic development experts helped direct our research efforts. Reviewing the existing literature surrounding economic development and consulting with local economic development experts grounded our future work and prepared the team for the next objective.

The second objective included reviewing and assessing York County's current economic development data and economic growth plans. The Economic Development Authority provided the initial information, which our team reviewed and synthesized. Additional information was gathered from the York County website or via personal communication with a member of the Economic Development Authority. Two areas of business development our team chose to focus on were the permitting process and the

business retention survey. Detailed discussions of the business retention survey and the County's permitting process are included in the report. In effort to develop a deeper understanding of the business climate in York County, our team attended the York County Chamber of Commerce Trade Show in November.

Finding counties and MSAs comparable to York County structured the third objective. Our team focused its comparison on areas in Virginia in order to keep state-level variables constant. Eight counties and seven MSA's comprised the thirteen Virginia localities used in the comparison. Localities in the Hampton Roads and surrounding areas were chosen for a regional comparison. The other localities were chosen based on their similarity to York County in numerous demographic and economic areas to include population, density, average household income and tax environment. The Economic Development Authority also suggested a few localities based on comparative work done by the County's Human Resources Department.

The forth and final objective encompassed the creation of quantitative benchmarks to measure York County's economic climate and growth. An article in *Forbes* magazine entitled, "Best Places for Business and Careers," laid the framework for the benchmarks. The comparison ranked York County and the other localities in the following six categories: Business Cost, Labor, Regulatory Environment, Economic Climate, Growth Prospects and Quality of Life. York County fared well in every area with the exception of Regulatory Environment and Economic Climate. Overall, York County ranked among the best of the Counties and MSA's observed.

In general, York County has a business-friendly environment and is comparatively one of the strongest localities of its type in the state. Areas of strength for the County include its low tax environment and cost of labor, its superior quality of life and its projected job and business growth. The County's permitting process, public transportation and low local GDP are areas of weakness with which the County must contend. The following report is a detailed account of our project's methodology and results concluding with several policy recommendations for improving upon York County's current economic development efforts.

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<sup>i</sup> York County's Office of Economic Development website:  
[http://www.yorkcounty.gov/econdev/business\\_dev/busdevelopment.htm](http://www.yorkcounty.gov/econdev/business_dev/busdevelopment.htm)

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## Literature Review

The academic literature on domestic economic development is surprisingly limited, almost nonexistent. The majority of recent published materials fall into three categories. First, trade periodicals such as *Expansion Management* caters to economic development authorities and site consultants, but consist mainly of advertisements and print spaces for municipalities and state governments. The reliability of these sources is questionable due to the proprietary relationship between governments and pay-for-play magazines. The second set of materials includes government studies that analyze economic development. Third, are business and financial magazines that occasionally report on business climates and the best locations for business. These sorts of publications include: *Fortune*, *Forbes*, and *Kiplinger's Magazines*.

“Best Places For Business And Careers.” By Kurt Badenhausen, *Forbes Magazine*.

- Ranked the best cities by indexing the 5-year annualized figures for cost of labor, energy, taxes and office space

[http://www.forbes.com/2006/05/03/06bestplaces\\_best-places-for-business\\_land.html](http://www.forbes.com/2006/05/03/06bestplaces_best-places-for-business_land.html)

“Ready for Takeoff.” By Mark Tatge, *Forbes Magazine*.

- Explores business friendliness through a case study of Albuquerque, New Mexico

[http://www.forbes.com/free\\_forbes/2006/0522/178.html](http://www.forbes.com/free_forbes/2006/0522/178.html)

“When Evaluating Potential Sites, You Have to Ask the Right Questions.” By Kate McEnroe, *Expansion Management*.

- Suggests criteria for companies to look at when assessing the friendliness of localities

<http://www.expansionmanagement.com/cmd/article/detail/articleid/16006/default.asp>

“Oregon labeled business friendly, but study criteria called flawed.” *The Oregonian*.

- Examines a study by the Tax Foundation, a non-profit foundation, which ranked Oregon as one of the most business friendly states

<http://www.oregonlive.com/business/oregonian/index.ssf?/base/business/114109533154000.xml&coll=7>

“Doing Business 2007: How to Reform.” *The World Bank and International Finance Corporation*.

- Provides objective measures of business regulations and their enforcement. The Doing Business indicators are comparable across 175 economies. They indicate the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity, and growth

<http://www.doingbusiness.org/>

Tim Kaine’s “Economic Development Strategic Plan,” released on September 29, 2006.

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- Devised by the Governor's Cabinet, key economic development and business leaders from throughout the Commonwealth, and Virginians who attended public meetings on the plan's development over the summer.

<http://www.governor.virginia.gov/MediaRelations/NewsReleases/viewRelease.cfm?id=252>

How Tax-Friendly is your state?

<http://money.cnn.com/pf/features/lists/taxesbystate2005/index.html>

“Economic Performance: Highlights of a Workshop on Economic Performance.” The Government Accountability Office, July 2005.

- The use of cost-benefit analysis or cost effective tools to measure the economic performance of government programs and initiatives. [www.gao.gov](http://www.gao.gov), GAO-05-796SP

“Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities but the Effect of the Program is Unclear.” The Government Accountability Office, September 2006.

- Evaluation of the large-scale federal community development effort. [www.gao.gov](http://www.gao.gov), GAO-06-727

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## **Methodology**

The methodology used to develop quantitative benchmarks for economic development environment began with a search of relevant academic literature. Although the field of development economics addresses incentive structures and long-term goals, the academic literature stops short of providing tangible ways to compare economic development potential and strategies.

Another way to evaluate localities is using comparison tools, most of which are available online (i.e. citysearch.com, bestplaces.net, cityrating.com). However, it is difficult to translate these comparison search engines into quantitative benchmarks. First, in the case with many websites, it is not clear how the data are compiled for each locality. Second, it is not clear how the data is weighted and analyzed in order to reach the final rankings.

Therefore, our team searched for reputable ranking systems with transparent methodologies. It was also necessary not to utilize periodicals that had “advertorial” or “pay for play” content. The practice of ranking or heavily featuring areas that advertise within a periodical is prevalent; therefore, it was necessary to find a news source that elucidated their evaluation and ranking procedures. Our team decided to use *Forbes Magazine’s* yearly ranking of “The Best States for Business” as the basis for our evaluation and ranking system.

The reasons for using *Forbes’* model were twofold. First, the *Forbes* study was relatively easy to transform methodologically and practically for the local level. Second, the *Forbes* metric lends significantly more credibility to this study by incorporating an accepted framework in national print media, as opposed to devising a new benchmark. In this manner, the study was able to provide York County with a nationally recognized, local-level benchmark, allowing York County Office of Economic Development to differentiate between competing counties within the state of Virginia.

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### **Quantitative Benchmark**

In August 2006, *Forbes Magazine* published the “Best States for Business”, annotating Virginia as the best state for business, followed by Texas, North Carolina, Utah, Colorado, Idaho, Nebraska, Delaware, Florida, and Georgia. To compile the list Forbes ranked all 50 states on 30 metrics in six main categories, which included: Business Costs, Labor, Regulatory Environment, Economic Climate, Growth Prospects, and Quality of Life. This study employed *Forbes’* metric as a model for developing a quantitative benchmark suitable for evaluating Virginia’s county level business climate. (Appendix 1)

Due to the complexities of the model and the number of Virginia localities exceeding 130 (See Appendix 2), this study came up with 13 comparable municipalities. The Regulatory Environment was particularly time consuming to collect due to the variable’s qualitative nature. To find similar localities, the study considered population, population density and average household income. The chart below details the 13 municipalities the study concluded were similar to York County. The study’s suggestions were presented to York County’s Economic Development Office to ascertain whether the comparisons were appropriate. The Economic Development Office approved the 13 localities, and added two more for comparison, Chesapeake, VA and Norfolk, VA.

	<b>Population</b>	<b>Density</b>	<b>Average Household Income</b>
York	62,270	575.9	\$77,731
Hanover	98,405	207.6	\$79,463
Henry	56,366	146.6	\$42,223
James City	56,277	324.8	\$75,650
Montgomery	83,706	215	\$43,444
Prince George	34,867	123.8	\$65,738
Spotsylvania	118,069	286.5	\$77,103
Stafford	120,904	432.9	\$89,775
Albemarle	89,214	122.9	\$67,486
Hampton	144,581	2,719.20	\$52,178
Newport News	182,378	1,621.60	\$48,741
Suffolk	79,287	185	\$54,222
Roanoke	90,944	2,117.90	\$40,579
Portsmouth	97,972	2,355.70	\$44,973



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## Business Costs

Before laying out the final results it is important to go through the six main categories (Business Costs, Labor, Regulatory Environment, Economic Climate, Growth Prospects, and Quality of Life) detailing the transformations necessary to properly capture local level business climates in Virginia. The first main category, Business Costs, included an index based on the cost of labor, taxes and energy costs. The cost of labor for the 15 localities was obtained through the Virginia Employment Commission. The specific variable used was the average weekly income for each locality. The study then ranked the localities from best to worst for labor costs based on average weekly income, as was done in the “Best States for Business.” The *Forbes* study ranked the states in order from the best to the worst for each of the 30 metrics in the 6 main categories. For example, the cheapest municipality for labor was Henry, and thus was ranked the best county for labor costs. Each county was assigned a rank, 1 through 16.

	<b>Rank</b>	<b>Cost of Labor</b>
Henry	1	\$534
York	2	\$582
James City County	3	\$603
Chesapeake	4	\$631
Montgomery	5	\$645
Suffolk City	6	\$649
Hanover	7	\$652
Roanoke City	8	\$661
Newport News	9	\$711
Spotsylvania County	10	\$718
Hampton City	11	\$724
Stafford	12	\$735
Portsmouth City	13	\$758
Norfolk	14	\$768
Prince George	15	\$792
Albemarle	16	\$819

The second metric used for Business Costs, taxes, is much more comprehensive due to the complexity of the varying county and city tax systems. According to *A Virginia Guide to Local Taxes on Business: 2005-2006*, “Counties and cities in Virginia are separate taxing entities. Therefore, a company pays taxes to either a county or a city. If a company is located in a town, it pays town and county taxes except for utility taxes which are paid only to the town and the license tax which is paid only to the town unless town law permits additional collection of a county tax.” Fortunately for this study, however, there are no overlapping taxing entities for the 16 municipalities under review. Business taxes generally fall into two categories, manufacturing and non manufacturing.

Manufacturers pay real estate, machinery and tools, truck and automobile, utility, and sales taxes. Non manufacturers pay real estate, tangible property, truck and automobile, utility, and sales taxes. They also may pay either a merchants' capital or license tax.

This study examined 10 taxes, including: taxes on real estate, manufacturers' taxes on machinery and tools, non manufacturers' taxes on tangible personal property, taxes on automobiles and light trucks, merchants' capital tax, business license taxes on retailers, business license taxes on mail order, business license taxes on wholesalers, business license taxes on financial services, and business license taxes on services. Fortunately, most of these taxes were able to be analyzed using effective tax rates, which is a standardized measure that allows municipalities to be easily compared. Unfortunately, manufacturers' taxes on machinery and tools and non manufacturers' taxes on tangible personal property were not standardized by effective tax rates, due to the way in which the taxes are calculated. Rather than just an assessed value per \$100, this tax incorporates an assessed value per \$100 but only at a certain percent of the original value (based on the age of the taxable good). For example, see the Albemarle County chart (below). Because the value taxed each year varies (and in some counties and cities the percent taxable and rate per \$100 of assessed valuation differs) the only way to standardize this variable is to calculate an assessed rate under one hypothetical situation.

#### **Albemarle County**

<b>Value Used for Tax Purposes</b>	<b>Age of Machinery</b>	<b>Percent Taxable</b>	<b>Per \$100 of Assessed Valuation</b>
Original Cost	1	25%	\$4.28
Original Cost	2	22.5%	\$4.28
Original Cost	3	20%	\$4.28
Original Cost	4	17.50%	\$4.28
Original Cost	5	15%	\$4.28
Original Cost	6+	12.5%	\$4.28

The hypothetical scenario was the same for manufacturing and non manufacturing assuming the original cost of the taxed good was \$100,000 and was kept for 6 years. The calculation for Albemarle County is shown to provide an illustration of the process. The number reported as "sum" is the total amount of taxes paid during the 6 years. The "sum" figure is the number this study used as a measure of standardization so that manufacturers' taxes on machinery and tools and non manufacturers' taxes on tangible personal property could be accurately compared and ranked. For each of the ten taxes examined the counties were ranked, and then an average of the rankings was taken to devise the best counties for taxes.

Age	Percentage	Nominal Tax Rate Per \$100 of Assessed Valuation		Yearly Tax
1 year old	25.0%	\$4.28		\$1,070
2 years old	22.5%	\$4.28		\$963
3 years old	20.0%	\$4.28		\$856
4 years old	17.5%	\$4.28		\$749
5 years old	15.0%	\$4.28		\$642
6 years +	12.5%	\$4.28		\$535
			Sum	\$4,815

The third and final metric used by *Forbes* in the Business Costs category was energy costs; however, this study choice to exclude the variable for two reasons. First, Virginia is among the cheapest states for energy. The U.S. total average price per kilowatt hour is 8.14, with Virginia significantly below the average at 5.64 cents per kilowatt hour. Energy intensive industries are more likely to choose Virginia because of this. Second, rates across the state do not vary much, especially among the 15 localities examined in this study. Two-thirds of the municipalities are powered by Virginia Dominion Power. By averaging the rankings for taxes and labor costs the final rankings for Business Costs are generated. The results for Business Costs, from best to worst, as follows: James City County, Henry, York, Hanover (T4), Montgomery (T4), Chesapeake (T4), Suffolk, Spotsylvania, Roanoke, Stafford (T8), Newport News (T8), Hampton (T9), Albemarle (T9), Prince George, Portsmouth, and Norfolk.

## Labor

The second main category in the *Forbes* study, Labor, included measures of educational attainment, projected population growth and net migration. All the data on the local level was collected from demographicsnow.com. The first metric, educational attainment was measured by the percent of the population who completed bachelors and graduate work. The second metric, projected population growth was estimated from 2005 to 2010, and reported annually. The third metric from the “Best States for Business”, net migration was omitted for this study due to data collection and methodology issues. The best counties for Labor, from best to worst, are: James City, Albemarle (T2), Stafford (T2), York, Hanover, Chesapeake, Spotsylvania, Montgomery, Suffolk, Norfolk, Roanoke (T10), Prince George (T10), Hampton, Newport News, Henry, and Portsmouth.

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## **Regulatory Climate**

The Regulatory Climate is the third main category, which measures regulatory/tort climate, incentives, transportation and bond ratings. The Regulatory Climate was by far the most challenging category to transform from the state to local level. The first metric, regulatory/tort climate, is by its nature qualitative rather than quantitative, which makes measurement difficult. To compensate for this issue *Forbes* used the U.S. Tort Liability Index: 2006 Report, compiled by the Pacific Research Institute, which measures tort costs and reforms. According to the report, Virginia comes in 8<sup>th</sup>, which makes the state an attractive destination for businesses.<sup>1</sup> Considering the U.S. legal structure, incorporating a local level tort climate metrics makes little sense. The differences among tort climates for localities within the same state are negligible, which probably explains why no organizations calculates tort climate on a local level. The second portion of the regulatory/tort climate was calculated by examining each counties permitting process. Surveys were conducted with each of the 16 counties studies, and the municipalities were then ranked on the average time it takes businesses to obtain a “special permit.” The data collected on the permitting processes is examined more in detail in the next section on permitting.

Due to the time constraints of this project it was infeasible to accurately study the nuances of each city or county’s transportation issues. To gauge the quality of the transportation infrastructures, or lack thereof, this study incorporated the average commuting time per household as reported by the 2000 census. While not a perfect measurement for transportation, under the circumstances the metric was the most robust statistic available. The last metric for the regulatory climate was bond ratings, which were acquired mostly from newswires. The final Regulatory Climate results are as follows: Roanoke, Norfolk, Hampton, Albemarle, Henry, Montgomery, Newport News, Prince George (T8), Portsmouth (T8), Hanover, Suffolk, York, James City, Stafford, Spotsylvania, and Chesapeake.

## **Economic Climate**

The fourth main category uses income, jobs, gross local product, unemployment and the presence of “big” companies to gauge Economic Climate. This study omitted income since the gross local product on the local level is similar. While there are no estimates for local level gross product, the study attempted to approximate it by multiplying the average household income by the number of households, as reported by the U.S. Census Bureau. For the jobs metric, the study relied on the labor participation rate reported by the 2000 Census as opposed to the nominal number of jobs within a locality. The reason being that the labor participation rate controls for population allowing the metric to accurately report the level of jobs per capita. The unemployment rate is reported on the county level by the Virginia Employment Commission. The final metric, the presence of “big” companies, was measured by the number of Fortune 500 Companies that were the localities 50 largest employers (as reported by the Virginia Employment Commission). By ranking all the counties in each of the four metric and

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averaging the results, the best counties for Economic Climate are: Spotsylvania, Stafford, Chesapeake, Hanover, Albemarle, York, Newport News, Norfolk, Roanoke (T9), James City (T9), Hampton, Suffolk, Portsmouth, Montgomery, Prince George, and Henry.

### **Growth Prospects**

*Forbes'* fifth category, Growth Prospects, included projected job growth, income and gross state product growth as well as business openings/closings and venture capital investments. Due to data constraints on the local level, projected local gross product, closings and capital investments were not included in this study. Fortunately, the Virginia Employment Commission reports projected job growth and business openings. To gauge business openings, this study used the number of business startups in each of the 16 localities. To adjust for the varying sizes of municipalities the study transformed the nominal number of business startups to startups per 100,000 people. The final results for Growth Prospects reveals James City County is the best county, followed by: York, Spotsylvania (T3), Albemarle (T3), Stafford (T4), Chesapeake (T4), Hanover (T4), Newport News, Hampton (T7), Suffolk (T7), Roanoke, Norfolk, Portsmouth, Montgomery, Prince George, and Henry.

### **Quality of Life**

The sixth and final variable, Quality of Life, measures health, crime, schools, cost of living, and poverty rates. To rank counties on health, the study averaged the number of infant deaths per 100,000 live births, heart disease deaths per 100,000 and lung cancer deaths per 100,000. The county with the least amount of fatalities, Stafford County, was ranked number one. The study used the incident rate per 100,000 people, reported by the Virginia State Police, to approximate the crime metric. The metric for schools was comprised using an average of five education statistics from the Virginia Department of Education, including; the English SOL passage rates, science SOL passage rates, math SOL passage rates, graduation rates and attendance rates.

Since cost of living is not calculated on the local level in Virginia, this study used the median value of owner-occupied housing units from the 2000 Census as a rough approximation for cost of living. Poverty rate statistics proved more challenging to find, eventually the study settled on the rates reported by the USDA in 2003. The best to worst counties for Quality of life are as follows: Stafford, York (T2), Hanover (T2), Henry, Albemarle, James City (T6), Prince George (T6), Spotsylvania, Chesapeake, Suffolk (T9), Montgomery (T9), Hampton, Newport News, Norfolk, Portsmouth, and Roanoke.

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## Benchmark Results

Rank	Best Counties for Business
1	York, Albemarle, Hanover
2	James City
3	Stafford
4	Spotsylvania
5	Chesapeake
6	Roanoke
7	Montgomery, Suffolk
8	Newport News
9	Henry, Norfolk
10	Prince George
11	Portsmouth

Following the “Best States for Business” survey, this study ranked all localities on all six main categories (Business Costs, Labor, Regulatory Environment, Economic Climate, Growth Prospects, and Quality of Life). By averaging the ranks of the six main categories the final results were calculated. According to the quantitative benchmark, York County, Albemarle County and Hanover County tied for first place with an average rank in all six categories of 4.5. James City came in a close second, just three-hundredths of a point outside first. Stafford County was also in mix, half a point behind the first place finishers. These five counties created a bottleneck at the top; however, outside of the top five the localities became much more dispersed. The worst county for business within this study’s sample size, Portsmouth, averaged a rank of eleventh.

### What the Benchmark Says about York County

York County came in first place by gravitating toward the top of the main categories, with the exception of the Regulatory Environment. For Business Costs, Labor, Growth Prospects, and Quality of Life York County finished no worse than third. While the Economic Climate variable was the middle of the road at sixth place, the impact on the final outcome was not as damaging. In fact, the Economic Climate of York County is relatively strong. The only metric that prevented a stronger ranking was local gross product.

The nature of the variable gives a distinct advantage to larger counties, since the local gross product was calculated by multiplying the average household income by the number of households. As a smaller county, York was inhibited by the local gross product metric. Unfortunately, there were no mathematical explanations for York County’s weak Regulatory Environment. The regulatory metric was transformed from a qualitative to quantitative measure, which can leave some room for bias; however, the next section will cover York County’s regulatory climate and explain the rankings.

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## **Permitting Processes**

Our team was advised by our client that the regulatory environment of the York County, in particular the business permitting process, was a source of potential improvement in terms of economic development. Our team also found that this sentiment was reflected by businesses in the bi-annual business retention survey. Thus, it was deemed necessary for our project to do a comparison analysis of the regulatory environments of comparable localities in Virginia.

As with the other indicators of economic development, we surveyed 15 Virginia localities and MSA's of sizes, densities and business environments similar to York County. Compared to the other economic indicators, ascertaining qualitative and quantitative information about various other regulatory environments was more difficult. It was necessary to contact each office of economic development and/or the city planning and permitting offices and conduct a brief interview with officials regarding the processes of commercial development.

To find a similar basis for comparison, or unit of analysis, the interviews with economic development authorities focused on two main questions regarding the permitting process for mid-size, new commercial construction projects and the availability of a "pre-application", "fast-track" or "one-stop" permitting process. The results from this comparative analysis were somewhat surprising.

In order to rank localities in terms of regulatory environment and business friendliness, our team found a comparable, empirical way to measure the efficiency of the permitting process by ascertaining the average, estimated number of days it would take in each locality to process a new, commercial building permit for a mid-size business. However, this measure is not perfect. First, there is a large variation in the size and complexity of building permit applications, and this makes estimating a time period difficult. In order to attempt to control for this, our team asked the localities to envision an application for a new, mid-sized franchised restaurant building (such as an "Outback" or "Macaroni Grill" restaurant). Another source of variation is the process each locality uses to issue a permit. There is no standardization of permitting processes between localities, and the number of agencies and actors involved in commercial permitting varies widely. Our team limited the timeframe from when the permit application is submitted to when an applicant first hears back about the application.

Another source of measurement error is potential response bias of the localities. At the beginning of each interview, our team explained the nature of our project. However, as is often the case with self-reported data, there is often an incentive to tell the truth. In the case of permitting times, it is difficult for many economic development authorities or planners to pinpoint the average amount of days, therefore, the amounts and ranges of times given might have been at the lower end of the spectrum of estimated time periods.

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As expected, York County's permitting processing time was longer than the other processing time. The locality reporting the smallest time period in which to process a commercial building permit application was Henry County, Virginia whose director of research in the economic development department reported that permits were processed in two to three days. The county with the longest reported permitting time was Montgomery County, Virginia. This county does not have personnel in the county who can review permits, so building permit applications are sent to an international consulting company for review. This process can take several months, and the county is concerned that surrounding areas have faster permitting times. The department of economic development completed a study in May 2006 on the contiguous counties to Montgomery examining their permitting processes. The results were provided to our team, and are in Appendix 3 as an example of a study on permitting processes.

In our interviews with out counties, it became clear that York County does possess a unique feature in permitting. The pre-application process which allows developers to expedite there permit application and receive feedback within 21 days is a unique feature to York County. Several of the counties we interviewed have a "fast-track" or "one-stop" permitting process available for residential permits or additions and build out permits. However, York County was the only county to provided expedited processing for commercial projects. The information pertaining to this pre-application system is available in the "Developer's Guide", a PDF found on the York County economic development webpage. The estimated time frame for this process falls within the median permitting timeframes of the other areas surveyed. If York County could encourage more developers to use this faster process, its average permitting times would improve.



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## **Business Retention Survey**

### **Interview with Dr. Ronald Rapoport**

A vital tool for helping York County identify its strengths and weaknesses is the bi-annual Business Retention Survey sent by the Office of Economic Developments to local businesses. Relevant information gained from the survey includes opinions of local businesses regarding the attitude towards York County and its economic development incentives. For the past three surveys, the number of respondents ranged from 210-230 yielding a response rate between 14-18 percent. Ideally, a survey's response rate should range between 30-50 percent. A higher response rate provides better insight into the local business community to the Office of Economic Development. Most importantly, it will ensure reliable data for better decision and policy making. To help York County improve the survey and capitalize on a key economic development tool, the group consulted with Dr. Ronald Rapoport, a professor with survey design expertise.

Dr. Ronald Rapoport is a John Marshall professor in the government department at The College of William and Mary. His academic research focuses on American politics, specifically voting and public opinion. He teaches both graduate and undergraduate courses in survey research and polling.<sup>1</sup> Given his field of academic research and expertise, Dr. Rapoport seemed an obvious choice as a consultant regarding the York County business retention survey. He offered valuable advice regarding the survey's format and design which, if utilized, will increase the response rate. Dr. Rapoport's suggestions aided in the design of a second version of the survey (see Appendix 4).

The first suggestion from Dr. Rapoport is to modify the form-like appearance of the survey. York County's original survey contains numerous questions requiring explanations and written responses. A form-like survey, requiring written responses is tedious, and it discourages people from completing the survey. If at first glance a survey appears long and involved, many people will not bother to begin filling it out. In general, survey questions should be short answer with minimal writing. Dr. Rapoport also suggested altering the format of the survey because the layout is not visually appealing. The survey lacks color and the form-like appearance is not eye-catching, which makes the survey appear boring. Simply adding color will enhance the survey's appearance and make the survey more professional.

Another recommendation from Dr. Rapoport is to rephrase the survey's questions to give them a conversational tone. Several of the questions in the survey have unclear phrasing and are not straight forward in nature. One example is question four in the original survey which states, "Is your company undecided about renewing its lease upon expiration?". The question is unnecessarily complex, requiring multiple readings of the question in order to fully understand what is being asked. An alternate phrasing is

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simply, “Will your company renew its lease when it expires?” to which a respondent can easily respond yes or no. Dr. Rapoport stressed the importance of using clear questions that lend themselves to simple answers. He also advised using more check-the-box type questions and only when necessary, following up with short explanations such as listing a location.

On the topic of the survey questions, Dr. Rapoport also stressed the importance of consistency throughout a survey. Consistency in a survey is important because it allows the responder to think in one frame of mind and not have to make too many cognitive jumps. For example, in the original survey, one question asks about the projected number of employees in two years; the question that follows asks about expansion plans in the next one to three years. Asking about two different time-periods requires the responder to think in two different ways, which hinders the responder’s ability to complete a survey quickly.

Organizational consistency presents another small issue throughout the survey. In the original survey, the first question asks companies about their expansion plans. The survey does not address expansion again until 14 questions later. A survey’s organization should be such that questions in one section address the same general topic. One way to achieve this organization is to divide questions into various topics by heading. Though the concept of consistency is easily overlooked, reducing the cognitive burden on respondents is necessary to ensure accurate responses to questions. Otherwise, respondents will find the survey tedious, resulting in inconsistent answers and unfinished surveys.

Another recommendation is to add more Likert questions to address concerns expressed in the original survey’s free response questions. The addition of questions is not a specific recommendation from Dr. Rapoport, however, the additional questions allow for a shorter, more inclusive survey. A content analysis of the 2004 and 2006 survey’s free-response questions (see “Content Analysis” section) provides the focus for the additional questions. The re-written survey also utilized the York County Chamber of Commerce’s business survey and the Business Retention and Expansion International website for guidance. Supplementary Likert questions make the survey more concise by removing the written response questions. (See Appendix 4)

Finally, Dr. Rapoport suggested developing a working group comprised of local businesses to evaluate and modify the issues addressed in the survey. Involving County businesses in the modification and improvement of the survey ensures the survey will focus on issues important and relative to the business community. Providing businesses the opportunity to be involved with survey development gives businesses a sense of participation and contribution. Giving the business community a personal tie to economic development efforts will enhance support and enthusiasm for the County and its efforts.

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## Results

The group analyzed and compared the responses from the 2004 and the 2006 surveys to learn more about the York County business environment. In 2004, York County sent the business retention survey to 1,650 businesses and 229 businesses responded yielding a 14 percent response rate. In 2006, 1,230 businesses received the survey and 215 responded yielding a 17.5 percent response rate, but only 208 responses were usable due to duplicate entries and incomplete surveys.

The analysis begins with a comparison of the response distribution in the 2004 and 2006 based on business sector. Each respondent was categorized into one of the following classifications based on the answer given to the “type of business” question”:

- 1) *Leisure and Hospitality*- includes hotels, restaurants and entertainment arenas such as marinas, bowling alleys, etc.
- 2) *Education and Health Services*- includes dental, medical and veterinary services as well as instructional and training services
- 3) *Professional and Financial Services*- includes legal, consulting and architectural services
- 4) *Contracting and Construction*- includes all contracting as well as engineering, remodeling and landscaping services
- 5) *Non-Durable Goods (Services)*- includes salons, gyms, automotive repair, screen-printing and other non-professional services
- 6) *Durable Goods (Retail)*
- 7) *Manufacturing*
- 8) *Wholesale and Distribution*

In 2004, the number one responding business type was Non-Durable Goods with 28 percent of the respondents representing that category; Professional and Financial Services represented 20 percent of the respondents and Durable Goods was third representing 19 percent of the respondents (see Appendix 5, Graph 1). The 2006 survey shows a slightly different distribution for the top three responders; number one was Durable Goods at 28 percent, Non-Durable Goods was second at 27 percent and Leisure and Hospitality was third at 12 percent (see Appendix 5, Graph 2).

Comparing the response distribution of businesses to the actual distribution of businesses in the County gives an idea of the types of business responding and allows for the identification of a response bias. The distribution of businesses in the County between 2004 and 2006 remained consistent with only slight fluctuations in a few sectors. Non-Durable Goods was the number one business sector in 2004 and 2006 comprising 40 percent of the total businesses in the County both years. Durable Goods was the second largest sector comprising 23 percent and 25 percent of total businesses in the County in 2004 and 2006 respectively. The Leisure and Hospitality sector ranked third comprising 12 percent of the total businesses in the County in 2004 and 13 percent in 2006.

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Comparing the actual distribution of businesses in York County to the distribution of business respondents in the survey reveals some interesting trends (see 5, Table 1). Combined, the Non-Durable Goods and Durable Goods sectors represent over 60 percent of the businesses in York County, but in the survey responses, the representation from those sectors was roughly half of the business respondents in each survey year. Another interesting note is the disproportionate percentage of Health and Education respondents in the survey compared to the County distribution. The County distribution of the Health and Education sector is consistently six percent, but in both surveys, the percent of responses from this sector is double the actual proportion.

Overall, the distribution of business sectors in the 2006 survey reflected the actual County distribution more closely than the 2004 survey. The 2004 survey had a disproportionately low percentage of respondents from the Leisure and Hospitality sector and an excessively high percentage from the Professional and Financial Services sector, more than quadruple the actual percentage in the County. The 2006 data also had a comparatively high percentage of respondents from the Professional and Financial Services sector, but not as high as 2004.

A few trends in the response data persisted through both surveys: low representation of the combined Non-Durable Goods and Durable Goods sectors, disproportionately high representation of the Health and Education sector and disproportionately high percentage of Professional and Education Service respondents. The discrepancies in proportionality imply a bias in the results favoring the Health and Education and the Professional and Education sectors with not enough input from the Non-Durable Goods and Durable Goods sectors. Identifying the potential biases in the data is important because each business sector has issues unique to its field, and concerns not relevant to the entire business community may come across as a central issue if a disproportionate representation of business sectors responds. Identifying the inequality will also allow administrators to target underrepresented sectors.

When asked about plans for expansion, roughly 40 percent of the respondents in both years did not indicate any plans for expansion, but for those that did, employment seemed to be the most important. In both 2004 and 2006 surveys, respondents indicated a strong desire for increasing their number of employees; roughly, 46 percent of the respondents included employment in their expansion plans, either alone or in conjunction with another form of expansion (see Appendix 5, Table 2).

The consistent trend to for plans to expand employment implies business and job growth in the County, however; an evaluation of the unemployment rates between 2004 and 2006 indicates a stable economic environment. The unemployment rate in York County in 2004 and 2005 was 2.9 percent, and approximately 2.7 percent in 2006.<sup>1</sup> The slight decrease in unemployment rate supports the idea of business and job growth but the change is so small it seems insignificant.

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Respondents' answers to the questions regarding sales and areas of County help are presented in frequency tables included in the Appendix 5 portion of this report. The responses to both questions remained consistent in both survey years. Businesses in 2004 and 2006 have similar sales trends indicating a consistent sales environment. Roughly, the same percentage of businesses experienced increasing sales in 2004 (53 percent) as experienced increasing sales in 2006 (50 percent) and similarly for decreasing sales (see 5, Table 3). Respondents in both survey years felt the County could offer the most help with marketing, followed by permitting, financing, and location. Training was the area of County assistance that was the least sought after (see Appendix 5, Table 4). Two years of results do not provide sufficient information to make dependable statistical inferences, but continued monitoring and analysis of future survey results will be beneficial in assessing the needs of York County's businesses.

The analysis of the survey results also includes significance testing on the Likert scale questions regarding businesses' opinions of York County's economic development efforts and their opinions on the County as a place to do business. Each Likert scale rank corresponds to a number such that a rank of *excellent* equaled one, *good* equaled two and so on. The analysis does not include the *no opinion* responses reducing the number of usable responses. By averaging the sum of the numerical codes, each question receives a mean score. A low mean score indicates a ranking close to one, or excellent. A high, mean score indicates a ranking close to four, or poor.

In 2004, the mean rank for York County's economic development efforts was 2.14, or the equivalent to a Likert rank of good. On average, businesses in 2004 felt that York County's economic development efforts were good. In 2006, the mean numerical rank for economic development efforts is 2.09, a mean slightly lower than in 2004 indicating a shift in Likert rank towards excellent. A difference of means t-test determined that the difference in mean scores for 2004 and 2006 was not statistically at any level (0.05 or 0.1). The assumption or null hypothesis for the test is that the mean scores in 2004 and 2006 are equal to each other. Results of the significance test do not provide enough evidence to reject this assumption, thus the conclusion that the mean scores are not statistically distinct from each other. A lack of statistical significance regarding York County's economic development efforts in 2004 and 2006 implies no real improvement in the business community's opinion of York County's efforts.

Statistical testing on the question regarding businesses' opinions of York County as a place to do business yielded similar results. In 2004, the mean score for York County as a place to do business was 1.98 and in 2006, the mean score was 1.97. Though small, the difference in mean scores implies a slight shift towards *excellent* in 2006. Using the assumption (null hypothesis) that no difference exists between the mean scores of 2004 and 2006, a second t-test concluded that there was no significant difference between the means at any level (0.05 or 0.1). The result of the t-test did not provide enough evidence to reject the assumption that the mean scores are equivalent. Thus, concluding that the business community's opinions of York County did not improve over

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the two-year period-of-time. The results are not surprising given the very small change in scores.

Statistical testing on the survey results is useful because it can expose areas of strength and weakness within York County's economic arena and provide a focus for York County's efforts. However, a caveat to using the 2004 and 2006 survey data for statistical work is the limitations of the data due to response bias and small sample size. Properly produced data is a necessity when utilizing significance tests.<sup>1</sup> The lack of a proportionate representation of the business community in the pool of respondents and the high number of incomplete surveys leads to uncertainty regarding the reliability of the data.

### **Content Analysis**

In addition to performing quantitative analysis using the Business Retention Survey, our team analyzed the open-ended responses from the 2004 and 2006 survey. After coding the responses, we were able to find patterns in the frequency of responses and analyze the content of the open-ended portions of the survey.

For this analysis, the two survey questions that were examined were: 1) "In your opinion, what could York County do to better serve firms in your industry and to attract other firms to this area?" and 2) "What are the key issues or problems facing your business?" The responses varied from 2004 to 2006.

#### **In your opinion, what could York County do to better serve firms in your industry and to attract other firms to this area?**

	<b>2006</b>	<b>2004</b>
<b>Permitting</b>	8	7
<b>Process Clarification</b>	6	5
<b>Environmental Concerns</b>	3	1
<b>Tax Breaks/Incentives</b>	13	12
<b>Infrastructure (Including Transportation)</b>	30	15
<b>Codes</b>	16	13
<b>Appearance Issues</b>	10	5
<b>Networking</b>	5	2
<b>Zoning/Land Issues</b>	5	7

<b>Marketing</b>	12	10
<b>Other</b>	23	27

In 2006, 30 respondents mentioned that York County could improve their infrastructure, including addressing transportation issues in order to better serve businesses in the region. Another 16 respondents mentioned that county codes, particularly those involving signage, were a source of contention to businesses. Thirteen respondents replied that additional tax breaks and incentives would improve York County's business climate, and 12 respondents suggested that York County improve marketing efforts to businesses outside of York County. Ten respondents reported concerns about the appearance of York County areas of development.

In 2004, 15 respondents mentioned improvements in infrastructure and traffic as ways York County could serve its business community. Thirteen respondents reported that county code policies could be improved for businesses, while 12 respondents mentioned tax breaks and incentive for businesses. Ten respondents mentioned marketing efforts to attract businesses to York County as a service to businesses, and seven respondents suggested that the permitting processes in York County improve for businesses.

**What are the key issues or problems facing your business?**

	<b>2006</b>	<b>2004</b>
<b>Lack of Customers/Changes in the Market</b>	25	27
<b>Lack of Land</b>	9	16
<b>Finding Skilled Workers</b>	25	28
<b>Transportation/Traffic</b>	8	12
<b>Regulations/Permitting</b>	13	18
<b>Access/Visibility Issues</b>	19	15
<b>Issues with Contractors/Sub-Contractors</b>	3	0
<b>Taxes</b>	6	13
<b>Infrastructure</b>	0	5
<b>Marketing</b>	0	5

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<b>Other</b>	38	27
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In 2006, 25 respondents replied that the biggest problem or issues facing their business was a lack of customers or changes in the market that adversely affected their business. Another 25 businesses reported that finding skilled labor/employees was a key problem facing their business. Nineteen reported that issues surrounding access to their business and visibility were key issues to them, and 13 respondents replied that issues around regulations and permitting were key sources of problems to their business.

In the 2004 survey, 28 respondents reported that finding skilled labor was a key problem for their business. Twenty-seven respondents mentioned that a lack of customers or market changes were adversely affecting their business. Eighteen of those surveyed reported that issues surrounding county regulations and permitting were key problems for their business, and 16 respondents mentioned that a lack of available land was a key issue or problem for their business.



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## **Recommendations and Conclusion**

Using the quantitative benchmark, our team was able to systematically compare York County's business environment with that of other comparable counties and MSAs. Although York County's ranking among other areas of Virginia is impressive, there were a few policy recommendations that our team would suggest.

Changes to the survey format and its administration will help improve both the response rate and the quality of the data received from the survey. Ultimately, York County should consider making the survey completely electronic. Numerous websites exist that allow users to create surveys, collect their data, and evaluate the results completely online. One recommended company is [surveymonkey.com](https://www.surveymonkey.com). For only \$20 a month, users have access to various features of survey design and organization to include randomizing questions that reduce bias and an invitation generator to maximize the response rate. Surveymonkey also allows administrators to track responses to learn which businesses have and have not responded.

In addition to the advantages offered by the survey company, online surveys have their own inherent benefits. Online surveys are more convenient, they are easy to complete and return, and perhaps most importantly, data management is much easier due to lack of paperwork and data input. Utilizing online surveys is also cost effective because it reduces the costs associated with sending hardcopies to every company, and it reduces the manpower hardcopy surveys necessitate for mailing and data input.

If using an online survey company is not a possibility, modification of the original hardcopy survey according to the recommendations given by Dr. Rapoport will help improve the response rate and the data quality. Appendix 4 includes the re-written version of the survey utilizing the recommendations given by Dr. Rapoport. In addition to the formatting modifications, the Office of Economic Development should consider developing a focus group comprised of a representative sample of County businesses to help improve and develop the survey questions. Working and talking directly with the businesses will ensure the OED keeps their finger on the pulse of the business community and understands the issues important to the community. The focus group will also allow the business community to see the face of the OED and recognize their presence in the business community.

The business retention survey has the potential to be a key economic development tool for York County. Modifying the survey's format and administration will increase the response rate and the quality of its data. Improved data and a focus group comprised of local businesses will allow York County to understand the issues important to the business community and make informed decision regarding the County's economic development.

In terms of York County's business climate, the area needing the most improvement is the regulatory environment. Streamlining the commercial permitting process would improve this indicator of economic development. However, affecting

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changes to these processes is very complex. In lieu of changing the entire permitting process, York County already possesses an impressive regulatory option for developers: the pre-application process. Our team suggests that York County market on a larger scale this expedited process to developers. Scaling up this feature would result in faster permitting process times and improve York County's business climate as a whole.