



reimagining economic development

a playbook for
state economic
development agencies

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Sustained economic growth is the key driver for improving standards of living and national power. Levers for driving economic growth have received significant focus at the national level, such as through monetary policy and fiscal reforms or a national industrial policy. However, insufficient focus has been paid to the role of state economic development agencies and administrations. This has affected program implementation as, historically, national policymaking overlooks these institutions. This insufficient focus has often failed to provide the resources for tasks states are expected to carry out, or neglected information or networks these agencies can offer. This needs to change.

In this piece, we argue that state economic development agencies (EDA) have a critical role to play in driving economic growth. State EDA's are uniquely positioned to bring regional stakeholders together, creating regional ecosystems boosted by agglomeration effects.¹ Indeed, the recent federal focus on hubs² and regional engines³ is a recognition of this importance and past oversights. However, state EDA's can go further and be more than vessels of federal funding. While their traditional remit has focused on firm-level tax subsidies,⁴ we argue that state EDA's can use an expanded set of tools to drive economic growth.

This renewed interest in regional economic growth is particularly important amid growing commitment to bolstering large-scale energy, housing, industrial, and infrastructure projects. For capital and labor intensive goods-producing sectors, such regional economic tools matter even more given the intersection of state policy, financing needs, permitting and approval processes, and the lack of stable procurement. In this report, we outline how state EDA's and governor's offices can drive regional economic growth through an expanded toolkit. We specifically focus on: 1) **housing growth**—supply-side housing to enable infrastructure and industrial expansion, 2) **innovative financing**—funding new initiatives and regional development through government financing, and 3) **permitting reform**—reforming permitting systems to enable timely project approvals.

¹Glaeser, Edward L. "[Introduction](#)." In *Agglomeration Economics*, 1-14. Chicago, IL: The University of Chicago Press, 2010.

²"[Regional Technology and Innovation Hubs \(Tech Hubs\)](#)." n.d. U.S. Economic Development Administration. Accessed May 6, 2025.

³"[Regional Innovation Engines](#)." 2024. National Science Foundation.

⁴Which are of dubious efficacy: Lincicome, Scott, Marc Joffe, and Krit Chanwong. 2024. "[Reforming State and Local Economic Development Subsidies](#)." Cato.org. September 19, 2024.

I. Housing

In the final analysis, people are the key reagent for an economy. That makes housing essential to any economic development strategy. Without sufficiently affordable places to live, people can't move to where opportunity is growing or stay where they create it. Housing is the “grease on the gears”—without ample supply, other state development policies have limited economic upside.

The issue of housing has only become more critical as income-adjusted housing costs⁵ have reached record highs. Housing cost burdens reduce labor mobility,⁶ which particularly impacts talent focused sectors like manufacturing and startups. Indeed, Freddie Mac analysis showed affordable housing is a primary driver of relocation decisions.⁷ Lack of abundant housing effectively caps what traditional development tools can accomplish: if workers or scientists cannot, or will not, move to an industrial or research hub because of housing costs, corporate subsidies become increasingly ineffective.

The rise of remote work has further increased the importance of housing. When employees only go into offices 3 days a week, they now spend the majority of their time in their “First Space” (*i.e.* home). Therefore, the costs and amenities associated with housing become even more important. Indeed, low-cost localities have pioneered remote-first strategies⁸ to incentivize remote workers to move to their region, which arbitrage their low cost of living with upfront incentives for workers, rather than companies.

One problem faced by housing is its development cycle, which is both long-term and heavily vulnerable to changes in interest rates and other macroeconomic problems. A recession or tight monetary policy can slow down the building of projects well in advance of boom years when that housing will be most necessary. As such, potential solutions combine robust supply-side reforms, counter-cyclical financing, and the strategic market anchoring role played by EDOs. This section explores those options.

Case Study #1: Intel and Licking County, Ohio

In early 2022, Intel announced a historic \$28B investment in Licking County, Ohio for multiple semiconductor fabs⁹—one of the largest investments in Ohio history. It also brought growing strains, with significant expected population growth and a looming housing deficit. Fortunately, many of the townships within the county already had comprehensive plan development

⁵Hermann, Alexander, and Peyton Whitney. “[Home Price-to-Income Ratio Reaches Record High](#).” Harvard University Joint Center for Housing Studies. January 22, 2024.

⁶Klurfield, Kristen. “[Exploring the Affordable Housing Shortage’s Impact on American Workers, Jobs, and the Economy](#).” Bipartisan Policy Center & J. Ronald Terwilliger Center for Housing Policy. March 2024.

⁷“[In Pursuit of Affordable Housing: The Migration of Homebuyers within the U.S. — Before and After the Pandemic](#).” Freddie Mac. June 22, 2022.

⁸Goldberg, Emma. “[Can Remote Workers Reverse Brain Drain?](#)” *The New York Times*, October 16, 2024.

⁹“[Intel Invests in Ohio](#).” Intel Newsroom. February 7, 2025.

underway,¹⁰ allowing for greater flexibility in development planning. The regional Grow Licking County EDA worked with localities to incorporate more apartment and mixed use zoning despite the rural character of the townships.¹² The Licking County Foundation was able to support affordable housing through developer loans.¹³

When Intel announced project delays, it did provide some relief to the tight timeline of housing and infrastructure development required. But rather than a slowing of investment, communities reacted with ambivalence. Much of the economic development had already been locked in, with housing growth continuing and other manufacturing sites being picked up.¹⁴ This still unfolding saga illustrates both the transformative nature of large-scale economic investment and the no-regret strategy of boosting denser housing with commercial sites, in areas with strong pre-existing ecosystems like Columbus. While the timeline between comprehensive plan development and the Intel announcement happened to align, EDAs can take a more proactive role in coordinating with townships and counties throughout their planning process, rather than passively waiting for fortuitous timeline alignment. The housing they build further undergirds economic development even if a particular project is delayed.

Case Study #2: Housing Opportunities Commission, Housing Production Fund

In 2021, the Housing Opportunities Commission (HOC) of Montgomery County, Maryland established the Housing Production Fund (HPF) seeded with the proceeds of a taxable \$50 million 20-year municipal bond backed by Montgomery County. HOC is uniquely situated as both a Public Housing Authority and Housing Finance Agency (HFA). The Housing Production Fund was set up to make short-term construction bridge loans to new multifamily housing projects developed by the agency and their co-developer partner. The agency partners with private developers to create new mixed-income housing units by offering them low cost construction finance via loans from the HPF and, at project completion, refinancing the now completed and de-risked project in lower cost long term debt markets in which HOC also participates. One such program includes the HFA Federal Finance Bank's Risk Share Program. This refinancing structure allows the HOC to take an ever expanding equity position in the project, eventually becoming its owner. The HOC uses its low cost contraction and permanent lending, as well as tax-exemption on its properties, to reduce the financing cost of the project facilitating a mixed income unit mix with market rate units effectively cross-subsidizing affordable units at different levels of AMI. The Housing Production Fund can seed new projects, or more uniquely, refinance projects initiated by private developers that have run into difficulties due to unexpected changes in the cost of equity and access to short term capital. This allows the

¹⁰Mattei, Holly. "[Licking Township: Proposal for an Update to the Comprehensive Plan.](#)" February 2024.

¹¹Millard, Katie. "[Intel is Almost a Secondary Thing: Licking County Grows Despite Delays.](#)" NBC4 WCMH-TV. March 26, 2025.

¹²Mallett, Kent. "[Grow Licking County Prepares for Faster Growth than Ever Imagined with Intel.](#)" The Newark Advocate. September 18, 2022.

¹³Mallet, Kent. "[New Fund Aims to Boost Housing.](#)" Licking County Foundation. September 23, 2024.

¹⁴Millard (2025).

fund to help ensure viability for essential projects that expand the supply of housing, even during economic downturns.

The Housing Production Fund is a revolving fund. It recycles the earnings from its construction bridge loans into new construction bridge loans, sidestepping reliance on otherwise time or volume-limited federal and local appropriations. The interest paid by HOC's developer partners on the HPF loans more than covers the county's bond payments. Once projects exit construction—their riskiest period—they are easily able to support senior debt raised from private, mission-driven, and philanthropic lenders. Montgomery County and HOC have since doubled the size of their fund with a second taxable issuance. The Housing Production Fund allows Montgomery County to sidestep bond volume caps and Low Income Housing Tax Credit (LIHTC) allocations, increasing housing production beyond the traditional federally funded programs. In doing so, HPF helps Montgomery County achieve its housing production goals at a faster rate, while preserving LIHTC volume for projects requiring deeper levels of affordability. Since HOC's implementation of the HPF, this model has caught fire across the nation and several communities have also implemented their own HPF programs.¹⁵

Case Study #3: MassHousing Bringing Innovation to Lending and Development (BILD) Program

MassHousing's Bringing Innovation to Lending and Development (BILD) program offers an effective approach to boost housing production. BILD was developed out of a desire to increase financial tools for market-oriented, mixed-income multifamily development. These tools increase housing and provide local solutions for predictable, efficient, and stable permanent equity and senior debt. This tool was designed to be more flexible than commercial equity and senior debt options. The Affordable Homes Act allocated \$50 million to provide seed funding for this evergreen investment vehicle. BILD is composed of two tools: Momentum Equity and the FORGE Loan.

Momentum Equity

Momentum Equity was established to address rapidly changing economic conditions, including an increase in pricing, lack of affordable equity, and high interest rates. Momentum Equity is a takeout financing source designed to be flexible and competitively priced as compared to the commercial equity market. Momentum Equity can finance up to 25% of a transaction total in exchange for 20% of the units targeted to 80% of the area median income. Transactions blend Momentum Equity with private equity, leading to a decrease in the overall cost of equity. The fund is managed in-house, allowing MassHousing to exercise maximum oversight and mission alignment.

¹⁵The following communities have implemented or started the implementation process: Atlanta, Georgia; Chattanooga, Tennessee; Chicago, Illinois; Seattle, Washington; Syracuse, New York; Kingston, New York; Colorado, and Michigan.

FORGE Loan

The FORGE Loan is a new taxable rental lending product offered by MassHousing in partnership with Freddie Mac and Berkadia. The FORGE Loan can be used in tandem with Momentum Equity or on its own. MassHousing provides a self-funded subordinate loan (up to 10%). This subordinate loan provides credit enhancement to Freddie Mac through a top loss provision, allowing the borrower to tap into favorable terms related to loan pricing, leverage, and a forward rate lock. The FORGE Loan is also targeted to large scale market-oriented rental development. Participation in the FORGE Loan program requires 20% of the units targeted to 80% of the area median income.

By combining the Momentum Equity and senior debt execution that can be leveraged to a degree more than what is existing in the commercial market, MassHousing can achieve project LTVs up to 75%, reduce the amount of GP and common equity required for projects, and improve project feasibility and IRR. Reducing the amount of common equity needed in a deal allowing owners to source equity for a larger variety of sources.

Recommendations

- **Include housing supply in economic development readiness assessments:** Greater visibility into local housing supply constraints can help EDA's assess the extent to which a locality can absorb economic development and the associated new workers. Greater local housing supply can also minimize backlash to new corporate developments and allay fears of rising rents due to new influx of workers. EDAs should include housing supply as a key consideration when choosing sites to develop and potentially as an added type of incentive in economic recruitment packages.
- **Coordinate with local zoning authorities:** State and regional EDAs should coordinate with local zoning authorities to identify commercial and mixed-use areas for economic investment.¹⁶ Improving coordination and aligning decision making timelines between zoning and development authorities can help EDAs improve their incentive packages to include forward looking upzoning or transit-oriented development around economic development sites.
- **Coordinate with state housing authorities on innovative investment strategies:** State agencies should socialize best practices for creative financial product design among Housing Finance Agencies (HFAs) and Public Housing Authorities (PHAs). State and regional EDAs can also use their own financing to support creative housing transactions, especially when they help HFAs and PHAs increase housing production

¹⁶Sturtevant, Lisa. "[Housing as Part of a County's Economic Development Strategy.](#)" National Association of Counties. May 14, 2018.

beyond the housing produced through scarce and vulnerable federal affordable housing resources. EDAs must make sure to not only work with HFAs and PHAs, but also the wider universe of housing lenders that may be unfamiliar with simpler non-LIHTC capital stacks.

- **Explore local and state level bonding vehicles to capitalize revolving loan funds:** State and local jurisdictions and PHAs should explore the extent to which utilizing bonding vehicles can capitalize their revolving loan fund. In many localities, capitalizing a revolving loan fund was the catalyst for establishing an innovative mixed-income housing production program.

II. Financing and regional coordination

Finance is a dynamic challenge for any major economic project. However, any project's financing needs will differ, depending on its type. Large-scale fixed capital projects will require long-term, patient financing that can persist through a variety of uncertainties while reducing capital costs on huge upfront expenditures—without imposing undue constraints on the project developer's solvency.¹⁷ Early-stage advanced technology requires risk-tolerant financing processes, techniques, and pre-development activity so project sponsors can bring projects closer to an as-yet-uncertain commercialization stage. In both cases, though, finance is hobbled by uncertainties. Some of those are policy-induced, or the result of atrophying capacity in previously robust sectors. Others are natural outcomes of building something new for markets and regulatory systems that did not envision their operation.

In either case, the role of public finance within a regional development coordination strategy is twofold: (1) design and supply financial products that can help early-stage development efforts achieve commercialization and help commercializable projects achieve deployment at scale; (2) harmonize these financial products with regional regulations and approval processes to make sure that the region's economy can adapt to and sustain—rather than work against—the projects that are being financed. Ideally, policymaking would create circumstances that enable the regions' institutions, stakeholders, and firms to proactively plan complementary capital expenditures in anticipation of new anchor developments and industries.

The most successful public development financing programs are implemented by effective public financing institutions—dedicated state-sponsored issuers of concessionary capital. While many such institutions exist, they can be more ambitious. They should not just be issuers of low-cost, risk-taking capital; they must also use their role to shape the broader regional economic ecosystem by building and maintaining connections between developers, financial firms, and other crucial entities throughout a state. The public financing entities that play this

¹⁷Lala, Chirag et al. "[Amortizing Public Capital: Elective Pay Model 3.0](#)." Center for Public Enterprise. February 3, 2025.

role are themselves entrepreneurial and proactive, institutionally designed as a hybrid between a private entity and a government agency. Therefore, they function as nodes or “one-stop-shops” for collaboration between and within the private and public sector.

Public investment authorities already exist in most states and take a variety of forms: as bond banks, economic development authorities, infrastructure and public banks, and even technology-focused “centers.” Many are empowered to use a diverse set of financial tools including grantmaking, direct lending, equity stakes, co-investment, advance market commitments,¹⁸ and other concessional financing arrangements. These authorities are important enough that numerous bipartisan investment programs were designed with the intention of these entities playing critical roles in implementation of ambitious investment inducements, such as the technology neutral tax credits and the Department of Energy’s Title 17 lending program. To make full use of these entities, state legislatures should provide clear objectives to support technology deployment, standardize agency toolkits, and provide additional funding and the necessary operational flexibility to deploy capital in response to evolving regional needs.

Case Study #1: Bank of North Dakota

The Bank of North Dakota—a publicly owned state bank—provides numerous agricultural loan products to farms and businesses across the state.¹⁹ One such program, the Agriculture Diversification and Development Fund, supports new or growing “value-added agriculture businesses.”²⁰ The program can function using an interest rate buydown on a loan already secured from an external source. Its Envest program purchases shares in startup agricultural processing businesses focusing on products grown in North Dakota.²¹ Participants take out loans to purchase shares in either processing facilities or feedlot or dairy operations feeding ethanol or biodiesel facilities.

Case Study #2: Connecticut Green Bank

The Connecticut Green Bank provides a variety of capital solutions to clean energy technologies within the state. These solutions come in the form of dedicated financial support programs (e.g., C-PACE programs) for specific kinds of borrowers or projects. However, their capital solutions program stands out. The Bank maintains an open request for proposals (RFP) for projects that catalyze clean energy deployment and energy efficiency, reduce greenhouse gas emissions, improve environmental infrastructure, or provide broader job growth, health, and development outcomes across the state.²² Projects must have demonstrated commercial feasibility to apply. In

¹⁸Yang, Charles. “[State Economic Development Agencies](#).” Levers for Progress.

¹⁹“[Ag Loans](#).” Bank of North Dakota. January 28, 2025.

²⁰“[Agriculture Diversification and Development Fund](#).” Bank of North Dakota. February 26, 2025.

²¹“[Envest](#).” Bank of North Dakota. February 26, 2025.

²²“[Green Bank Capital Solutions](#).” Connecticut Green Bank. July 18, 2022.

turn, the bank offers a variety of financial products (including various senior and subordinate loans and equity). One of the keys to the Bank's success is that it proactively pre-certifies and vets subcontractors that are eligible to construct assets sponsored by its standing programs. This not only reduces administrative burdens for communities and developers but also mitigates "fraud, waste, and abuse" legal concerns, and creates a state-wide network that markets its products and helps identify market gaps and opportunities.²³

Case Study #3: State Venture Capital Funds

Numerous states operate venture-capital-like programs, providing early stage equity funding to promising startups. A common way of issuing publicly supported venture capital is through a certified capital company (CAPCO) structure. CAPCOs allot state tax credit to companies investing in a state's startups. Louisiana's CAPCO program provides tax credits for direct equity investments in Louisiana firms that are expected to be cashed-in within five to ten years.²⁴ While Texas is not currently accepting new CAPCO applications, the Texas Comptroller's Office administers a portfolio of \$400 million in CAPCO investments. Texas' CAPCO issues certified capital notes to issuance companies investing in the state's startups who are de-risked via tax credits against their state imposed premium taxes.²⁵

States also spin off or sponsor entities to take equity positions directly in qualified early stage firms that are deemed important to state development. i2E, an Oklahoma-based nonprofit, provides venture capital funds to in-state firms. It receives state appropriations via the Oklahoma Center for the Advancement of Science and Technology.²⁶ California's I-Bank invests as a limited partner to certain venture capital funds focused on financing priority sectors in the state and reserves the authority to directly invest in startups.²⁷ The New Jersey Economic Development Authority's Edison Innovation Fund invests in early-stage technology and life science companies with revenues less than \$3 million annually.²⁸ The Massachusetts Clean Energy Center (MassCEC), a state economic development agency dedicated to growing Massachusetts' climate tech sector, makes direct equity and venture debt investments in local companies via its 2030 Fund.²⁹ It also provides "technology to market" grants to entrepreneurs in the early stages of forming new firms.³⁰ These grants are paired with other services to the burgeoning sector,

²³[Open Request for Proposals for Clean Energy and Environmental Infrastructure Investment.](#) Connecticut Green Bank. n.d. Accessed May 6, 2025.

²⁴[CAPCOs.](#) Louisiana Office of Financial Institutions. July 12, 2023.

²⁵Eligible insurance companies are those paying premium taxes in the state. The tax credits are "premium" tax credits. Source: [The Texas Certified Capital Company Program.](#) State of Texas, Office of the Comptroller. 2025.

²⁶Meacham, Scott. [Oklahoma's State-Sponsored Venture Capital Funds Key to Developing Local Firms.](#) The Oklahoman. March 28, 2017.

²⁷[Venture Capital Program.](#) California Infrastructure and Economic Development Bank. 2024.

²⁸[Venture Fund Investments.](#) New Jersey Economic Development Authority. November 12, 2024.

²⁹[MassCEC Investments.](#) Massachusetts Clean Energy Center. 2023.

³⁰[Technology to Market.](#) Massachusetts Clean Energy Center. 2023.

including workforce development programs and a production tracking system for renewable energy systems in Massachusetts.³¹

Case Study #4: Private and Public-Facilitated Consortia

Numerous state-level consortia or partnerships are formed to convene key stakeholders in preparation for significant technological investment opportunities. These consortia might involve best practices sharing, consideration of regulatory harmonization or broader policy needs, or the connection of developers to publicly sponsored capital sources. Examples include EmpireAI, a New York state-sponsored partnership of universities. Ten states³² formed a consortium to promote advanced nuclear projects under the umbrella of the National Association of State Energy Officials.³³ This “Advanced Nuclear First Movers Initiative” consortium proposes to explore opportunities to reduce technological and financial risks for these projects, devise market adoption policies, support supply chains, develop coordinated procurement plans, and explore private-federal-state financing structures.³⁴ The Center for Public Enterprise proposed a similar such consortium for the development of next-generation geothermal technologies in the Mountain West states.³⁵

Recommendations

As shown above, state public finance programs play an underappreciated role in seeding technology startups and deployment efforts within the state. These efforts function through public agencies, private and nonprofit ventures connected to state governments, and through cross-state collaborative efforts. However, states can do more to supercharge these efforts and expand their effectiveness:

- **Set clear goals and objectives but enable state institutions to develop in-house deployment strategies, roadmaps, and expertise.** Technological deployment is best achieved under circumstances in which agencies know their goals and where their administrators have the flexibility to balance competing tradeoffs in the interest of pursuing those goals. Clear goals should give officials room to pursue objectives with adaptability and creativity. It is in the nature of technological development to require customized solutions to particular development challenges, especially via financing. State officials will need room to enter into workable operating arrangements with their counterparties. The officials and public servants on the ground must be able to act as

³¹“[Production Tracking System \(PTS\)](#),” Massachusetts Clean Energy Center. 2023.

³²New York, Indiana, Kentucky, Tennessee, and Wyoming. Maryland, Pennsylvania, Utah, Virginia, and West Virginia. Source: “[Ten-state coalition aims to accelerate advanced nuclear](#).” World Nuclear News. February 11, 2025.

³³Ibid.

³⁴“[Nuclear Energy](#),” NASEO. 2021.

³⁵Lala, Chirag, et al. “[Enhanced Geothermal Consortium for the Mountain West](#).” Center for Public Enterprise. April 4, 2025.

the state's eyes and ears, becoming deeply embedded within the business networks they aim to foster, and rapidly respond to needs without fear of over-supervision from legislatures or without their decisions being subject to third-party veto.

- **Provide flexible financial capacities.** Technological deployment requires various types of financial commitments. Grants and equity are critical for early stage companies which are seeking to raise venture capital. Project finance (longer-term debt and equity) seeds large, long-duration fixed capital projects that support new technologies' commercial deployment. Construction bridge loans facilitate the buildout of homes and energy installations. Public finance policies should ensure that EDAs and other entities have the flexibility to adapt their capitalization and financial product offerings to the evolving needs of the sectors they are tasked with addressing.
- **Build project pipelines.** EDA officials should "know the terrain" in sectors where they hope to facilitate technological deployment. This task involves knowing not only crucial players, but also whether those players have capital expenditure plans and what their financing capacities are. Effective uses of Requests for Information and Requests for Proposals are those tailored to discovering financial bottlenecks to gather information to input into financial product designs. Some examples of effective RFIs include the New York Power Authority's long-term renewable investment plans³⁶ and the Colorado Energy Office for its various state financing tools.³⁷
- **Increase state funding and utilize revolving funds.** Financing programs for technological deployment should see their funding and staffing levels sustained and increased so they can seed more ventures. These funding increases can be paired with efforts to recoup or revolve initial financing between projects. EDAs with established revolving fund structures should consider opportunities to leverage their cash flows to gain more control over the rate of new issuance.³⁸
- **Develop intra- and inter-state relationships with crucial stakeholders and other EDAs.** Pool resources and leverage private capital. Financing involves relationships with critical investment actors. This includes firms that take on investment, agencies that provide funding or own crucial assets, local governments, and even other state governments. Building the space for collaboration between these entities is important to ensure financing efforts succeed. This can happen via consortia, particularly when policy changes and the pooling of resources are concerned. Collaboration can also occur through state sponsorship of private ventures. The goal is to work together, forge deals that solve key barriers to investment, and plan for upcoming challenges.

³⁶[New York Power Authority Issues RFI on Renewable Energy Development Opportunities in New York State.](#) New York Power Authority. January 2, 2024.

³⁷[Colorado Clean Energy Finance Investigation Request for Information.](#) Colorado Energy Office. 2025.

³⁸Feygin, Yakov et al. "[Revolving Loan Funds.](#)" Center for Public Enterprise. August 7, 2024.

For their part, federal policymakers should also consider ways to reinforce financing capacity at the state level. State EDAs and other public financing institutions develop local and regional knowledge that federal programs cannot always achieve due to limitations on federal program authorities and local/regional connections. Some proposals already focus on increasing state resources—such as a proposal to provide capitalization to state bond banks.³⁹ Others should make it easier to use various federal funding options for more creative purposes, including funds through the State Small Business Credit Initiative (SSBCI). Still others might emphasize creative utilizations of existing federal credit programs to stack on top of state efforts.

III. Permitting

Permits are a key part of the process for developing any major economic project. Traditional EDAs focus on capital and occasionally infrastructure, which appear more clearly on balance sheets. But permits are also a critical part of the business decision-making process. While they don't directly affect funding, they do touch on something more important: time. Whether time spent bouncing between permits or time spent waiting for permits, all add drag to the cost of doing business. The permitting process can be particularly lengthy and determinative for a project's success, especially for industrials and manufacturing. Uncertain permitting—processes that involve significant decisionmaker discretion, subjective evaluation criteria, and unclear relations between project submissions and final outcome—adversely impact development planning and financing as well. The wide disparity in different state's approaches to permitting,⁴⁰ particularly environmental permitting, means there is often substantial room for states to improve their economic competitiveness through legislative and administrative action.

The nominal role of permits is to ensure that developers comply with safety, health, and environmental standards. It is indeed possible for states to be economically competitive in their business development while maintaining the same, or even improved, compliance standards. By identifying opportunities for streamlining requirements, improving coordination and certainty across different state and local permitting offices, and increasing the number of categorical permits, states can improve time-to-market and make their industrial development more attractive. These process-based improvements do not lessen community engagement or shortcut substantive outcomes, but instead help to streamline and provide the clarity necessary to meet these objectives.

³⁹Gaughan, Michael and Adie Tomer. "[State bond banks, the best kept secret in infrastructure finance, need a bigger role in rebuilding America](#)." Brookings Institute. June 20, 2024.

⁴⁰Hochman, Thomas. "[The State Permitting Playbook](#)." The Foundation for American Innovation. November 12, 2024.

Case Study #1: Idaho Zero-Based Regulations

In 2020, Idaho Governor Brad Little introduced Executive Order 2020-01, known as “Zero-Based Regulation” (ZBR).⁴¹ This directive established a systematic five-year review cycle for all regulations, helping to ensure regulations remained up to date. In 2023, the Idaho state legislature amended the state’s Administrative Procedures Act to enshrine this practice into law, with an 8-year sunset instead. Note that the executive order still required public participation for rulemaking, and extensive records were kept of every rule that was chosen to be sunsetted. This helped to build public trust in the process.

As a result of these measures, approximately 1,800 pages—or 20 percent—of state regulations were allowed to expire in the first year alone. Like dress codes for deputy state veterinarians or hyper specific requirements for female kickboxing uniforms, historical regulations were removed,⁴² allowing Idaho to claim the title of least regulated state.⁴³ It’s worth noting that while this deregulatory approach may reduce the regulatory review required from state government officials, the burden of cyclical reviews of all regulations actually requires greater state capacity.

Building on Governor Little’s focus on permitting effectiveness, he also introduced a separate Executive Order at the beginning of 2025 to create the interagency Idaho Strategic Efficiency and Economic Development (SPEED) Council to provide early project consultation and coordination for project permitting.⁴⁴ The SPEED Council demonstrates that while streamlining regulatory burden is an important step, effective coordination of government bureaucracies is equally important for promoting business development.

Case Study #2: Pennsylvania Transforms Permitting

In 2023, Pennsylvania Governor Josh Shapiro issued an Executive Order directing state agencies to inventory all permits and licenses, their associated fees, and the acceptable processing times for each. The order included a novel accountability mechanism: if agencies failed to process applications within the established timeframe, they would refund the fees to applicants. The order also emphasized a need to modernize the digital experience of applying for permits and licenses.

Even with the fee refund incentive to motivate agency-led reform, the governor also created two new offices within his administration to drive change: the Office of Transformation & Opportunity (OTO) and the Commonwealth Office of Digital Experience (CODE PA). OTO was

⁴¹[Executive Order No. 2020-01: Zero-Based Regulation.](#) State of Idaho Executive Department. January 2020.

⁴²Adams, Alex. “[Zero-Based Regulation: A Step-by-Step Guide for States.](#)” Manhattan Institute.

⁴³Trull, Jeremy. “[Idaho Increases Its Lead as Least Regulated State.](#)” Office of the Governor Brad Little. November 10, 2021.

⁴⁴[Executive Order No. 2025-02: Idaho Strategic Permitting, Efficiency and Economic Development \(SPEED\) Act.](#) State of Idaho Executive Department. February 2025.

tasked with identifying administrative bottlenecks and opportunities to streamline government processes, starting with the development of dashboards to track permit timelines across agencies. CODE PA brought in civic technologists to build digital tools and services that improved the usability and accessibility of permitting systems.

As a result of this concentrated effort directly from the governor's office, customer experience with government services improved across the board. Specific to economic development, Pennsylvania state was able to reduce the time to receive an initial corporate license from eight weeks to two days and reduce small business verification times at the Department of General Services from 15 days to 10 days. One pilot program was launched to create common construction permits and helped reduce approval times by over 2 months. A Pennsylvania regional economic development CEO corporation praised the results, describing "speed to market [as] one of the critical issues often raised by companies as to why a particular state... is selected."⁴⁵

Recommendations

State economic development agencies often focus on financial incentives to attract business investment. But time to market is increasingly an important aspect for developers. EDA offices should closely consider permitting as a key lever for achieving their objectives, particularly as streamlined permitting processes do not require the use of taxpayer funding. They also prevent race-to-the-bottom dynamics among competing state jurisdictions for investment subsidies. We provide several tactical recommendations to state governments on how to improve the feedback between developers, EDA offices, and regulatory agencies:

- **EDA coordination with permitting agencies:** state EDAs and permitting offices should have clear communication forums, either through governor's office led councils or interagency cooperative agreements. Creating channels for feedback allows EDAs to work with supported developers and pass feedback on permitting processes and legibility to permitting offices.
- **Create one-stop shops for permits:** Having the state government take on responsibility for facilitating the various permits required, rather than having a developer bounce around different departments, can be a crucial aid to lowering the cost and friction to economic development. Enhanced EDA coordination with permitting agencies can help serve as a beachhead for what a one-stop shop might look like.
- **Tailored permitting:** Due to the federalist system of regulations, states have a fairly wide latitude in their implementation plan for the Clean Air Act and Clean Water Act.

⁴⁵Muschick, Paul. "[Moving at the Speed of Business: PA to Issue Permits Faster Under New Programs.](#)" Lehigh Valley Economic Development. August 20, 2024.

They often have administrative flexibility for potential state-level regulations as well. When considering the portfolio of statutory permit requirements, state agencies can consider the following principles:

- **Identify redundancy:** in cases where the same information is requested multiple times across permits, consider creating shared databases. If one substantive interest is already covered, consider removing any associated procedural requirement, particularly when litigation is empowered on the basis of procedural requirements without consideration for substantive harms.
- **Increase categorical specificity:** in some cases, it may actually *increase* efficiency to increase the number of permits, by creating more tailored permits for specific industries or types of development, such as permit-by-rule.
- **Promote standard based approaches:** rather than regulating procedural outcomes, permits should be technology and solution-neutral. Instead, they should focus on standards and outcomes. For example, Plant Applicability Limits (PAL) under the Clean Air Act⁴⁶ set plant-wide emission annual limits and allow developers flexibility to choose the appropriate technology and solution to meet those limits.

IV. Conclusion

This report highlights the importance of state EDAs in three vital categories of policymaking for economic growth: housing development, finance and regional coordination, and permitting policies. In each category, state EDAs are re-investing in creative policymaking to unlock bottlenecks to investment and job creation. They are removing obstacles to investment, rationalizing policy making capabilities, streamlining approval and permitting processes, creating recyclable financing structures, and building connections between business and government in anticipation of new sectors and economic activity. This is important: other states and the federal government should pay attention. Our recommendations are straightforward. Take what works and try it. Adapt it to your circumstances. Investigate laws, regulations, or longstanding practices that might prevent the implementation of new ideas. Engage with state policymakers and civil servants to solicit their input. Reinforce these reforms with money and political legitimacy. The goal is to create agencies that are better equipped and authorized to promote economic development. If these efforts are successful, they will have implications for the federal government as well.

⁴⁶[Plantwide Applicability Limits.](#) United States Environmental Protection Agency. April 3, 2025.

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Red Tower Crane in Knoxville, Tennessee by Lee Ann Ratledge/[Wikimedia](#).

About the Center for Public Enterprise

Center for Public Enterprise is a 501(c)(3) nonprofit organization focused on expanding public sector capacity to deliver broad economic development. Our work focuses on various sectors of the economy, including housing, energy, and finance. For more information, visit our website at publicenterprise.org.

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