Putting Business to Work for Health

Incentive Policies for the Private Sector
Acknowledgments

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Introduction

Every day, business owners and real estate developers make decisions that have tremendous impact on our health – decisions about where homes are built, where businesses are located, and what kinds of products and services are available. With help from local government, businesses can be powerful allies in promoting public health, investing not only in their own growth but also in new opportunities for physical activity and access to healthy, affordable food.

Local governments have a variety of tools they can use to engage businesses in promoting community health and well-being. While some view government involvement in the private sector as an unnecessary intrusion, a well-structured incentive program can effectively advance public health objectives while encouraging – and rewarding – private sector innovation.

Incentive-based policies are a win-win proposition, offering businesses greater freedom to operate in ways that also contribute to public health. Although incentives can take the form of financial rewards, local governments have many low-cost, non-financial incentives at their disposal. Combined with other health-promoting policies, these incentives help create neighborhoods where people can thrive.

Contact ChangeLab Solutions for help determining whether incentives are an appropriate policy tool to achieve your community’s goals. We can also help you craft policy language to create incentives for healthy business practices in your community.
Who creates incentive policies?

Incentives can be established by a variety of government entities. For the purposes of this guide, we assume that a public health agency or community health advocate is developing an incentive proposal. But one agency or advocate can’t build the incentive policy goal alone: at the very least, it will take partnership with community members, other government agencies, and elected officials to develop a proposal that serves local needs.

Depending on the community and the type of incentive, the local elected body – say, the town council – may need to pass a law establishing the incentive policy. And depending on the type of incentive, agencies such as the planning or economic development department may need to implement it.

There are lots of ways to craft incentive policies to serve your community, which means there is no single path to making an incentive a reality. This guide will help you craft an incentive proposal. Once you have a proposal, you will need to work with a local attorney or other government staff with relevant expertise to figure out how to implement it.

When policymakers work with the private sector to achieve a policy goal, they must decide which approach is likely to be most successful: a mandate or an incentive. To encourage healthier eating, for example, a policymaker might propose a mandate like a prohibition on new fast food restaurants near schools or a requirement that food retailers stock fruits and vegetables. Or she might decide that, given local circumstances, the best way to help people eat more healthfully is to provide incentives for food retailers to offer more fruits and vegetables.

It is important to choose the policy tool that is most suited to your community health goals and policy environment. Incentives can make good sense in situations like these:

- **When businesses are asked to take on innovative practices.**
  
  Incentive policies can serve as pilot projects that give businesses and policymakers a better understanding of what is involved in implementing a new practice. Healthy restaurant policies, such as Colorado Smart Meal Seal, offer restaurants free publicity and support if owners add healthier meals to their menus. Healthy cooking techniques are not widespread in the restaurant industry, so these incentive policies demonstrate the viability of restaurants offering healthier food.

- **When businesses are asked to take on practices that are perceived as expensive.**
  
  Business owners may be reluctant to implement a new practice because they think it will cost a lot of money or decrease their revenue. Incentives can ease the transition to new practices. Grocery store owners tend to locate in higher-income neighborhoods, for instance, because they perceive greater opportunity for profit. Incentives, such as those offered through the Fresh Food Financing Initiative in Philadelphia, can help attract grocery stores to underserved, low-income neighborhoods.

- **When widespread adoption of a business practice is not necessary.**
  
  Incentives are a good strategy when not every business in a community needs to adopt a particular practice to achieve the desired public health goal. The community of West Jordan, Utah, reduces traffic impact fees for developers if they install bicycle lockers in the development. Bicycle lockers are not necessary or even feasible in every development so this incentive encourages developers to incorporate this feature when it fits within the development plans.

- **When an incentive is more politically feasible than a mandate.**
  
  Policymakers are often reluctant to impose mandates because they fear potential negative impacts on local businesses. Incentives can be an excellent option to move health policy forward and demonstrate the positive impact of health-promoting business practices.

It’s unlikely that incentives alone will be enough to achieve some health goals, like reversing obesity rates in a community. When serious diseases can be prevented through proven interventions, mandates should be adopted. Restaurants are required to undergo regular food safety inspections, for instance, because unsafe food handling in any restaurant would cause serious, preventable health problems. Incentive-based policies would not lead to the widespread safe food-handling practices that are necessary to prevent food-borne illnesses.
Communities should also use mandates when it is important that all neighborhoods experience the impact of the policy. Some communities, for example, offer housing developers incentives to build sidewalks in new developments, but this type of incentive has limited impact. To ensure that walkable and bikeable streets become available to everyone, a community can pass a “complete streets” policy requiring the public works department to incorporate bike lanes and sidewalks into renovated streets.

It is important to consider if an incentive-based approach will exacerbate health and income disparities in a community. For instance, policies that encourage developers to incorporate healthy food retail into new developments may only benefit higher-income areas, since developers tend to focus their efforts in these places. Mandates or more targeted incentives may be more equitable alternatives.
Where’s the Money?

Not all incentives require money. In fact, some of the most innovative ones require very little funding.

Businesses often find, for instance, that the process to get a license or to get building plans approved is extremely burdensome. Reducing the bureaucratic burden – the length of time it takes to get a permit, or the amount of paperwork to open a new business – can be a huge incentive that costs government little or no money.

Another no-cost incentive is waiving certain requirements for a license or permit approval. For example, communities often require new commercial developments to include a certain number of car parking spaces. This type of requirement can be waived in exchange for the developer incorporating a grocery store into the development. Reducing the number of parking spaces means that the developer can potentially increase the amount of commercial space in the development, which has a significant financial benefit to the developer and costs nothing to the local government.

Low- or no-cost incentives include:

- Bid preferences
- Density bonuses
- Exemptions
- Streamlined processes

Some types of incentives will cost the local government money through direct spending, loss in tax revenue, or staff time, for example:

- Grants, subsidies, loans
- Tax credits, exemptions, abatements
- Permitting fee reductions and waivers
- Recognition programs that require extra staff time, paid advertising, and rewards

Most local governments already have funding streams that could be used to fund health-related incentive policies. This may require simply expanding eligibility criteria for an existing funding program. Oklahoma, for instance, recently extended an existing agricultural loan program to owners of corner stores selling produce and other healthy foods, requiring no new state expenditure but broadening the potential impact of the program.\(^4\)

Potential funding streams include:

- Federal or state chronic disease prevention grants
- Economic development funds\(^5\)
- Redevelopment funds\(^6\)
- Revenue from state or local taxes and fees
- Grants from local, state, or national foundations
- Private investment

Plan for the Future

If an incentive requires substantial resources, think about the sustainability of funding sources. Do you want the program to last for only a year or two to kick-start immediate change? Or should the incentives be available for many years? Short-term funding sources, like grants, should be paired with short-term incentive programs. Long-term funding sources, like general revenue from taxes, can be used for either short-term or long-term incentive programs.

In recent years many communities have implemented healthy restaurant incentive policies, which offer benefits like free advertising to restaurants that offer healthier foods. But nearly all of these policies have ended because funding dried up. To see your incentive succeed in the long run, plan for the sustainability of your policy from the very beginning.
Defining Eligibility for Incentives

A key part of crafting an incentive policy is developing eligibility criteria. Clear, well-defined criteria ensure that businesses know how to take advantage of the incentives – and that the incentives lead to the intended health outcomes. If the criteria are vague or not closely tied to the desired health outcome, the local government runs the risk of wasting taxpayers’ money on businesses that are not promoting health in the community.

Consider the following points when crafting eligibility criteria:

- **Firms:** What types of businesses are eligible for the incentive?
- **Places:** Are businesses in all neighborhoods eligible? Are businesses in underserved neighborhoods given priority?
- **Actions:** What specific actions should businesses take in order to be eligible?
- **Entry:** How do businesses apply for and/or qualify for the incentive?
- **Time:** Over what time period do eligible businesses receive the incentive – a year? The duration of the incentive program?
- **Enforcement:** How will the municipality monitor compliance with the criteria over time? What penalties will businesses face if they accept an incentive but don’t deliver on the terms of the program or policy?
How to Craft Incentives for Healthy Businesses

1. Decide on a community health goal.
Incentives should be directly tied to a desired goal. For example, if childhood obesity rates are high in your community, the goal might be to make it easier for families to buy healthy foods. Define the goal as clearly as possible so the incentive can be designed to achieve it. Engage community members to determine what their greatest barriers to good health are. This early engagement will increase support for the policy later in the process.

2. Brainstorm ways to work with businesses to achieve this goal.
After defining the goal, brainstorm ways that businesses can change their operations to help accomplish it. If the desired outcome is to make it easier for people to purchase healthy food, think about ways – big and small – that businesses can help. For example, communities and businesses could work together to:

- Subsidize the cost of fruits and vegetables.
- Build new grocery stores in low-income neighborhoods.
- Improve the selection and presentation of healthy foods in existing stores.

3. Gather input from businesses and other stakeholders.
Remember that local business owners are also stakeholders in community health. They want healthy residents because healthy residents are healthy workers and healthy customers. Plus, local business owners are members of the community themselves and, like everyone, want the best for their families and neighbors.

Local business owners often have innovative and feasible ideas for how to make their businesses healthier, and incentives can reward and fund this innovation. For example, the Detroit economic development agency’s Green Grocer program recently awarded a grant to the owner of Metro Food Land to implement a healthy food rewards program for his customers. The store owner had noticed that many of his customers suffered from diet-related diseases, so he designed a rewards program that would track customers’ spending on healthy foods and give them cash rewards when they spent a certain amount. The economic development grant will help pay to market and implement the program.
Find the innovative health champions in your business community. Gather their ideas and ask them to help you assess the feasibility and potential health impact of yours. Find out what challenges they face in implementing these ideas, and what incentives they would need to move forward. Also gather input from community groups, the local economic development agency, the public health department, and elected officials to determine the best options to pursue. Prioritize the ideas that have the greatest support from stakeholders, have the greatest potential health impact, and are most feasible to implement.

4. Link private sector action to incentives.

Each incentive policy should include a private sector action paired with an incentive, or package of incentives, that reduces the cost to businesses to implement it. For example, to offer fresh produce, corner store owners may need to purchase refrigeration equipment and pay higher utility bills to run that equipment. Store owners will also need to advertise the fresh produce to customers. Local agencies could offer loans or grants to help purchase refrigeration equipment, or offer tax credits or reduced fees for business licenses. The economic development agency or public health department could provide free advertising materials, such as signs or advertisements in local media, to help promote the new healthy selections.

There is no one-size-fits-all approach to creating an incentive. Be sure to craft a policy that meets the needs of your local stakeholders and is compatible with your municipality’s available funding, staff capacity, and legal authority. Consult with all relevant agencies, including public health, planning, economic development, and redevelopment, to determine what resources are available. See the agency glossary on page TK to learn more about each of these players.

Remember that not all incentives require direct funding. For example, a streamlined permitting process for mobile healthy food vendors does not require government expenditures, but it does require staff time to identify ways to reduce the burden of the permitting process. Finding low-cost or no-cost incentives may take time and effort; you will probably need to talk to various local agencies to determine what they can offer to healthy businesses.

Finally, consider incorporating an evaluation component to ensure the incentives are leading to the desired health goals. The results will help determine if the policy needs to be modified in order to attract more businesses, to have a greater impact, or to be more targeted to the parts of the community that need greater access to healthy food or physical activity opportunities. Public health agencies may have staff who can assist with evaluation; if yours does not, consider partnering with a college or university in your region.

For inspiration, take a look at the examples in this guide (see pages 8-9), as well as our incentive glossary, which defines more than 15 different types.

Now Get Started!

Developing a successful incentive policy requires collaboration among the public health department, local businesses, and many other community stakeholders. It will take careful thought and creativity to figure out the most feasible way to achieve your community’s health goal and to identify low-cost incentives that are valued by the business community. But all of your hard work will pay off when you launch the incentive policy and see public health resources supporting the local economy and the local economy supporting healthy people.
Communities all over the United States are using a variety of incentives to bring grocery stores to underserved communities, help convenience store owners offer fresh fruits and vegetables, and make healthy food more available in the neighborhoods that need it most. The information below provides examples of some common incentives. Due to differences in state and local laws, it may not be possible for you to implement all of these ideas in your community. As always, consult with a local attorney who is familiar with your local and state laws to find out what is possible. Contact ChangeLab Solutions for more ideas and for help designing your own incentive policy or program.
Expanding Physical Activity Space through Incentives

Incentives for physical activity space are less common than those for food access. Traditionally, the private sector has primarily provided food access and the public sector has provided physical activity infrastructure by building roads (with sidewalks and bike lanes) and providing parks and recreation facilities. As a result, business incentives have been aimed predominantly at improving food access. However, the private sector can also be encouraged to develop more infrastructure that supports walking, biking, and other forms of physical activity. Often, incentives that improve physical activity infrastructure are couched as green building or smart growth incentives, but by increasing density and the walkability of business districts, they address physical activity, too.

The information below provides examples of some incentives. Due to differences in state and local laws, it may not be possible for you to implement all of these ideas in your community. As always, consult with a local attorney who is familiar with your local and state laws to find out what is possible. Contact ChangeLab Solutions for more ideas and for help designing your own incentive policy or program.

**Financial incentives** provide money to businesses to make improvements, buy new equipment, or offset operating costs.

**Density bonus:** Walton County, Fla., allows housing developers to add more units to their developments in exchange for constructing greenway corridors, bike path connectors, and sidewalks.

**Subsidy:** Indianapolis, Ind., offers redevelopment funds to projects designed according to Smart Growth principles, which encourage compact neighborhoods that make it easy for people to walk or bike to work, school, and other destinations.

**Tax credit:** A local government could offer a tax credit to businesses that subsidize gym memberships and other physical activity costs (e.g., purchasing a bicycle) for employees.

**Zoning incentives** provide exemptions to zoning requirements that make it easier or more lucrative for a developer to complete a project.

**Publicity:** A local government could offer free publicity to gyms and other fitness-related businesses that offer discounted memberships to low-income residents.

**Permitting incentives** reduce the financial or administrative burden of obtaining business and safety permits.

**Waiver:** Minneapolis, Minn., reduces minimum parking requirements for non-residential buildings in exchange for bicycle parking spots.

**Recognition incentives** provide public acknowledgment and free publicity to businesses that meet certain criteria.

**Recognition program:** Howard County, Md., provides technical assistance and awards to workplaces implementing employee wellness policies that support for physical activity.

**Recognition program:** Bethesda, Md., expedites the plan review for developments that provide open space, public art, and sidewalks.

**Reduced fee:** A local government could reduce the inspection fee for buildings that offer bicycle parking and open stairwells.
The selection of incentive types defined here can help you brainstorm ideas for your community. (Keep in mind that different types of incentives will require the involvement of different government entities: for example, depending on your community and the type of incentive, you may need the city or town council to approve the policy.)
<table>
<thead>
<tr>
<th><strong>Financial</strong></th>
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<tr>
<td><strong>Tax exemption</strong></td>
<td>An incentive that allows businesses or individuals to omit certain expenses from their tax liabilities.</td>
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<tr>
<td><strong>Tax credit</strong></td>
<td>A fixed amount of money returned to the taxpayer. If the credit amount exceeds the amount owed, the taxpayer receives the balance in cash.</td>
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<tr>
<td><strong>Tax abatement</strong></td>
<td>A reduction in taxes granted over a specified period of time, generally expressed as a percentage of total tax liability.</td>
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<tr>
<td><strong>Tax stabilization</strong></td>
<td>Government policy that limits the tax burden faced by individuals and businesses by stabilizing, or controlling, the growth of a given tax.</td>
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<tr>
<td><strong>Subsidiary</strong></td>
<td>A payment made, often to businesses, in exchange for performing specified activities. Subsidies are generally granted to help businesses reduce their operating costs and remain profitable.</td>
</tr>
<tr>
<td><strong>Grant</strong></td>
<td>A monetary award given to a business or individual that does not need to be repaid.</td>
</tr>
<tr>
<td><strong>Loan</strong></td>
<td>Money lent over a specified period of time that must be repaid, usually with interest. When loans are offered as incentives, they may be provided at market rate or as subsidized low-interest loans.</td>
</tr>
<tr>
<td><strong>Bid preference</strong></td>
<td>Higher priority or weight given to certain contractors during a procurement process.</td>
</tr>
<tr>
<td><strong>Zoning</strong></td>
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<tr>
<td><strong>Density bonus</strong></td>
<td>An incentive that allows developers to increase their maximum developable area in exchange for meeting additional requirements. Density bonuses are often used to meet public policy goals, such as encouraging developers to preserve open space.</td>
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<tr>
<td><strong>Waiver</strong></td>
<td>Permission for developers to bypass certain development standards. For instance, a city might waive certain fees in exchange for building affordable housing.</td>
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<tr>
<td><strong>Exemption</strong></td>
<td>Permission for developers and other permit applicants to completely bypass certain zoning requirements or processes. These may be used if the government has a compelling reason to ease the administrative burdens for a specified group.</td>
</tr>
<tr>
<td><strong>Recognition</strong></td>
<td></td>
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<tr>
<td><strong>Certification</strong></td>
<td>A program that specifies certain requirements that a business, individual, or other institution must meet in order to qualify. For instance, LEED certification requires developers to incorporate a variety of sustainable building practices.</td>
</tr>
<tr>
<td><strong>Award</strong></td>
<td>An incentive issued by government agencies or elected officials to recognize certain achievements; some awards may include monetary or other benefits.</td>
</tr>
<tr>
<td><strong>Publicity</strong></td>
<td>Attention through the media, official websites, and other sources to help improve a business's or organization's public image.</td>
</tr>
<tr>
<td><strong>Proclamation</strong></td>
<td>An official document issued by a government in recognition of an achievement by a citizen, business, or community institution.</td>
</tr>
<tr>
<td><strong>Permitting</strong></td>
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<tr>
<td><strong>Reduced fee</strong></td>
<td>Lower permitting fees for certain groups, either to encourage development or to aid those unable to pay full fees. For instance, smaller business owners may qualify for fee reductions unavailable to large businesses or corporations.</td>
</tr>
<tr>
<td><strong>Fee waiver</strong></td>
<td>Elimination of fee requirements, either to reduce the burden on groups unable to pay or in exchange for performing certain actions.</td>
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<tr>
<td><strong>Streamlined process</strong></td>
<td>Expedited permitting process for developers who meet certain requirements.</td>
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### Agency Glossary

Many local agencies can be involved in the development and implementation of incentive policies. Here is a brief overview of what these agencies do related to our publications.

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<thead>
<tr>
<th>Agency</th>
<th>Description</th>
<th>Resources</th>
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<tbody>
<tr>
<td><strong>Public health agency</strong></td>
<td>City and county agencies charged with protecting residents' health, through initiatives such as administering immunization programs, inspecting restaurant kitchens for sanitation problems, and promoting healthy eating and active living. Public health agencies can take the lead in crafting incentive policies or play a supporting role by offering resources for implementation. See ChangeLab Solutions “Working with Public Health” (written for redevelopment agencies, but broadly useful): <a href="www.changelabsolutions.org/healthy-planning/products/new-ally-redevelopment">www.changelabsolutions.org/healthy-planning/products/new-ally-redevelopment</a></td>
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<tr>
<td><strong>Planning agency</strong></td>
<td>Establishes long-term goals for development and reviews community or county land use decisions. Planning or community development departments are responsible for preparing, revising, and implementing long-term land use plans (called general or comprehensive plans); developing and enforcing zoning regulations; and issuing building permits and collecting development impact fees. Planning departments oversee many potential incentives for developers and business owners, such as expedited permitting processes and development standards waivers. See ChangeLab Solutions “Partners for Public Health”: <a href="www.changelabsolutions.org/healthy-planning/products/partners-public-health">www.changelabsolutions.org/healthy-planning/products/partners-public-health</a></td>
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<tr>
<td><strong>Economic development agency</strong></td>
<td>Manages programs, grants, and real estate projects to build and sustain a healthy local economy. Economic development programs may involve bringing new jobs to the area, placing and training workers, supporting small businesses, and increasing residents' access to retail services. As the primary link between the local government and the business community, these agencies are key partners in private sector incentive policies. See ChangeLab Solutions “Economic Development and Redevelopment” toolkit: <a href="www.changelabsolutions.org/healthy-planning/products/econ_dev_redev_toolkit">www.changelabsolutions.org/healthy-planning/products/econ_dev_redev_toolkit</a></td>
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<tr>
<td><strong>Redevelopment agency</strong></td>
<td>Oversees urban revitalization efforts in areas that have seen limited investment from the private sector. It has access to financing mechanisms that are otherwise not available to local government, as well as other public and private investment dollars. Redevelopment agencies often acquire land for development, offer grants, negotiate agreements with developers, and set requirements for development projects to ensure maximum economic benefit for the community. Redevelopment agencies can contribute resources for incentives, as well as offer connections to the business community. See ChangeLab Solutions “Getting Involved in Redevelopment”: <a href="www.changelabsolutions.org/healthy-planning/products/Getting_Involved_in_Redevelopment">www.changelabsolutions.org/healthy-planning/products/Getting_Involved_in_Redevelopment</a></td>
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You may also be interested in:

- **Getting to Grocery: Tools for Attracting Healthy Food Retail to Underserved Neighborhoods** [www.changelabsolutions.org/healthy-planning/products/getting-to-grocery](www.changelabsolutions.org/healthy-planning/products/getting-to-grocery)
- **Zoning Talking Points** [www.changelabsolutions.org/healthy-planning/products/zoning-talking-points](www.changelabsolutions.org/healthy-planning/products/zoning-talking-points)
- **Green for Greens: Finding Public Financing for Healthy Food Retail** [www.changelabsolutions.org/childhood-obesity/products/green-for-greens](www.changelabsolutions.org/childhood-obesity/products/green-for-greens)
Endnotes

1 Colorado Smart Meal Restaurant Program. “About Smart Meal.” Available at: www.smartmealcolorado.com/home/about.aspx
3 West Jordan, Utah, City Code § 89-3-1106 (2009).
5 For more information about economic development funding for public health, see Public Health Law & Policy’s Economic Development and Redevelopment Toolkit. Available at: www.phlpnet.org/healthy-planning/products/econ_dev_redev_toolkit
6 For more information about redevelopment, see Public Health Law & Policy’s Healthier Communities through Redevelopment guide. Available at: www.nplan.org/sites/phlpnet.org/files/RedevelopmentPrimer_FINAL_Web_20101007.pdf
9 Brick City Development Corporation. “Small Grocer Initiative” Available at: www.bcdcnetwork.org/small-business/small-grocer-initiative/index.html
11 Denver Zoning Code Section 8.3.1.4.D.2.c.
14 Puget Sound Fresh www.pugetsoundfresh.org
18 Walton County, FL, Municode App.C, Chapter 1
19 Minneapolis, MN, Code of Ordinances Title 20, ch. 541, art. IV.
20 Howard County, MD, Health Department. “Healthy Workplaces Program” Available at: www.co.ho.md.us/Health/HealthMain/Health-HealthyWorkplaces.htm#anchProgOverview
21 City of Seattle, WA, Department of Transportation. Transit-Oriented Development Case Studies. Available at: www.seattle.gov/transportation/ppmp_sap_todstudies.htm

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ChangeLab Solutions formerly existed under the name Public Health Law & Policy (PHLP). Any references to PHLP in this publication should now be understood to refer to ChangeLab Solutions.

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