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# Fiscal Sustainability

## *Economic Development and Tax Base Growth Strategies*



# Harmony Gmazel, AICP

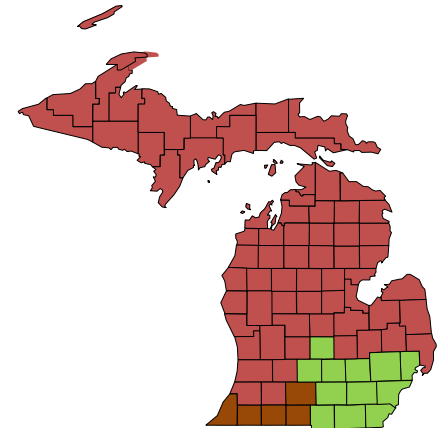
## Extension Educator

### Areas of Expertise:

- Urban & Regional Planning
- Downtown Development
- Public Engagement
- Citizen Planner/Zoning Administration Instructor
- National Charrette Institute Instructor

### Related Focus Areas:

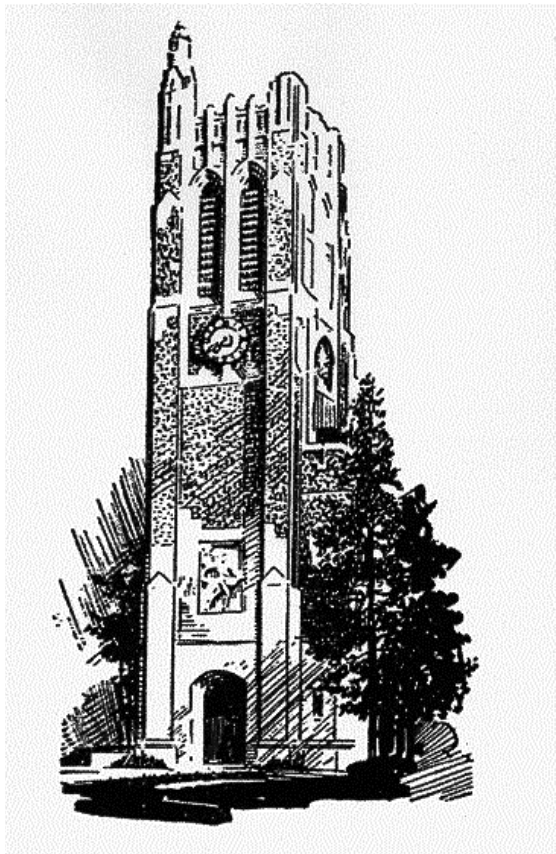
Historic Preservation  
Strategic Planning  
Solar Energy  
Health Impact Assessments  
Park & Recreation Planning  
Green Infrastructure & Sustainability  
Crime Prevention through Environmental Design  
Social Equity in Community Planning



**Serving Mid, SE and Southern MI  
with Statewide availability as  
needed.**

# Smith-Lever Act

The Beginning of the Cooperative Extension Service



1914 – 2018

Over 100 Years of  
Researched-based Education





# MSU Extension's Mission

*Helping people to improve their lives through an educational process that applies knowledge to critical issues, needs and opportunities.*



# MSU Extension Institutes

Community, Food and Environment	Agriculture/ Ag Business	Children & Youth	Health & Nutrition
<p>Government &amp; Community Vitality</p> <p>Leadership and Civic Engagement</p> <p>Tourism</p> <p>Natural Resource Stewardship</p> <p>Financial, Housing &amp; Energy Resources</p> <p>Community Food Systems</p>	<p>Food Production &amp; Marketing</p> <p>Environmental Quality</p> <p>Business Management</p> <p>Bioproducts &amp; Bioenergy</p> <p>Non-Food Agriculture Production &amp; Marketing</p>	<p>Academic Success</p> <p>Leadership &amp; Civic Engagement</p> <p>Career &amp; Workforce Preparation</p> <p>Capacity Building</p>	<p>Increasing Good Habits in Nutrition &amp; Physical Activity</p> <p>Chronic Disease Prevention &amp; Management</p> <p>Social-Emotional Health &amp; Well-Being</p> <p>Food Safety</p>

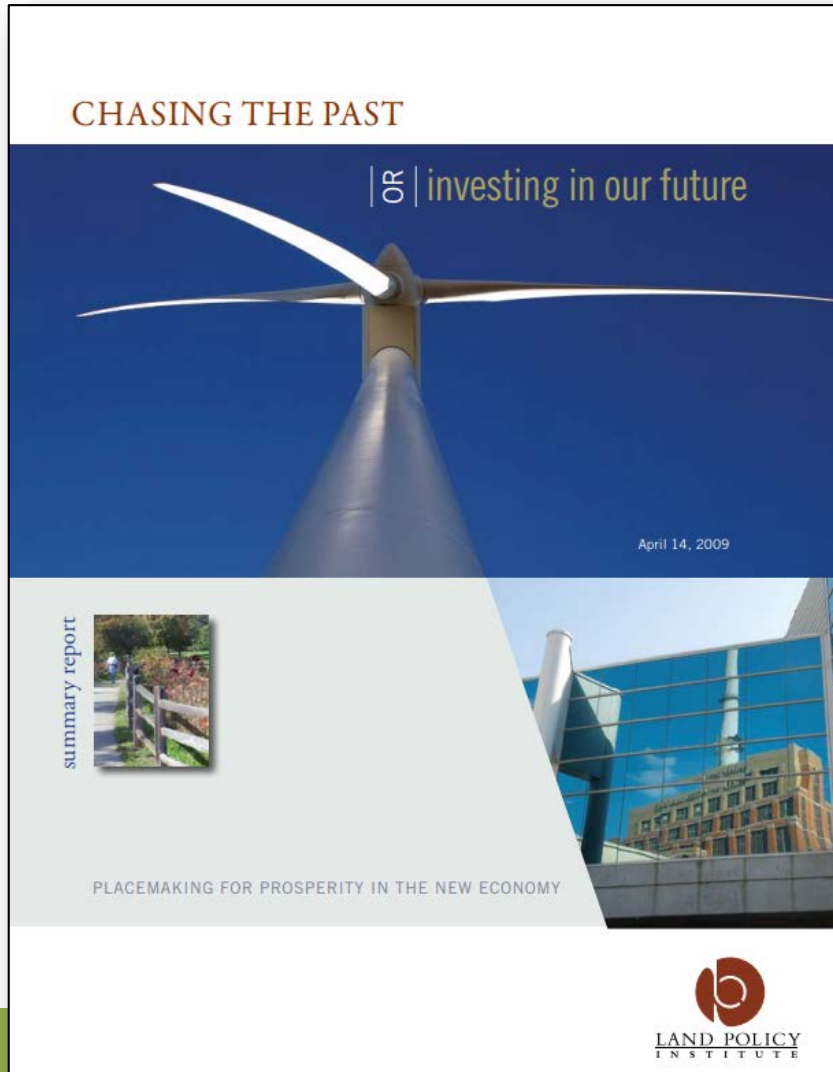


# MSU Extension Funding Partners

Federal	State	County	Contracts & Grants
USDA  Smith-Lever Act of 1914	State Legislature  Land Grant University	County Board of Commissioners	Applied for based on current local needs and issues identified by citizen input



# Economic Development In Michigan





# Chasing The Past Or Investing In Our Future?

MSU Land Policy Institute research revealed:

In order for municipalities in State of Michigan to be prosperous and globally competitive, there was a need to develop and/or adopt the new economic development and placed-based growth strategies used by communities' nationally and globally to attract talented workers, capital and entrepreneurs



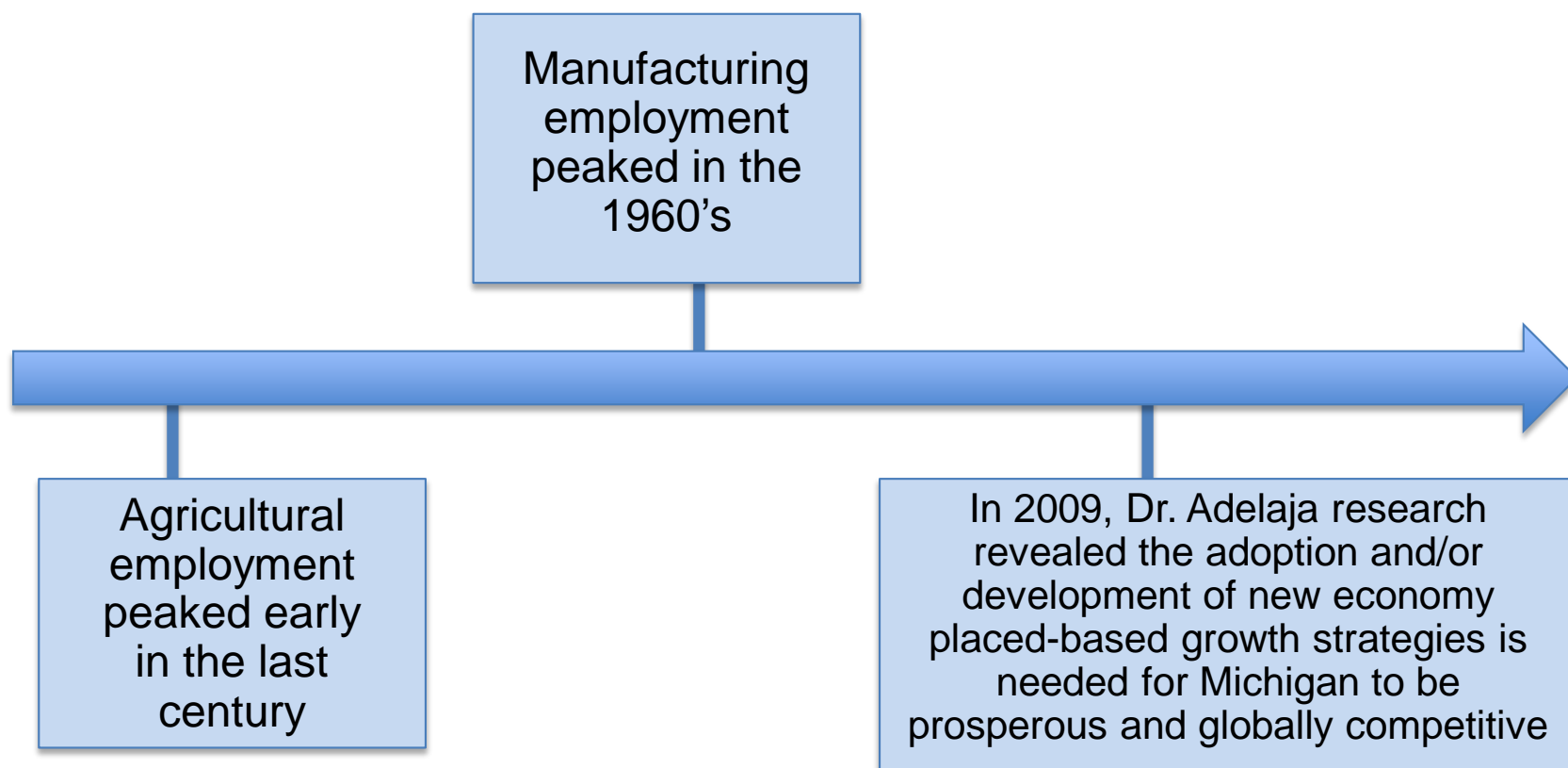
# Chasing the Past or Investing in our future?

Are we going to continue to create economic development and fiscal policies based on old economy industrial practices, or are we going to use new economy, regional prosperity, and placemaking principles to invest in our future?

*Reflect on this question as you learn new economy, regional prosperity, and placemaking principles and best practices in this presentation*



# Historical Look at How Michigan's Economy Changed Over Time



# Chasing the Past

## *Michigan Old Economy Manufacturing Legacy*

### CHASING THE PAST



### OLD ECONOMY

The prevailing U.S. economy throughout much of the 19<sup>th</sup> and 20<sup>th</sup> centuries was based largely on the manufacturing industry, access to raw materials and skilled labor. America's cities and regions generated great wealth, had a well-paid middle class, and prosperity was almost guaranteed. This model worked well until the 1990s.

*The tools and incentives that economic developers employed to attract business to urban and rural areas included fiscal incentives; tax reductions; and direct grants of goods or services*



# Michigan Economic Development Challenges Due to the Decline of the Manufacturing Economy

Most manufacturing  
jobs lost (400,000)

Half the nation's  
parts plant closings  
occurred in Michigan

Highest  
unemployment

Falling average  
median income &  
rising poverty

Greatest  
population loss

Among highest rates  
of home foreclosure



# Statewide Impact of Loss of Manufacturing Jobs in Metro Areas

## Auto employment loss was concentrated in metro areas

	Emp 2000	mp 2006	% chg	Change
Detroit-Warren-Livonia, MI	136773	89621	-34%	-47152
Dayton, OH	19909	8960	-55%	-10949
Los Angeles-Long Beach-Santa Ana, CA	21530	14512	-33%	-7018
Cleveland-Elyria-Mentor, OH	20778	14169	-32%	-6609
Buffalo-Niagara Falls, NY	16134	9584	-41%	-6550
Kokomo, IN	17550	11192	-36%	-6358
Oklahoma City, OK	8843	2536	-71%	-6307
Youngstown-Warren-Boardman, OH-PA	17017	10743	-37%	-6274
New York-Northern New Jersey-Long Island, NY-NJ-PA	8783	2869	-67%	-5914
Flint, MI	15790	10498	-34%	-5292
Lansing-East Lansing, MI	13133	7986	-39%	-5147
Ann Arbor, MI	11634	6566	-44%	-5068
St. Louis, MO-IL	16981	12150	-28%	-4831
Holland-Grand Haven, MI	10556	5936	-44%	-4620
Indianapolis-Carmel, IN	17286	12819	-26%	-4467
Saginaw-Saginaw Township North, MI	10671	6369	-40%	-4302
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	13626	9422	-31%	-4204
Springfield, OH	6403	2210	-65%	-4193
Milwaukee-Waukesha-West Allis, WI	6917	2899	-58%	-4018

Between 2000 and 2006, 11 metro areas  
Accounted for 50%  
of employment loss  
and 43% of initial  
2000 jobs

## 2. Economics and Finance

### OLD ECONOMY

- Fossil fuel dependent manufacturing
- Dirty, ugly, and a poor quality environments were common outcomes that did not prevent growth
- People followed jobs
- Connection to global opportunities not essential





# The Late 20<sup>th</sup> Century & The New Economy

Investing in our future

OR

## **NEW ECONOMY**

- **The New Economy is global, entrepreneurial, and knowledge-based**
- **Business success comes from the ability to incorporate:**
  - **knowledge,**
  - **technology,**
  - **creativity, and**
  - **Innovation into products and services**
- **Dependent on talent attraction**

Remember: The Old Economy Manufacturing Principles lasted until late 1990's, then information technology and other technologies radically changed the world, and created a "New Economy"



# New Economy Economic Development



*Source: Michigan  
Economic Development  
Corporation*

Prosperity and Regional Competitiveness = Placed-Based Growth Strategies



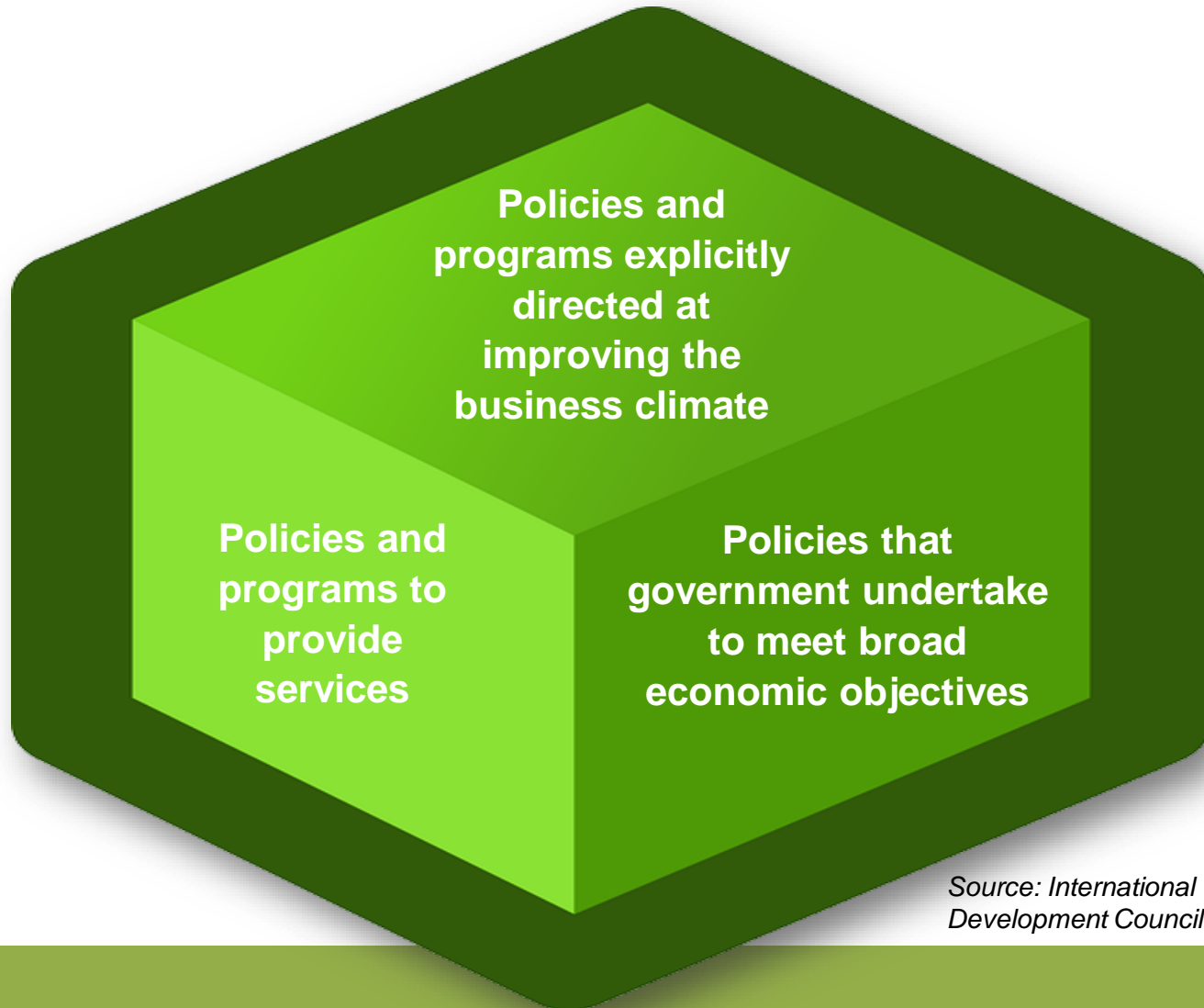
# What Is Economic Development?

“Programs, policies, or activities that seeks to improve the economic well-being and quality of life for a community, by creating and/or retaining jobs and supporting or growing incomes and the tax base.”

*Source: International Economic Development Council*



# Three Broad Categories of Economic Development



*Source: International Economic Development Council*



# What is an Economic Development Strategy?

- ✓ Provides **a roadmap** for all working toward the betterment of the community and helps communities to define who they want to be and how to get there.
- ✓ Defines **strategic and tactical steps** to encourage private sector investment by creating specific objectives, tasks and timelines.
- ✓ **Identifies and acknowledges** local and regional Strengths (assets and complete advantages), Weaknesses (flaws and competitive disadvantages), Opportunities and Threats
- ✓ **Engages** the public
- ✓ **Focuses efforts, provides transparency and accountability, and brings multiple organizers together**

*Source: Michigan Economic Development Corporation  
Redevelopment Ready Community Best Practices*



# Creating an Economic Development Strategy

Economic development strategy should answer the question:  
***“Why invest here in our community or region? ”***

**The Economic development strategy should summarize essential background information about your community**

- Population Trends
- Workforce
- Tax Base
- Regional Issues
- Market Study-Based Data (TMA's, Commercial Market Studies, etc.)

*(Source: Michigan Economic Development Corporation  
Redevelopment Ready Community Best Practices)*





# Creating an Economic Development Strategy

**Take steps to develop common understanding of financial information.** Joint study sessions where participants jointly review data and then discuss the implications can build a basis for collective action.

**The first goal of such a session to make sure everyone has a common understanding of what the data means.** After that, participants have a much better chance on agreeing on the actions that should be taken based on the data.



# Why does Demographic Data Matter?

## *It Impacts Everything You Do!*

Demographic Data informs important business decisions for you community

It helps you plan for your community's future

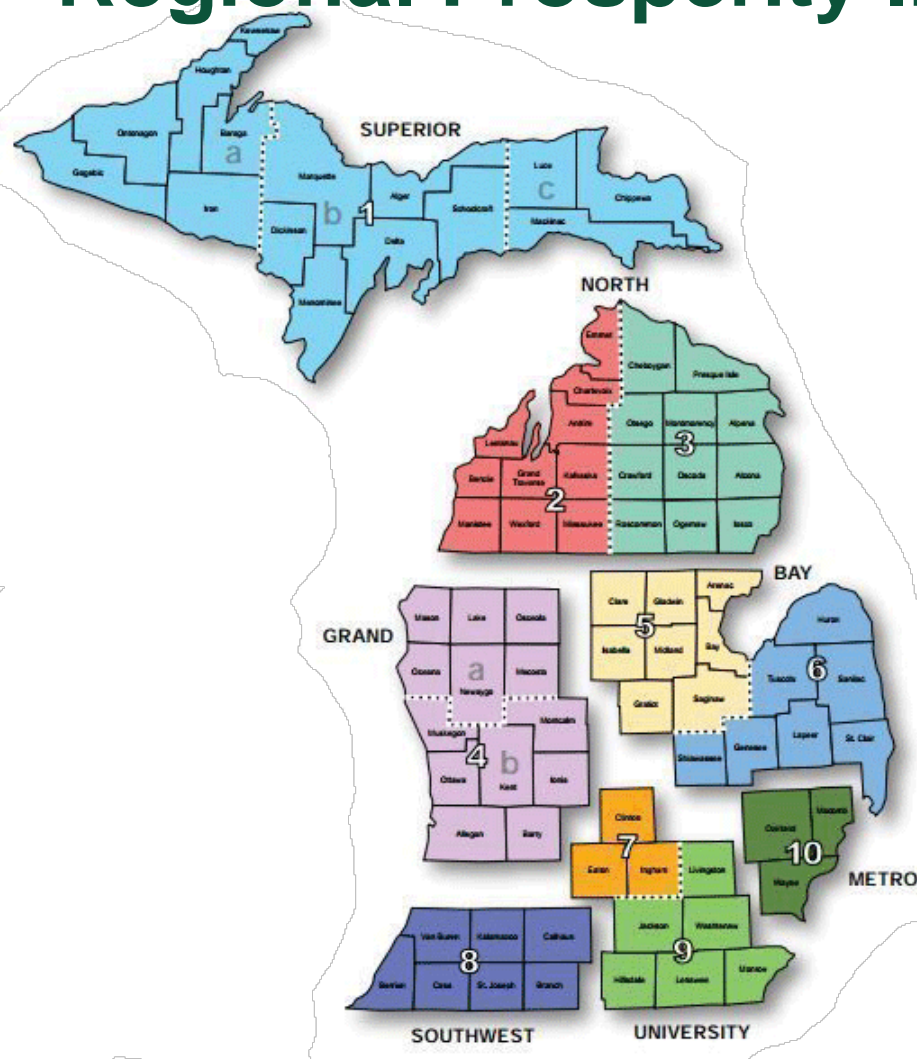
It determines:

- The Federal Aid your community will receive
- Where assistance programs are targeted in your community
- Which businesses might move to your community

Source: Dr. Charlie French, University of  
New Hampshire Cooperative Extension



# Regional Prosperity Initiative



*“...All benefit when local and regional partners work in close collaboration toward a shared vision of economic prosperity.”*

*Governor Rick Snyder*

Regional Prosperity Initiative supports a **common economic vision and coordination of services** for entire region

*Reduces redundancies and gaps in service*

*A local voluntary grant imitative*



# History of Michigan's Prosperity Regions

For Michigan, development of regional approaches for economic development was extremely important

- In today's new economy, regions are the economic units capable of being competitive in a global economic setting
- Each region is created only as large as necessary so each region has all of the assets necessary to be globally competitive
- There was a need to be a system of coordination, cooperation, and planning, so the region could champion economic development efforts for the entire region



# Effective Economic Development Strategies Require Regional Partnership

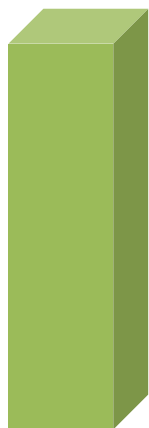
- ***People, companies, and talent do not move to towns – they move to regions***
- Population and job attraction requires pooling assets
- Local governments, schools, and the private sector must all work cooperatively together to market the region
- *Zero sum growth (stealing growth from your neighbor) does not work in the New Economy*



# Six Pillars of Prosperity

**Use to guide local and regional development**

*Our historic, future and best assets*



Vibrant,  
successful  
communities



Thriving  
agriculture



Inclusive and  
entrepreneurial  
culture



Natural  
resources for  
recreation and  
job creation



Strong  
lifelong  
learning

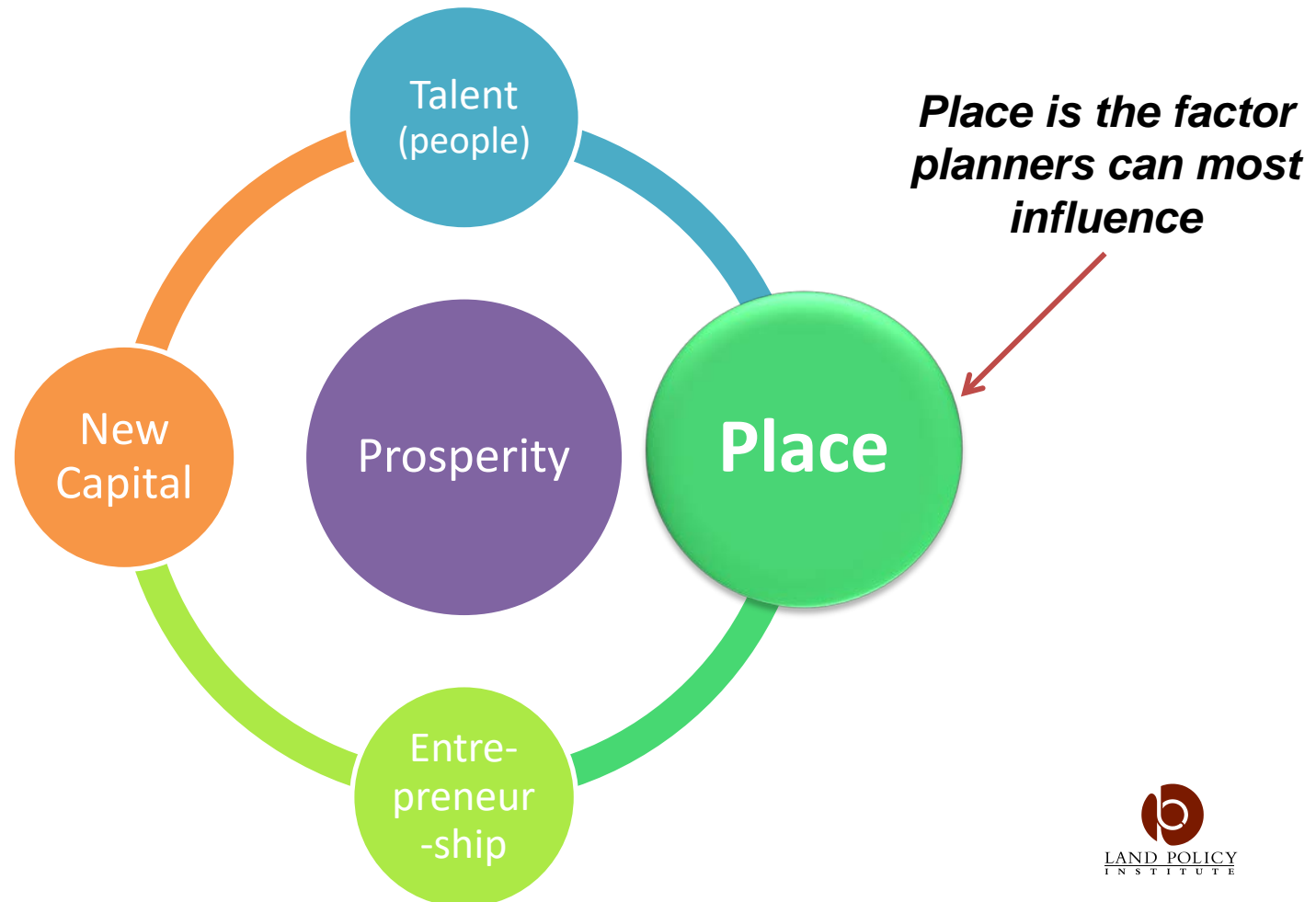


Knowledge-  
based  
technology





# Four Elements of Prosperity



# Prosperity and Place

## ***Place is defined by:***

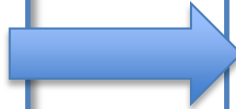
- Entrepreneurial Infrastructure
- Green Infrastructure
- Social Infrastructure
- Public Transportation Infrastructure
- Information Technology Infrastructure
- Collaborative Capacity Infrastructure



# How do communities determine their targets and level of growth?

- Understand *Quality of Life* is determinant of **place competitiveness** because it attracts knowledgeable workers who are conduits to economic development

Quality of life is not only a function of income and employability



It is also a function of access to critical environmental, social, cultural, recreational, educational, leisure and other amenities



# How do communities determine their targets and level of growth?

- Knowing the most effective strategy for prosperity **depends on what element of prosperity is the primary target of a community:** Income, Employment, and other elements of quality of life.



# How do communities determine their targets and level of growth?

- The goal is the creation of a community with many quality places to spur local and regional propensity. ***Placemaking is the means to achieve the goal.***



# Placemaking & Economic Development

Placemaking is a method for capitalizing on existing strengths, rather than inventing new ones, for the purpose of developing a stronger economy





# New Economy Planning & Place-Based Economic Development

The State of Michigan has been in the forefront of the placemaking movement

Through a statewide initiative, **Miplace**, communities are harnessing the power of placemaking to give local amenities a dual purpose:

*Enhancing quality of life for all residents*

*Attracting investment*

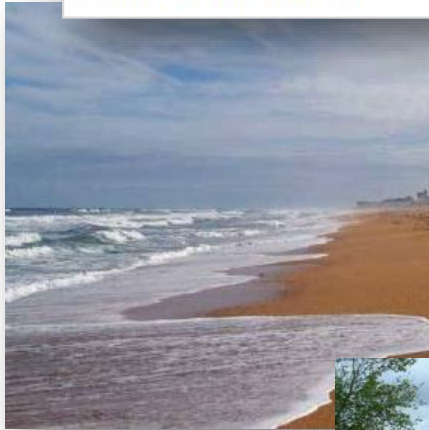
*Placemaking logic is simple: green spaces, walkable streets, unique downtowns, attractive gathering places, and engaged citizens are great for communities and businesses*



# Place-Based New Economy Assets

## STRATEGIC GROWTH

A paradigm in land use that emphasizes managing assets to attract knowledge workers in order to place-make for prosperity in the New Economy.



# Strategic Assets & Placemaking

Strategic assets are unique resources that can make a region distinct in attracting the right mix of resilient and sustainable growth and global opportunities. They include:

- Attractive, High Quality Cities
- Universities and Colleges
- First Class Medical Facilities
- Regional Transit
- Transportation and Highway Access
- Green Infrastructure
- Natural Resources and Cultural Amenities

*Economic development is now all about economic, social, creative and environmental **PLACEMAKING***





# Placemaking & Vision Development

*Placemaking is creating or transforming places that people can not wait to leave to ones that people do not want to leave*

(Land Policy Institute, November 2017)



Port Huron Farmer's Market



William J. Milliken  
State Park , Detroit



Downtown Coldwater



Downtown Kalamazoo

# Economic Benefits of Placemaking

## **The Eight Elements found to have positive impacts on communities:**

- Physical design and walkability
- Community messaging and technology
- Multimodal transportation networks
- Environmental sustainability
- Arts and culture development
- Entrepreneurship
- A welcoming culture
- Education



# Some Important New Economy Assets



Well Educated  
Youth



Green  
Infrastructure



Immigrants



Vibrant  
Downtowns





# People Count

A State that is shrinking in population cannot grow

- Jobs follow people
- People move to quality places

Consider **population attraction strategies**, in addition to job and company attraction strategies

Attract former Michigan residents home, and welcome immigrants





# Case Study

## *Marquette, Placemaking & Economic Development*



**Marquette** is a beautiful city. Thousands of tourists visit each year to see the historic city and to enjoy the beautiful landscape, but there is so much more to do in Marquette than just explore. Climb Sugarloaf Mountain, Walk Trails, Water Sports, Light House Tours.

*Historically a center of the iron industry of Michigan, Marquette is now also home to a growing university, several research facilities, and the largest wooden dome in the world. Marquette is known for its tourist industry*



Source: <http://michiganhistory.leadr.msu.edu/tourist-attractions/>



# **Population Growth Benefits for Metro (Metropolitan) Areas and Non-Metro Areas**



# Population Growth Benefits for Metro Areas and Non-Metro Areas

“Region” is interchangeable with “metropolitan” in urban areas. It means working with neighboring jurisdictions everywhere to identify and then strategize better use of regional assets.



# Growth Strategies for Metro Areas

- Focus on population attraction
- Harness the inherent knowledge base of universities
- “Place-make” to attract knowledge workers
- Have a unique job creation strategy that leverages communities unique assets and that build on their relative comparative advantage
- Old industrial places built on an industrial legacy should be working aggressively to diversify their economies and nurture the emergence of New Economy sectors



# Growth Strategies for Metro Areas

- Focus more on strategies to attract New Economy growth rather than on strategies that focus on fiscal competition, which are largely ineffective in job creation
- Consider population attraction strategies targeted toward senior citizens
- Leverage the current high inventory of vacant properties and low property values to target knowledge workers, the creative class, and the 25- to 34-year-olds
- Manage urban unemployment to avoid the onset of concentrated poverty





# Growth Findings for Non-Metro Areas

## What is Rural?

***Rural can be difficult to define but the USDA defines rural areas as non-metropolitan counties***



As these photos illustrate, *rural* can mean many different things. Rural communities, whether they are small towns and cities, working lands, or tourist-based economies, are characterized by an interaction between land and place. Smart growth strategies can be used to maintain the defining characteristics of rural communities as they grow and change.



Source: <https://www.epa.gov/smartgrowth/putting-smart-growth-work-rural-communities>

Photos courtesy of US EPA



# Rural Economic Development Strategies

Rural America is home to one-fifth of the nation's people. It is a place of natural amenities and national treasures, and safeguard of an important part of American culture, tradition, and history.

The well-being of America's rural people and places depends upon many things including:

- The availability of good-paying jobs
- Access to critical services (i.e. education and health care)
- Strong communities
- A healthy natural environment

*Source: International Economic Development Council*



# Growth Findings for Rural Areas

Pursue opportunities to connect the rural economy to those of nearby metro areas.

- ✓ Agritourism
- ✓ Non-metro hunting and fishing facilities and outdoor recreation facilities
- ✓ Non-metro roadside stands and well-advertised rural fairs
- ✓ Prepared packaged foods production on farms
- ✓ Assisted-living facilities
- ✓ Marinas; horse parks
- ✓ Use of barns as storage facilities
- ✓ Rural business incubators and rural winter amenities that connect rural and metro areas have been pursued successfully by many
- ✓ Farmers' markets and food fairs





# Growth Findings for Rural Areas

Nurture traditional and non-traditional agricultural industries in order to maintain the economic base they currently afford

The projected effect of intensifying agricultural activities is still positive. Agriculture needs an infrastructure of support, which could include favorable policies, agricultural development strategies, agricultural rights protection, industry marketing and favorable zoning provisions

Create policies and partnerships to address rural poverty and prevent further downward spiral in rural economies



# Growth Findings for Rural Areas

Rural places were shown to have a high potential for per capita income growth as a result of gray infrastructure investment

Pursue opportunities for partnerships with foundations and others committed to the issue of rural poverty to address rural poverty and prevent further downward spiral in rural economies



# ***Rural and Urban: A Shared Future***



# Rural and Urban Shared Future

Underperformance is not just a problem for cities, but also for the suburban, exurban, and rural residents that depend on these urban areas for economic growth and quality of life.

People, goods and resources move along the urban to rural spectrum, meaning one community's problem in a region spills over into the broader region. Peer effect and spillovers inextricably link our urban across to the rest of its region

*Source: Brookings Report*



# What is Regional Cooperation & Urban Rural Shared Future?

- Regional Cooperation is a ***business framework***
- The Framework positions cities, counties, and economic development organizations to come together and create ***a unified strategy***
- Strategy affords a ***cohesive approach*** to working with businesses and potential employees

Source: National League of Cities



# **Local Economic Conditions**

## **Indicators for Economic Development**



# Geographic Scales To Think About Economic Development And Growth

Rural vs. Urban analysis is very popular

## *Rural vs. Urban*

It's a simple yet compelling narrative about the dichotomous relationship between place and economic growth

Urban cores seem to be pulling people and businesses across the United States like constellations, leaving behind vast swaths of empty storefronts and mills where vibrant towns once stood

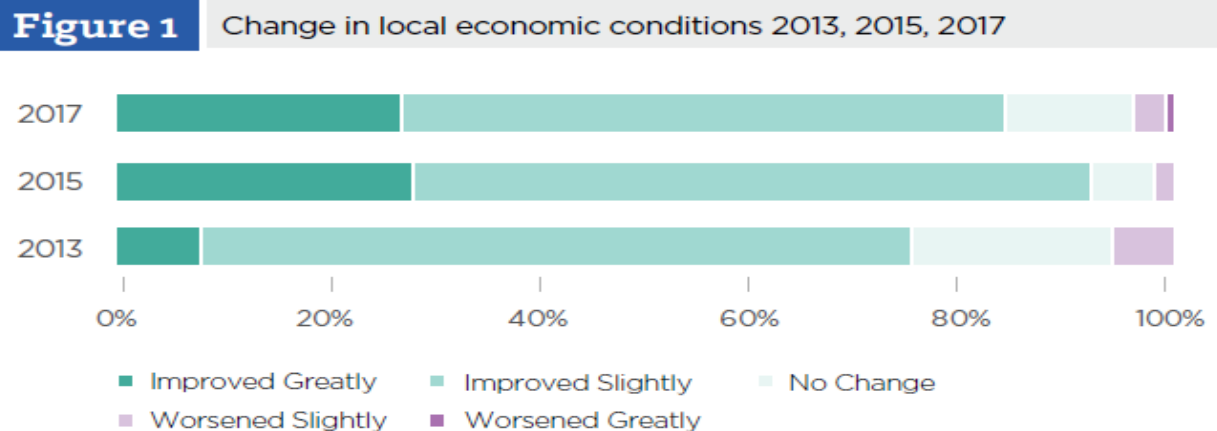
*Mid-sized cities are often missing in the discussion: These are places home to one-third of the U.S. population with populations between 50,000 and 300,000 people*



# Trends: Local Economic Conditions

According to a survey of 224 cities by the National League of Cities in 2017, the vast majority of cities across the nation- **84%** - reported that their local economies have improved over the past year.

- Few witnessed significant economic decline, while 12% reported stable conditions.
- Similar rates were reported in 2015



[https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017\\_6.pdf](https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017_6.pdf)

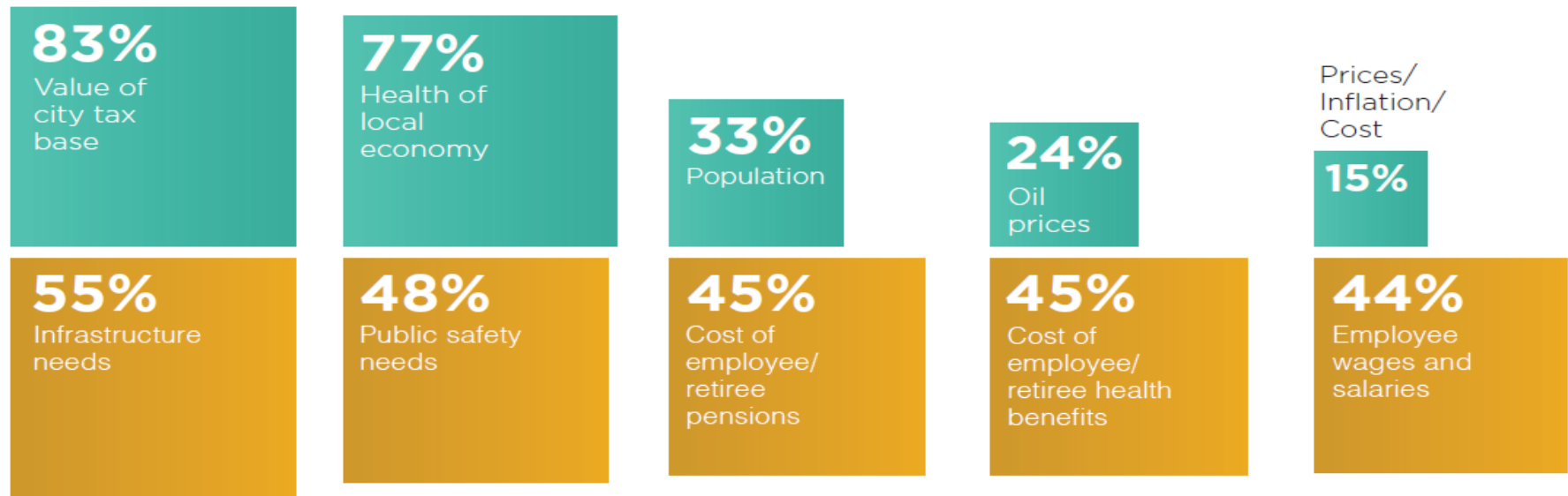




# Top Positive and Negative Factors Impacting Local City's Budgets

Percent of cities selecting factor as one of three most positive and negative factors impacting their city's budget.

## Most Positive Factors



## Most Negative Factors

Survey of 224 cities by the National League of Cities in 2017

[https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017\\_6.pdf](https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017_6.pdf)



# Top Positive and Negative Factors Impacting Local Economies

**Figure 4**

Top factors impacting local economies

Percent of cities selecting factor as one of three most positive/most negative.



Survey of 224 cities by the National League of Cities in 2017

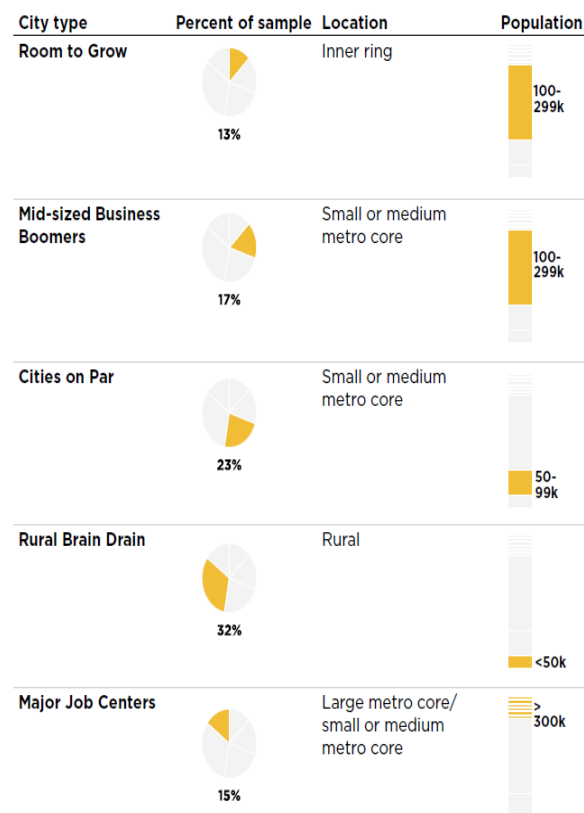
[https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017\\_6.pdf](https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017_6.pdf)



# Local Economic Indicators

City type	Top positives	Top negatives
<b>Room to Grow</b>	<ul style="list-style-type: none"> <li>Commercial property values</li> <li>Affordable housing</li> <li>Population</li> </ul>	<ul style="list-style-type: none"> <li>Health of retail</li> <li>Skills misalignment with business needs</li> <li>Crime rate</li> </ul>
<b>Mid-sized Business Boomers</b>	<ul style="list-style-type: none"> <li>New business starts</li> <li>Business expansions</li> <li>Hotel/motel occupancy rate</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing</li> <li>Skills misalignment with business needs</li> <li>Homelessness rate</li> </ul>
<b>Cities on Par</b>	<ul style="list-style-type: none"> <li>New business starts</li> <li>Residential property values</li> <li>Business expansions</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing</li> <li>Demand for survival services</li> <li>Skills misalignment with business needs</li> </ul>
<b>Rural Brain Drain</b>	<ul style="list-style-type: none"> <li>New business starts</li> <li>Residential property values</li> <li>General fund revenue</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing</li> <li>Skills misalignment with business need</li> <li>Population</li> </ul>
<b>Major Job Centers</b>	<ul style="list-style-type: none"> <li>Employment</li> <li>Business expansions</li> <li>New business starts</li> </ul>	<ul style="list-style-type: none"> <li>Demand for survival services</li> <li>Affordable housing</li> <li>Homelessness rate</li> </ul>

**Figure 5** Types of Local Economies



[https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017\\_6.pdf](https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017_6.pdf)



# Local Economic Indicators

- New Business Starts
- Residential Property Values
- Employment
- Business Expansions
- General Fund Revenues
- Commercial Property Values.
- Population
- Hotel/Motel Occupancy
- Health of Retail Sector
- Median Income
- Average Wages
- Demand for Survival Services
- Health Care Access
- Business Satisfaction

[https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017\\_6.pdf](https://www.nlc.org/sites/default/files/2017-08/local-economic-conditions-2017_6.pdf)



# Local Economic Indicators

- Workforce Skills
- Workforce Education & Training
- Affordable Housing
- Foreign Direct Investment
- Business Application Process Time
- Homelessness
- Crime Rate
- International Trade
- Commercial Property Value
- Residential Property Vacancy



# Monitoring Economic Performance



# Tax Incentives and Economic Development

Are local and state governments giving away more of their tax base than can be justified by the economic benefits received?



# Tax Incentives and Post-Recession Economic Development Strategies

After the great recession, many local governments now have two major goals:

**Spur economic growth** to address high unemployment and stagnant or declining incomes

**Protect their tax base** in the wake of cuts in state aid to local governments and the collapse of the housing market





# Sources of Local Revenue

## Tax Revenue

- Property tax
- City income tax
- State Revenue Sharing
- Special assessments
- Mobile Home tax
- Hotel/Motel tax

## Non-Tax Revenue

- Permits, fees
- Franchise fees
- Licenses
- Water & sewer fees
- 425 Agreements
- EMS reimbursement

*Careful Research and Analysis should be done to protect your revenues before committing to tax incentives/abatements*



# Tax Incentives Pros and Cons

## Pros

Tax incentives are necessary to attract businesses and that the costs of those incentives are partially or wholly offset by the additional tax revenue derived from the increased economic activity.

## Cons

Tax incentives are an inefficient allocation of resources, spending scarce state tax dollars on actions that would have been taken without the tax breaks.

*Source: Urban Institute: Economic Development Strategies, Information Brief 3*



# Pros & Cons of Tax Abatements

## Pros

- Provides incentives
- Job creation/retention
- Rehab obsolete properties
- Revitalize neighborhoods and historic preservation

## Cons

- Loss of revenue
- Given to entities without need
- Entity may relocate at end of term
- End up in areas without need

*Reflect on the Pros & Cons of Tax Abatements to determine the economic and fiscal feasibility of granting a tax abatement in your community*



# Pros & Cons of TIFS

## Pros

- Ability to bond for improvements
- Provides dedicated sources of funds for specific area
- Private investment follows public investment in area
- If used wisely, will benefit entire community

## Cons

- Could increase community's debt
- Diverts tax revenues from schools and counties as well as community
- Local planning goals can be overridden in quest for TIF revenues

*Reflect on the Pros & Cons of TIFS to determine the economic and fiscal feasibility of supporting a Tax Increment Financing Projects in your community*



# Tax Abatements & Tax Incentives

## *Recommendations*

- Communities should identify standards to use to evaluate economic and fiscal feasibility of granting a tax abatement/tax incentives
- Do not approve every tax incentive request
- Develop a targeted strategy for granting incentives
- Avoid incentive wars by coordinating with surrounding localities and regions
- Monitor and conduct regular evaluations

Source: Lincoln Institute of Land Policy Institution



# Measuring, Evaluating & Monitoring the Impact of Economic Decisions, Strategies and Programs

Jurisdictions use economic development incentives to pursue goals and objectives set forth in an ***economic development policy***.

Incentives can be provided in a variety of forms, including cash, debt financing, credit enhancement, tax and fee waivers, credits and rebates.

Source: [www.gfoa.org/monitoring-economic-development-performance](http://www.gfoa.org/monitoring-economic-development-performance)

*Important Take Away: Municipalities should base tax abatement and tax financing decisions on the goals and objectives outlined in their Economic Development Strategy & Plans*



# Measuring, Evaluating & Monitoring the Impact of Economic Decisions, Strategies and Programs

To accomplish objectives established in an economic development policy, agreements often include ***performance requirements*** the recipient must fulfill as a condition of the incentive extended by the jurisdiction.

For this reason:

1. It is the responsibility of the jurisdiction to evaluate the performance requirements of individual incentives
2. As well as the cumulative impact of those incentives
3. And agreements to ensure that the jurisdiction's economic development objectives are realized

Source: [www.gfoa.org/monitoring-economic-development-performance](http://www.gfoa.org/monitoring-economic-development-performance)



# Municipalities Should Have Economic Development Measures

## Measures for Economic Benefits of Tax Incentives

- Development permits, inspections, and plan review expenditures and revenue
- Number of building permits issued
- Average calendar days from development permit application to issuance
- Number of development inspections
- Average calendar days from request to development inspection
- Number of plan reviews conducted
- Citizen ratings of the quality of permitting services

Source: [www.gfoa.org/monitoring-economic-development-performance](http://www.gfoa.org/monitoring-economic-development-performance)





# Municipalities Should Have a Clear Defined Monitoring Process

For the purposes of consistency, transparency, and accountability, ***a clearly defined monitoring process should be a part of every economic development policy***

***Objectives of the monitoring process should include:***

- ✓ Periodic evaluations of individual project performance by incentive
- ✓ An evaluation of the cumulative costs, benefits
- ✓ Degree of goal attainment of the jurisdictions overall program



# Municipalities Should Have Impact Reports for *Each Incentive*

The finance officer should be responsible for reporting:

- The fiscal impact on the jurisdiction of each incentive used
- The cumulative impact of all incentives on the overall financial condition



# Example of a Michigan Prosperity Region Economic Performance Dashboard



Dashboard are very popular at the local, state and regional levels, and can provide at a glance measurable economic impacts within specific periods of time, which are usually quarterly.

Source: East Michigan Central Council of Governments



# Other Implementation Tools for Growth



# Benefits of a Land Bank

While abandoned and vacant properties depress property values, discourage property ownership, and attract criminal activities in the surrounding area, a land bank provides tools to quickly turn these tax-reverted properties back into usable parcels that reinvest in the community's long-term vision for its neighborhoods.

*Land bank programs act as an economic and community development tool to revitalize blighted neighborhoods and business districts*



# Benefits of a Land Bank

***Land Bank benefits for urban areas and small towns.***

A land bank gives a community the opportunity to take a “deep breath” before deciding the fate of a tax-foreclosed property, rather than allowing each parcel of vacant land to fall into the hands of speculators who spread the infectious disease of blight.

Source: [http://www.downtowndevelopment.com/pdf/LB\\_Book\\_2011\\_F.pdf](http://www.downtowndevelopment.com/pdf/LB_Book_2011_F.pdf)

***Land bank programs should be tied to regional and local economic development strategies***



# Benefits of Land Banks



*Source: 2004 Kirwan Institute for Study of Race & Ethnicity, Ohio State University*



# Planning and Zoning Tools to Support Economic Development

Non-Regulatory	Voluntary	Incentive-Based	Regulatory
<ul style="list-style-type: none"> <li>• Education</li> <li>• Grant procurement</li> <li>• Hire planning staff or zoning administrator</li> <li>• Detailed or special-purpose planning (i.e., neighborhood or corridor plan)</li> <li>• Public investment (i.e., land acquisition or utility expansion)</li> </ul>	<ul style="list-style-type: none"> <li>• Conservation easement</li> <li>• Purchase of development rights</li> <li>• Outright donation of land</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of development rights</li> <li>• Density bonus</li> <li>• Tax increment financing</li> <li>• Other tax incentives</li> <li>• Shared services</li> <li>• Revenue sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Zoning</li> <li>• Land division or subdivision control</li> <li>• Site plan review</li> <li>• Design standards (i.e., landscaping or signage)</li> <li>• Performance standards</li> <li>• Interim regulation (i.e., moratoria)</li> </ul>

Source: Land Use Resource Guide Center for Land Use Education: University of Wisconsin-Stevens Pointe Extension





# Municipal Powers & Economic Development

Municipalities have other powers that should be coordinated with economic and community plans



Power of taxation



Power to spend  
money



Power to cooperate



Police power

***Policy statements in your master plan & economic development strategy should encompass all the tools and powers that a community has to implement these community plans***



# **Fiscal Fluency in the Budget Preparation Process**

Source: <http://www.gfoa.org/financial-forecasting-budget-preparation-process>



# Develop Shared Fiscal Fluency

Supplement traditional budget processes with other perspectives on financial health using *Non-Incremental Budget Approaches*

- Zero-Base Budgeting
- Target-Based Budgeting
- Priority-Based Budgeting

A budget built around Non-incremental approaches can help organizations reconsider the relevance and affordability of traditional spending patterns

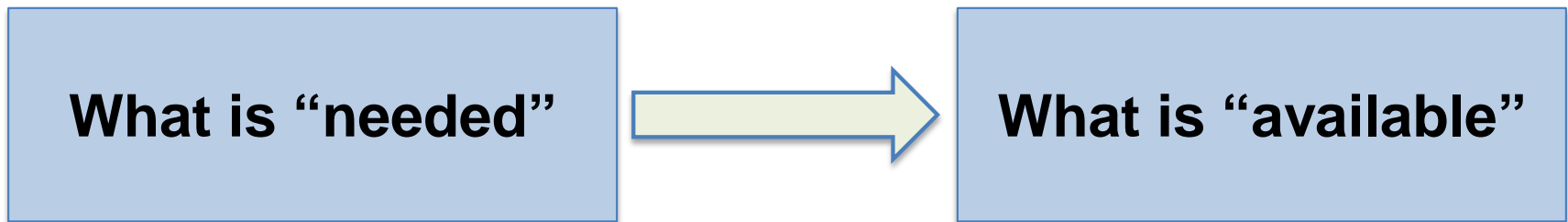
Governments that use non-traditional budgeting techniques also tend to make better use of forecasting information (Forester 1991)

*Source: Lincoln Institute of Land Policies: A Framework for A Financial Sustainability Index*



# Priority Budget and Economic Development

## Priority Budgeting - *Shift Your Thinking*



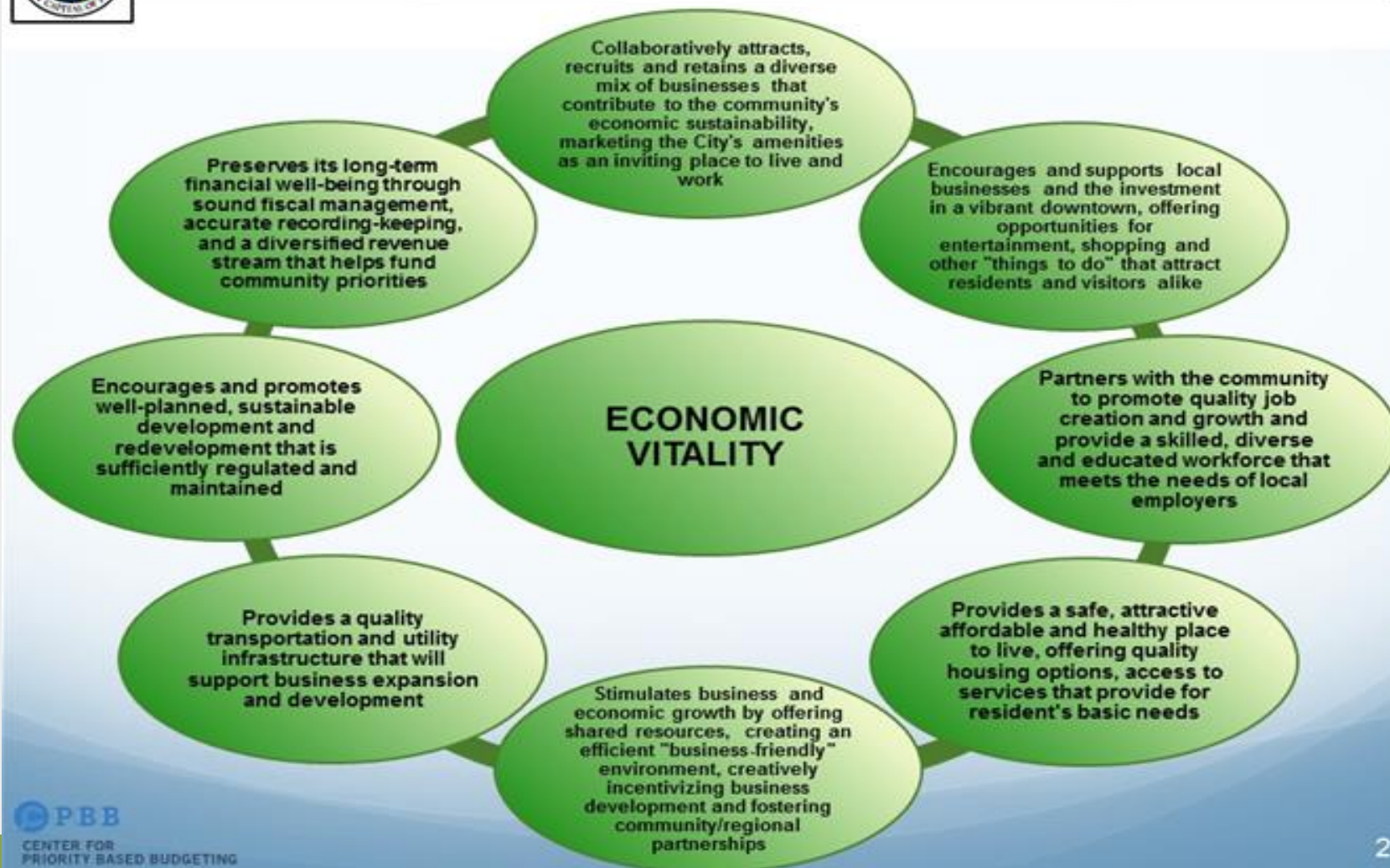
- Identifies the amount of resources that are **“available”** to fund operations as well as one-time initiatives and capital expenditures
- **Differentiate** between one-time and on-going sources



# Local Sample: Priority Budgeting



## City of Battle Creek, Michigan



# Planning for the Unplanned...

From the Wall Street Journal today.

*“Governors across the U.S. are moving to cancel or freeze billions of dollars in spending as states brace for fallout from the economic shutdown resulting from the coronavirus pandemic.”*

*“Congress passed a \$2 trillion aid package that includes \$150 billion for state and local governments, but the money can be used only for coronavirus-related expenses. Now, as talk turns more to reopening the economy, states are counting on Congress to approve more funds with greater flexibility”*

*“Cities are bracing for a budget crunch, too. More than 2,100 cities expect shortfalls, according to a survey by the National League of Cities and U.S. Conference of Mayors”*

*“Republican Del. Todd Gilbert, the House GOP leader, said workers and businesses are “going to be digging out of this financial hole well past May 1, 2021,” he said.”*





# Resiliency

- ✓ Michigan has impressive assets
- ✓ Know your economic region and use its assets to build a better economy.
- ✓ Quality places attract knowledge workers.
- ✓ Quality places are built with careful planning and design.
- ✓ Globally competitive places are built with regional cooperation.
- ✓ ***By working cooperatively, Michigan will be resilient.***



# Resources

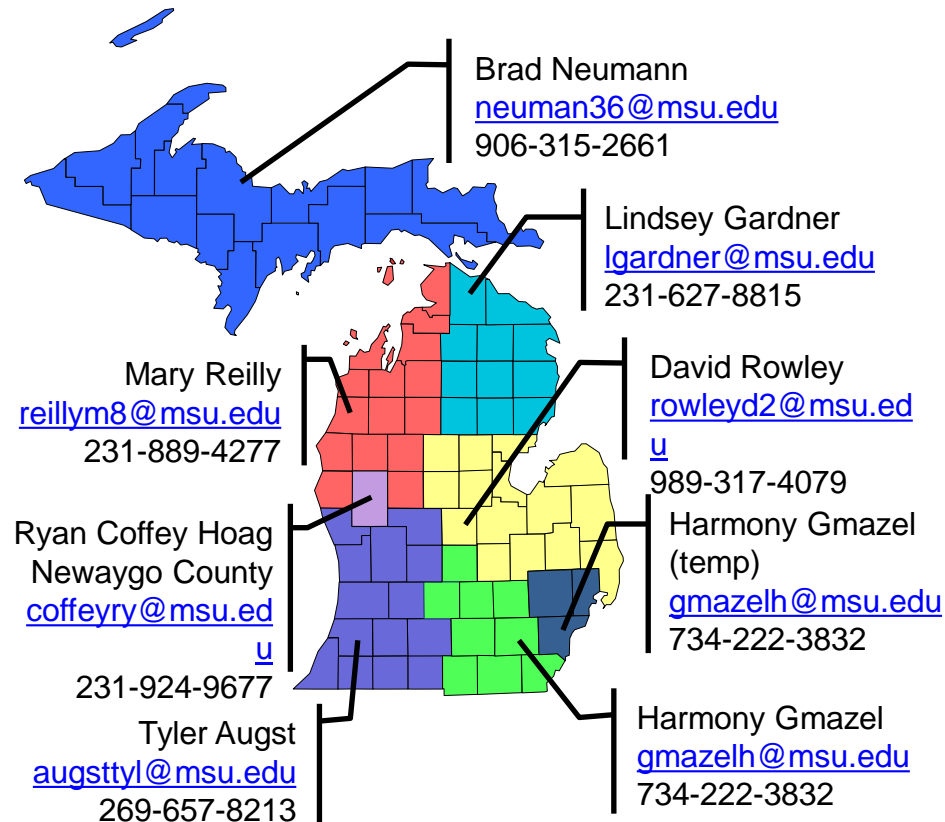
- [MSUE's Local Government Resources for COVID 19 Response](#)
- [MSUE's Resources for Tribal Governments](#)
- [Urban Institute](#)
- [MSUE's Citizen Planner Online Trainings](#)





## Land Use Educators

*Contact the MSU  
Extension land  
use educator  
closest to you  
with your  
planning and  
zoning questions.*



**On behalf of MSUE's Government and  
Community Vitality Team,  
Thank You!**

