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PRESENTATION**

# **ECONOMIC DEVELOPMENT: AN INTRODUCTION**



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# ECONOMIC DEVELOPMENT: AN INTRODUCTION



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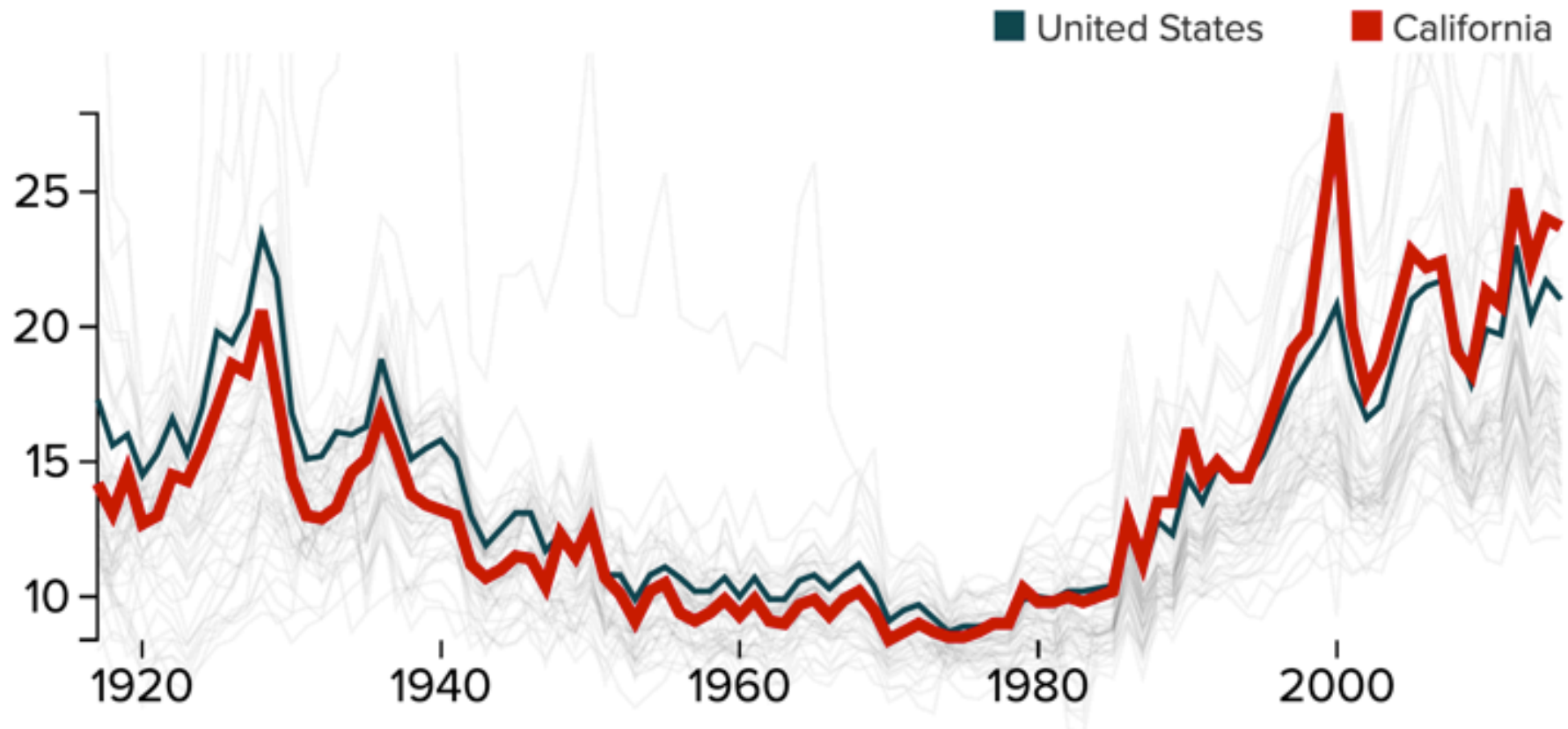
# **ECONOMIC DEVELOPMENT: AN INTRODUCTION**



# ECONOMIC DEVELOPMENT: AN INTRODUCTION

## Share of income captured by the top 1%

1917–2015

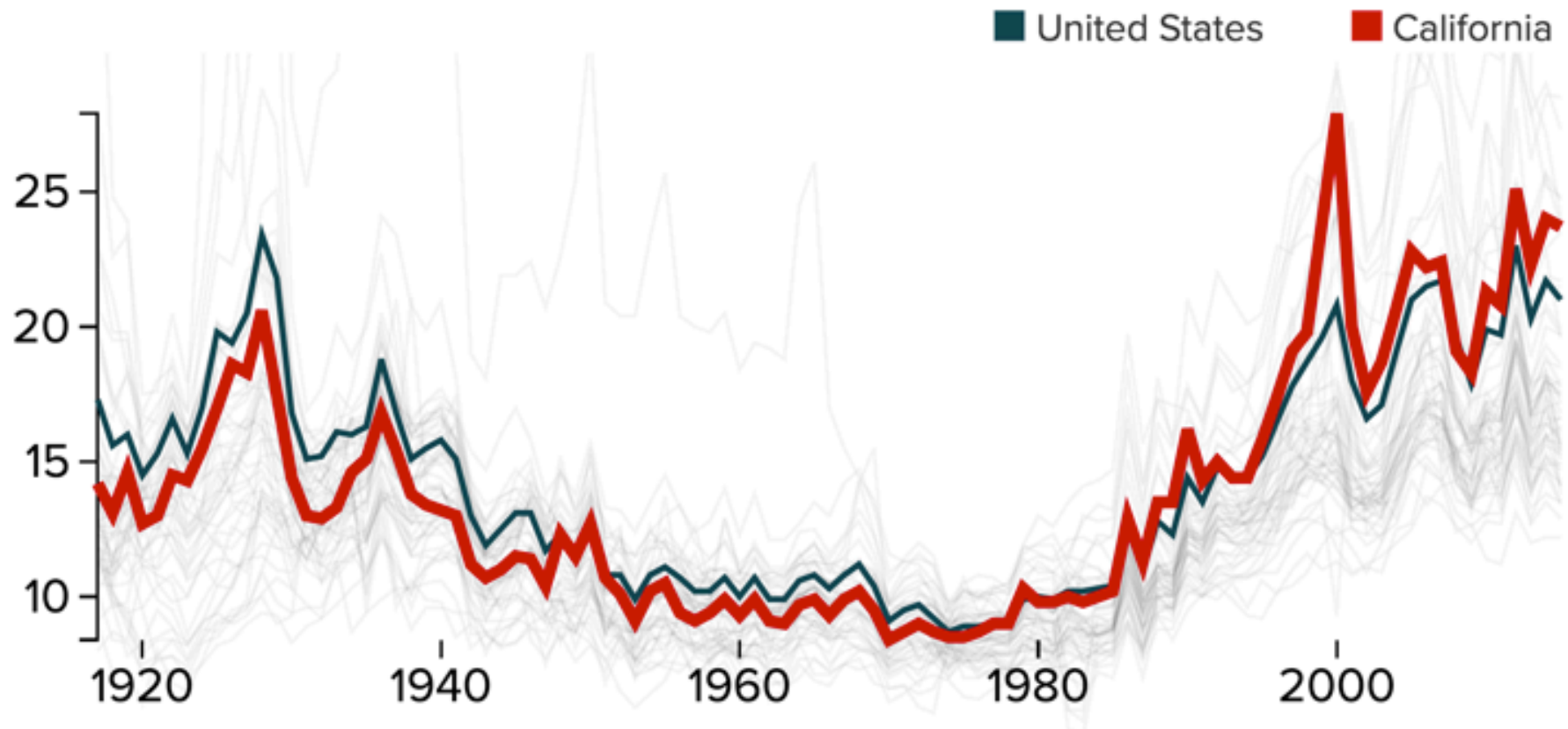


However, California ranks #7 of the 50 states in income inequality, based on the ratio of top 1% to bottom 99% income.

# ECONOMIC DEVELOPMENT: AN INTRODUCTION

## Share of income captured by the top 1%

1917–2015



The share of all income held by the top 1% in recent years has approached or surpassed historical highs.



## **ECONOMIC DEVELOPMENT: AN INTRODUCTION**

**Prosperity has been unevenly distributed—not just among individuals and groups of people, but also among the state's regions and individual jurisdictions.**



## **ECONOMIC DEVELOPMENT: AN INTRODUCTION**

**This recent history of booms and busts and the big gap between economic winners and losers helps to explain why economic development has grown more prominent in California planning.**

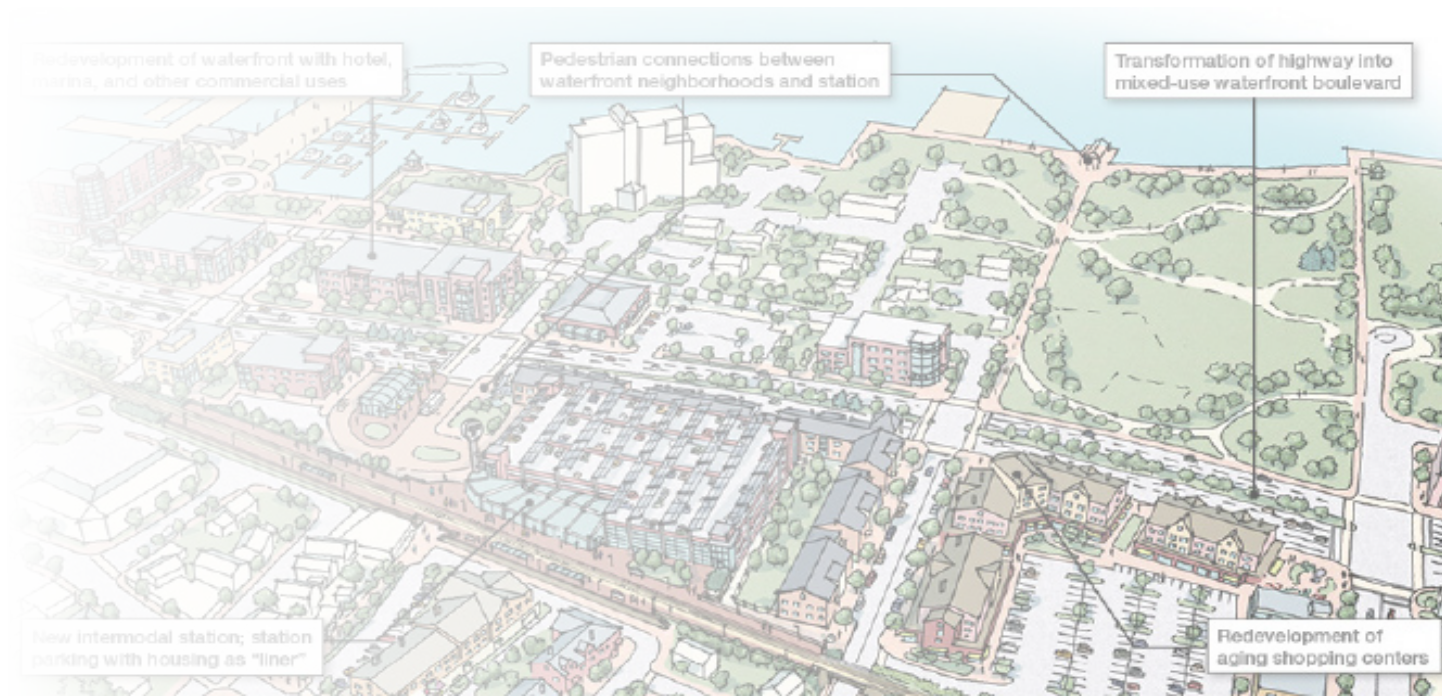


# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT



## Economic Development

Local & state govts cooperating with the federal govt & private businesses to ensure that each community and the state as a whole have a healthy mix of many different types of jobs & a diversified tax base.



# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT

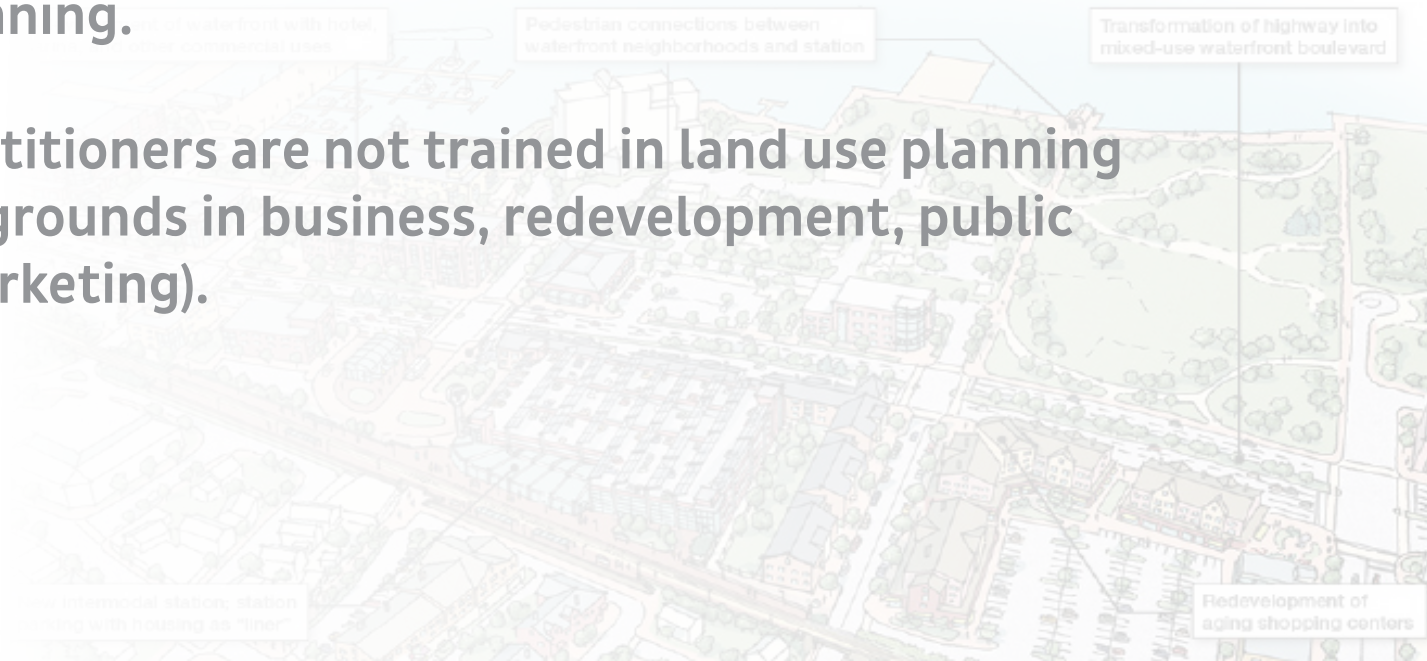


## Economic Development

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Both roles (local and state) require the creation of particular types of business activity in specific locations, and for this reason, are closely related to land use planning.

However, most ED practitioners are not trained in land use planning (many come from backgrounds in business, redevelopment, public administration, and marketing).





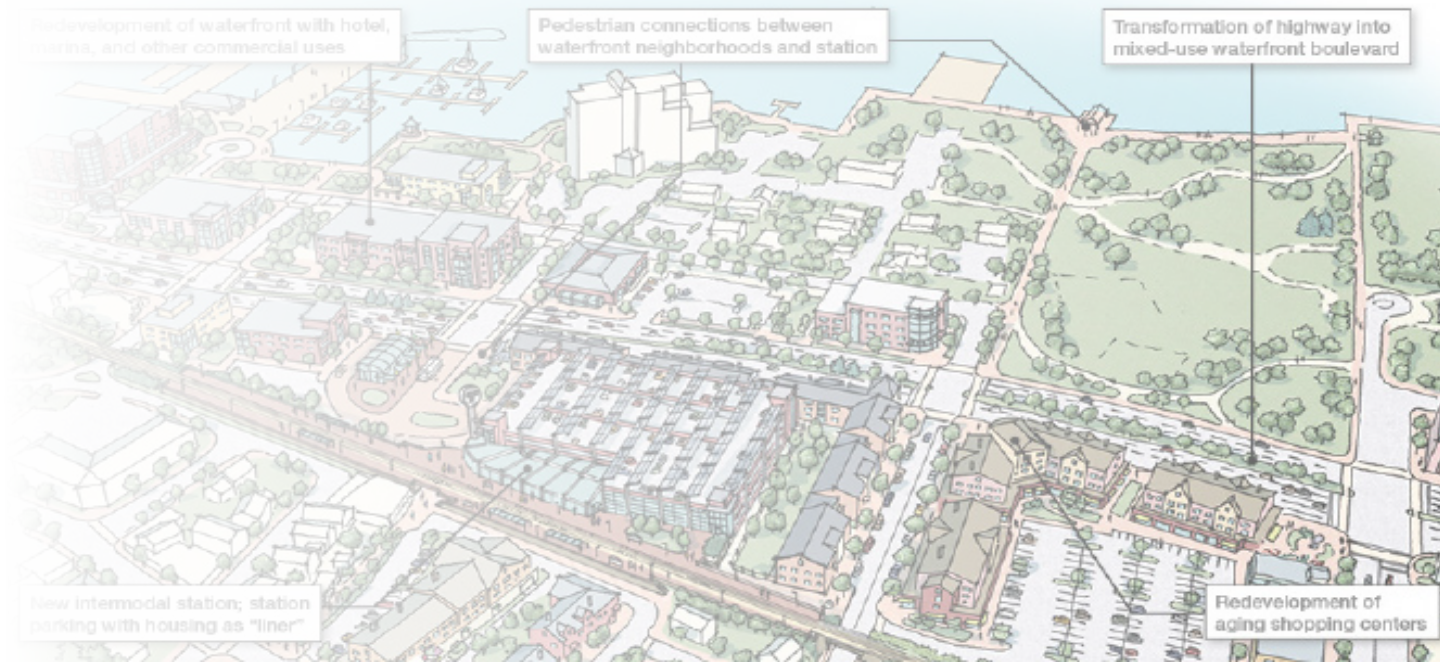
# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT



## Economic Development

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Since the 1990s, many CA cities & counties have looked to urban planners skilled in economic development to help spur local job creation and business growth.



# **THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT**

The work of ED planners can be broadly categorized into two areas of focus:

**① State & Regional Scale**

**② Local Scale**

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**Regional & statewide efforts** often promoted by the state & federal gvnts and by region-wide business consortiums.

– Walmart, Costco, car dealerships, etc.

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They often promote expansion of high-growth industries, such as technology, and creation of regional economic infrastructure, such as airports, ports, highways, and data transmission facilities.

# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT

The work of ED planners can be broadly categorized into two areas of focus:

## **2 Local Scale**

The second approach to economic development, often promoted by **local governments and community organizations**, involves a targeted effort to solve certain economic problems in a particular jurisdiction or geographical area.

# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT

The work of ED planners can be broadly categorized into two areas of focus:

## **2 Local Scale**

The second approach to economic development, often promoted by **local governments and community organizations**, involves a targeted effort to solve certain economic problems in a particular jurisdiction or geographical area.

These local efforts often seek to bring business investment into distressed areas or to maintain and improve the tax base of a local gvnt, whether distressed or not.

# THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT

The work of ED planners can be broadly categorized into two areas of focus:

- 1 State & Regional Scale**
- 2 Local Scale**

Both types of ED are closely tied to land use planning, but planners themselves are typically more involved in local economic development (#2) simply because they usually work for local gvnt.

# **THE DIFFERENT ROLES OF ECONOMIC DEVELOPMENT**

The work of ED planners can be broadly categorized into two areas of focus:

**1 State & Regional Scale**

**2 Local Scale**

State & Federal gvnts all play an important role in both types of ED, but their role in the regional approach is more apparent & direct.

# **THE ROLE OF STATE AND FEDERAL GOVERNMENT**



## **Two roles of the state gvnt:**

### **1 Major infrastructure investments**

**Esp. transportation infrastructure such as freeway expansions, railroads, public transit, or port facilities.**

# THE ROLE OF STATE AND FEDERAL GOVERNMENT

## Two roles of the state gvnt:

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#### Example: Alameda Corridor

A large trench that carries a freight railroad from the Port of Los Angeles to rail yards east of Downtown LA. The Alameda Corridor was actually built by a joint-powers authority made up of several government agencies in L.A, but the State played an important role.



# **THE ROLE OF STATE AND FEDERAL GOVERNMENT**

Two roles of the state gvnt:

- 2 State provides tax credits (\$\$\$ that can be subtracted from gvnt taxes) to and other subsidies to specific business sectors in order to encourage their growth**



**Tax Credits**



# THE ROLE OF STATE AND FEDERAL GOVERNMENT

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Many of these State programs target underserved communities.

The background of the slide features a collage of US currency and documents. A large, faded image of a US dollar bill is visible, showing the portrait of George Washington. In the bottom left corner, there is a small image of a US Treasury note with the signature of Mary Ellen McElroy, Treasurer of the United States. The text "Tax Credits" is prominently displayed in a large, serif font across the bottom half of the slide. To the right of the text, there is a vertical sequence of numbers: "AB 40935681" and "B2".

Tax Credits

# **THE ROLE OF STATE AND FEDERAL GOVERNMENT**

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Many of these State programs target underserved communities.

**Example: Entertainment industry**

Entertainment industry gets tax credits for shooting in CA

A photograph of the Hollywood sign, which is a large white letter sign on a hillside in Los Angeles, California. The sign is partially obscured by a semi-transparent blue overlay that contains text. The background shows a dry, hilly landscape with some sparse vegetation and a clear sky.

**HOLLYWOOD**

# **THE ROLE OF STATE AND FEDERAL GOVERNMENT**

## **Two roles of the state gvnt:**

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States also provide ED grants to cities & counties, which then loan the money to businesses for things like land & equipment acquisitions.

In exchange, businesses must provide a certain number of jobs.

They are designed to help local gvnts carry out their own ED plans.

Local gvnts must first seek designation as an enterprise zone or, on the federal level, an empowerment zone before being eligible for their benefits.

# **THE ROLE OF STATE AND FEDERAL GOVERNMENT**

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Enterprise zone – Designated areas that are supported with ED policies that are intended to encourage development in deprived neighborhoods through tax & regulatory relief.

Enterprise zone policies generally offer tax concessions, infrastructure incentives, and reduced regulations to attract investments, entrepreneurs, and private companies into the zones.



# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Two roles of the local gvnt:**

- 1 Focus investment in distressed urban and rural areas that would otherwise not thrive**

### **Targeted public improvements**

A city or county may use either local funds or federal Community Development Block Grant (GDBG) funds, which can be used to repair streets, improve infrastructure, and make other investments in what might be called the public domain.



# THE ROLE OF THE LOCAL GOVERNMENT

## Two roles of the local gvnt:

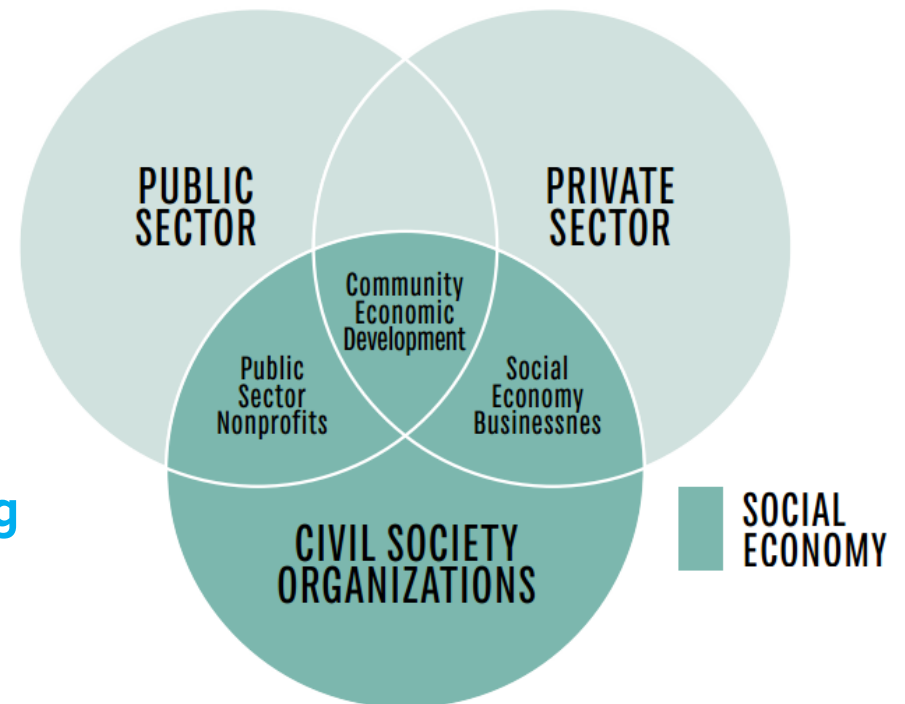
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**Focus investment in distressed urban and rural areas that would otherwise not thrive**

### **Location of public facilities in distressed neighborhoods**

Gvnt agencies are often huge employers that can stimulate other private investments, so the gvnt's own real estate decisions can help turn a neighborhood around.

Ex) California Department of General Services has a longstanding policy of placing state offices in downtown areas, especially those in distress.





# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Two roles of the local gvnt:**

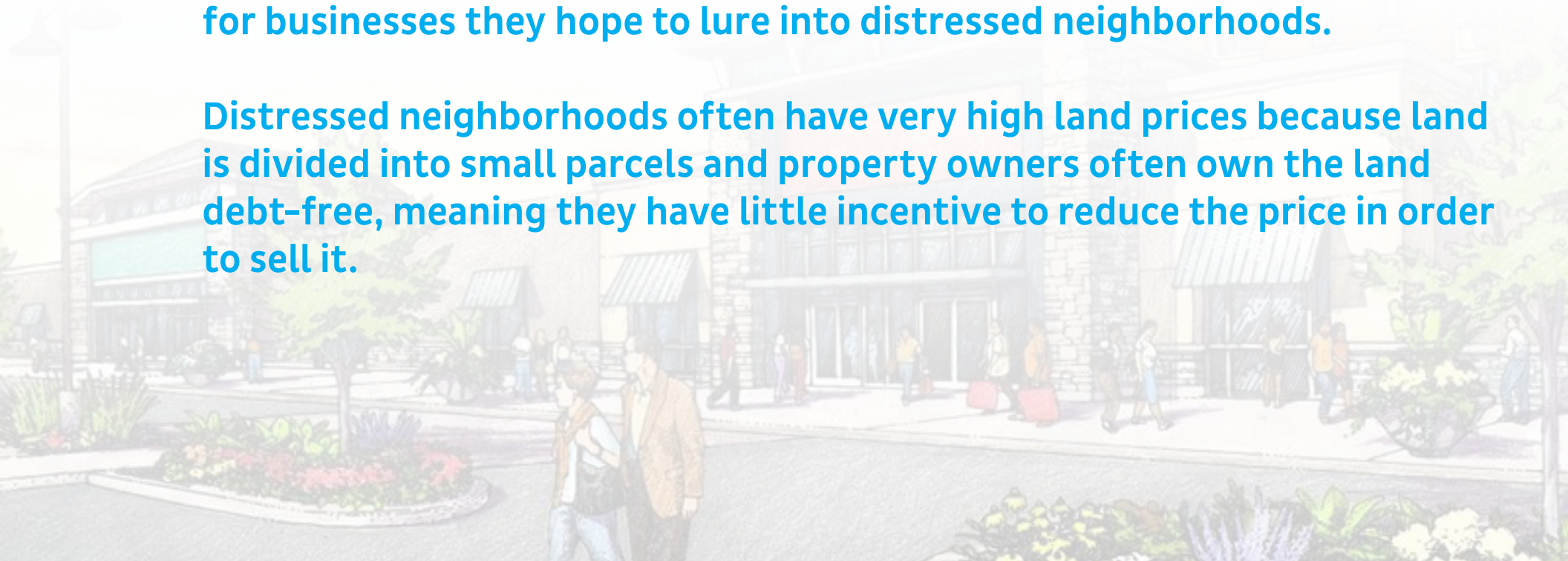


**Focus investment in distressed urban and rural areas that would otherwise not thrive**

### **Subsidies for individual businesses and developers**

Cities and counties may sometimes build infrastructure or provide land for businesses they hope to lure into distressed neighborhoods.

Distressed neighborhoods often have very high land prices because land is divided into small parcels and property owners often own the land debt-free, meaning they have little incentive to reduce the price in order to sell it.



# **THE ROLE OF THE LOCAL GOVERNMENT**

Two roles of the local gvnt:

**1**

**Focus investment in distressed urban and rural areas that would otherwise not thrive**

## **Tax credits and regulatory streamlining**

In some cases, specific businesses can receive tax credits for either locating in or hiring from specific distressed neighborhoods. While tax breaks are always popular, regulatory streamlining has been much harder to achieve.



**Tax Credits**



# **THE ROLE OF THE LOCAL GOVERNMENT**

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In some cases, specific businesses can receive tax credits for either locating in or hiring from specific distressed neighborhoods. While tax breaks are always popular, regulatory streamlining has been much harder to achieve.

Ex) Environmental justice advocates have stopped some attempts to streamline the use of CEQA and other regulations in distressed areas, arguing that inner-city residents should have the same environmental protections as suburbanites.

# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Two roles of the local gvnt:**

### **2 Increase the tax revenue, rather than jobs and general economic growth**

Most CA cities & counties receive their tax revenue from two primary sources: property tax & sales tax

Prop 13 (1978) restricted property tax rates, resulting in a greater dependence on sales tax revenue

School districts typically get about 50% or more of property tax revenue & cities get about 15% & counties get about 30%.

**Tax Credits**

# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Revenue Benefits of Retail Development**

### **Shopping Center**

Pays higher property taxes  
on less land

+

Generates sales tax revenue

+

Requires minimal fire  
and police protection

+

Generates no  
new children to be educated

=

**Revenue PRODUCING Project**

**vs.**

### **Single-Family Home Subdivision**

Pays lower property taxes  
on more land

+

Generates no additional  
sales tax revenue

+

Requires extensive fire  
and police protection

+

Generates many  
new children to be educated

=

**Revenue DRAINING Project**

# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Two roles of the local gvnt:**

### **2 Increase the tax revenue, rather than jobs and general economic growth**

The permanent state sales tax is 7.25 cents for every dollar of retail sales. Of that, the state gvnt keeps 6.25 cents and gives 1 cent to local gvnt.

Cities & counties may increase their sales tax rates only with voter approval.

Most large counties have a half-cent sales tax for transportation; Los Angeles County has a total of 1.5 cents for this purpose.

**Tax Credits**

# **THE ROLE OF THE LOCAL GOVERNMENT**

## **Two roles of the local gvnt:**

### **2 Increase the tax revenue, rather than jobs and general economic growth**

About 175 cities have an added local sales tax.

Most frequently the tax has been for general governmental purposes, though special taxes for public safety and streets are also popular.

Furthermore, that cent is returned to the local gvnts based on the location where the retail sale occurred.

Tax Credits

# **ASSIGNMENTS**

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**1**

**READ  
CHAPTER 19 & 20**

**2**

**CONTINUE READING THE DEATH AND LIFE  
OF GREAT AMERICAN CITIES**

**3**

**WRITING ASSIGNMENT #3  
NEXT THURSDAY 4/26**