

# Economic Development Policy Tools for Local Government Land Use Planning

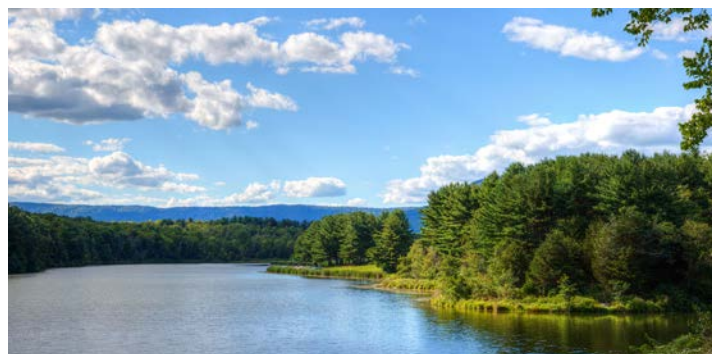


## ECONOMIC DEVELOPMENT POLICY TOOLS FOR LOCAL GOVERNMENT LAND USE PLANNING

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Economic growth and economic development are two often-stated objectives for institutions (local Chambers of Commerce, economic development organizations, local governments, etc.) and politicians alike. While related, these objectives are different, and those differences impact the tools and policies communities elect to pursue. As discussed by Shaffer, Deller and Marcouiller (2006), economic growth seeks to increase a community's level of economic activity, while economic development is defined by sustained actions of decision makers that foster community and economic vitality. The key difference is that growth is focused on metrics

you can count (jobs, goods, sales, etc.) and development is more holistic and takes into account the community capitals (financial, political, cultural, social, natural, built and human, see **Figure 1**) and the actions of individuals and the policies determined by institutions (Beaulieu, 2016). This article provides an introduction to basic concepts of economic development and how they are related to land use planning.



**FIGURE 1: COMMUNITY CAPITALS FRAMEWORK**



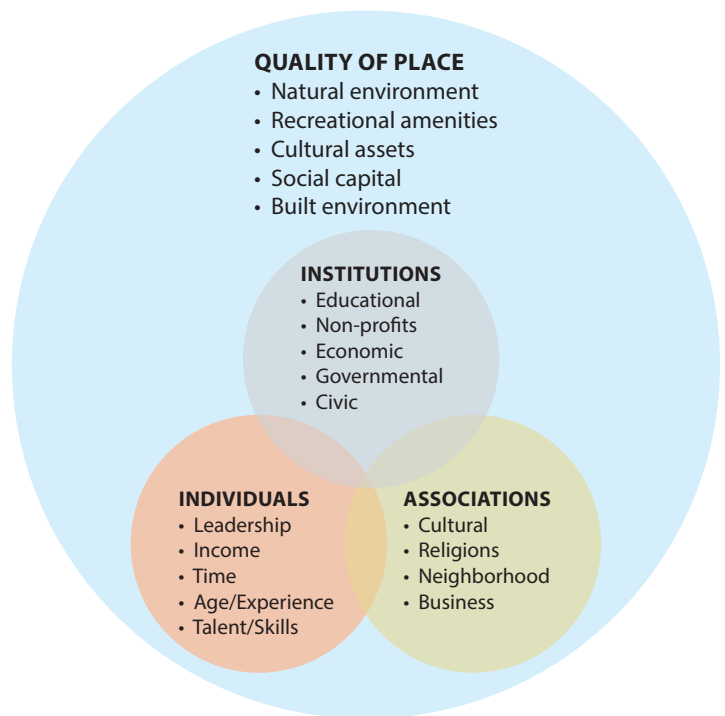
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At first glance, one can consider the current status of a community or region based on its “balance sheet.” Similar to a business, a community’s assets and liabilities can be examined and, in a sense, a community’s net worth ascertained. In this context, the back-of-the-envelope calculation of “community net worth” would point toward the level of community vitality or quality of life.

In community development circles, the consensus is that all development activities should be asset-based. While recognizing needs and constraints is important, assets are what the community will be able to leverage to accomplish goals. Assets can be grouped by community capital (**Figure 1**) or thought of in terms of actors and the community environment (**Figure 2**). The actors include individuals, institutions and associations. The community environment is the “quality of place.” The interplay amongst all four can have a profound effect on how adept a community is at promoting economic development while maintaining the ability to sustain the positive impacts on the “triple bottom line” of environmental, economic and social outcomes. This includes having the requisite capacity to collaborate across individuals, associations and institutions along with recognizing the environment in which decisions are being made and the potential effects on the environment once the decisions are enacted.

Liabilities are on the other side of the balance sheet. These can include issues that need to be addressed as well as constraints that can inhibit or limit the efficacy of certain strategies or tools the community wants to use to bolster economic development. Common community liabilities include poverty, crime, unemployment, environmental degradation, intolerance, low voter turnout, inadequate housing, limited infrastructure and acute/chronic health issues. Oftentimes, these liabilities are “wicked problems” that do not have an easy solution or are the result of medium/long-term trends. No matter the driving force, liabilities need to be recognized and dealt with as the community seeks to move economic development initiatives forward, especially regarding fundamental changes to local policies and regulation.

**FIGURE 2: EXAMPLES OF COMMUNITY-BASED ASSETS**



While community assets in **Figures 1 and 2** and the community liabilities discussed above play a significant role in the success or failure of community-based initiatives, it is useful to also look at place-based assets in a land use context. **Table 1** provides an overview of such assets, the land use/economic development trends impacting the asset and the strategies that could be considered to preserve and strengthen the asset.

**TABLE 1: COMMUNITY/REGIONAL ASSETS AND LAND USE**

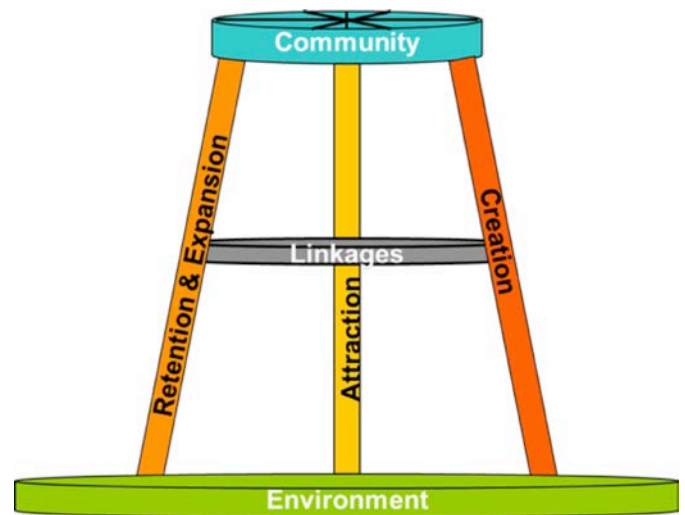
Asset	Land use/development-related trends impacting the asset	Land use/development decisions/actions that could preserve & strengthen the asset
Agricultural and other resource-based activities	Dispersed development, decline of farming and resource-based economies, changing development needs of larger-scale production agriculture, conversion of land to development	Preservation of working lands, directing growth to designated areas, incentives to keep land in production
Natural and scenic amenities	Dispersed development, conversion of land to development	Preservation of natural lands, directing growth to designated areas, incentives for conservation, strengthening outdoor recreation/tourism
Historic buildings and historic/cultural sites	Declining downtowns, renewed interest in downtowns and historic buildings	Historic preservation designations, incentives for reuse of historic buildings, strengthening tourism of historic sites
Downtown/Main Street	Dispersed development, declining downtowns, renewed interest in downtowns	Main Street programs, incentives for redevelopment, marketing downtown sites, public infrastructure improvements
Housing stock	Rapid growth, population decline, changing demographics, fiscal challenges, dispersed development	Policies to promote housing renovation and repair, policies to promote a variety of housing types
Community facilities	Changing demographics, fiscal challenges, dispersed development	Policies to promote the repair and improvement of existing facilities, developing facilities in core areas close to the populations who use them
Talents and skills of individuals	Changing rural economies, rapid growth, population decline, changing demographics, health issues, dispersed development, longer commutes, renewed interest in downtowns	Downtown revitalization and other efforts to create vibrant places that are attractive to young people and knowledge workers, widespread community engagement in the planning process
Civic and volunteer organizations	Rapid growth, population decline, changing demographics, dispersed development, longer commutes, renewed interest in downtowns	Downtown revitalization and other efforts to create vibrant places that help grow the population, policies to provide public spaces and facilities in accessible locations
Institutions (educational, medical, financial, cultural, religious, governmental)	Changing rural economies, rapid growth, population decline, changing demographics, health issues, fiscal challenges, dispersed development, reduced access to destinations	Policies to encourage the provision of institutions in places that are accessible to the population/development around existing institutions
Public services and infrastructure	Increased demand for broadband and other cutting-edge technology, Changing rural economies, dispersed development, rapid growth, population decline, changing demographics, health issues, fiscal challenges, renewed interest in downtowns	Policies to introduce new technology and infrastructure (including addressing missing markets), policies to repair and maintain existing infrastructure, efficient development patterns that are easily served
Leading regional employers	Changing rural economies, population decline, health issues, dispersed development, longer commutes	Downtown revitalization and other efforts to create vibrant places that help attract young people and workers, policies that ensure adequate infrastructure to serve businesses, policies that ensure that incompatible land uses do not encroach on operations, policies that provide housing for workers nearby and affordable transportation to work, policies to encourage employers to locate near their employees and other amenities
Low cost of doing business	Population decline, health issues, fiscal challenges, dispersed development, longer commutes	Efficient land use pattern that allows local governments to keep fees and taxes low, holistic land use policies that encourage or allow growth and development of complementary industries, streamlined land use permitting process

Adapted from Megan McConville and Lynn Desautels (2013) Strategies for Building New Economic Opportunities - Stronger Economies Together Supplemental Module: Land Use and Economic Development in Rural Areas. Available online at: [http://srcd.msstate.edu/set/sites/default/files/curriculum/phase-vi/land\\_use/part1-handouts.pdf](http://srcd.msstate.edu/set/sites/default/files/curriculum/phase-vi/land_use/part1-handouts.pdf).

Once the assets of the community/region are delineated (using the Community Capitals framework, the community-based asset framework or the categories listed in **Table 1**), it is worthwhile to begin thinking about economic development strategies that can be put in place to promote community vitality. Community vitality is a result of development that not only spurs economic growth but also – more importantly – harnesses the energies of the community/region to make positive impacts on the social capital, environmental health and economic performance of the community/region.

Traditionally, economic development strategies have been thought of as a three-legged stool (**Figure 3**). Essentially, the stool offers three avenues: retention and expansion of existing businesses, attraction of businesses from elsewhere and the creation of new businesses from within the community/region. Since post-World War II, communities in the United States have given a disproportionate amount of attention to attracting businesses from other parts of the country or elsewhere. Attraction strategies typically employ government-funded subsidies and tax breaks along with investments in infrastructure (such as industrial parks). From the standpoint of land use, attraction strategies have the potential to place existing businesses and land use patterns in direct conflict with the requirements of the firm that is being courted by the community. In contrast, existing businesses are already in place and seeking opportunities to continue operations or to expand and increase their impact on the community as an employer and community advocate (through philanthropy and other community-focused initiatives). Community-led business retention and expansion strategies typically seek to address issues that the firms may be facing concerning workforce development, business climate, infrastructure, etc. Lastly, business creation is focused on the entrepreneurial pursuits of individuals who are interested in anchoring their new businesses in a specific community. This strategy depends on the ecosystem of support in the community. This support is wide-ranging, but often hinges on the necessary support, technical assistance and networking needed to see the business through the initial stages of the business life cycle.

**FIGURE 3: THE THREE-LEGGED STOOL OF ECONOMIC DEVELOPMENT**



These three legs of economic development are intrinsically tied together by three critical elements: community, strategy linkages and the environment. The community plays a key role as it serves as consumers, the workforce and decision makers who impact the prevailing business climate. The linkages serve notice to communities that whatever tactics they choose to use in support of one leg of the stool should be considered for the other legs as well. This is part of what determines the “length” of the stool legs. Disproportionate attention to one leg (via allocated resources) results in an unstable stool and an unbalanced approach. Building linkages and equal attention to all three strategies offers a stable economic development environment. This brings us to the last element, the environment. As mentioned previously, this model considers the environment in terms of all of the community capitals and community-based assets. For example, the natural environment is directly related to land use, as well as impact on air and water. The financial environment will determine the local availability of financial resources for investment in economic development and the built environment will impact the ability of firms to move goods, acquire services and connect with customers.

While the three-legged stool offers an easily accessible framework to consider economic development, a growing body of literature has taken these concepts

a step further and made a direct connection between economic development and land use. One such contribution is from Megan McConville and Lynn Desautels (2013) through their curriculum “Strategies for Building New Economic Opportunities - Land Use and Economic Development in Rural Areas,” a supplemental module supporting the highly successful regional development program Stronger Economies Together. The curriculum draws heavily from the publication “Putting Smart Growth to Work in Rural Communities,” a product of a collaboration between the United States Environmental Protection Agency and the International City/County Management Association (ICMA). It

provides communities with in-depth information on eleven tools, across three goals, that directly connect economic development with land use.

In the tables that follow, the three main goals are highlighted, and the eleven tools are linked directly to publications that explore each tool and empower communities to consider each for themselves. As such, the remainder of the document is meant to serve as a source of information as communities weigh the alternatives and consequences before them and consider how to spur economic development while weighing potential impacts on land use.

**TABLE 2: GOALS, STRATEGIES AND POLICY TOOLS FOR LAND USE-RELATED ECONOMIC DEVELOPMENT**

<b>Goal 1: Support the Landscape</b> <b>Create an economic climate that enhances the viability of working lands and conserves natural lands.</b>	<b>Goal 2: Help Existing Places Thrive</b> <b>Take care of assets and investments such as downtowns, Main Streets, existing infrastructure and places that the community values.</b>	<b>Goal 3: Create Great New Places</b> <b>Build vibrant, enduring neighborhoods and communities that people, especially young people, don't want to leave.</b>
1.a. Ensure the viability of the resource economy in the community/region	2.a. Invest public and private funds in existing places	3.a. Update strategic and policy documents to accommodate new growth through compact and contiguous development
1.b. Cultivate economic development strategies that rely on a variety of landscapes	2.b. Encourage private sector investment	3.b. Reform policies to make it easy for developers to build compact, walkable, mixed-use places
1.c. Promote rural products in urban areas and support other urban-rural links	2.c. Build on past community investments	3.c. Recognize and reward developers that build great places using smart growth
1.d. Link rural land preservation strategies to great neighborhoods	2.d. Foster economic development in existing downtowns	

Adapted from Megan McConville and Lynn Desautels (2013) Strategies for Building New Economic Opportunities - Stronger Economies Together Supplemental Module: Land Use and Economic Development in Rural Areas available online at: [http://srdc.msstate.edu/set/sites/default/files/curriculum/phase-vi/land\\_use/part1-handouts.pdf](http://srdc.msstate.edu/set/sites/default/files/curriculum/phase-vi/land_use/part1-handouts.pdf).

**TABLE 3: GOAL 1: SUPPORT THE LANDSCAPE: POTENTIAL STRATEGIES, TOOLS AND POLICIES**

Strategy	Tools and Policies	
1.a. Ensure the viability of the resource economy in the region	<ul style="list-style-type: none"> <li>• Market Value-In-Use taxation (State-level policy in Indiana)</li> <li>• Tax credits for conservation (State level policy in Indiana)</li> <li>• Right to farm policies (e.g., Notice of Agricultural Activity for rural development) or other policies supporting resource-related industries.</li> </ul>	<ul style="list-style-type: none"> <li>• Renewable energy development</li> <li>• Value-added farm and forest products processing</li> <li>• Ecosystem services markets</li> </ul>
1.b. Cultivate economic development strategies that rely on traditional rural landscapes	<ul style="list-style-type: none"> <li>• Purchase of development rights (TDR/PDR program not currently in Indiana)</li> <li>• Conservation easements</li> <li>• Policies supporting resource-related industries</li> </ul>	<ul style="list-style-type: none"> <li>• Fee simple acquisition (May not be available in Indiana)</li> <li>• Agritourism and ecotourism</li> </ul>
1.c. Promote rural products in urban areas and support other urban-rural links	<ul style="list-style-type: none"> <li>• Direct marketing to consumers</li> <li>• Government purchase of local products</li> </ul>	<ul style="list-style-type: none"> <li>• “Buy local” campaigns</li> </ul>
1.d. Link rural land preservation strategies to great neighborhoods	<ul style="list-style-type: none"> <li>• Transfer of development rights (Not currently available in Indiana)</li> <li>• Priority funding areas</li> <li>• Conservation easements</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural and/or forestry zoning</li> <li>• Rural home clustering</li> </ul>

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**TABLE 4: GOAL 2: HELP EXISTING PLACES THRIVE – POTENTIAL STRATEGIES, TOOLS AND POLICIES**

Strategy	Tools and Policies	
2.a. Invest public and private funds in existing places	<ul style="list-style-type: none"> <li>• Fix-it-first</li> <li>• Historic preservation and the Main Street approach</li> <li>• Parks and natural resource areas as destinations</li> </ul>	<ul style="list-style-type: none"> <li>• Streets and streetscape improvements</li> <li>• Targeted new development</li> <li>• Tax increment financing for redevelopment areas</li> </ul>
2.b. Encourage private sector investment	<ul style="list-style-type: none"> <li>• Infill development incentives</li> <li>• Overcoming barriers to infill</li> </ul>	<ul style="list-style-type: none"> <li>• Redevelopment readiness certification</li> <li>• Split-rate tax (Not currently available in Indiana)</li> </ul>
2.c. Build on past community investments	<ul style="list-style-type: none"> <li>• Adaptive reuse</li> </ul>	<ul style="list-style-type: none"> <li>• School rehabilitation</li> </ul>
2.d. Foster economic development in existing downtowns	<ul style="list-style-type: none"> <li>• Local business survey</li> </ul>	<ul style="list-style-type: none"> <li>• Business recognition program</li> </ul>

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**TABLE 5: GOAL 3: CREATE NEW PLACES – POTENTIAL STRATEGIES, TOOLS AND POLICIES**

Strategy	Tools and Policies	
3.a. Update strategic and policy documents to accommodate new growth through compact and contiguous development	<ul style="list-style-type: none"> <li>• Visioning</li> <li>• Places worth preserving</li> <li>• Designated growth areas</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure grid and transportation options</li> <li>• Distinctive local character</li> <li>• Overlay districts</li> </ul>
3.b. Reform policies to make it easy for developers to build compact, walkable, mixed-use places	<ul style="list-style-type: none"> <li>• Policy alignment</li> <li>• Walkability</li> <li>• Parks and open space</li> <li>• Traditional neighborhood development</li> <li>• Form-Based Codes</li> </ul>	<ul style="list-style-type: none"> <li>• Context-sensitive design</li> <li>• Green street design</li> <li>• Low-impact development</li> <li>• Planned Unit Developments</li> </ul>
3.c. Recognize and reward developers that build great places using smart growth and green building approaches	<ul style="list-style-type: none"> <li>• Smart growth recognition programs</li> <li>• Conservation subdivisions</li> <li>• Green building</li> </ul>	

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When communities consider a thoughtful and holistic approach to economic development, they can increase their community and region’s vitality. To do this, communities can work to leverage the assets they have in place and create an environment with policies and regulations that bolster the social capital, environmental health and economic performance of the community/region. This environment provides a solid foundation to support the communities’ economic development efforts. With a solid foundation, communities can make the most out of their efforts to retain and grow existing businesses, attract new businesses and encourage the creation of businesses.

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