

# Economic Development and the Value of Place

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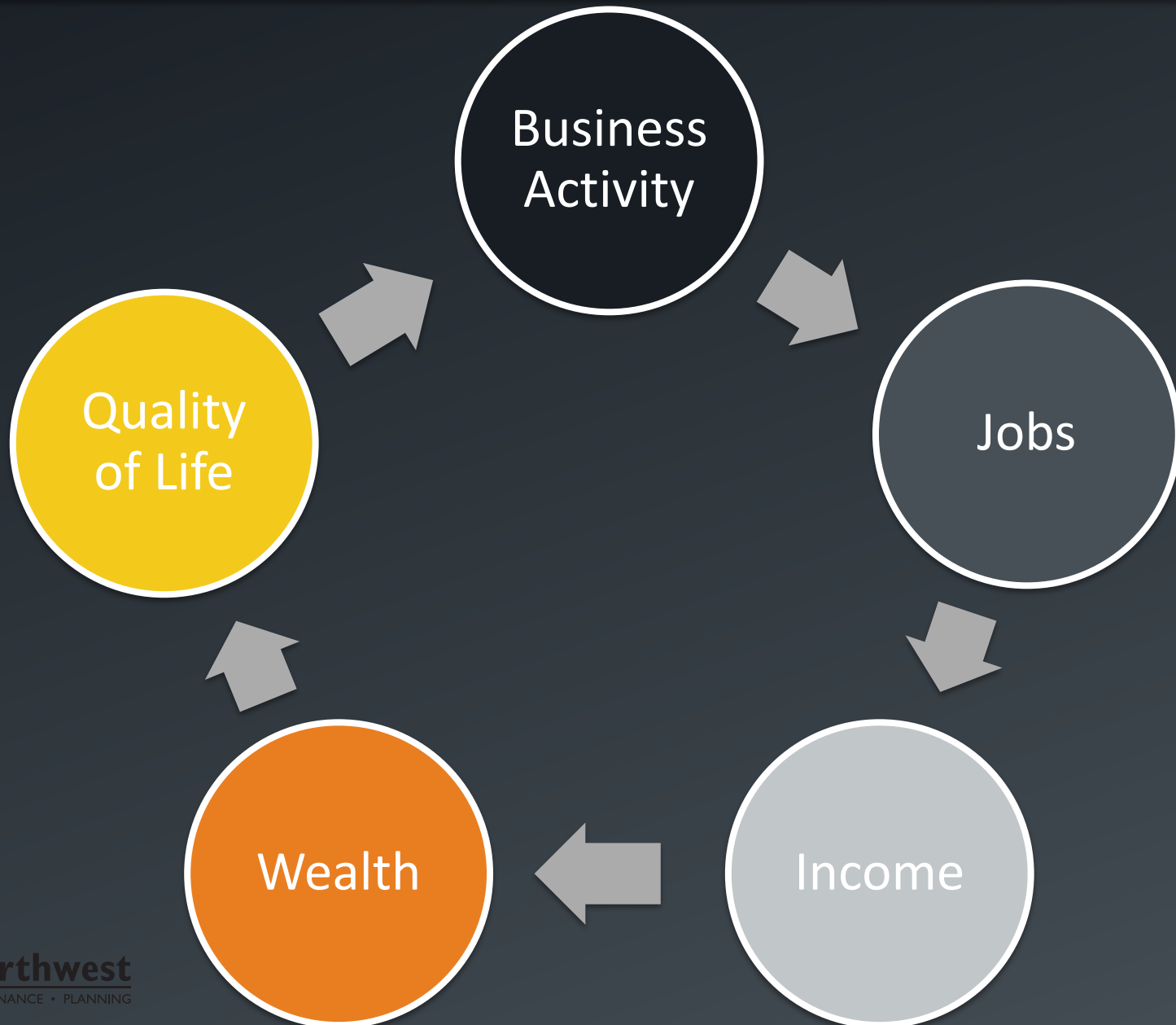
# What is Economic Development?



*“A program, group of policies, or activity that seeks to improve the economic well-being and **quality of life** for a community, by creating and/or retaining jobs that facilitate growth and provide a stable tax base.”*

--International Economic Development Council

# Economic Development Cycle



# Economic Development Approaches

## 1. Retain and grow existing businesses

- Economic gardening
- 2<sup>nd</sup> stage companies
- Growth oriented companies
- Local vs. traded sector



## 1. Attract new businesses

- Strong multiplier effects
- Pay high wages
- Create additional job growth



# Tax Rates and Economic Growth

1. Congressional Research Service Study (2014)
2. Reviews the relationship between tax rates and economic growth.
3. Study suggests that both labor supply and savings and investment are insensitive to tax rates.
4. R&D, Education, Infrastructure expenses, which affect the productivity of labor and capital inputs, are already tax favored by the government.
5. Small bizz taxes are also sometimes emphasized as important to growth, but study suggests a modest and uncertain effect on entrepreneurship.

**Table 1. Average Top Tax Rates on the Growth Rate of Real GDP and Real Net Fixed Investment, by Time Period**

1950-2010

	<b>Average Top Marginal Income Tax Rate on Labor Income</b>	<b>Average Top Marginal Tax Rate on Capital Gains Income</b>	<b>Rate of Growth in Real GDP</b>	<b>Rate of Growth in Real Net Fixed Investment</b>
1950-1970	84.8%	25.6%	3.86%	0.93%
1971-1986	51.8%	30.2%	2.94%	0.32%
1987-2010	36.4%	23.0%	2.85%	0.23%

**Source:** BEA and the Urban-Brookings Tax Policy Center.

**Table 2. Average Top Income Tax Rate on the Growth Rate of Real GDP**

1987-2007

	<b>Average Top Marginal Income Tax Rate</b>	<b>Rate of Growth in Real GDP</b>
1987-1992	33.3%	2.31%
1993-2002	39.5%	3.68%
2003-2007	35.0%	2.79%

**Source:** BEA and the Urban-Brookings Tax Policy Center.

- Land and built space
- Local infrastructure and local services
- Labor and entrepreneurship
- Access to suppliers and consumers



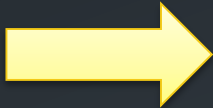
# How can Government Support?

- Developable land and built space



- ✓ Entitlements
- ✓ zoning
- ✓ brownfield redevelopment
- ✓ land assembly
- ✓ land cost write-down
- ✓ building improvements


# How can Government Support?

- Developable land and built space
  - Local infrastructure and local services
- 
- ✓ Building utilities
  - ✓ Off site networks
  - ✓ reasonable SDCs

# How can Government Support?

- Developable land and built space
  - Local infrastructure and local services
  - Educated and skilled labor force 
- ✓ Quality public education
  - ✓ Workforce training
  - ✓ Placemaking
  - ✓ Labor value
  - ✓ Diversity in workforce

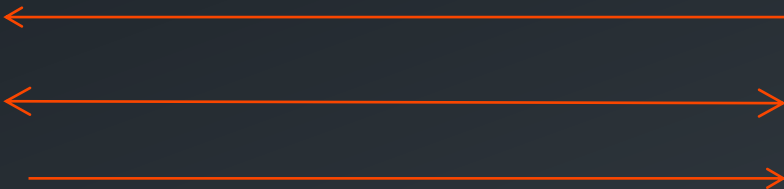
# How can Government Support?

- Developable land and built space
  - Local infrastructure and local services
  - Educated and skilled labor force
  - Access to suppliers and consumers
- 
- ✓ Regional branding
  - ✓ Marketing attributes
  - ✓ Encouraging clustering
  - ✓ Supply Chain
  - ✓ Land assembly

# Economic Development Framework



Jobs



People



Housing



# New York Times Magazine Recent Headline

## Will Portland Always Be a Retirement Community for the Young?



Which one of the following statements comes closer to your point of view?

## Response A

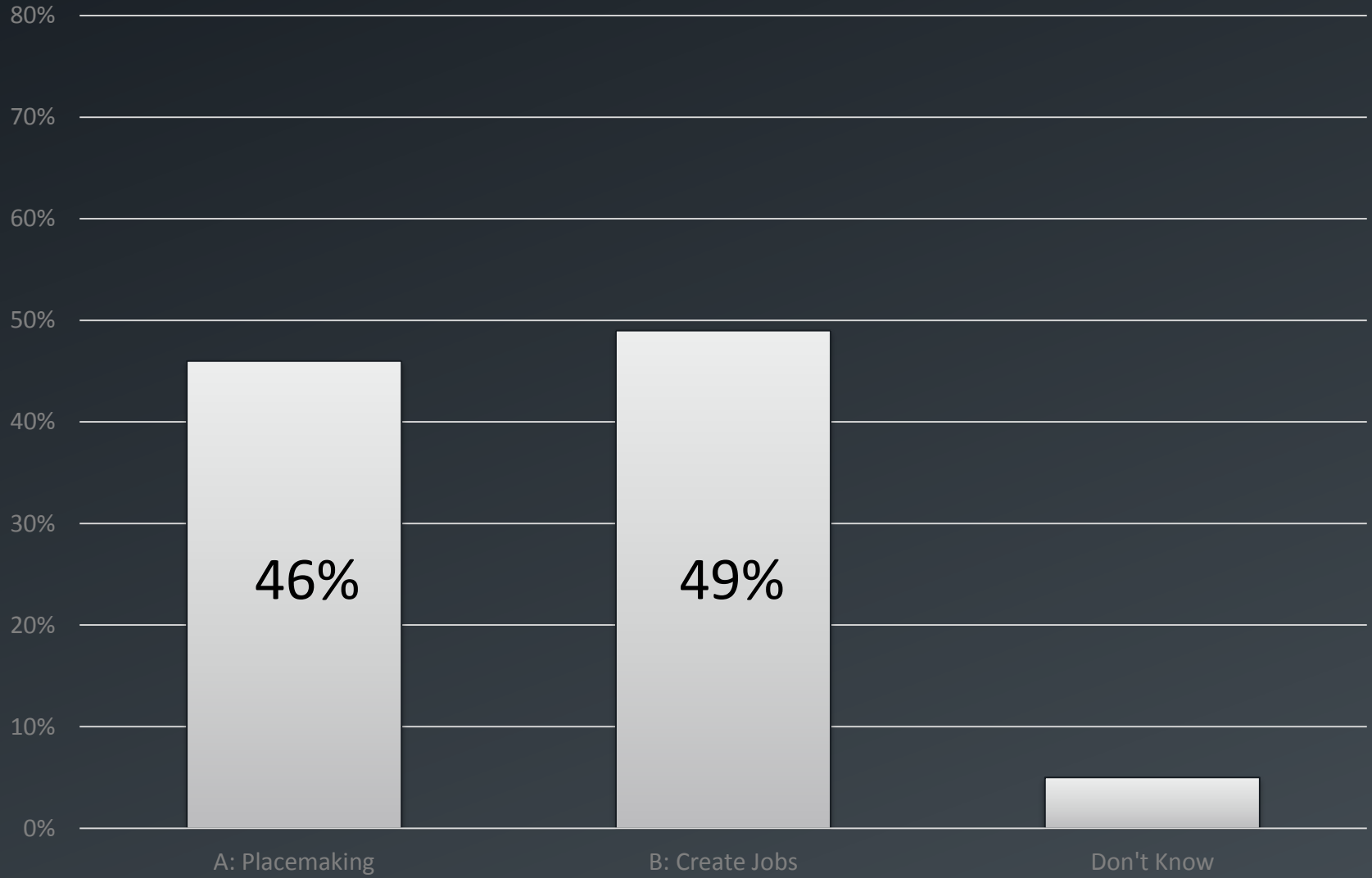
Focus on making this area a great place to live, with things like our parks, restaurants, public transit, and land use, and it will attract people and business to stay and move here.

## Response B

Focus on creating jobs and attracting business; we need jobs to create a great place to live.



# Portland, OR - DHM Survey September 2014



Placemaking

Create Jobs

Don't Know

Which economic development strategy comes closer to your point of view?

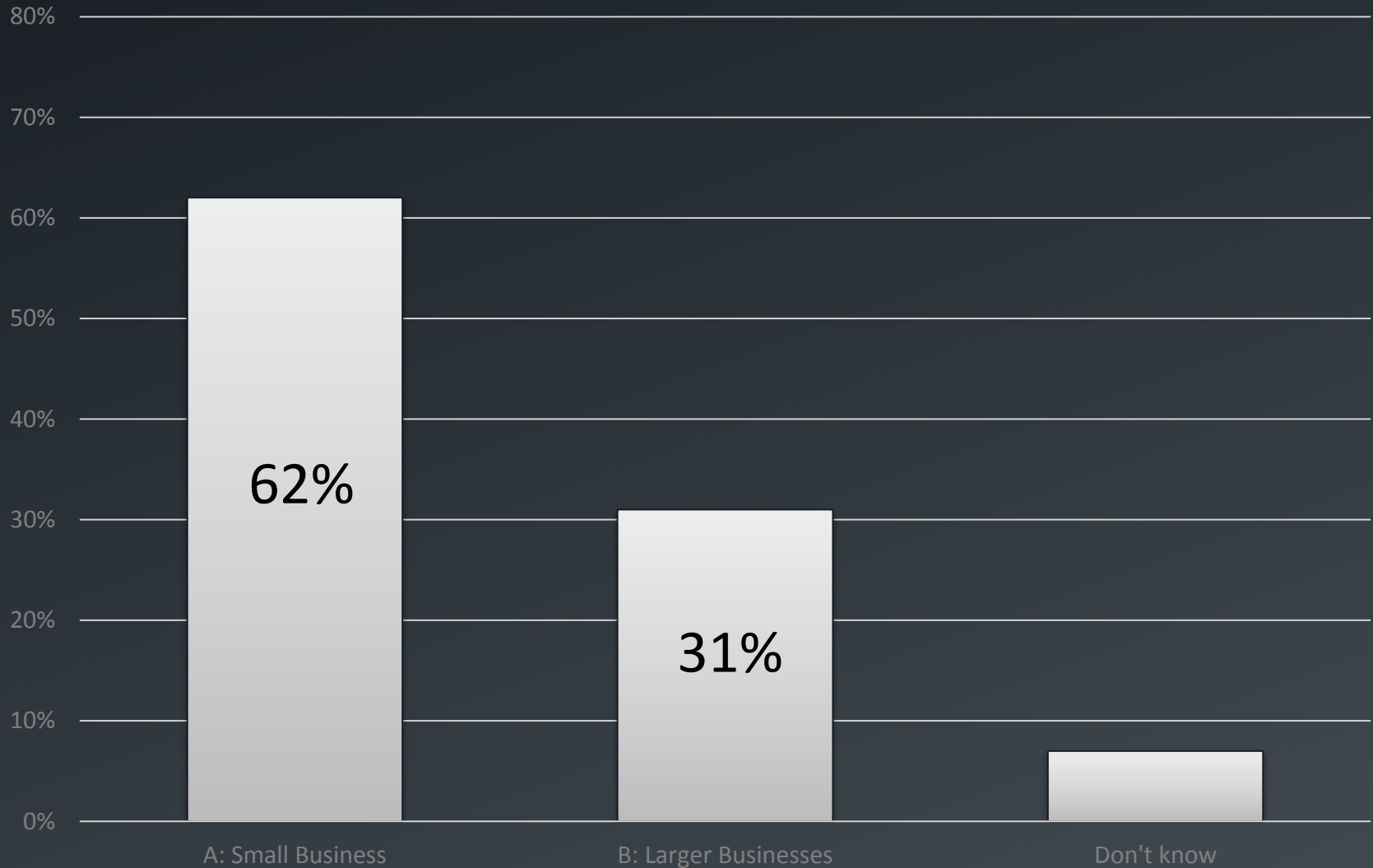
## Response A

This area can have a strong economy based on small, locally owned businesses. Our economic development priority should focus on developing small, locally owned businesses in the area.

## Response B

This area cannot have a strong economy based on small, locally owned businesses. Our economic development priority should focus on attracting, retaining, and expanding larger businesses that create large numbers of family wage jobs.

# Portland, OR - DHM Survey September 2014



Small Business

Big Business

Don't Know

## Fighting Sprawl, Oregon County Makes Deal With Intel to Limit Job Growth

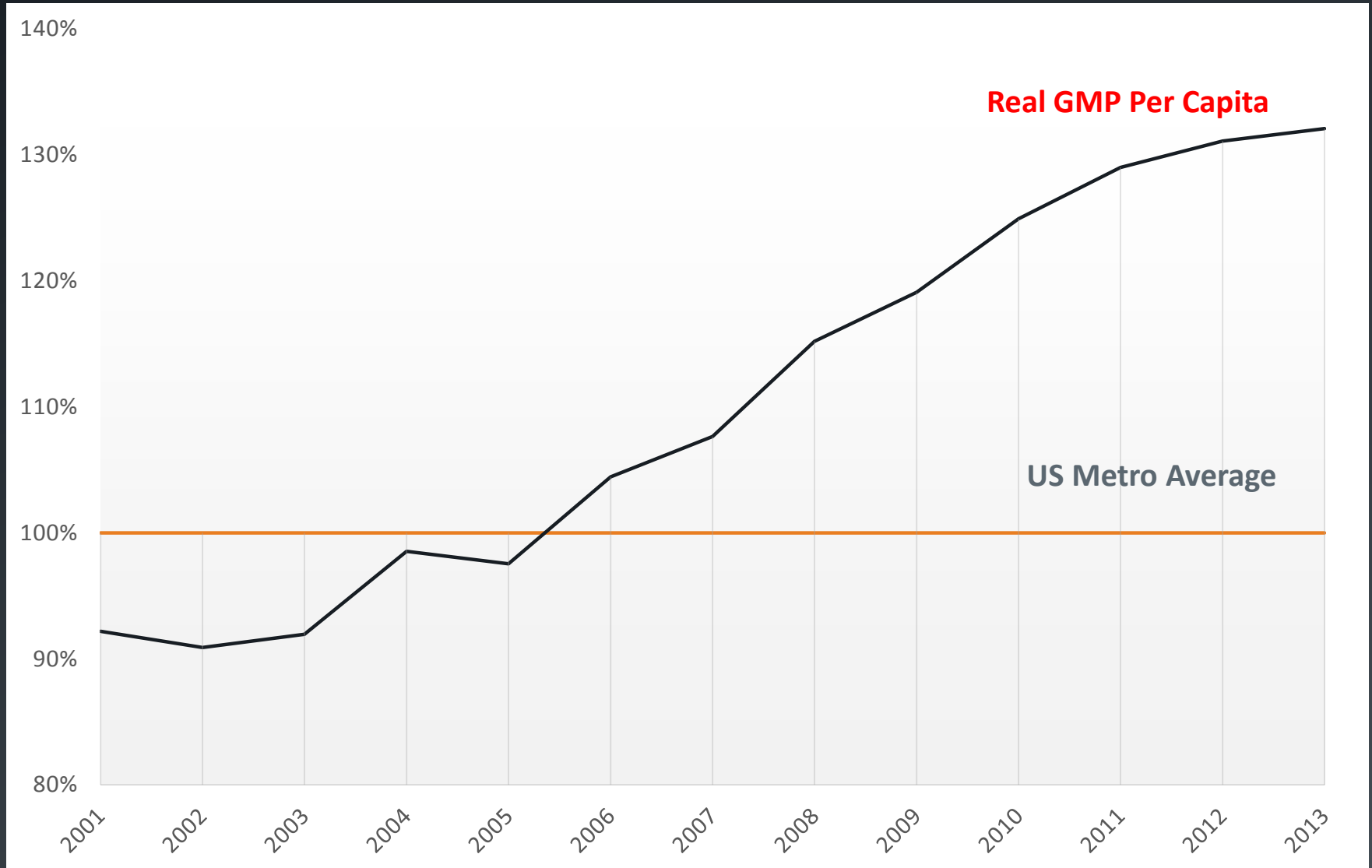
By SAM HOWE VERHOVEK

Published:

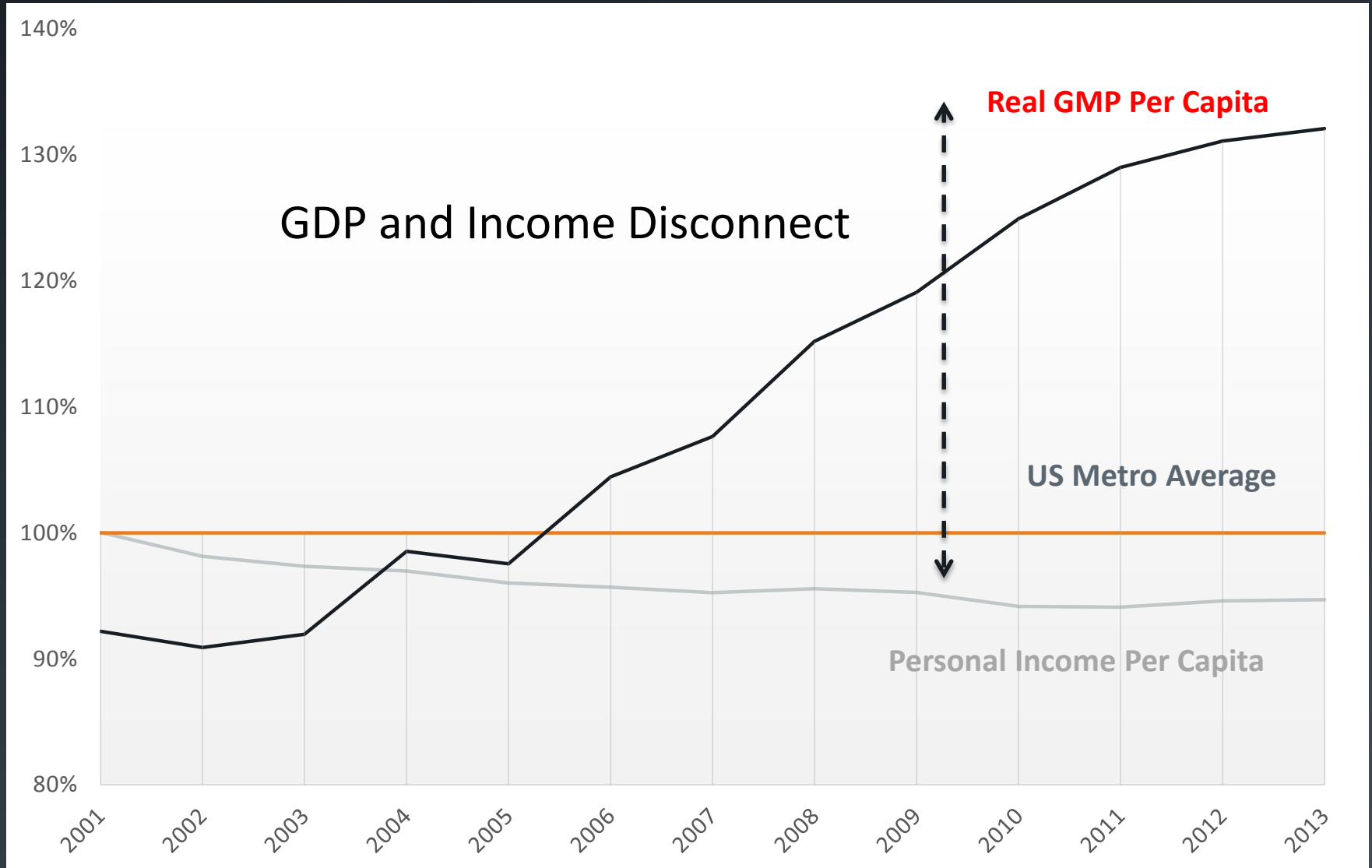
When county officials sat down with the Intel Corporation to develop a package of tax incentives that would keep the state's largest private employer here, the two sides struck a deal that had some fairly standard provisions. Intel would invest up to \$12.5 billion in new equipment and plant upgrades over the next 15 years, and the county would grant \$200 million in property tax breaks.

And just one more thing, the county asked **Please don't create too many new jobs.**

# The Portland Paradox



# The Portland Paradox



# The Second Paycheck

## Percent of Income Willing to Pay for Natural Amenities

4.0%

3.9%

2.9%

2.7%

1.7%



Heat  
(eliminate)

Cold  
(eliminate)

10% +  
Sun

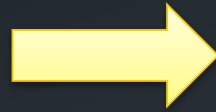
10% +  
Slope

Closer  
to Coast



# Natural Amenities vs. Local Amenities

Placemaking



Local Amenities



- Measure value of local amenities through real estate prices
  - Capitalized value of amenities
- Difficult to study nationally
  - Amenities differ regionally
  - Data collection difficult

# Natural Amenities vs. Local Amenities

Valued local amenities in numerous markets:

- Access to Public Transit



- Walkability



- Retail Density



- Education Quality



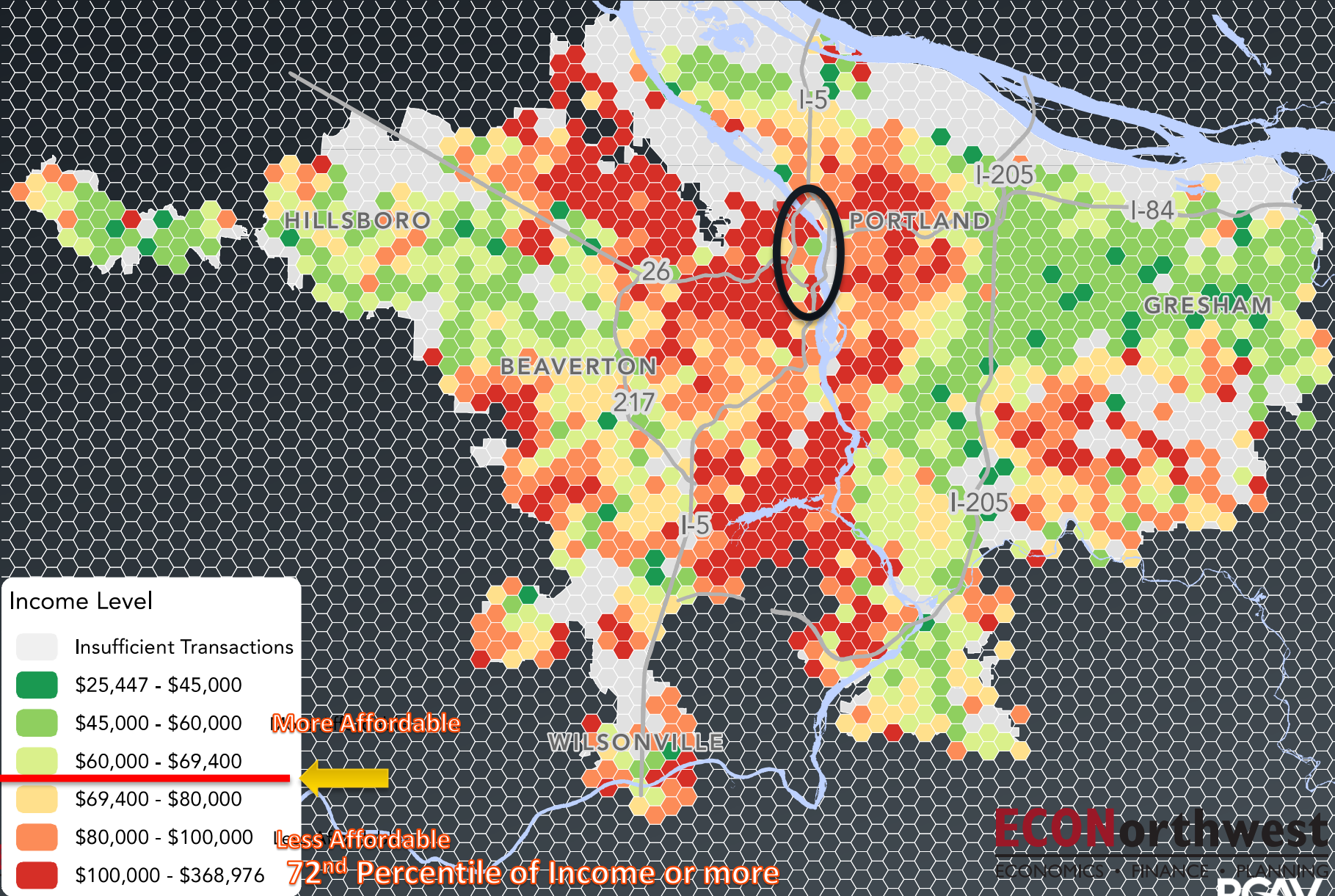
- Proximity to CBD



- Proximity to Parks



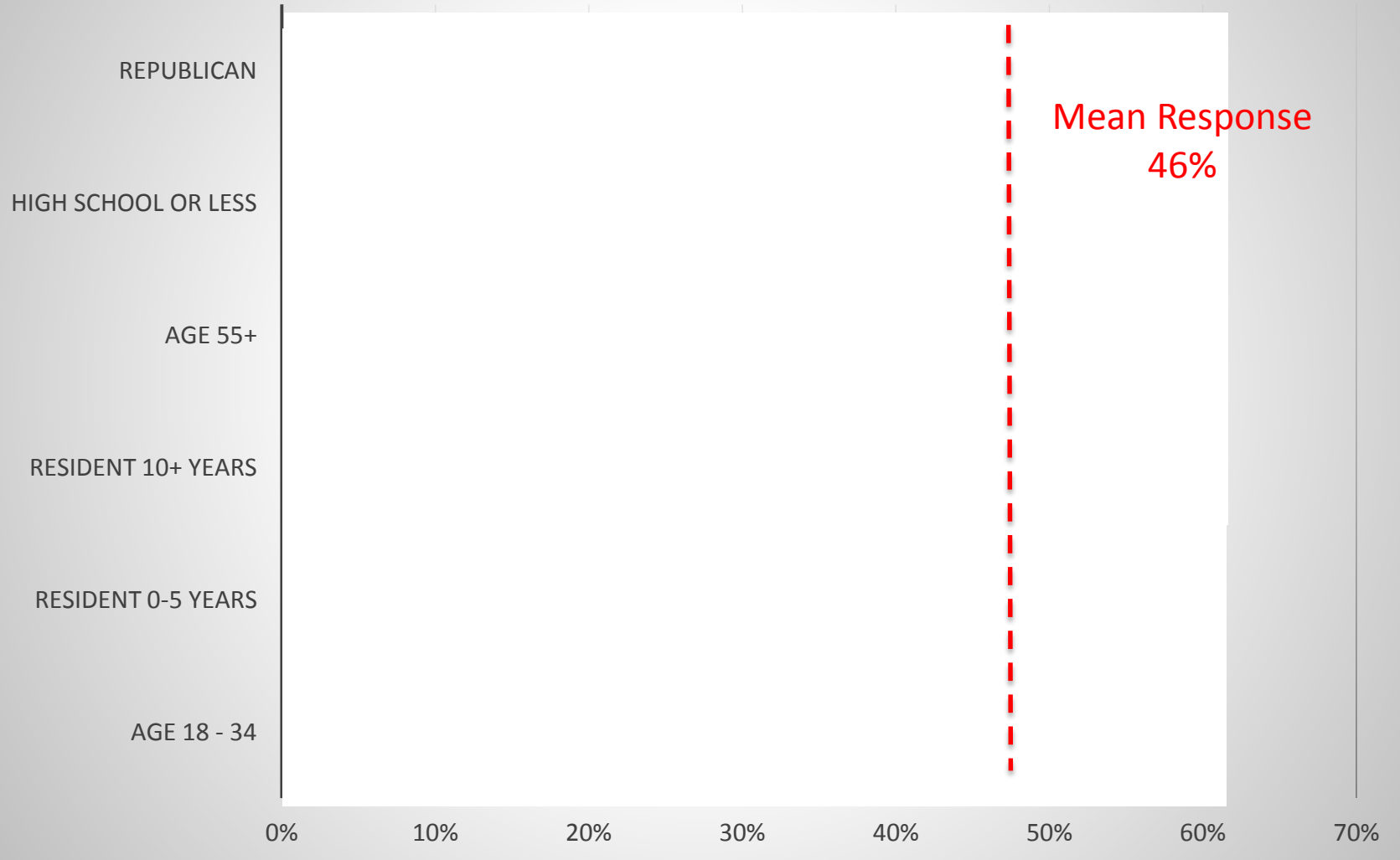
# Single Family Home Prices – Portland MSA 2014



Source: ECONorthwest, Metro RLIS, US Department of Housing and Urban Development

# Portland, OR - DHM Survey September 2014

## Placemaking by Demographic Group





- Highly educated – business models encouraging creativity
- Will select location over jobs

• **ECONOMICS** Non traditional office space or work hours  
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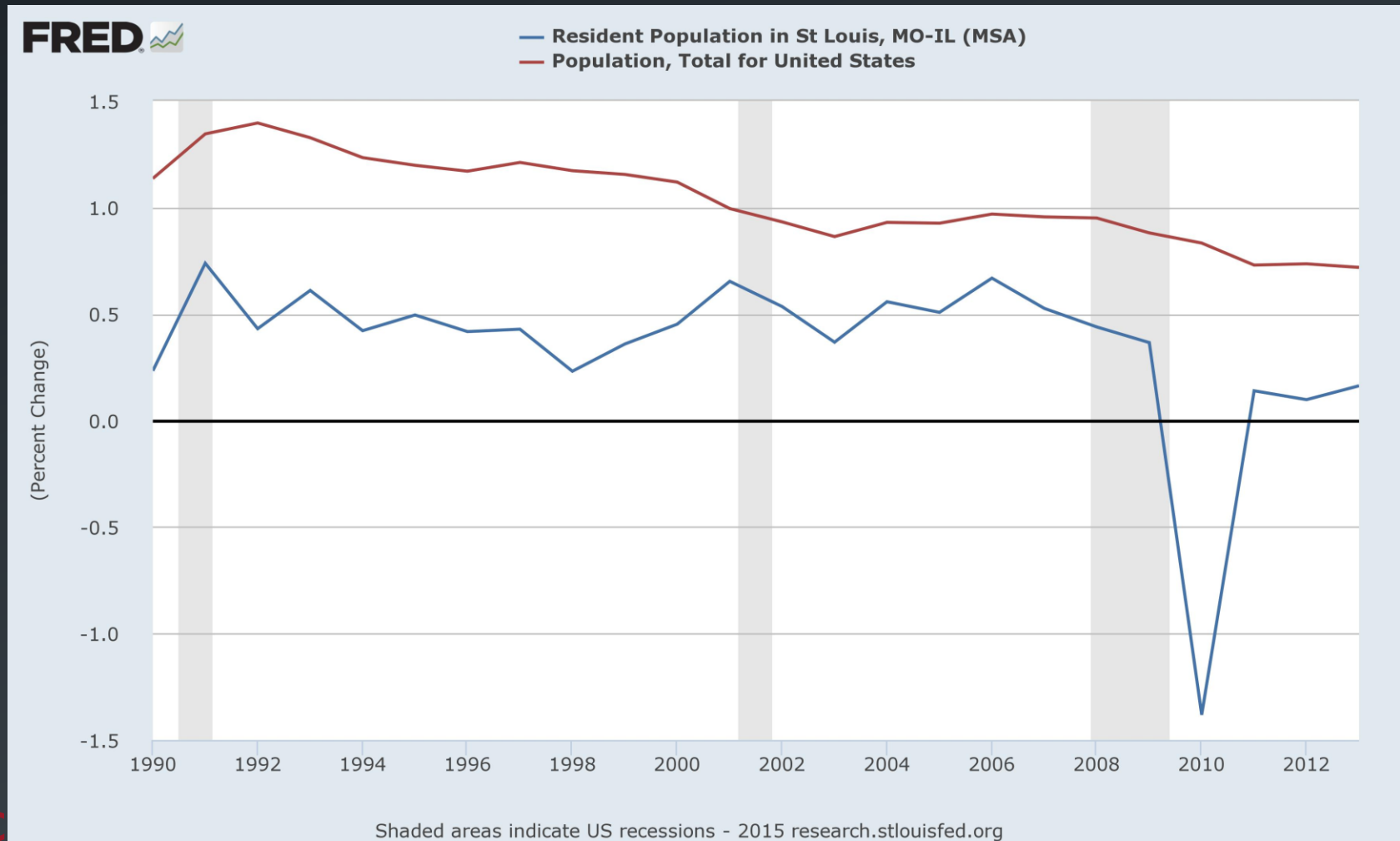


# St. Louis



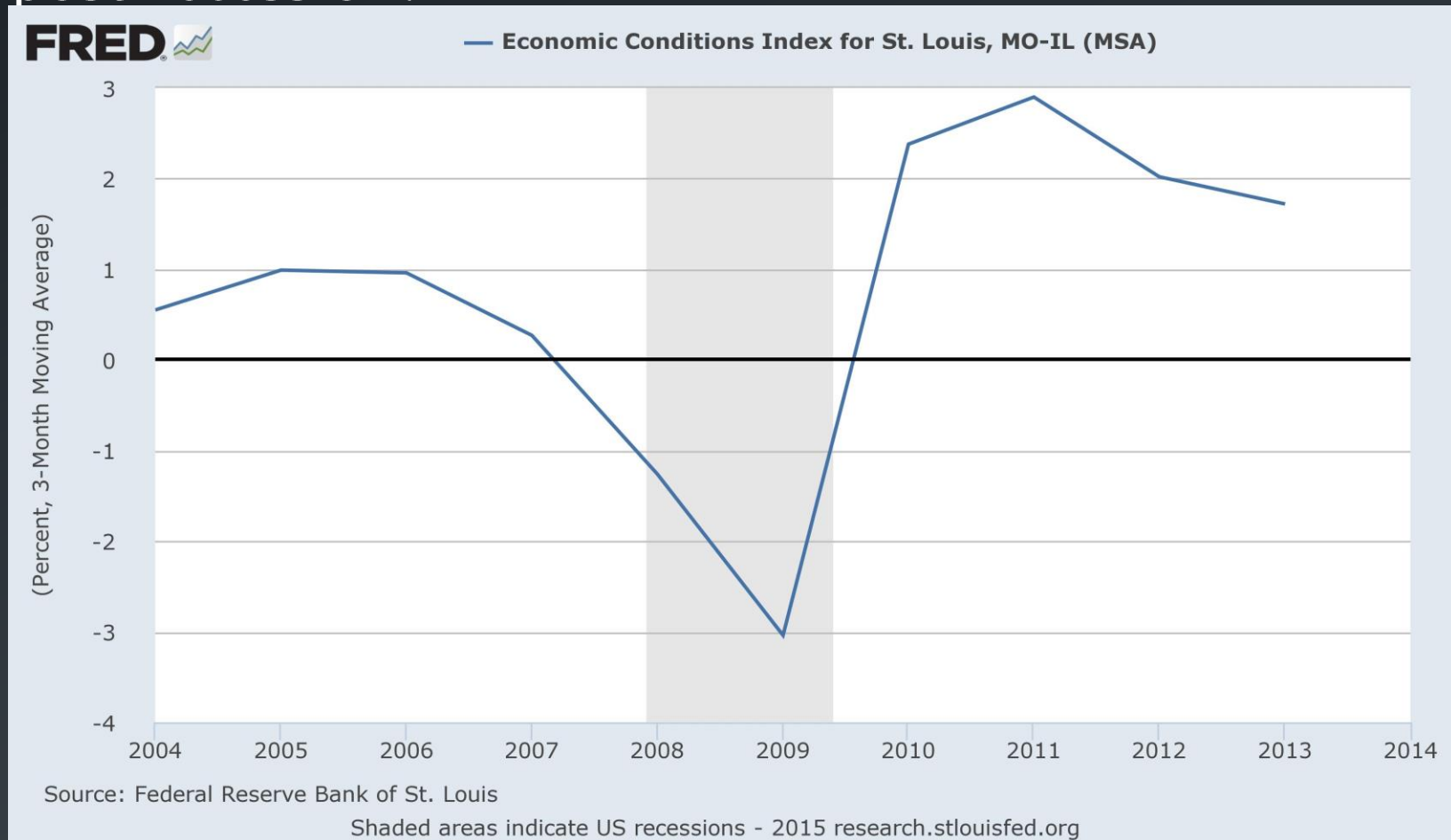
# St. Louis Population Growth

Low and slow, that is the tempo.



# St. Louis Economic Growth

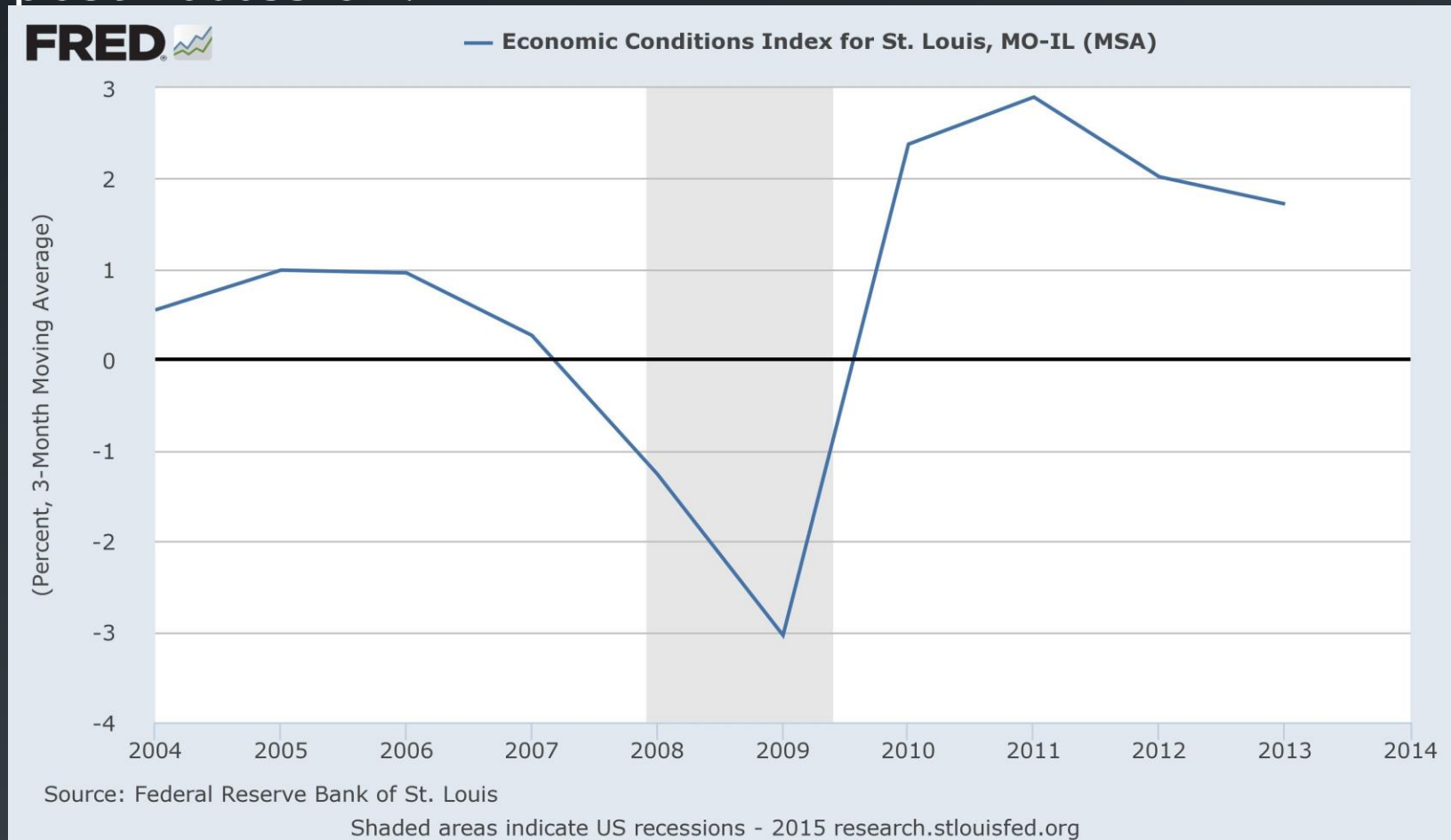
Economic conditions, also growing slowly; both pre and post-recession.





# St. Louis Economic Growth

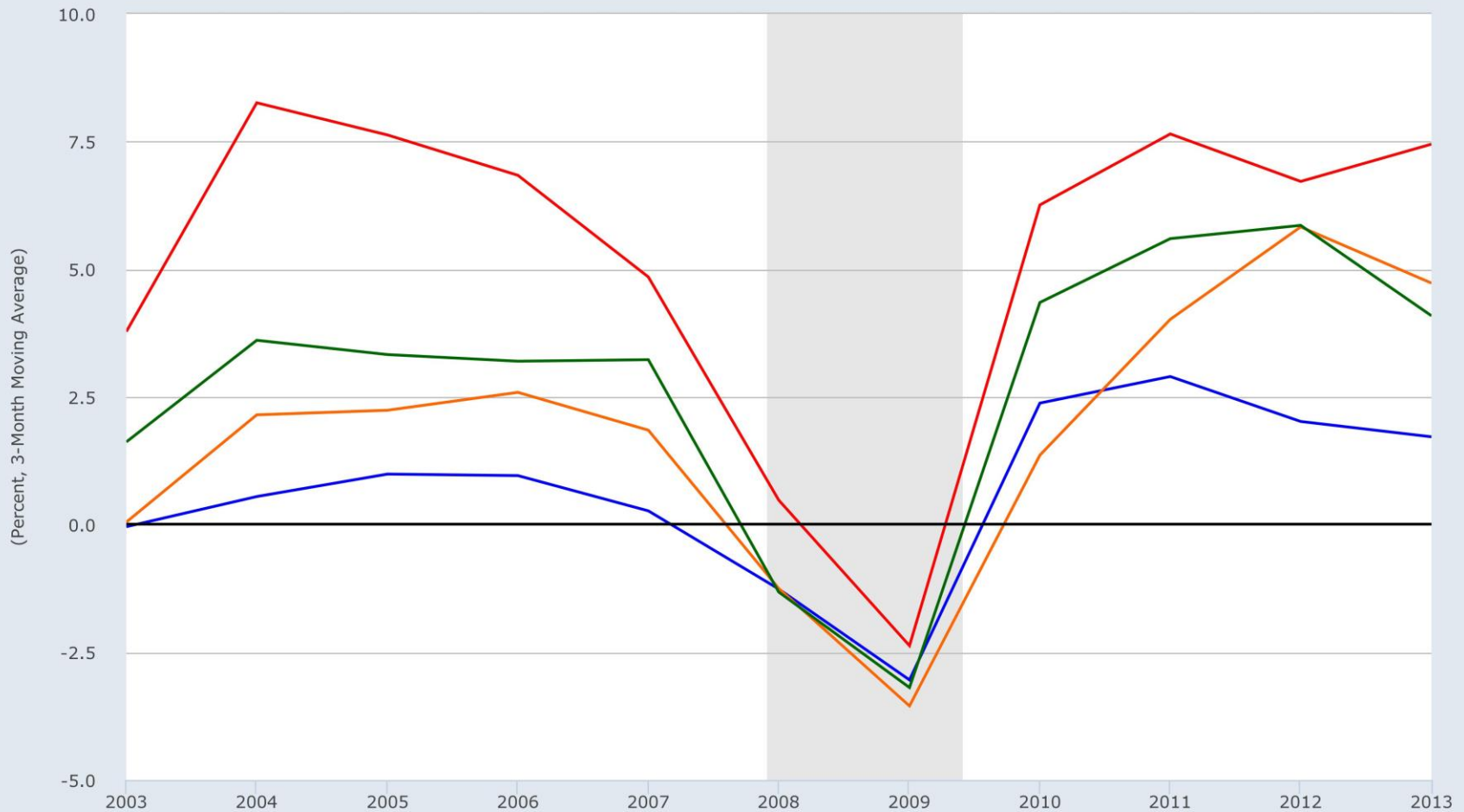
Economic conditions, also growing slowly; both pre and post-recession.



# Economic Growth Comparison

FRED 

- Economic Conditions Index for St. Louis, MO-IL (MSA)
- Economic Conditions Index for Portland-Vancouver-Hillsboro, OR-WA (MSA)
- Economic Conditions Index for San Francisco-Oakland-Hayward, CA (MSA)
- Economic Conditions Index for Seattle-Tacoma-Bellevue, WA (MSA)



Shaded areas indicate US recessions - 2015 research.stlouisfed.org

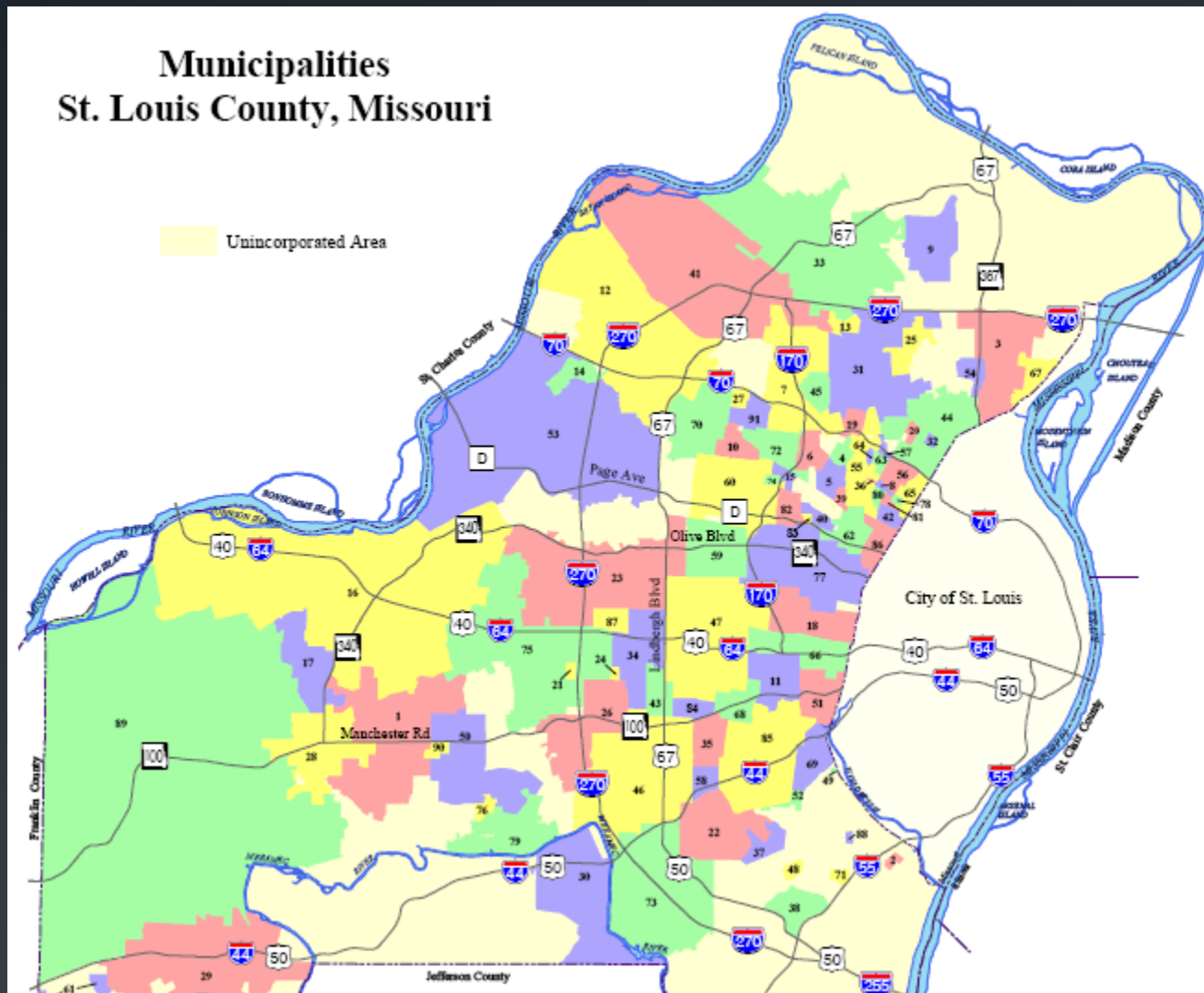
# Lots of Negative Perceptions

1. Regularly # 1 or #2 in crime.
2. Reputation as a place that people leave, rather than a place to which people move.
3. Recent Atlanta-Journal Constitution Article
4. Economic Development professionals must address these concerns when talking with businesses



# Ferguson

# St. Louis County – 90 Municipalities



# Challenges and Opportunities

1. Immediate Impact/Response
2. Ferguson Commission
3. Better Together STL
  1. Exploring regional governance issues and regional economic development issues.
4. Address governance/taxation situation



# Challenges and Opportunities

St. Louis' challenges will not be solved quickly or easily.

What will determine St. Louis' future is the kind of place it becomes.



# Some Assets

#1 City for entrepreneurs.

LaunchCode.

Low cost/high standard of living.

Transportation/logistics assets.



1. Placemaking vs. Job Growth
2. Small vs. Big Business
3. Natural Amenities
4. Local Amenities
5. Comparative Advantage

# Thank you. Questions?

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