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Local Economic Development Tools

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Joint Oversight Hearing on Land Use and Community Development

Assembly Housing and Community Development Committee
Hon. Norma J. Torres, Chair

Assembly Local Government Committee
Hon. Cameron Smyth, Chair

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Uses of Redevelopment Resources

- ☑ **Attracting New Business**
- ☑ **Retaining Businesses**
- ☑ **Subsidizing Development of Affordable Housing**
- ☑ **Improving Community Infrastructure**
- ☑ **Community Marketing and Special Events**
- ☑ **Providing Community Amenities and Downtown Beautification**
- ☑ **Subsidizing the Arts, Businesses, and Sports**
- ☑ **Offsetting Local General Fund Expenditures**

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What Research Says About Local Efforts to Promote Economic Development

☑ Little consensus about what works.

☑ Significant concern that local government subsidies can be unnecessary, unproductive, expensive relative to the number of jobs generated, and that they can yield benefits to one local government at the expense of neighboring communities.

☑ Three policy areas where local action might strengthen the local economy.

- ***Quality Educational Programs*—**improves the productivity of lower-skilled workers, develops medium-skilled workers, and produces (or attracts) higher-skilled workers.
- ***Major Transportation Infrastructure*—**facilitates the movement of goods, supplies, and people.
- ***Clear and Effective Laws and Regulations*—**reduces costs to businesses related to delays, uncertainty, and compliance.

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Observations About Developing New Financing Tools

- ***Local Agencies Have Some Financing Tools.*** These include Business Improvement Districts, Infrastructure Improvement Districts, property tax overrides, sales taxes, benefit assessments, and Mello-Roos districts.

- ***Taking a Broad, Neutral Approach to Promoting Economic Development Probably Is Best.*** Little evidence that business-entity-specific subsidies promote overall economic development.

- ***Focusing on Financing Tools Can Overshadow the Benefits of Regulatory Reform.*** It may be possible for cities and counties to achieve some of the goals promoted under redevelopment—such as infill urban development, affordable housing, and downtown revitalization—by modifying existing land use or other policies.

- ***Need for Broad Participation in Economic Development Activities.*** California cities typically do not administer programs related to education and workforce development and most major infrastructure developments are regional in nature. Effective economic development programs, therefore, may require partnerships between multiple public entities.

- ***Local Governments' Fiscal Incentives Can Work at Cross-Purposes With Their Economic Development Goals.*** While economic development requires a mix of types of developments, cities and counties face significant fiscal incentives to approve major sales tax generating developments.

- ***Redevelopment Oversight Boards Likely Will Have Valuable Perspectives.*** These boards are reviewing the spending decisions of redevelopment agencies and will make decisions regarding the continuation of certain economic development projects throughout the state.