NEWS & VIEWS

APA American Planning Association Economic Development Division
Making Great Communities Happen

A Publication of the Economic Development Division of the American Planning Association

Spring 2013

Inside This Issue…

News & Views, published quarterly, is the newsletter of the Economic Development Division of the American Planning Association. We welcome articles, letters, suggestions and information regarding workshops and other educational opportunities for economic development professionals. Please forward your submissions by email to our Editors (addresses below).

From Roadside Borrow Pit to International Water-Sports Venue

by Vivian B. Roe & Adriana Trujillo-Villa, Sarasota Cty. Planning Services

Sarasota County, Florida's Nathan Benderson Park, the co-winner of this year's Donald E. Hunter Excellence in Economic Development Planning Award, is a study in reclamation and transformation. The park is being developed around a sandy and desolate borrow pit formed by construction of the Interstate-75 highway through southwest Florida.

CO-WINNER
2013 Donald E. Hunter Excellence in Economic Development Planning Award

When the three-phase project is completed in 2015, the 600-acre park will provide public access to a 300-acre lake, 68 acres of smaller lakes, and a premier 2,000-meter sprint course and regatta center. The multi-purpose aquatic venue will be a world-class competitive rowing destination. It is now under consideration as the site of the 2017 World Rowing Championships by the International Federation of Rowing Associations (FISA) — one of only two international sites in the running.

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Regatta Island looking west, Cattlemen Road Extension to University Parkway.

From The Editors

What a great conference! EDD was front and center everywhere — from advanced sessions on value capture and fiscal sustainability, to a crowded and lively facilitated discussion on job creation, to a very successful mobile workshop on the "Chicago Lakeside" brownfield redevelopment. Two former EDD chairs, Bob Lewis and Terry Holzheimer, hosted tables of students and young planners in a version of speed dating called "Career Reality." We must have talked to more than 60 people each, inviting each one to join the Division. We also had a great turnout for our EDD Business Meeting with more youth and energy than we have had in years. Overall, a good showing by EDD.

The highlight of the Business Meeting was the presentation of the EDD Awards featured in this issue of *News & Views*. Co-winners from Sarasota County, Florida and the City of San Francisco showed up in force to receive the Donald E. Hunter Excellence in Economic Development Planning Award and our student winner, Parrish Bergquist from the University of Michigan, was also present. EDD's efforts to recognize good planning and good scholarship has been ongoing for many years and is one of the most highly regarded recognitions by APA in the economic development field.

Gaining members was part of the goal. The Divisions Council challenged us to add new members and we pitched the EDD at each event. We also had volunteers working the Divisions Council booth — trolling for members as they walked through the Expo. From the first day of the conference through April 25th we gained 15 new members and will likely get more as APA processes the applications.

The Divisions Council also had an open discussion on Division Initiatives focused largely on immigration issues. This topic nests nicely under the "Changing Face of America" banner which has Aging and Shrinking Cities as the current initiatives. If any EDD members would like to work on or even lead any of these please contact Terry or Julie and we will get you into the lineup. All of these issues have major economic development implications and we would like the EDD to be a significant leader in the ongoing evolution of the Division Initiatives. Look for more info in the "On the Radar" page of the APA website. The next issue of *News & Views* will focus attention on the Division Initiatives.

— Jennie Gordon and Terry Holzheimer, FAICP

Photo: Joe Szurszewski, courtesy American Planning Association

Terry Holzheimer, FAICP was a table host at APA's second annual "Career Reality: Speed Dating for Planners" event, which filled one end of the Exhibit Hall on Sunday afternoon. Table hosts shared their professional biographies, described their work and its rewards and challenges, and answered lots of questions.

Thoughts From The Chair

It was great to see so many Economic Development Division members in Chicago, to make new connections, and welcome new members! And for those of you not in attendance, we missed you but hope this post-conference edition of *News & Views* will be the next best thing.

Division activities kicked off on Saturday late afternoon at the Division's first-ever Facilitated Discussion. The topic, "Can Planners Create Jobs?" was a big draw and sparked spirited discussions from attendees. Participants — representing a variety of positions including "typical" planners, community developers, economic developers, and directors — discussed their challenges and successes in balancing planning roles and economic development priorities. It was eye-opening to hear first-hand experiences and the differences and similarities among localities. The session itself provided a different format than a typical conference session, and the Division plans to replicate it at the upcoming Virginia Chapter conference. If you are interested in hosting a similar session at your State conference, please contact John Provo, Chair-Elect, at jprovo@vt.edu.

Monday saw the bulk of our Division-sponsored activities, including the Mobile Workshop and our by-right session. Our Mobile Workshop to Chicago Lakeside, the former 600-acre site of U.S. Steel operations now planned for parkland and mixed use development, was by all accounts a huge success. We have received rave reviews from workshop participants who came from across the country and overseas.

Our by-right session, "Blend ED: Turning the Economic Development Game Upside Down," was also a great success with a packed room and great feedback. Attendees heard how site selection has evolved over time and what planners can do to help position their communities for success. If you missed it, you can still **see a copy of it here**.

Our business meeting and reception on Monday night was a real high point for me! It was great to see and talk with so many friends and colleagues — and of course meet new ones. We awarded our Student Scholarship and Hunter Award for Excellence in Economic Development Planning and got to learn more about the award-winning projects.

I would like to acknowledge and thank all of the wonderful volunteers who worked on Economic Development Division-related conference activities: Mark Lundgren, John Provo, Elizabeth Via-Gossman, Terry Holzheimer, Jennie Gordon, Lance Harris, Jason Ray, Dustin Akers, David Boyd, Carson Bise, Karen Jasmine, and Bob Lewis. Also, special thanks to our new Division volunteers: Adriana Trujillo-Villa (Web Manager), Robyn Eason (Membership Coordinator), and Nathan Law (Student Organizer).

With the conference behind us, we turn to our next activities. We'll have a webinar on June 14 on "What NOT To Do: Lessons Learned from the Failure of Others" and continue to plan for the remaining webinars through the end of the year. Please contact Dustin Akers or Andy Struckhoff with your interest and ideas for future webinars. Planning for next year's National Conference in Atlanta will begin this summer — get your session ideas ready. And in the fall of 2013, we will be looking for candidates to run for Division leadership positions. Please contact me if you are interested in either running for office or serving on the Nominating Committee.

Finally, I want to offer my congratulations to the incoming President of APA, William Anderson, FAICP, former Chair and current member of the Economic Development Division. Please join me in congratulating Bill and offering our support and volunteer hours for his upcoming term as president of APA.

— Julie Herlands, AICP
julie@tischlerbise.com

At right: Hunter Award Winner (Central Market Economic Strategy), Alexander Quinn with Julie Herlands.

Below: Hunter Award Winners (Nathan Benderson Park), Adriana Trujillo-Villa, Julie, Thomas C. Polk, and Mark A. Cunningham.

Nathan Benderson Park, cont. from p. 1

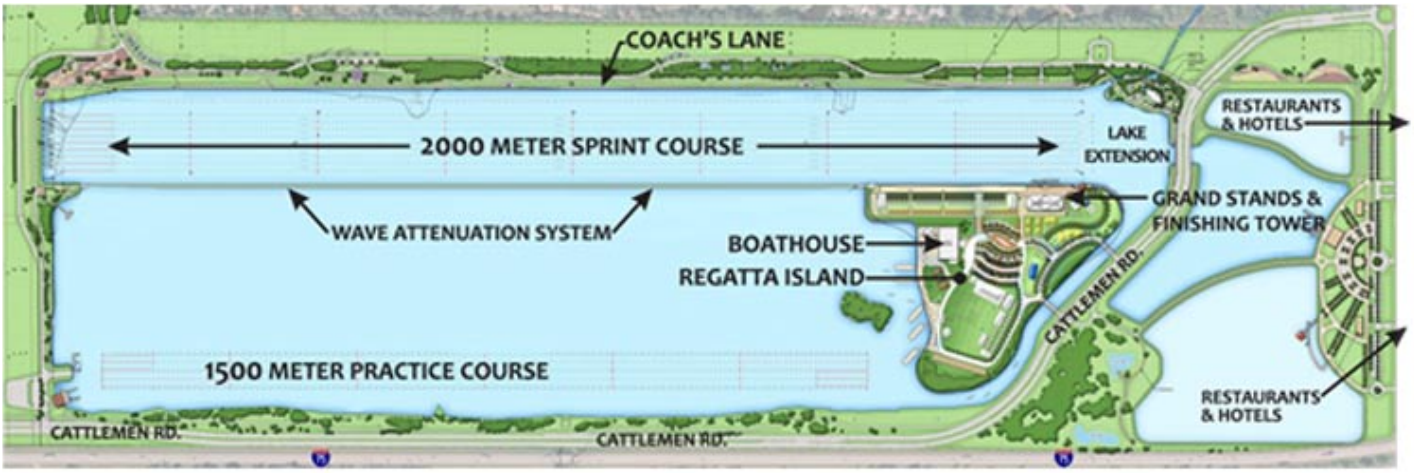
Sarasota County, which has a population of more than 379,000 (based on the 2010 U.S. Census), purchased the property for the park in the early 1990s. The property is located at the southwest quadrant of the I-75 and University Parkway intersection and is adjacent to the Sarasota Interstate Park of Commerce Development of Regional Impact (SIPOC DRI), also known as the University Town Center (UTC) project. Previously the site had been a shell excavation location for the I-75 construction project. The excavation area naturally filled with water from nearby Cooper Creek, eventually creating a 300-acre lake. The park had limited public access and was used primarily by local fishermen. When the UTC application was submitted to the County in 2005 by Benderson Development Inc., County planners saw an opportunity for place-making by tying the county-owned park with the proposed large scale, mixed-use University Town Center project. The proposed UTC — one of only two malls currently under construction in the United States — was designed in the new urbanist style, with a mixture of commercial, offices and multi-family residential uses. County planners wanted to coordinate the park with the mixed-use project so as to provide a more complete and comprehensively designed project. As a result, UTC, with 1,680,000 sq. ft. of commercial (retail and hotel), 220,000 sq. ft. of office, and 1,750 multi-family residential units was approved with a condition requiring Benderson Development to provide a master park plan for the county's adjacent park.

With assistance from a hired consultant, the Master Park Plan began with visioning to identify potential opportunities for the local park and its interconnectivity with the proposed mixed-use development to the north. In developing the park master plan, an opportunity to expand the local park into a regional park and introducing a rowing component was identified and incorporated into the design. The long, narrow configuration of the 300-acre borrow-pit lake, along with its depth and its protection from the prevailing winds by the surrounding vegetation, provided an ideal setting for rowing comparable to none other in the region. As part of the review of the venue by several noted rowing experts, including

(*continued on page 5*)

Right: New Cattlemen Road bridge and practicing rowing team.

Below: Rowing Course and Regatta Island details.



Nathan Benderson Park, cont. from p. 4

Finish Tower, Regatta Island and Rowing Course, looking southeast.

famed Harvard rowing coach Harry Parker, the park was recognized as having the potential to become a world-class rowing facility The rowing experts highlighted the importance of re-aligning a proposed arterial roadway in order to extend the lake length by 200 meters so that the facility qualified for world-class aquatic competitions that could field collegiate, national and international competitions. Public input ensured that a myriad of active and passive park uses were incorporated in the design to support all ages and types of users. Its proximity to the interstate, hotels, shopping and other tourist attractions are additional features drawing interest into this site.

Beyond the current expenditures, more than $20 million is proposed to the facility's future development, including 2,200 meter racing lanes and straight shorelines by 2013, coaching lanes, wave attenuation, a multi-function boathouse and athlete training center, starting huts and finish towers, grand stands and a state of the art boat maintenance and testing facility.

Nathan Benderson Park remains under construction, implementing $25 million in phase I and II improvements. Beyond the current expenditures, more than $20 million is proposed to the facility's future development, including 2,200 meter racing lanes and straight shorelines by 2013, coaching lanes, wave attenuation, a multi-function boathouse and athlete training center, starting huts and finish towers, grand stands and a state of the art boat maintenance and testing facility. Most of these facilities will be constructed on a first of its kind "regatta island" — an Olympic Village-type setting on a 35-acre manmade island that will provide competitors the support and focus that rowing demands, and spectators a viewing and entertainment platform unparalleled at sprint courses elsewhere in the world.

"This place-making effort is the cumulative, diligent effort and partnership of many enterprises and groups including Sarasota County and our next-door neighbor, Manatee County, the state of

(*continued on page* 6)

Nathan Benderson Park, cont. from p. 5

Florida, land use and park planners, a major developer (Benderson Development), landscape architects, rowing experts, engineers, rowing enthusiasts, area neighborhoods, and many volunteer organizations," said Tom Polk, Director of Planning and Development Services for Sarasota County.

"The rowing-venue element of this park is gaining international attention for world-class events," Polk added. "The significance of such events on the local economic picture escapes nobody. The sports tourism opportunities of this project are increasingly becoming regional attractions with opportunities to positively impact the economic development of Sarasota and Manatee Counties, as well the entire southwest Florida region."

Aerial view south of Cattlemen Road and Regatta Island under construction.

Two successful regattas were held at the site in 2009, followed by four in 2010, seven in 2011, and seven in 2012. These regattas created interest that led to the necessary financial support, including $19.5 million in County tourist tax dollars, $5 million in State funding (Enterprise Florida, Inc.), and $1 million from Benderson Development, Inc. toward infrastructure improvements for the park.

Benderson Development's contribution earned it naming rights: Company founder and Sarasota resident Nathan Benderson, who died in April 2012 at the age of 94, was a noted philanthropist and avid outdoors enthusiast.

The park's website (www.worldclassrowing.com) provides information about the construction progress and the myriad of activities at the park, including the FIT Triathlon in May and the U.S. Rowing Masters Championships in August.

Vivian B. Roe (vroe@scgov.net) and Adriana Trujillo-Villa (atrujill@scgov.net) are planners with Sarasota County Planning Services.

Planning for Equitable, Sustainable Revitalization in San Francisco's Central Market District

by Jordan Klein, San Francisco Office of Economic & Workforce Development

It is hard to keep track of all the changes afoot in San Francisco's Central Market district. Barely a week goes by without an announcement of a new lease signing or a new small business opening up shop. There are few more desirable destinations for the aspiring creative technology entrepreneur; Central Market is home to tech stalwarts Twitter and Square, and emerging start-ups. The arts community is diverse and growing, ranging from black box theaters to world class museums, with new performance venues and galleries opening regularly. And tilt your head upward and you'll see cranes filling the skyline: over 3,000 new housing units and 300,000 square feet of new retail are in the pipeline and expected to come online within the next two to three years.

As recently as three years ago, however, the scene was drastically different. For decades, Central Market has grappled with the same issues as so many other urban centers around the nation. As of 2010 as community leaders came together to consider strategies for economic stabilization, commercial vacancy rates were the City's highest — over 30% for retail and approaching 40% for office space — and

(*continued on page 8*)

CO-WINNER
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Central Market District, cont. from p. 7

commercial rents were too low to attract investment in dilapidated buildings. Over 30% of area residents live in poverty, earning less than $15K, and Central Market experiences the City's highest concentration of criminal incidents, including assaults and drug trade in addition to quality of life crimes such as public urination and intoxication.

Despite these challenges, Central Market has remained a place of vital importance to its residents and also the City at large. And under a different lens, the neighborhood presents boundless opportunities. Central Market has historically played a vital role in San Francisco's economic and civic life, due in large part to its central location and high accessibility via public transit. The building stock, much of it in desperate need of rehabilitation, nevertheless represents a wealth of historic resources with features sought after by the technology sector, such as exposed beams and open floor plates. The substantial stock of permanently affordable housing — apartments owned by nonprofit housing agencies and legally-protected residential hotels comprise over two thirds of housing units in the area — mitigates the threat of residential displacement. With these assets in mind, from 2008 to 2010 the City and its partners used every tool at their disposal in an attempt to fill vacancies and turn the neighborhood around: loan programs, facade improvement grants, public space activation, technical assistance for small businesses, and arts programming.

Despite these challenges, Central Market has remained a place of vital importance to its residents and also the City at large. And under a different lens, the neighborhood presents boundless opportunities.

Frustrated by the slow pace of progress, policy makers turned to one of the favorite tricks of the economic development trade: a tax incentive. In early 2011 the Mayor's office worked with legislators to create the Central Market Payroll Tax Exclusion, waiving San Francisco's local payroll tax for all new jobs created in Central Market. The program is temporary (expiring in 2018), targeted to a specific geography, and designed to maximize job creation. It quickly produced results, the most high profile being the Internet giant Twitter's lease of 215,000 square feet in Market Square, an art deco icon that had sat vacant for a decade.

Community leaders and policy makers recognized that while the tax incentive program may attract employers and investment, that single strategy could not bring about sustainable and equitable revitalization. As such, in January 2010 the City's Office of Economic & Workforce Development launched a community planning process to identify and prioritize community and economic development interventions for the neighborhood. From its launch, the process was supervised by a steering committee made up diverse stakeholders, including advocates from housing and human services agencies, business leaders, artists, and academics. In San

(*continued on page 9*)

Central Market District, cont. from p. 8

Francisco, as in other highly contested communities, 'the process' is of supreme importance; as such, the formulation of the Central Market Economic Strategy was designed to be as inclusive as possible of residents, artists, local workers, property owners, nonprofit organizations, and the many other stakeholder groups.

The resulting document — the Central Market Economic Strategy — provides a framework for economic and community development activities pursued by the City and its philanthropic, nonprofit and private sector partners. It identifies six objectives: stabilize the existing community, enhance and activate the public realm, enhance the creative arts community, reduce vacancies, improve public safety, and increase community capacity. Importantly, the document recommends and prioritizes specific action items to pursue these objectives, and designates lead agencies for each item. This action plan went through multiple rounds of public iteration in an attempt to reach a community-wide consensus on which policies and programs to pursue.

Since the release of the strategy at the end of 2011, rather than pursue every action item simultaneously, the City has focused on a selection of those top priorities. Some key implementation steps have included:

- The City continued its focus on business attraction, encouraging the development of a creative technology cluster, small businesses, and arts groups in the neighborhood.
- At the same time, the City launched TechSF, a workforce development program offering vocational skills training and job placement assistance for technology careers. The program, funded through a grant from the Department of Labor and designed to support low-income residents, is expected to graduate its first class in June 2013.
- In February 2013, the Central Market Safety Hub opened on Sixth Street, one of the hotspots in criminal activity in the neighborhood. The facility will serve as a substation for local beat officers, enabling increased community policing. It will also be shared public health and adult probation services.
- SFPD has increased number of beat officers patrolling the area from 16 to 24.

(*continued on page 10*)

Central Market District, cont. from p. 9

In 2013, conditions in Central Market are markedly different. Nine new technology employers have occupied, leased or purchased more than 950,000 square feet of space, estimated to create 5,700 jobs once fully occupied. Nine new retail businesses have opened on the corridor in the past year, with four more slated to open in the coming months. Six new performance venues and galleries have launched in the past year, with two more in the pipeline. Sales tax revenue has grown by 21% over the past two years as the commercial vacancy rate has dropped below 20%. With over 5,000 new housing units coming online over the next several years, the transformation will continue.

That falling vacancy rate has evoked the feeling among many stakeholders and media commentators that the neighborhood has "turned a corner." However, other visible challenges have hardly gone away. Poverty is ever present and the City and community partners still struggle to leverage new investments so that local residents benefit as well. New technology neighbors have been encouraged to get engaged with local stakeholder groups; in fact, some are required to do so. Companies with total payroll greater than $1 million that take advantage of the tax benefit are required to enter into a community benefits agreement with the City, outlining the specific investments that they will contribute to the neighborhood.

As Central Market has become more desirable, local nonprofits and arts groups are now competing with tech startups for office space. With the upward pressure on rents, some longtime tenants fear that they will soon be forced out of the neighborhood. As such, the City is already shifting its focus away from business attraction and toward retention activities for small businesses and nonprofits. Currently the City is exploring opportunities to incentivize the construction of a multi-tenant nonprofit arts facility with long term affordability protections.

Most recently, the City has engaged a research team to conduct an independent analysis and evaluation of community and economic development activities in Central Market. Once complete, this evaluation will inform revisions to the Central Market Economic Strategy, and enable the City and its partners to adjust its course in order to adapt to the changing conditions and opportunities in the neighborhood.

To learn more about the Central Market Economic Strategy and download the full document visit http://centralmarketpartnership.org/central-market-economic-strategy.

Jordan Klein, Senior Project Manager with the San Francisco Office of Economic & Workforce Development, can be reached at jordan.klein@sfgov.org.

The Fiscal Bluff: Debt and Sustainability in Jefferson County, AL

by Parrish Bergquist, University of Michigan

Cities across the United States are struggling to provide essential services, make payroll, and fulfill benefit obligations, while tax revenues and state transfers have declined due to economic and migration trends. Debt financing can help municipal governments build and maintain infrastructure, but the story of Jefferson County, Alabama — which declared bankruptcy in 2011 — serves as a warning against overexposure to market-leveraged public debt. The paper considers political, economic, and institutional dynamics that exacerbated the conflicts between sustainability goals, to conclude with policy implications for economic development.

The Conflicting Goals of Sustainable Development Scott Campbell (1996) describes the three goals of sustainable development — economic growth, social equity, and environmental quality. He explains that the goals conflict with each other, and positions the planner as a mediator between them. His "planner's triangle" provides a useful framework for considering planning challenges, because it helps identify competing urgencies and evaluate policy solutions. As shown in Figure 1, this paper adapts the framework to Jefferson County, using it as a lens to explore the emergence and implications of the County's debt crisis.

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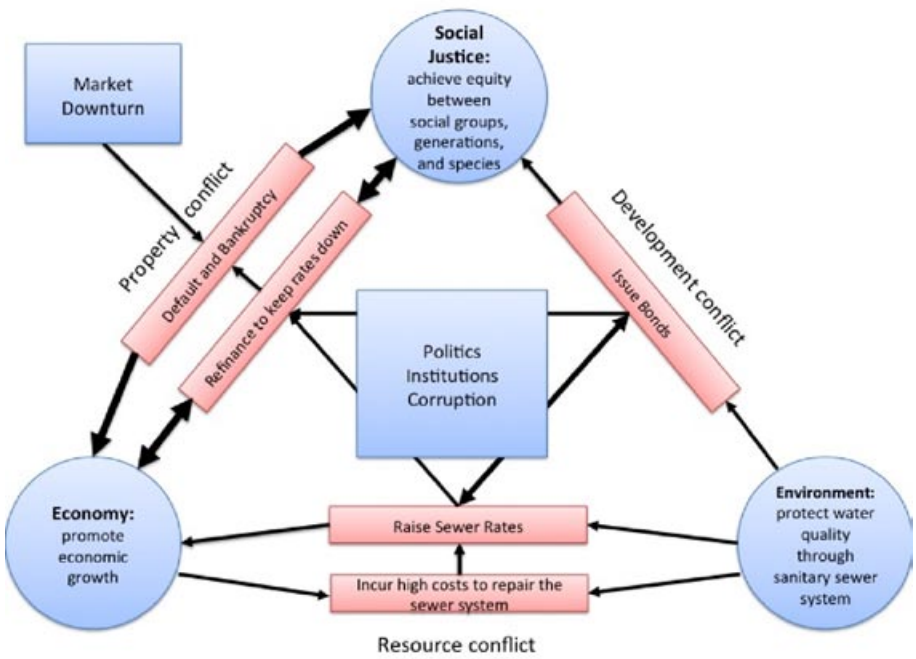

Figure 1: Sustainability Goals and Conflicts in Jefferson County

The planner's triangle (adapted from Campbell, 1996) describes sustainability goals as falling into three categories: environmental quality, social justice, and economic growth. Sparked by the environmental quality mandate to repair its sewer system, Jefferson County, Alabama, faced tensions between the three sustainability goals.

The Environmental Goal and the Resource Conflict

In 1993, a local environmental group sued the County for violating the Clean Water Act. The plaintiffs showed that during heavy storms, wastewater treatment facilities dumped untreated sewage into the Cahaba River, the region's main source of drinking water. The Environmental Protection Agency (EPA) issued a consent decree in which the County committed to consolidate more than 20 municipal sewer systems and repair degraded pipes (Howell-Moroney and Hall, 2011). Initial project cost estimates ranged from $250 million to $1.2 billion. The resource conflict (between environmental and economic goals) catalyzed and pervades Jefferson County's fiscal crisis, through decisions about financing the sewer project.

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The Fiscal Bluff, cont. from p. 11

Inequity and the Development Conflict

Unfortunately, the County created an intergenerational equity problem by incurring excessive debt to repair the sewer. In 1997 the County issued $600 million of revenue bonds—guaranteed by sewer system revenues only, not the County's general operations budget. Project costs ballooned and the County issued more bonds almost every year until 2003, when the sewer debt totaled $3.3 billion (Howell-Moroney and Hall, 2011). The debt rose to a level that inequitably burdened future residents who would repay the debt.

Economic Loss and the Property Conflict

The terms of the bonds balanced the cost burden between current and future residents by requiring the County to maintain a 1:10 ratio between annual sewer revenues and debt service costs (Howell-Moroney and Hall, 2011). In 1997 — the same year the County Commission began issuing debt — it instituted automatic rate hikes to maintain this ratio. As a result, from 1995 to 2008 the average household's monthly sewer bill rose 368%, from $13.48 to $62.90 (Howell-Moroney and Hall, 2011, p. 236). The average household paid $593 more in sewer costs in 2008 than in 1995, on the same order of magnitude as the economic stimulus payments that some households received in 2008 (Bureau of Labor Statistics, 2009). This figure represents money not spent on other consumption, which drives growth in economic models. Thus, economic theory suggests rising rates would stunt growth.

In addition to undermining economic growth, rate hikes exacerbated inequity. Given low-income households' relatively inelastic demand for necessary services, high sewer rates impacted these families disproportionately. The County entered a vortex of issuing debt and raising sewer rates. Even with dramatic rate hikes, the debt coverage ratio remained below the required floor after 1998, and the County needed a new solution.

Market Exposure and Bankruptcy

The 2002 election ushered in the flamboyant Larry Langford as President of the County Commission. Under Langford's leadership, the County arranged a variety of bond swaps to generate quick cash that it could pay back over a long time, without the high interest rates usually associated with long-term bonds. The County's 2003 bond issue consisted of $2.24 billion in auction-rate bonds, which are long-term bonds with variable interest rates (Howell-Moroney and Hall, 2011). The County sold these bonds once, but purchasers could trade them at periodic auctions.

The housing bust of 2008 sent Jefferson County into a tailspin. Because of bond insurance companies' exposure to subprime mortgages, the rating agencies downgraded the insurers' credit ratings. The downgrades trickled down to municipal bonds the insurers guaranteed. Market activity slowed, bond auctions began to fail, and the bonds' interest rates rose in response. Because of the failed auctions, rating agencies downgraded Jefferson County's sewer bonds, which spurred more failed auctions and higher rates. By 2008, the sewer bonds were rated as junk or just above junk, at which point the swap agreement required Jefferson County to repurchase its bonds from the banks. The County would not (or could not), and Standard and Poor's (S&P) "declare[d] the county in default" (Howell-Moroney and Hall, 2011, p. 238). Since the Commission funded the project with revenue bonds — backed by sewer system revenues instead of the County's general fund — the problem remained somewhat contained. However, a battle over an important source of general fund revenue tipped the County from limited liability default into general bankruptcy.

The County entered a vortex of issuing debt and raising sewer rates. Even with dramatic rate hikes, the debt coverage ratio remained below the required floor after 1998, and the County needed a new solution.

In 1999, Alabama's state legislature repealed an occupational tax that generated about 25% of the county's revenue (*Birmingham News* Editorial Board, 2012; Fehr, 2012). A twelve-year legal battle followed, in which the Alabama Supreme Court upheld the legislature's decision, overturned on procedural grounds a legislature-approved replacement tax, and the legislature refused to back new debt or replenish the County's general fund (Wright, 2009; Birmingham News Editorial Board, 2012; Selway, 2012). The County filed for Chapter 9 bankruptcy in November, 2011.

Projected Economic and Equity Implications

How might Jefferson County's bankruptcy hinder growth and equity in the future?

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The Fiscal Bluff, cont. from p. 12

Local governments face "tradeoffs" between reducing taxes (to attract businesses) and providing services, and public services positively impact businesses' decisions to locate in an area. To the extent that low taxes prevent a government from providing services, they may deter businesses rather than attracting them (Gabe and Bell, 2004).

Like low taxes, debt impacts service provision by reducing the revenues available for public service spending. Jefferson County has experienced this firsthand: it has cut $132 million from its 2013 budget and needs to cut another $40 million (Fehr, 2012). The county has slashed capital funding for building and road maintenance and cut staff across the board. One County jail is overcrowded and understaffed, a new jail cannot open because of insufficient staff, and the County's indigent care hospital has closed its inpatient unit (Wright, 2012; Fehr, 2012; Walsh, 2012; Jefferson County, 2012).

Inside the Planner's Triangle: Implications for Economic Development

How did Jefferson County get sucked into such a vicious vortex? To protect against municipal default, Alabama and most other states limit the amount of debt local governments can issue. However, Alabama only imposes a limit on GO debt, and, as Figure 3 shows, most of the County debt was revenue bonds (Howell-Moroney and Hall, 2011). Voter approval requirements also limit indebtedness, but revenue bonds do not require voter approval in Alabama (Howell-Moroney and Hall, 2011). The creativity with which Jefferson County worked around state debt limits suggests a need to broaden the types of debt to which limits apply.

Additionally, since the repeal of Jefferson County's occupational tax sent it over the bankruptcy cliff, the case raises questions about fiscal federalism in Alabama. Alabama's Constitution does not allow counties to pass new taxes but requires the state legislature to approve new county taxes (Fehr, 2012). Thus, when the legislature voted to repeal Jefferson County's occupational tax, the County had no recourse. Jefferson County's situation might tempt home rule advocates to argue for expanding local autonomy (Fehr, 2012; *Birmingham News* Editorial Board, 2012; Bronner, 2012). However, to the degree that the state's institutional structure did allow local discretion, corruption was rampant. Investigations have traced high project costs to inflated prices charged through no-bid contracts, repairs the consent decree did not require, and poor management (Howell-Moroney and Hall, 2011). Langford went to prison for taking bribes in exchange for sending bond deals to

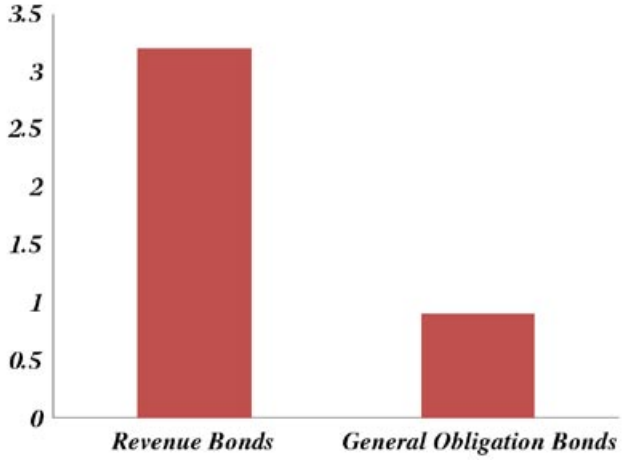

Figure 2: Jefferson County's Debt Profile, 2011

Jefferson County has also only issued about $1 billion in GO debt, of its roughly $4 billion in total debt (CRC, 2011; Howell-Moroney and Hall, 2011).

an old friend. JP Morgan paid the Securities and Exchange Commission $722 million to settle claims that it charged the County twice the normal fees for bond swap deals and channeled $8 million to Langford's crony. By the time the County declared bankruptcy, over 20 officials had been convicted of "illegal acts" related to the sewer project (Baynes, 2011). An argument for greater local autonomy seems foolish when public officials, financial institutions, and local businesses have so thoroughly betrayed the public trust.

Still, the political dynamics between the state legislature and County Commission raises troubling issues. Regional science suggests that attracting jobs to one place draws them away from others, which pits local economies against each other for growth (Bartik, 1994). Wealthy municipalities' relative fiscal independence from the County for school funding complicates political dynamics that may exacerbate economic and equity failures.

Conclusion

Jefferson County's fiscal crisis suggests that economic development planners should concern themselves with matters that may seem peripheral — in this case, infrastructure provision. Across the U.S., water and sewer systems are approaching the end of their intended lifespans, while municipal governments face declining state transfers, and a federal government with its own fiscal crisis (Ayanian, 2008). Financing improvements without undermining equity and economic growth presents a challenge. Indeed, the Federal Reserve Bank of New York has warned that municipal bond defaults

(*continued on page 14*)

The Fiscal Bluff, cont. from p. 13

are much more common than ratings agencies report, but suggests that water and sewer revenue bonds are relatively safe since "water and sewer utilities provide essential services and thus have a strong ability to generate revenue" (Appleson, et al, 2012, p. 2). Jefferson County's experience counters this assertion; debt securitization raises critical questions for taxpayers, states, and municipalities. Economic development professionals can help illuminate debt financing's implications for the community.

Additionally, states should improve rules that foster transparency and oversight, and adapt them to fit modern financial instruments. Voter approval requirements should apply to revenue bonds. Furthermore, since voter approval may not have limited market exposure and complex bond swaps stretch the financial literacy of many voters, states should impose risk analysis requirements on municipalities that engage in bond swaps or invest their debt (Howell-Moroney and Hall, 2011). Meanwhile, at the municipal level, planners interested in promoting prosperity need not wait for new regulations to assess the risk associated with market-based debt.

Parrish Bergquist (parrishb@umich.edu) is a graduate student in the Taubman College of Architecture & Urban Planning at the University of Michigan at Ann Arbor.

Register today for the Economic Development Division's FREE WEBINAR on "What NOT to Do: Lessons Learned from the Failure of Others," June 14 from 1:00-2:30 p.m.

Welcome to Our New Members

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Roger A. Dale	Yorba Linda, CA
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Elizabeth Demetriou, AICP	Brooklyn, NY
Robyn L. Eason, AICP	Silver Spring, MD
Marco D. Floreani	Grand Island, NE
Chris Francis	Champaign, IL
Evan Futch	Daytona Beach, FL
Irwing Gama	Wheeling, IL
Teresa I. Gonzales	Chicago, IL
Rance Graham-Bailey	Cambridge, MA
Reed Hillen	White House, TN
Marta Holt	Poulsbo, WA
Allauddin Jaffr	Dale City, VA
J. Alan Johnson	Hill City, SD
Jocelyn Jung	Park Forest, IL
Brian P. Kelly	Charlevoix, MI
Zohreh Khodabandelu	Irvine, CA
Steve G. King	Wenatchee, WA
Christopher Y. Laenen	Troy, MI
Antonia Lalagos	Chicago, IL
Peilin Li	Pittsburgh, PA
Krista M. Linke, AICP	Franklin, IN
William Lloyd	Philadelphia, PA
Richard J. Machott	Moreno Valley, CA
Emily Mah-Nakanishi	Sacramento, CA
Jeff L. Maultsby	Sarasota, FL
Kelly McGowan	Cleveland Heights, OH
Allison D. Megrath, AICP	Gainesville, FL
Ryan Mentkowski, AICP	Franksville, WI
Brian M. Moore	Riverside, CA
Fwa Peter Leonard Ndwachu	Nigeria
Jason J. Osborn, AICP	Woodstock, IL
William D. Osborne, AICP	Odessa, MO
Yao-Hua Peng	Taiwan
Timothy R. Phelps	Muncie, IN
Cassandra Poor	Oklahoma City, OK
Cen Qiu	Allston, MA
Orlando Raez	Everett ,WA
Joel W. Rosen, AICP	Buena Park, CA
Susan Roth	Monroe, NY
Connie Royal	Meridian, MS
Mohammed B. Saifuddin	Saudi Arabia
Sam Scoppettone	Saratoga Springs, NY
Lin Shen	West New York, NJ
Kareem Sholaja	Chicago, IL
Vincent A. Slocum	Grand Blanc, MI
Delia Smires	Chicago, IL
D. Frederick Starr, AICP	Parker, CO
Jeremy Stone	Vancouver, BC
Tara N. Sullivan	San Francsico, CA
Matthew Tansley	Glen Ellyn, IL
Patrick Terranova	Arnold, MD
Nehemiah Torres	Raleigh, NC
Michael G. Washam	Visalia, CA
Alison Wasserman	New York, NY
Ian White	San Francisco, CA
Tristan Winkler	Milwaukee, WI
Landon Yoder	Bloomington, IN