

The Holzheimer Memorial Student Scholarship

The Economic Development Division is pleased to announce the winners of the EDD Holzheimer Scholarship competition. The committee received 16 submissions from students or recent graduates from around the United States on a wide variety of topics related to economic development planning. After deliberation, we chose the paper submitted by Ms. Jenna Davis from University of Massachusetts at Amherst, “NYC’s Industrial Business Zone Program: Examining the Intersection Between Economic Development and Land Use Policy,” as the winning paper. The paper, supervised by Dr. Henry Renski, examines the prevalence of incentive awards by NYCEDC to businesses in the City’s established Industrial Business Zones, and concludes that economic development incentive awards to non-industrial businesses are working at cross-purposes with the industrial preservation goals of the land use policy. The committee felt that this finding about the tensions between economic development and land use planning was a widely applicable one, beyond large cities like NYC.

Ms. Davis will be awarded a \$2,000 scholarship and recognized at a Division reception in San Francisco during the National Planning Conference in April.

The committee also chose to recognize three “honorable mentions”:

- Elizabeth Darnall and Luke McClanahan (University of Iowa) — “Applying Strategic Planning Principles and a Focused Approach to Economic Development”
- Alan C. Peterson II (Texas Southern University) — “Examination of the Atlanta, Georgia Region Entrepreneurial Ecosystem”
- Jessica Jones (University of Illinois at Chicago) — “Defining and Re-Defining Blight: Evaluating the Blight Remediation Goal of Tax-Increment Financing”

Please see abstracts of all four papers in this edition of *News & Views*. Thank you to all participants, and congratulations to those recognized.

This year’s review committee consisted of: Greg Schrock, PhD (Portland State University), Chair; Dr. Margaret Cowell (Virginia Tech); Dr. Haifeng Qian (University of Iowa); Brittany Bagent (Columbia River Economic Development Council); Corey Proctor (Forrest County MS); and Katie McConnell (Arlington VA Economic Development).

NYC’s Industrial Business Zone Program: Examining the Intersection Between Economic Development and Land Use Policy

by Jenna Davis, University of Massachusetts Amherst

As cities face increasing pressure to rezone industrial land to more lucrative residential and commercial uses, policymakers have called attention to the declining stock of industrial land in central cities (Chapple, 2014; Kumar et al., 2016; Park & Green Leigh, 2017). In response, cities across the country have started to adopt industrial preservation policies, which aim to preserve industrial uses in urban centers. These industrial preservation policies vary considerably in their implementation. For example, in order to preserve industrial employment, Seattle changed its zoning code to limit non-industrial activities within areas of the city designated as industrial employment centers in 2007 (Green Leigh & Hoelzel, 2012). New York City, on the other hand, relied on a more market-based approach

Holzheimer Memorial Student Scholarship Essay



Jenna Davis

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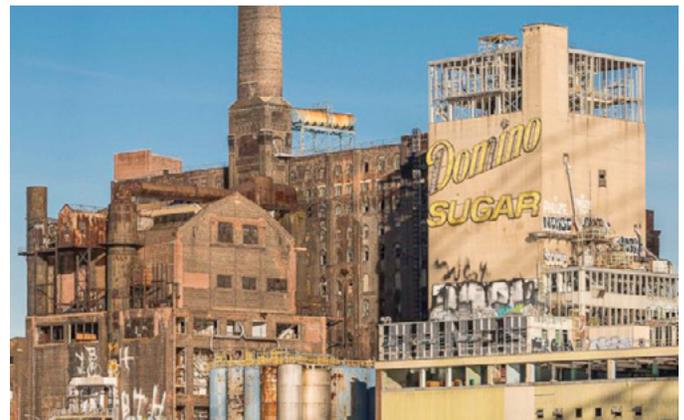


Photo courtesy Brooklyn Rail/Es

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NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 1

to preserving industrial uses, providing direct cash incentives and business support services to industrial businesses that relocated within designated geographic areas of the city as part of the city's 2006 Industrial Business Zone program.

As cities began to implement these industrial preservation policies in the early- to mid-2000s, it became evident that industrial preservation policies carried a series of tradeoffs (Dempwolf, 2010; Lester, Kaza & Kirk, 2013). As scholars have pointed out, industrial uses generally contribute less to the tax base than other uses (e.g. residential or commercial uses), and relatively cheap industrial land can provide an ideal site for future housing development—an asset in built-out cities, such as New York City or San Francisco, which have limited land to support increased housing development. Some critics have thus charged that industrial preservation policies have a marginal positive benefit on the municipal tax base and can detract from housing production goals.

On the other hand, industrial preservation advocates have pointed out that industrial land supports critical urban service functions and that industrial businesses often provide solid middle-class jobs to people of color and workers with limited formal educational credentials. Citing studies that indicate that the decline of manufacturing jobs is linked to a rise in income inequality, industrial preservation advocates have contended that

the decline in urban industrial land will exacerbate existing income inequalities (Friedman, 2009). To advocates, then, the decline of industrial land does not just threaten industrial businesses, but erodes a critical source of middle-class jobs in an increasing bifurcated labor market (Lander & Wolf-Powers, 2004).

These tensions are particularly salient in New York City, where former industrial districts, such as Gowanus and Greenpoint in Brooklyn or Long Island City in Queens, have become ripe targets for renewed residential and commercial development in recent years. In former industrial districts, residential and commercial uses are often able to outbid industrial businesses in a competition for space, raising average rents and increasing pressure on industrial businesses to relocate elsewhere in search of more affordable rents (Friedman et al., 2015). As a result of these trends, industrial preservation advocates have called for a series of interventions to strengthen and protect urban industry.

Industrial Business Zone Program

In the early 2000s, industrial preservation advocates called for a series of policy interventions to support urban industry. For example, in 2003, the New York Industrial Retention Network organized the “Zoning for Jobs” coalition, which advocated that the Bloomberg administration create Balanced Mixed-Use Districts, which

would require that a certain percentage of floor area in new buildings be dedicated to industrial uses. In response to this advocacy, the Bloomberg administration instead launched the Industrial Business Zone (IBZ) program in 2006, which initially established sixteen IBZs throughout NYC in an effort to protect industrial uses and industrial employment.

The first goal of the IBZ program was to attract and retain the dwindling number of industrial and manufacturing businesses by offering tax credits to industrial businesses that relocated within the designated IBZs. Businesses that relocated within IBZs received a tax



Former industrial districts in New York City have become ripe targets for renewed residential and commercial development, bidding up the cost of rent in these areas and increasing displacement pressures on industrial businesses. Source: Curbed NY.

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NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 3

credit of \$1,000 per employee up to \$100,000 and received access to a variety of business support services from the NYC Department of Small Business Services. The second goal of the program was to stabilize industrial employment within IBZs under the recognition that many industrial businesses were considering relocating outside of the city in search of more affordable industrial building space. The Bloomberg administration aimed to facilitate both of these goals by committing to not rezone IBZs for residential uses, which would provide greater real estate certainty to industrial users within IBZs.

Shortly after the IBZ program started in 2006, scholars and activists charged that conversions of industrial spaces to residential or commercial uses persisted within designated IBZs, bidding up the cost of rent in former industrial districts and increasing displacement pressures on industrial businesses (McCormick, 2015). Critics argued that because IBZ boundaries were not codified in the NYC zoning code, non-industrial uses could still relocate as-of-right in IBZs. As a result, critics argued that as self-storage companies and hotels in particular moved in in increasing numbers into IBZs, this dynamic further chipped away at the city's stock of industrial land (Savitch-Lew, 2018).

These criticisms carry some currency, as the total amount of industrial land in NYC indeed has declined considerably since the start of the Industrial Business

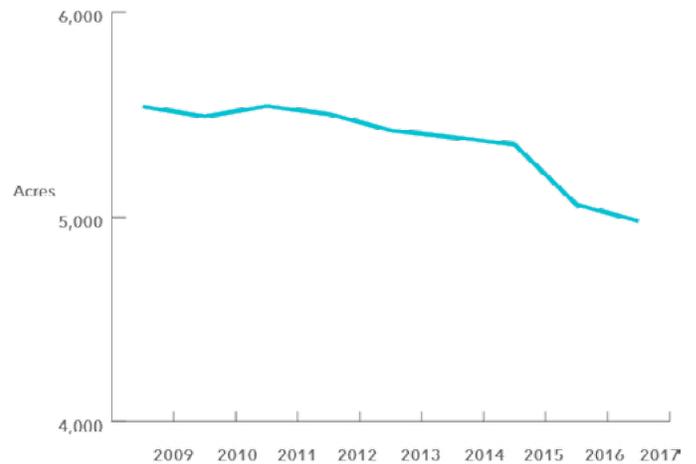
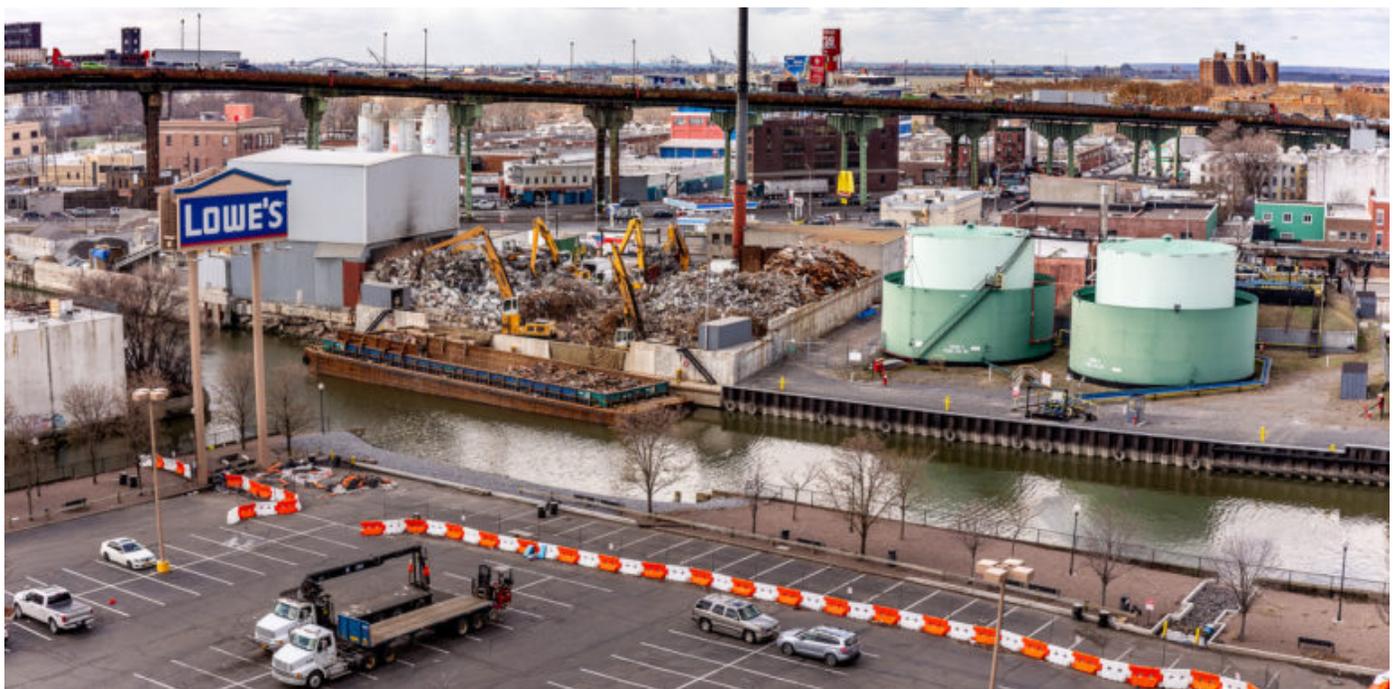


Figure 1: Acres of Industrial Land in New York City, 2009-2017. Source: New York City Economic Development Corp.

Zone program. Between 2009 and 2017, the total amount of industrial land in NYC declined by roughly ten percent, raising concerns surrounding how effective the program actually has been at protecting and strengthening urban industry (Figure 1).

Another explanation behind the ineffectiveness of the IBZ program might relate to the extent to which the city's provision of economic development incentives helped to advance the goals of the IBZ program. **That**

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Industrial Business Zones, such as this one in the Gowanus neighborhood of Brooklyn, were designated to provide tax incentives and business support services to industrial businesses, while helping to stabilize industrial employment. Source: City Limits.

NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 4

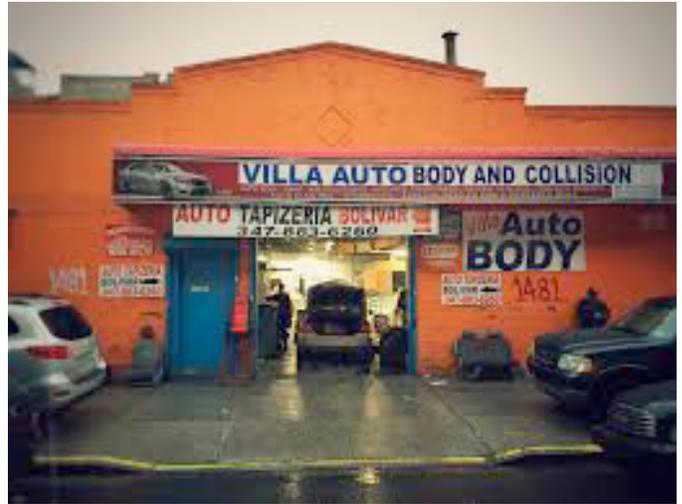
is, to what extent did the city's economic development policies align with the city's land use policies outlined under the IBZ program? To examine this question, this paper will examine the extent to which non-industrial businesses located in IBZs received financial incentives from the New York City Economic Development Corporation (NYCEDC) after the start of the IBZ program. In doing so, this paper aims to highlight the perhaps unintended consequences of failing to link economic development and land use planning efforts.

Methodology

This paper evaluates the extent to which industrial versus non-industrial businesses located within Industrial Business Zones received financial incentives (loans, grants, tax, or energy benefits) from the NYCEDC between 2007 and 2017. I use a dataset from the NYCEDC's Annual Investment Projects Report that provides address-level information on businesses receiving incentives as well as the North American Industry Classification System (NAICS) code associated with the incentivized business. I also use a dataset from the NYCEDC that contains geographic information on the roughly 9,000 tax parcels in Brooklyn, the Bronx, and Queens that were initially designated as part of the IBZ program in 2006.

In order to identify the extent to which the NYCEDC provided incentives to non-industrial businesses within designated IBZs, I geocoded the location of businesses that started receiving NYCEDC incentives between 2007 and 2017 and joined the geocoded businesses with the IBZ tax parcel data, enabling a comparison of incentive activity in IBZs over time. Using a broad definition of industrial activity used elsewhere in the literature, I define industrial businesses as those with one of the following 2-digit NAICS codes: 22 (utilities), 31-33 (manufacturing), 42 (wholesale trade), or 48-49 (transportation and warehousing) (Howland, 2011).

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Industrial land is home to a variety of industrial businesses, such as precision manufacturing companies, which tend to provide high-wage jobs, often to workers with limited English proficiency or minimal educational attainment. Source: The Ink.NYC.

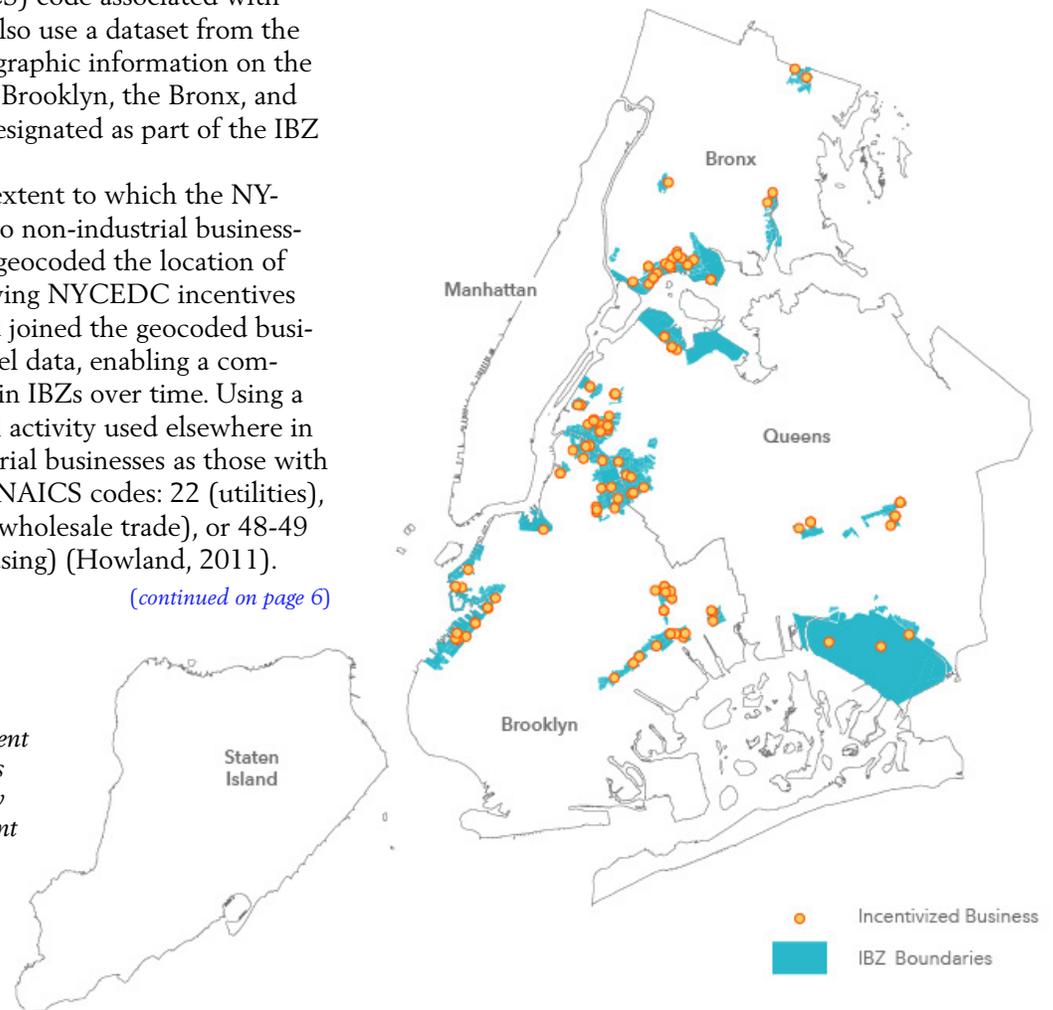


Figure 2: Businesses Receiving NYCEDC Economic Development Incentives in Industrial Business Zones, 2007-2017. Source: New York City Economic Development Corporation

NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 5

Findings

Between 2007 and 2017, the NYCEDC provided financial incentives (loans, grants, tax, or energy benefits) to 484 companies throughout New York City. Of these 484 businesses, 125 businesses were located within the city's designated IBZs. Figure 2 presents the spatial distribution of businesses that received incentives and that were located in an IBZ. As Figure 2 shows, the majority of incentivized businesses were located in IBZs in Brooklyn (55 businesses), followed by Queens (46 businesses), and the Bronx (24 businesses).

Almost one-third (31%) of the businesses located in IBZs were non-industrial businesses, raising questions surrounding whether the IBZ program in fact benefited industrial businesses in one of the few areas of the city designated to support urban industry (Figure 3).

Notably, the non-industrial businesses that received incentives in IBZs largely catered to residential and commercial support needs. For example, supermarkets; specialty food stores; dry-cleaning and laundry services; and gift, novelty, and souvenir stores were among some of the non-industrial businesses that received incentives within IBZs. Table 1 presents the non-industrial businesses that received NYCEDC incentives by their 2-digit NAICS codes.

Discussion

One measure of the city's investment in the industrial sector is the extent to which the city provides

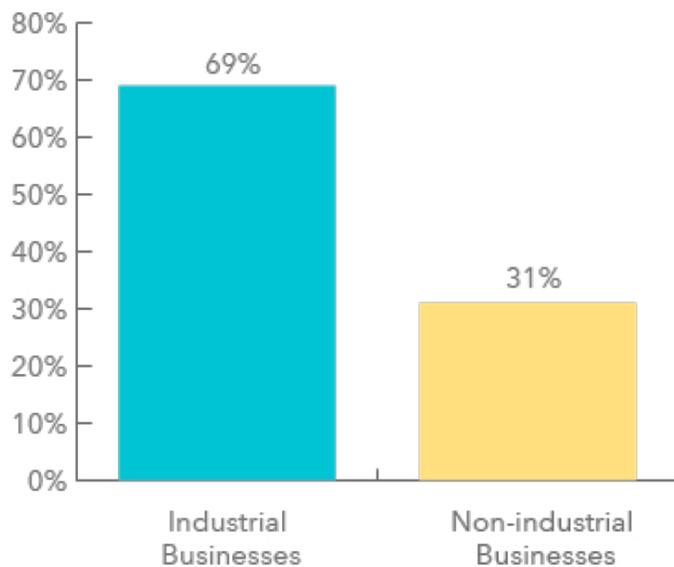


Figure 3: Percent of Total Industrial and Non-Industrial Businesses Receiving Incentives in IBZs, 2007-17 (N=125)
Source: New York City Economic Development Corporation

economic development incentives to industrial businesses located in the few areas throughout NYC that were designated to protect urban industry, or IBZs. In an increasingly expensive city, NYCEDC support has proved to be an invaluable resource for industrial companies to maintain central-city operations and in some cases, to prevent their displacement from the city altogether (Rosenberg, 2014). Therefore, this fact raises critical questions surrounding the city's overall commitment to supporting urban industry. Were the city fully committed to protecting urban industry, one would expect that none, if not a small proportion, of NYCEDC incentives would be awarded to non-industrial businesses in IBZs. Instead, the fact that nearly one-third of businesses receiving incentives in IBZs were non-industrial businesses suggests that the city's economic development planning efforts were at odds with the IBZ program's land use planning objectives.

One of the perhaps unintended consequences of this dynamic is that it could retrench existing income inequalities. As industrial preservation activists have highlighted, economic restructuring has created a bifurcated labor market that leaves little room for middle-class jobs. Instead, post-industrial cities tend to offer two kinds of jobs: high-paying, highly-skilled jobs in the professional services sectors (such as financial or legal services) and low-paying, low-skilled jobs in the retail sectors. If the NYCEDC continues its existing practice of offering financial incentives to non-industrial businesses in IBZs, the NYCEDC will continue to limit the amount of space available to industrial users in IBZs and thus continue to reduce middle-class job opportunities in the industrial sector.

Policy Recommendations

Findings from this analysis suggest several avenues for future policy intervention that are relevant to planners that wish to strengthen and protect urban industry, both in New York City and beyond. These policy recommendations include:

- 1. Gain a better understanding of urban industrial space needs in order to minimize conflicts of use.** Cities that wish to preserve urban industrial activity should consider conducting targeted outreach to different kinds of industrial businesses to gain a better understanding of their various physical space needs. As a recent report examining the potential for industrial mixed-use development in NYC illuminated, the physical space needs of modern industrial businesses

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NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 6

varies widely and in large part determines the degree of compatibility between industrial and non-industrial uses in a mixed-use industrial development (New York City Department of City Planning, 2018). For example, high-impact manufacturing tenants (such as food and beverage manufacturers) often require loading docks and freight elevators and need ground-floor building space to accommodate heavy machinery. On the other hand, low-impact manufacturing tenants (such as 3D printing companies) instead tend to prefer office-like layouts and often do not require ground-floor space. As a result, advanced manufacturing companies are better able to mix with other low-impact uses, such as retail or residential uses, while high-impact manufacturers tend to be more compatible with users that share similar loading and freight requirements, such as self-storage companies. The report therefore highlights how mini-

mizing conflicts of use can help to retain urban industrial activity, as industrial users will be better matched with a building stock that meets their physical space needs.

This recommendation is directly relevant to some of the challenges outlined in this paper. If the NYCEDC continues to offer economic development incentives to non-industrial businesses in IBZs, the NYCEDC should aim to maximize compatibility between future and existing uses, using findings from the NYC Department of City Planning's report on industrial mixed-use development as a guide (New York City Department of City Planning, 2018). In doing so, the NYCEDC might help to ease industrial displacement pressures in IBZs, as businesses might be able to find more appropriate spaces to meet their physical space needs, somewhat obviating the need to look outside the city for industrial

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NAICS Code	NAICS Category	Number of Businesses	Percent of Total
23	Construction	8	21%
44-45	Retail Trade	8	21%
51	Information	3	8%
52	Finance and Insurance	1	3%
53	Real Estate and Rental and Leasing	7	18%
54	Professional, Scientific, and Technical Services	3	8%
56	Administrative and Support and Waste Management and Remediation Services	2	5%
61	Educational Services	3	8%
62	Health Care and Social Assistance	1	3%
72	Accommodation and Food Services	2	5%
81	Other Services (Except Public Administration)	1	3%

Table 1: Non-Industrial Businesses Receiving NYCEDC Incentives in IBZs by NAICS Code, 2007-2017. Source: New York City Economic Development Corporation.

NYC'S INDUSTRIAL BUSINESS ZONE PROGRAM, CONT. FROM P. 7

space. Moreover, this consideration would help to send the firm signal that the city is committed to making space for manufacturers in the city.

2. Codify Industrial Business Zones boundaries into NYC's zoning code.

Although the Bloomberg administration committed to not rezone Industrial Business Zones for residential uses, the IBZ boundaries are still not codified in NYC's zoning code (Friedman, Bryon & Becker, 2015). As a result, the IBZ program is minimally insulated from changes in political will, as subsequent administrations could decide to cut funding for the program or rezone the IBZs for residential uses (McCormick, 2015). While the de Blasio administration has taken a more favorable stance towards IBZs than the Bloomberg administration, many non-industrial uses continue to be permitted as-of-right within IBZs. This paper therefore reiterates industrial preservation advocates' calls to codify IBZs into NYC's zoning code, which would require that certain non-industrial users receive a special permit to locate within IBZs. Although the NYC Planning Department recently adopted two zoning text amendments requiring that self-storage companies and hotels receive a special permit to locate within IBZs, the text amendment stops short of requiring that all non-industrial users receive a special permit to locate within IBZs (New York City Department of City Planning, n.d.). As a result, some non-industrial users can continue to move into IBZs relatively unchecked, continuing to threaten the industrial businesses that form a critical part of a diverse urban economy.

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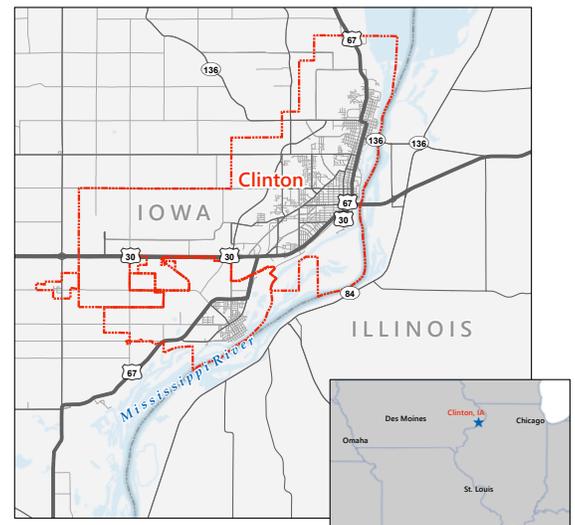
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Applying Strategic Planning Principles and a Focused Approach to Economic Development (A Plan to Reverse Declining Economic Trends in Clinton, Iowa)

by Luke McClanahan and Elizabeth Darnall, MS Urban and Regional Planning, University of Iowa

Clinton, Iowa faces some of the most difficult economic challenges that are seen in many cities and regions throughout the U.S. today. Located in Eastern Iowa along the Mississippi River, approximately 140 miles west of Chicago, the City of Clinton is home to over 26,000 residents. It is a community that has experienced consistent decline over the past 40 years, particularly in its manufacturing sector — its largest employment base. Along with this decline, Clinton's historic downtown area has largely been neglected. Other challenges in the community include a shortage of skilled workers, difficulty in recruiting new businesses to the area, and lack of amenities to provide a high quality of life.

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This summary highlights the planning process and techniques used to create a new economic development plan with pivotal recommendations for the Clinton, Iowa micropolitan area. First, data and public input were gathered to understand the issues of the region. Then, based on the community's vision and goals for economic growth, strategies were brainstormed. Finally, the proposed strategies were evaluated based on their feasibility and priority levels to create final recommendations.

Industry Analysis

Data was collected and analyzed to understand the economic environment in Clinton. Location Quotient and Shift-Share analyses were conducted to identify industries in Clinton with comparative and competitive advantages/disadvantages, respectively. The results revealed that the *manufacturing* sector has been losing its edge as an export-based industry. Other key industries in the region have lost their regional competitiveness, including *service-providing and education and health services*. Meanwhile, the *information* sector has shown to

be increasing in its regional competitiveness but remains a small portion of the local economy. The results of the analyses confirmed the need to create a long-range economic development plan to support the community.

Planning Process

A strategic planning approach was used in creating Clinton's economic development plan. This approach was chosen to help local leaders acknowledge that resources are limited when pursuing desired outcomes. Through the planning process, the information gathered through research and analysis was then synthesized to develop effective recommendations for the plan.

Multiple public outreach efforts were conducted to gather information about the community, as well as to brainstorm potential solutions to the economic problems affecting the area. Outreach conducted included a survey of local community college students and two strategic planning workshops consisting of local stakeholders and experts.

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APPLYING STRATEGIC PLANNING PRINCIPLES, CONT. FROM P. 9



Systems model of issues developed to understand interactions between major issues relating to economic development.

Findings from outreach, research, and analysis were used to create a systems model representing the interactions between issues affecting economic development in Clinton. These issues were then ranked by priority. Solutions to the issues were developed based on three categories: 1) supporting workers, 2) supporting businesses, and 3) supporting quality of life. Proposed solutions were further refined to become the final recommendations of the plan.

Conclusion & Key Recommendations

Through the research, analysis, and synthesis conducted to create a new economic development plan for the Clinton area, new strategies emerged that will make a positive impact. Findings revealed that key challenges faced by the community include developing and retaining skilled workers, improving the downtown area, and retaining a strong manufacturing sector. After prioritizing these challenges, solutions were brainstormed, and final recommendations were formulated based on their feasibility.

Key Recommendations:

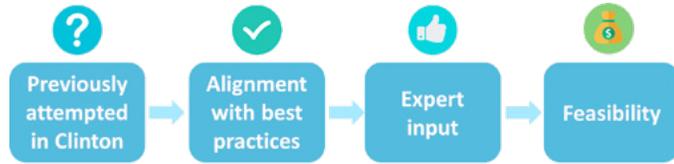
- Align educational and training programs at Clinton Community College to prepare students for local jobs

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Prioritization process developed to rank importance of economic issues.

APPLYING STRATEGIC PLANNING PRINCIPLES, CONT. FROM P. 10



Feasibility process developed to assess solutions to economic issues.

that are in-demand. Local manufacturing firms had expressed the need for additional skilled workers, for which there were few programs at the local community college. This strategy supports both businesses and workers by retaining young people in the community and providing a more qualified workforce.

- Concentrate redevelopment of the downtown area by providing incentives to a limited number of city blocks. Clinton’s historic downtown area had been neglected over the years, while newer low-density development has emerged on the periphery of the city. In order to support local business and quality of life, concentrated redevelopment of Clinton’s downtown area was recommended so that progress would be apparent.
- Leverage resources and programs to support Clinton’s manufacturing sector. The region’s competitiveness in the manufacturing sector has been declining. Resources and efforts should be directed towards recruiting renewable chemical production firms to the area by leveraging state tax credit programs. These companies would benefit from Clinton’s transportation infrastructure and accessibility to farmland. This strategy directly supports businesses, but also supports workers and quality of life.

Although the recommendations were chosen to support specific populations, industries, and areas in Clinton, they are intended to have positive spillover effects to other parts of the

Storefronts along 5th Avenue in downtown Clinton, Iowa. There are many opportunities for redevelopment in the historic downtown.



Archer Daniels Midland (ADM) manufacturing corn processing and manufacturing facility in Clinton, Iowa.

community. By implementing these strategies through a focused approach, the Clinton area can shift in a new direction towards greater economic success. Other communities in the U.S. facing similar economic challenges seen in Clinton may also benefit by applying a strategic approach to future economic development.

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Examination of the Atlanta, Georgia Region Entrepreneurial Ecosystem: Factors of Connectivity, Quality of Networks, Propensity For Venture Creation and Socio-Political-Cultural Influences

by Alan C. Peterson, II, B.A., M.P.A., Texas Southern University

An Entrepreneurial Ecosystem is a system of inter-related pillars that impact the speed and ability in which entrepreneurs can create and scale new ventures in a sustainable way. Entrepreneur focused economic development requires creation of an entrepreneurial service system, or support ecosystem, which is systemic, focused on the needs of the entrepreneur not the business and committed to transforming the entrepreneur and the community. The Entrepreneurial Ecosystem is linked to several factors including the underlying structure of the economy, local job formation, and

social capital associated with entrepreneurship. A region must develop its Entrepreneurial Ecosystem to thrive economically. A research gap exists regarding entrepreneurship as a determinant of growth in communities/regions, social capital and economic development. The objective

Holzheimer Memorial Student Scholarship Honorable Mention



Alan Peterson

of this study involves examination of specified elements of the Entrepreneurial Ecosystem (Factors of Connectivity, Quality of Networks, Propensity for Venture Creation and Socio-Political-Cultural Influences) in the designated study area of the Atlanta, Georgia Region involving DeKalb County, Fulton County, and Gwinnett County. This research also examines elements of the Entrepreneurial Ecosystem indicated in the Strategic Plans of the three counties of the study area. Even though there are differences by focus and priorities in the Strategic Plans, all three counties indicate a commonality in the need for addressing factors involving the potential for enhanced economic development through entrepreneurship.

Research questions focus on: (a) involvement of individuals from local government, state government, special authorities, public-private partnerships, chambers of commerce, business associations, and entrepreneurs in contributing to a comprehensive

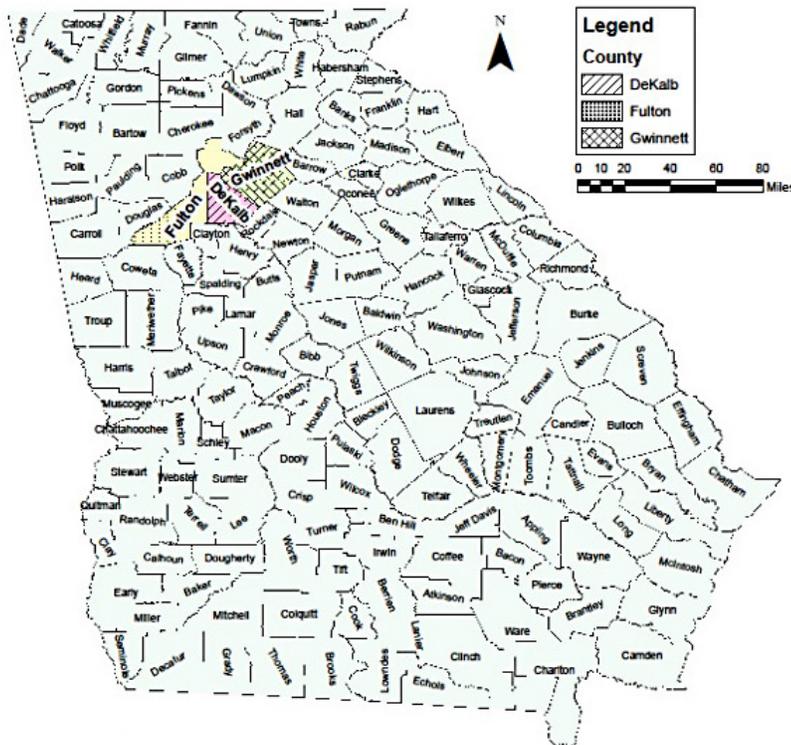


Figure 1. Atlanta Region Including DeKalb County, Fulton County, and Gwinnett County

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ATLANTA, GA ENTREPRENEURIAL ECOSYSTEM, CONT. FROM P. 12

understanding of the four (4) elements of the Atlanta, Georgia Region's Entrepreneurial Ecosystem, (b) the role of the Entrepreneurial Ecosystem in the economic development of the Atlanta, Georgia Region, and (c) perceptions of entrepreneurs and government officials in viewing the Entrepreneurial Ecosystem in the Atlanta, Georgia Region.

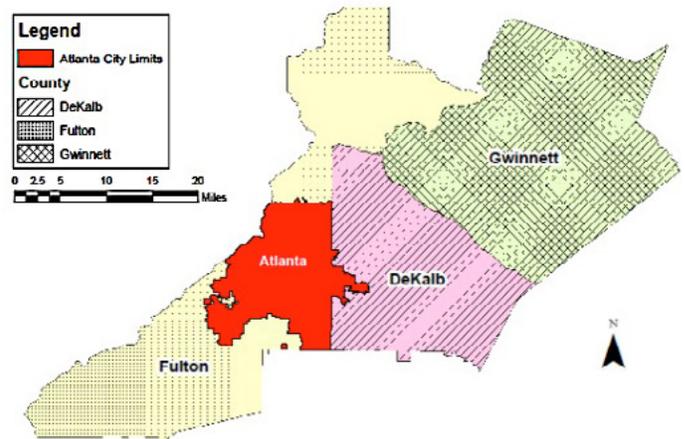
The research design/methodology included three components: (1) examination of elements of the Entrepreneurial Ecosystem for the designated Atlanta, Georgia Region through quantitative methodology (survey design) and qualitative methodology (interview methods, document review) and (2) analysis of the elements of the Entrepreneurial Ecosystem with the Strategic Plan components of the three designated counties of the study area. The profile for survey participants included entrepreneurs wherein their business venture locales are in the designated study area. Interview participants involved individuals from local governments, state governments, special authorities, public-private partnerships, chambers of commerce and other business associations within the study area.

Results of the study indicate a disconnect involving the perceptions of survey participants (entrepreneurs) and interviewees (individuals from local governments, state governments, special authorities, public-private partnerships, chambers of commerce and other business associations) and their views of the Entrepreneurial Ecosystem. Examination of this difference (phenomena) provides an opportunity for further research in this area. In addition, there is opportunity to research demographic variables such as gender, race and age impact related to how an entrepreneur views the Entrepreneurial Ecosystem.

The results of the study facilitated the development of a framework for an Entrepreneurial Ecosystem Toolkit which is designed as a practical navigational tool involving economic development in the context of entrepreneurship. In summary, the results of the study provide a context for how the elements of the Entrepreneurial Ecosystem interact, evolve, and impact community development, social capital, economic development through entrepreneurship within designated communities/regions.

Toolkit Framework for Economic Development & Entrepreneurship

The framework for the Entrepreneurial Ecosystem Toolkit involves four phases which include ten components. Each phase is designed for communal engagement involving county/regional stakeholders.



Study Area (DeKalb County, Fulton County, and Gwinnett County)

Phase 1: Geographic Location – Defined Area – Stakeholders

Component 1: Select and Define a Geographic Area

Component 2: Identify Strengths and Challenges of the Defined Area

Component 3: Formulate Stakeholder Group

Phase 2: Goals – Action Steps – Monitoring System

Component 4: Identify Goals

Component 5: Identify Action Steps

Component 6: Identify Timeline and Required Resources

Component 7: Identify Assessment/Monitoring System

Phase 3: Connectivity – Networks – Venture Creation – Socio/Political/Cultural Influences

Component 8: Establish and Align Entrepreneurship Ecosystem Elements

- Connectivity
- Quality of Networks
- Propensity for Venture Creation
- Socio-Political-Cultural Influences

Phase 4: Implementation – Analysis – Ongoing Assessment

Component 9: Implementation

Component 10: Ongoing Assessment Process

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Defining and Re-Defining Blight: Evaluating the Blight Remediation Goal of Tax Increment Financing

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At a surface level, this paper can be understood in two statements: (1) Part of the Gold Coast, one of Chicago's wealthiest neighborhoods, is located in a Tax Increment Financing (TIF) district; and (2) In Illinois, local legislation defines TIF as a blight-remediating economic development tool. The current state of TIF policy — specifically, ambiguity around how states define "blight" — has resulted in a wide disparity of uses, and has provided policymakers and developers with considerable latitude and subjectivity in determining whether an area meets the conditions for TIF.

Defining Blight

As more states adopted TIF legislation, the reliance on stringent definitions of blight decreased. Many states enacting or amending TIF legislation post-1980 have expanded blight definitions to more broadly encompass local economic development goals (Byrne, 2010). The increasing flexibility of blight criteria, the addition of criteria unrelated to blight, and the creation of TIF districts in non-blighted communities, have all further weakened TIF's ability to reduce concentrated poverty and chronic disinvestment (Talanker & Davis, 2003).

In many states, proposed districts need only check one box on a list of potential blight conditions to be eligible for TIF designation. In the case of Chicago's Gold Coast, this was a handful of "underutilized" buildings (Kane & Weber, 2016). Other states have increased the maximum permissible size of TIF districts or reduced square mile limitations. When jurisdictions, either through legal amendment or subjective interpretation, lower the hurdles for clearing the blight test, it becomes less likely that TIF projects will serve their blight-remediating intent.

Consequently, via a reliance on TIF to subsidize general economic development, low-income communities are forced to compete for capital investment against their more affluent counterparts. Non-blighted communities are able to "upgrade" their already successful local economic activities, while TIFs in truly blighted communities remain non-competitive, fated to generate only a fraction of the same revenues. This structure perpetuates the "blightedness" of under-resourced communities and exacerbates disparities of wealth.

Case Studies

Critics have pointed to the use of TIF to finance high-profile development projects to illustrate the need for reform. States have responded by either arguing for stricter definitions, or a move away from blight remediation altogether.

Holzheimer Memorial Student Scholarship Honorable Mention



Jessica Jones

■ Illinois

In Illinois, vague blight definitions around "obsolescence," "dilapidation," and a "lack of community planning" have increased the use of TIF in non-blighted areas. In 1999, legislators amended the state's statute to attempt to add clarity: areas with buildings deemed harmful to public welfare and areas at-risk of becoming blighted would now also meet the requirements (O'Neill-Kohl & Weber, 2013). Yet these new designations simply provided a legal validation to existing practices: following the amendments, TIF use in Illinois increased. In Chicago, a TIF district report cited poor lighting as satisfying the blight requirement. A central Illinois town listed "topographical issues" (Briffault, 2010).

■ Nebraska

In 1984, Nebraska enacted stricter requirements for blight to include: "an unemployment rate of at least 120% of the state rate; residential or commercial units with an age of 40 years; property unimproved for at least 40 years; a per capita income below the city rate...or decreasing

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population over the last two decades” (Talanker & Davis, 18). In 1997, the state added that a cost-benefit analysis must be completed for all proposed TIFs, and a requirement that areas meet both blight and substandard requirements, rather than one or the other. However, a 2003 study found one-third of the state’s land had been designated as blighted (Kriz, 2003).

■ Virginia

Rather than refining blight definitions, in 1990, the Virginia legislature eliminated the word blight and all qualifying blight criteria from its TIF legislation. The state’s amendments changed the purpose of TIF to that of promoting general “commerce and prosperity” (Gordon, 2004). Correspondingly, Virginia’s use of TIF has expanded beyond the scope of blight remediation, and therefore, its use in high-income neighborhoods may no longer be able to be labeled as misuse.

Takeaways

This analysis demonstrates that the meaning of “blight” in state TIF legislation lacks substantive and fundamental clarity — allowing for a great deal of subjectivity in how blighted areas are assessed, qualified, and ultimately, how TIF funds are dispersed. When states hold TIF as a blight remediation tool at the same time that public officials approve the creation of new TIF districts in non-blighted neighborhoods, they are effectively “engineering” blight to meet private interests and political will.

Some failures of past attempts at narrowing blight definitions can be attributed to the minimal rigor of new amendments, as well as the lack of community-



level oversight. Reform efforts should seek to include substantial criteria for blight, such as requiring studies around both property values and community conditions (unemployment, poverty, wage gaps), and aim to set objective, quantitative standards for blight that can be shared across state lines.

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