New Economic Development Model

A summary Smart Growth America’s June 2016 Report

Amazing Place
Six Cities Using the New Recipe for Economic Development
The old recipe for economic development

Over the last several decades, local economic development in the United States has usually involved cities, states, and regions battling against one another in an effort to attract new residents, companies, and jobs.
This approach helped some communities attract companies that have anchored long-term economic activity.

This competition often comes in the form of tax breaks, subsidies, location incentives, and favorable tax rates.
However, there is an extensive and well-documented history of unproductive and even harmful outcomes from these incentives. Neighboring jurisdictions often simply stole businesses from one another, moving economic activity around without increasing it—at taxpayer expense.
Predicted jobs sometimes failed to appear, or the jobs created went to people living outside the community.

Other times the outrageously high subsidies per job created raised questions about whether these tradeoffs were worthwhile.
And too often businesses would leave once incentives expired or would threaten to leave if new incentives weren’t offered.

In many cases, communities won these companies at too high a cost—extending their finances at the expense of services for existing residents and businesses.
But perhaps the biggest problem for economic development officials now is that this strategy often simply isn’t working.
New research is finding that tax breaks are either ineffective or no longer a high priority for companies when considering a new location.
A 2014 survey of corporate leaders found that “corporate tax rates” and “state and local incentives” ranked seventh and eighth, respectively, on the list of factors those companies consider when deciding on a new location.
The number one most important factor on that list?

Availability of skilled labor
A 2013 survey of entrepreneurs found that low taxes and business-friendly regulations were rarely the reason for starting a business in a particular location. Rather they looked for “a great place to live plus a talented pool of potential employees, and excellent access to customers and suppliers”.
The new recipe for economic development

If tax breaks were the old recipe for economic development, creating vibrant neighborhoods that can attract people from near and far is the new one.
Smart Growth America’s 2015 report Core Values: Why American Companies are Moving Downtown showed that hundreds of companies across the United States are moving to and investing in walkable downtown locations, in large part because these places help to attract and retain talented workers.
These companies are looking for walkable, live/work/play neighborhoods and regional centers with nearby affordable housing for their employees, with a vibrant mix of restaurants, cafes, shops, entertainment venues, and cultural attractions all within easy walking distance of offices.
Many of the neighborhoods these companies choose also include a wide range of home types, making them convenient places to live as well as affordable for households of all income levels.
Companies have always wanted convenient transportation but now place a premium on providing employees with multiple transportation options, including the ability to walk, bike, or take transit to work and meetings.
In cities with robust public transportation, companies consider the service a crucial part of their daily operations. In cities with lower levels of transit service, many companies express a desire to see it improve.
Looking at cities that have used the new model.

Cities have always looked for new ways to attract residents, visitors, and employers, as well as ways to help their current residents and businesses prosper. To achieve these goals in today’s economy,

many cities are creating attractive, walkable, affordable, and diverse mixed-use neighborhoods.
Cities are using a number of strategies to create these kinds of places. Projects like waterfront parks, pedestrian plazas, diverse housing types, *Complete Streets policies*, mixed-use development, infill construction, brownfield remediation, and others are being brought together through community input and long-range plans to create places that are unique, authentic, and inclusive.
Some of the ways communities can put those ideas into action have been explored by American Cities.
Boise’s thriving downtown is enhanced by a world-class waterpark that doubles as a functional dam and flood protection.
Denver’s investments in transit decades ago have catalyzed its current development boom, and its commitment to affordability will give its renaissance staying power.
Greenville’s innovative thinking about its Main Street has created a beautiful promenade that’s the foundation of its local economy.
Minneapolis’ focus on quality of life has helped it retain one of the most educated workforces in the country.
Nashville is building on its music industry heritage to create some of the coolest neighborhoods in the country.
Pittsburgh, former steel mills are forming the backdrop of a new industrial revolution.