



## Findings

# Rebalancing Incentives: Reforming Budgets, Recipients, and Process

by Mary Donegan, University of Connecticut

**B**ig deals like Wisconsin’s Foxconn bust and Amazon’s HQ2 bidding frenzy have become the face of economic development incentives. Yet each year, state and local governments spend tens of billions on smaller, less newsworthy packages. As sluggish covid economies persist, resources from 2021’s American Rescue Plan Act and unexpectedly high tax returns will surely be slated for job creation — with incentives playing a key role. But what do we know about incentive performance — and more importantly, how to make incentives better? These are questions I address in two recent pieces.

### Incentive performance: what do we know?

In the first of these, T. William Lester, Nichola Lowe, and I investigated 11,250 incentive deals across the United States from 1995-2010 — making ours one of the few studies to examine outcomes both over a long time and across the nation. We evaluated each establishment that received an incentive against a handful of similar establishments that hadn’t — meaning we compared like firms. Our study found that on average, establishments receiving an incentive did not create statistically significantly more jobs than similar establishments that had not received an incentive.

Still, many places are strategic. For example, some locales focus on recruiting, stabilizing, or strengthening firms in regional industrial specializations. However, when we focused on regional strengths (NAICS codes with high location quotients) we found the opposite: on average, incentivized establishments in overrepresented industries didn’t create statistically significantly more jobs than peer establishments. In fact, they created *fewer* jobs over time.

Alternatively, some regions target large firms — thinking these employers will provide needed employment boosts. Again, though, we found the opposite:



Chokenti Khongchum, Pexels

*When states take a more balanced approach to economic development budgeting, such as in North Carolina’s biotechnology sector, incentives tend to complement other strategies and perform better.*

on average, large establishments (those with over 250 employees) receiving an incentive created statistically significantly fewer jobs than similar non-incentivized establishments.

Interestingly, the same was not true for small firms (with under 250 employees). On average, small firms that received an incentive created *more* jobs than similar small firms that had not.

### At what cost?

Our mixed results are not unique. A growing body of research finds incentives have at best a moderately positive effect on jobs. While we didn’t track the physical movement of incentivized establishments, others have — and they find that observed job increases are often “zero-sum,” resulting from firm moves across

*(continued on page 2)*

*REBALANCING INCENTIVES, CONT. FROM P. 1*

jurisdictional boundaries. Although these relocations may appear worthwhile for struggling locales, studies suggest almost all would have happened *without* the incentive. That is troubling. Incentive financing is often drawn from general funds. Higher incentive funding means less funding for local public schools or infrastructure — themselves key ingredients in long-term economic development.

### Takeaways: Scaled-back, balanced, complementary, and transparent?

Despite lackluster performance, we don't expect cities and states to abandon incentives. They have been economic development tools since at least the 1930s, and our reliance on them increased after the 2008-2009 Great Recession. Still, incentives can be made to work *better*.

In our paper, we noted that cities and states face pressure to recruit and expand companies via incentives while simultaneously investing in new technologies and entrepreneurship. We wondered if states that “balance” budget priorities (recruitment versus investment in technologies, support services, entrepreneurship, etc.) engender better incentive performance. We found this to be the case — on average, when states take a more balanced approach to economic development budgeting, incentives granted in that state perform better. In short: balancing incentive payments with entrepreneurial and technology development, prioritizing smaller firms, and weighing incentive funding against the needs of public goods like schools and infrastructure could go far in making incentive programs *better*.

In our paper we pointed to North Carolina's biotechnology sector as an example. State officials have doled out incentives to high-profile biotech firms, but state, county and local governments had also funded community college training programs and technology development. Some local governments have prioritized “homegrown” high-tech entrepreneurial firms for incentives, too, showing how incentives can complement other strategies over the life of a firm.

A final option might be to reform incentive program transparency and citizen participation opportunities. In a separate piece, I used the Amazon HQ2 debacle in New York City — where New Yorkers famously protested a proposed Queens location until Amazon abandoned its plans — to highlight incentive program opaqueness. Over the course of the pandemic, planners across the country have engaged in herculean efforts to encourage meaningful citizen participation. Economic development planning, however, often remains removed

from the public process — with incentive programs sometimes placed in quasi-public or private organizations with low public disclosure requirements and few opportunities for public input. Making details of each deal public during their development is unlikely and potentially counterproductive. But making deals public *after* they are made so that cities and states can evaluate performance — and giving residents more say into how their development resources are allocated, and a better understanding of deals and their tradeoffs — might help us improve incentives over time, too.

— *Mary Donegan is a faculty member in the Urban and Community Studies program at the University of Connecticut. Her work focuses on how local governments and institutions can leverage scarce resources to foster socially just and environmentally sustainable economic development. Email her at [mary.donegan@uconn.edu](mailto:mary.donegan@uconn.edu).*

#### Further reading:

Donegan, M., Lester, T. W., & Lowe, N. (2021). Striking a balance: A national assessment of economic development incentives. *Urban Affairs Review*, 57(3), 794-819.

Donegan, M. (May 21, 2019). Post HQ2 incentive reform: We can have good deals — but not without transparency and meaningful public participation. *Metropolitica*.

## DEVELOPMENT STRATEGIES

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**Notes From The Chair**

## Evaluate and Update: Reflecting on last year and setting goals for the next

by Sean M. Maguire, AICP CEcD  
[smaguire@gmail.com](mailto:smaguire@gmail.com)



I admit that in the haste of closing out 2020 and trying to get on with 2021, I missed an important step at the end of the year in my office — reflecting and setting goals. But I wasn't going to make the same mistake twice. Over the past few weeks, I've been working on a series of

annual reports. Call me a nerd, but I rather enjoy this time of year both for the pace and race to get things done by year's end and the chance to complete the planning cycle and start again. This opportunity to evaluate the year gone by and update our goals for the year to come is both cathartic and exciting.

### Annual Report Frenzy

The first opportunity I had this year to “evaluate and update” is in the report I've prepared for a coming leadership transition in our town. Our long-time Town Supervisor (similar to a mayor) is retiring, we're preparing for some new faces at the Town Board and this report is my chance to show the new team our accomplishments for the year and what they can expect in the year ahead. I used this opportunity to go this one was far more in depth and gave me the first chance to reflect on what my team accomplished this year and what we have queued up for the next one. We certainly got a lot of work done, but I know we can push the bar a bit higher for the next year.

The next annual report I had in front of me was our Climate Smart Communities Annual Progress Report. This is a new program housed in my office that focuses on our community's efforts to promote sustainability and address climate change. Our goal since the program was placed in my hands was to become a Bronze-certified community and to do so, we need to accumulate and document 120 points in

actions. Some of these are mandatory like appointing a coordinator and task force. Others are priority actions for the Bronze level, such as including sustainability elements in our comprehensive plan and educating and engaging the public on the subject of climate change. And to reach 120 points, we've also planned or completed other activities such as our partnership with our regional planning commission, metropolitan planning organization, and Tree City USA.

Some annual reports are still too early to accomplish, but I'm looking forward to those as well, including my department's annual report and goals and our mandated annual reports on certain economic development activities to the state to name a few. Only the die-hard planning and economic development professionals get excited and worked-up over these. You can certainly count me in that category.

Before I wrap this piece up, I do want to go back to the first annual report I worked on this year — our Division's Annual Performance Report. We complete this each year and submit it to the Divisions Council. It's a good time to measure our accomplishments against our annual work plan. In it, we had the chance to talk about the work that our volunteers accomplished this year.

### A Return to Webinars

We were able to share our first webinar in almost two years, “Planning for Economic Justice” moderated by our Diversity Chair David Noble. David led a very insightful discussion — and at times a little debate — among subject matter experts from across the United States. I also owe thanks to Corey Proctor for his help in getting the content approved for CM credits as our Webinar Coordinator.

### Four Times is a Charm

This newsletter includes the excellent work by our Communications Chair, Vicki Oppenheim, and our *News & Views* designer, Jeff Mills. This year, with this issue, we've put together a full year of quarterly newsletters which these two carried out like the champions they are. While we were without a newsletter editor, our EDD team worked lock-step to get each issue out. Next year, with the hopeful help of an editor, we'll do the same with even more content.

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NOTES FROM THE CHAIR, CONT. FROM P. 3

**Scholarship, Awards, NPC, and a Website**

Each year, the Division awards the Holzheimer Memorial Scholarship to a student or recent graduate for a winning paper with topical relevance to economic development practitioners. We have to thank our outgoing Scholarship Committee Chair Greg Schrock and incoming Committee Chair Kerry Fang. Greg and Kerry also provide us with a critical link to the academic community and were instrumental in adding a new feature column called “Findings” to *News & Views*.

The pandemic put a pause on our awards program which we’ll be excited to pick up at the next National Planning Conference. The pause allowed us time to review the awards program, compile some history on it, and consider new approaches. We’ve been fortunate to welcome Sharmili Reddy, AICP as a lead member of the Awards Committee and she’s provided tremendous insight on our program and how others tackle the same task. I’m excited for what she has proposed in 2022 for the 2021 and 2020 awards.

We also had a number of volunteers help us staff our virtual booth at the National Planning Conference. The EDD leadership team believed it was important for us to have a presence for our members and we were glad to be part of it.

You may have also noticed an update to the Division website last year. Our Website Coordinator Brandon Robinson is the man behind the curtain and he’s done a remarkable job migrating our old site to this new one. He’s sometimes tasked with short notice to make updates or post items online and we’re grateful for his help and turnaround.

Finally, I am so appreciative of the support that my fellow officers provide including Emi Thériault, AICP who led our member survey and Morgan Wortham who keeps us all organized and the bills

**We have come a long way in a difficult year — and that wasn’t possible without the help of dedicated volunteers and the support of you, our members. We still need your help as members so if you haven’t yet stepped up to our “One Thing” challenge, it’s not too late.**

paid. I am so thankful to work with such an outstanding team and I can’t express my appreciation to them enough.

**Looking Ahead**

In the last step that started this discussion, we’ve updated our Division work plan for 2022 to align with our bylaws with all tasks aligned with our stated purposes. You will be able to find our 2022 work plan online at <http://economic.planning.org> along with other past reports on Division activities. We have come a long way in a difficult year — and that wasn’t possible without the help of dedicated volunteers and the support of you, our members. We still need your help as members so if you haven’t yet stepped up to our “One Thing” challenge, it’s not too late. You’ll find out more in this issue about ways to get involved. Thank you for your continued involvement and we look forward to outdoing ourselves next year.

— Sean M. Maguire, AICP CEcD is Chair of the Economic Development Division. He’s the Director of Planning and Economic Development for the Town of Colonie, New York and is an adjunct professor of planning and public administration at the University at Albany, SUNY.

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# The Results Are In: What Your Fellow Members Are Saying

by Emi Thériault, AICP, EDD Chair-elect



Every two years, the Economic Development Division conducts a survey of its members. While the COVID-19 pandemic delayed this effort by one year, we are pleased to share a summary of the results with you. First, thank you to all those across the country who participated in this year's 2021 APA Economic Development Division Member Survey. Some questions will help the EDD leadership focus on membership priorities over the next year, and other questions provide insights into matters that motivate members' participation in the Division. We are listening and plan to make updates to our program to be of increasing assistance to our members.

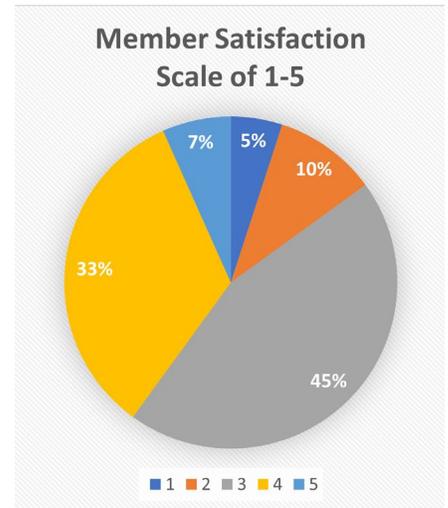
Our leadership team is committed to the continued support of our members, and we will be using responses to help shape desired programs, develop upcoming events, and deploy resources.

Here are some of the responses provided by your fellow members. In 2021, we received 61 responses and the survey provides some useful insights for Division leadership. A full copy of the survey and its results will be posted to the Division's website at <https://economic.planning.org>.

## Member Satisfaction

Q: *On a scale of 1 (Unsatisfactory) to 5 (Exceptional), how well has the Economic Development Division met your expectations?*

This is a question we're interested in looking at each cycle to judge member satisfaction. In 2018, a little more than 66% of our members indicated that we "met expectations" or better. **We sought to improve that, and we're pleased to share that we've improved to the point where 84% of our members indicated we "met expectations" or better.**



## Length of Membership

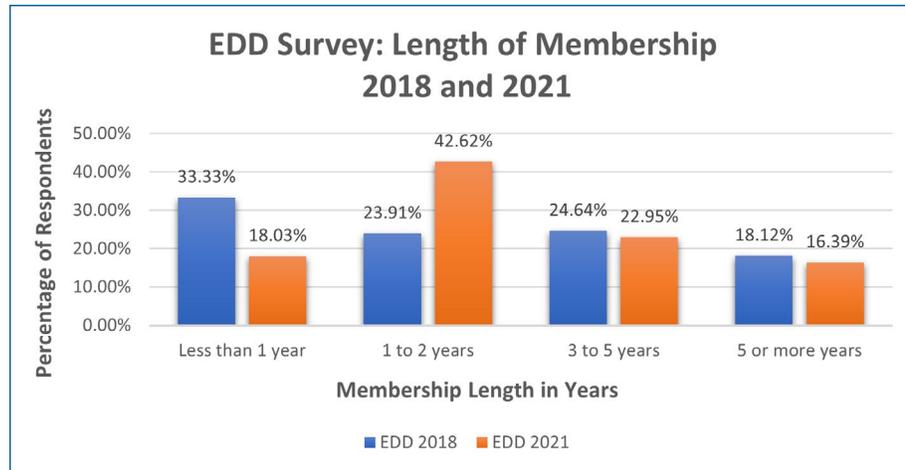
Q: *How long have you been a member of the Economic Development Division?*

In 2021, Economic Development Division surveyed members with a tenure of more than two years were within a few points of the 2018 survey. However, the most significant change has been the recruitment and retention of new members. **A higher percentage of today's surveyed members have been with the Division for two years or fewer — and these newer members are a larger majority than they were in the 2018 survey.** It is critical that our work plan evolve to ensure that we take steps to demonstrate the

*(continued on page 6)*



THE RESULTS ARE IN, CONT. FROM P. 5



value of the Division membership and retain members over the long term.

**Motivation to Join EDD**

*Q: Why did you join the Economic Development Division?*

Eight out of 10 EDD members join for the professional development opportunities. This percentage has slipped from 83% in 2018 to 77% in 2021. **What’s exciting to see is that the percentage of members who want to contribute time and skills has moved up from 9% in 2018 to 15% in 2021.** (Learn more about how to contribute time and skills in this issue on page 7.) But other reasons for joining include Division Programming and Events, Networking, and access to the Division Newsletter with updates on the profession.

**Impact of COVID-19 on the Profession**

*Q: Has your employment been affected by the Pandemic?*

No survey in 2021 is complete without asking about the impact of the COVID-19 pandemic. Thankfully, we do not have a question to compare it to in 2018. While a small percentage of our members

have been negatively impacted — with either their job, benefits, or salary reduced — **87% of our members responded by indicating that they have not been negatively impacted OR are experiencing some level of growth.**

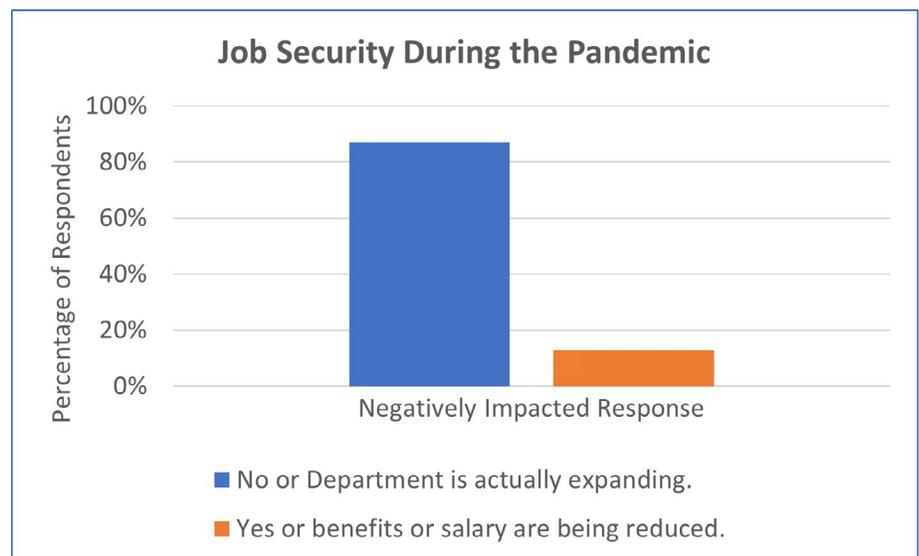
Reason for Joining EDD	Percentage
To contribute time/skills	15%
To become more involved with APA	39%
Newsletter	41%
Networking	44%
Division Programming & Events	48%
Professional Development	77%

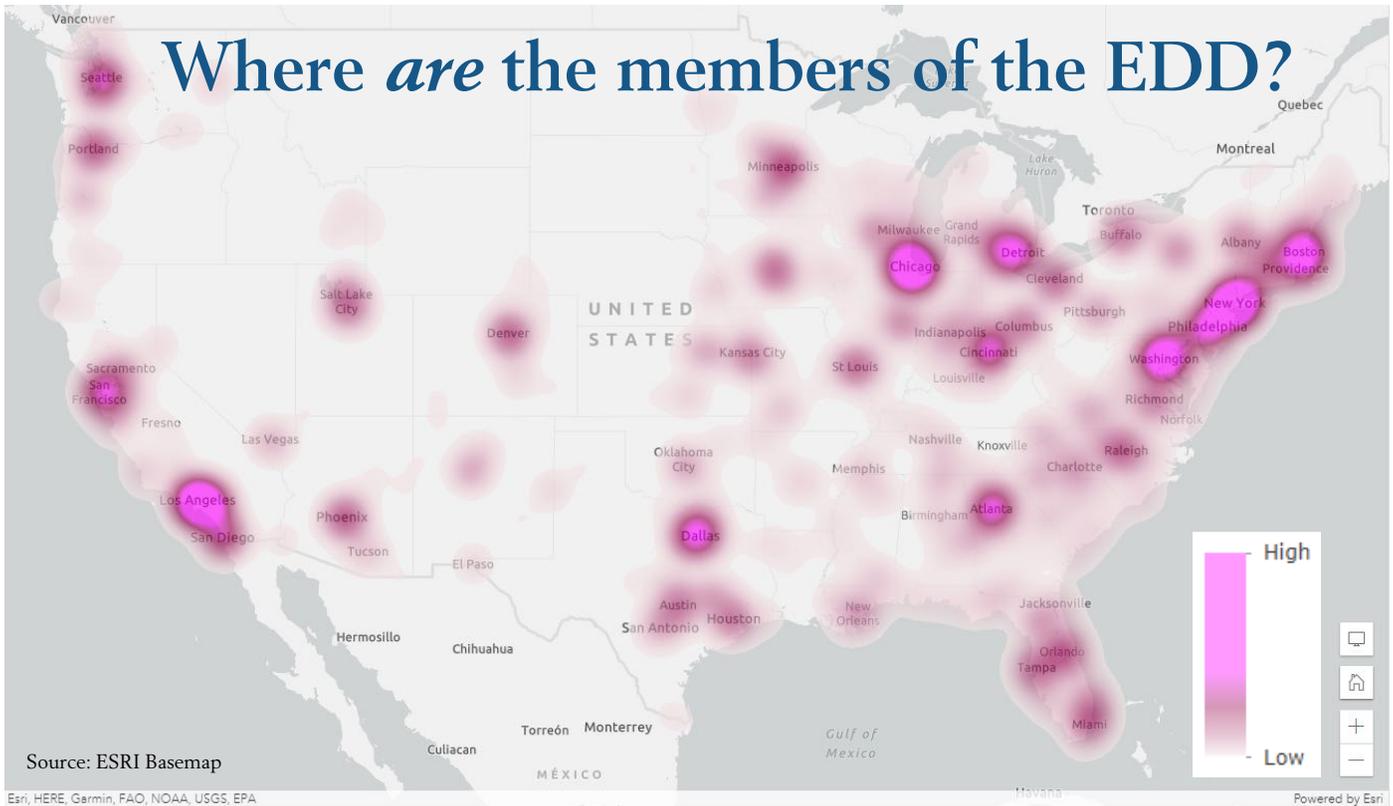
**In Summary**

The great news is that the Economic Development profession is being recognized as an important resource for local governments and other entities that employ economic development professionals! The survey indicated that an overwhelming number of participants’ jobs were either unaffected by the impacts of the Pandemic on the economy and/or their organizations were expanding staffing! The 2021 survey provides us with tremendous insight and guidance for the next two years and we look forward to coming back to you again in the future to see how we’re doing.

Thanks for your participation in the survey. For those of you who indicated interest in APA or otherwise offering your time or skills,

we will be reaching out. Please also take advantage of alerts for opportunities to serve posted here in *News & Views* or via the email posts sent out periodically. Here’s to a great new year for our profession and our communities!

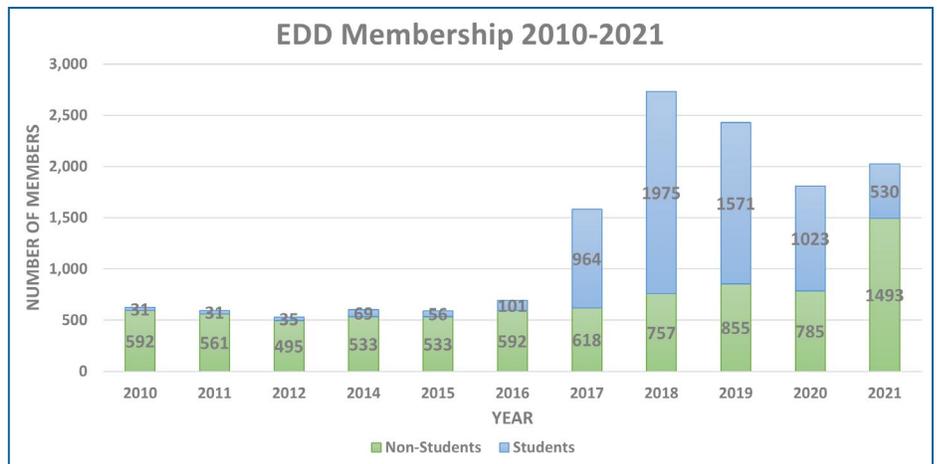




by Vicki Oppenheim, AICP, EDD Communications Chair

As of September 2021, the Economic Development Division had 2,023 members, with 108 members (5.3%) from outside the United States in Canada, Europe, the Middle East, East Asia, and other countries. I geocoded the membership list and created this GIS heat map to show the distribution of members in the Continental United States. The EDD also has members in Hawaii, Alaska, and Puerto Rico as well that are not shown. From the map, most U.S. members are in large population centers within the Northeast corridor, Chicago, California, and Dallas. There are significant concentrations of members in Detroit, Atlanta, and Cincinnati, and it appears that rust belt cities have members that are interested in learning about economic development. Other lesser hubs of Salt Lake City, Seattle, Miami, Minneapolis, Denver, and Phoenix also may reflect recent job and population growth. Further research with detailed surveys would be needed to determine reasons for joining the EDD.

— Vicki Oppenheim, AICP, is an urban planner and geographer in Denton, Texas. She recently focused on farmers markets and economic development initiatives after co-founding and running the Denton Community Market for over a decade, as well as conducting research on markets in the Southwest region. She is also completing an additional master's in economics at the University of North Texas and expects to integrate econometrics skills into her consulting work. Reach her at [vicki@greenlep.com](mailto:vicki@greenlep.com).





# WE WANT YOU to be a Division volunteer!

The Economic Development Division has immediate openings for these leadership positions. Will you step up to the challenge? Contact us at [info\\_EDD@planning.org](mailto:info_EDD@planning.org) to learn more!

**Conference Committee Chair**  
**Learning Committee Chair**  
**Membership Committee Chair**  
**Marketing Manager**

**Newsletter Coordinator**  
**Fellowship Coordinator**  
**Conference Reception Coordinator**  
**Student Representative**

A full description of positions can be found at <https://economic.planning.org/membership/volunteer/>

## Opportunities

### ■ Suggest a topic

Is there a topic you think needs to be covered at the next APA national conference? Share your ideas at [www.planning.org/conference/proposal/idea](http://www.planning.org/conference/proposal/idea). **Deadline: January 18.**

### ■ Refer a speaker

Know a great Division member-presenter or expert who can inspire our planning community at a future conference? Send us their name at [www.planning.org/conference/proposal/refer/](http://www.planning.org/conference/proposal/refer/) (here is a secret: you can refer yourself!). **Deadline: January 18.**

### ■ Call for *News & Views* Articles

Do you have a new economic development project or recent research that would be of interest to other economic development planners? We are seeking articles on the latest trends in economic development and urban planning. Please contact us at [vicki@greenlep.com](mailto:vicki@greenlep.com) if you have a project or idea you would like to highlight. **Deadline for the next issue: February 15.**

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See recent posts to find links to our scholarship application, webinars, articles of interest, and more.  
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## Resources

■ The **U.S. Census Bureau's continuing webinar series**

has very timely and relevant information for economic development planners. You can access the recorded webinars and PowerPoint slides on their website. Some recent economic development-related recent webinars are:



**“3 Graphs and 2 Maps About Jobs and Telework During the Coronavirus”** — This session presents recent research on the demographic characteristics and locations of teleworkers in the Washington, D.C. region during Covid-19. The research results showed that there was a relationship between income and population density for the workers’ ability to telework.

**“Introducing Business Dynamics Statistics (BDS) Explorer”** — This webinar shows demonstrations of using the new online explorer of business data on job creation and the size of firms and industries. An example in the presentation shows the relationship the share of U.S. workers who work at large and small firms.

■ The **Smart Growth Online Webinars** — A recent webinar was presented by Ilana Preuss with her latest book **“Recast Your City: How to Save Your Downtown with Small-Scale Manufacturing.”** She discusses the concept of small-scale manufacturing, zoning issues, some success stories, and how to promote this approach in cities.



■ The **Connecticut Economic Development Association** will host a five-part monthly webinar series focused on **Economic Development Trends and Insights**. Series presenter Goman & York will share insights from leading experts on some of the most relevant issues influencing decisions in economic development, both on the public and private side.

Please submit any relevant resources for the EDD to feature in our email newsletters or *News & Views* to Vicki Oppenheim, AICP, EDD Communications Chair, at [vicki@greenlep.com](mailto:vicki@greenlep.com).

APA ECONOMIC DEVELOPMENT DIVISION

### The Holzheimer Memorial Student Scholarship

APPLICATIONS OPEN

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**DEADLINE: JAN. 21, 2022**

The Economic Development Division seeks applicants for the **Holzheimer Memorial Student Scholarship** for students interested in economic development. The application should include an **original student paper or work that is 2,500 words or less** (submissions may reflect adaptations of original student work) and speak to planning practitioners about a substantive topic related to economic development. We welcome submissions that focus broadly on the topic of economic development, which we define in terms of enhancing community, urban and regional economic prosperity, inclusion, and resilience.

The winning paper will be published on the Division’s website and here in *News & Views*. Winners are strongly encouraged (but not required) to use the **\$2,000 award** to support attendance at the APA National Planning Conference on April 30-May 3, 2022.

Read the [full guidelines](#), see the [application form](#), and apply by the **January 21, 2022 deadline!**

American Planning Association  
**Economic Development Division**

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