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Evaluating the Geographic Targeting of Place-Based Economic Development Programs

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The Pew Charitable Trusts

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Definition of place-based economic development programs



They seek to encourage economic activity such as job creation, real estate development, or business expansion.

They are intended to alleviate concentrated economic distress such as unemployment and poverty.

They are intentionally targeted to limited geographic areas such as struggling metropolitan areas, cities, or neighborhoods or provide preferential treatment to these areas such as by offering more generous benefits.

Level of government responsible for targeting major place-based programs



Program name/type	Levels of government involved in targeting
Community Development Block Grants	Federal, state, and local
Enterprise zones	State and local
Job creation/investment tax credits	State
Low-Income Housing Tax Credits	Federal and state
New Markets Tax Credit	Federal
Opportunity Zones	Federal and state
Tax increment financing	State and local

Poor geographic targeting is a common program



“How city power players diverted millions in blight-fighting TIF cash to Navy Pier” -Crain’s Chicago Business/Better Government Association

“The hidden horror of Hudson Yards is how it was financed”
-CityLab

“How a Trump tax break to help poor communities became a windfall for the rich”
-The New York Times

Key questions for assessing the targeting of place-based programs



Are the targeting criteria clear and appropriate for measuring distress?

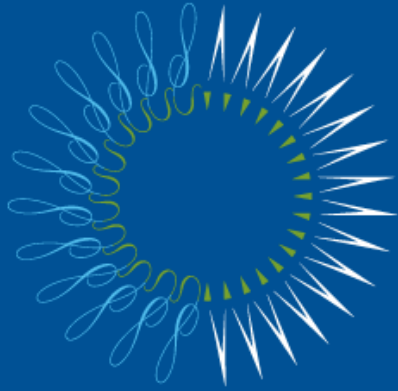
Which areas actually benefit?

Do the targeting criteria need to be updated?

Is more data needed to assess targeting?

Does the program meet the target areas' needs?

Do residents of distressed areas benefit?



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Are the targeting criteria clear and appropriate for measuring distress?

Under Illinois' TIF statute, areas are “blighted” if they meet 5 of 13 criteria



(A) Dilapidation	(H) Inadequate Utilities
(B) Obsolescence	(I) Excessive land coverage and overcrowding of structures and community facilities
(C) Deterioration	(J) Deleterious land use or layout
(D) Presence of Structures below minimum code	(K) Environmental clean-up
(E) Illegal use of Individual Structures	(L) Lack of Community Planning
(F) Excessive Vacancies	(M) Declining equalized value or equalized value increasing more slowly than the rest of the municipality
(G) Lack of Ventilation, light or sanitary facilities	

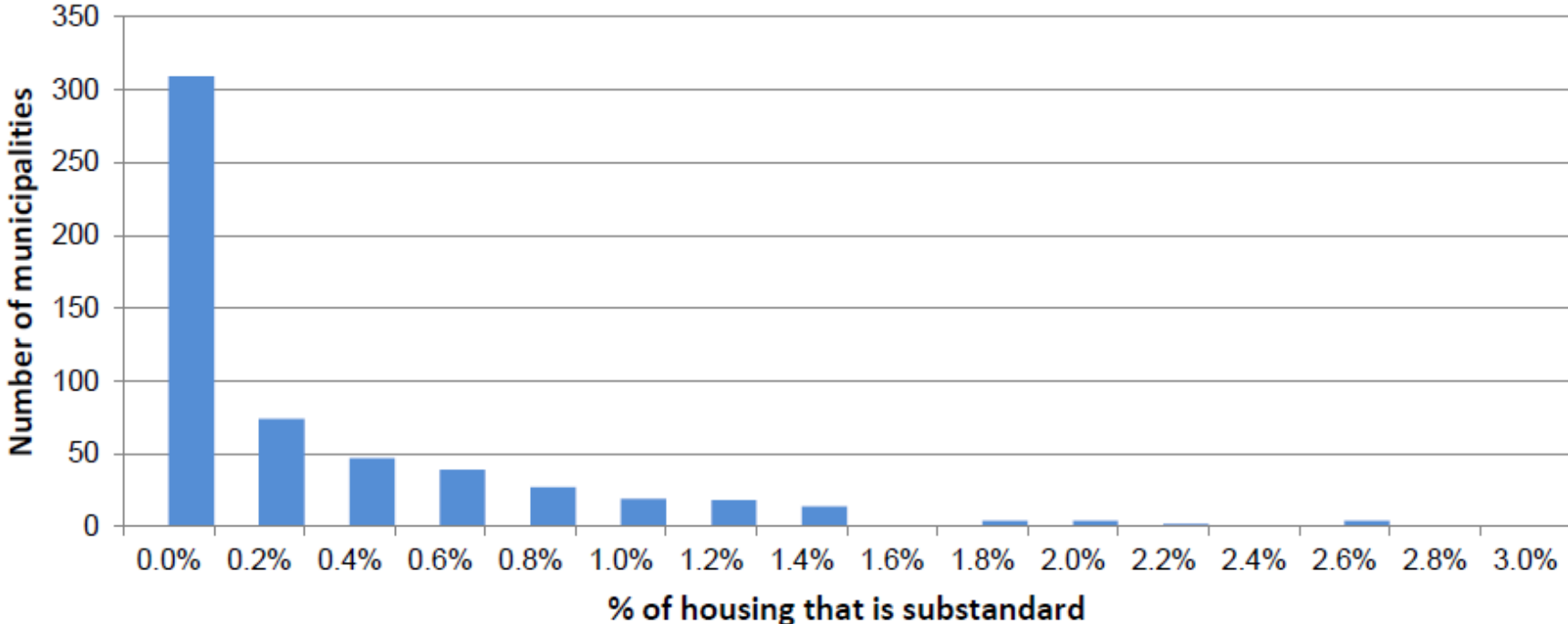
Examples of Opportunity Zones on/near university campuses



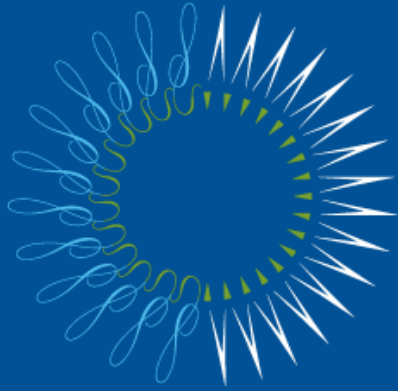
School	College student %	Poverty rate	Census tract
University of Southern California	99%	88%	222700
University of Kansas	96%	61%	400
University of Maryland	96%	70%	807200
Auburn University	94%	75%	40700
Penn State University	87%	82%	12500
Texas A&M University	87%	74%	2012

Source: Brookings Institution

New Jersey Municipal Revitalization Index analysis identifies misguided criteria



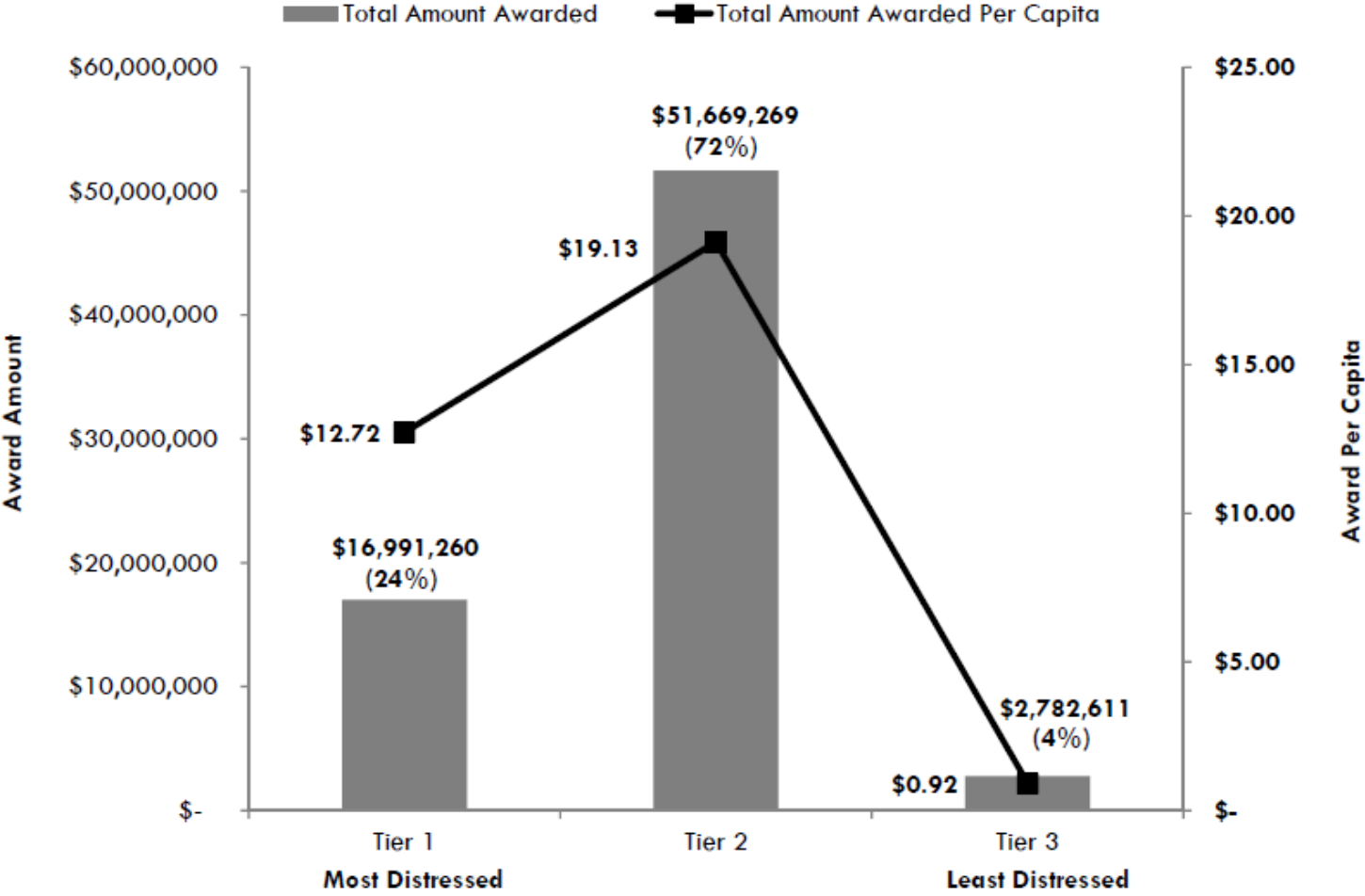
Source: New Jersey Department of Community Affairs



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Which areas actually benefit?

Funds distributed using North Carolina's county tier system, FY2015



Source: Program Evaluation Division, North Carolina General Assembly

Findings from Minnesota's Job Opportunity Building Zones evaluation

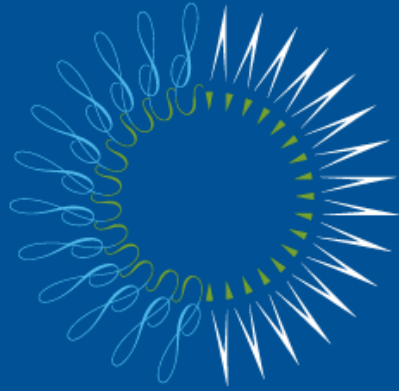


“Economic distress, or need, was not a factor in the designation of zones because the number of applications did not exceed the maximum number of allowed zones.”

“DEED has implemented and administered the JOBZ program so that it is available throughout Greater Minnesota and is not targeted to economically distressed parts of the state.”

“There is little or no relationship between the level of economic distress, or need, in a county and the new jobs created by JOBZ businesses.”

Source: Minnesota Office of the Legislative Auditor



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Do the targeting criteria need to be
updated?

Stats on Washington, D.C.'s NoMa neighborhood



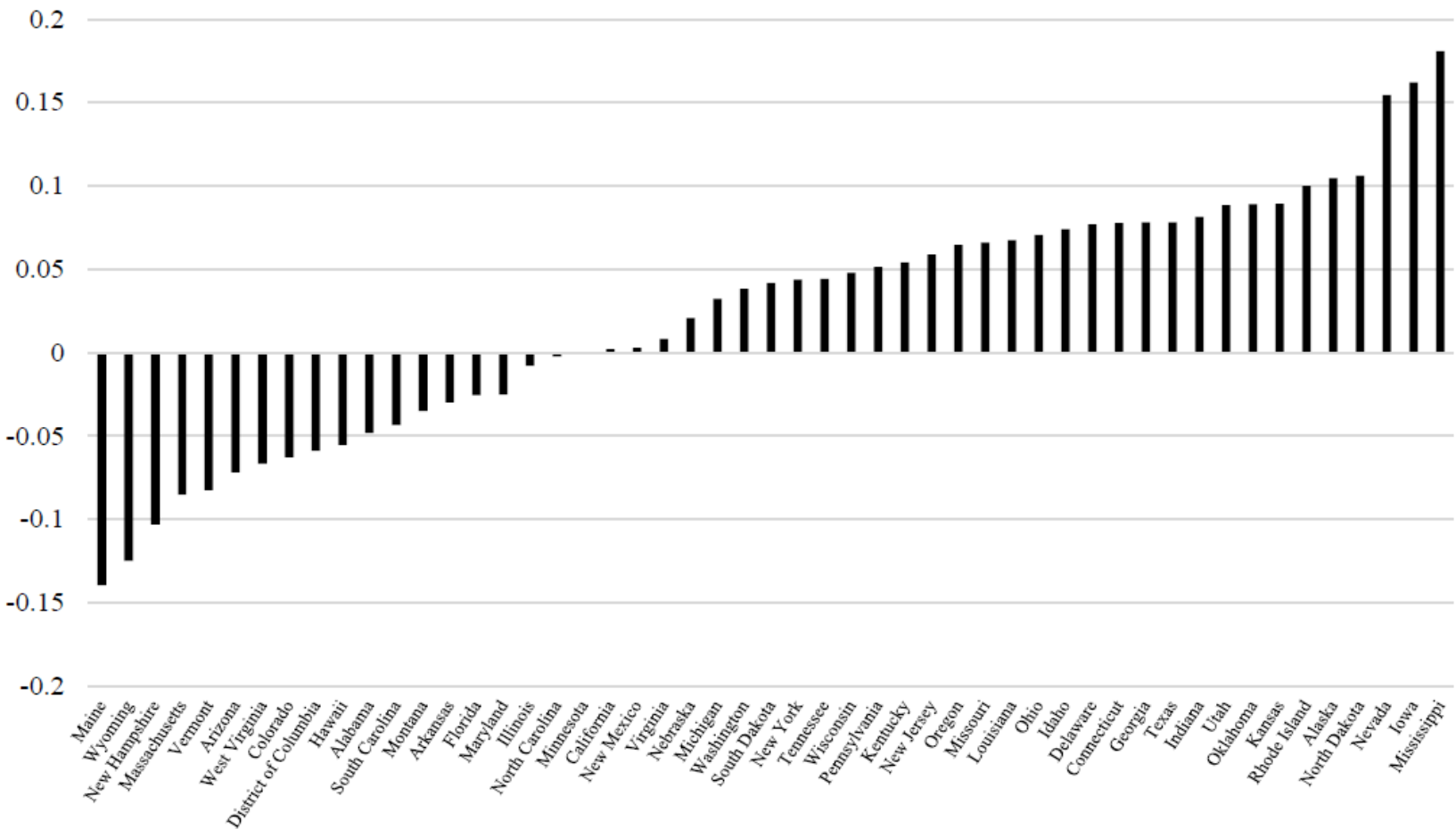
Population growth of 140% since 2010

More than 75% of residents have a bachelor's degree or graduate degree

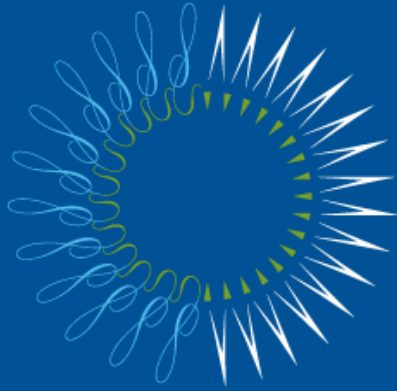
Median household income over \$100,000

Source: Washington, D.C. Economic Partnership

Difference in gentrifying tracts selected as Opportunity Zones versus eligible gentrifying tracts not selected



Source: Brookings Institution



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Is more data needed to assess
targeting?

Criteria for selecting indicators for targeting/assessing place-based programs

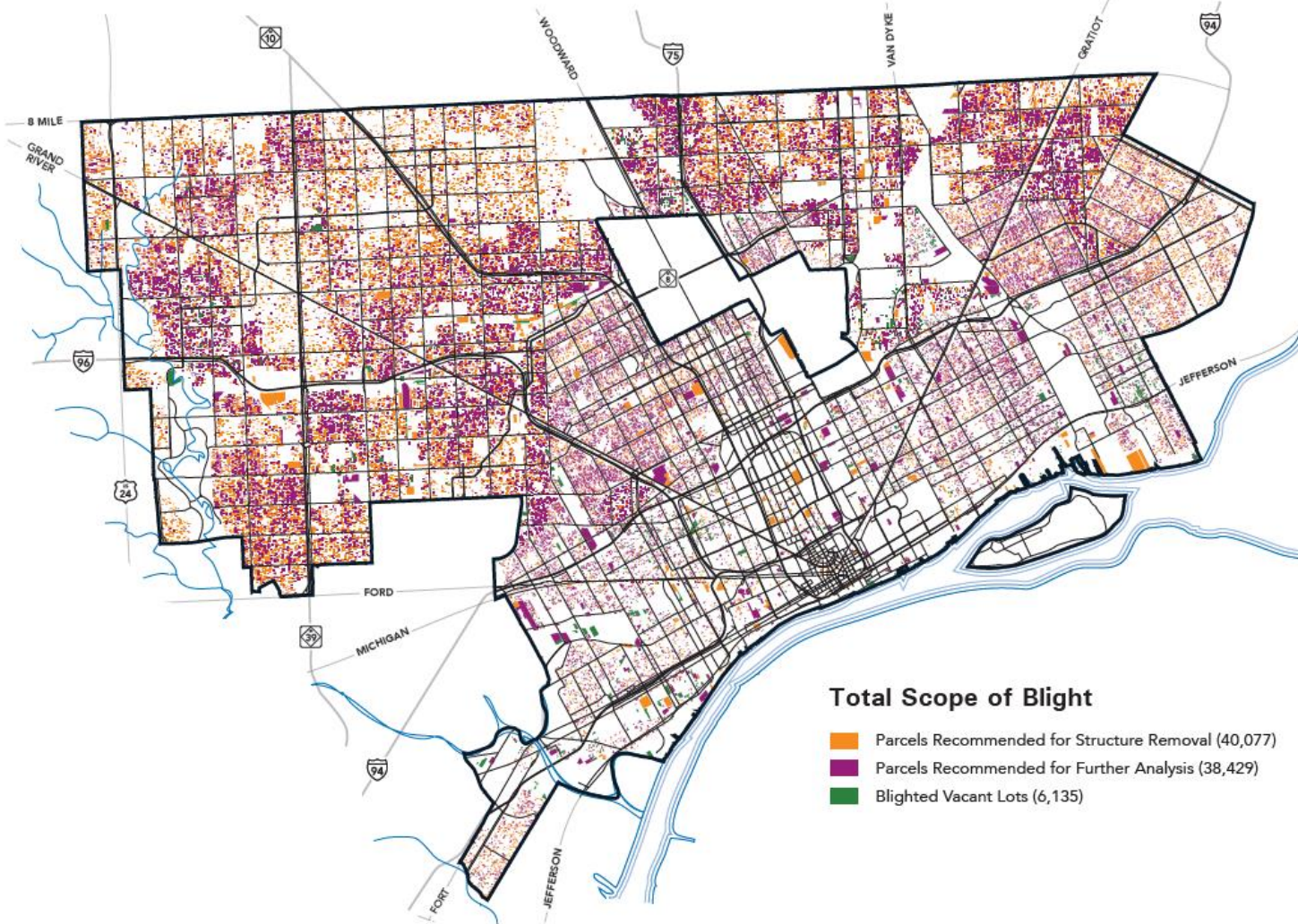


● Relevance

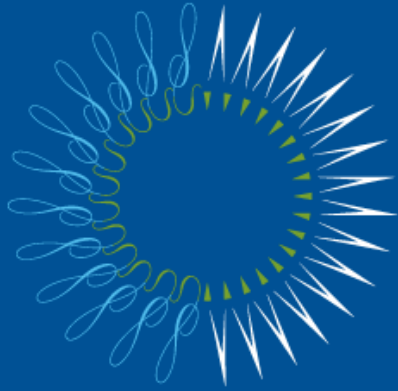
● Reliability

● Timeliness

Detroit 2013-2014 blight survey



Source: Detroit Blight Removal Taskforce



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Does the program meet the target
areas' needs?

Key questions for considering whether a program meets the needs of target areas



Does the program offer the right intervention for the areas?

To what types of local geographies should the program be targeted (neighborhoods, cities, metropolitan areas, etc.)?

Should it be targeted to the most distressed areas?

Should it be targeted to distressed areas at all?

Should incentives be targeted to the most distressed areas?



“My own belief is that, in these really rundown, really bad neighborhoods, there are market failures, the people are underemployed, and you can subsidize neighborhoods like this without overheating the economy.”

–Patrick Kline, University of California Berkeley economist and co-author of studies on the federal Empowerment Zones program.

“To only offer ‘junk’ sites would be a losing proposition. [Keystone Opportunity Zone program] benefits will never overcome a site that does not work for a business.”

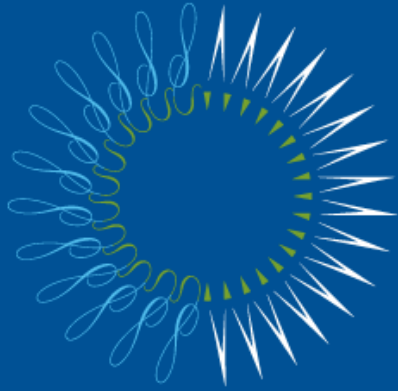
–Unnamed local administrator of a Keystone Opportunity Zone (Pennsylvania Legislative Budget and Finance Committee evaluation)

Which programs should be targeted to distressed areas at all?



“Our analysis reveals large possible societal gains from building affordable housing in low income areas...” –Who Wants Affordable Housing in their Backyard?
An Equilibrium Analysis of Low Income Property Development

“The Housing Choice Voucher and Low-Income Housing Tax Credit programs...have improved their performance by moving more households into low-poverty, less distressed areas. –Housing Programs Fail to Deliver on Neighborhood Quality, Reexamined



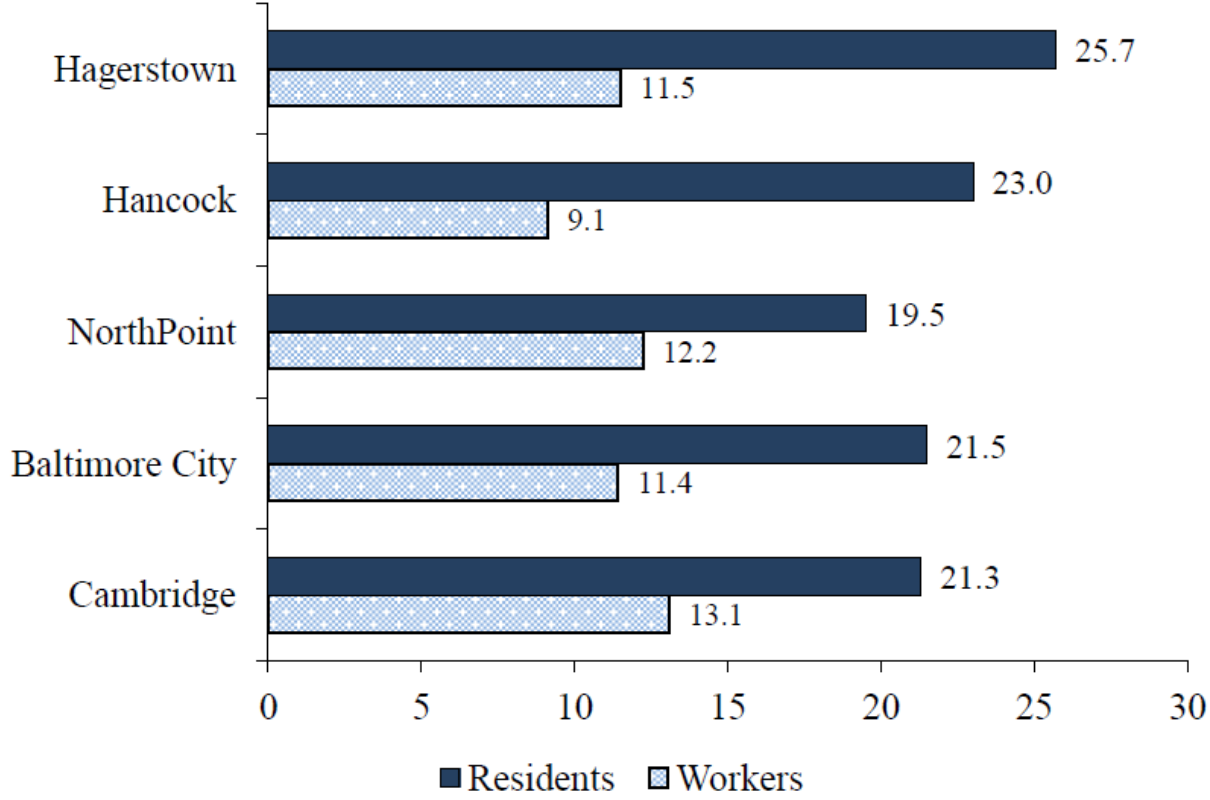
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Do residents of distressed areas
benefit?

Can residents fill available jobs? Maryland Enterprise Zone example



Percentage of Enterprise Zone Workers and Residents without a High School Diploma
Zones with the Highest Education Disadvantage



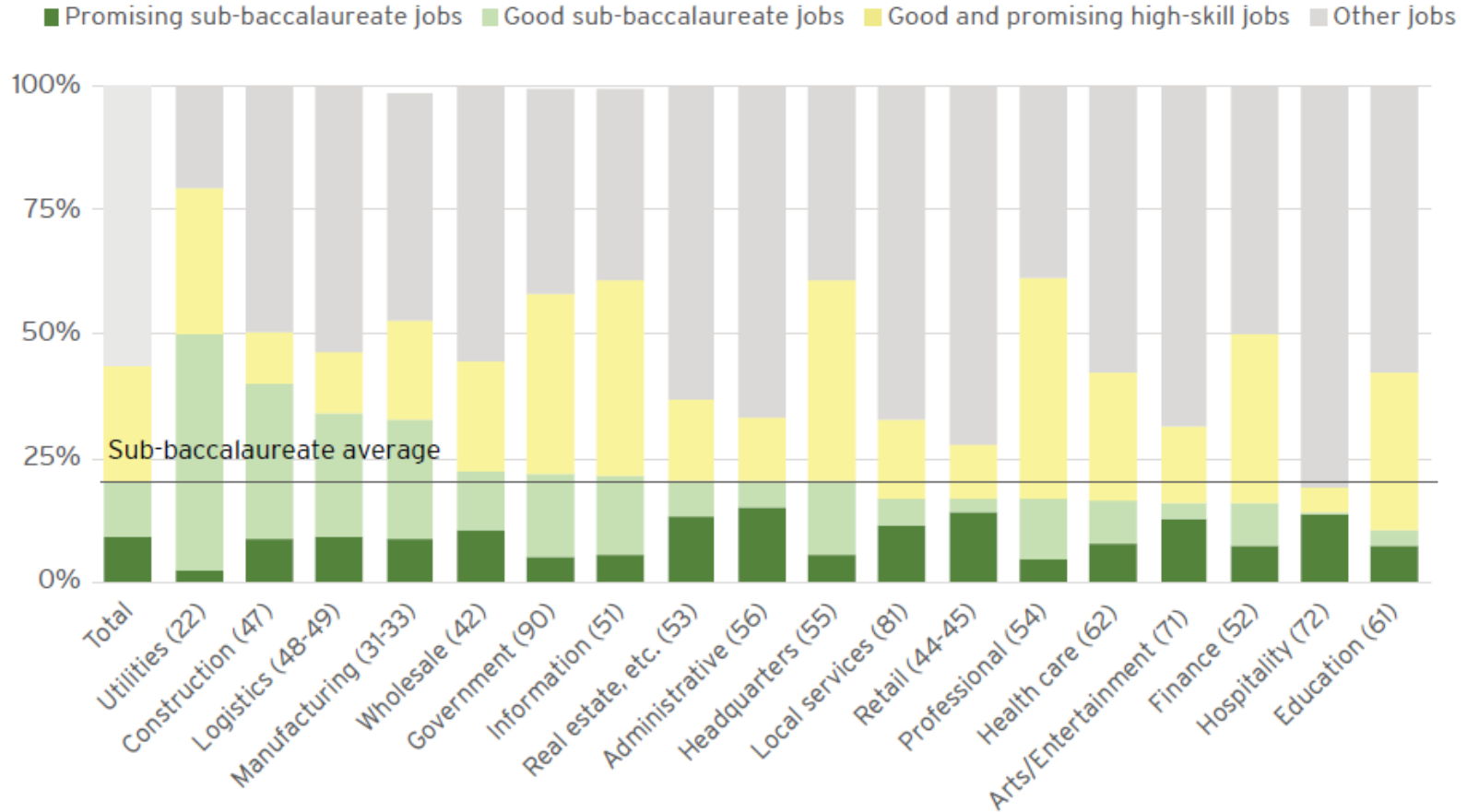
Source: Maryland Department of Legislative Services

Industry targeting may affect whether residents benefit



Concentration of good and promising jobs by industry sector

2017



Source: Brookings Institution

Key takeaways

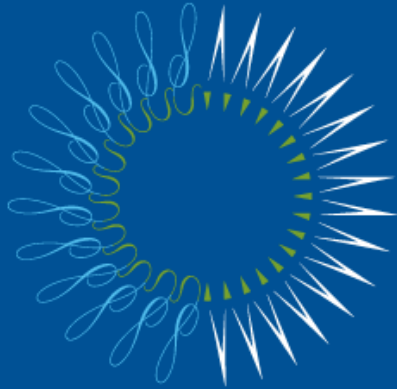


Assessing geographic targeting is a key part of evaluating place-based programs

There can be big differences between where programs are available and where they are used

Geographically targeted incentives seek to strengthen places as a means to help the residents of those areas

Good assessments of targeting can lead to improved policy



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Questions?

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