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## Towards Creating a Stronger Relationship Between the Public Sector's Land-Use Planners and Economic Development Professionals

By Todd J. Poole, EDFP, MPA

### ESTABLISHING A SHARED UNDERSTANDING

Establishing cooperative working relationships between a political jurisdiction's land-use planners and economic development professionals can lead to increased private investment (tax ratables) and an improved quality of life for its residents. The opposite is also true: where a cooperative spirit is absent between public sector land-use planners and economic development professionals, private investment activities are likely to be thwarted and the jurisdiction's ability to pay for public services – schools, parks, police and fire departments – will be that more challenging. This article shares the author's perspective on typical challenges that can arise between land planners and economic development professionals and how these challenges can be overcome, based on the author's personal observations and experience as a public sector economic development professional.

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# towards creating a stronger

## RELATIONSHIP BETWEEN THE PUBLIC SECTOR'S LAND-USE PLANNERS AND ECONOMIC DEVELOPMENT PROFESSIONALS

By Todd J. Poole, EDFP, MPA

In the face of strained fiscal conditions, local and county governments are under great pressure to increase private investment and employment in their jurisdictions – whether through recruiting new businesses or assisting existing companies to expand their operations. With most jurisdictions now taking an aggressive approach to securing new private investment, careful coordination of public sector economic development and land planning activities is critical to achieving success.

Public sector economic development professionals and land-use planners are charged with carrying out distinct missions: economic development professionals seek out and assist private businesses and entrepreneurs with making local business investments, retain and create employment opportunities, and navigate government regulations; land-use planners ensure that the community's desires for the types of land uses (e.g., residential, commercial, industrial, open space, etc.) and intensity of these uses are addressed through planning policies and zoning ordinances. While these missions are distinct, they are not mutually exclusive.

Whether through physical separation of offices or different perspectives, economic development professionals and planners have not always acted as partners in pursuing a common vision and, indeed, sometimes work at cross purposes. Yet, the success of each professional's mission ultimately depends upon supporting the other's.

In the face of strained fiscal conditions, local and county governments are under great pressure to increase private investment and employment in their jurisdictions – whether through recruiting new businesses or assisting existing companies to expand their operations. With most jurisdictions now taking an aggressive approach to securing new private investment, careful coordination of public sector economic development and land planning activities is critical to achieving success.

For example, the creation of zoning for light industrial uses (the land planner's role) absent an understanding of the light industrial user's building size and storage area requirements (information which can usually be provided by the economic development professional) will likely lead to less than optimal private investment – depriving the community of critical tax revenues and jobs.

Likewise, the pursuit of a poultry processing plant (the economic developer's role), while representing a large tax ratable and potential for many living wage jobs, may not be a fit where land-use planning policies (the land planner's role) emphasize small scale commercial and residential development. This can lead to a waste of time and resources, political fights, and unnecessary legal challenges.

Getting economic development and land planning professionals rowing in the same direction, notwithstanding their distinct missions, requires

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### ESTABLISHING A SHARED UNDERSTANDING

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Just as travelers headed to an unfamiliar destination would use a reliable map to help ensure the successful journey, economic development and land-use planning professionals should rely on quality market research which identifies near- and long-term projections covering demographic, industry, and real estate trends. Further, and particularly important, both the land-use planner and economic development professional should jointly review the market research, discuss its findings, and share their perspectives on how their organizations can best leverage the findings.

shared understanding by these professionals and intentional steps fostered by the elected officials and appointed executives having jurisdiction over them.

### SHARED UNDERSTANDING

During more than 25 years as both a public sector economic development professional and private sector land-use economist, I have come to recognize principles and axioms that economic development and land planning professionals should embrace to help ensure success. Here are those I consider most important:

#### **Good Market Analysis Is Critical to All Parties**

– Just as travelers headed to an unfamiliar destination would use a reliable map to help ensure the successful journey, economic development and land-use planning professionals should rely on quality market research which identifies near- and long-term projections covering demographic, industry, and real estate trends. Further, and particularly important, both the land-use planner and economic development professional should jointly review the market research, discuss its findings, and share their perspectives on how their organizations can best leverage the findings.

Unfortunately, there seem to be far too few municipal and county governments that commission periodic market studies (and incorporating basic demographic and business data within a comprehensive plan is not the equivalent of a sound market study), as there are few jurisdictions which require them.

Land-use planners need sound market analyses to competently inform planning and zoning board members on current real estate supply and demand trends – for example, there may be too little of a certain type of zoning (light industrial) versus too much of another type of zoning (highway commercial). Likewise, economic development professionals need quality market analyses to help them focus their time and financial resources on industries that are likely to grow, as opposed to those which may be in a downward spiral.

Many economic development organizations do in-house market research. Successfully utilizing outside market analysis starts with a mutually agreed upon procurement process. Specifically, both professionals should identify the most expeditious manner for soliciting and securing a top quality market analysis consulting firm. This may be the quasi-public economic development agency (if it is not an agency of municipal or county government) taking the lead and seeking financial and/or in-kind contribution from the municipal or county planning department. The RFP developed for these services should also include input from both professionals, as there will be certain elements of the analysis more germane to one professional than the other.

Once the RFP is developed and publicized, a joint review committee consisting of representatives from each professional's office should be convened to review proposals, interview a short list of candidate firms, and select the preferred firm. In this way, too, the selected consulting firm recognizes that it is serving the interests of two entities which have distinct missions.

The final market analysis study should be a document freely shared with the stakeholders of both professionals (e.g., economic development agency's board of directors and the land-use planner's planning and zoning board members), as well as with the public. The rationale being that the more people who have a common point of reference (the trends, findings, and recommendations in the market study), the more likely they will reach consensus around policies and strategic investments.

**Regional and National Trends Influence Local Markets** – Local economies, ultimately, reflect what's happening at a macro level. If certain technological trends are taking hold regionally and nationally, it will not be long before these trends influence what's happening locally. The current disruption to big box retailers is a case in point. The shuttering of thousands of retail locations over the past five years and projected to continue through 2020 is a result of a number of trends. These include changing consumer preferences among millennials, who don't spend on material items the same way their parents did at the same age, and baby boomers who are now in or nearing retirement and their retail spending is drastically reduced from their prime working age years. Further, the rise of e-commerce and its low priced items delivered within 24 to 48 hours continues to wreak havoc with the traditional brick and mortar big box retail store model. From the perspective of large retailers, these national and regional trends continue to influence their local investment trends – specifically, the reduced footprint of physical stores.

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Land-use planners typically are operating on an almost exclusive local area view, when it comes to developing recommendations for zoning regulations and land-use policies – after all, their job is not to follow market trends so much as it is to ensure that they accommodate the land-use desires of municipal officials. However, the economic development professional is more attuned to what is happening regionally and nationally and will likely be on top of industry trends likely to influence local land-use policies in the near-term. The key is for both professionals to speak with each other about their assumptions, so that they may arrive at consensus views of trends influencing local land-uses and business investment opportunities.

A good practice for both types of professionals is to participate annually in state and national planning and economic development conferences, where thought leaders, expert consultants, and local practitioners share valuable insights on the latest trends. In addition to attending conferences, land-use planners and economic development professionals should diligently review news articles pertaining to national and regional economic events – announced store closings, changes in consumer trends, unemployment trends, interest rate movements, and more.

**The Opinions and Recommendations of Land-Use Planners and Economic Development Professionals Are Just As Valuable As Those of Developers** – Yes, there are quite a number of spectacularly wealthy (and just plain ordinary wealthy) people in the world who got that way through smart real estate development deals. It also stands to reason that most, if not all, of these individuals particularly understand finance and market trends. However, what seems to get overlooked far too often is that successful developers can be the exception and not the rule, and not all developers are cut from the same cloth.

One need only observe where retail, office, and residential overbuilding has occurred to understand that for every successful developer, there are likely a dozen or more who crashed and burned. Yet, there are still too many public decisions concerning local land-use policy and/or economic development incentives that happen as a result of overreliance on the beliefs and promises of real estate developers and builders. Indeed, according to a recent article in the Wall Street Journal (*The Next Housing Crisis: A Historic Shortage of New Homes*, March 18, 2018), membership in the National Association of Homebuilders peaked at 240,000 in 2007 (just before the onset of the Great Recession) and since 2012 has stood at 140,000. This is a classic example of what happens when real estate investment is not based on sound

market fundamentals but simply based on what happened in the last year.

Land-use planners and economic development professionals (and, the elected and appointed officials to whom they report) should recognize that their opinions and recommendations are not any less valuable than those of developers. Indeed, their input can often be considered more valuable, given the responsibilities these public sector officials have to furthering the public good.

Further, the economic development professional, who usually serves as an advocate for private developers and lobbies on their behalf for favorable financial and regulatory treatment, must make it known to prospective developers and business interests that they will only support deals which are in keeping with local public policies and land-use regulations. The economic development professional (or land-use planner) should advocate for amendments to such policies and regulations, only if they benefit the public's social and economic well being.

**There Is a Cost to Doing Nothing** – As taxpayers become ever more sensitive to public expenditures and the prospect of tax increases, public sector officials have exercised a greater degree of caution when considering whether and how much to participate in assisting rede-

velopment efforts – whether through infrastructure investments, land assemblage or the provision of tax incentives. While it is understandable and reasonable that public officials have a fiduciary responsibility to carefully manage resources made possible by taxpayers, there can be instances in which indecision or decisions not to facilitate public sector activities in support of redevelopment activities become detrimental to the public good.

Perhaps the most vivid example of the cost of doing nothing pertains to the urban renewal policies of the mid 1960s which led to government sanctioned demolition of dilapidated housing within cities across the country. The urban renewal program is best remembered for the extreme social and economic disruption it caused, particularly within communities of color. Less recognized but equally damaging to the communities was the public sector indecision about what should happen next in these communities, now filled with vacant lots.

Community activists, social scientists, and non-profit community development entities offered up ideas for revitalizing the targeted neighborhoods. However, public officials (principally, elected leaders) were reticent or outright unwilling to underwrite the costs needed to set the table for private investment (e.g., infrastructure improvements, commitments for tax incentives, regulatory relief, etc.).

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The “cost” of doing nothing, in the aftermath of the urban renewal demolitions was to depress surrounding neighborhood property values, create an environment ripe for criminal activity, and signal prospective developers and businesses that these urban renewal areas were not quite ready to be renewed. Consequently, land-use planning and economic development professionals must always be cognizant of the costs associated with inaction and be certain to communicate these costs to all stakeholders.

While it is relatively easy to state that there is a cost to inaction, it is another matter to demonstrate it credibly. However, the method for demonstrating opportunity costs (or, what one forsakes when not pursuing a particular course of action) need not be overly complex. Indeed, it could be as simple as imagining a project going forward and estimating the net benefits associated with all of the upfront costs to make it happen and the present value of tax revenues (property, sales and wage, if applicable) and increased real estate values of nearby properties.

A more complex method, which is recommended only for those with experience in such methods, is employing decision tree analysis. This is an algorithm used to estimate the probability of achieving a particular project outcome (say, a new commercial development project and its net value to the community), given the probabilities associated with all of the underlying steps (legal, financial, political, etc.). Decision tree modeling, while more widely utilized in fields of business and scientific research, can help economic development professionals and land-use planners understand the likely costs and payoffs of pursuing a given policy or investment and, in turn, better equip them to persuade their stakeholders on choosing one course of action over another.

#### INTENTIONAL STEPS BY ELECTED OFFICIALS AND APPOINTED EXECUTIVES

Those at the top of an organization can't be idle spectators if the mission is to be achieved. Yes, it's important to hire smart and responsible professionals to carry out the day to day activities and then stay out of their way.

But that does not relieve executives and elected officials from making sure that a cooperative team environment exists. It can be easy for an environment of “them” versus “us” to take hold, if planners and economic development professionals aren't encouraged by their superiors to engage in a collaborative framework. But how do the people at the top come to foster this collaboration in the first place?

Given that public sector and quasi-public executives who make a point of directing their staffs to work collaboratively with their counterparts can be more the exception than the rule, it will likely fall to the economic development professionals and land-use planners to recognize that their greater interests are best served by urging their respective superiors to foster such cooperation. Justifications that can be used, and should also resonate with executive leaders, are:

- The sharing of resources (e.g., why not share the cost of the market study rather than bear the cost alone?),
- The achievement of goals and objectives in a shorter time span (if we're all rowing in the same direction, we should get there sooner), and
- The demonstration of a united front to interested private sector developers and businesses (investment is more likely to flow to communities where a spirit of cooperation is evident).

Finally, economic development professionals and land-use planners need to advocate for one joint annual retreat, consisting of all board members, executive leadership and staff, to share organizational insights, perceptions, and concerns (as these retreats would need to take place without public participation, no formal actions would be taken). The main benefit of such a gathering would be greater understanding of how a shared municipal or county vision – e.g., high quality of life, plentiful local employment opportunities, and a welcoming environment for business investment – is a function of coordinated actions carried out by economic development professionals and land-use planners. 🌐

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