

Western Connecticut Council of Governments Planners Lunch



Planning for Economic Development:

Reimagining Planning and Land Use as Tools to
(Re)Position Communities to Compete for
Wealth and Investment

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What is Economic Development?

- **Economic Development:** is the work of *creating wealth* and *attracting investment*.
- **The Desired Outcome of Economic Development:** is to position a community (region, city, town, neighborhood, block) to become a *socially and economically healthy, vibrant, prosperous, and resilient place that competes for wealth and investment*.



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The Words We Use Are Important!

- **Creating Wealth:** conceptualized as retaining and attracting jobs, increasing the quantity and quality of jobs, increasing wages/incomes, increasing rents and property values (growing the grand list), and creating equity.
- **Attracting Investment:** conceptualized as the willingness of outsiders, businesses, and residents to *invest their time, energy, and money* in the community.



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The Words We Use Are Important!

– Socially and Economically:

- **Healthy:** full of strength and vigor.
- **Vibrant:** energy, enthusiasm, and activity.
- **Prosperous:** economic wellbeing, flourishing, and wealth.
- **Resilient:** the capacity to absorb shock while retaining function and structure.

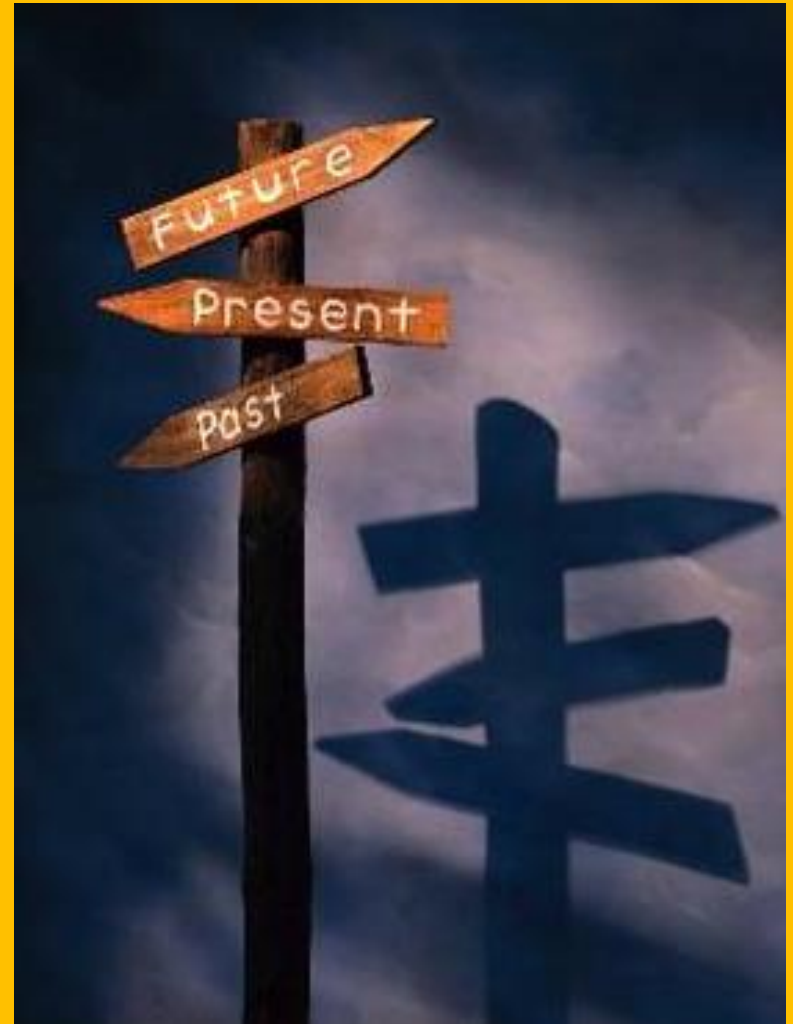
Desired outcome of economic development: “to position a community to become a *socially and economically **healthy, vibrant, prosperous, and resilient** place that competes for wealth and investment.*”

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What is Planning?

- A process of preparing for the future.
- A systematic approach to problem solving.
- A strategy for improvement.
- A continual process of learning and adjustment.
- A Prediction of the future with the risk of being wrong.





The Role of Land Use Commissions in Economic Development?

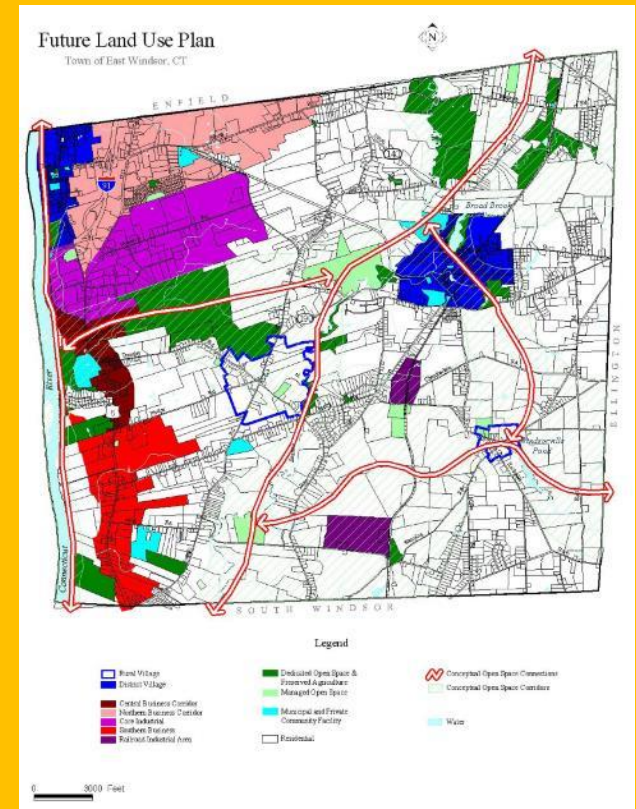


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The Role of Land Use Commissions:

- **Planning Commission:**
 - Create a Plan of C&D that clearly states *what the community wants* (e.g. conservation, development, and infrastructure) and where.
 - Recognize that land use and infrastructure investment policies allocate the supply of land available and quality of location.





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The Role of Land Use Commissions:

- **Zoning Commission:**

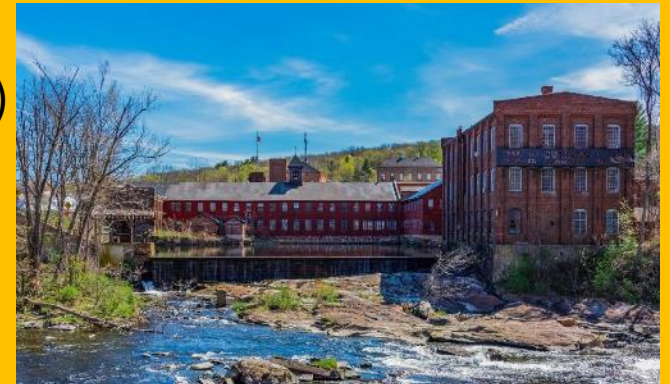
- Recognize that the Zoning Regulations and Zoning Map are a 'plan' for the future development of the community.
- Implement the Plan of C&D land use policies.
- Clearly state what you want and where: uses, density, and intensity.
- Authorize staff to administer as-of-right applications (zoning permits and site plan approval).
- Reserve conditional uses (special permits) for those uses that may not be acceptable in all locations or have characteristics that may create negative off-site impacts.

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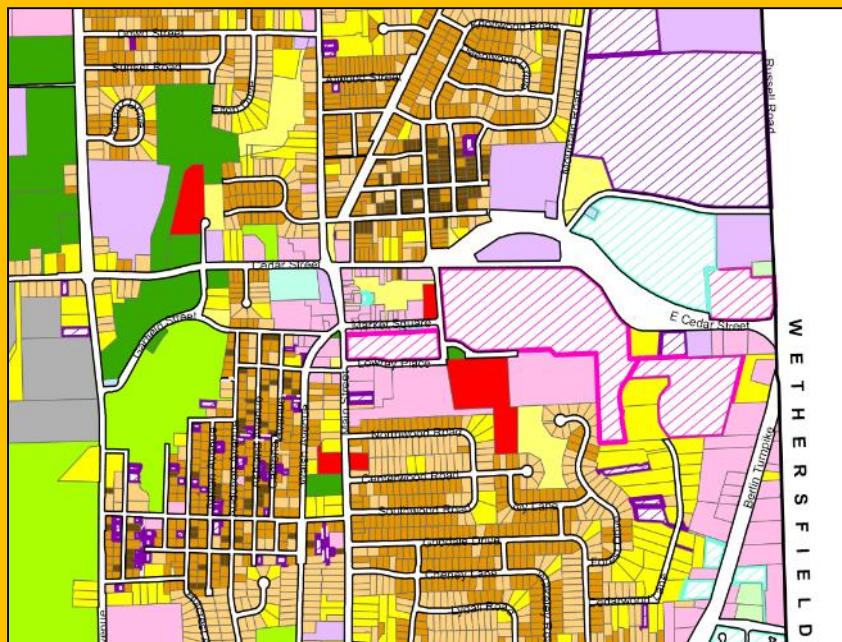
The Role of Land Use Commissions:

- **Economic Development Commission:**
 - Plan for economic investment
 - Support the business community
 - Promote and market your community
 - Advocate social and economic growth
 - Businesses
 - Housing (homes are where jobs go at night)
 - Infrastructure
 - Speak in favor of land use applications
 - Embrace and be a voice for change and improvement





The Planning Commission – Comprehensive Planning





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Comprehensive Planning

(The Plan of Conservation and Development)

- A physical plan of the community – A Land Use Plan
 - Lite on socio-economics
- A long range plan
 - Covering a time period of 10 or more years
- It is comprehensive
 - Covers more than one neighborhood—the community
- It is a statement of policy
- A guide to ***decision making***



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Comprehensive Planning Objectives

- Avoid adversarial uses
- Promote complementary uses
- Improve the 'character' of community
- Promote efficient use of land
- *Minimize public expenditures (capital investments)*
- *Increase public revenues (tax base – grand list)*
- Protect public health, safety, & welfare



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Plan of Conservation & Development - Thematic Content

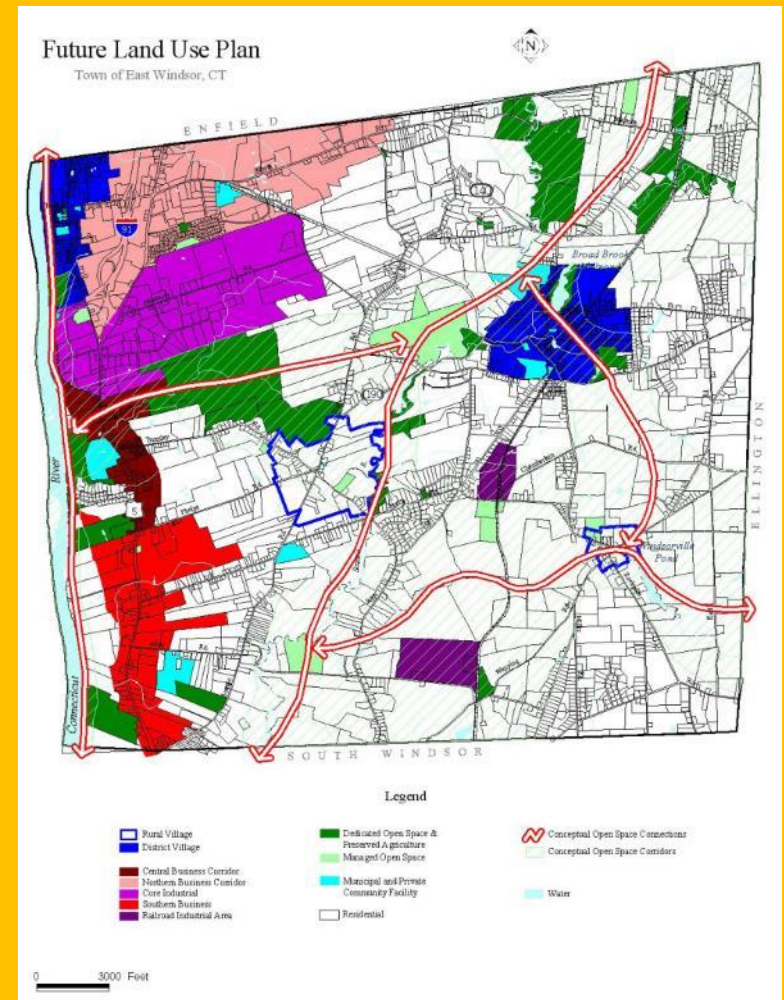
- Protecting Natural Resources (water, soils, etc.)
- Conservation (open space, working lands, & recreation)
- Residential Land Uses (housing and neighborhoods)
- Commercial Land Uses (commerce and industry)
- Infrastructure (transportation, utilities, & community facilities)
- Future Land Use Plan (graphic and spatial description of policies)
- Implementation (who, when, capacity, and resources)

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Future Land Use Plan

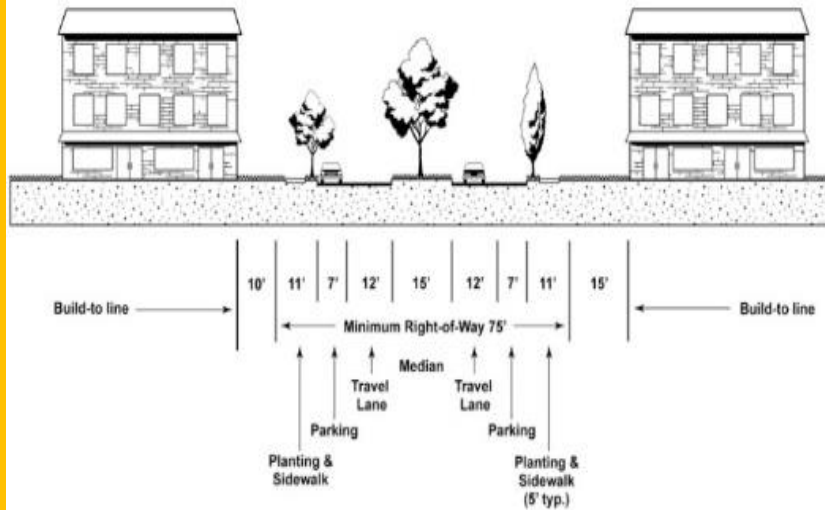
- Spatial organization of land use
- Geographic representation of desired policy outcomes
- A guide to present and future development



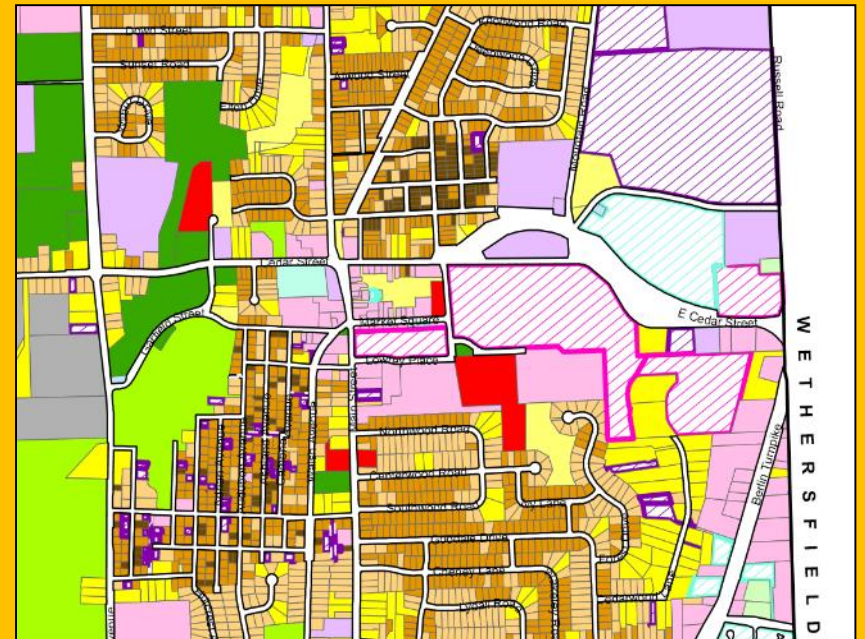
The Plan of Conservation & Development

- **Market and Economic Development Implications**
 - Establishes policies that allocate the supply of land.
 - Allocation of land by use (commercial, industrial, residential, etc.) and by density and intensity
 - What we want, where, and how
 - Influences the supply side of land markets
 - Establishes policies that spatially distribute and allocate public infrastructure investments.
 - Allocation of public investment (what we value)
 - Influences the demand side of land markets – quantity, quality, and location

COMMERICAL STREET WITH MEDIAN



The Zoning Commission - The Comprehensive Plan of Zoning





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The Fundamentals of Zoning:

- The legal authority to regulate the use, density, and intensity of land.
- Evolved out nuisance law as a means to address the unfavorable conditions of the industrial city to protect the public from harm caused of noxious land use.
- Zoning authorizes local government:
 - “to regulate and restrict the height, number of stories, and size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open space, the density of population, the location and use of buildings, structures, and land for trade, industry, residence, or other purposes.”



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The Fundamentals of Zoning:

- A police power – zoning protects public health, safety, and general welfare:

“to lessen congestion in the streets; to **secure safety from fire, panic, and other dangers**; to promote health and general welfare; to provide adequate light and air; to prevent the overcrowding of land; to avoid undue concentration of population; to **facilitate the adequate provision of transportation, water, sewerage, schools, parks, and other public requirements.**”

Zoning is a *‘plan’ for future development*

The Fundamentals of Zoning :

“Such regulations **shall be made with reasonable consideration**, among other things, to the **character of the district** and its peculiar **suitability for particular uses**, and with a **view to conserving the value of buildings** and **encouraging the most appropriate use of land** throughout such municipality.”

- Through the process of regulation and segregation of incompatible land uses and regulating the density and intensity of land development, zoning doesn't simply protect (and improve) public health, safety, and welfare, zoning also creates **predictability, stability, and confidence in real estate markets.**

The Comprehensive Plan of Zoning:

- The Zoning Regulations and Zoning Map, collectively create a comprehensive plan of zoning.
- The Comprehensive Plan of Zoning is a **'plan'** for the present and future use of land, providing property owners (investors) with a reasonable expectation as to use of land, density, and intensity.
- Zoning as a **'plan'** (The Comprehensive Plan of Zoning) is a powerful tool for the work of economic development.
- It is through the Comprehensive Plan of Zoning that a community sets forth the regulatory provisions (the desired outcomes) of land use, density, and intensity—what we want versus what we don't want. The Comprehensive Plan of Zoning allocates the supply of land by use, density, and intensity.

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A Thoughtful Plan?

Industrial District (Sample)

- Authorized Without A Zoning Signoff:
 - Open Space and passive recreation.
 - Public utility substations...
- Authorized By **Zoning Signoff**:
 - None.
- Authorized By **Site Plan**:
 - Banks.
 - Day care centers/nurseries.
 - Municipal facilities.
 - Offices.
 - Parking areas.
 - Personal service shop.
 - Retail stores.
 - Schools: colleges, public and private
 - **Warehouses less than 100,000 sq. ft.**
- Authorized by **Special Permit**:
 - Adult-oriented establishments
 - Alcoholic liquor sales
 - Automotive repair & service
 - *Bulky waste disposal area*
 - *Bulky waste recycling facility*
 - Cemeteries
 - *Commercial kennel*
 - **Fabricating**
 - *Leaf composting facility*
 - **Manufacturing.**
 - Museums.
 - Outside storage, accessory use.
 - *Recycling storage*
 - Restaurants and ice cream bars
 - *Transfer Station*
 - **Warehouses.**

Planning Versus Market

- Planning, in many ways is often viewed as something different or independent of '*the market*'—approached as an anti-market process or as means of coercing the market.
 - **Market:** the *social, cultural, and economic forces* that drive and shape the flow and spatial organization of investment—investment decision and behaviors.
- Planning and market are interrelated, connected, and have a symbiotic relationship that is critical to understand if we are to '*plan for economic development*'.

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Planning should work to manage the complexities (socio-economics) of space and place...

- Understand the functioning of cities (towns) and government.
- Integrate the social, cultural, and economic forces with the role of governance.
- Pay attention to the *slow-moving variables of change*.

UNDERSTANDING PLACE

Market

Who and what is there

Capacity

What abilities and behaviors

Condition

How things look and feel

Image

What signals are being sent

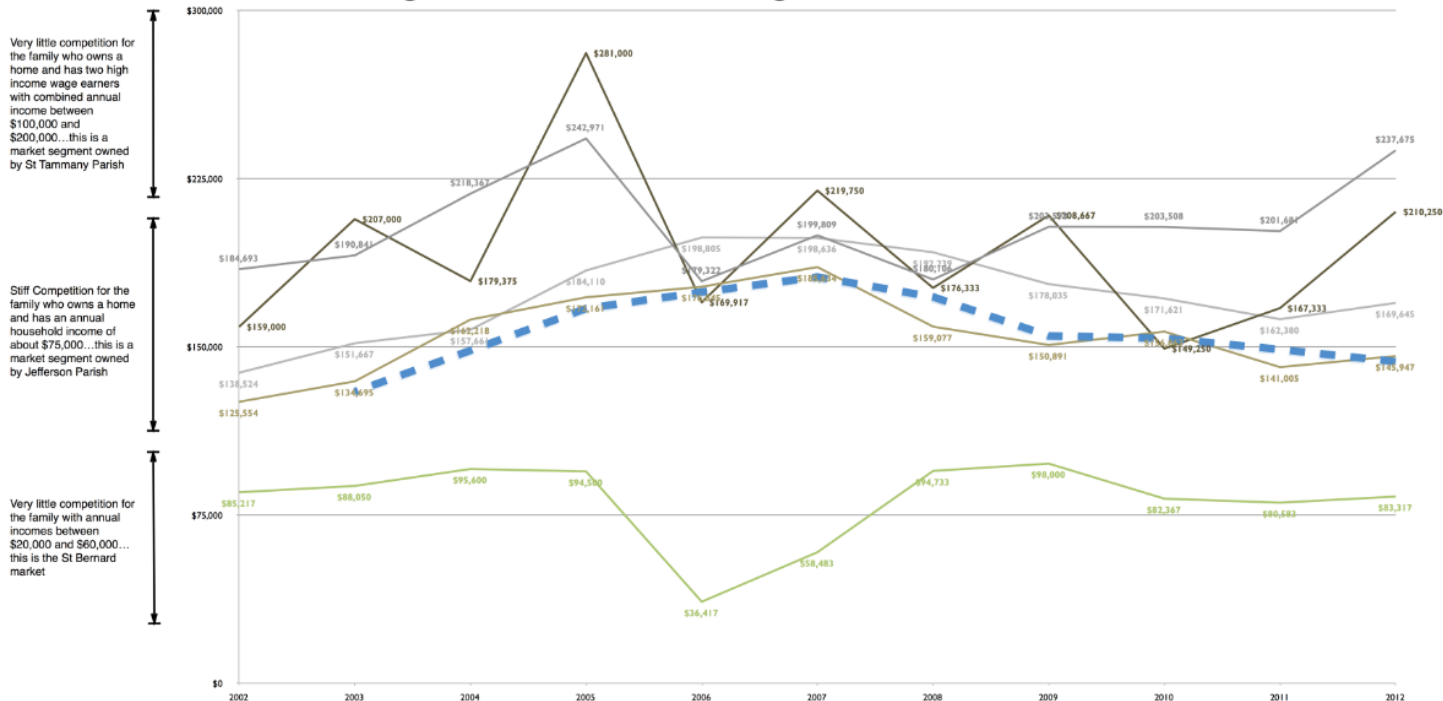


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2000 ————— Some Big Changes and Some Important Things That Have Not Changed —————> 2011

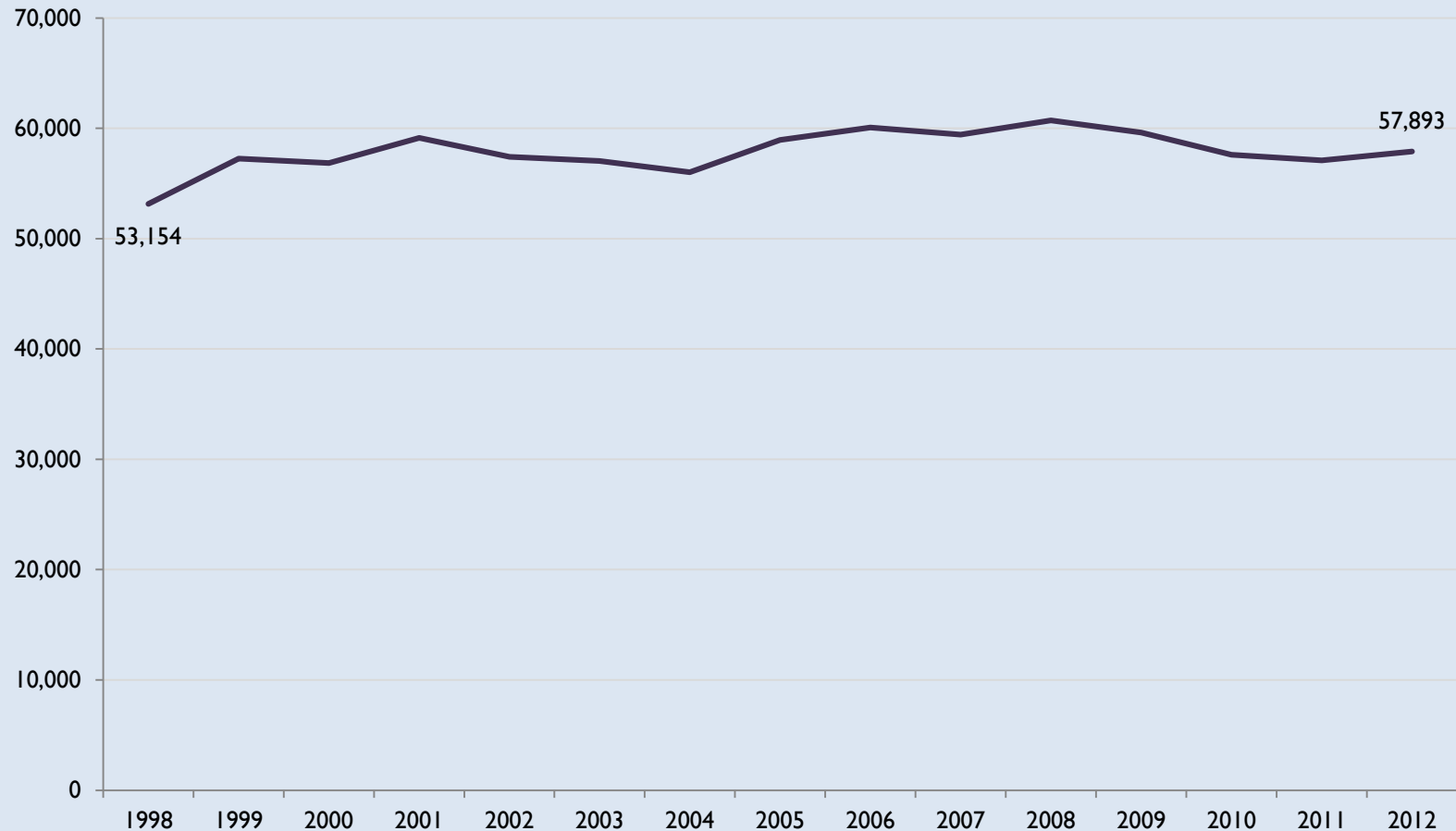
Average Median Sale Price among MLS Areas in each Parish, 2002-2012



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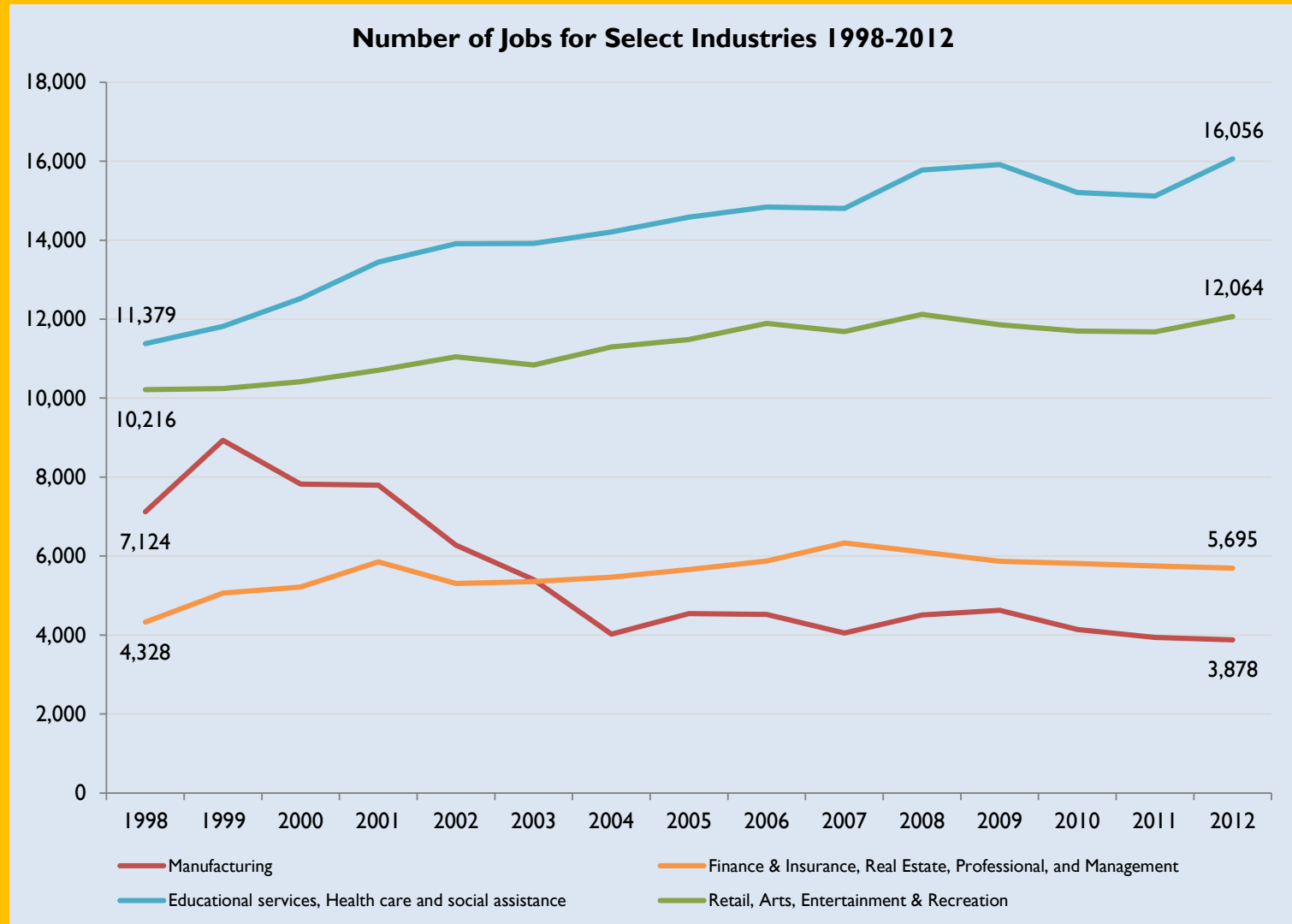
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Number of Jobs 1998-2012



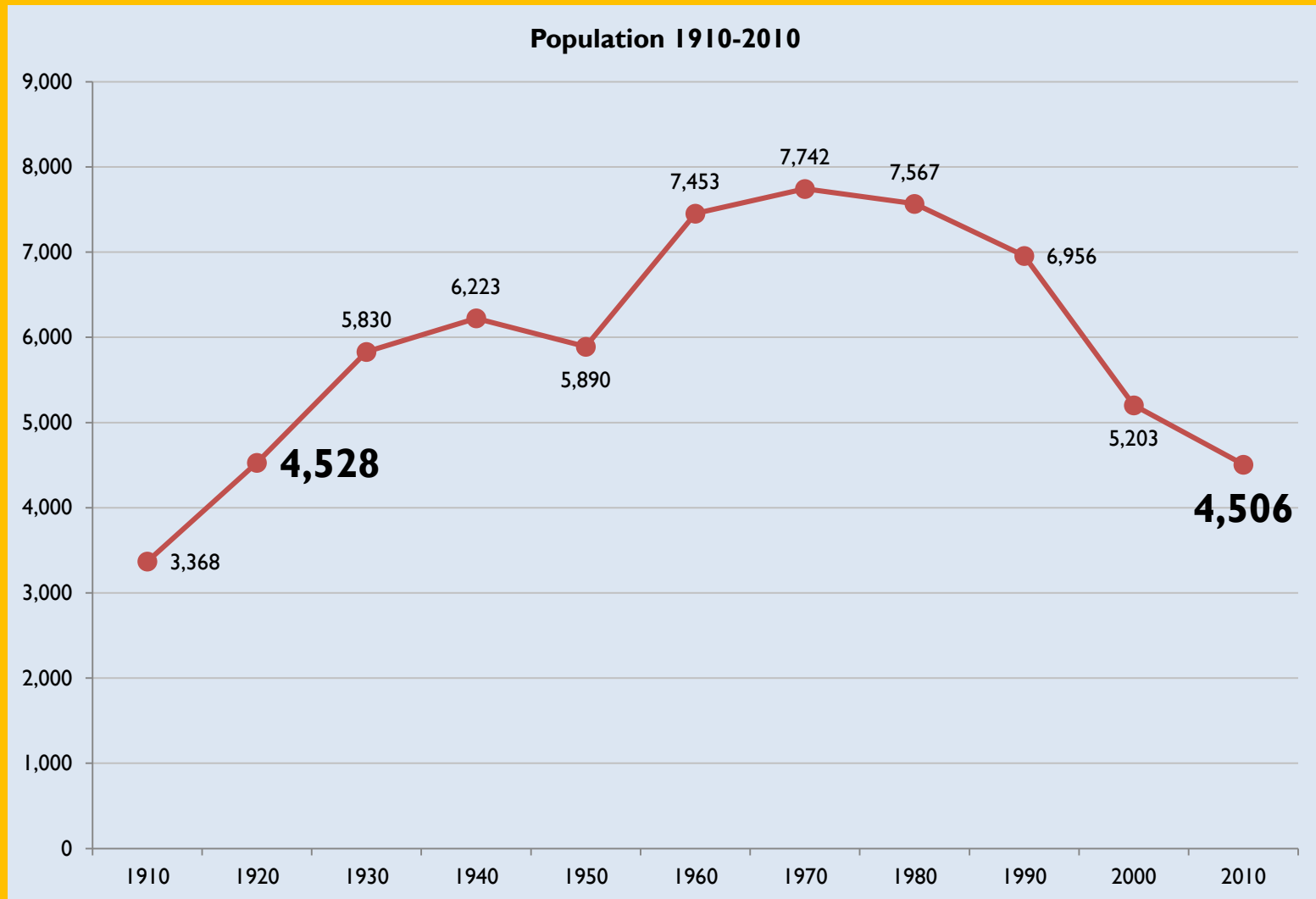
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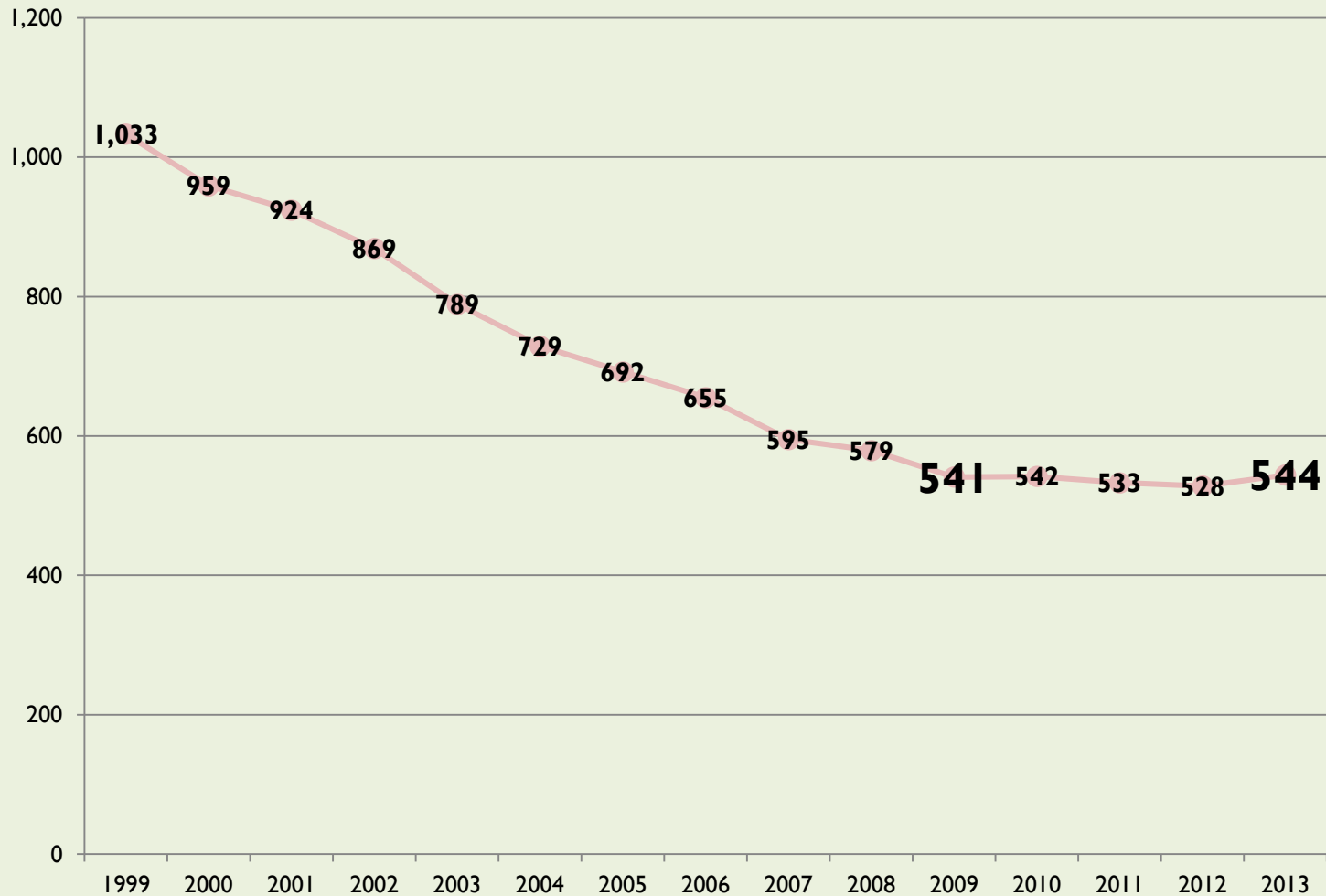
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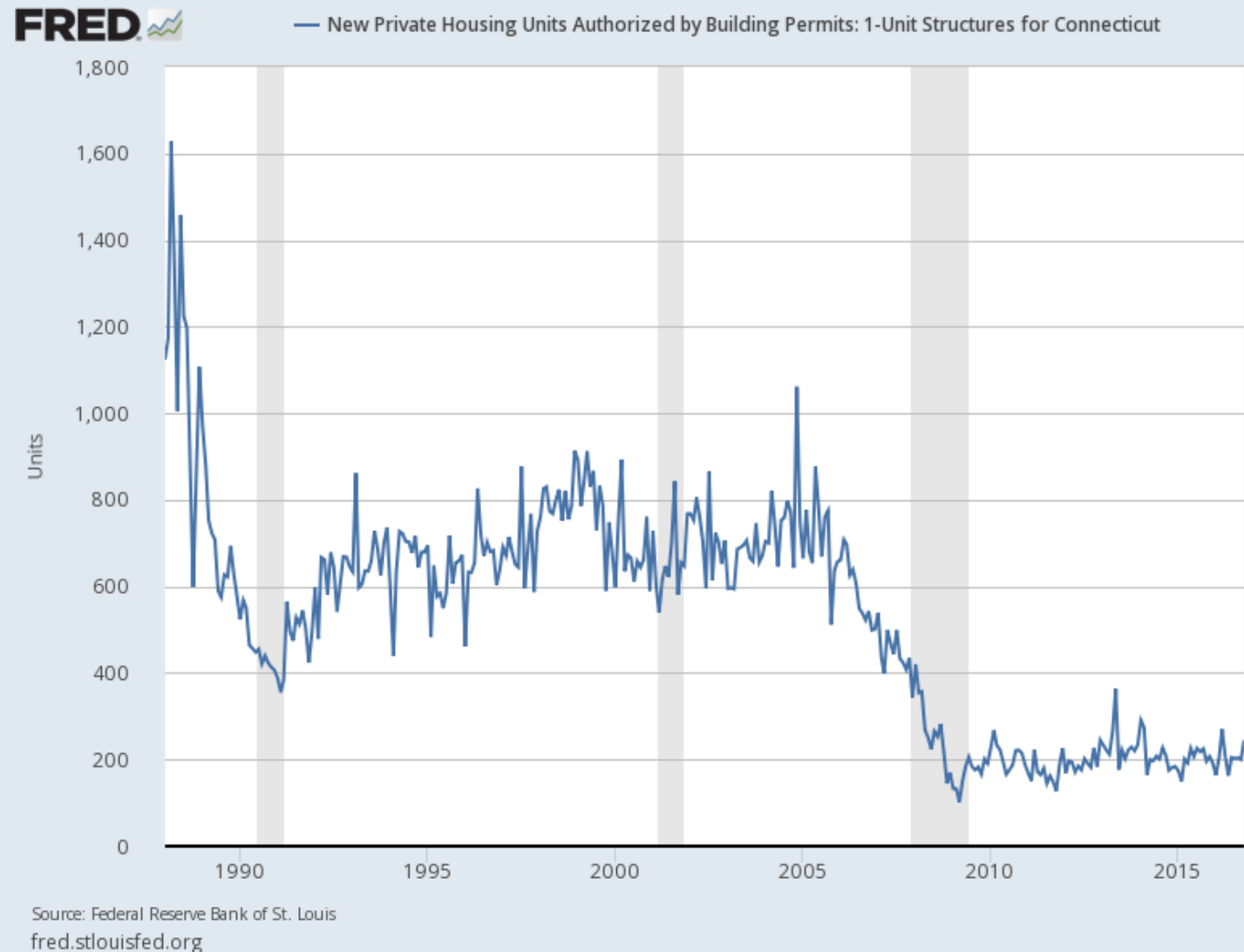
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Enrollment in School District Schools, 1999-2013



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School Enrollments and the Decline of Community

Your Town	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Per Pupil Expenditures	\$13,039	\$13,192	\$13,776	\$14,455	\$15,178	---	---	\$17,461
Total Enrollment	2,538	2,515	2,430	2,369	2,320	2,267	2,174	2,077
Enrollment Decline	---	-23	-85	-61	-49	-53	-93	-97
Neighboring Town								
Per Pupil Expenditures	\$13,303	\$14,132	\$14,937	\$15,571	\$15,878	---	---	---
Total Enrollment	2,890	2,829	2,711	2,642	2,572	2,552	2,528	---
Enrollment Decline	---	-61	-118	-69	-70	-20	-24	---
Any Town CT								
Per Pupil Expenditures	\$13,220	\$13,354	\$14,026	\$14,493	\$15,236	---	---	---
Total Enrollment	3,113	3,084	2,985	2,939	2,868	2,839	2,792	---
Enrollment Decline	---	-29	-99	-46	-71	-29	-47	---
State of Connecticut								
Total Enrollment	567,792	564,449	558,377	554,804	549,877	546,347	541,815	---
Enrollment Decline	---	-3,343	-6,072	-3,573	-4,927	-3,530	-4,532	---

The Challenge of Planning (simply) for Land Use

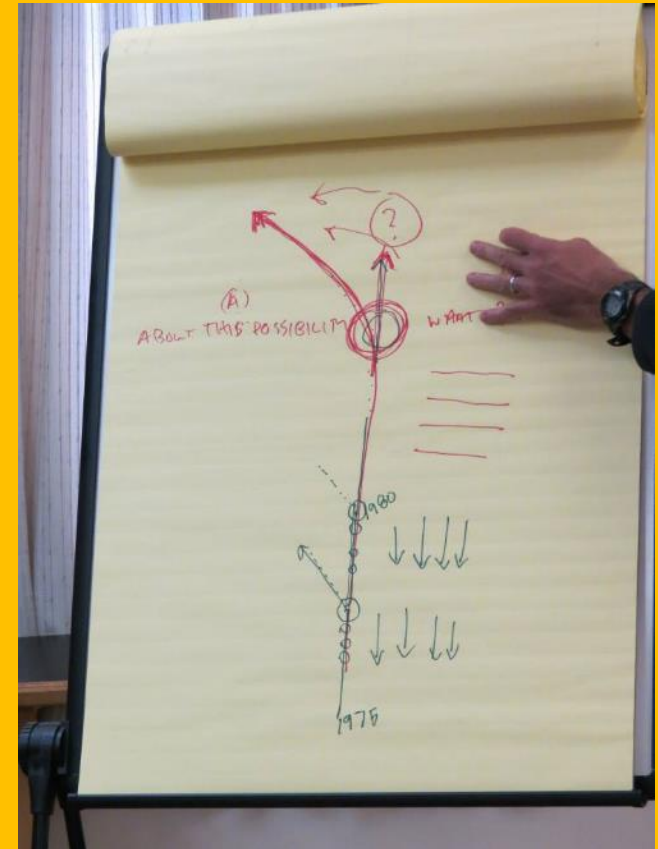
- Planning for optimal or ideal land use, often misses the connections to *social, cultural, and economic forces—market forces*. For example:
 - The desire for higher density and mixed use development may conflict with market (social, cultural, and economic forces) realities.
 - The desire to preserve open space may reduce the supply of land and increase the cost of land/housing.
 - The desire to reduce education cost (and misinterpreting education costs drivers) associated with residential development may result in an aging population, stagnation, and decline. If we are not open to adding young families, how will we grow?

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The Limits of Planning:

- Comprehensive plans often contain only objectives and strategies and little else.
- Sometime there are lists of inputs and outputs without clear objectives or outcomes.
- Most of the time desired outcomes, measures for improvement, and evaluations of impact are missing.
- Improvement can be measured only when impacts and results are compared to outcomes.





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Asking the Right Questions

- What are the problems we are trying to solve?
- What are the desired outcomes?
- What strategies can we employ to move us toward our outcomes?
- What do we need to implement our strategies (capacity)?
- How will we implement strategies?
- How can we measure for improvement—movement toward the desired outcomes?
- Is what we are doing working—are we getting what we want?
- Do we need to adjust what we are doing?

Understanding Land Value Signals

- The variations of values for land (and rents) carries a message that have to be interpreted:
 - Rising prices, in general, indicate *more demand than supply*
 - Falling prices, in general, indicate *supply is larger than demand*
- Although lower land (property) values (and rent) might make housing more affordable to more households, falling prices are not always a positive sign. For instance:
 - If land (property) values (and rents) are falling in a neighborhood (or town), it may have two possible meanings:
 - *Supply is catching up with demand* (positive signal)
 - *Demand is decreasing because of poor environment, poor quality of services and infrastructure* (negative signal).

Understanding Land Value Signals, Continued

- An increase in land value could be a positive sign; for instance:
 - A new road should increase value in adjacent land and buildings
 - A quality school should increase property value in the neighborhood
- However, an increase in land value (rents) in the entire city (town) may mean that there is a shortage of developable land (or density).
- Rising or falling prices are sending messages which need to be interpreted. Often large price movements will require some action:
 - Regulatory changes, or/and
 - New infrastructure investments

Land Value and Land Use Change

- Land values are also a mechanism to trigger land use changes.
- As a cities economy evolves, some land uses become obsolete.
 - For example, the amount of industrial land in post-industrial cities has decreased.
- When land become expensive, factories sell their land (sometimes abandon) and move to a more convenient place where land is cheaper.
- The mechanisms of real estate markets have been the main incentive for improving land use efficiency in cities (towns) in advanced economy; *land use plans had very little to do with it.*

What Planning Should Do to Increase Chances of Successful Plan Implementation

- Do not approach land use in isolation from *social, cultural, and economic forces—the market*.
- Monitor real estate markets and interpret property value signals.
- Plan scenarios, conduct cost benefits analysis, and use anticipated property values as a proxy for benefits.
- Investigate possible negative consequences of strategies, regulations, and infrastructure investments.
- Constantly monitor indicators like densities, number and location of building permits, traffic flows, land value and rents.

Measure for outcome—are the plans and strategies we are implementing moving us toward our desired outcomes?



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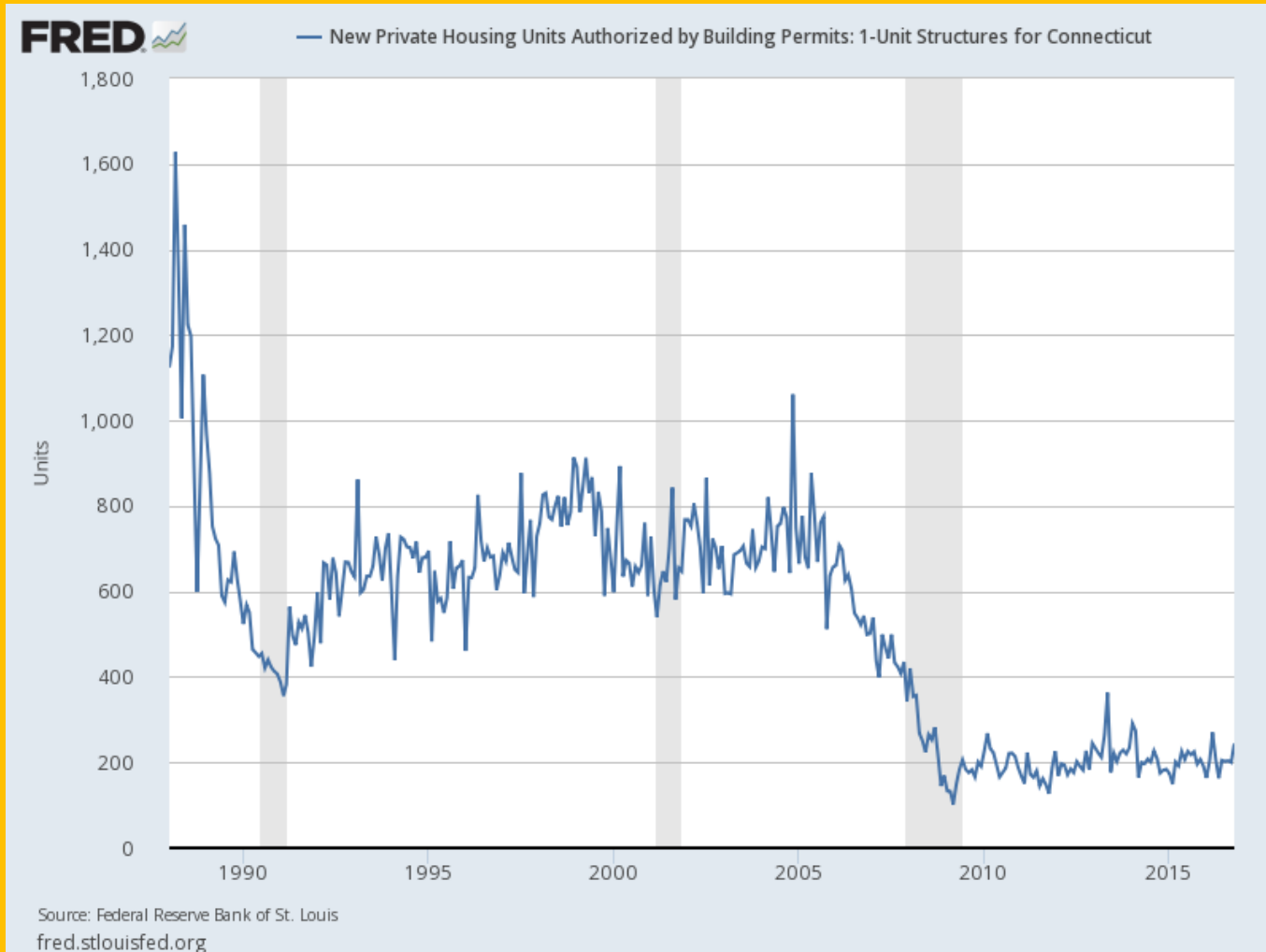
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Is what we are doing getting us what we want?



Conclusions

- The regulatory role of government is extremely important to allow real estate markets to work—land use regulations create predictability in land markets.
- Government should set up clear objectives and strategies.
- Planners should develop regulations, infrastructure investments, and a *land tax system* (?) which are internally consistent and support the objectives of the government.
- Planners should monitor real estate markets and interpret property value signals in term of changes in supply and demand.



Fundamentals of Real Estate Development

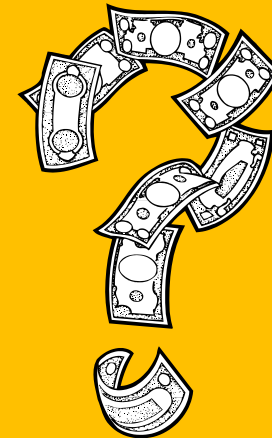


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- **The Development Process**

1. Preliminary market research
2. Evaluating/establishing demand
3. Analysis of potential sites
4. Engineering feasibility
5. Financial feasibility (site commitment)
6. Design development
7. **Land Use/Development Permitting**
8. Financing
9. Construction
10. Occupancy/opening/operations
11. Property management





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- **Basic Economic Feasibility**

- What are the land costs?
- What are the construction costs?
- What are the market rents?
- Can market rents cover the cost of development and operation (typically assumed over seven years)?
- If costs (land & construction) exceed the returns (rents), the project will not get built.
- The same is true for redevelopment.
 - Why is investment not flowing into your community or town center or older shopping plaza or office park?

- **Estimating Market/Financial Feasibility**

- Land Cost = \$500,000
- Construction Costs = \$200/sq. ft.
- $\$200/\text{sf} \times 50,000\text{sq. ft.} = \$10,000,000$
- Total Cost = \$10,500,000
- Do market rents justify the investment?
- Market rents - \$25/sq. ft.
- $\$10,500,000 / 7 = \$1,500,000/\text{year}$
- $\$1,500,000 / 50,000 \text{ sq. ft.} = \$30/\text{sq. ft.}$
- Do market rents justify the investment?
- Answer: NO!

The Economic 'Cost' of Permitting

- Permitting fees are intended to cover the real costs of permitting (review and inspections). They are to be a source of profits.
- Such high fees are a barrier to investment and undermine economic development.
 - NY Case: \$60M development & \$4.2M permitting & user fees (7%).
 - Building permit fees alone = \$400,000 or equal to four building inspectors earning \$75K + \$25K in benefits or 8,000 hours of time.
 - 15% ROI is \$9M – the fees 46.6% of ROI. Applicant is applying for tax-breaks.
 - CT Case: 42-unit M-F development and \$70,000 building permit.
 - \$70K equals 1,400 hours.
 - The zoning permit is an additional \$30,000 or *600 staff hours*.



The Land Use Approvals & Permitting Process



Effective Permitting

- How do we ensure that the regulatory and permitting process protects public health, safety, and welfare and encourages investment in our community?
- We start by understanding what investors and applicants expect from the land use approval process.
 - *“The Development Review Process: A Means to a Noble and Greater End”* by James van Hemert, AICP identifies a list of what applicants want:
 1. Predictability
 2. Fair Treatment
 3. Accurate and Accessible Information
 4. Timely Process
 5. Reasonable and Fair Costs
 6. Competent Staff
 7. Elegant Regulations

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What Applicants/Investors Want:

1. Predictability

- Clear expectations, no surprises
- *Clear process and decision points*

2. Fair Treatment

- Rules are the same for everyone
- No “good” or “bad” developers—offer trust and be trustworthy

3. Accurate and Accessible Information

- Easy to find and understand
- *Clear application requirements and standards*

4. Timely Process

- Establish early tentative dates for hearings
- Guaranteed review turn-around times
- Published commission and council meeting dates

5. Reasonable and Fair Costs

- *Application fees*
- Development commitments
- *Impact and user fees*

6. Competent Staff

- Staff team should have a balance of “hard” technical skills and “soft” people skills

7. Elegant Regulations

- That fit
- That are easy to navigate
- That are rational
- The most desired outcomes are easy to meet

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Dr. Poland is an urban geographer, planner, and community strategist whose work focuses on assisting communities to compete for wealth and investment (socio-economic prosperity) through strategic interventions that build community confidence, foster pride in place, create predictability in market, and grow demand.

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