CHAPTER 25

THE ECONOMIC BENEFITS OF REGIONAL PLANNING

Christopher Jones

Economic influences are patently regional, extending beyond municipal, county, and state political boundaries. With widespread acknowledgment of the importance of metropolitan economies, it seems reasonable to assume that good regional planning results in improved economic performance. And yet hard evidence for this effect is scarce. In part, it is because there is no single definition of success. Is it increased jobs and incomes, more affordable housing, lower taxes? And is it just the totality of these benefits that should be the objective, or is their equitable distribution just as legitimate? Even with clear goals, it can be very difficult to quantify the impacts of regional initiatives. Not only is it difficult to establish causality, but there are few strong regional institutions to clearly demonstrate their influence over metropolitan economies.

Even with limited means for demonstrating the rate of return, it would be shortsighted for both public and private stakeholders to ignore the obvious impacts of regional economic dynamics and not to seek to turn these influences to their advantage. To do so, they need to understand how these dynamics operate at different geographic scales and what measures are most likely to succeed. An examination of a growing body of research and two successful case studies can provide some lessons for approaches that different regions can take.

When It Comes to the Economy, Proximity Matters

One of the paradoxes of globalization is that cheaper communication and transportation have reinforced the importance of place in clustering human capital and generating centers of innovation and value. And while an integrated global economy has narrowed many differences between regions, there is evidence that geographic proximity still has a strong influence.

In particular, research demonstrates the powerful effects of cities on the economies of their surrounding regions. For example, Michael L. Lahr's study,

Copyright 2011. Rutgers University Press.
All rights reserved. May not be reproduced in any form without permission from the publisher, except fair uses permitted under U.S. or applicable copyright law.

EBSCO Publishing : eBook Academic Collection (EBSCOhost) - printed on 5/11/2020 1:37 AM via SAN JOSE STATE UNIV
AN: 435124 ; Montgomery, Carleton.; Regional Planning for a Sustainable America : How Creative Programs Are Promoting Prosperity and Saving the Environment
Account: s7380033.main.cmmc

"Is New York City Still Propelling Growth in Its Suburbs," analyzed employment and earnings growth rates from 1969 to 2000 for the thirty-one-county New York metropolitan region. It concluded that the suburbs rely on New York City for their economic well-being and found that growth in the city's financial industries clearly drove growth in the suburban counties (Lahr 2003). In "Do Cities and Suburbs Cluster?," William Goertzman, Matthew Spiegel, and Susan Wachter examined how closely urban and suburban housing markets were linked in four California metropolitan areas from 1980 to 1994. They found that housing price changes within the central cities were significantly more correlated with their own suburbs than with other central cities. And the connection between city and suburb is tighter than the relation of suburb to suburb across metro areas. A number of national studies have also verified the importance of the city-suburb relationships (Goertzman et al. 1998).

As metropolitan areas have grown, these relationships have become more complicated. Multicentered regions and overlapping housing and labor markets have resulted in new regional forms alongside of the traditional metropolitan area. Regional Plan Association (RPA) has focused on the emergence of "megaregions" in America—large areas such as the Northeast Corridor that have highly integrated and interdependent economies based on a network of metropolitan centers such as the cities of Washington, D.C., Baltimore, Philadelphia, New York, and Boston. In a study for the Regional Plan Association, Moody's Economy.com has found that both employment change and housing prices are more highly correlated—in many cases much more highly correlated—within the ten American megaregions than they are across the megaregions. Other work in RPA's America 2050 initiative is showing how these relationships are operating and evolving in several of these megaregions. The implications of these studies are that cooperation across local and state political boundaries makes economic sense; the central city-suburb relationship is still key to the economic health of both; and multicentric regions, overlapping labor markets, and economic homogenization are giving rise to larger aggregations that must also be considered in forming regional economic policy.

The tough part is showing how specific solutions lead to quantifiable economic benefits. Without translating policies into dollars and cents, and showing how these flow to different constituencies throughout the region, it is difficult to build the political consensus for specific initiatives. Two case studies demonstrate that this can be accomplished. One is a nearly forty-year-old experiment in metropolitan governance. The other is a more recent example of the type of consensus building that has been evolving through regional visioning initiatives over the past fifteen years.

Regional Governance to Address Fiscal Inequities

The Minneapolis–St. Paul region began to address its economic challenges on a regional scale when the state formed the Twin Cities Metropolitan Council in 1967, which expanded in 1994. The region covers 2.8 million people in seven counties,

EBSCOhost - printed on 5/11/2020 1:37 AM via SAN JOSE STATE UNIV. All use subject to https://www.ebsco.com/terms-of-use

which have 187 cities and towns and forty-eight school districts. Minnesota's Fiscal Disparities Act of 1971 aimed to allow all cities to share in the region's growth, reduce competition for the tax base, and spread the benefits of regional public investments. As the name implies, its primary goal and driving force was regional equity. However, efficiency and growth were also part of the argument. The act promoted better planning by encouraging regional cooperation, providing extra resources for redevelopment, and encouraging environmental protection. Under this program, 40 percent of the growth in each jurisdiction's commercial and industrial tax collections go into a regional pool and is redistributed based on criteria linked to population and property wealth. A basic justification for this approach is that all communities in the region contribute to the creation of commercial and industrial wealth by helping finance infrastructure and providing homes for employees and customers, but without tax sharing only the community in which each business is located can benefit from the tax revenue that business generates.

The results of revenue sharing and regional governance in the Twin Cities region have been very positive, explaining the longevity of this very unusual system. A 2005 report by the Twin Cities Metropolitan Council reported the following results:

- A shared annual tax base of $273 million
- Reduced tax base disparities, from 13–1 to 4–1, for towns with more than 9,000 people
- More net financial gainers (129 municipalities) than losers (52 municipalities)
- Gainers and losers change over time
- A reduced ratables chase

While the impact of tax sharing on overall economic growth is unclear, the Twin Cities region has been economically successful over the past thirty years, and the program has achieved its fundamental objective of greatly reducing fiscal disparities among the region's cities and towns.

Building a Consensus for Growth on the West Coast

A critical first step toward regional planning is recognizing that one is indeed part of a region. The counties and municipalities of southern California have taken that step and are working through the Southern California Association of Governments to plan for a projected population growth of 6.2 million people, to reach a total population of 23 million, by 2025. That is like adding two cities the size of Chicago to an already heavily populated region. In response, the metropolitan communities have developed the Compass Blueprint 2% Strategy as a vision to guide this growth in a manner that will provide for better mobility, livability, prosperity, and sustainability. This blueprint for growth management seeks to focus new development within existing cities and suburbs and major transportation corridors, promote extensive development of mixed use and walkable communities, bring growth around existing transit stations, and preserve remaining open space.

EBSCOhost - printed on 5/11/2020 1:37 AM via SAN JOSE STATE UNIV. All use subject to https://www.ebsco.com/terms-of-use

The blueprint provides for achieving these goals while changing current land use regulations on only 2 percent of the region's total land area—a threshold intended to show it does not require wholesale revision of all current municipal and county regulation. By focusing on a relatively small portion of the region's total land mass and altering the planning approach in those targeted areas, the entire region can reap tremendous benefits. The Compass Blueprint has identified and mapped the "2% Strategy Opportunity Areas" where new planning, zoning, and transportation infrastructure would accommodate anticipated population growth while providing better access to jobs and an improved jobs/housing balance, conserving open space, and renovating urban cores, thereby creating wealth through increased property values. The opportunity areas generally consist of major residential and employment zones, city centers, neighborhoods with railway stations and other rapid transit facilities, industrial centers, certain residential infill areas.

As the metropolitan planning organization (MPO) for six very large counties (Imperial, Los Angeles, Orange, San Bernardino, Riverside, and Ventura), the Southern California Association of Governments has significant influence but limited coercive powers over land use in the counties and municipalities within its ambit. The association is implementing the Compass Blueprint through a voluntary process of cooperative planning. A central feature is developing a compelling analysis of the economic return on investment for potential redevelopment areas. The result has been a growing number of places with both the potential and political will to accept new housing and commercial development. As of 2005, major redevelopment projects were under way in five communities, with plans proceeding in twelve more. The lessons learned from these studies and strategies are the following:

- The impacts on distribution can be as important as impacts on aggregate growth. Regional policies can address regional inequities as well as efficiency and, if successful, bridge some of the social divides that weaken prospects for collective action.
- It is important to understand and address the issues of winners and losers. Demonstrating the aggregate benefits to the region are necessary but not sufficient. An upfront appraisal of who will and will not benefit is needed to evaluate the public benefits and address sources of opposition.
- State or federal intervention and incentives are nearly always needed. Both the Twin Cities and southern California case studies require state action—enabling legislation in the case of Minnesota, and incentives for infrastructure investment in the case of California. Fiscal incentives, planning grants, and environmental regulations are all means by which states and the federal government can encourage regional cooperation.
- Local ownership and public participation are essential. The recent success of regional visioning efforts like the Southern California Compass project points to the importance of including municipalities and the public throughout the planning to overcome local resistance.

EBSCOhost - printed on 5/11/2020 1:37 AM via SAN JOSE STATE UNIV. All use subject to https://www.ebsco.com/terms-of-use

- The approach and geographic scale should fit the goal. Efficiency—in land use and services—can be gained on several geographic levels. Greater equity requires a large area, at least the size of a metropolitan region. But transportation and environmental objectives need to go beyond the metropolitan scale.

EBSCOhost - printed on 5/11/2020 1:37 AM via SAN JOSE STATE UNIV. All use subject to https://www.ebsco.com/terms-of-use