



Economic Development & Tax Policy in State & Local Government

PFM Client Training

*PFM Group Consulting LLC & PFM Financial Advisors LLC
Economics and Tax Strategy*

May 9, 2024

PFM

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Thank you for joining us!

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◆ CPE Credits Available for This Session

- Attend this session in its entirety
- Answer all poll questions provided
- Survey must be completed

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◆ Send specific questions for me to simmonsc@pfm.com



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Agenda

- I. Local Government's Role
- II. Real Estate Analysis Tools and Language
- III. Case Studies
- IV. PFM Economic & Real Estate Consulting



Local Government's Role



Economic Development



State and local governments can influence economic development through laws and regulations that govern what and how certain strategies can take place (e.g., TIF) via tax policy and economic incentives.



Government guides economic development policy direction, manages the process of implementation, and plans for the future.



Economic development policy may be driven by community consensus, strategic plan and/or political direction and can serve to achieve economic prosperity through job creation and retention, local business development, land use planning, housing, and other strategies.



The process is typically managed by a Community Development and/or Planning and Development Office with oversight from elected officials and opportunities for input from community members.



Planning for the future may include the adoption of a long-range comprehensive plan, typically 20-30 years, with regular updates every 5 years to document progress.

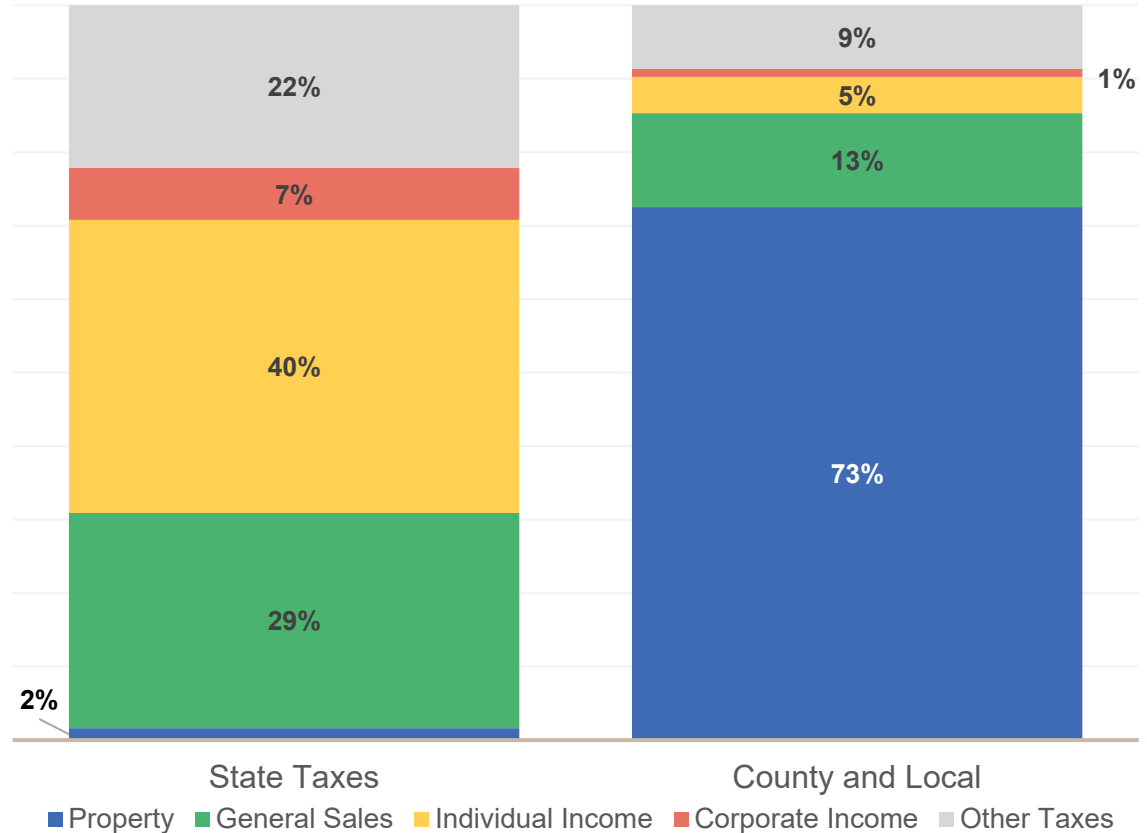


Tax Policy

State and local government serves a central role in tax policy. Tax policy decisions influence both government revenues and expenditures.

Through tax policy, state and local governments can determine their spending priorities.

Mix of State and & Local Tax Collections, 2021



Source: US Census Bureau, Survey of Local Government Finance



Poll Question



Question #1:

What is typically the largest source of tax revenue for local governments?

- a) Individual Income Taxes*
- b) Business Income Tax*
- c) Property Taxes*
- d) General Sales Taxes*



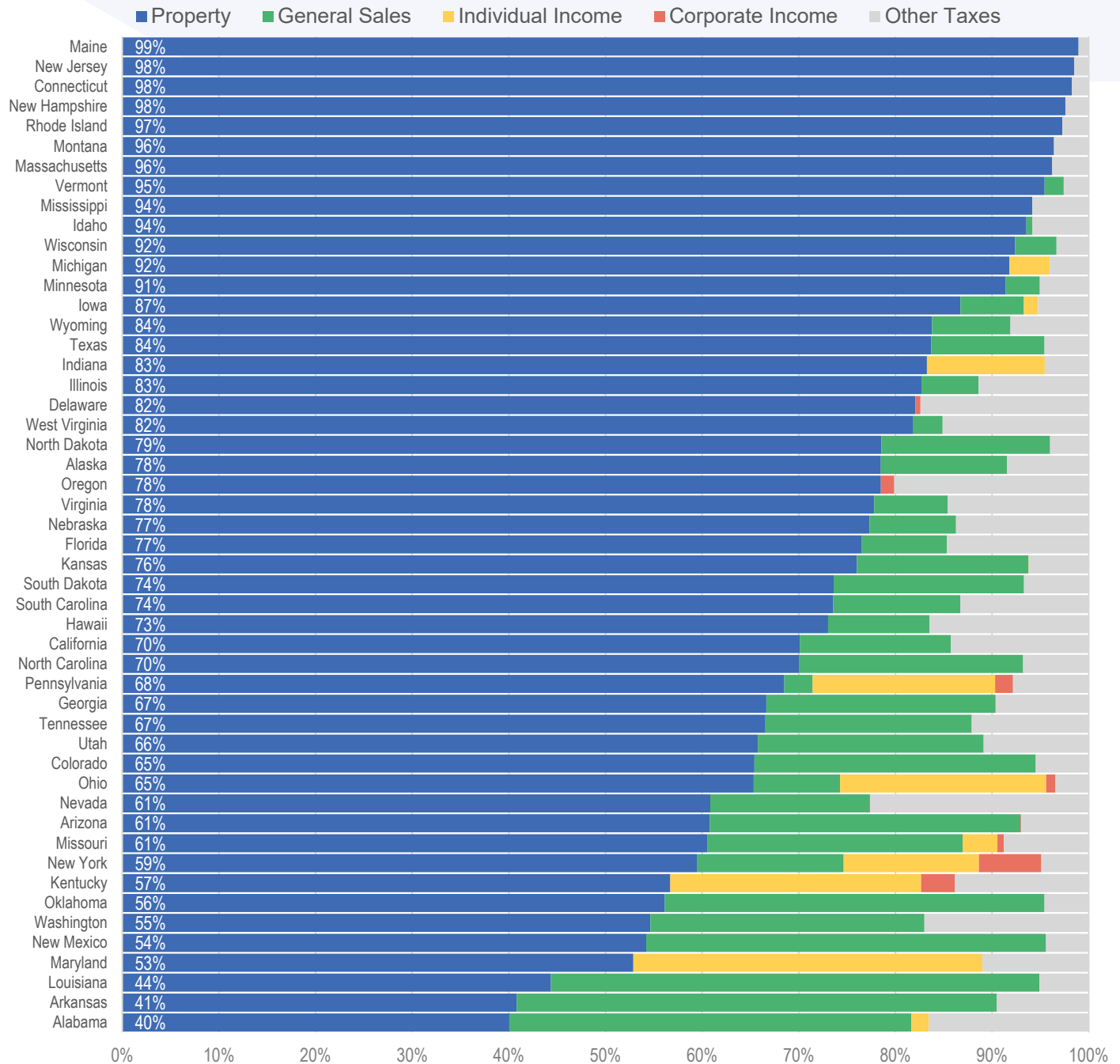
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- c) ***Property Taxes***
- d) *General Sales Taxes*



Mix of Local Tax Collections by State, 2021





Economic Development and Tax Policy Analysis Tools



Tools for Economic Development and Tax Policy Analysis

Economic Development

- **Economic Impact Analysis** – jobs, wages, output and multiplier effects; using IMPLAN impact software
- **Market Feasibility** – real estate market conditions; financial feasibility, across all land use types
- **Land Use Needs Analysis** – long range comprehensive planning support for local government; economic implications of land use policy
- **Geospatial Analysis** – geospatial and place-based analysis; digital mapping; geographic trends over time

Tax Policy

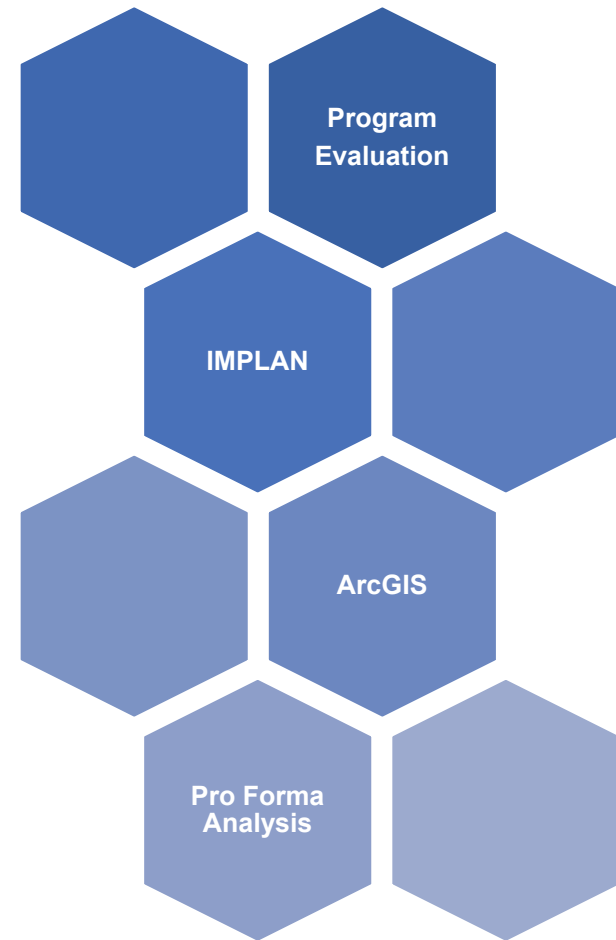
- **Fiscal Impact Analysis** – government revenue and expense analysis; capital finance strategy
- **Revenue Options and Forecasts** – bridging funding gaps; optimize revenue forecasts; secure stable funding sources
- **Tax Incentive Evaluation** – impact and effectiveness of existing or alternative tax incentives; economic impact of incentives
- **Tax Burden Evaluation** – impacts of tax policy decisions; analysis of tax structure characteristics such as volatility, sufficiency, and economic efficiency

Continuous measurement, evaluation, and enhancement of program design



Aligning Questions to Analyses

- **Economic Impacts:** what jobs, wages, and economic output are generated by a new or existing investment?
- **Fiscal Impacts:** what impact will a proposed project's have on the city's revenues and expenditures?
- **Market Feasibility:** is there sufficient demand in the market to support a proposed development?
- **Development Proposal Review** – are the assumptions in a developer's proforma reasonable? Would the project be viable without subsidies or incentives?
- **Tax Incentives Evaluation:** are the programs in place supporting the goals of the city's economic development strategy? What is the return on investment for the city budget? How could the programs be more effective and efficient?
- **Special Taxing District Formation:** what would a special taxing district (e.g. tax increment financing district) generate? What level of debt could expected revenues support?



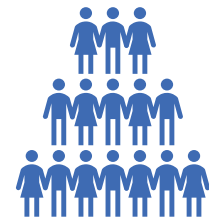


Techniques and Mechanics – Beyond the Basics

- Government decisions in economic development and tax policy have implications beyond land use and revenue structure. Understanding and accounting for this impact is imperative.
- Does your jurisdiction have strategies related to environmental, social, and/or equity impacts? If so, is your work aligned to these strategies?
- To build alignment, consider the following:
 - Develop decision making process for prioritizing investments
 - Identify metrics from strategic documents to incorporate into program management
 - Evaluate impacts along environmental, social, and equity dimensions



Environment



Social



Equity



Poll Question



Question #2:

Which of the following are dimensions of economic development strategy:

- a) Revenues*
- b) Costs*
- c) Social, Equity, and Environmental impacts*
- d) All of the above*



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Which of the following are dimensions of economic development strategy:

- a) *Revenues*
- b) *Costs*
- c) *Social, Equity, and Environmental impacts*
- d) ***All of the above***



Case Studies



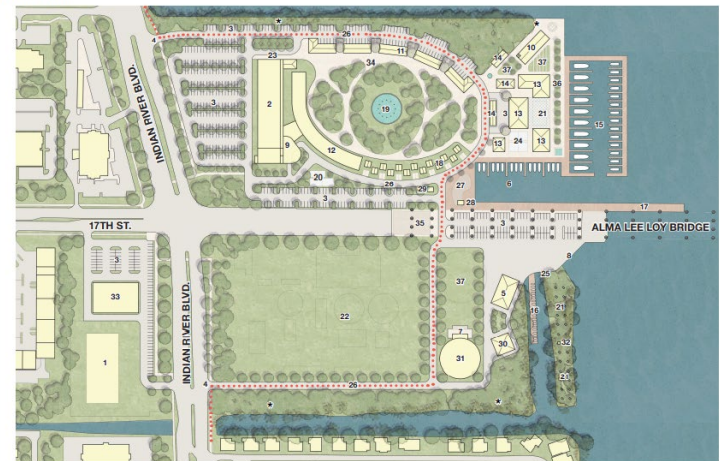
City of Vero Beach – Three Corners Project Feasibility Study & RFP Support

- The City retained PFM to assist with the redevelopment of the 3-Corners Project.
- PFM provided the following services to the City in support of that goal:
 - Our opinion on the marketability and financial feasibility of the City's development plan
 - Assistance with development of a Request for Qualifications (RFQ)
 - Assistance with prequalification of potential developers/development partners
 - Supporting the City's analysis of the developer proposals in response to the RFQ

Community Plan

Scenario Three: Annotated Steering Committee Plan

LEGEND	
1	NEW FFL SUBSTATION
2	COMMERCIAL/ HOTEL/ CULTURAL CENTER
3	PARKING
4	BOULEVARD ENTRANCES
5	YOUTH SAILING
6	HARBOR
7	PERFORMING STAGE
8	SMALL BOAT LAUNCHING RAMP
9	CULTURAL/ EVENT CENTER LOBBY
10	WEDDING CHAPEL/ MEETING HALL
11	RETAIL/ FLEX SPACE
12	HOTEL
13	RESTAURANTS
14	RETAIL
15	DAY DOCK MARINA
16	SAILBOAT PLATFORM
17	FISHING PIER
18	HOTEL COTTAGES
19	SPLASH FOUNTAIN
20	HOTEL OUTDOOR RECREATION
21	PLAZA/ SMALL EVENT STAGE
22	FIELD
23	HOTEL LOBBY ENTRANCE
24	SAND VOLLEYBALL/ RECREATION
25	KAYAK/ PADDLEBOARD RENTALS
26	PARK DRIVE
27	SKATE PARK
28	BAIT SHOP
29	SNACK SHACK/ BIKE TRAIL HEAD
30	ENVIRONMENTAL RESEARCH CTRL.
31	VISUAL/ PERFORMING ARTS CTRL.
32	PUBLIC RESTROOM
33	GENERAL COMMERCIAL
34	PARK/ OPEN SPACE
35	SKATE PARK ALTERNATE
36	PROMENADE
37	LAWN / GREEN
•••••	BIKE TRAIL
*	BOSQUE OF LIVE OAKS AND SABAL PALMS





City of Vero Beach – Three Corners Project Feasibility & Marketability Study

- ◆ As a follow-on, PFM continues to provide consulting support for reviewing the potential development partners and their proposals; this includes:
 - Lead the development of Request for Proposals or Intent to Negotiate (RFP/ITN)
 - Assistance with prequalification of potential developers/development partners
 - Support the City's analysis of the developer proposals in response to the RFQ/ITN

Tools Used:

- Market Feasibility Analysis
- RFP Development Support

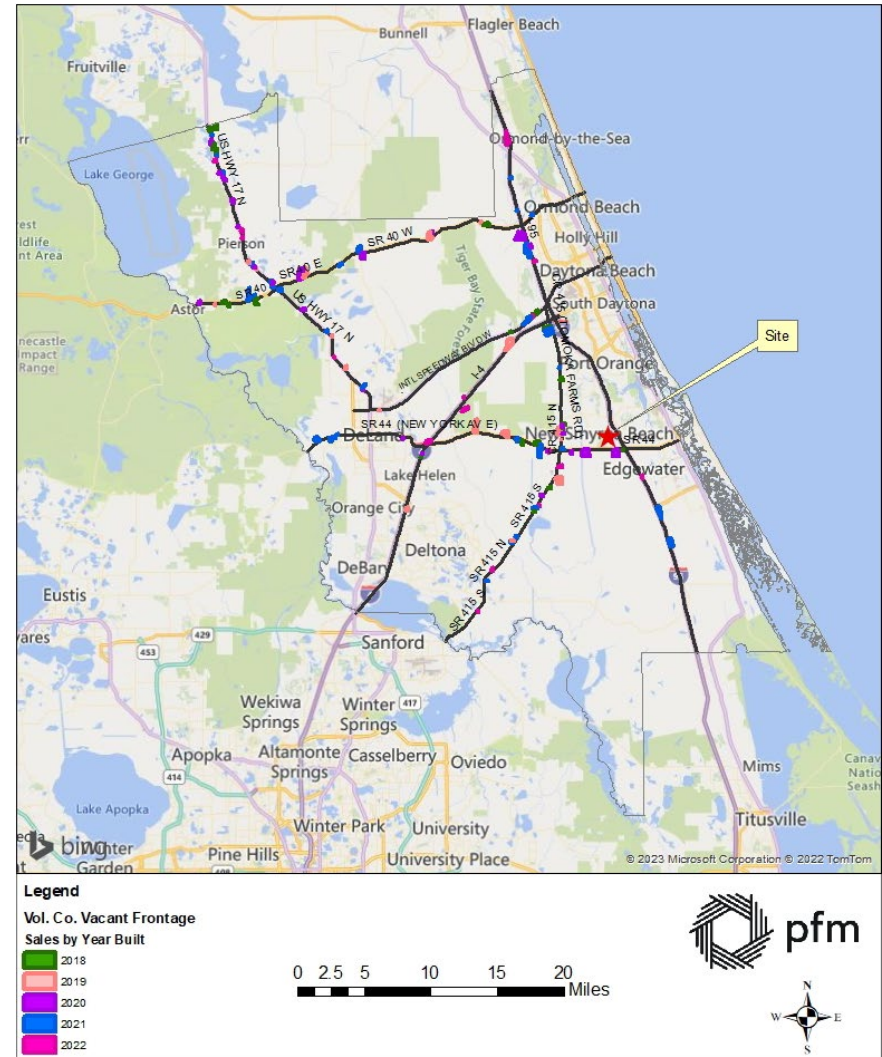


City of New Smyrna Beach Utilities Commission – Property Valuation and Real Estate Analysis

- The Client engaged PFM to provide a valuation analysis for their existing office location compared to a potential move and development of land owned by the client.
- The analysis included:
 - Market Economic Overview for the US, Florida, Volusia County, and New Smyrna Beach
 - Central Office Building valuation
 - Vacant land market analysis

Tools Used:

- Market Feasibility Analysis
- Land Use Needs Analysis





Port St. Lucie – Real Estate Market Analysis

- The City of Port St. Lucie engaged PFM to a market and financial analysis of its proposed City Center Master Plan Development.

- Market Analysis

- Residential
- Retail
- Office
- Hotel

- Financial Analysis

- Pro Forma Analysis
- TIF Analysis
- Economic and Fiscal Impact

Tools Used:

- Market Feasibility Analysis
- Economic Impact Analysis
- Fiscal Impact Analysis





Tax Incentive Evaluations – Oklahoma and New York

- Most jurisdictions have some number of tax incentive programs; PFM has been contracted to evaluate tax incentives and credit programs across the country, most recently in the States of Oklahoma and New York
- The process to evaluate credits and incentives is similar regardless of the type of program or industry target:
 - Collecting data from tax / revenue departments as well as any administering agencies
 - Interviewing key stakeholders to understand design and administration
 - Analyzing ROI of programs using fiscal and economic impact analyses

Tools Used:

- Tax Incentive Evaluation
- Economic Impact Analysis
- Fiscal Impact Analysis

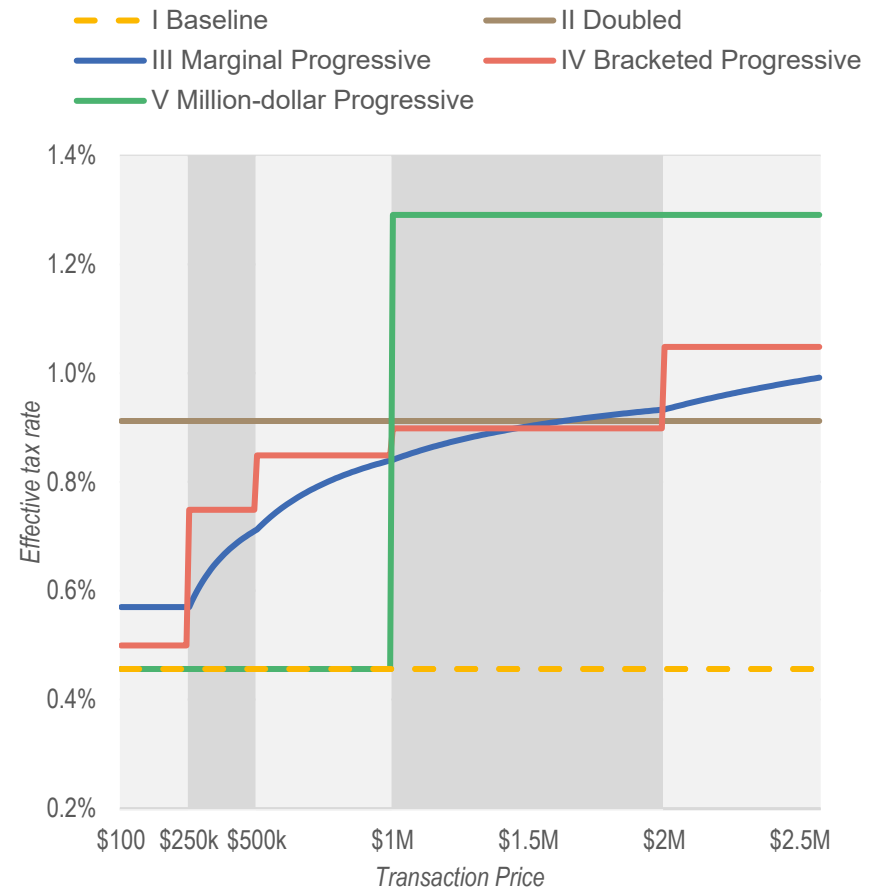


Massachusetts Associations of Community Development Corporations (MACDC) – Transfer Tax Policy Analysis

- MACDC engaged PFM to the potential impacts of an increase in the real estate transfer tax
- Our approach included:
 - Synthesis of academic literature on market and equity effects
 - Benchmarking of rates, structures, and exemptions against other places
 - Conducting focus group interviews with key housing and real estate stakeholders
 - Analyzing the demographics of residents and homebuyers
 - Modeling impacts of baseline and four alternative tax rate scenarios on real estate market

Tools Used:
➢ Revenue Options and Forecasts
➢ Tax Burden Evaluation

Rate Structure Policy Options: Effective Tax Rate by Transaction Price



Source: PFM Internal Resources



Clark County A's Stadium – Revenue Analysis

- Clark County, NV hired PFM to review a revenue analysis submitted by the Oakland Athletics, in regard to the construction of a new ballpark in preparation of their potential move from Oakland, CA to Las Vegas, NV.
- The analysis included a review of historic stadium attendance figures and standard revenue drivers for stadiums based on location/market, tourism, win percentage, previous moves, concessions, and others.
- PFM conducted a sensitivity analysis for expected revenues to the County based on different attendance estimates.

Tools Used:

- Revenue Options and Forecasts
- Fiscal Impact Analysis



Palm Beach Gardens, FL – Evaluation of Strategic Programs & Initiatives

◆ **Data and information gathering** included:

- Submission of a data and information request;
- Scheduling and holding interviews with City leadership and subject matter experts within the initiatives and policy areas;
- As needed, benchmark other local governments

◆ **Analysis** included, within topics, a combination of:

- Economic contribution to the City economy and vision;
- Benchmarking comparisons of how other communities have/haven't addressed the topic
- Case studies

◆ **Evaluation** provided written discussion and recommendations, as appropriate

Tools Used:

- Land Use Needs Analysis
- Program Evaluation



Poll Question



Question #3:

If a city has a vacant plot of land where they want to develop a new civic center that includes restaurants and a hotel, what tools should they use to determine the effectiveness of such an investment?

- a) *Economic Impact Analysis*
- b) *Market Feasibility Analysis*
- c) *Fiscal Impact Analysis*
- d) *All of the above*



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- b) *Market Feasibility Analysis*
- c) *Fiscal Impact Analysis*
- d) **All of the above**



PFM Economics and Tax Strategy Group



Economics & Tax Strategy Group – Current & Former Clients

- PFM's Economics & Tax Strategy (ETS) team offers expert guidance rooted in data-driven analysis across various domains, including government budget revenue projections, land use planning, consumer behavior trends, population dynamics, employment outlook, and housing forecasts. Our insights empower government and business leaders to make informed decisions.
- Led by experienced government professionals, the ETS team brings decades of experience to each engagement. This includes national perspectives, a strong platform with specialized technical resources, and pragmatic expertise in strategic design and implementation.

City of Baltimore, MD

Economic & Fiscal Impact Analysis

City of Ventura, CA

Citywide economic development strategy

City of Fort Lauderdale, FL

Parking garage analysis

Osceola County, FL

Land use needs analysis and commercial area study

Clark County, NV

Oakland A's stadium revenue analysis

State of New York

Tax incentive evaluation

State of Oklahoma

Tax incentive evaluation

Union Market DC

Special district formation, etc.

State of Louisiana - Department of Transportation

Land use needs analysis



Questions?

- You can type your question into the chat function now (*due to time constraints, not all questions may be handled live*)
- You can e-mail any of us after the call or reach out through your primary PFM contact
- If you would like a copy of these slides, please email us to request



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