



Creating Economic Development Strategies for Local Success

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Agenda

- I. Definition of Economic Development and Analysis
- II. Tools for Economic Analysis
- III. Prioritization and Evaluation
- IV. Case Studies & Other Considerations



Economic Development Strategy



Common Economic Development Themes

- Every locality has different priorities for economic development. As a result, strategy development should be customized to center around the goal of the strategy – what question is the strategy trying to answer?

Goals for Retail and Visitor Activity

- Understand retail leakage and visitor commercial trends.
- Evaluate residents' and visitors desires for future commercial activity.
- Ex: A city wants to increase sales tax revenue and needs to understand which types of retail to target.

Real Estate Development Feasibility

- Assess recent commercial and land use trends and compare these with economic development needs.
- Determine feasibility of specific real estate development projects put forth either by the city or by private developers.
- Ex: A city has a vacant parcel of land near a commercial center and wants to understand how to best utilize it.

Recruitment, Retention, and Expansion of Core Industries

- Identify local and regional industry clusters to identify potential target industries and economic sectors.
- Create a strategy to recruit, retain, and expand key clusters in the city.
- Ex: A city wants to develop a niche industry so it can build a reputation as being a hub to attract new residents and employees.

Local Tax Revenue Development

- Identify potential revenue streams to help support economic development activity.
- Quantify potential revenue from economic development efforts.
- Ex: What is the cost or ROI of offering a specific tax incentive, creating a business district, or collecting developer fees.



Why Complete an Economic Development Strategy?

- City governments depend heavily on their local economy to generate tax revenue, add good jobs, and achieve other economic and fiscal goals.
- Increasingly, cities are becoming more *intentional* about their economic development efforts.
- More and more cities are preparing *economic development strategies* that provide a roadmap for the city government and other local players to help ensure local prosperity and achieve those goals.
- These strategies typically require a wide-ranging methodology that includes:
 1. Understanding the city's true economic development priorities and goals.
 2. Meet with key stakeholders such as city council members, business owners, and city staff.
 3. Conduct community focus groups (ideally virtually and in person) to gather feedback on key development questions.
 4. Complete quantitative analysis including data from the Census Bureau, CoStar, ESRI, and Placer Labs to understand city demographics and commercial trends.
 5. Use these data sets to complete an Economic Development Strategy that includes an economic context analysis, SWOT (strengths, weaknesses, opportunities, threats) analysis, and recommendations including goals and steps needed for implementation.



Strategy and Recommendations Methodology

- Strategies typically include overall goals (industrial expansion, retail attraction, etc.) and specific steps to achieve those goals.
- Not all goals are short-term; some may require long-term investment, for instance:
 - Additional staff resources
 - Dedicated revenue streams
 - Redesign of internal city processes, such as permitting
 - Attendance at external conferences or creation of marketing materials and signage
- Recommendations should aim to be realistic and feasible, not simply a wish-list for things that are not practical or immediately actionable.
- However, some recommendations may not align with the views of voters or City Council; they can provide evidence that perhaps the locality could shift its priorities, including potentially reallocating resources.
 - This is particularly important in cases where the perception of the locality's residents does not match the demonstrable market demand.
 - For example, certain types of analyses (e.g. a void analysis) can show that even if a locality would like a specific type of development, such as a specific restaurant or store, there may not be not enough quantifiable demand for its success. These types of analyses could shift the mindset of the public to prioritize another business or type of development to attract.



Poll Question



Question #1:

Who is the target audience for an economic development strategy?

- a) *Residents*
- b) *Business Owners and Those Employed in the Locality*
- c) *Visitors*
- d) *Local Government*
- e) ***All of the above***



Tools for Economic Development Analysis



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



Retail Leakage Report

- A common question that the economic strategy reports address is retail leakage – in other words, the value of goods and services a locality’s residents purchase outside of the locality.
- Strategies can include a retail leakage analysis, in this case derived from foot traffic software that incorporates credit card purchases, to understand where residents spend money within a fifty-mile radius of the municipality.
- The following example shows that residents in this sample town purchase gas and food outside of the municipality, indicating a potential target for new retail and services.

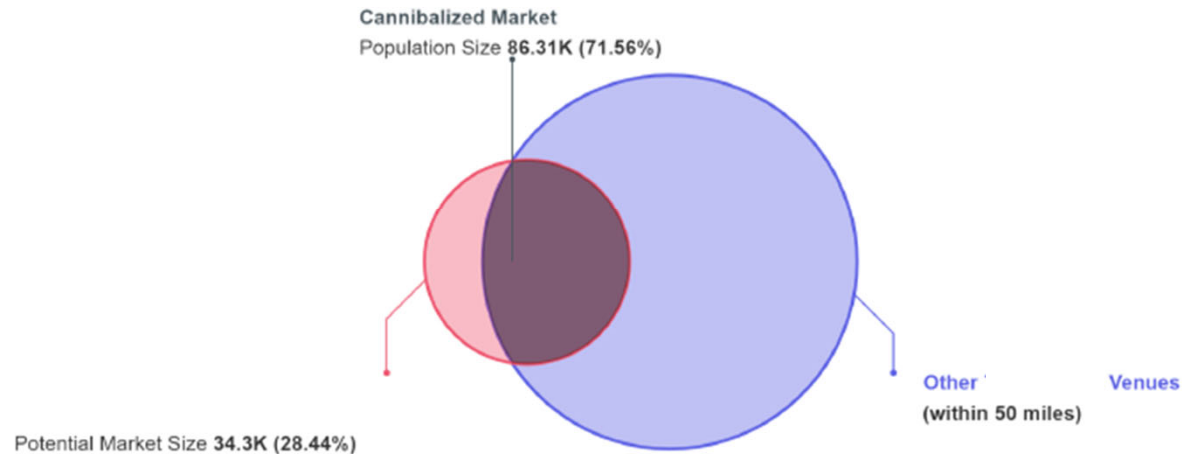
Category	Unmet Need
Grocery Stores	\$37,286,503
Gasoline Stations	\$35,494,879
Building Material & Supplies Dealers	\$17,279,313
Other General Merchandise Stores	\$17,078,274
Clothing Stores	\$15,503,601
Limited-Service Eating Places	\$15,189,745
Full-Service Restaurants	\$14,514,865
Health & Personal Care Stores	\$11,717,999
Department Stores	\$6,172,242
Automotive Parts, Accessories, & Tire Stores	\$6,153,544
Other Motor Vehicle Dealers	\$6,031,287
Other Miscellaneous Store Retailers	\$4,699,211
Furniture Stores	\$4,422,233
Sporting Goods, Hobby, & Musical Instrument Stores	\$4,324,752
Home Furnishings Stores	\$3,866,575
Special Food Services	\$3,114,772
Lawn & Garden Equipment & Supplies Stores	\$2,741,266
Shoe Stores	\$2,271,237
Electronics & Appliance Stores	\$2,241,074
Office Supplies, Stationery, & Gift Stores	\$2,237,382
Bars/Drinking Places (Alcoholic Beverages)	\$1,645,127
Used Merchandise Stores	\$1,421,879
Specialty Food Stores	\$1,282,001
Direct Selling Establishments	\$1,208,968
Book, Periodical, & Music Stores	\$885,413
Jewelry, Luggage, & Leather Goods Stores	\$757,639
Florists And Miscellaneous Store Retailers	\$198,579
Beer, Wine, & Liquor Stores	-\$3,630,934

Source: Placer Labs



Void Analysis Report

- A locality wanted to complete an economic development strategy to address an opportunity: its residents had a higher median income than every other city in the county, but left town for shopping and dining. It wanted to understand how to encourage residents to shop within town.
- One particular issue that came up during the focus groups was a desire for a specific grocery store chain. When asked, this store declined to open a store in the locality but did not provide a reason.
- A void analysis of this grocery store chain provides a possible explanation for why it is better for the locality to target other grocery store chains.





Fiscal and Economic Impact Analysis

Fiscal Impacts

- ◆ Using estimated or actual inputs, analysts can calculate the new revenues generated and associated costs from a shock to the local economy.
- ◆ Models can be proprietary or purchased from certain vendors.
- ◆ This analysis can answer many questions:
 - How much revenue will a change to the local economy produce?
 - How much will the new level of activity or population cost in terms of services?
 - What is the ROI on this activity?

Economic Impacts

- ◆ Using estimated or actual inputs, analysts can calculate the direct, indirect, and induced economic impact of a change to the local economy.
- ◆ Multiple options for models that are used throughout the industry: IMPLAN, REMI, RIMS II
- ◆ Helps to answer questions like:
 - How will a change to the local economy filter through local jobs, resident incomes, and supply chains?
 - How realistic are the promised outcomes from a third-party (i.e., real estate developer, institution, corporation)?



Poll Question



Question #2:

What is a good example of how quantitative data can be used to support a strategy recommendation?

- a) *Census data showing demographic information from fifty years ago.*
- b) ***A retail leakage report demonstrating where residents shop outside of town.***
- c) *A statement from a community member about what businesses residents prefer.*



Economic Development Strategy - Prioritization and Evaluation



Aligning Strategy and Project Selection

- Once an economic development strategy is developed, or even as an intermediate step, a jurisdiction can implement a **prioritization process** for decision-making among potential investments.
- This can fall on a spectrum from very informal and ad hoc to a formal application and scoring process; this may already be happening in your jurisdiction for certain types of competitive grants or programs, such as affordable housing tax credits.
- Leveraging an existing process can help speed your progress, but it should be considered from the perspective of those who would be proposing projects or investments
 - What information would you ideally like to see before deciding?
 - What information are they likely to have?
 - How will we measure whether this project / investment met its goals?

Simple Rubric Example (max points = 100)

Project	Feasibility	ROI (estimate)	Timeline
Project A	50	85	55
Project B	75	55	60
Project C	55	55	90



Data Collection, Evaluation, and Continuous Improvement

- ◆ After decisions are made and once investments have been finalized, best practice dictates evaluating the effectiveness of these investments.
- ◆ Jurisdictions will consider opportunities that are aligned with goals and strategies set by leadership and/or elected officials.
- ◆ Relevant data on activities (i.e., dollars invested, jobs created, housing units built) would be developed by the jurisdiction and collected on a regular basis depending on the type of investment or program implemented.
- ◆ This data serves as the main inputs into evaluation of the efficiency and effectiveness of the investment / program (i.e., how much new tax revenue was added? What is the cost of subsidy per unit of housing built?)
- ◆ Evaluations help to understand areas for improvement and can build a case for additional funding where successful.





Poll Question



Question #3:

How can evaluation help to economic development teams improve their output?

- a) ***Identify poorly performing investments***
- b) ***Increase revenues for additional programs***
- c) ***Understand market conditions***
- d) ***None of the above***



Case Studies*

*The PFM Group Consulting LLC case studies provided on slides 25 -27 have been completed within the last three years (2022-2025). They were selected based on non-performance-based criteria to show a representation of ETS case studies.



Case Study: City of Port Hueneme, CA

- The City of Port Hueneme, located in Ventura County, CA, completed its first ever economic development plan.
- The City of Port Hueneme, with a population of 20,000, is the only deep-water port between San Francisco and Los Angeles. Its primary employees are the Port of Hueneme and Naval Base Ventura County.
- It is not close to a freeway, is landlocked, includes beachfront property, and wanted to reduce its reliance on marijuana sales tax revenue.
- It experienced significant retail leakage and aging commercial and hotel facilities.



Source: City of Port Hueneme

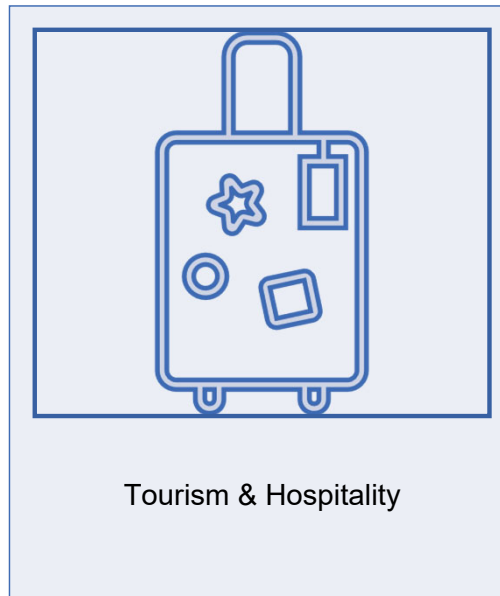
• Recommendations included:

- Work with the Navy, Port, Oxnard College, and the Ventura County Workforce Development Board to connect residents with jobs at the Port and Naval Base.
- Incentivize upgrade of aging commercial centers and hotels.
- Activate Hueneme Beach Park with more events, retail, and food and beverage options.



Case Study: City of Ventura, CA

- The 2025 – 2030 economic development strategy identified the City’s three main economic drivers:

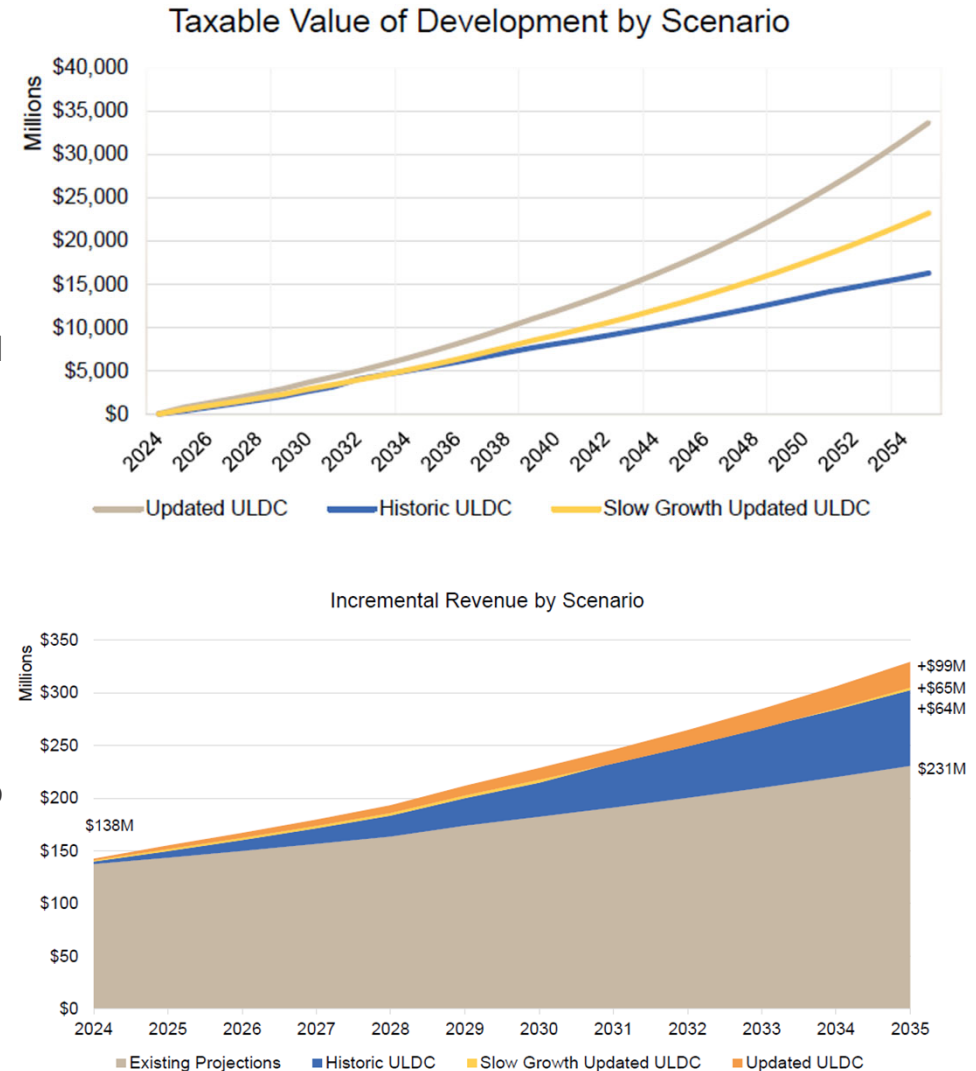


- **Export-Base Industry Clusters** are professional/business services and manufacturing industries whose products and offerings are oriented beyond the local economy. In Ventura, these included health services, food processing, and medical services and devices (driving clusters); as well as shellfish aquaculture, advertising and marketing technology, and advanced manufacturing (emerging clusters).
- **Tourism** mainly originated from within the State of California, with 8 million visitors to the City in 2022.
- **Lifestyle, Retail, Personal Services, and Entertainment:** Ventura sells over \$500 million of motor vehicles, \$300 million of food and beverage, and \$200 million of building and garden materials each year.



Case Study: City of North Port, FL

- ◆ The City of North Port adopted changes to its Comprehensive Land Use Plan and contracted PFM to estimate the fiscal and economic impacts of three proposed development scenarios:
 - Scenario 1: Application of the Historic Unified Land Development Codes (ULDCs), assuming 3 percent annual population growth and an employment-population ratio within the City of 0.25.
 - Scenario 2: Implementation of the City's updated ULDCs, assuming 4 percent annual growth and an employment-population ratio of 0.45.
 - Scenario 3: Implementation of the updated ULDCs but with slower growth, assuming 3 percent annual growth and an employment-population ratio of 0.33. This scenario was more characteristic of the market-based analysis.
- ◆ PFM's analysis enabled the City of North Port to better understand the implications of their land development within their local budget and economy.





Rally Austin

- ◆ The City of Austin's economic development corporation, recently renamed Rally Austin, was formed in 2020 and primarily funded by the City's General Fund.
- ◆ Rally Austin hired PFMGC and PFM FA to complete a financial and organizational review and make recommendations as to how Rally Austin can become financially self-sufficient in the coming years and development its own identity.
- ◆ The project consisted of seven phases:
 - A financial and organizational assessment and SWOT analysis
 - Review of and recommendations for improving Rally Austin's Interlocal Agreement with the City
 - Benchmarking analysis
 - Funding recommendations
 - Bond capacity analysis
 - Financial Pro Forma
 - Implementation Plan and presentation to Rally Austin's Board of Directors



Tax Incentive Evaluations

- ◆ Over the past several years, PFM has conducted evaluations in **Oklahoma, New York, Wisconsin, Vermont, Ohio, and Philadelphia (PA)**.
- ◆ Most jurisdictions have some number of tax incentive programs, and best practice dictates regularly evaluating the programs to understand fiscal impacts, economic impacts, and policy outcomes.
- ◆ 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



Fort Worth Housing Finance Corporation – Rubric and Prioritization

- In the first half of 2024, the City of Fort Worth’s Housing Finance Corporation (HFC) retained PFM to advise its staff on how best to evaluate potential partnership agreements with affordable housing developers.
- Benchmarking research and outreach to comparable entities helped to identify emerging and best practices to be implemented.
- Through these discussions, it was determined that an application which drives a rubric scoring would be the best approach.
- The PFM project team co-developed a rubric that reflected the HFC’s desired policy, including:
 - Fiscal and economic impacts,
 - Inclusion of wrap-around services in a development,
 - Proximity to public goods such as parks and transit.



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

Rally Austin

Organizational Review and Revenue Study

*The PFM Group Consulting LLC case studies provided are either ongoing projects or have been completed within the last five years (2020-2025). They were selected based on non-performance-based criteria to show a representation of ETS clients. A full list is available upon request. The list of clients is for informational purposes only and does not constitute an endorsement or testimonial.



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