NEW INSTITUTIONS FOR A NEW ECONOMY

Development Authority Design and Practice for the 21st Century

RW Ventures

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Acknowledgments

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Overview

As major transitions in the global economy create new challenges and opportunities, new strategies for driving economic growth are emerging that are often broader in scope, larger-scale, more comprehensive and cross-sectoral. This emerging practice, in turn, calls for new institutional infrastructure and financial tools to support its effective management and implementation. This paper[1] begins to explore the implications of these realities for the design and practice of development authorities[2] to support the next generation of transformative and sustainable economic development.

Economic development in today's economy is shifting toward comprehensive, integrated, asset- and market-based strategies tailored to place. This work is occurring in an economy which thrives on flexible networks and interactions among firms, investors, the civic sector and government, and which requires balancing a need for deliberate growth planning with products and services that enable organic market activity. This paper explores the implications of these trends for institutional form, examining topics such as:

- The distinct roles development authorities can play in driving growth, and how to determine which roles make the most strategic sense with respect to particular development activities, geographies, etc.;
- The capacities and powers necessary to effectively deploy leading development products and services;
- Creative financing tools to support varied strategies, including particularly techniques for capturing value created through development activities; and
- Legal, structural and operational approaches to managing the tension between obtaining and exercising governmental powers that are critical to enabling growth, and the need to be nimble, entrepreneurial and market-responsive.

Exploration of these broader questions was grounded in a case study of sorts: a potential development authority for Cook County's South Suburbs.[3] As described below, this potential entity would lead a long-term, large-scale growth effort across a wide array of development activities (e.g., industrial park and innovation center development; sector-based, industry-driven workforce training programs; housing finance products; enhancement of recreational and green space amenities; etc.). This paper explores leading practices and design principles for development authorities in general and uses the South Suburbs scenario as a concrete example for exploring how these principles translate in practice.

This paper begins with a brief background section that describes the high-level economic context that underlies the need for new institutional capacities and resources to manage large-scale, next-economy economic development projects, and provides a synopsis of the South Suburban case study. The remainder of the document uses a business planning framework (i.e., Mission and Vision, Strategies, Products and Services, Operations, etc.) to organize the various dimensions of development authority design. Each section includes a summary of the dimension's primary design elements, examples from the field, South Suburban

1 This paper summarizes observations from background research, interviews with development authority leaders and experts, and discussion from a one-day convening on leading-edge development authority design and practice. Convening participants explored how to design the institutional capacity and financial resources to support and manage comprehensive, inclusive economic development activity in the next economy. See Appendix C for a list of convening participants.

2 The term "development authority" is used broadly throughout this document to encompass the full spectrum of institutional forms engaged in managing large-scale economic development activities.

3 The research, interviews and convening associated with this paper were motivated by the South Suburban Economic Growth Initiative (SSEGI), a comprehensive economic development planning and implementation effort focused on 34 municipalities in southern Cook County, Illinois. A key recommendation of SSEGI's first phase was to explore creation of a development authority that could manage, direct and deliver on a set of cross-cutting, integrated growth strategies, supplementing and attracting new resources and capacity to the existing public, private and civic efforts underway to support those communities.

context, the core design questions that were offered as a starting point for discussion at the one-day convening of national experts, and a set of observations – including implications for a South Suburban development authority – synthesized from interviews, background research and the convening discussion.

Background

The global economy is undergoing a fundamental transformation that is changing the dynamics of productivity and growth.[4] The nature of this economic transition is making institutional economics more important than ever and driving a need for novel organizational models and practices to respond to these new economic conditions.

In short, growth is increasingly driven by the concentration and resulting synergies of complementary industries, human capital, technologies and other assets in place. These dynamics are producing a sea-change in economic development practice. Places are switching from primarily pursuing conventional business attraction deal-by-deal to figuring out what they are good at and "building from the inside out." They are investing in assets that reinforce their economic strengths and global competitiveness, increasingly competing on value-added rather than low cost. Economic development based on this understanding entails addressing the key levers which enhance the efficient interaction and ensuing productivity of a place's unique combination of assets: labor market dynamics (i.e., development and deployment of human capital), sector and functional clustering, innovation systems, the built environment and governance.

As a result, practice is also moving from siloed programmatic activities to more integrated and strategic growth initiatives. To create new dynamics and synergies that increase productivity, implementation activities need to effectively "connect the dots" across economic assets and activities, as well as capital flows and other enabling activities. Workforce, business, housing, neighborhood and other development all succeed or fail in context of each other and their interactions in a place.

This transition does not take care of itself – local economies are diverging in their success.[5] Communities, cities and regions need to be deliberate and strategic, developing rigorous, fact-based plans tailored to their unique assets and status to identify a prosperous path forward.

In the terms of institutional economics, the need to be deliberate, cross-sector, comprehensive, highly networked (to foster synergies) – yet also flexible and market-driven – entails developing new "governance:" not just new roles for government, but also new cross-sector institutions and operating relationships. Successfully developing and implementing new economic growth strategies requires the invention of new types of development entities with the forms, capacities and powers to impact a wide range of development sectors (e.g., real estate, workforce development, supply chain and cluster growth, etc.), while also remaining nimble and responsive. It also requires devising innovative vehicles to attract and invest capital and finding means of capturing the value that an entity's investments and programs generate. These and other implications demand a careful consideration of how to craft an entity's mission, strategies, products and services, finances, operations and form so that it is optimally equipped to tackle the growth opportunities within its scope.

The South Suburbs of Cook County exemplify the need for new institutional capacity to manage 21st century growth strategies that encompass a broad range of development activities and stakeholders. The South

4 For greater detail on the underlying economics, as well as literature review, see: Brophy, Weissbourd and Beideman (Federal Reserve Bank of Philadelphia, 2017), "Transformative Economies: Emerging Practices for Aligning Growth and Inclusion," http://bit.ly/2ygmqXC; Weissbourd and Berry (2004), "The Changing Dynamics of Urban America," http://rw-ventures.com/wp-content/uploads/2017/01/Changing-Dynamics-report.pdf; Kosarko, Weissbourd, Wolman, Sarzynski, Levy and Hincapie (2011), "Implementing Regionalism: Connecting Emerging Theory and Practice to Inform Economic Development," http://rw-ventures.com/wp-content/uploads/2017/01/Surdna-Final-Paper-Combined-112111.pdf.

5 Historically, regions "caught up" with each other, as labor and capital experienced diminishing returns in highly developed places; but now regions are diverging, largely because knowledge assets have increasing returns. See Weissbourd and Berry (2004), "The Changing Dynamics of Urban America," http://rw-ventures.com/wp-content/uploads/2017/01/Changing-Dynamics-report.pdf.

Suburbs[6] are home to 34 municipalities with more than 440,000 residents, 130,000 jobs and annual economic output of $16 billion. The area was once a burgeoning powerhouse for manufacturing, commodities processing and freight, with bedroom communities of blue-collar and middle-income downtown workers. As industry declined and job losses increased starting in the 1970s, the South Suburbs saw outward migration to collar counties, an eroding tax base, higher poverty and unemployment. Their population shifted toward a growing number of minority and elderly residents. Today, the South Suburbs remain home to regionally important industries, infrastructure and a skilled – but misaligned and so underemployed – workforce. At the same time, they are constrained by industrial vacancies, environmental contamination, a high tax burden and, in some areas, limited municipal capacity and concentrated poverty.

Cook County is spearheading the South Suburban Economic Growth Initiative (SSEGI) as a deliberate planning and implementation effort to more deeply understand the economic dynamics in the sub-region and create strategies to redirect the South Suburbs' trajectories as "Communities of Opportunity and Choice."[7] SSEGI has a large, ambitious scope, commensurate with the opportunities and challenges in the sub-region, seeking to "go big or go home." Implementing SSEGI's cross-cutting, integrated growth strategies across a wide range of development activities (e.g., industrial real estate, business support, workforce, innovation, housing, retail, etc.) will require coordination and alignment among a host of actors and stakeholders from the private, public and civic sectors.[8]

6 See Appendix A for reference map.

7 These terms have emerged from comprehensive sub-regional and neighborhood economic growth initiatives, which have developed a framework for understanding the mutually reinforcing roles communities play within their regions: as communities of opportunity that develop and deploy their economic assets – workers, businesses, real estate, etc. – into broader, generally regional markets, and as communities of choice whose amenities attract and retain as residents particular segments of the regional population. For additional detail, see "The Greater Chatham Initiative: Comprehensive Plan for Economic Growth and Neighborhood Vitality," June 2016, http://rw-ventures.com/wp-content/uploads/2017/01/GreaterChathamInitiative_Plan_1.pdf and "South Suburban Economic Growth Initiative Phase 1 Report," June 2017. https://www.cookcountyil.gov/sites/default/files/ssegi_full_phaseonereport.pdf, p. 6-10.

8 For much more detail on SSEGI and the South Suburbs, see the Phase 1 Report.

Mission and Goals

Design Considerations

Each development authority begins by determining its mission and goals, which can also be thought of as its scope – what aspects of the economy it is going to attempt to influence as a means of driving growth. The primary dimension along which a development authority defines its purview is by choosing the development activities in which it will engage. Entities vary from focusing on a single, if very large, real estate development (e.g., the Brooklyn Navy Yard Development Corporation, providing real estate development and property management services to a single, 300-acre site), to engaging in a broad spectrum of economic development activities (e.g., Prosper Portland, whose initiatives cover real estate development, workforce partnerships, small business finance, housing rehab financing and more). A secondary, but related, scope consideration concerns the geographic boundaries of the authority's work, which can range from a single site; to industrial districts and corridors; to entire cities, multiple counties or states. An authority might also target somewhat different geographies for different types of development activities (e.g., real estate and business development for a specific site, with aligned workforce development efforts across a much larger geography).

Examples from the Field

- The Brooklyn Navy Yard Development Corporation (BNYDC): BNYDC illustrates a relatively focused purview, acting as the developer and property manager for the Brooklyn Navy Yard. For over 150 years, the Brooklyn Navy Yard served as one of the country's most important military facilities. Today, it has been reimagined as a "mission-driven industrial park" with more than 330 businesses employing over 7,000 workers.[9] BNYDC is currently facilitating multiple new real estate developments in the Navy Yard that represent $700 million in investments, aiming to more than double employment in the area by 2020 through co-working spaces, a food manufacturing hub, and an advanced manufacturing hub, among other uses.[10]
- Alaska Industrial Development and Export Authority (AIDEA): AIDEA's scope of work covers the entire state of Alaska and includes a broad range of development sectors. The authority offers various financing programs, including loan programs for small business and start-up support. Its sources of revenue include taxable and tax-exempt bonding authority. Infrastructure development is also in the agency's portfolio, as the authority finances road, rail, port, intermodal and airport projects. AIDEA also owns and operates a shipyard, aircraft maintenance facility and oilfield, among other facilities.[11]

South Suburbs Context

The implementation of SSEGI will take place across a large geography (34 municipalities, 162 square miles and over 440,000 residents) and will cover a wide array of economic development subjects (e.g., industrial development, business support, workforce development, housing, etc.). Many existing development efforts are active in the sub-region, but they are highly fragmented across multiple government and non-profit actors and lack a center of gravity with the capacity or resources to undertake the desired range of development activities. Significantly more capacity must be brought to bear to reach the transformative scale necessary to effectively impact the South Suburbs' trajectory. This suggests the need for a fairly comprehensive entity that can attract, generate and deploy a new scale of resources, work across a broad range of development activities and coordinate many streams of activity toward a unified, transformative vision.

9 Brooklyn Navy Yard Development Corporation, "BNYDC Mission," https://brooklynnavyyard.org/the-navy-yard/bnydc-mission/.

10 Brooklyn Navy Yard Development Corporation, "Development Projects," https://brooklynnavyyard.org/the-navy-yard/development-map/.

11 Alaska Industrial Development and Export Authority (2017), "Programs," http://www.aidea.org/Programs.aspx.

Illustrative Questions for Entity Design[12]

- What circumstances suggest creation of a development authority? How do those circumstances inform the authority's scope of activities? How should the authority strike a balance between going narrow but deep in a particular type of development activity and acting broadly across disparate activities?
- Development authorities, for purposes of this paper, are focused on fostering economic development. Recognizing the extent to which many other systems – e.g., health, safety, education, environment, justice, etc. – affect the economy, when and how much can the authority relate to and engage with these other systems, without losing its primary focus on the economy?
- A development authority – especially one acting in a large geography and across multiple sectors – may tailor its missions to particular sub-geographies, based on their needs and opportunities. For example, the sub-areas most in need of certain workforce interventions may not be the same communities that need housing stabilization. To the extent a development authority may have different missions and goals for different sub-geographies, how can it best manage the political and operational tensions entailed in determining what to do where and delivering upon those decisions?

Key Observations[13]

Determining the authority's scope presents a tension between specialization and comprehensiveness. A narrow focus – e.g., on industrial land redevelopment – suggests a clear set of organizational capacities to execute that mission, fosters development of deep expertise and avoids the potential for mission creep. Engaging in a broad set of cross-sector work, on the other hand, offers the potential to align activities across silos and create a whole greater than the sum of its parts. Striking a smart balance between depth and breadth of scope requires prioritizing various challenges and opportunities, determining the degree to which they can be influenced by an authority, considering the extent to which they can be addressed in relative isolation, weighing the capacity of existing organizations doing related work and evaluating other highly localized factors. Ultimately, the organization's scope should reflect the confluence of the specific nature of the assets within the authority's geography, the current and projected market demand for those assets and the value add the organization can offer in leveraging the assets' value.

Development authority leaders advise against establishing too grand a vision, which could over-extend staff and resources, dilute focus and set the organization up for failure. For example, the Brooklyn Navy Yard Development Corporation (BNYDC) was initially established to "save manufacturing in New York City." Its mission was later refined to focus on supporting and growing the city's next-generation, high-value-added manufacturing sector. On a related note, authority leaders also recommend crafting an authority's mission and vision flexibly enough to enable it to adapt its activities, over time, in alignment with shifting economic dynamics.

Driving economic prosperity and fostering vibrant communities are interrelated and iterative efforts. Increasingly, development authorities are recognizing this dynamic and broadening their missions to include community development in addition to more traditional economic development aims. For example, the Greater Cincinnati Redevelopment Authority not only aspires to put hundreds of acres of industrial land back into productive use, but to revitalize city neighborhoods as well: "By 2022, our success in repositioning

12 The "illustrative questions" included throughout this document were initially articulated to seed discussion at the convening and are meant to reflect the scope of potential design issues, without being exhaustive.

13 Throughout this document, key observations and examples from the field summarize commentary from participants at the November 3 convening as well as findings from extensive research and interviews with leading practitioners, including heads of economic development authorities, lawyers, financiers, developers and other experts. For a full list of interviewees, see Appendix B. For a list of convening participants, see Appendix C. Note that not all of the "illustrative questions" were addressed during the convening itself, and additional, important considerations were raised by convening participants. As a result, the observations do not correspond precisely with the design questions.

undervalued properties and rebuilding neighborhoods will transform the Cincinnati region."[14] This sort of comprehensive development mission is likely to be the most appropriate approach in the context of the South Suburbs, given the complexity of the redevelopment challenges and broad range of investments – e.g., industrial redevelopment, workforce training, housing rehabilitation, etc. –that are anticipated to be necessary.

Innovative development authorities also recognize that different geographies present varied challenges and opportunities, requiring tailored approaches to investment. For example, Prosper Portland's 2015-2020 Strategic Plan specifies distinct neighborhoods or corridors for certain key actions (e.g., targeted firm attraction toward priority industrial corridors, job creation and business expansion efforts "adjacent to underserved neighborhoods"), while identifying other actions to implement at a city or regional level (e.g., workforce development, small business and M/WBE support, promoting high road business practices, etc.)

Clearly defining an authority's scope also helps clarify the entity's universe of stakeholders. Identifying the spectrum of development activities that the authority aims to impact will by extension suggest relevant partners in those areas to bring to the table. In the South Suburbs, for example, the array of anticipated investments suggests engaging a broad set of stakeholders, ranging from private business owners in particular sectors, to workforce development providers, to developers and financers of industrial, commercial and residential property, among many others.

In addition, the mission and vision can act as an initial bridge between an authority with a local or sub-regional focus and regional actors outside of its geography. By articulating how the sub-region is connected to the broader regional economy, and how the improvement of conditions in a sub-region will benefit the region as a whole, development authorities can communicate to a broader set of regional actors why they have a stake in the entity's success. For example, the Menomonee Valley Partnership is focused on revitalizing and sustaining a previously disinvested 1,200-acre mixed-use district in the city of Milwaukee. The importance of this area's success, however, is critical for the health of the Milwaukee metropolitan economy. Articulating this mission to city and regional partners has helped establish cross-jurisdictional relationships that are invaluable to the Partnership's success.

14 https://www.cincinnatiport.org/our-vision/

Strategies

Design Considerations

Once a development authority defines it scope and identifies what it hopes to achieve, it then must create a plan for how it achieves its goals – in other words, what roles the authority will play to drive growth in the development activities encompassed by its mission. These are the development authority's **"organizational strategies."** Organizational strategies of a development authority are distinct from, but related to, its **"economic growth strategies"** – i.e., the specific prescriptions for how to grow the economy by influencing levers such as industrial clusters, human capital, infrastructure, the innovation ecosystem and so on.

At a strategic level, there are at least three distinct yet overlapping organizational strategies or roles authorities employ within the broader economic development landscape:

- **Government: Packaging and Delivering Targeted Government Functions More Effectively** – i.e., providing government-related development services (e.g., zoning, permitting, clearing land titles, etc.) in a more streamlined, nimble, business-like and market-based fashion than existing municipalities and government agencies can accomplish, and with a more strategic, proactive focus.
- **Developer: Being a Strategic Economic Developer** – i.e., actively playing "master developer" roles on projects, working to move markets toward desired goals ("market making") by taking the first risk on projects, using creative predevelopment activities and financing to leverage private-sector participation in deals which would not otherwise occur and leading the creation of new products and services that shape markets and systems such as housing, workforce development, entrepreneurship, etc.
- **Coordinator and Booster: Coordinating Economic Development Activity** – i.e., acting as the center of gravity for a broad range of development activities across the relevant geography, which includes aligning and supporting existing assets and institutions, identifying and building potential synergies among activities, determining how to fill gaps where they surface and promoting the work and region more broadly.

Example from the Field

- **Prosper Portland (formerly the Portland Development Commission)** – Prosper Portland manages and delivers a wide portfolio of work and plays a variety of development roles. In its government services role, Prosper Portland is making targeted public infrastructure investments (e.g., parks, roads). Developer activities include the creation of a Community Development Fund "to provide gap financing for catalytic projects," and strategic real estate development in industrial districts and commercial corridors. As a coordinator and booster, the authority is developing partnerships with workforce development providers such as Worksystems to target training programs to specific populations, as well as working with business organizations to develop a branding strategy for Portland.[15]

South Suburbs Context

SSEGI's Phase 1 Report outlines a broad set of market-based, next-economy growth strategies that span multiple subject areas and are mutually reinforcing. A development authority will need to determine its organizational role, or roles, in bringing each of these development strategies to fruition:

15 Portland Development Commission (2015), "Strategic Plan 2015-2020," http://prosperportland.us/wp-content/uploads/2016/04/PDC-Strategic-Plan.pdf.

- Develop innovation parks to leverage strong South Suburban clusters (especially TD&L and Food Packaging) for regional growth
- Engage and provide business support to small and medium enterprises (SMEs) in priority clusters (especially Fabricated Metals and Blue-Collar B2B services), including through co-location strategies like business parks
- Promote targeted, cluster-based, employer-driven workforce training
- Organize and strengthen participation of South Suburban firms in regional cluster, innovation and workforce initiatives
- Establish the South Suburbs as a hub of outdoor recreation for the region – its "Green Playground" – through recreational space and facility improvements, associated retail development, and branding and marketing
- Enhance the South Suburbs as Communities of Choice with higher-quality housing stock and other local amenities via housing stabilization and rehab finance programs, strategic retail development, adaptive reuse of vacant residential and commercial property, etc.

The landscape of existing institutions in the sub-region presents very strong partners and programs in some areas, and issues of fragmentation and limited capacity in others. Nearly half of the 34 South Suburban municipalities in the initiative's geography have populations of less than 10,000, and many have very limited tax bases, restricting their capacity to raise revenue and effectively provide government services. The civic sector has similar characteristics of fragmentation and varying capacity levels. A few key collaborative bodies have begun to tie public and civic sector actors together to advance and align work in the sub-region (e.g., South Suburban Mayors and Managers Association (SSSMA), Calumet Collaborative, etc.). Existing public and civic institutions bring to the table many of the necessary capacities and expertise needed to drive growth in the South Suburbs, but none alone is currently equipped to manage a comprehensive development effort of the scale envisioned by SSEGI.

Illustrative Questions for Entity Design

- Which roles – Government, Developer, Coordinator – are most appropriate and needed for the economic development strategies and implementing activities the authority anticipates undertaking?
- What roles do the stakeholders in each of the development activities most want the development authority to play?
- How does the existence of current entities impact how the development authority defines its roles with respect to various types of development activities, so that it leverages others who can play these roles and is not seen as threatening or competing with them? How should it approach defining relationships and communicating a clear, compelling value proposition (and value-add) in a large, fragmented field of existing actors and institutions?

Key Observations

Determining the appropriate role for an authority with respect to any particular type of development activity is influenced by the authority's theory of change and where it believes it can be most effective. This is in turn impacted by the specific characteristics of the regional economy and the presence, capacity and competencies of existing institutions and stakeholders engaged in related activities. It is quite possible for a development authority to take on more than one role, even within the same development activity – for example, conducting land assembly and clearing taxes for a commercial property (government), then acting as master developer and co-owner in the development of the site (economic developer) and facilitating workforce or business services to tenants via a pre-existing partner organization (coordinating).

An authority's governmental role can be particularly valuable in the context of real estate development activities. Endowing a separate entity with governmental powers may enable it to distance – if not remove – itself from bureaucratic protocols that might otherwise hamper development efforts. For example, a development authority might streamline the processes for zoning, permitting and other relevant real estate functions to catalyze development in its target geography. Further, wielding governmental powers through a development authority can help shield its actions from day-to-day political influence, parochialism and cronyism. A professionally managed authority would not necessarily be required, for example, to subject each of its development projects to approval by local elected officials. This type of political insulation provides it with freedom to engage in more strategic, long-term decision-making than might be possible for, e.g., a planning and development department embedded in city or county government. With this long-term orientation, an authority may also be better equipped to identify and engage in opportunities to leverage and maximize the value of real estate assets, whereas governments are normally more attuned to and have greater experience with cost reduction and efficiency activities with their land and buildings.

Taking on the strategic economic developer role is also valuable in the context of real estate development activities. The authority can shoulder the "first risk" on real estate development projects, catalyzing the market and enticing private-sector actors to follow. This role allows the authority to control development outcomes on key sites by acting as the master developer (on its own or through a partnership) or by undertaking an RFP process that sets the conditions for what will be developed on the site. For example, a South Suburban Development Authority might take the lead on identifying, acquiring and doing predevelopment work on a high-priority development site to foster a catalytic industrial development. Depending on its capabilities and the availability of suitable co-investors, it might also engage a development partner and participate in executing the project.

Further, development authorities – as separate entities from their local governments – can facilitate deals by making investments or otherwise incurring financial liabilities that governments are not obligated to back or guarantee. They may also have more ability to design and deploy novel financial instruments that attract and leverage private capital to development opportunities in the authority's jurisdiction (see, e.g., GCRA's Patient Capital Fund in the Financial Products and Services section, below).

A development authority can further add value by playing the strategic economic developer role in areas other than real estate development. It might, for example, identify the need for new programs or investments in areas such as workforce development, business support or housing and neighborhood development, then engage partners in the collaborative design and launch of new entities or initiatives to drive growth. In the South Suburbs, for example, this might translate to working with local housing non-profits to establish and administer a fund that supports underwater homeowners in rehabilitating their single-family properties.

The coordination role is an essential one for development authorities to play across a broad range of development activities to ensure that initiatives and actors are aligned and mutually reinforcing. Playing this role may lead the authority to explore a distributed work model as a means to organize and manage a diverse set of partners engaged in project implementation (see Operations and Structure). For example, Menomonee Valley Partners has played a comprehensive convening role around workforce issues faced by employers within the Valley, with a focus on bridging the divide between residents from neighboring communities and available job opportunities. Starting with monthly meetings of Valley HR employees, common workforce issues emerged that could be addressed collectively. Based on companies' priority issues, MVP has facilitated and built connections between Valley firms and relevant organizations and resources, such as conducting neighborhood outreach through community groups, developing links between companies and summer youth employment programs, establishing youth mentorship programs, etc. The success of these HR roundtables has prompted the establishment of additional "Valley Circles" – monthly meetings of Valley staff in IT, marketing, facilities, CNC operators, etc. – to discuss and address their unique workforce challenges and opportunities. Across these groups, MVP has maintained its convening role; feedback from Valley employers, funders and MVP's Board has consistently stated that MVP should not currently engage in direct workforce service delivery.

However, if coordination is the authority's only role, the organization may not be positioned in a way that affords it much influence within the landscape of economic development stakeholders. Playing the coordinator role is necessary, but tends not to be sufficient, to deliver on an authority's mission and goals. Successful development authorities generally bring additional value-added to the activities.

Determining the most effective combination of these roles for a development authority to play, in what relative proportions and in which situations, is very context-specific. Experts' primary guidance is to ensure that the authority embodies a combination of roles that are complementary to one another, leverage existing high-capacity partners and do not stretch the organization too thin.

In deciding among the various roles and their relative emphasis within a development authority, several considerations surfaced:

- *Government*: Heavy emphasis may be most appropriate in situations in which ***jurisdictional fragmentation*** poses a significant obstacle to reinvestment by increasing the transaction costs of real estate development or opening a business. It might also be a focus if local governments ***lack financial or staff capacity*** to undertake necessary development activities or to effectively leverage the powers and resources at their disposal (e.g., bonding authority).
- *Developer*: Most fitting when ***implementation organizations are few in number or lack sufficient capacity for the scope of the desired development activity***, requiring the authority to identify and raise new funding, contribute staff capacity and expertise and drive development activity. This role is also likely to be emphasized if an element of ***"market making" is required*** – e.g., where long-term disinvestment has depressed market activity and the authority can be a "first mover" to shoulder some of the initial investment risk and build momentum.
- *Coordinator or Booster:* Where an ***array of high-capacity, well-resourced implementation organizations already exists***, this becomes a substantial role of the development authority. The focus should be on acting as a "fulcrum" and center of gravity to align and scale existing efforts, and to develop resources and initiatives, directly or through strengthening partners, to address new opportunities.

In the South Suburbs context, a development authority would likely emphasize the government and developer roles, given public-sector fragmentation and capacity challenges, and the need to make catalytic investments that can move the market, particularly with respect to industrial real estate development. The coordinator role would be important in connecting and scaling workforce and business development and other activities led primarily by partner organizations.

With respect to any role an authority plays, experienced development authority leaders emphasize the importance of establishing trust with relevant stakeholders. Critical constituencies need to have confidence in the long-term aims and strategies of the authority and believe that its cumulative efforts will benefit them and their stakeholders, even when individual decisions or activities are not fully aligned with their own organizations' priorities. Authorities can achieve this in part by demonstrating their added value to the development environment, supporting and supplementing, rather than competing with, partners' activities, and growing the overall pool of resources, instead of competing for limited funds.

Constituencies should also feel a sense of ownership of the authority, through input into its creation and management and operating relationships, as well as sharing a common vision of the authority's long-term trajectory and aims. Developing a distributed work model among partners for initiative implementation and product delivery will provide an infrastructure through which these activities, and the missions behind them, can be continually aligned (see Operations and Structure). All of these factors can be supported by the interpersonal trust that is built through one-on-one relationships with key partners over time, particularly through consistent face-to-face interaction and visibility among partners in the community. As the authority achieves results, it will come to be seen as a valuable addition to the economic development landscape, strengthening existing partners' faith in its effectiveness and attracting new stakeholders to the table.

Products and Services (Non-Financial)

Design Considerations

Depending, of course, on its economic development strategies, and its organizational role with respect to each, the development authority will deliver an array of products and services. Examples, organized by role, are detailed below. Financial products and services (e.g., bonding, taxing, value capture) are discussed in the next section. Exploration of how the development authority will deliver the products and services (e.g., directly or through partners) is further examined in a later section on operational considerations.

Table 1: Illustrative Products and Services

Development Authority Role	Products and Services
Packaging and Delivering Targeted Government Functions More Effectively	• Land assembly • Land banking • Infrastructure development • Planning, permitting, code enforcement • Eminent domain • Clearing taxes, titles • Land use zoning • Creating growth/development zones • Shared services (which may include a broad set of potential services beyond economic development) *(Bonding and taxing powers will be discussed in conjunction with financial products and services)*

Being a Strategic Economic Developer	• Real estate development
	    • Pre-development
	    • Site acquisition and due diligence
	        • Site planning and preparation
	        • Environmental remediation
	        • Master developer
	• Serve as limited partner
	• Property management
	• Product and program design and delivery
	    • Workforce development (e.g., sector-based curriculum development, apprenticeship programs)
	    • Housing (e.g., data analysis, homeowner counseling)
	    • Minority entrepreneurship and small business support (e.g., capacity building, targeted accelerators, business advice and finance)
	• Program management

Coordinating Economic Development Activity *(including in non-economic spaces impacting economic development (e.g., schools, public health)*	• Market analysis • Strategic planning • Stakeholder engagement (e.g., assembling industry consortia) • Coordination, support and alignment of partner activities • Marketing/branding • Advocacy/policy

Example from the Field

- **Greater Cincinnati Redevelopment Authority (GCRA)** – GCRA manages and delivers a wide array of products and services falling under multiple strategic roles. With jurisdiction over Cincinnati and all of Hamilton County, GCRA provides government services, such as running the county's land bank and foreign trade zones, issuing bonds and utilizing eminent domain (with City and County approval). The authority has also played a master developer role for residential real estate projects, and has recently expanded that portfolio into industrial development, with the goal of redeveloping 500 acres into 8 million square feet of new manufacturing facilities.

South Suburbs Context

SSEGI has developed a set of preliminary economic growth strategies, requiring a variety of products and services to bring them to ground:

- Land assembly, remediation, and pre-development of industrial land for innovation centers, industrial parks, priority-cluster firms, etc.
- Land assembly, construction of recreational infrastructure (e.g., biking and hiking trails) and facilities (e.g., campgrounds, marinas, etc.), and land assembly and predevelopment for associated amenities (e.g., retail, restaurants, lodging) to make the region a green tourism destination
- Employer engagement, curriculum development, creation of apprenticeship programs, stacked credentialing programs, job placement mechanisms and protocols, etc., to create and expand employer-driven workforce training programs targeted to various population segments (e.g., opportunity youth, displaced manufacturing and office workers, incumbent workers)
- Collection and analysis of housing and socioeconomic data, housing counseling for underwater homeowners and finance products to support first-time homeowners and facilitate rehab of outdated properties to catalyze private-market development activity and stabilize the market
- Detailed market analysis, including socioeconomic analysis and supply-demand analysis by store type, identification and acquisition of vacant or obsolete properties, predevelopment of sites and other financial supports to enable commercial and retail development
- Alignment and scaling of regional programs including identifying, engaging and building capacity of local firms to participate in regional cluster and supply chain initiatives (e.g., CASE, Chicagoland Food and Beverage Network, Chicago Metro Metals Consortium, etc.); facilitating information exchange and coordination between regional workforce development and placement programs and local employers and workforce training providers; etc.

A South Suburbs development authority will need to determine what products it will deliver to further each of these initiatives, based on its organizational strategy or role (government/developer/coordinator) and based on the capacities of potential partners. For example, the development authority may determine that industrial real estate development in the South Suburbs would be supported more effectively by providing both government functions such as land assembly and zoning changes, and developer functions; while enhancing workforce development efforts may require the authority to play a coordinator role entailing strategic planning, alignment, advocacy or financial support to an existing capable partner organization. With respect to existing organizations and initiatives working in these areas, the development authority must assess the extent to which those current development efforts are or would want to be aligned with, inform and become part of the development authority's mission, and have or could develop the capacity to deliver on the needed programming.

Illustrative Questions for Entity Design

- What products and services will various stakeholders (businesses, developers, governments, economic development partners) most want the development authority to provide to shape and move the market in:
  - Real estate development
    - Industrial
      - Smaller, scattered-site development
      - Large-scale developments (e.g., innovation districts, industrial parks)
    - Commercial
    - Residential
  - Workforce development
  - Innovation support (e.g., innovation centers, R&D commercialization)
  - Entrepreneur/Small-business support (e.g., incubators/accelerators, minority entrepreneur investment funds)
  - Housing finance (e.g., housing stabilization/rehab finance)
- With respect to providing governmental products and services (e.g., eminent domain, clearing taxes, etc.):
  - Is it likely that the costs or constraints associated with obtaining the governmental power (e.g., navigating the politics of the authorizing body, elements of control the authority must cede to obtain a power) will outweigh the benefits? How can those costs be mitigated?
  - What are alternative ways of leveraging governmental powers indirectly (e.g., intergovernmental agreements with municipalities to coordinate activities and exercise their powers on authority's behalf)? What are their costs and benefits relative to obtaining the powers outright?
- In a scenario where a group of smaller municipalities of varying capacities suggests shared services opportunities:
  - Which economic development services traditionally within municipalities' purview could the development authority be well suited to take on and provide through a shared services model (e.g., aggregation of local bonding capacity)?
  - How can shared services be structured to highlight benefits, reduce the perceived threat to municipal authority and generally garner buy-in?
  - Are there additional shared services (beyond direct economic development activities) worth exploring with respect to broader municipal functions (e.g., development and management of stormwater infrastructure, utilities)?

Key Observations

Determining products and services of course flows from the development authority's economic development and organizational strategies. The authority will continually identify products and services to implement its strategies, and then determine, based on resources and capacities of its partners, its role in directly developing and delivering them or supporting partners to do so. It must also address issues of focus and prioritization, based on market readiness, potential impact, interest in a combination of short and long term visible progress and other factors. For example, specific product selection will depend upon an assessment of demand from potential customers and clients (e.g., services real estate developers need to move deals forward, training programs employers are seeking to enhance their talent pipeline), as well as the current supply of products and their providers (i.e., the presence, quality and capacity of economic development organizations). As an authority considers governmental products and services in particular, it will need to determine which of the requisite powers can be granted under state and local law – what can be ceded vs. shared jointly, differences between home-rule and non-home-rule jurisdictions, etc. – and what is politically feasible given local public-sector dynamics.

Authorities need to be mindful to assemble a suite of products and services that are complementary and build off of a set of core capacities and expertise. Development authority practitioners advise that some combinations of products and services do not co-exist well within a single entity, due to the widely differing funding sources, staff expertise and other capacities needed to execute them effectively. For example, an entity that engages in infrastructure investment, land use planning and zoning and permitting review will not inherently be well-suited to also undertake the delivery of sector-based workforce training or housing finance programs. For authorities with broad missions and scope, undertaking the full range of these somewhat disparate economic development activities, this often means creating multiple related entities *(see Operations and Structure, below)*.

As a potential portfolio begins to take shape, the authority must resolve questions of scale and staging. The authority will need to weigh the pros and cons of launching a broad suite of products and services from the outset (and in terms of government services, expending the political capital to obtain those powers up front) versus starting with a smaller set of activities. In the first instance, the authority may be increasing its odds for generating impact and value by engaging in a complete set of integrated, synergistic activities that are greater than the sum of the parts, while also risking being stretched too thin to perform those activities well. Conversely, a smaller set of initial activities will allow the authority to deeply engage with its priority sectors and have high-quality impact sooner, but at the risk of that work being too small or isolated to create meaningful change. In many cases, authorities establish a broad mission, set of strategies and anticipated portfolio of products, but seek to start with more targeted activities that establish its value and make a demonstrable economic impact. Establishing early wins and catalyzing emerging activities within the authority's scope will be crucial to establishing buy-in and trust for further work.

Given their historic orientation toward land development, a large share of development authority products and services revolve around some type of real estate development. A number of these activities fall under the government role and aim to lay the groundwork for and direct the nature of what will be built in the authority's target geography. These include preparing otherwise undesirable properties for redevelopment, including through land assembly and banking, at times through eminent domain, clearing taxes and titles and infrastructure development. These products are particularly critical for authorities in which a significant amount of land requires environmental remediation, is tax delinquent or faces other development challenges that have left it idle for long periods of time. Many of these services clearly require the acquisition of these government powers.

Governmental services provided directly to real estate developers can also be valuable, particularly when the development authority can exercise these powers in multiple jurisdictions within its target area. Developers can find it cumbersome to interface with multiple government bodies and agencies in fulfilling the regulatory requirements of a real estate project (e.g., zoning, permitting). Authorities that serve as a "one-stop shop" for these government services can significantly streamline the development process. Private real estate developers articulate this service as one of the primary value-added activities of development authorities, as it provides greater clarity and reduces their costs of and timeline for development. Finally, authorities may also be able to provide governmental services more efficiently than other public bodies, as they are often more independent and less politicized and bureaucratic in their decision making, able to find a balance between public- and private-sector operational styles. This orientation is developed in part through organizational norms and policies, and it is also a function of authorities not being subject to certain administrative requirements (e.g., FOIA, open meetings, procurement rules, etc.) to which governments are beholden. The Greater Cincinnati Redevelopment Authority, for example, can be more nimble than other local government bodies in part because it is not subject to the same prevailing wage, public bidding and other requirements.

Other services, more aligned with the strategic economic developer role, are key to directing development toward the vision articulated by the organization and its stakeholders. For example, some authorities engage in land use planning, advocate as needed for zoning and design guideline changes and play much more active pre-development and development "market making" roles drive broader development goals. They often partner with developers and investors to directly undertake large-scale, catalytic projects. These more active services may be particularly appropriate in areas with depressed real estate markets.

The Menomonee Valley Partnership is a prime example of combining and implementing these first two types of products and services. In 2005, the organization purchased the site of the former Milwaukee Stockyards, utilizing pre-development funds it received from the State of Wisconsin. MVP then hired contractors to perform two rounds of environmental site assessments, which identified issues with groundwater levels and soil contamination, and helped to secure brownfield grants to mitigate remediation costs. MVP also acted as a crucial intermediary between the developers and the Wisconsin Department of Natural Resources (DNR), navigating state review processes necessary to approve the site as development ready. Alongside these activities, MVP drafted development guidelines that were added to the land sale agreement that sought wage and job density targets (and which were subsequently used throughout the Valley on other developments).[16]

In workforce development, authorities are more likely to play a coordinating and convening role, given the distinct capacities required and the more frequent availability of qualitied providers. Development authority heads report that coordinating workforce development can be a particularly challenging activity to perform well, particularly considering the range of established institutions and changes in labor markets and approaches. Given their greater market focus and connections to businesses, governments, trainers and other stakeholders, authorities are well positioned to play a convening role and particularly to help align the various components of the workforce system and update and target them around emerging market opportunities. Some go further – for example, the Brooklyn Navy Yard Development Corporation acts as an outsourced HR function for firms in its target geography by helping them craft job descriptions and maintaining a candidate database. This can be an especially valuable service for development authorities that are focused on supporting start-ups or developing small businesses, both of which often have insufficient in-house HR capacity to recruit effectively.

A range of services may fall under the authority's coordinating role. These may be overarching services such as marketing and branding for the target geography, community engagement, acting as liaison or "translator" between local governments and firms, communications and messaging – i.e., serving as the "voice" of the community – and so on. Authorities with a focus on industrial development have been called upon to assist with branding manufacturing broadly as an attractive career opportunity as one low-cost way to prime the long-term pipeline of workers, for example through facilitating factory tours and engaging with the K-12 education system. Some development authorities have also been asked to enhance the connectivity of firms and workers in their jurisdictions, doing so by managing affinity group meetings, arranging for virtual and in-person networking events and forums or surveying firms and neighboring residents on hiring and employment barriers (e.g., transit access, perception issues, skills gaps, etc.). These community and stakeholder outreach, engagement and networking roles are most important where the business landscape is diverse, fragmented, transitioning (e.g., an industrial area becoming increasingly mixed-use as technology, service and other uses increase) or geographically distant from one another.

A development authority operating across multiple municipalities is in effect providing a set of shared economic development services to its constituent governments. Such an authority may also consider offering

16 Joe Peterangelo and Rob Henken, "Redevelopment in Milwaukee's Menomonee Valley: What Worked and Why?" September 2014, https://publicpolicyforum.org/sites/default/files/Valley%20report%20final.pdf.

to deliver other shared services on behalf of participating local governments, which may be of particular value to resource-constrained municipalities. Taking advantage of the authority's ability to aggregate and coordinate work across jurisdictions, and to more efficiently provide shared expertise that may not be affordable to each of the constituent governments, opportunities fall into three primary categories: (1) services local governments are performing directly (e.g., maintenance of vacant properties), (2) services they contract out for lack for staff capacity (e.g., land use planning) and (3) products they are purchasing (e.g., insurance). In each of these instances, the authority may be able to provide the service or acquire the product more cheaply at scale. For example, the South Suburban Land Bank and Development Authority prepares and files land abandonment cases for its member jurisdictions; and in 2016 it prepared and submitted grant applications on behalf of the cities of Joliet and Park Forest to the Illinois Housing Development Authority's Blight Reduction Program, resulting in nearly $1.8MM in forgivable loan funding.[17]

17 Illinois Housing Development Authority, "$10.5 Million in Federal Dollars Put to Work Against Blighted Housing," Feb. 24, 2016, https://ihda.org/wp-content/uploads/2016/03/IHDABRP2_Centralia_FINAL-1.pdf.

Financial Products and Services

Design Considerations

As with non-financial products and services, a development authority's roles will require it to develop and deploy an appropriate array of financial products tailored to support implementation of its economic development and organizational strategies. It will also need to identify and attract new financial resources that are sufficient to fund its activities (including its financial products) and support its overall operations, and that are sustainable for the long term.

While the subject of sources of funding to support the development authority's activities (including its general operations) is distinct from the subject of uses of that funding (i.e., the financial products provided to support development projects or programs), they are intimately connected, particularly with respect to the sources and uses commonly employed by development authorities. As a result, the discussion and list of examples, below, tend to combine the two related subjects.

Examples from the Field

The range of funding sources a development authority might leverage and the range of financial products it might deploy – again, distinct but related dimensions – are diverse and complex. They can be differentiated according to the organizational strategy or role that the development authority is playing (government/developer/coordinator), as well as by the type of activity the development authority is undertaking (e.g., land development, workforce development, etc.).

Tax-exempt Bonds

- General obligation bonds
- Revenue bonds
    - Backed by government entity-generated revenue (e.g., toll roads, airports, water and sewer utilities)
    - Private activity bonds (e.g., IRBs[18])
- Non-traditional bonds
    - Social impact bonds
    - Workforce development bonds
    - Green or climate bonds that finance environmental/climate change mitigation projects
    - Property Assessed Clean Energy (PACE)[19]

Social Impact Bonds: These bonds generate returns based on the achievement of positive social outcomes, which mean cost savings for society and the representative government. These bonds finance socially conscious programming that can serve economic development goals like workforce development. If the programs show significant returns in the form of cost savings, bondholders are repaid, and government units save on costs while achieving relevant social goals. As a new form of bond, their application has had mixed results to date. A coalition between New York City, Bloomberg Philanthropies and MDRC piloted

18 Industrial revenue bonds are a subset of private activity bonds, which finance "facilitates owned or used by private, for-profit parties" and paid back using revenue from private users. Uses are restricted (i.e., cannot use for commercial buildings, shopping centers) and regulated, notably with volume caps set by the federal government on total private loan activity allowed each year (Seidman, pg. 342).

19 With PACE bonds, governments establish "energy special improvement districts" and issue bonds that finance energy efficiency upgrades on properties within the district; participating property owners are charged a line-item on their property tax bill to pay the government back.

the first social impact bonds on Rikers Island to fund programing to reduce adolescent recidivism, with the results insufficient to trigger repayment to investors.[20] A preschool expansion program funded through social impact bonds in Chicago has been more successful, with more than half of the group of preschoolers involved deemed "kindergarten ready," translating into estimated long-term cost savings of $7 for every $1 of taxpayer money.[21] Investors received maximum repayment through 2016, on track to doubling their investment.[22]

Workforce Development Bonds: Iowa and Missouri have crafted incremental bonding models geared toward workforce development. Relying on diverted state payroll taxes (from the company relocating or expanding) to provide revenue to repay bondholders, local development authorities or workforce development boards can finance new worker training programs coinciding with business relocation and expansion.[23] Businesses receive the benefits of workforce development programming, while the governments and training providers can access a new funding source.[24] Ultimately, when bonds are paid off, payroll tax receipts are increased. Since all employers pay into payroll taxes, this mechanism can similarly be applied to non-profits, governments, and other tax-exempt organizations. The Iowa and Missouri models utilized community colleges, granting them bonding authority through state legislation, but the same approach could be utilized by non-academic entities with bonding authority.

Taxes and Tax-Related

- Property/sales taxes, including one-time, special-purpose assessments
- Tax Increment Financing (TIF) districts/urban renewal districts (funded via property or sales taxes)
- Business Improvement Districts (BIDs)/Special Service Areas (SSAs)
- PILOT (payment in lieu of taxes)
- State income tax increment funds[25]
- Tax credits (federal and state) – New Markets Tax Credits (NMTC), Low-Income Housing Tax Credits (LIHTC), historic preservation

Indiana "5/50" Program: An Indiana law passed in April 2017 permits cities and counties with land banks to provide property tax breaks of up to 50% for five years on properties purchased from land banks. Those ordinances can also allocate some portion of the remaining tax proceeds to the land bank over that five-year period, providing a supplemental funding stream. This provides an incentive for land banks to find high-quality purchasers for their properties, as property value increases could result in additional revenue to the land bank.[26]

Montgomery County, OH ED/GE Program (Economic Development/Government Equity): The ED/GE Program is a hybrid government grant/tax increment model that utilizes two distinct, but linked funds: (1) the ED Fund provides bi-annual grants to County economic development projects and (2) the GE Fund receives

20 Cohen, Donald, and Jennifer Zelnick (2015), "What We Learned From the Failure of the Rikers Island Social Impact Bonds," Nonprofit Quarterly.

21 Sanchez, Melissa (2016), "Investors Earn Max Initial Payment from Chicago's Social Impact Bond," The Chicago Reporter.

22 *Ibid*.

23 Andreason, Stuart (2016, Federal Reserve Bank of Atlanta), "Financing Workforce Development in a Devolutionary Era."

24 *Ibid*.

25 E.g., Brownfield Redevelopment and Intermodal Promotion Act (BRIMPA), an Illinois state law to encourage the redevelopment of industrial parcels near intermodal facilities in the South Suburbs. Investments within a designated zone would be "funded with incremental individual income tax generated from employees in the zone." See South Suburban Mayors & Managers Association, "Brownfield Redevelopment & Intermodal Promotion Act (BRIMPA)," http://ssmma.org/brownfield-redevelopment-intermodal-promotion-act-brimpa/.

26 Vandenberge, Jordan (2017), "Bill Stemming from Evansville Man's Capstone Project Becomes Law," Nexstar Broadcasting, Inc., http://www.tristatehomepage.com/news/local-news/bill-stemming-from-evansville-mans-capstone-project-becomes-law/709690556.

a part of any increases in property and income taxes experienced by participating municipalities and shares it with other municipalities (i.e., towns can either pay into Fund or receive from it), so that all towns in the County are benefiting from others' growth. The program includes a "settle-up" mechanism occurring every three years, so that over time communities contributing to the GE Fund (i.e., experiencing growth) will receive an equivalent amount of ED Fund dollars.[27]

Zoning-Related

- Foreign trade zones
- Enterprise/Growth/Redevelopment/Opportunity Zones
- Development fees (e.g., density bonus fees)
- "Strategic zoning" – fees associated with certain changes in zoning designations

Foreign Trade Zones (FTZ): An FTZ is a site within the United States, in or near a U.S. Customs port of entry, where foreign and domestic merchandise is generally considered to be international commerce. FTZ users realize cost savings through tariff relief and time savings through reduction of paperwork. Benefits of an FTZ include:[28]

- **"Inverted tariff" relief**: In some cases, certain raw materials or products from original equipment manufacturers (OEMs) may have higher duty rates than the finished product. This can place U.S. manufacturers of some goods at a cost disadvantage to importers. By operating in an FTZ, the U.S. manufacturer pays whichever duty is lower when its goods are imported to the domestic market.
- **Duty-Free re-exports**: A company importing components or raw material into the FTZ does not pay Customs duties unless those goods, or finished products made from them, enter U.S. commerce. If the company exports the goods directly from the FTZ, it does not pay any Customs duties.
- **Deferral, reduction or elimination of certain duties and fees**: FTZ companies can realize savings on paid duties from production waste and scrap materials and may be exempt from local business inventory taxes.

Strategic Zoning – Chicago Neighborhood Opportunity Fund and Industrial Corridor System Fund: "Strategic zoning" in Chicago helped to create the Chicago Neighborhood Opportunity Fund (CNOF) and the Industrial Corridor System Fund (ICSF). The City of Chicago extended its "downtown" zone and allowed developers to acquire density bonuses in that expanded zone in exchange for payments into the CNOF. By March 2017, this system had generated $15.6 million in fund payments.[29] The City also removed the Planned Manufacturing District designation from areas of the North Branch Corridor, and with protections of manufacturing uses loosened, developers can apply for zoning changes allowing non-industrial uses and pay a fee into the ICSF.[30] Grants from the CNOF will be available to business and property owners from designated commercial corridors in the city's low- and moderate-income neighborhoods to support real estate development or rehab[31], while the ICSF will help finance improvements in the City's remaining industrial corridors.

27 Montgomery County (2018), "ED/GE Program," http://www.selectmcohio.com/mcohio/economic-development/incentives-and-assistance/?item=1358.

28 Foreign-Trade Zone Corporation (2017), "Overview of the Key Benefits of the Foreign-Trade Zone Program," http://www.ftzcorp.com/foreign-trade-zone-benefits.aspx.

29 Spielman, Fran (2017), "Neighborhood Opportunity Fund to Get $15.6M Windfall," Chicago Sun-Times.

30 Koziarz, Jay (2017), "Mayor Emanuel Introduces Transformative Zoning Ordinance for Chicago's North Branch Corridor," Curbed Chicago. For additional materials related to both CNOF and ICSF, see also North Branch Framework Plan and Design Guidelines at https://www.cityofchicago.org/city/en/depts/dcd/supp_info/north-branch-industrial-corridor.html.

31 Neighborhood Opportunity Fund. Accessed July 25, 2017. https://neighborhoodopportunityfund.com/.

Value Capture

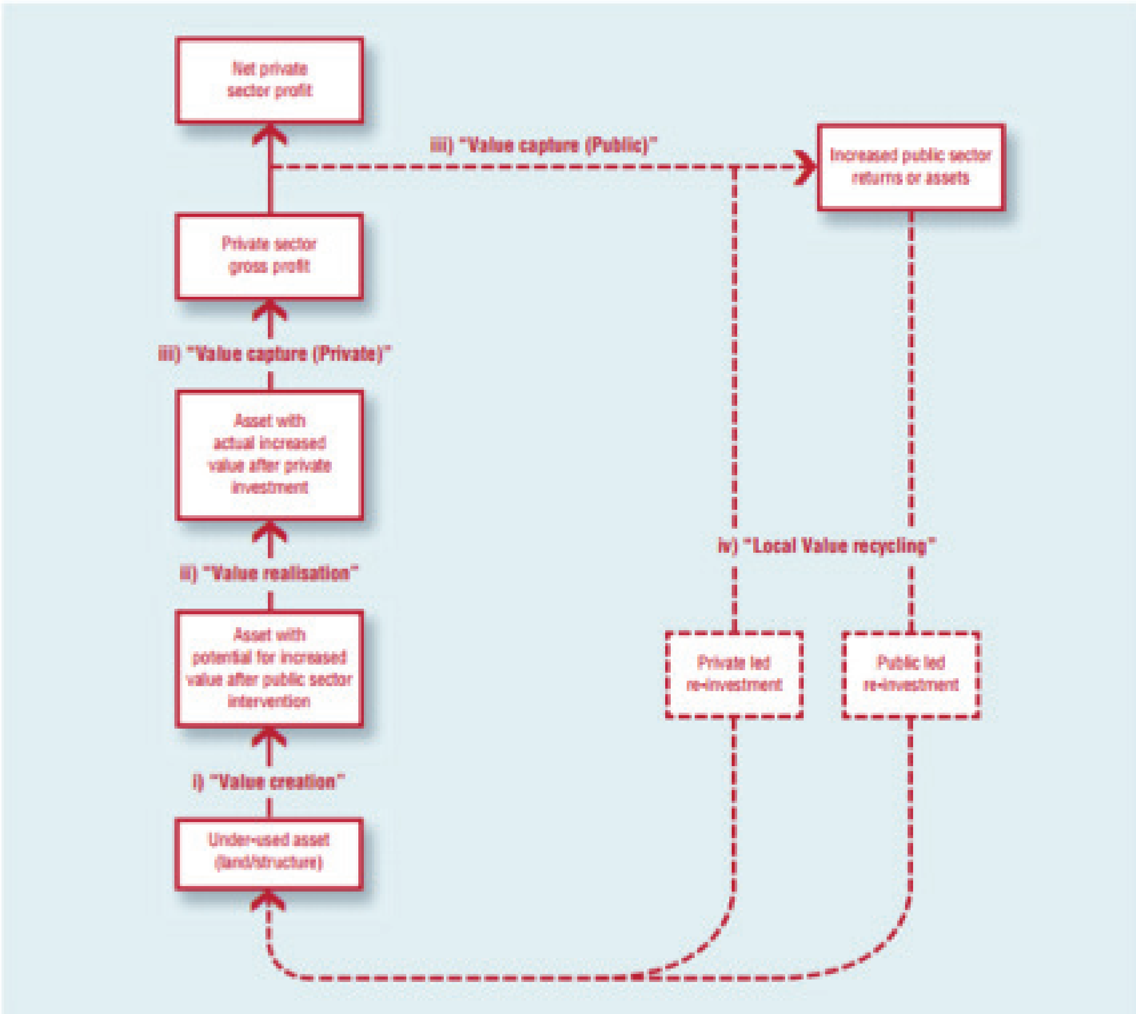
A successful economic development authority will inherently create wealth, and a key, long-term source of finance flows from structuring the authority's participation in development activity to capture some of the value created to support authority's on-going work. This may occur through capturing value added in moving assets to market (e.g., assembling, environmentally remediating and then selling land) or in retaining interests in development deals, whether they are industrial parks or MBE investments. The biggest opportunities often flow from conceiving broader development with partners and capturing some of the appreciation (see below). Each time an authority engages in a value-creating activity, it should consider how to secure some of the resulting economic benefits to sustain its work.

Value capture mechanisms include a broad range of equity or similar participation in co-developments that an authority can undertake through public-private partnerships, joint ventures, etc. Though the vehicles and their structures can vary, the process of value capture can be thought of generally in three steps[32] (*see Figure 1, next page*). First, "value creation" results from public-sector investments that increase an asset's value (e.g., environmental remediation increasing the market value of an industrial site by reducing the costs to develop it). A private-sector investment will then cause "value realization," as the newly increased value of the asset is tapped (e.g., a new industrial park is built on the previously contaminated site). The "value capture" itself occurs through arrangements made by the public sector to receive some proportion of the private-sector returns.[33]

32 Joe Huxley, "Value Capture Finance: Making Urban Development Pay Its Way," Urban Land Institute, http://uli.org/wp-content/uploads/ULI-Documents/Value-Capture-Finance-Report.pdf.

33 A potential fourth step is "local value recycling," creating a virtuous cycle by repeatedly reinvesting the captured value into a next set of investments.

Figure 1: Illustrative Value Capture Cycle



Source: Urban Land Institute

Copenhagen City and Port Development Corporation (CPH): This publicly owned, privately managed entity has transformed the city's declining, industrial waterfront. Through consolidation of land owned by the city and federal governments, leveraging land value to fund infrastructure improvements (including a new Metro system), and selling or leasing the increasingly valuable land to developers, CPH has stimulated billions of dollars of new investment and development.

Transit value capture: Special assessment districts and TIFs have been used by transit agencies in several US cities and regions to capture a portion of the benefits to surrounding property owners from construction of new rail lines and stations. Examples include the Washington, DC area's Silver Line extension and construction of Denver's Union station multimodal hub, Los Angeles's Red Line and San Francisco's Transbay Transit Center, among others.[34] In addition to using tax-related vehicles, governments and development agencies can form joint ventures and P3s to participate directly in real estate development adjacent to transit investments and capture the related land value.

34 https://www.apta.com/resources/reportsandpublications/Documents/APTA-Value-Capture-2015.pdf.

Investment Funds

- Impact investment funds
- Entrepreneurship venture funds
- Community REIT (real estate investment trust)
- Revolving loan funds
- Foundation program-related investments (PRIs)

Patient Capital Fund: To support its industrial real estate development strategy, the Greater Cincinnati Redevelopment Authority (GCRA) has created a Patient Capital Fund and accompanying notes to attract private capital and provide modest returns on those investments. The proceeds from note sales will go toward the purchase, pre-development, remediation and rehabilitation of industrial sites, growing the inventory of parcels that are amenable to new manufacturing facilities. A first round of notes provided a key portion of the capital necessary to obtain 75 acres of underutilized industrial land.[35]

Loans

- General commercial loans
- EB-5 Loans
- HUD 108 program[36]
- Sale of loans on the secondary market
- Borrowing in anticipation of bond issuance
- Federal Home Loan Banks
- Community Reinvestment Act (CRA) and other commercial debt

EB-5 Loans: Foreign entrepreneurs fund the EB-5 program, becoming eligible to apply for a green card if they make a qualified investment in a new American job-creating commercial enterprise or the expansion of an existing commercial enterprise. Qualified investments (typically $500,000 or $1 million) are ones that will create at least 10 permanent full-time US jobs at a new enterprise or expand either the net worth or workforce of an existing enterprise by at least 40%. Funds can be directly invested into a project, but more often they are collected and distributed through an EB-5 Regional Center into projects that require larger sources of capital. These investments are low-interest loans that are typically paid back within 5 years, such as those provided by PIDC's Welcome Fund.[37] The Brooklyn Navy Yard redevelopment project received $60 million through EB-5 investments, coupled with $81 million of equity investment from federal, state and local governments to fund improvements to surrounding infrastructure and to rehabilitate their Green Manufacturing Center.[38]

Government grants

- Federal – HUD (e.g., CDGB, HOME), EDA, EPA
- State and local programs

35 Greater Cincinnati Redevelopment Authority (2017), "Patient Capital Fund," https://www.cincinnatiport.org/what-we-offer/impact-investing/patient-capital-fund/.

36 This program allows municipalities to use a portion of their CBDG funding for loan guarantees.

37 Philadelphia Industrial Development Corporation, "Welcome Fund (EB-5) Loan," http://www.pidcphila.com/product/welcome-fund-eb-5-loan.

38 For a detailed description of the EB-5 loan process using the Brooklyn Navy Yard example, see: http://icic.org/wp-content/uploads/2016/04/ICIC_EB5_infographic-1.pdf.

South Suburbs Context

Implementation of the initiatives anticipated in SSEGI will require significant financial capital, from a diverse set of revenue sources, as well as associated financial products to support the varied scale and timeframe of anticipated activities. Complicating but also elevating the importance of the identification of such sources and products is the heavy property tax burden the South Suburbs currently face. As businesses and homeowners have left the area, the remaining tax burden has fallen upon a shrinking number of taxpayers and a tax base which has declined substantially in value. Existing property owners have little ability to pay additional taxes, and cash-strapped municipalities need all available tax revenue to support basic government services. This situation makes it imperative for the development authority to bring new resources to bear. Over time, economic development initiatives will generate new industrial, commercial, retail and residential value, improving the tax base and increasing revenue. In the shorter run, the authority needs to identify new resources and aim for "self-funding" activities. For example, that the South Suburban Land Bank and Development Authority (SSLBDA) and Cook County Land Bank Authority (CCLBA) each derive revenue from land sales increases their appeal to stakeholders.

Several streams of federal funding could help support the authority's work, many of which are already deployed in development activities in the South Suburbs. The County could either (a) coordinate and align its expenditures with the authority's investments, or (b) partially delegate its relevant funding streams to the authority and rely on it to manage them for the sub-region. These programs include – among others – CDBG, CDBG-DR, HOME and HUD Program 108 funds through the BUILT in Cook loan program.

Illustrative Questions for Entity Design

- What financial products and services (including their terms and other design parameters) are your stakeholders (companies, developers, governments, economic development partners) looking to you to provide to support new investments and deals in:
  - Real estate development
    - Industrial
      - Smaller, scattered site development
      - Large-scale developments (e.g., innovation districts, industrial parks)
    - Commercial
    - Residential
  - Workforce development (e.g., program design and launch, scaling existing programs)
  - Innovation support (e.g., innovation centers, R&D commercialization)
  - Entrepreneur/Small-business support (e.g., incubators/accelerators, minority entrepreneur investment funds)
  - Housing finance (e.g., housing stabilization/rehab finance)
- - With respect to value capture:
  - For each of the authority's development activities, what unique value is it creating that has the potential to be captured and translated to a revenue stream for the authority? For example, if workforce training programs are resulting in more employed workers, which in turn generate tax revenue and potentially reduce costs of poverty, are there adaptations of social impact bonds that can be employed to capture some of this value?
  - Given the authority's anticipated activities and their potential impacts, which of the varied value capture options (e.g., joint ventures, P3s and other ownership and management structures; investment funds; fees; etc.) are more or less suitable?
  - Are there activities the authority should consider to capture the value of the externalities of the authority's anticipated work (e.g., acquiring and developing land adjacent to new infrastructure or

other authority-supported development)? Should it do this on a deal-by-deal basis or more broadly, engaging, for example, in land speculation?

- With respect to governmental financial resources (e.g., general obligation bonds, taxes) that can provide substantial, recurring revenue to a development authority, but that also may lead to competition with local municipalities for resources, presenting political and logistical challenges:
  - What taxing and bonding authorities will it be more or less difficult to obtain from the relevant government bodies? How do they align with the resources best suited to support the development authority's activities? What can be done to mitigate the effects on or concerns of the granting municipalities or other governments?
  - How can the development authority structure its relationships with the government bodies granting it bonding and taxing authority to reduce competition for common resources?
  - What mechanisms are available for the development authority to leverage these powers from associated governments, even if the development authority does not have those powers itself?

Key Observations

Authorities' added value in attracting and delivering financial resources for development activities comes through two primary avenues. First, authorities may have the expertise and scale that allows them to aggregate available resources with an efficiency that municipalities and other stakeholders cannot. Examples include aggregating industrial revenue bond (IRB) capacity, establishing and collecting revenue from TIFs and BIDs, establishing and managing foreign trade zones, etc.[39] (On the other hand, in some circumstances, an authority may obtain better terms if the entity's authorizing jurisdiction or jurisdictions are able and willing to issue and back municipal bonds on the authority's behalf, rather than have the development authority issue them directly.)

A development authority also has the capacity to access and combine various existing sources of funding and tailor them to support its development projects. This can occur both through layered structuring in particular deals and through investment funds with varied tranches of investors that support a diverse set of financial products. By combining and leveraging public, civic and private sources of funding (e.g., government grants, tax credits, loans, foundation PRIs) to create and deploy its own financial products, an authority can often generate a larger, more situationally appropriate pool than municipalities and other institutions acting in isolation. Ideally, the authority will structure these products with a maximum amount of "clean" money – i.e., money from sources that impose few restrictions on the use of the funds (as certain government grants do). Through creating funds with varied tranches in a capital stack, the authority may also be able to leverage funds and attract a broader range of investors.

A further opportunity for authorities to add value in this space is through taking smaller, "messier" deals that the private market is less interested in approaching and making them more standardized and easy to access. By pooling and structuring varied sources of funds, the authority can then create investment products tailored to its activities and often include a spread to support its work. Providing this service will likely require in-house or partner expertise in accessing and combining funding from a variety of development-related sources (e.g., New Market Tax Credits, SBA grants, etc.)

The second main avenue for attracting and delivering financial resources comes from the development authority's own projects and investments. If successful, these will inherently generate increased economic value, and the authority is well positioned to create mechanisms that anticipate and capture a portion of

39 An additional tool, though one admittedly not available to all authorities, is obtaining a dedicated tax revenue stream for the authority. For instance, the Greater Cincinnati Redevelopment Authority has the ability to place up to $1 million in potential tax revenue on the ballot for a vote.

that value for redeployment into further development activities. This is a crucial benefit of the development authority's strategic economic developer or market-making role, and one that not all authorities fully leverage. Value capture vehicles such as public-private partnerships (P3s) provide the authority with the means to both attract private capital and share in the growth these projects generate. New and expanded mechanisms, tailored to particular types of development, should be sought to capture value the authority directly and indirectly creates, potentially creating a self-reinforcing, virtuous cycle and funding the authority for the long term. Note that this value creation and capture can be through participation in successful development itself (e.g., a P3 sharing in the equity appreciation and rents from an industrial development) or from capturing externalities created by the development activity (e.g., owning land which appreciates because of development activity nearby).[40] Over time, the authority will build a substantial balance sheet, allowing it to borrow against its assets.

Development authorities strive for as much financial self-sufficiency as possible. Furthermore, given the dwindling supply of traditional sources for funding development work, creating new financial resources constitutes a major goal and opportunity for development authorities, and authorities will ideally avoid situations where they are competing with existing institutions for financial resources, especially municipalities that are already financially challenged. Ultimately, the goal is to bring new resources to the table that can support large-scale, sustained development. Creating value and designing mechanisms to capture it are central to this goal. Cleverly leveraging public and civic funds to attract private capital and restore market activity are similarly critical. Successfully developing and capturing new value and resources will go a long way toward addressing questions of capacity, competition for resources and trust among constituents and partners, all while enhancing the authority's financial independence.

40 Interjurisdictional TIFs that cross municipal boundaries represent a related financing approach, popular with both municipalities and developers.

Operations and Structure

Design Considerations

Following the axiom that "form follows function," a development authority's structure is informed by its chosen strategies, products and services. This includes two primary dimensions: (1) the entity's legal form and organizational structure; and (2) its management and operations.

Form and Structure

As the term is used here, a development authority's legal form can be anywhere along a spectrum from government agency to private organization. Most authorities are at least "quasi-governmental," which has no strict definition, but entails possessing and exercising some governmental powers and so having some governmental authorization and participation in the entity's formation and ongoing governance.

Structurally, some development authorities are made up of multiple subsidiaries or related entities, each of which can be more or less governmental and have different legal and tax status based on their functions (see for example, the Philadelphia Industrial Development Corporation (PIDC) below). Similarly, the authority and its related entities, if any, may have varied non-profit tax statuses (including 501(c)3, 4 or 6) based on their functions, with the corresponding restrictions on certain activities (e.g., lobbying), as well as the ability to access certain funding sources (e.g., philanthropic).

Management and Operations

Management and operations issues include elements such as how the authority is governed (e.g., board structure and selection); how the organization is managed and staffed internally; and -- of particular importance to a development authority undertaking a broad scope of development activities – how and for what programs the authority works with third-party partners for implementation.

The legal form of the development authority has significant implications for its governance. If the authority is quasi-governmental, then its enabling legislation or authorizing agreement (e.g., an intergovernmental agreement among a number of municipalities) will likely give some degree of control to the authorizing government body or bodies. Governments may, for example, have control over the authority's budget, veto power over its decisions and reserved seats on its board.

An authority with a broad scope is likely to rely to some extent on a network of partner organizations to deliver on the range of development activities it aims to advance. For any given product (e.g., housing finance, land assembly, workforce curriculum development), the authority needs to determine whether it is most effective and efficient to (a) deliver it directly through its own staff, (b) fund and manage its delivery through one or more external partner organizations or (c) play a more indirect coordination and facilitation role among external organizations delivering the product. The delivery model for each product will vary depending on factors such as the authority's expertise in delivering it (or the resources and capacity to develop such expertise); the existence of successful programs already in operation; the capacity of partners to tailor and scale their programs or create new ones; and the degree of mutual trust between the authority and the partner organizations.

Examples from the Field

- **Philadelphia Industrial Development Corporation (PIDC)** – PIDC is a 501(c)(3) non-profit that manages three distinct arms: The Philadelphia Authority for Industrial Development (PAID), PIDC Community Capital and the PIDC Regional Center. These separate entities each fulfill a unique function. PAID is a public authority, managing real estate, issuing bonds and delivering grant funding. PIDC Community Capital is a certified CDFI that finances projects in low-income, disadvantaged neighborhoods, including through use of New Markets Tax Credits. The PIDC Regional Center manages a relationship between PIDC and CanAm Enterprises, LLC, which is focused on facilitating investments that qualify for EB-5 loans. PIDC's Board is jointly appointed by the City of Philadelphia and the Chamber of Commerce, balancing public- and private-sector representation.[41]
- **Menomonee Valley Partnership (MVP)** – Located in Milwaukee, WI, MVP is a prime example of a private, not-for-profit development entity that accomplish its work via close partnership with government agencies. MVP does not itself have many of the government powers typically associated with authorities. Rather, MVP's primary role has been to serve as a "convener and independent intermediary between public and private sectors" and establish a consensus among local partners on redevelopment goals for the Menomonee Valley.[42] Though MVP cannot issue bonds or utilize eminent domain to condemn property itself, it can coordinate bond issuance and property condemnation through its collaboration with the Redevelopment Authority of the City of Milwaukee (RACM).[43] The organization's Board policies include specific guidelines to ensure representation from a broad set of stakeholders (e.g., six to eight Valley businesses, five community organization representatives, four government representatives, etc.) with a mixture of the requisite expertise necessary to guide MVP's work.[44]

South Suburbs Context

There are a handful of existing local organizations in the South Suburbs that possess some of the relevant powers, and currently play some of the relevant roles, that would be needed in a potential development authority. These include the South Suburban Mayors and Managers Association (SSMMA, an intergovernmental collaborative of 45 south suburban municipalities) and two land banks, the South Suburban Land Bank and Development Authority (SSLBDA) and the Cook County Land Bank Authority (CCLBA). There are also several civic and non-profit organizations operating in various sectors that are likely local partners in executing the authority's activities as part of a distributed work network (see below). These include municipal and other local economic development organizations, workforce development entities, housing agencies, various regional collaboratives and others.

The political climate across the state of Illinois and within the sub-region will impact certain decisions about a development authority's form and the process for its creation. Political gridlock at the state level would make it difficult to create an entity that required legislative authorization from the General Assembly and Governor's Office. Options for creating an authority with the necessary governmental powers that can be achieved at the County or municipal level are thus preferable.

Illinois' level of government fragmentation means that creation of any additional government related institution requires strong justification. There is a strong argument for creating an entity with authority to act across municipal boundaries to undertake integrated, large-scale economic development. South Suburban

41 Philadelphia Industrial Development Corporation, "Who We Are," http://www.pidcphila.com/who-we-are.

42 Public Policy Forum (2017), "Redevelopment in Milwaukee's Menomonee Valley: What Worked and Why," p. 32, https://publicpolicyforum.org/sites/default/files/Valley%20report%20final.pdf.

43 City of Milwaukee (2017), "Redevelopment Authority of the City of Milwaukee," http://city.milwaukee.gov/racm#.WW_AvemQxPY.

44 Public Policy Forum, 2017.

municipalities have demonstrated an appetite for greater collaboration, as evidenced by the presence and work of SSMMA, the willingness of municipalities to bestow certain governmental powers on the SSLBDA, and preliminary engagement and support for the SSEGI. A development authority's value proposition will have to be compelling enough to overcome some wariness among local governments and others.

Much work remains to determine the full range of legal avenues through which a South Suburban development authority could be formed, and, for each of those options, what government powers could be granted, what government rules and regulations the authority would be subject to, how much flexibility the authority would have in determining its governance and structure, etc. A preliminary set of options for creating such an authority appears to include:

- **Intergovernmental Agreement**: Illinois state law allows local governments to form a new government body under the Intergovernmental Cooperation Act, and to grant that entity the ability to exercise certain powers on their behalf. The SSLBDA was formed by this method. There are limitations on which powers the local governments can agree to share, including a ban on sharing "police powers" over land (e.g., eminent domain, zoning).
- **Local Ordinances**: Home rule governments, such as Cook County, can create new agencies and grant a prescribed set of powers, as was done with the Cook County Land Bank. Certain powers, such as the government authority to acquire property, abate taxes and hold property tax exempt, may be exercised by an independent agency board. Other powers, such as statutory bonding authority, may require continued coordination with the overarching municipal or county board.
- **Illinois State Law**: The State has the authority to create regional development authorities and grant them bonding and other powers, as it has done several times since the 1980's, creating ten regional authorities that currently encompass 85% of Illinois counties.[45]
- **Repurpose Existing Authority**: A handful of entities may already exist that are authorities or have authority-like powers and capacities and have some potential to be repurposed to perform the functions of a South Suburban development authority, such as the Illinois International Port District, and possibly others.
- **Non-Profit Corporation**: To form a private, non-for-profit development authority in the spirit of the Menomonee Valley Partnership, the organization would simply need to incorporate as an Illinois not-for-profit corporation and apply for federal tax-exempt status. It could then negotiate and establish the appropriate agreements with local governments on the roles the authority would play, services it would provide, procedures for coordinating government activities and services in alignment with the authority's work, etc.

Illustrative Questions for Entity Design

- For each of the contemplated products and services:
  - What forms, based on their associated powers, potential funding streams and constraints, most align with the delivery of those services?
  - Are there certain forms that might especially inhibit the delivery of particular services? Can those barriers be mitigated through design considerations, or are they inherent to the characteristics of the form?
  - For financial products and services, are certain tax statuses beneficial, or even required?
- When considering structuring an authority as an umbrella organization with multiple specialized subsidiaries:
  - How do the pros (targeted expertise, powers, allocation of resources, etc.) and cons (more complex

45 Western Illinois Economic Development Authority (2017), "History of Regional Bond Authorities in Illinois," http://wieda.com/?page_id=140.

  - management and coordination than a single entity) inform whether and which functions to break out into separate entities?
  - What mechanisms can be implemented to mitigate the costs of more complex management?
- When establishing necessary relationships with relevant government bodies and associated governance structures (e.g., Board seats, approval/veto of budgets):
  - What norms and expectations can be established with authorizing/participating governments to prevent micro-management and allow the authority to act independently, nimbly, professionally, etc.? What messaging and procedures will best communicate, develop and sustain these expectations?
- With respect to determining its services in the context of the existing organizations already undertaking relevant development activities, and the breadth and quality of their work:
  - What criteria can guide the authority in determining what role(s) it plays (i.e., providing services directly, managing them or coordinating/facilitating them)?
  - What mechanisms and procedures should be implemented to assess partners' capacity and competence?
- Given some degree of reliance on partners to implement certain development activities, and the need to manage those relationships effectively:
  - Which partners should be engaged via what types of formal and informal agreements and structures to ensure alignment of activities (e.g., shared Boards, contractual agreements, MOUs, JV relationships)? Does the best approach vary by subject area for the treatment of these relationships (e.g., different for real estate projects than for development of workforce programs)?
- When real estate development services lead development authorities toward partnerships with private developers to facilitate and complete deals:
  - What do the aspects of the development deal suggest for the type of partnership that the development authority forms with these companies?
  - What services can the development authority provide to bring the most value?
  - How can the partnership be structured to protect the development authority's interests?

Key Observations

Form and Structure

Determining how to position, design and operate an authority along the public-private spectrum emerged as the most vexing question in the research, interviews and convening discussion about legal form and structure. In effect, the challenge is to acquire as many of the necessary governmental powers as possible, while retaining the ability to act like a private-sector entity. The closer the authority is to the governmental end of the spectrum (either as a fully public or quasi-governmental agency), the more likely it will be able to directly or indirectly draw upon the governmental powers (e.g., eminent domain, zoning, bonding) that can facilitate the authority's work. It may also find it easier to communicate and coordinate with other government agencies that impact development. On the other hand, being more governmental is likely to subject the authority to more oversight, bureaucracy and short term political pressure, as well as to additional regulations (e.g., procurement, hiring, FOIA, open meetings), all of which make it less nimble and flexible than a purely private-sector entity. Government oversight and control of transaction-level development decisions (through board representation or retained veto powers by participating governments) particularly raises the risk that the authority's activities become slowed down, "horse-traded" or otherwise politicized.

None of the experts interviewed offered a "magic bullet" on these issues. Rather, authorities seem to begin by choosing a place on the spectrum that is tailored to their priority development activities, seeking the least necessary government powers and associated constraints. This can be thought of as a "bottom-up" approach: defining anticipated products and services, determining the requisite government powers needed to enact them, and using the appropriate legal avenues and forms to obtain them. Having a robust set of powers from the outset may also make it easier to attract partners and stakeholders, as a larger toolkit may inspire greater trust in the authority's ability to have an impact. An alternative process would be to focus first on establishing an "organization of excellence" that can deliver results and impact without directly holding many government powers. Initially demonstrating the authority's value in this way may reduce the political capital needed to add government powers over time. The opposite, however, may also be true – as the authority demonstrates its success and value and then returns to political bodies with requests for additional powers, those bodies may ask for larger concessions in return. Regardless of the process chosen, authorities will eventually need to negotiate formal and informal agreements with participating governments and other stakeholders that define involvement and decision making. These agreements should be structured so as to give government partners comfort that public goals will not be sacrificed; engage cross-sector leadership and reduce deal-by-deal public-sector oversight; and build trust and strong coordinating and operating relationships across public, private and civic stakeholders.

Ideally, this relationship to the public sector can be structured to balance government involvement and oversight with the freedom for the authority to engage the private sector in a business-like, timely, flexible and non-politicized way. If the private sector suspects that working with the authority is highly politicized, or just bureaucratic, then developers and investors will be less eager to engage. To a large extent, this can be managed through the procedures and norms associated with the composition of an authority's Board. A well composed Board will have a balanced mix of members that includes elected officials, technical experts, small businesses representatives, community organizations and so on. Ideally, Board seats are not earmarked for particular organizations, but rather, members are nominated or appointed based on their individual merits and value-added for the authority's work. Convening participants indicated that it is worthwhile to be patient in building a Board and wait to get the right individuals and mix of members. Board representation can be specified in an authority's by-laws or developed through founding Board members' agreed-upon guidelines for what constitutes quality candidates.

Most, if not all, development authorities will have a number of Board seats that are filled via political appointments. Ideally, governments will see the need to nominate representatives who hold the relevant expertise (e.g., real estate, finance, law) to advise on the authority's activities and possibly provide pro bono support in those areas. If, on the other hand, Board appointments are made as political favors, it will likely limit the authority's effectiveness, reduce its ability to resist political pressure and sow doubt about the entity's political independence among relevant stakeholders.

Additional policies and operating norms aside from Board nominations will also impact an authority's independence. For instance, a government may legally have the power to deny or approve an authority's actions, but a prevailing understanding can be established that the authority has wide latitude and will not be interfered with except in extreme circumstances. Developing and maintaining this type of relationship requires building trust that the authority is an effective steward of the area's growth activities. This can be achieved in part through transparency – showing elected officials and the public that proper procedures are being followed and quality investments being made – while maintaining sufficient privacy and confidentiality at key points in the deal development process. The authority may also establish formal mechanisms for review and comment which enable local governments and other stakeholders to participate in the decision-making process – and which build trust – without making the process too cumbersome or compromising the authority's ultimate decision-making power. Trust is further supplemented the old-fashioned way, through consistent, extensive face-to-face engagement with stakeholders across the region and in local communities.

Structurally, many experts have found that dividing functions into multiple, specialized entities (e.g., a housing fund, a land bank, a limited partnership for a particular real estate development) that act as subsidiaries of the same organization provides the most beneficial balance of comprehensiveness and specialization, and of public and private ownership. Financing in particular is often separated into its own entity. Developing a structure that binds multiple separate entities of different types and tax statuses can allow the authority to more tightly align resources and powers with the appropriate products and services and limit the bureaucratic obligations associated with being a fully or quasi-governmental entity. In particular, some experts contend that the most flexible and effective structure is an “umbrella” entity with subsidiaries that possess various legal forms as “tools in its toolkit.”

On the other hand, aligning the operations of multiple entities and sharing information across them requires extra effort and carries additional costs. If too many functions are housed in the same entity, for example, it may become difficult for leadership to “take off one hat and put on another,” making the authority less effective as it shifts focus from one type of development activity to the next.

Management and Operations

For development authorities operating across a broad range of sectors, a strong set of partners will be essential to delivering impactful products and services, and the authority will need an equivalently strong system for managing with partners and coordinating its and partners’ activities. Current economic dynamics – which favor open, flexible, dynamic and cross-sector networks – help inform the nature of such a system. Ideally, it should enable engagement simultaneously and efficiently in multiple efforts; strategically align activities without becoming too hierarchical and while remaining open, flexible and entrepreneurial; and be accountable to the community and the market.

A potential model that follows these principles is a “distributed work” structure. In this arrangement, the development authority is in part constituted and managed by key partners, and then acts as a center of gravity for associated economic development activities, guiding and vetting initiatives and holding partners accountable, while implementation of products and services would be handled through partner organizations whenever possible. The procedures that put this model into practice – such as establishing clear, accountable roles for relatively independent management of discrete projects and defining membership fluidly to accommodate evolving priorities and capacities – should encourage the authority and its partners to be adaptable, inclusive and entrepreneurial. This type of structure allows the authority to focus on a set of core functions, including creating a strategic “whole greater than the sum of its parts,” while avoiding unnecessary duplication of services and relying on partners for delivery in their respective areas of expertise. At the same time, it increases the complexity of overall operations by creating a large network of outside partners whose work must be continually assessed, managed and aligned.

In working with these partner institutions, either in formal or informal relationships, development authorities need a set of tools to effectively manage the partnerships, including criteria, standards and processes to evaluate partners’ competency and performance, and mechanisms to hold partners accountable. Heads of development authorities repeatedly stated the importance of holding partners to high standards and demanding excellence. Support from the authority’s Board is key to successfully setting and maintaining these expectations of partner performance. Entrenched traditional development institutions may exist that require disruption, or certain development activities may lack high-quality partner organizations. Some degree of leeway is necessary for authorities to test working relationships with partners, allowing for some failures while managing risk by incrementally deepening commitments as partners prove their value.

Staffing a development authority with the appropriate talent requires a clear value proposition to potential employees. Development authorities often compete with the private sector for employees, particularly in real estate development and finance, while likely offering compensation that falls between public- and private-sector levels. Emphasizing the authority's mission-driven activities and offering a work-life balance can help authorities compete with the private sector for high-caliber staff. Necessary skill sets will naturally vary based on the authority's products and services, but successful employees will generally be entrepreneurial; comfortable working in an ambiguous, "gray" environment; and adept at interfacing with the diverse stakeholder groups with whom the authority engages. Additionally, recruiting a diverse staff will increase the organization's credibility and support trust-building with the many communities and populations an authority will serve.

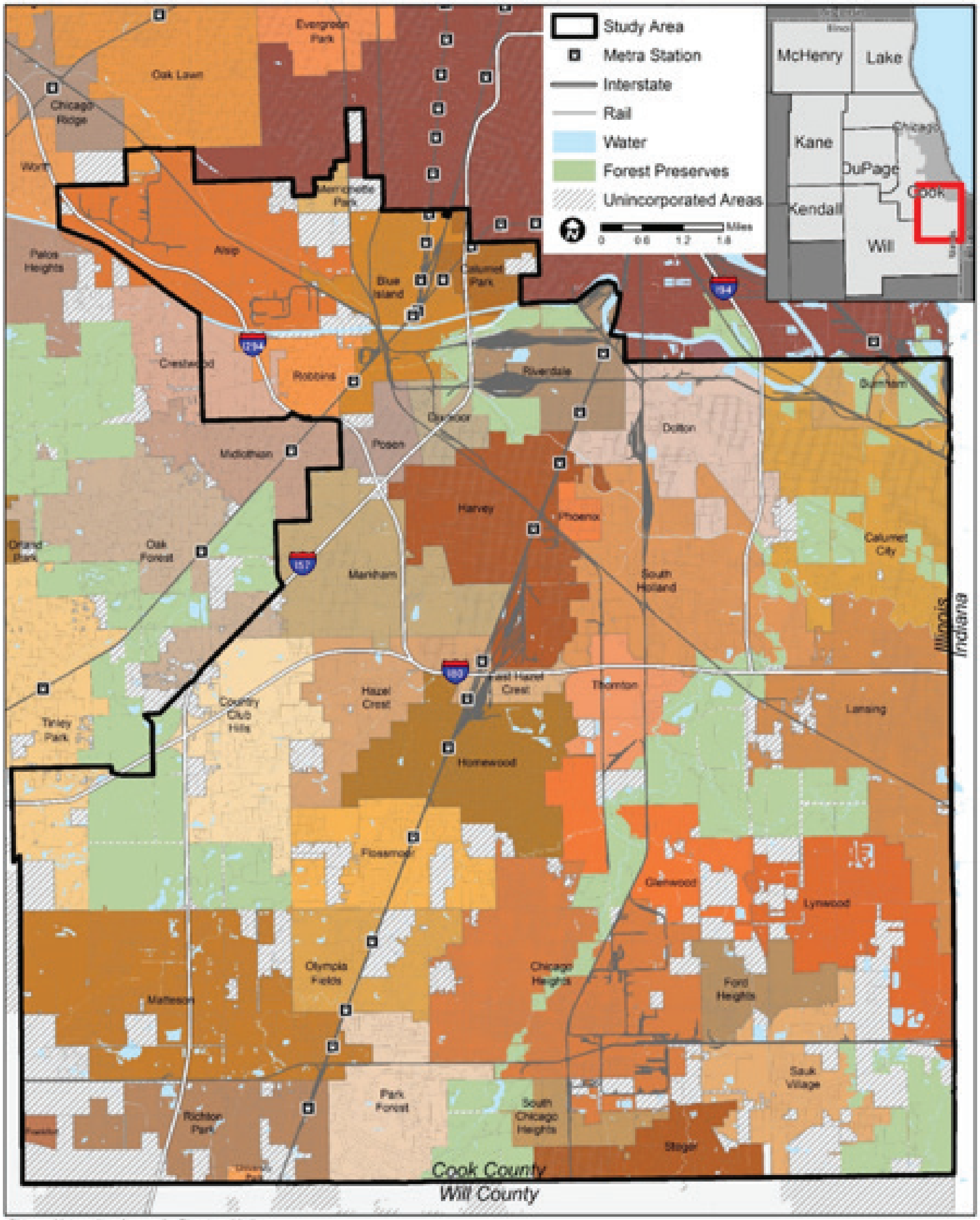
Conclusion

The transformative changes underway in the economy are creating enormous growth challenges and opportunities, requiring economic development practice to be more comprehensive, integrated, asset- and market-based and tailored to place. To successfully deliver on this ambitious scale, new development institutions are emerging. Successful development authorities are rising to the challenge and seizing the new opportunities. They reflect thoughtful business planning that leads to clearly defined missions, strategies and roles, products and services, all carefully tailored to their markets and institutional environment. They are finding the ideal balance between obtaining government powers and remaining sufficiently independent and nimble to effectively engage with market opportunities. They are creating new value in ways that attract greater resources and encourage stakeholders to collaborate, leveraging the proceeds for further development.

As the economy continues to change, the institutions that seek to impact economic growth must change in kind. Development authorities are at the leading edge of creating more effective entities to drive transformative, inclusive economic growth. With thoughtful design and execution, these entities can help lead the way toward a reinvention of governance for the 21st century economy.

Appendix A: Phase 1 Geography of the South Suburban Economic Growth Initiative

Cook County South Suburbs, Phase 1 Study Area



Chicago Metropolitan Agency for Planning, 2017.

Appendix B: List of Interviewees

Interviewee	Affiliation(s)
Frank Alexander	Professor of Law – Emory University School of Law Co-Founder and Senior Legal and Policy Advisor—Center for Community Progress
Andy Altman	Managing Principal – Five Squares Development
MarySue Barrett	President – Metropolitan Planning Council
Kofi Bonner	Regional President, Northern California – FivePoint
Paul Brophy	Principal – Brophy & Reilly, LLC
Laura N. Brunner	President and CEO – Greater Cincinnati Redevelopment Authority
Brent Denzin	Partner – Ancel Glink
Kristi DeLaurentiis	Executive Director – South Suburban Mayors and Managers Association
David Doig	President – Chicago Neighborhood Initiatives
David Ehrenberg	President and CEO – Brooklyn Navy Yard Development Corporation
Bruce Gerwig	Former President – In-Fill Housing, Inc. of Macon-Bibb County Housing Authority
John Grady	President – Philadelphia Industrial Development Corporation
Rob Henken	President – Public Policy Forum
Chuck Laven	President – Forsyth Street
Rod Miller	President & CEO – Ascendant Global Consulting Former President & CEO – Detroit Economic Growth Corporation
Mike Pagano	Dean of the College of Urban Planning and Public Affairs and Professor of Public Administration – UIC
Patrick Quinton	Co-Founder & CEO – Dweller Former Executive Director – Portland Development Commission (now Prosper Portland)
Rob Rose	Executive Director – Cook County Land Bank Authority
Russ Rydin	Executive Director – South Suburban Land Bank and Development Authority
Karl Seidman	Senior Lecturer of Economic Development and Planning – MIT
Sherry Wang	Vice President – Goldman Sachs, Urban Investment Group
Corey Zetts	Executive Director – Menomonee Valley Partnership

Appendix C: List of Convening Attendees

Attendee	Affiliation(s)
Vernard Alsberry, Jr.	Mayor – Village of Hazel Crest President – South Suburban Mayors and Managers Association President – Southland Regional Mayoral Black Caucus
Frank Beal	Senior Executive – Civic Consulting Alliance
Mike Belsky	Executive Director – Center for Municipal Finance, University of Chicago
Laura N. Brunner	President and CEO – Greater Cincinnati Redevelopment Authority
Susan Campbell	Director, Department of Planning and Development – Cook County Bureau of Economic Development
Kristi DeLaurentiis	Executive Director – South Suburban Mayors and Managers Association
Brent Denzin	Partner – Ancel Glink
David Doig	President – Chicago Neighborhood Initiatives
David Ehrenberg	President and CEO – Brooklyn Navy Yard Development Corporation
Tim Ferguson	Co-Founder and Chairman – Next Street
Craig Howard	Director, Community and Economic Development – John D. and Catherine T. MacArthur Foundation
Michael Jasso	Bureau Chief – Cook County Bureau of Economic Development
Gretchen Kosarko	Vice President – RW Ventures, LLC
Chuck Laven	President – Forsyth Street
Mike Pagano	Dean of the College of Urban Planning and Public Affairs and Professor of Public Administration – UIC
Russ Rydin	Executive Director – South Suburban Land Bank and Development Authority
Matt Schuneman	Associate – RW Ventures, LLC
Irene Sherr	Assistant Deputy Bureau Chief – Cook County Bureau of Economic Development
Johanna Trotter	Senior Program Officer, Economic and Community Development – Chicago Community Trust
Robert Weissbourd	President – RW Ventures, LLC
Corey Zetts	Executive Director – Menomonee Valley Partnership