

ECONOMIC STABILITY

I. INTRODUCTION

With the recent recession affecting the national, state and local economies, the Longmont City Council is reviewing matters pertaining to the City's budget and has asked the question of what should be done in order to ensure economic stability for the community. Although the original topic was economic sustainability, we believe economic stability is more in line with the immediate needs of the 2003 retreat. Economic sustainability is an ongoing long-term program that the City aspires to but will not be thoroughly discussed herein.

Currently, the city has several programs designed to demonstrate the Council's recognition that a strong economic base and balanced community are not only necessary to the community's overall well being but also critically important to generating tax dollars necessary to pay for the essential services provided for the community. The following information is provided to frame several questions to be discussed at the Council's January retreat and to assist in determining what should be done to achieve economic stability.

II. BACKGROUND INFORMATION - Economic Development Strategies for the 21st Century

Recent trends in the global economy—industrial clustering and specialization, diversification of the workforce, reintegration of work and home—are placing a premium upon a community's character and quality of life. Companies that are on the move are being drawn to communities that offer a high quality of life. Companies realize that their workers want to live in communities that offer housing choice within the community, a vibrant social life, environmental amenities, transportation choice and short commutes. To retain and attract their employees, companies must locate in such environments.

The emphasis on “place” presents enormous opportunities for communities to capitalize on their quality of life assets and to employ them as a tool for economic development. Doing so requires communities to think of quality of life as a commodity that can be cultivated and managed. Communities need to make strategic decisions that improve rather than harm livability and make them lucrative places for business, and labor to locate. The new economy values distinctive places that have the talent, technology and infrastructure to sustain competitive advantage. Technological innovation is creating a wired society. Companies value offices and homes that are prewired to enable easy interaction between home and office. Aside from communication infrastructure, the new economy demands physical infrastructure that reduces the cost of business. This means buildings that can be quickly reconfigured and constructed, housing of varying types and costs, development patterns that are predictable, and transportation systems which increase mobility.

The following Table was taken from a report prepared for the R.K. Mellon Foundation and Sustainable Pittsburgh that illustrates the relative importance that quality of life issues have on decisions made by high tech as well as all firms on where to locate.

ENVIRONMENTAL QUALITY AND HIGH TECHNOLOGY LOCATION			
High Technology Firms		All Firms	
<i>Amenity</i>	<i>Average Rank</i>	<i>Amenity</i>	<i>Average Rank</i>
Good Schools	2.5	Good Schools	2.11
Environmental Quality	3.00	Public Safety	3.89
Cost of Housing	3.24	Environmental Quality	4.22
Cost of Living	3.38	Cultural Amenities	4.56
Easy Commute	3.5	Proximity of Housing	4.89
Climate	3.75	Easy Commute	4.89
Recreational Amenities	4.13	Cost of Housing	5.00
Cultural Amenities	4.13	Recreational Amenities	5.22
Governmental Services	4.5	Climate	5.89
CEO Preference	4.5	Government Services	6.22
Public Safety	5.25	Cost of Living	6.67
Proximity of Housing	5.25	CEO Preference	6.78

Source; Paul Gottlieb, "Amenities As an Economic Development Tool: Is there Enough Evidence?" *Economic Development Quarterly*

National Governors Association (NGA) Agenda for States in the New Economy

The following information is yet another example of how a prominent group of officials view their role in the economic development arena.

The driving forces of the new economy are ideas, knowledge, services, and higher-order skills. The National Governors Association (NGA) Center for Best Practices is examining several aspects of the recent economic changes. The Center's goal is to give states the tools to respond to these changes and identify programs that can maintain economic growth well into the next century. This list identifies, in no particular order of priority, recommendations on what is currently important as part of an effective economic development program.

1. Invest in People

Build the state's intellectual infrastructure by strengthening K-12, higher education, lifelong learning and workforce skill programs.

2. Build State-of-the-Art Infrastructure

Support knowledge-based industries by enhancing state-of-the-art broadband and telecommunications services as well as ports, highways and airports.

3. Treat Citizens as Customers

Reengineer government to become flexible, customer-focused, responsive, accountable and performance-oriented through the use of more privatization and partnerships with the private sector.

4. Streamline Taxes and Regulations

Develop uniform regulatory and tax systems to increase simplicity, eliminate market distortions and protect consumers.

5. Nurture Entrepreneurs

Recognize entrepreneurs as the drivers of the new economy. Streamline business regulations, provide timely regulatory and licensing decisions and assist firms in their search for more investment funds.

6. Create Hi-Tech Magnets

Use university systems as hi-tech business magnets. Reform postsecondary education to be more closely aligned with states' economies by creating university research centers, enhancing distance learning and linking academic research and commercialization.

7. Preserve Quality of Life

Implement policies that preserve and enhance a region's quality of life, including recreational opportunities, environmental quality and community amenities.

III. LONGMONT'S ECONOMIC DEVELOPMENT PROGRAM

The Longmont City Council has for many years shaped its economic development program based on the following policy framework contained in the Longmont Area Comprehensive Plan.

A. The Longmont Area Comprehensive Plan (LACP) contains the following goals, policies, and strategies:

Economic Development

The *Longmont Area Comprehensive Plan* recognizes the importance of quality educational opportunities and community services as complementary to a good business environment. The City emphasizes retaining primary businesses in Longmont as well as locating new primary businesses to Longmont.

GOAL 13: Strive for a well-balanced, diversified, and stable economic base in order to provide job opportunities for Longmont residents and a dependable tax base for the City.

POLICY 13.1: Create and maintain a business environment that encourages the retention, growth, and continued profitability of existing businesses which benefit the City, its tax base, and its residents.

Strategy 13.11: Evaluate and revise, as appropriate the City's fee and tax structure and the economic development incentive programs based on the economic climate.

Strategy 13.12: Continue support of organizations and community efforts that foster and promote conditions that encourage existing businesses to remain and expand in Longmont.

Strategy 13.13: Use available tools such as federal, state, or other economic development programs to facilitate capital investment for the expansion of existing Longmont businesses that benefit the City.

Strategy 13.14: Improve the community's amenities such as educational, housing, recreational, retail, and cultural opportunities that encourage local businesses to remain and expand in Longmont.

POLICY 13.2: Maintain efforts to attract businesses and clean industries that would find Longmont an attractive location and that would benefit the City, its tax base, and its residents.

Strategy 13.21: Identify and recruit specific businesses that complement or support the existing economic base by creating primary jobs or by diversifying the community's economic base.

Strategy 13.22: Use available tools such as federal, state, or other economic development programs to facilitate capital investment for businesses moving into Longmont that benefit the City.

Strategy 13.23: Continue support of organizations and community efforts to convey an overall positive image to firms wishing to locate in Longmont.

Strategy 13.24: Increase the City's emphasis on improvements in the community's amenities that attract new businesses to Longmont.

B. The City of Longmont has the following ordinances, plans and programs that provide some form of assistance to new and existing commerce and industry.

MONETARY EFFORTS

Development Fee Waiver Ordinance – Adopted in 1988, this ordinance enables new and expanding industrial developments to receive up to a 30% waiver of most fees normally collected at the time of receiving a building permit. If special circumstances exist, 100% of building permit fees can be waived by the City Council. The only fees not eligible to be waived

are those necessary to retire debt for capital improvements (i.e., water, sewer, storm drainage). To date, about \$2,400,00 of certain building permit fees have been waived.

Affordable Housing Fee Waiver Program—Adopted in 1998, the City Council allows up to 66% of certain building permit fees to be waived for residential development that meets Longmont’s affordability criteria. Longmont has waived about \$1,746,726 worth of fees that has resulted in 711 rental units and 35 owner occupied units for the community.

Sales and Use Tax Exemption – Exempts businesses new to Longmont (for the first two years) from paying the City 2.95% sales and use tax on the purchase or use of measurement and inspection equipment or research and development equipment.

Exempts all Longmont businesses from paying the City 2.95% sales and use tax on the purchase or use of machinery and machine tools with a cost in excess of \$1,000 to be used in Longmont directly and exclusively in manufacturing tangible personal property.

Planned Unit Development ordinance – Allows density bonuses and reduction of the park improvement fee for those projects proposing to construct amenities in addition to what is normally required.

Developers Incentive Program/Downtown Development Authority Fees – All City fees collected by the City on projects located within the Downtown Development Authority are given to the DDA to be used for public improvements in downtown Longmont. Over \$860,000 has been given to the DDA to date.

Community Development Block Grant – The City can use a portion of its annual Block Grant funds to finance capital improvements that benefit economic development activities. The activities must meet certain eligibility criteria to receive funds.

LAEC Support – Since 1981, the City has given a total of \$2,315,762 to the Longmont Area Economic Council (formerly Economic Development Association of Longmont) to assist in their efforts to promote and attract commerce and industry to Longmont.

Tax Increment Financing – The City created a Tax Increment Financing District to coincide with the Downtown Development Authority boundaries, and authorized the DDA to administer a downtown beautification project financed with TIF bond revenues.

Private Activity Bond – Formerly called Industrial Development Revenue Bonds, this program allows a developer to finance the construction, acquisition and expansion of manufacturing facilities through the use of tax exempt bonds which results in a much lower cost to the project.

Special Improvement Districts – The City supports the use of Special Improvement Districts for use by new industrial developers to provide infrastructure financed by low interest, tax-exempt bonds.

No Interest/Low Loans – The City has made about \$168,000 (Community Development Block Grant Funds) available to the Downtown Development Authority for the purpose of providing no interest/low interest loans to businesses. The funds can only be used for exterior façade improvements or code violation corrections to the interior and must be matched with private financing.

Capital Improvements Program – Annually, the City undertakes major capital improvement projects that have improved the City’s infrastructure and supports economic development activities.

Art in Public Places Ordinance – The City Council established a program of setting aside 1% of construction costs of public projects over \$50,000 in a fund to be used to purchase and locate works of art on public land which contributes to Longmont’s overall quality of life. To date, about \$1,300,000 has been used or set aside for this program.

NON-MONETARY EFFORTS

Development Review Process – Allows for the concurrent processing of multiple applications needed to obtain a building permit (e.g., annexation, subdivision, planned unit development).

The City Council has implemented 50 recommendations from a special task force regarding the City’s fees and regulations that were deemed necessary to stay competitive with other Front Range communities. The current development code has been updated to reflect additional modifications to ensure the efficient processing of quality development projects. Also, housing plans that are more than 50% affordable are processed before all existing conventional projects.

Positive Staff Relations – The City administration believes that the way in which a government’s staff works with the development community can create a healthy business atmosphere. We believe that the time spent by the staff explaining the rules, trying to work with property owners and negotiating within predetermined guidelines, fosters a positive relationship with the private sector and demonstrates that Longmont staff is committed to assisting the “customer” and getting projects approved consistent with City regulations.

Mixed Land Uses – Zoning within particular areas is usually standardized to protect property values and to separate different land uses. A trend is developing to permit commercial uses in residential developments, and vice versa, in order to generate additional revenues and jobs. Mixed land uses have been more popular in central city areas. This is possible in Longmont if in a planned unit development.

Quality of Life – Measuring quality of life is difficult to quantify in that it relies to a great degree on individual perspectives. Some indicators, however, are useful in providing benchmarks as to Longmont’s relative ability to provide adequate community services. For this reason, information such as housing costs, school expenditures per pupil, student/teacher ratios, incidence of crime, traffic, and pollution are all used in combination to illustrate Longmont’s

quality of life. The City Council has adopted specific quality of life benchmarks to guide its decisions regarding the community's future growth and development.

IV. ANALYSIS

The City Council has reviewed and modified its position on economic development incentives over the years, and while questioning how effective they are in attracting new primary jobs, has always understood the importance of sending a positive message to the private sector that Longmont supports and encourages new commercial and industrial development for the community.

One needs only to review the past ten years of economic activity to see what revenues have been generated to not only fund basic services but also to enable bonding capacity for major capital improvement projects such as a recreation center and museum. Attachment 1 illustrates that from 1992-2001 Longmont experienced an average rate of growth of just under 4% that in turn resulted in general fund reserves ranging from about \$3-10 million during that time frame. The city also did not increase its property or sales tax rates during that period of time with the exception of a .2% voter approved tax for open space land acquisition in 2001. Property tax revenues increased at an average annual rate of 7.4% and sales tax revenues increased at an 11% annual average. However, sales tax revenues declined by 3.8% in 2002.

As mentioned above, the City Council contributes about \$150,000 a year to the Longmont Area Economic Council (LAEC) which also receives financial support from Longmont area private sector businesses. The LAEC undertakes marketing efforts to attract targeted industry groups to the Longmont area. The (LAEC) staff has indicated that there have been relatively few prospects looking at the State or Longmont due to the economy.

V. DISCUSSION POINTS

Given the "new economy" and the Council's desire to determine how best to ensure a more stable economy, the following questions may be appropriate for discussion.

- 1) What should the City's (i.e. public sector's) role and responsibility be in this new era of economic development? Should it waive more fees or form regional partnerships so as to reduce competition and minimize actual cash contributions to lure new industry?
- 2) Should the city expand its incentive programs in an effort to attract "more" economic development based on the current targeted industries approach implemented through the Longmont Area Economic Council? Or should the City focus on what is necessary to "grow" and support existing businesses?
- 3) Should the city initiate a true economic sustainability program? This is a program that does not focus on economic development as a separate goal but one that identifies the

interrelationship with other important social, physical and environmental conditions so as to ensure the highest possible quality of life for existing and future Longmont residents.

- 4) Should the City continue its “status quo” focus on those items it can directly influence (e.g. city infrastructure, services, and tax structure) that will help ensure that Longmont’s quality of life is maintained, if not improved, during these difficult economic times?
- 5) Should the city consider a special fast track permit processing program for development projects that contribute to the city’s economic well being? For example a large commercial retailer or primary jobs provider would go to the front of the line and be processed in the amount of time needed by the applicant.

Attachment 1 Ten Year Activity Chart

Attachment 2 John Cody LAEC Memo

Attachment 3 Newspaper Article

