

## Winter 2024: The Modern Urban Economic Development Playbook

### Background

Over the course of the COVID-19 pandemic and its aftermath, city leaders from across the world faced unprecedented challenges - economic shutdowns, social unrest, rising crime, inflation, budgetary shortfalls, and shifts in working norms destabilizing the real estate market - just to name a few. The enduring vibrancy of cities has very much been in question. As the former Deputy Mayor of Chicago before, during and after the pandemic, the lecturer will share a framework for how urban leaders can generate inclusive development, create excitement, and pave the way for continued urban vitality for the next generation.

### Goals of class

The objective of this class is to help students gain an understanding of the economics of large, complex cities and the tools a modern economic development practitioner can utilize to address urban challenges. During the quarter, students will be exposed to a combination of analytical exercises (policy memo-writing from data sets), debate (case studies), and in-class discussion. Students completing this course will:

- Understand municipal finances and budgets
- Identify tools for policymakers to stimulate economic development
- Complete analysis on data sets and synthesize the information to make a recommendation to a principal
- Develop a perspective on stakeholder management and negotiations
- View economic development through a tri-sector lens for what's gained by government, philanthropy, and business

### How This Class Will Work

Meeting Time: Tuesdays 5:00 – 7:50 pm

Location: Harris Keller Center Room TBD

Special Date: Virtual Lecture Saturday January 6 from 10 am – 12:50 pm for first class

Canvas: Readings will be posted to Canvas and assignments submitted to Canvas

Attendance Policy: In person each week, attendance taken each class factored into participation

### Student Assignments & Grading

Grading will be based on class participation and 3 exercises throughout the quarter:

- Class participation: 15%
- Graded exercise #1: CEO memo comparing corporate headquarter options with recommendations and analytical framework (20%)
- Graded exercise #2: Mayor memo based on Request for Proposal responses making a recommendation on a community development project to be selected (25%)
- Graded exercise #3 (group project): Memo on a place-based development proposal with full capital stack, community engagement plan, and tenant prospects (40%)

## Class Outline

#	Topic	Concepts	Reading	Key Questions
1	1/6: Understanding the economy of a city	A key to understanding the opportunities and challenges of a city is to gain perspective on the city's economic drivers. This lecture will focus on municipal budgets and a lens on overall city economic fundamentals (sector composition, sources of jobs, growth drivers) by comparing and contrasting a large global mega-city, a regional hub, and a small municipality.	<ul style="list-style-type: none"> <li>- World Business Chicago economic dashboard</li> <li>- Chicago Economic Year in Review 2021</li> <li>- Chicago 2023 Budget</li> <li>- Civic Federation Budget Perspective</li> <li>- Milken Best Performing Cities</li> <li>- State of London 2023</li> </ul>	<ul style="list-style-type: none"> <li>- What are the key economic drivers of a city?</li> <li>- What are the sources and uses of municipal funds?</li> <li>- What are the key growth drivers of a city's economy?</li> </ul>
2	1/9: Traditional tools of economic development	Incentives have traditionally served as a major tool to attract job growth, and this lecture will focus on the traditional toolkit policymakers have used. An exercise will also be utilized to simulate a major corporate expansion decision weighed against various incentives from different jurisdictions and the pros/cons of relying on such incentives (TIF, tax abatements, payroll credits, etc).	<ul style="list-style-type: none"> <li>- WBC menu of Local/State/Federal relocation/expansion incentives</li> <li>- Amazon HQ2 case from HBS</li> <li>- Chicago TIF program guide</li> <li>- Brookings: Examining the Local Value of Economic Development Incentives</li> <li>- McKinsey: How State &amp; Local Governments Win at Attracting Companies</li> </ul>	<ul style="list-style-type: none"> <li>- What incentives can governments offer companies?</li> <li>- What is a cost/benefit framework for evaluating incentives?</li> <li>- Why do companies seek incentives?</li> </ul>
3	1/16: Modern economic development tools	The experience of Amazon HQ2's selection has changed the incentives discussion for many policymakers, and increasingly companies are making expansion/relocation decisions based on a market's ecosystem. Additionally for disinvested communities a range of new tools are being utilized to support more equitable economic development (social bonds, federal funds, development incentives, infrastructure, talent). This lecture will focus on modern economic development tools that can prevent a "race to the bottom" amongst jurisdictions.	<ul style="list-style-type: none"> <li>- Rustandy Center: At the Margin - Public Incentives &amp; Community Investment</li> <li>- Brookings: How to Fix Business Incentives</li> <li>- Governing Mag: One City's Intriguing Experiment with Social Bonds</li> <li>- Brookings: Biden's Big Bet on Place-Based Industrial Policy</li> <li>- LA Times: Elon Musk's growing</li> </ul>	<ul style="list-style-type: none"> <li>- What new tools exist to attract corporate expansion?</li> <li>- How are social bonds funded?</li> <li>- How should policymakers weigh the cost/benefits of offering incentives?</li> <li>- What factors do corporate leaders consider when making a corporate</li> </ul>

		<i>Guest lecture option by an executive on a major relocation decision</i>	empire is fueled by \$4.9 billion in government subsidies	expansion decision?
4	1/23: Why zoning matters	Zoning is often not well understood by policymakers yet is one of the most important drivers to economic development and the urban fabric. By setting the rules for development projects, zoning has tremendous influence in a city's economy. This lecture will discuss an overview of zoning principles, cover example projects (and neighborhoods) and how they were shaped by zoning, and focus debate on the new wave of zoning rules such as those targeting transit-oriented development and de-segregatory measures such as affordable housing requirements.  <i>Guest lecture by a zoning expert</i>	<ul style="list-style-type: none"> <li>- Chicago Zoning 101</li> <li>- 2021 Chicago eTOD law</li> <li>- Brookings: Is Zoning a Useful Tool or a Regulatory Barrier</li> <li>- NYT: California Fights It's NIMBYs</li> <li>- NYT: The Problem With Everything-Bagel Liberalism</li> <li>- Rice University: Houston Doesn't Have Zoning - But There Are Workarounds</li> <li>- American Planning Association: The "Z" Word</li> <li>- LHS on Density Bonuses</li> </ul>	<ul style="list-style-type: none"> <li>- What is zoning and why is it important for cities?</li> <li>- How can zoning serve as an economic development and incentive tool?</li> <li>- What are current trends and best practices with zoning?</li> <li>- How can zoning shape real estate development?</li> </ul>
5	1/30: Creating & operationalizing an economic plan	The articulation of an economic strategy is paramount for public sector leaders - especially in the aftermath of COVID and related market disruptions. The objective of this lecture is to frame the process of creating an economic plan - from stakeholder engagement and economic analysis to synthesizing key themes and an action plan.	<ul style="list-style-type: none"> <li>- Recovery Task Force Report for Chicago 2020</li> <li>- 2012 Chicago Plan for Economic Growth and Jobs</li> <li>- 2022 Blueprint for New York's Economic Recovery:</li> <li>- 2018 Mayor London Economic Development Strategy</li> <li>- 2022 Singapore Bold Economic Vision</li> <li>- McKinsey on Building Innovation Ecosystems</li> </ul>	<ul style="list-style-type: none"> <li>- What are the key pillars of an economic development plan?</li> <li>- What is industry cluster theory?</li> <li>- What bets are leading cities making on key sectors?</li> </ul>
6	2/6: Turning around decades of disinvestment - the art & science of placemaking	Disinvested neighborhoods require significant government intervention & economic stimulus in order to create the flywheel effect of business and population growth. Purposeful efforts of placemaking are required in	<ul style="list-style-type: none"> <li>- Pullman Historic District case (Booth)</li> <li>- Urban Institute: Neighborhood Disparities in Investment Flow in Chicago</li> </ul>	<ul style="list-style-type: none"> <li>- How can policymakers spur development in underserved communities?</li> </ul>

		<p>order to address community needs, and this lecture will highlight the case study of Chicago’s Invest South/West program for group discussion. Specifically, we will focus on program design (analytical factors for neighborhood selection), project pipeline, stimulus tools utilized, and program effectiveness.</p> <p><i>Guest lecture from an elected official</i></p>	<ul style="list-style-type: none"> <li>- Invest South West Three Year Report</li> <li>- South Shore Quality of Life Plan from LISC (2022)</li> <li>- Woodlawn RFP submissions</li> </ul>	<ul style="list-style-type: none"> <li>- How can community development be measured?</li> <li>- What are the components of a capital stack of a successful community development project?</li> </ul>
7	2/13: The future of downtowns & the new normal	<p>Coming out of the COVID-19 pandemic most big-city downtowns are struggling to reach pre-pandemic visitation and return-to-office levels, which has the potential to significantly depress economic activity on an ongoing basis. This lecture will focus on alternate models for the “new normal” such as increased focus on mixed-use districts and building conversions from office-to-residential. The role of housing affordability and quality of life factors will be debated.</p> <p><i>Guest lecture from a city planning expert</i></p>	<ul style="list-style-type: none"> <li>- NYT: Cities Priced Out Low Wage Workers, Now College Graduates Are Leaving Too</li> <li>- Kastle Return to Office Barometer</li> <li>- WSJ: The Return to Office Has Stalled</li> <li>- NBER: Work from Home and the Office Real Estate Apocalypse</li> </ul>	<ul style="list-style-type: none"> <li>- What are the scenarios for downtown economic recovery from the pandemic?</li> <li>- What is the economic cost to downtown of a delayed return to office?</li> <li>- Why is a “monoculture” district problematic?</li> </ul>
8	2/20: Branding & marketing a city - and why arts and culture is an economic tool	<p>Global cities engage in significant marketing initiatives to attract leisure and business visitors (along with new residents and new businesses). This lecture will focus on the importance (and challenge) of establishing a city’s brand identity and measuring ROI of marketing investments.</p> <p><i>Guest Lecture: Former CEO of London &amp; Partners</i></p>	<ul style="list-style-type: none"> <li>- Bloomberg CityLab: “Cities: Don’t Fall in the Branding Trap”</li> <li>- Choose Chicago 2022 Annual Report and 23-25 Strategy</li> <li>- Economic Reports on Arts in IL and the Loop</li> </ul>	<ul style="list-style-type: none"> <li>- Can cities purposefully brand themselves?</li> <li>- How can the arts &amp; culture industry drive branding and visitation?</li> <li>- How are municipal marketing investments measured?</li> </ul>
9	2/27: Can Corporate America support inclusive growth?	<p>At a time when inequality is at an all time high in the US and many companies made significant commitments to support racial equity initiatives in the wake of the murder of George Floyd, this lecture will focus on potential</p>	<ul style="list-style-type: none"> <li>- Freakonomics: A Radically Simple Way to Boost a Neighborhood</li> <li>- WTTW: One Year in Discover is Still</li> </ul>	<ul style="list-style-type: none"> <li>- What are models for corporate engagement in underserved communities</li> </ul>

		<p>new models of corporate engagement in communities. Specifically, case studies will be debated about the pros/cons of companies actively seeking to support economic development. Deep dives on Discover in Chatham, Blue Cross Blue Shield in Morgan Park, Northwestern Medicine in Bronzeville, IL Tool Works in Austin will be contrasted with Target and Whole Foods projects.</p> <p><i>Guest Lecture: Discover Chatham</i></p>	<p>Banking on the Community</p> <ul style="list-style-type: none"> <li>- SunTimes: Blue Cross Bringing 550 Jobs to Morgan Park</li> <li>- WaPo: Corporate America's \$50B Promise</li> <li>- McKinsey: 2023 Update on Corporate Commitments to Racial Justice</li> </ul>	<p>and what is the ROI?</p> <ul style="list-style-type: none"> <li>- How did companies respond to the events of 2020 and have they fulfilled their commitments?</li> <li>- Should companies focus on community investment?</li> </ul>
10	3/5: Final Exam Presentation			

Office Hours

Instructor will be available as needed please email to set up a meeting time.