

# Intergovernmental Transfers (and a bit on Campaign Finance)

11.438 Economic Development Planning

Jeff Levine, AICP

# OVERVIEW

- Community Development Block Grant
- HOME/ESG/EECBG
- Economic Development Administration programs
- EPA Brownfields Grants
- State aid programs to municipalities
- State grant programs
- Tax Credit Programs (state and federal)
- Opportunity Zones (sort of)

# INTERGOVERNMENTAL GRANTS

- AKA Federal and State grants/aid
- Also called “grants in aid” or “equalization payments” (Canada – “have not” provinces)
- When a city’s problems become a region’s problems
- When a city’s success is key to the region’s success.
- Intergovernmental aid can allow for certain goods that have externalities without removing them from local jurisdiction (eg. homeless services)

# “THE FLYPAPER EFFECT”

- Outside money attracts inside money
- Local match requirements drive local decision making
- Examples: State school building grants; Interstate Highway program
- Not a lot of empirical evidence
- HUD estimated that between FY2010 and 2012, every federal CDBG dollar resulted in \$4 of local and private spending

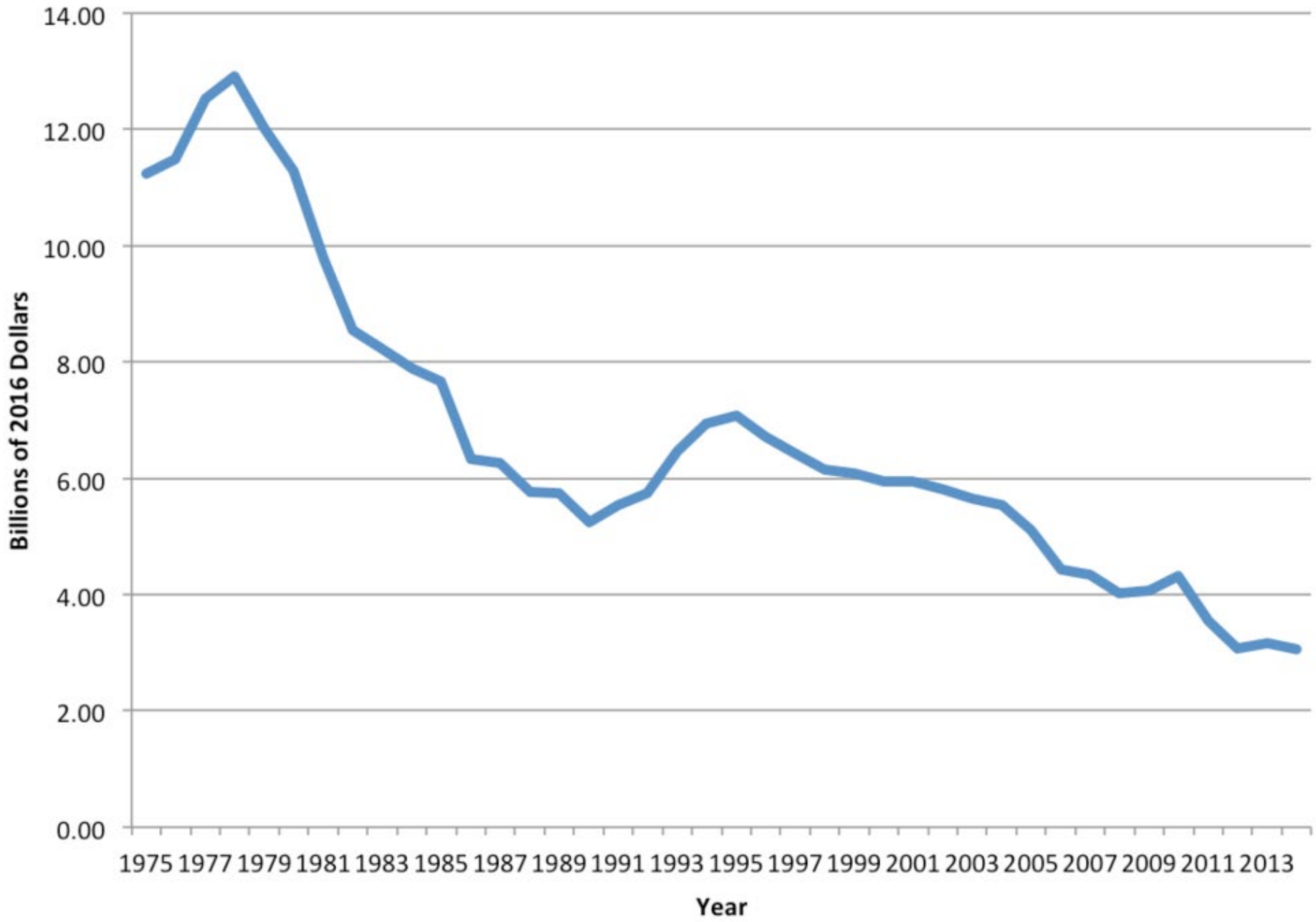
# COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

- Authorized in 1974 to replace the Model Cities program
- Part of Nixon's concept to get the feds out of local citymaking
- Simply gives eligible communities a set sum every year and allows them to invest as they see fit to benefit low- and moderate-income residents
- Significant HUD oversight role

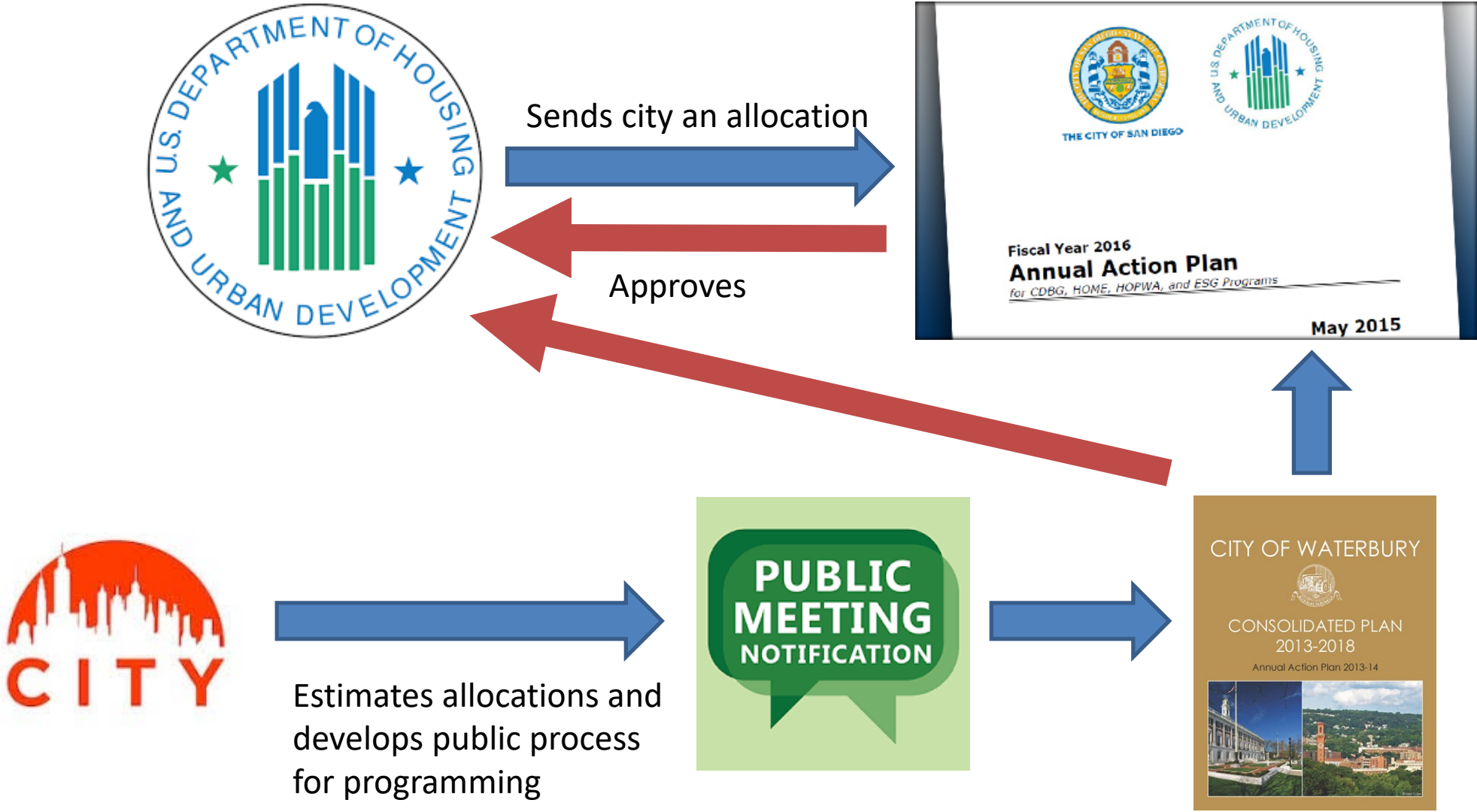
# Who Gets It?

- “Entitlement Communities” of at least 50,000 population and suburban counties of at least 200,000 population
- Distributed based on formula including age of housing stock, amount of low-income residents, other factors
- State also gets a grant for regranting to other communities

# CDBG Funding By Year (Billions of 2016 Dollars)



# CDBG – How It Works

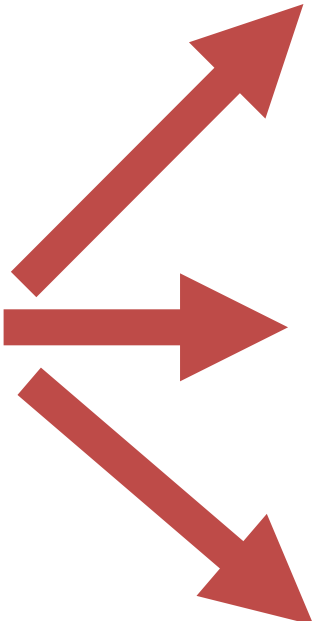
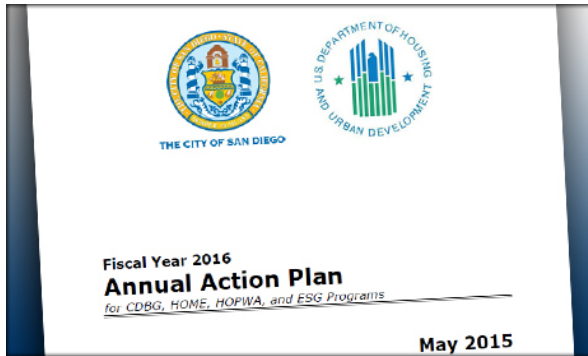


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# CDBG – How It Works

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Up to 15% for “public services” (unless grandfathered)

Up to 20% for “administration”

No limit on “infrastructure”



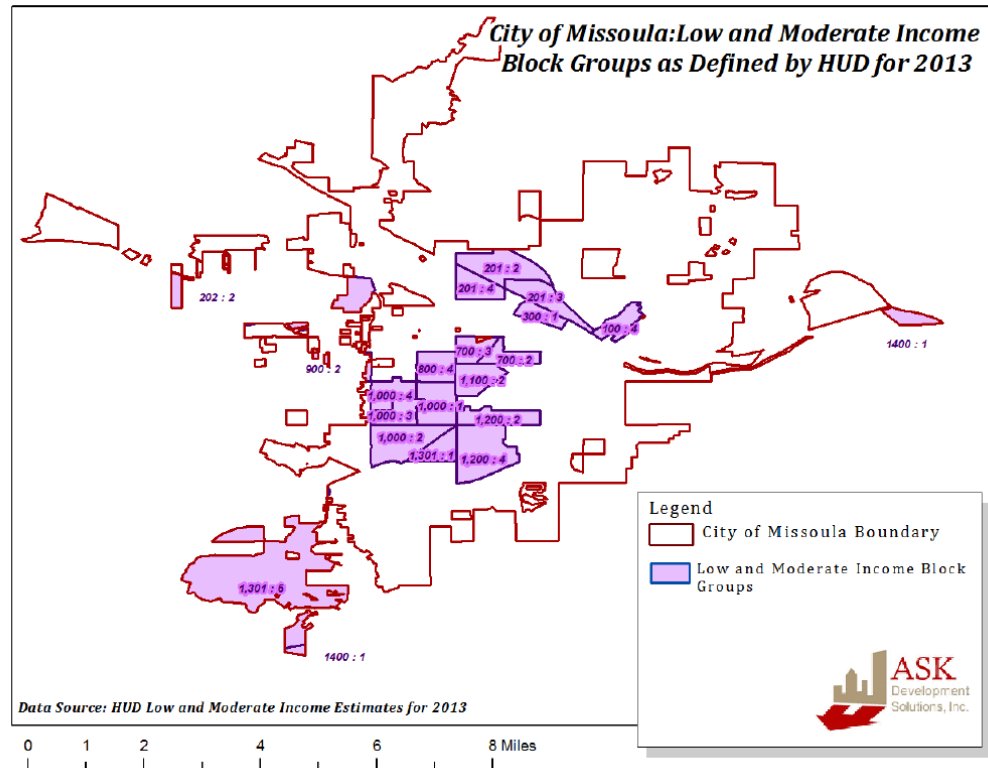
Reviews



# Spending Rules

- In addition to categories, spending must meet a “National Objective” and be an “Eligible Activity”
- “National Objectives”
  - Benefit to low- and moderate- income (LMI) persons;
  - Aid in the prevention or elimination of slums or blight; and
  - Urgent Need

# Benefit LMI's



- Low-Moderate Income Area Benefit
- Low-Moderate Income Limited Clientele
- Low-Moderate Income Housing
  - Cannot be new construction of housing
- Low-Moderate Income Jobs

# Slums and Blight

- Area Basis (an area with lots of disinvestment)
- Spot Basis (one bad building)
- In an Urban Renewal Area

## Urgent Need

- Natural disasters
- Sudden localized crisis

# Eligible Activities (a sampling)

- Acquisition of property
- Public infrastructure
- “Special” economic development activities that create low- or moderate-income jobs
- Microenterprise assistance
- Assistance to Community Based Development Organizations to conduct neighborhood revitalization, energy conservation, or community economic dev’t

# HOME/ESG/EECBG

- HOME- block grant program for low-income affordable housing development
- ESG- Provides support for homeless services
- EECBG- block grant program for energy efficiency and conservation programs (not funded in about 10 years)
- Do block grants work better than specific grant programs? How about consortiums?

# Economic Development Administration

- Part of the U.S. Department of Commerce focused on private job creation through grants to local government
- Regions develop Comprehensive Economic Development Strategies
- Local government can get grants, such as for infrastructure, usually at \$1.5 million or less



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# EPA Brownfields Grants

- Funds to local and regional government:

- **Revolving Loan Fund (RLF) Grants** provide funding to capitalize loans that are used to clean up brownfield sites.
- **Cleanup Grants** provide funding to carry out cleanup activities at brownfield sites owned by the applicant.
- **Area-Wide Planning Grants** provide funding to communities to research, plan and develop implementation strategies for cleaning up and revitalizing a specific area affected by one or more brownfield sites.
- **Environmental Workforce Development and Job Training Grants** provide environmental training for residents impacted by brownfield sites in their communities.
- **Technical Assistance, Training, and Research Grants** provide funding to organizations to conduct research and to provide training and technical assistance to communities to help address their brownfields challenges.

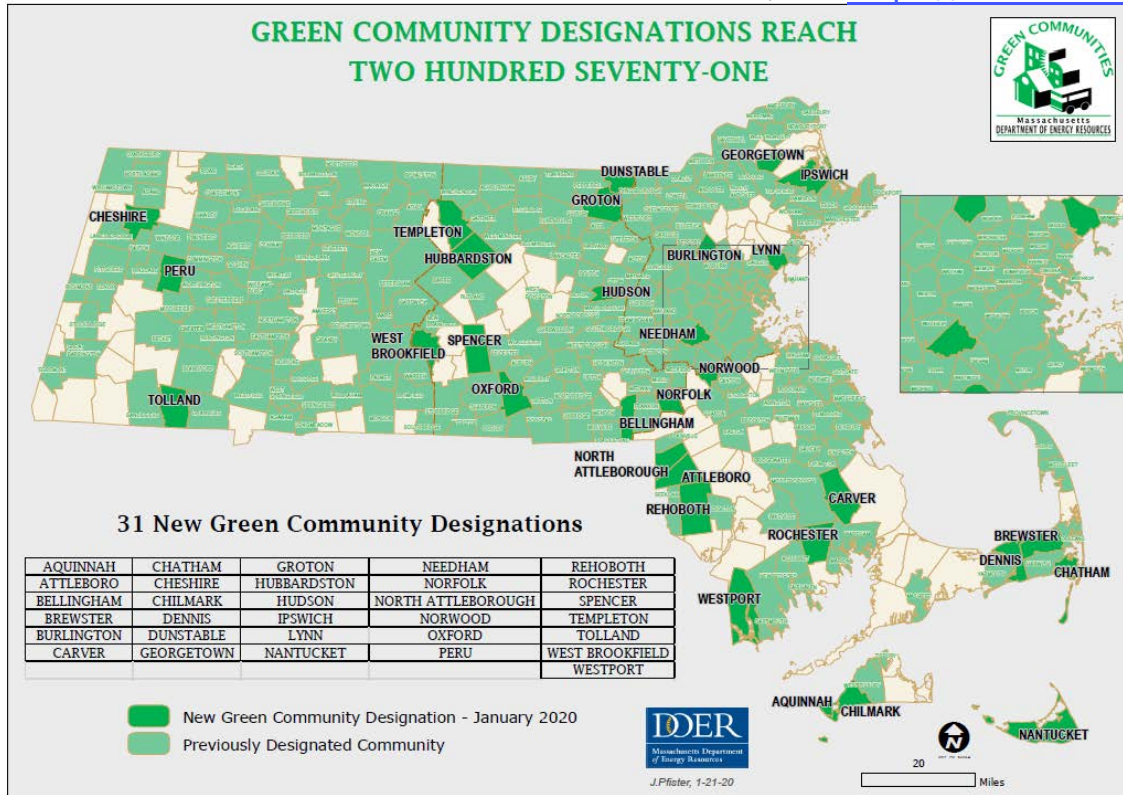


# State Aid

- Generally intended to equalize finances across municipalities
- Can be used for any purpose, including economic development, except for targeted education aid
- Amounts and formulas vary widely
- Massachusetts funds much of its state aid with Lottery proceeds

# State Grant Programs – Lean Green?

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About \$50 million in Green Community Grants in Massachusetts

To be designated, must meet five criteria related to encouraging sustainable development

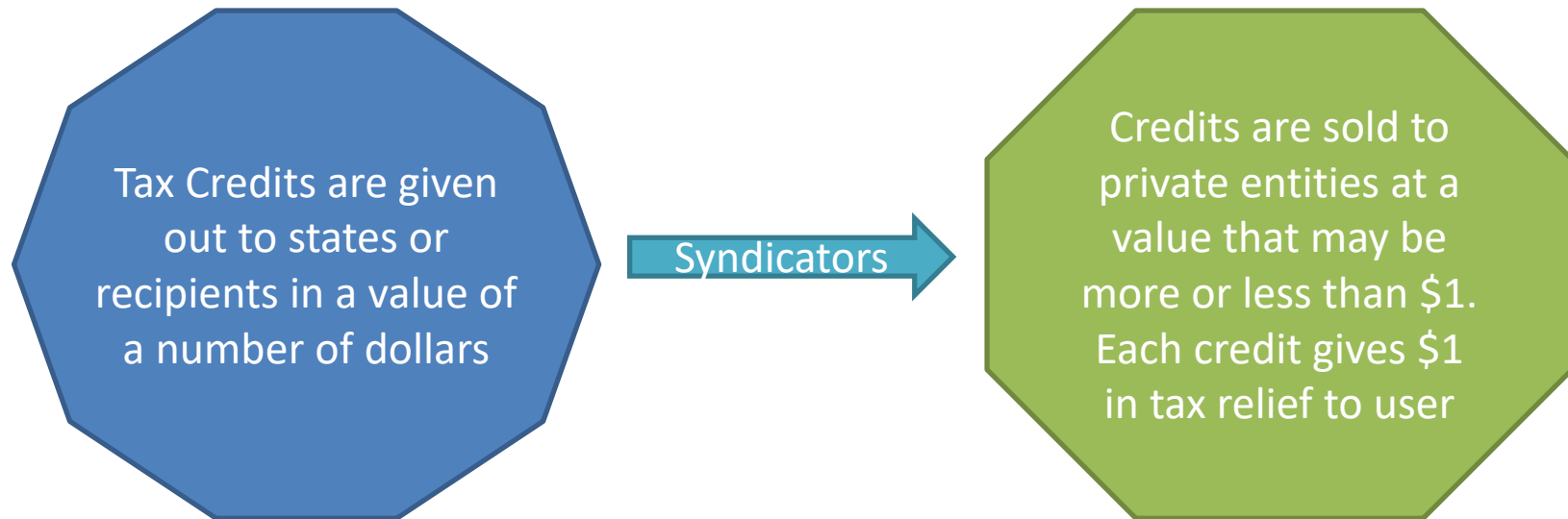
California offers a number of state grants to cities to support sustainable development. The Urban Greening program funds tree planting and programs to reduce commuter miles.



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# Tax Credit Programs

- Low Income Housing Tax Credits
- Historic Tax Credits





# Campaign Finance

- Why are we talking about this here?
- Many developers contribute to local elected officials' campaigns
- No explicit expectation that this will result in local support for projects
- On the other hand...
- Efforts for local public finance of campaigns have had limited success

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