

*Infrastructure Task Force Agenda and Support Memo
November 23 2009*

M E M O

To: Members Infrastructure Task Force,
Illinois Economic Recovery Commission

From: Scott Bernstein

Date: November 23, 2009

Re: Mins

We agreed at the last meeting to examine some definitions of economic development and infrastructure that could be used productively to advance a state recovery agenda.

Jon Donaker has prepared a framework chart on infrastructure categories to get us started, which has been emailed.

We also discussed the need to identify near-term actions that the State might take under current authority, and the need to identify potential priority legislative actions that can improve the State's "readiness" and capacity to help lead recovery efforts.

What we can recommend to the Governor for near-term action

I. Information, Rapid Learning

Provision of information essential to building localized demand for economic improvement and improved market analysis and market development

Examples—

- Provision of Metro PreciS scorecard information from Moody’s Economy.com,
- Early warning systems for financial stress e.g. foreclosure triggers and plant closings;
- Issue an executive order requiring the disclosure of energy and transportation costs in cities statewide as part of any residential lease or purchase so that tenants and buyers have access to this information and can make informed decisions prior to signing a contract

Provision of information essential to helping local government set goals, calibrate and prioritize resource allocation

Examples—

- Enhancement of information sources made available to Metropolitan Planning Organizations and municipalities to allow for comparison of economic performance,
- Further revision of definition of Economically Distressed Areas to allow for finer grained spatial targeting of State and Federal investment

Adoption of best practices in economic development from other States

Examples—

- Assembly of case study material prepared by the National Conference of State Legislatures, American Association of State Transportation and Highway Officials, US Conference of Mayors, National Association of Counties and independent organizations such as the Center for States Innovation, Surface Transportation Policy Partnership, Smart Growth America, Brookings Institution and the Pew Center on the States
- Convening of “strategy and policy academies” with best practitioners from other states both in-person and by webinar; run on a continuous improvement basis

II. Enhancing the Opportunity to Invest

Use of the State's ability to enhance credit or to directly invest in initiatives and businesses

Examples—

- State Infrastructure Banks enabled by ISTEA, TEA21 and SAFETEA-LU,
- Better cataloging and targeting of resources available from DCEO and the Illinois Development Finance Authority;
- Exploration of new kinds of investment vehicles such as “Double Bottom Line Equity Investment Funds”;
- Development of specific targeting to take advantage of emerging private and federal investment partnership opportunities (Ohio),
- Expanded use of Linked Deposits, Pooled Investment Funds and Economically Targeted Investments generally
- Strongly implement the "Illinois Efficiency Incentive Act, SB 2885" on the books since 6-06 which allows DCEO to grant additional credits under the "Economic Development for a Growing Economy (EDGE)" program for projects that are close to public transit or affordable workforce housing. An Executive Order from the Governor could require all state agencies -- including DCEO, IDOT, IFA, IHA, DNR -- to grant a high priority to Location Efficient sites in consideration for the award of all state incentives and grants. Definition of Location Efficiency could be the Housing plus Transportation Index called for in SB414. A statewide Cargo Oriented Development Index could be created to support projects such as the Blue Island and Harvey redevelopments focused on industrial and downtown expansions.
- The Governor and the legislature should take these measures in ways that increase the chances of local initiatives applying for competitive resources increase their success rate (e.g., do better than we recently did applying for Smart Grid funding) and that help Illinois align itself strongly with the policies of the US DOT-EPA-HUD Livable Communities Partnership and similar federal initiatives.

III. Lubricating or Removing Unnecessary Regulatory Friction

Use of the State's ability to implement regulations flexibly to reduce barriers to speedy implementation

Examples—

- Readiness to use expedited authority for brownfields cleanup and redevelopment recently granted by HUD and EPA;
- Creative use of Neighborhood Stabilization Fund authority granted under HERA to both prevent foreclosures before their impact needs to be mitigated, and also to assemble and bank land for strategic redevelopment (Genessee County Michigan and the State of Michigan);
- Expedited permitting for targeted purposes (model after Chicago's Green Building permit program)
- Grant approval for replacement of obsolete infrastructure that impairs local economic value with more effective infrastructure that adds value (e.g., Milwaukee, Portland, New York, SF, Chattanooga's removal of elevated highways and replacement with better local road networks and mass transportation)

IV. Leadership and Convening

Use of the State's convening ability to develop new mechanisms to facilitate collective initiative among multiple units of local government, and/or between government and the private sector

Example--

- Use of the State's ability to customize federal programs for which Illinois has been delegated implementing authority to ensure maximum leverage on scarce resources
- Early and continuing citizen engagement to help set priorities in the use of scarce public resources
- Provision of information and knowledge resources that increase demand for change, accelerate adoption of technology
- Filling in missing links in supply chains for manufactured products—Ohio, Texas, Minnesota, California and Iowa all support this for wind generator manufacture; Illinois highlighted as a place that could use more of this in recent review of supply chains in bus manufacturing

V. Using Delegated Federal Authority in Smarter Ways

Use of State authority to implement ARRA to get speedier and more successful response

Example—

- State hired back laid off IDOT staff resulting in 2d fastest payout and reimbursement nationally on State highway funds; but didn't make available for help to MPOs and smaller transit agencies; NE Illinois transit agencies actually obligated funds faster than IDOT; adopt an integrated multi-modal strategy
- Use lists of “what worked best” from GAO, Smart Growth America, Center for States Innovation, Brookings etc. to keep improving
- Distinguish between total number of jobs and quality of what the work is

VI. Procurement

Use existing authority to leverage both public and private investments in 21st Century solutions

Examples—

- Use Illinois Power Authority to execute new plan for energy efficiency, demand-side management and distributed resources, deliver to Illinois Commerce Commission for expedited action; coordinate with laws recently passed to enable municipal bond financing for comprehensive building retrofit
- Adopt recommendations of the Illinois Smart Grid Consensus Forum and use these to more effectively compete for both future Smart Grid resources and for broadband investments; integrate these efforts; conduct in both urban and rural regions.
- Use authority granted under ARRA for the Illinois Clean Water State Revolving Fund to prioritize allocation of low-interest loans to cost-effective “green infrastructure” investments that save money and increase performance over more traditional sewer and treatment systems

Definitions and Methods for Economic Development

Economic development is a deliberate planned action that results in a measured increase in the total production of goods and services that may be attributed to an investment in additional labor or capital or to a prolonged period of economic productivity.

Output indicators for economic development include without being limited to employment rates; asset utilization; wage levels; area cost-of-living and cost-of-doing-business; capital access; and area economic reputation.

Economic development as a process consists of such efforts to recognize assets and opportunities that may be hidden, scattered, poorly understood and/or poorly utilized, when then utilize collective resources that result in transparency, alignment and coordination, greater understanding and motivation to invest, and a more sustainable use of scarce capital resources.

Adopted from:

1. National Academy of Sciences, Research on the Relationship Between Economic Development and Transportation Investment; Transportation Research Board Project NCHRP 2-19, February 1996
2. Albert O. Hirschmann, The Strategy of Economic Development, Harvard Press, 1958
3. Scott Bernstein, The Hidden Assets of Cities and Regions, E. Michigan University, 1997
4. David Lewis, Primer on Transportation, Productivity and Economic Development, National Research Council NCHRP Report 342, 1991

Definitions of infrastructure:

Infrastructure consists of tangible and intangible networks invested in and managed to provide affordable access to essential public goods and services.

The essential nature of infrastructure is that it provides economies of scope, which occur when connected investments result in a reduction of cost from increased connectivity and utilization of the services that infrastructure provides.

Examples of such economies of scope, also known as economies of network, include

Telephone
Fax
Email
Broadband
Electrical transmission and distribution
Natural gas transmission and distribution
Air carrier
Long distance highway networks
Mass transportation
Regional and local street networks
Freight rail
Water supply
Drainage

among others.

Economies of scope occur when standardization and inter-operability occur, at which point the more participants in the system, the lower the unit cost. This results in an economy of scale due to distributed resources, as opposed to an economy of scale that occurs due to centralization of technology and investment.

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