May 24, 2023

What Is Place-Based Economic Development?

The Economic Development Administration (EDA) defines economic development as creating "the conditions for economic growth and improved quality of life by expanding the capacity of individuals, firms, and communities to maximize the use of their talents and skills."

One strategy for attempting to achieve those goals is place-based economic development (PBED). PBED seeks to develop policies and programs that address conditions in a specific location, often in places that are economically distressed. This approach differs from people-based policies, which may provide benefits to certain groups of individuals regardless of where they live or work.

In addition to longstanding federal efforts to address the economic conditions of particular places (such as the Community Development Block Grant program), Congress has recently expanded support for PBED policies. Laws enacted in the past few Congresses, including select provisions in both the CHIPS and Science Act (P.L. 117-167) and the Infrastructure Investment and Jobs Act (P.L. 117-58), have authorized large new PBED programs.

Defining Place-Based Economic Development

There is no standard definition of PBED in statute or in practice. However, economic development practitioners often use the term to refer to efforts to boost the economic performance within a particular unit of geography, often focusing on areas that are economically distressed. The unit of geography varies, ranging from the census tract level to a city or multi-county region. Multiple federal, state, and local departments and agencies administer PBED programs.

PBED includes several types of programs, including workforce development programs that target individuals living or working in a defined area, tax incentives or other benefits for businesses or other entities that locate or invest in a certain place, and infrastructure development. While state and local governments implement some of these programs, this product focuses on federal PBED programs.

Arguments for Place-Based Economic Development

PBED programs generally aim to improve local conditions by providing an incentive to increase employment and investment in a geographic area. Researchers have found that differences in geography are associated with disparities in wages and employment opportunities. Some Members of Congress have expressed concern about these reports, while some observers have noted that PBED policies may provide a way to address such geographic imbalances.

Some proponents of PBED have argued that residents of areas that have experienced job losses often experience other challenges such as constraints on mobility, which may complicate the ability of such residents to relocate to areas with more job opportunities. As a result, some argue, enabling job creation in distressed places may be a viable strategy for promoting economic opportunity.

Some also suggest that strategies that encourage people to relocate to areas with greater employment opportunities have potential downsides. For example, a 2020 study from economist Timothy Bartik found that the subsidy needed to persuade someone to move out of their home area can exceed 100% of that person's annual income. Out-migration may also reduce local demand for goods and services, possibly leading to a further decrease in job opportunities.

Job creation in distressed areas may also have a larger effect on a regional economy than job creation in more economically secure places. For example, a 2021 study from the W.E. Upjohn Institute for Employment Research found that in areas with high economic performance, about 14% of jobs created help increase the employment rate of local residents, partly because some people taking the jobs did not live in the immediate vicinity or already had jobs. However, in distressed areas, 50% of jobs created increase the employment rate of local residents.

There are also equity arguments for PBED targeting distressed areas. Research has found that the benefits of job creation in affluent areas tends to accrue to wealthier residents. However, a higher percentage of the benefits from job creation in distressed areas tends to go to low-income residents (who are more likely to be non- or under-employed.)

Counterarguments

Certain critics of PBED argue that if the goal of economic development is to help people, then PBED is not an effective method for achieving that outcome. Practitioners and policymakers have periodically expressed concern that benefits from PBED programs do not reach the intended recipients. They argue that focusing on places may run the risk of resources going to unintended activities or people.

Researchers have also questioned whether policies designed to create economic benefits in specific areas over others actually create aggregate benefits. Some studies have found that certain PBED programs have had little or no economic effect.

Additionally, there are questions about whether wealthier residents are likelier to capture potential gains from land value increases resulting from PBED, and whether that outcome is consistent with programmatic goals.

Federal Programs

Congress has a longstanding interest in PBED. The federal government has administered PBED programs for decades, and Congress continues to authorize new PBED programs, as described below.

In the 117th Congress, the CHIPS and Science Act (P.L. 117-167) authorized new PBED programs, including:

- The Recompete Pilot program. Administered by EDA, the program will provide grants and cooperative agreements to persistently distressed areas in support of long-term economic development and job creation.
- The Regional Technology and Innovation Hubs program. Administered by EDA and the National Institute of Standards and Technology (NIST), the program will designate at least 20 geographically distributed technology and innovation hubs in areas that are not leading technology centers to support technology development and job creation.
- The Regional Innovation Engines program. Administered by the National Science Foundation (NSF), the program will support activities to build regional innovation systems, including commercializing research and training graduate students.

Table 1 summarizes these programs.

Table 1. Selected New PBED Programs Authorized in 117th Congress

Program	Agency	Authorizing Law	Authorization of Appropriations
Recompete Pilot	EDA	Division B, Title VI, Subtitle C, Sec. 10621 of P.L. 117-167	$1 billion through FY2026
Regional Technology and Innovation Hubs	EDA and NIST	Division B, Title VI, Subtitle C, Sec. 10621 of P.L. 117-167	$10 billion through FY2027
Regional Innovation Engines (RIE)	NSF	Division B, Title III, Subtitle G, Sec. 10388 of P.L. 117-167	$6.5 billion combined for RIE and NSF's Translation Accelerator program through FY2027

Source: CRS analysis of authorizing legislation.

The 115th Congress authorized Opportunity Zone (OZ) tax incentives in P.L. 115-97. The incentives are available to private investors if they invest in economically distressed census tracts designated as OZs. Qualified OZ designations are in effect through the end of 2026.

The New Markets Tax Credit (NMTC) is a tax credit meant to encourage private investment in low-income census tracts. Congress authorized the NMTC in the Community Renewal Tax Relief Act of 2000 (P.L. 106-554).

Similar federal approaches, such as Empowerment Zones (EZs), Enterprise Communities (ECs), and Renewal Communities (RCs) are federally designated geographic areas characterized by high levels of poverty and economic distress. Businesses and local governments could be eligible for federal grants and tax incentives for activities and investments aimed at revitalizing selected areas. Since 1993, Congress has authorized three rounds of EZs (1993, 1997, and 1999), two rounds of ECs (1993, 1997), and one round of RCs (2000).

The Community Development Block Grant (CDBG) program can also fund PBED initiatives. Authorized by Congress in the Housing and Community Development Act of 1974 (P.L. 93-383) and administered by the Department of Housing and Urban Development (HUD), CDBG offers flexible funding to state and local governments to use for a variety of purposes. However, eligible activities must principally benefit low- or moderate-income persons; aid in preventing or eliminating slums or blight; or address an imminent threat to the health and safety of residents. Many of the eligible activities have a place-based focus, including assistance to neighborhood-based organizations and acquisition of real property.

Considerations for Congress

In light of the newly established programs and expanded funding authorized during the 117th Congress for PBED efforts, Congress may have an interest in monitoring the programs' effectiveness. Studies from the Government Accountability Office and HUD concluded that some previous federal PBED efforts—specifically, the EZ, EC, and RC programs—were not shown to have caused a general improvement in local economic conditions, although the studies noted the difficulty of measuring the effects of the programs on overall economic conditions.

Congress may question whether PBED programs represent a government attempt to "pick" certain places over others. One persistent criticism of PBED programs is that, since they may encourage businesses or investment to move from one place to another, they may not create new net economic benefits, and one location's success could come at the expense of somewhere else. Some PBED programs, such as CDBG, have regulations in place to prevent or mitigate this displacement. Congress may want to monitor PBED programs' ability to protect against such outcomes.

There may be potential federalism issues related to PBED as well. Much of economic development planning and policy development occurs at the state or local levels. This includes many state "zone" programs offering tax incentives or other benefits for investments in or relocation to designated areas. As some federal PBED programs use similar tactics, Congress may want to ensure that federal PBED efforts complement and not duplicate or compete with state efforts.

IF12409

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