

# Questions to Answer When Targeting Distressed Communities

Economic Development Council of Colorado  
Best Practices for Business Incentives

Alison Wakefield, Manager  
The Pew Charitable Trusts

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Pew

# Pew's Research on Tax Incentives and Evaluations

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## What do you mean, “tax incentive evaluation”?

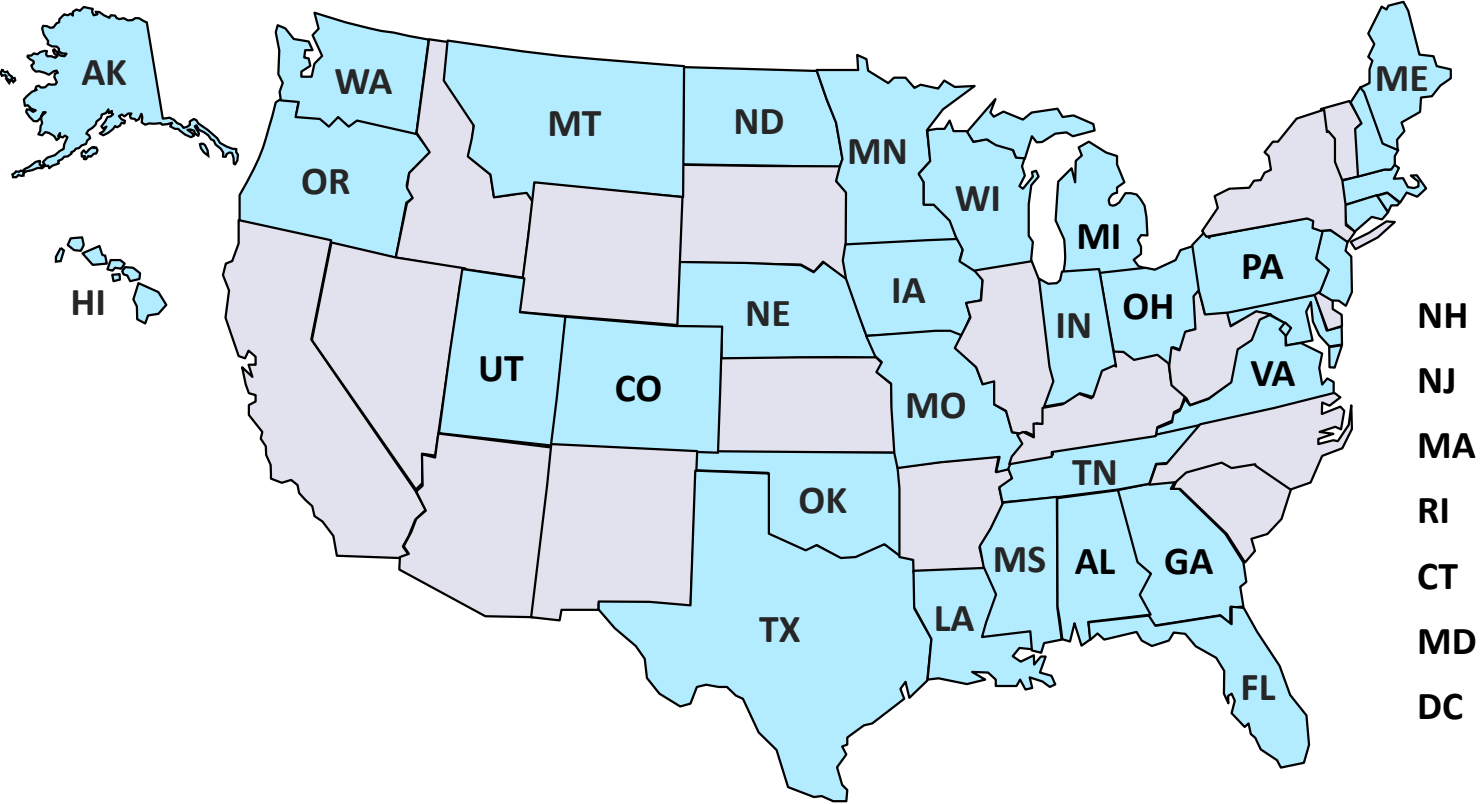
- Analysis of the overall performance of a tax incentive program
  - Not individual company deals
  - Whether the program is making progress toward its goals
- High quality evaluations include:
  - A description of the incentive, its history, and goals
  - An assessment of the program’s design and administration
  - Estimates of the expenditure’s economic and fiscal impacts
  - Policy recommendations

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## Why should states evaluate tax incentives?

- Identify programs that are working well, so that the state can invest in them with confidence
- Make subtle changes to incentives to increase their return on investment
- Repeal or replace ineffective or obsolete incentives
- Analyze whether incentives are serving the needs of beneficiaries
- Have a more constructive conversation about incentives

# The changing landscape of incentive evaluation



# Tax Expenditure Evaluation in Colorado

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## Colorado's Evaluation Process

- 2016 - SB 203
  - Passed unanimously by Colorado General Assembly; signed into law on June 6, 2016



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## Colorado's Evaluation Process

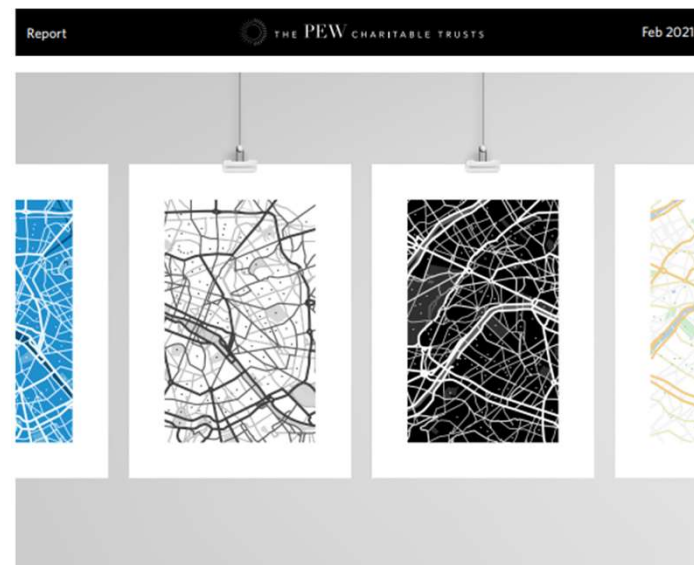
- **Who evaluates:**
  - Office of the State Auditor (OSA)
- **Evaluation scope and schedule:**
  - Tax expenditures, not just economic development
  - Schedule determined by OSA
  - New expenditures reviewed within first 3 years
- **Connection to policymaking:**
  - Legislative Oversight Committee Concerning Tax Policy



# Targeting Distressed Areas with Place-Based Economic Development Tools

## Historically, place-based economic development programs have struggled

- Governments have committed tens of billions of dollars to programs such as TIF, enterprise zones, and opportunity zones
- Often, programs end up benefitting wealthier locations instead of distressed areas
- Even when intended places receive investment, residents may not be better off



## How States Can Direct Economic Development to Places and People in Need

Strategies to strengthen place-based programs, better support distressed areas

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## Key questions

- What's the right measure of distress?
- What's the right geographic area?
- What's the right timeframe?
- Who benefits?

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## What's the right measure of distress?

- Avoid vague or subjective criteria
- Governments can rely on a range of economic, demographic, and social indicators
- Quantitative measures should be selected carefully and should reflect the goals of the program
- Characteristics of the resident population may not be helpful measures in commercial or industrial areas

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## What's the right geographic area?

- Programs are directed to a range of areas (neighborhoods, census tracts, municipalities, counties, metro areas, commuting zones)
- Attempting to target job creation in small areas may be difficult or unnecessary
- Businesses tend to locate in the least-distressed eligible areas, need to pay attention to where programs are used (not just where they're available)

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## What's the right timeframe?

- Many programs do not update targeting frequently
- Changes in distress levels happen most quickly in small areas such as neighborhoods
- For small areas, timely data may be less reliable

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## Who benefits?

- Helping a place does not guarantee low-income residents will be better off
- Residents may face barriers to filling created jobs: training, transportation, child care, etc.
- The industries in which jobs are created matters
- Strategies must be tailored to local needs

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## Recommendations for improving the targeting of place-based programs

- Target programs using quantitative measures
- Systematically assess geographic targeting
- Regularly update the set of eligible locations
- Tailor economic development strategies to local needs
- Create job opportunities for low-income residents



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## Evaluations and Place-based Targeting in Colorado

- **Enterprise Zone Evaluation**

- Provided a minor incentive for businesses but that much of this activity would have still occurred absent the credit
- Provided modest increase in job opportunities but most went to employees who live outside of the enterprise zones
- Credit for hiring new employees relatively small compared to the labor costs
- Recommend implementing performance measures and more specific targeting

# Additional Resources

## Pew Economic Development Incentives Evaluation Toolkit

Publications, articles, and memos relating to tax incentive evaluation and design

<https://www.pewtrusts.org/en/projects/economic-development-tax-incentives>

## NCSL Database of Evaluations

Over 300 evaluations from over 40 states

<https://www.ncsl.org/fiscal/state-tax-incentive-evaluations-database>

Filters

- City >
- State >
- Year >

For Policymakers

- Designing evaluations >
- Designing incentives >
- Incentive policy change >

For Evaluators

- Program evaluation type >
- Methodology >
- Process >
- Post-evaluation >

Results: 1 - 10 of 98

1 2 3 4 5 ... >

Date

### Evaluator Roundtable Highlights Include Data Source Methods and 'Second-Time' Strategies

Expert summarizes the 9th annual tax incentives conference

Published: December 15, 2023

In this summary, originally published by The Pew Charitable Trusts in December 2023, Jim Landers, associate professor of clinical public affairs and Enarson fellow, John Glenn College of Public Affairs, The Ohio State University, shares the highlights from the ninth annual Roundtable on Evaluating Economic Development Tax Incentives... [Read more](#)

Format: Analysis

### How Survey Methods Can Support Tax Incentive

**NCSL**  
NATIONAL CONFERENCE OF STATE LEGISLATURES

## State Tax Incentive Evaluations Database

[Click Here to View Descriptions of Analysis Topics](#) Clear All

Year	State	Analysis Topic	Incentive Type	Title
<input type="checkbox"/> Select all <input type="checkbox"/> 2024 <input type="checkbox"/> 2023 <input type="checkbox"/> 2022 <input type="checkbox"/> 2021 <input type="checkbox"/> 2020 <input type="checkbox"/> 2019	<input type="checkbox"/> Select all <input type="checkbox"/> AK <input type="checkbox"/> AL <input type="checkbox"/> AR <input type="checkbox"/> AZ <input type="checkbox"/> CA <input type="checkbox"/> CO	<input type="checkbox"/> Select all <input type="checkbox"/> But for <input type="checkbox"/> Displacement <input type="checkbox"/> Economic modeling <input type="checkbox"/> Fiscal challenges <input type="checkbox"/> Incentive administration <input type="checkbox"/> Incentive data	<input type="checkbox"/> Select all <input type="checkbox"/> Agriculture <input type="checkbox"/> Angel Investment <input type="checkbox"/> Capital Investment <input type="checkbox"/> Cash incentives <input type="checkbox"/> Corporate income tax incentives <input type="checkbox"/> Energy	<input type="text" value="Search"/> <input type="text" value="Search"/>
2021	AK	2021 Indirect Expenditure Book		
			Fiscal challenges Corporate income tax incentives Energy Entertainment and tourism Job training and workforce development	
2012	AK	Alaska Film Production Tax Incentive Program Select Performance Issues		
			But for Economic modeling Fiscal challenges	

**Alison Wakefield**

Manager, The Pew Charitable Trusts

[awakefield@pewtrusts.org](mailto:awakefield@pewtrusts.org)

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