

MEMORANDUM

TO: HVCEO
FROM: Richard Harrall
DATE: April 30, 2010
RE: CEDS Research

INTRODUCTION

HVCEO and other organizations in the Greater Danbury Area wish to determine the value of preparing a U.S. EDA defined “Comprehensive Economic Development Strategy” (CEDS) for the ten town area. The assumption is that once completed, an EDA endorsed CEDS qualifies area municipalities to apply for federal EDA economic development project funding.

Another assumption is that, generally speaking, EDA funding assistance is directed towards areas of relatively high unemployment. Yet Greater Danbury historically has had very low unemployment. A key question; is it realistic to expect municipalities in this region to qualify for EDA funding, following the completion of a CEDS?

Yet, if the Danbury Area does not qualify for EDA funding, perhaps there is still a reason to conduct a CEDS process; a) to complete the planning work to be accepted into an adjacent CEDS area or b) if it is valued by Connecticut state agencies such as the CT Department of Economic and Community Development (DECD).

We have been presented with 11 questions from HVCEO staff which address these issues. The questions and responses are presented below.

QUESTIONS

1. Review EDA CEDS eligibility criteria. Review Danbury Area statistics to assess likelihood of eligibility for EDA project grants to this area if a CEDS is completed.

The following are the eligibility criteria for EDA projects:

Potential applicants are responsible for demonstrating to EDA, by providing statistics and other information, as appropriate, the nature and level of economic distress in the region in which the proposed project will be located.

For a Public Works or Economic Adjustment investment, the project must be located in a region that, on the date EDA receives the application for investment assistance, meets one or more of the following economic distress criteria: (i) an unemployment rate that is, for the most recent 24 month period for which data are available, at least one percentage point greater than the national average employment rate; (none of HVCEO's ten communities meet this criterion) (ii) per capita income that is, for the most recent period for which data is available, 80 percent of the national average per capita income; (none of HVCEO's ten communities meet this criterion) or (iii) a "Special Need" as determined by EDA. Several of HVCEO's ten communities may qualify for this criterion as we will see below.

For economic distress levels based upon the unemployment rate or per-capita income requirements, EDA will base its determination upon the most recent American Community Survey (ACS) published by the U.S. Census Bureau for either: the region where the project is located, the geographic area where substantial direct project-related benefits will occur, or the geographic area of poverty or high unemployment, as applicable.

If a recent ACS is not available to determine project eligibility, EDA will base its decision on the most recent federal data available from other sources (e.g., data available from the Census Bureau and the Bureaus of Economic Analysis, Labor Statistics, Indian Affairs). If no federal data are available, an applicant must submit to EDA the most recent data available through the State government.

A project is eligible for the "Special Need" criterion if the project is located in a region that meets one of the criteria described below:

1. Closure or restructuring of industrial firms or loss of a major employer essential to the regional economy. A region has experienced either:
 - a. an actual closure or restructuring of a firm(s) within the past 12 months prior to application, resulting in sudden job losses and meeting the following dislocation criteria; or
 - b. a threat of closure that results from a public announcement of an impending closure or restructuring of a firm(s) expected to occur within two years of application; AND
 - c. such actual or threatened closure results in sudden job losses meeting the following dislocation criteria:
 - i. For regions with a population of at least 100,000, the actual or threatened dislocation is 500 jobs, or one percent of the civilian labor force (CLF), whichever is less.

- ii. For regions with a population up to 100,000, the actual or threatened dislocation is 200 jobs, or one percent of the CLF, whichever is less. Our experience, in the recent economic conditions, is that this criterion is frequently met.
2. Substantial out-migration or population loss. An applicant seeking eligibility under this criterion will be asked to present appropriate and compelling economic or demographic data to demonstrate the special need.
3. Underemployment, meaning employment of workers at less than full-time or at less skilled tasks than their training or abilities permit. An applicant seeking eligibility under this criterion will be asked to present appropriate and compelling economic and demographic data to demonstrate this special need. Even in relatively prosperous communities, this criterion is often met.
4. Military base closures or realignments, defense contractor reductions-in-force, or Department of Energy defense-related funding reductions.
5. Natural or other major disasters or emergencies. Unless further extended by the Assistant Secretary, a region that has received this declaration is eligible for EDA assistance for a period of 18 months after the date of the declaration.
6. Extraordinary depletion of natural resources or other impact attributable to a new or revised federal regulation or policy that will have a significant impact on a community to avoid an extraordinary depletion of natural resources.
7. Communities undergoing transition of their economic base as a result of changing trade patterns.
8. Other special need. The area is experiencing other special or extraordinary economic adjustment needs as determined by the Assistant Secretary.

The EDA Regional Office will make the finding that a Special Need exists based on the information provided by the community. With the assistance of the CEDS Committee and the CEDS staff, communities within the HVCEO will determine if they are eligible to apply for EDA funding consideration.

This criterion is the only one that the communities within HVCEO will be able to focus on.

There have been significant economic dislocations within the Housatonic Valley Region in the past. Job losses from such firms as Century Brass, Kimberly Clark, Union Carbide and Pitney Bowes come to mind. Had a regional CEDS been in place during these dislocations, federal EDA support may have been available to mitigate the economic damage.

2. Do EDA criteria enable pockets of high unemployment in an area of a municipality to qualify, possibly sections of Danbury if not that entire municipality?

EDA criteria, as described above, will enable pockets of either high unemployment and/or low per-capita income in one of HVCEO's communities to apply for EDA funding. Usually the statistics from census tracts are used to determine eligibility. Danbury, as well as other communities would have such pockets.

3. What other federal agencies rely upon the CEDS in determining economic development funding eligibility?

Federal Agencies often are involved in co-funding EDA projects. The fact that the project emerges from a long-range planning process is one of the criteria that other federal agencies will review as they make their funding determination.

Examples of federal agencies involved in funding EDA projects are Department of Defense, Department of Housing and Urban Development and Department of Agriculture. EDA also asks for comments from federal agencies such as the Environmental Protection Agency before making funding decisions.

4. If there is no EDA project eligibility possible within the Greater Danbury Area, do federal rules allow this area as a whole to be grafted on to an adjacent CEDS? And what would be the advantage to an adjacent area with high unemployment already qualifying for EDA funds to accept as new members a group of municipalities with low unemployment?

EDA may determine that the communities within HVCEO could join an adjacent area's CEDS. An adjacent area with high unemployment might welcome the communities within HVCEO to join them giving them a broader area to manage and also receiving funds from the HVCEO communities or other public/private entities within HVCEO.

EDA bases eligibility on the most favorable local statistics available including census tracts. The low unemployment-higher per capita income of HVCEO communities would have no adverse

impact on EDA decisions about the eligibility of areas outside HVCEO even if they are covered by the same CEDS.

There are over 200 situations where EDA has approved the formation of Economic Development Districts/Regional Planning Commissions where several counties or labor market areas join together to deal with regional economic development issues. EDA's experience is that all participants benefit from the broader regional approach. The regional economic development districts under consideration in the General Assembly and discussed in response to question 9 represent this approach.

The decision whether the HVCEO region should look to join with another region with an approved CEDS should not rest on the theory that it would increase chances of getting EDA funds. Rather, as explained in the response to question 10, there is value in the HVCEO region undertaking the process of preparation of its own CEDS. This process will bring together various stakeholders with the common goal of producing a CEDS which addresses the needs of the HVCEO region. The joining with another CEDS region to form a REDD or Economic Development District can be a future option.

5. Does EDA use boundary criteria for CEDS areas such that logical economic groups emerge? Or does EDA allow municipalities to join in CEDS groups as they wish?

EDA usually looks to logical economic groups, such as HVCEO, to form a CEDS. However EDA respects regional and local autonomy and will be responsive to whatever requests emerge from that process.

6. With or without EDA eligibility, determine if a federally defined CEDS process is of value to the CT DECD. We have one comment dated 1/28/2010 from Peter Simmons of CT DECD; "A general statement on CEDS that I hope will frame the issue for you. One of DECD's goals is for all communities in the state to be included within a CEDS region. We feel that the CEDS process is a good tool for regional economic development (and other) planning."

Discussions with DECD staff indicate that the desire for all communities to be included in a CED region is becoming stronger. With limited resources available, DECD will be looking for projects which have a regional impact and are the result of a thoughtful planning process. DECD believes that the CEDS provides the best structure for this process.

7. Conduct research to determine the location of CEDS policy within the new statewide DECD economic plan. If not found in that document then determine its location elsewhere at DECD. If it only exists as staff opinion such as above state that also.

The Economic Strategic Plan (ESP) was mandated by Public Act 07-239, Section 4 (GGS Section 32-10). 32-10 b (3) states that in preparing the ESP that DECD “Consider regional economic, community and housing development plans.” Review of the ESP finds only one reference to the CEDS. Page 26 of the ESP contains the following statements:

The Economic Strategic Plan (ESP) mandated by 32-10 must take into account several existing plans such as the State Plan of Conservation and Development and the Regional Planning Organizations Comprehensive Economic Development Strategies (CEDS) among others such as the Transportation Strategy Board initiatives and the Department of Transportation’s recent Strategic Long-Range Transportation Plan. In so doing, the ESP complements these plans where possible, but does not substitute for them.

This statement would lead one to believe that the CEDS establishes economic development policy for a region. This strategy with its regional goals and objectives as well as initiatives would take precedent over the ESP. Just as the ESP is intended to complement a CEDS, there should be a similar complementary relationship established between the CEDS and the ESP.

8. Search DECD for policies stating that a CEDS will be used as a criteria by DECD for state grant funding to municipalities, even when the town applying to the DECD is not eligible for EDA funding.

Our research did not identify any DECD policies that specify that a CEDS will be used as criteria for state grant funding to municipalities. However, it is clear that the CEDS planning approach is strongly supported by DECD.

The department is particularly interested in the inclusion of responsible development principles in the CEDS. These principles are best accomplished on a regional basis through a collaborative planning process. DECD believes that the structure of the CEDS process is the best approach rather than to “reinvent the wheel”.

The hope is that investments and projects will be considered on a regional basis with an understanding that benefits will accrue to all municipalities in a region. This will result in less sprawl into greenfield portions of the region requiring investment in infrastructure and a more efficient use of resources.

9. Does DECD encourage boundary criteria for recommended CEDS areas such that logical regional economic groups emerge?

There is currently legislation under consideration in the General Assembly entitled An Act Concerning Regional Economic Development (Substitute House Bill No. 5383) which would permit the formation of regional economic development districts (REDDs).

This bill is supported by both the DECD Commissioner and the Secretary of OPM. The REDD boundaries shall encompass one or more planning regions or to the extent practicable, be contiguous with boundaries of former county government regions. Based on this legislation, it would appear that regional planning regions are still recognized as logical regional economic groups.

A REDD would prepare a CEDS which complies with EDA requirements. It is our understanding that this bill will permit the consolidation of existing CEDS into a region. An approved REDD can request designation by the governor as an economic development district as well as designation from the Department of Commerce as an economic development district. This would make the REDD an eligible recipient for federal economic development grants.

10. Overall, describe how the CEDS process might benefit municipal and private sector economic development in the Housatonic Valley Region.

The Comprehensive Economic Development Strategy (CEDS) is a planning and project implementation process designed to foster job creation, to develop a stable and diversified economy in the region, to improve living conditions in the communities and provide a mechanism for guiding and coordinating economic development efforts in the region. It is not simply a mechanism to receive EDA funding. Some CEDS communities never receive EDA funding.

Even if the Region never received EDA funding, the CEDS process will help improve the competitive position of the region to retain and expand existing firms, to attract new industries, to better prepare the public and private sectors to meet community and economic development needs and to chart the region's future economic blueprint.

The CEDS document represents a thorough revisiting of the economic conditions and situations in the region, a reevaluation of the region's aims, needs and priorities and the development of the strategies, action plans and implementation efforts necessary to achieve the goals developed in the process of preparing the CEDS document.

Our experience has convinced us that the CEDS approach, working with the local communities, is the best approach to achieve the goal of developing a culture of collaboration. Our experience convinces us that the prime lesson that we can learn from an examination of economic life is that an area's well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic, the level of trust inherent in its society.

This has led us to conclude, after decades of experience and countless discussions with business and government leaders, that economic development is not about macroeconomic policy but about human relations – the need to build trust, innovation and cooperation.

To that end, the CEDS approach has facilitated business and political leaders to expand their focus on an innovation-based economy with a widely discussed shared vision. This process will focus on social consensus resulting from a broad-based leadership that is explicit and action-oriented.

11. While EDA may contribute 50% to the cost of its preparation, the total cost for a consultant contractor to prepare a CEDS for a region of this size is unknown. A preliminary and rough estimate is \$50,000.

Assuming least cost to obtain a federally approvable study product, please comment on the viability of this estimate. Also, in your experience what are common funding sources elsewhere for the 50% share that must be raised within the local area.

The cost of preparing a CEDS varies. Usually it is in the range of \$50,000 to \$100,000. EDA usually pays half of the cost. In Fiscal Year 2008, the average technical assistance investment by EDA was \$69,941.

In order to address the CEDS objectives outlined in question 10, we believe that a CEDS preparation fee in this \$50,000 to \$100,000 cost range would be necessary. This fee would allow for significant stakeholder involvement.

The local share is generally provided by the communities participating in the CEDS, based on a per-capita ratio and local business and community leaders involved in the CEDS process. In other regions the Chamber of Commerce has been a key solicitor of funds for the private sector. Both public and private funds are eligible for the match dollars.

The CEDS will be of little value if prepared by consultants without extensive involvement of the local elected officials and local community and business leaders. This involvement offers the opportunity for in-kind expenditures which can be part of the local match. Note however, that

once a regional CEDS is completed, there are local costs associated with ongoing CEDS maintenance to meet EDA periodic recertification requirements. EDA will assist with these ongoing maintenance costs as it did with CEDS creation.

CONCLUSION

Based on our research, we believe there is value to HVCEO pursuing the preparation of a CEDS. It would appear that DECD is poised to give the CEDS status as an economic development strategy which could be a positive in the pursuit of state funds for projects. This reliance on the CEDS process to select projects supports DECD's responsible growth policy.

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