Speaking out
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Looking at development and net social revenues

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Saratoga Springs is currently revising its master plan. Traditional master plans promote growth to expand the property tax base, employment, and sales tax receipts.

Saratoga is unique in that it has also adopted an Open Space Plan to help elude the downsides of unconstrained growth and outline broader community goals. Communities across the nation are similarly redefining progress, where development is measured in terms of net social revenues, value of retained and new jobs, and expanding opportunities of existing businesses.

Development strategies based on growing the tax base are often limited to industrial recruitment, where pre-zoned land, tax breaks, and infrastructure subsidies (sewers, roads, utilities, etc..) are used to entice any new business. For instance, zoning and subsidizing development of Excelsior Avenue for a broad class of industry would fall under this strategy.

Industrial recruitment would create measurable tax revenues. However, these would not necessarily be net social revenues. Net social revenue considers the costs of growth, including infrastructure expansion and maintenance, lost sales of competing business, and any impact on quality of life well beyond the next fiscal year.

Modern community development strategies envision retaining current businesses and recruiting compatible new ones. Programs such as business retention surveys, vendor matching, community supported agriculture, microenterprise loan funds, waste-to-work initiatives, energy efficiency programs, convenient public transportation, and affordable housing seek to expand current business, support the local labor force, and retain wage income in the local economy.

In Eugene, Oregon, a local community development corporation (CDC) asked 10 local businesses each to list 40 items purchased out of state. The CDC then called local businesses interested in supplying items from the list of 400. In its first year, the resulting vendor matching program created 100 new jobs and $2.5 million in new contracts. Imagine the economic impact of the flat track, or Skidmore, or any local industry buying just 20 percent more of their supplies from other local businesses.

These programs are often viewed as leak plugging initiatives, where economic growth is sought by re-circulating dollars in the local economy. Dollars leak out every time they are spent outside our community. Economic growth is possible by plugging the leaks and expanding economic multipliers, without unfettered quantitative expansion.

Recruiting new compatible businesses also centers on increasing these local economic multipliers. Businesses are sought with product and services that substitute for current imports into the local economy, and do not directly compete with existing industries. Criteria for compatible businesses include reliance on the local employment base, an ownership structure that retains profits in the community, the potential for long-term operation, a low air and water impact, and prudent use of land resources. New development that exploits local resources, exports profits, and doesn't pay its way can be disastrous.

In Saratoga, at what point does another housing development or another strip mall become a net loss?

Uninformed industrial recruitment often results in increasing costs faster than revenues, hiring workers largely from outside the community, and redirecting profits to distant owners. In sum, net social revenue declines.

In contrast, an economy can grow without sprawling development. Saratoga's long-term master plan must support existing business, recruit compatible new industries, insist that development pay its way, support the Open Space Plan, and be grounded in contemporary economic analysis. By controlling costs and plugging the economic leaks, development is not contingent on quantitative growth.

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