Bond Case Briefs

Municipal Finance Law Since 1971

The Economic Development Paradigm – City-Created Problems and Taxpayer-Funded Fixes

Economic development departments are often celebrated as promoters of prosperity and local employment. Each year, local governments spend tens of billions of dollars on economic development incentives—tax abatements, fee waivers, and direct subsidies—intended to lure private investment. Cities across the nation tout their ability to entice marquee employers, generate buzz with ribbon-cuttings, and implement incentive programs designed to attract private capital. Even small-city councils establish these departments to signal support for economic growth and to boost city revenues.

Yet beneath the surface of city branding, press releases, and fiscal sustainability strategies lies a more troubling reality: economic development departments, far from facilitating genuine development and demonstrating the appropriateness of their spending, entrench inefficiency, distort markets,1 and perpetuate the very obstacles they purport to overcome.

Incentives, Barriers, and the Illusion of Progress

Development incentives—tax rebates, fee waivers, and similar carrots—are meant to attract business investment. However, these incentives negate the tax and fee structures that cities themselves have painstakingly devised, often at great expense and through a protracted political process. For example, cities pay development and impact fee consultants tens of thousands of dollars to analyze and implement fee structures—purportedly based on the true cost of municipal services.2

Continue reading.

California Policy Center

by Mark Moses
Senior Fellow

September 4, 2025