

Leverage and Its Corollaries.

Always Produce Multiple Benefits from Every Action

THE MAGIC OF LEVERAGE.

Leverage is a tool applicable to all city strategies, plans and actions. Leverage is the investment of existing resources to create value above and beyond the initial investment. Every municipal action should produce economic, physical and social benefits for the city greater than the initial investment; as every dollar spent should produce more than one dollar of benefit and every regulation enacted should achieve not one but multiple goals of the community.

Risk is always a factor. "Measured" risk results from a careful analysis of "worst case scenarios" or "downside risk" in a public environment that is usually risk adverse. The presence of risk needs to be acknowledged and understood; it should not deter responsible investments or leveraging activities. In a municipal context it might mean investing a sum of money in a physical facility to create a social or economic benefit that would not otherwise be created. "Matching" grants are another source of funding to create revenues for a project larger than the city's unilateral outlay.

Leveraging, as a term, has taken on a bad reputation by the abuses in the financial world. However, the concept is valid for community use since the idea is to apply a resource, with measured risk, to expand the amount of that resource or to gain an advantageous and valuable new resource.

**"Give me a lever long enough and a fulcrum on which to place it,
and I shall move the world."**

Archimedes of Syracuse (c. 287 B.C. – c. 212 B.C.) <https://en.wikipedia.org/wiki/Archimedes>

MULTIPLE BENEFITS: The First Corollary to Leveraging.

The idea of multiple benefits thinking is to achieve two dollars [or more] of benefit from one dollar of expense. Spending one dollar in cost for one dollar in benefit must stop. It is a corollary of leveraging when local dollars are matched with grant dollars to create a bigger pot of money than would otherwise be available to the city. With forethought, every dollar spent can produce multiple dollars of benefit.

Examples:

- The school campus with a school building that serves its primary purpose as the setting for educating children can also serve as a public playground after school hours and provide meeting rooms and offices for adult education, health care and public libraries.
- In a city, the streets department may need to fix a street and add a drainage pond; the drainage department may have flooding in the vicinity and also need a pond. The environmental services department may have an opportunity to preserve a wetland near the flooded area and needs to intercept stormwater for water quality purposes using the pond while the parks department is always looking for another passive park with a walking trail...one project with many benefits.
- A public library fulfills its traditional role as a repository of books for lending. A well located library can also be a business service center, an incubator classroom and an internet hub.

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Not every expense creates obvious additional benefits at face value. Therefore, creative thought has to be applied to identify the potential multiplicity of benefits from every action. Sometimes a small additional expense can produce huge extra benefits. If you have the option to get two units of benefit from one unit of expense, why would you not take that deal?

The availability of multiple benefits can also help set priorities when resources are limited. If one budget proposal offers one unit of effort or expense for one unit of benefit while another proposal with the same effort using a different approach produces three units of benefit, the choice is clear. With a growing competition for money, successful cities are preparing master plans, developing budgets and submitting grant proposals that produce multiple benefits. Combining monies and design talent reduces the cost and disruption to each individual partner. That's multiple benefits thinking at its best.

The Idea of "Multiple Benefits"

The basic idea is that a single action can produce more than one benefit. One dollar of expense, if thoughtfully expended, can produce more than one dollars' worth of value, or benefit. Consider:

- "Killing two birds with one stone" [Apologies to birders.]
- Taking one action and getting more than one beneficial outcome.
- Using one unit of input to produce more than one unit of output.
- Monetizing by-products as second-effort products that would otherwise be a cost of production.

Much like mixed-use developments, multi-modal transportation systems, diverse housing stocks and biologically diverse landscapes, multiple benefits thrive in an atmosphere of diversity.

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CO-LOCATION: The Second Corollary of Leveraging.

Firehouses, community buildings and libraries can be co-located with compatible activities. The costs are reduced and the benefits are increased. Opportunities for co-locations, shared programming and joint projects abound; each usually found in a silo. Dollars from many public departments and businesses can contribute to a multiple benefit project once the silo-mentality is confronted with common sense and community spirit. "Leveraging" one facility plan to accommodate a second use with a master planned co-location is a basic principle of sound municipal multiple benefit thinking.

MULTIPLIERS: The Third Corollary of Leveraging.

The economic multiplier has been accepted as an important phenomenon by business and industry for years. One dollar spent creates a multiplied effect in the local economy that exceeds the initial expense. A dollar of wages ripples through the local economy creating more than one dollar's worth of retail sales and other expenditures. A dollar spent to provide an incentive for a business to re-locate to town, when carefully examined, is a great leverage of a few dollars to produce a huge economic development win. The same thought process applies to the expenditure of public monies on public facilities and programs.

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THE EPA AND MULTIPLE BENEFITS.

Like the economic multiplier, the urban open space multiplier effect cannot be dismissed or foregone. *“The U.S. Environmental Protection Agency’s report Assessing the Multiple Benefits of Clean Energy: A Resource for States* (revised September 2011) addresses the energy gap and helps state energy, environmental, and economic policy makers identify and quantify the energy, environmental — specifically greenhouse gas, air, and health — and economic benefits of clean energy.”

“This groundbreaking document is the first to organize and present a comprehensive review of these benefits, together with an analytical framework that states can use to assess those benefits during the development and implementation of clean energy policies and programs.” Every dollar spent reducing energy consumption produces better air quality, reduced greenhouse gases along with health and economic benefits. [<http://www3.epa.gov/statelocalclimate/resources/benefits.html>]

Capturing the Multiple Benefits of Energy Efficiency: A Handbook for Policy Makers and Evaluators by the International Energy Agency also deals with multiple benefits associated with energy policy. “It is the product of an IEA study which seeks to broaden the discussion of energy efficiency policy as part of a wider economic and socio-economic strategy. The IEA Energy Efficiency Unit began this work in 2012 with a preliminary scoping study investigating the range of impacts delivered by energy efficiency, and publishing an IEA Insights paper, ‘Spreading the Net’ (IEA, 2012), which provides a preliminary assessment of this topic and these benefits. “

“The IEA identified at least fifteen distinct benefits [of energy efficiency], from health and well-being to improved industrial productivity.” That’s leveraging a single program, i.e. energy efficiency, to produce health, economic and productivity benefits.

CONCLUSIONS.

- 1. Employ an “all of the above” strategy.** Leveraging, multiple benefits, co-location and multipliers aim to create benefits that exceed the costs of producing them. The examples and explanations presented above seem redundant; however, the idea is so important that it cannot be overstated.
- 2. Prepare an “all-weather” approach.** Be ready for all eventualities. Scenario planning is a good approach for anticipating a wide variety of outcomes. [see *The Art of the Long View, Planning for the Future in an Uncertain World* by Peter Schwartz]
- 3. Leverage everything.** Leveraging limited resources to increase output is a tried and true investment approach. Measuring risk is the skill of the experienced administrator. Matching grants, especially with in-kind services, is a great leveraging strategy.
- 4. Insist on multiple benefits.** The idea of multiple benefits reflects a way of thinking and doing that can permeate an organization once recognized as the obvious way to do business and build the city. Even if monies were unlimited, searching for multiple benefits from a single dollar has got to become a best practice.

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5. **Always find co-location opportunities.** Co-location of facilities is used in many cities and towns. The fire station near the little league field is a classic example that saves land and lets the fire folks coach teams while staying near the firehouse.
6. **Accelerate economic and social multipliers.** The multiplier effect has been the prize for economic development programs from the beginning. The existence of economic multipliers has justified many economic development incentive programs.
7. **Always partner when prudent.** The idea of leveraging resources to produce multiple benefits from a single investment is critical in all economic times, but especially in the aftermath of the Great Recession. The fundamental idea is to find partners, internal and external, who contribute land, staff, monies or effort to a larger, multi-faceted project in exchange for a specific project benefit. As long as each partner gets what they expect for a lower cost than they would have spent going along, then the fact that others get benefits is a bonus...the classic win-win. Partnering is important on many levels.
8. **Leverage and multiply benefits as a way of thinking.** Once you get the idea, any other way of thinking and doing seems silly and wasteful. Develop a single facility or program that serves multiple needs such that each contributor gets what they need from the single facility or program while others get different benefits from the same improvement. This is a great way to get something done that the individual partners could not accomplish on their own. Leverage is like compound interest. Once you get the idea, there's no going back to simple interest.