

January 2007

The New Economy: Thriving Amidst Change

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Recommended Citation

Mullin, John and Kotval, Zenia, "The New Economy: Thriving Amidst Change" (2007). *Preserving and Enhancing Communities: A Guide for Residents, Planners, and Government Officials*. 27.
http://scholarworks.umass.edu/larp_faculty_pubs/27

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13

The New Economy *Thriving amidst Change*

Zenia Kotval and John R. Mullin

COMMUNITIES INCREASINGLY see their economic development goal as one of attracting job-generating industrial development and face the need to develop a plan that will achieve this goal. Communities need to know a great deal to succeed at what has become a formidable task, and many have few resources to hire experienced planners to assist them. This chapter is intended to provide information to communities and others that may be embarking on just such planning. The consulting we have undertaken around the country has shown us firsthand the rapid changes that are taking place in the economy and how communities will need to be resourceful and creative if they are going to succeed at self-preservation while at the same time attracting new jobs.

The “New Economy” of the twenty-first century is different from the industrial economies of previous decades. Competition, consumer demand, and resource restructuring are all transforming the way business operates in today’s highly competitive market. Emerging technologies, global markets, the changing role of government, and the redirection of public resources are just some of the forces affecting the way industry is transforming the nature of work. These emerging trends are increasingly influencing the way communities engage in industrial development. It is thus essential that anyone involved in local economic development have a firm grasp of how and where the marketplace is moving.

The first half of the chapter spells out the major trends that are dramatically changing the nature of the issues that communities need to be aware of. The second half takes readers through a step-by-step approach that communities can follow in this changed environment to develop an effective comprehensive economic development strategy.

Major Trends in Community Economic Development

As we shall see, many past truisms no longer hold, or at the very least must be modified in significant respects if communities are to succeed in the twenty-first century in their community

economic development efforts. Increasingly, communities are discovering that they must adapt to the marketplace; they need to become more proactive in controlling how and where they stimulate development; they must show greater concern for providing the necessary ingredients for industry to succeed; and, their planning processes must increasingly reflect world events and the speed of change. The first half of this chapter outlines eight emerging trends concerning industrial development that we have noted over the past decades in our consulting practice and academic research and that are driving these changes in what communities need to do. The trends described here are not exhaustive nor will they be reflected in all parts of the country.

(1) *Land is not enough.* In community after community, local promotional efforts have followed the optimistic but misguided practice of signaling interest in promoting development and attracting businesses by doing little more than placing a prominent sign at the edge of town proclaiming something like “Maplewood Means Business: Industrial Land Available.” And communities then wait and wait and wait. The land considered available for sale for industrial purposes may well consist of little more than the corner lot of the late farmer James’s farm that is being sold by his heirs. Often such land lacks even the most basic infrastructure improvements: it has no water or sewer services, no easy access to highways, and no protective covenants. And such towns, as they wait, often puzzle over why the next great company is not being attracted to this land. Unfortunately, simply having land available is rarely enough in today’s intensely competitive environment.

If a community is interested in attracting first-rate industrial development, then a group of basic requirements must be met. Far too often communities remain unaware of these requirements and thus fail to include them in their economic development planning. The typical industrial park needs 50 to 100 acres of land and should be within 15 minutes of a major highway and 30 minutes of an airport. In addition, the site must be environmentally clean, have water, sewer, and telecommunications infrastructure, and should be buffered from residential neighborhoods. Of the previously listed attributes, the absence of water and sewer systems represents perhaps the greatest barrier to success. Without such systems, a community is unlikely to succeed in attracting industrial development. Indeed, we know of one community offering industrial land without such

services where, ironically, the sign saying “We Mean Business” fell down long before any business tenant could be attracted.

(2) *Taxes are (not that) important.* When we first broke into economic development in the late 1960s, the planner’s economic development toolkit was far less sophisticated than it is today. The common wisdom at that time was that low taxes were both necessary and sufficient to attract industrial firms. Although some truth remains to this rule of thumb, today most firms look beyond taxes to a series of other factors. Firms often place great emphasis, for example, on infrastructure improvements (i.e., upgraded water and sewer systems), the quality of schools, proximity to an airport, and the availability of a trained workforce. Amenities count when a community wishes to attract high-quality companies. Examples of the importance companies place on such amenities are by no means hard to find. Consider, for example, the case of the Pfizer Corporation. The Pfizer Corporation selected New London, Connecticut, as the site for its 2,000-employee research and development firm. Virtually all the many locations that Pfizer examined were able to offer the company tax/cost reduction packages. No sites other than New London, however, were able to offer the high quality-of-life factors desired by Pfizer employees. In fact, today, well after Pfizer’s project is operational, Pfizer continues to recommend certain communities in the region for employee relocation largely because of their good schools and related lifestyle amenities. A second example illustrating the importance many companies place on quality-of-life factors concerns the decision of Cisco Industries Systems to locate in Boxboro, Massachusetts. Other cities and towns were willing to offer Cisco a much better financial package than the town of Boxboro could offer. And yet, again for quality-of-life reasons, the company selected this small town.

These examples should not be taken to suggest that taxes will never be important. Taxes continue to be a factor in many site decisions. Increasingly, however, other factors are equally, if not more, important. Failure to attend to them will leave communities poorly positioned to work out effective development plans.

(3) *Communities should devote their educational efforts to creating a strong K-12 educational infrastructure rather than focusing on generic workforce education.* We know of no company that is fully satisfied with the federal, state, local,

nonprofit, or private sector programs available for workforce education. Although the efforts of the Private Industry Councils and Regional Employment Boards are to be applauded, the fact remains that worker training is often an “on-the-job” phenomena. More than ever, we hear from the private sector the mantra: “Just get us a worker with the basic skills and we will do the rest.” We know of one company, for example, that has taken this approach to the ultimate: Taco Industries in Cranston, Rhode Island, brings in the Community College of Rhode Island to its plant floor and offers its workers a series of semester-long courses ranging from English as a Second Language to Basic Management to Geometry. This program has been remarkably successful.

Communities sometimes assume that in order to be competitive they should invest their dollars in workforce development training. Such a focus is unlikely to attract new industry, industry that often wishes to customize the training its workers will need. Instead communities need to be able to ensure prospective companies that the quality of basic K-12 education is strong and will continue to be so.

(4) *At the local level community colleges can sometimes be more important than major universities.* Major universities tend to be oriented to pure research, abstract analysis, and peer reviews, and often pay limited attention to meeting the technical job skill requirements of local industry. Community colleges are sometimes better able to adapt to local circumstances quickly and inexpensively and should be considered in community economic development planning. For example, Central Vermont Community College, located near Barre, the center of America’s granite industry, was able to develop courses that assisted workers in this industry. In Leominster, Massachusetts, a pioneer plastics city, Mt. Wachusett Community College developed courses for improving the skills of plastics workers. In Springfield, Massachusetts, the efforts of Springfield Technology Community College to create a fully wired industrial incubator were so successful that the college received the Economic Development Administration U.S. Department of Commerce’s 2001 Excellence in Urban or Suburban Economic Development Award, as well as the International Economic Development Council’s 2002 Excellence in Economic Development Award.

(5) *“Be Wired or Be Gone.”* The telecommunications revolution is creating regional winners and losers, with rural and isolated small towns increasingly on the losing end.

To date, many parts of the nation are not fiber-optically wired or lack broadband capabilities. Unfortunately, until connectivity is achieved, businesses in these communities will remain at a competitive disadvantage. The importance of connectivity is thrown into sharp relief by decisions where companies have chosen old mill sites that are wired over new sites that are not. We are also familiar with companies that have left regions because, as these companies grew, they needed modern telecommunications systems that were simply unavailable in the region where they were located. These trends, troubling as they might be, indicate that richer communities will gain and the poorer ones will continue to suffer.

(6) *Zoning issues are becoming increasingly complex.* Communities that have taken the first steps toward developing strong master plans and contemporary zoning by-laws or ordinances are often better prepared than others to attract industrial development. However, from an economic development perspective, there are several trends in master planning or zoning practices that communities should know can work against effective economic development. First, too many communities are failing to select the best possible parcels for industrial, office, or service use. We jokingly use the formula $GL = IL$ to refer to the approach of too many communities whereby they equate Industrial Land with Garbage (or worthless) Land. Too often, communities first designate lands for residential use, then for commercial use, then for open space/agriculture, and only lastly for industry. We know of one relatively prosperous community that once zoned more than 700 acres for industrial use. Yet, after a careful examination of the parcels, we determined that fewer than 10 percent of them were actually developable. The key point here is quite simple: communities that are serious about recruiting industry must be able to find land that meets the needs of industry. Second, in addition to the failure to select appropriate sites for industry, too many communities add further barriers by allowing for industry only under special permit or exception provisions. Only if the owners can meet certain infrastructure, traffic, fiscal, and environmental considerations and also considerations of community character protection is the company allowed to build.

Special permits or exceptions should be used with great caution. Such restrictive provisions can clearly be needed in special circumstances, yet they can become an obstacle

to economic development when they become a condition of building in all instances. Moreover, given that industry leaders often want to build rapidly, they frequently avoid those communities that have set up politically difficult or time-consuming processes. Third, company leaders often want some guarantees concerning the sorts of neighboring uses allowable. The “tinkering” with established industrial zoning must be done with great care. Developers often want to ensure the quality of their investment. Thus, attempts to change zoning once companies have invested are generally viewed negatively by those companies. For example, we worked in one community that housed one of New England’s best-planned industrial/office parks. Last year, despite our recommendation, the planner recommended changing a key parcel to retail. That parcel now houses a 110,000-square-foot Stop and Shop Supermarket whose retail function does not mesh well with the existing industrial uses. Because of cases like this, we increasingly see developers placing restrictive covenants on their deeds and insisting that nearby properties also be subject to such restrictions. In summary, our work has indicated the benefits of fixed zoning combined with strong performance measures and the use of covenants. Such procedures hold the potential for all parties to win.

(7) *Sustainable development is becoming increasingly important.* We are now beginning to see some small-scale examples of sound, sustainable economic development practices. Often these are occurring without a great deal of fanfare and with limited attention to the potential they represent. Firms are beginning to pick up on these practices because they are beginning to see that through such practices they may be able to save money, speed up processes, and at the same time act as good neighbors. A focus on sustainable development is most likely to be seen in areas where there are industrial clusters or locations where it can easily happen. If sustainable development takes time or is difficult to introduce, then it is likely not to be pursued. Of all of the trends we have noted, this is perhaps the least obvious at present. Nonetheless, we expect more in the future.

(8) *Finally, Economic Development and Industrial Corporations (EDIC) are increasingly important.* In the past communities too often have completed their planning and zoning and have then simply sat back and waited for development to occur. Yet when development did take place, communities were often disappointed in the result.

The company that came to town failed to live up to the community’s expectations. Instead of attracting a high-end quality mall, the town might only attract a low-end, cheaply built strip mall facility. Or, instead of a major manufacturer providing good high-paying jobs, a warehouse might come to town.

To avoid such outcomes many communities have begun creating Economic Development and Industrial Corporations or EDICs. Such corporations typically purchase or control key parcels and then aggressively pursue the “right type” of company for the town. Through the efforts of an EDIC, the ambitious goals of a master plan and zoning can more easily be met. Such an approach has often worked quite well. Consider Gloucester, Massachusetts, for example. The city is home to one of the East Coast’s largest fishing fleets. For this reason, it has in the past attracted extensive “flash freezing” and warehousing facilities. Such companies typically pay low wages. The goal of Gloucester’s mayor was to attract a more diversified base that would build on Greater Boston’s high technology base and provide higher-wage jobs. Unfortunately, though, each time an industrial parcel came up for sale, the existing fishing firms that provided only low-wage jobs were able to quickly purchase the land. To overcome the problem of municipalities being unable to move quickly, the mayor helped to organize an EDIC. Once that was in place, when a 100-acre parcel came up for sale, the EDIC immediately purchased it. Today, this parcel in Gloucester is home to a fully diversified high technology office park.

As this example suggests, it is rare when there is a direct match between the availability of land and the right type of company. An extended period of time is often needed to bring the two together. Clearly, an EDIC can help in this regard. Because speed of change in our industrial base is increasing, such an approach is becoming all the more important. In our 30 years as economic development planners, we have seen Greater Boston shed industries (i.e., textiles, shoes, defense equipment), gain new ones (electronics, computer manufacturing) only to shed them and, more recently, embrace software, biotechnology, and genetic research. All of this in a relatively brief three decades! At the same time, with the rise of the European Union and NAFTA, competition is clearly global. We, as economic development planners, will have to accept more “value heavy/weight light” manufacturing and an increase in the service-based

economy. Our communities will have to be vigilant in terms of ensuring that they are prepared for the next wave.

Not all of the eight trends described above will be found in all parts of the country, and not all of them will occur simultaneously. However, it is increasingly clear that the industrial future will require communities to be vigilant, flexible, and prepared. The changes that are taking place are likely to be chaotic, nerve racking, and, at the same time, quite exciting. Communities will need to plan or they are likely to find that in the future they will be “planned upon.” In addition, local economic development practitioners will no longer be able look to the federal government for resources. Communities will increasingly need to forge new partnerships with the private sector and pay closer attention to the needs of the business community. There will be an increasing need to focus on “quality”—quality jobs, quality infrastructure, quality labor force, and quality living environment rather than on traditional bricks-and-mortar development.

The first step toward coping with the new economy will entail communities becoming aware of and knowledgeable about emerging trends that will impact the way that business will be done in the region in the coming years. We recommend communities undertake a comprehensive economic development strategy. Throughout the remainder of this chapter we outline in detail the steps that a community can take to design such a strategy that is attentive to all of the trends we have described.

A Comprehensive Economic Development Strategy

A comprehensive economic development strategy (CEDS) describes the problems, needs, potentials, and resources of the area; presents the community’s visions and goals; sets the strategic direction for the action plan; establishes priorities and projects for implementation; and outlines standards for annual evaluation and update of the process.

Preparing a CEDS document can take much of a community’s time and energy. From the very outset the organizing and staffing needs should be understood. A critical part of organizing the approach is the establishment of a CEDS committee. This committee ideally includes people from the public, private, and nonprofit sectors. We suggest inviting the political leaders, representatives from economic

development and business organizations, representatives of the employment and training sectors, and other health, education, social service, professional, and special interest groups.

Once such a committee is formed, its first order of business should be: defining the working relationships with other local, regional, and state institutions; ensuring that adequate staff resources are available; and adopting a committee work program that defines tasks, sets responsibilities, and establishes timelines and uses subcommittees when necessary to accomplish the work program. There are four strategic components of the CEDS to answer these four questions:

- where do we stand now?
- what does the region want to achieve?
- how do we get there?
- how are we doing toward achieving the goals?

Analysis of the Region and the Community (Where Do We Stand Now?)

The economic planning and development process begins with an analysis of trends across the region. It is essential that communities be able to identify those companies that are currently being formed, expanding, leaving, or downsizing. We believe that a regional as opposed to community focus is key because the United States has become a nation of commuters. Local companies can no longer promise local jobs for local folks. It is also critical that communities interview a cross-section of companies (e.g. large, medium, small, manufacturing, service, locally owned, nationally owned) now in their area to determine their long-term prospects within the region. Such a regional analysis should include summaries of:

- The state of the regional economy (strengths and weaknesses);
- External trends and forces (opportunities and threats);
- Partners for economic development; and
- Resources for economic development.

Once the trend assessment has been completed, we generally urge communities to assess their current economic assets. These will include the workforce, land use and zoning, infrastructure, business climate, and entrepreneurial

atmosphere. In terms of the workforce, it is important to identify ages, skills, stability, and availability.

Such an infrastructure audit should include an examination of the distribution systems and their capacity. The audit must also include an examination of sewer and waste disposal, water supply, highways, gas, electricity, and telecommunications capabilities. Several issues need to be addressed here. The first relates to the condition of the utility systems. In terms of water, will there be a sufficient supply as the community grows? In terms of highways, is there capacity such that there will be no change in the level of service? In many states, if there is a decline in the level of service along a highway, it must be corrected by the community or the developer. In terms of gas and electricity, is there enough capacity to ensure a steady supply? Finally, in terms of telecommunications, if communities do not have the latest technologies then, simply stated, those communities will not be able to compete.

Furthermore, one needs to examine the relationship between a region's larger and smaller firms. Local economies that are dominated by one industry remain precarious. We often urge communities to ensure that their industries are integrated as extensively as possible. Finally, the inventory must examine the region's entrepreneurial climate. The importance of this is that companies formed by local residents tend to stay local. They tend to buy local, finance local, and support local causes. We urge communities to look at the types of companies being formed, the patents and licenses being granted for the community, and the buying practices of the larger companies. By so doing, a community will have a snapshot of the local economic climate.

A Vision Statement (What Does the Region Want to Achieve?)

A vision statement is a positive and practical future image of the area in ten to twenty years. Such a statement should convey a sense of meaning and purpose, a sense of values and cultural heritage, a sense of place and community character, a sense of leadership and civic participation, and, above all, a sense of hope and enthusiasm.

Increasingly, communities are developing visions of what they want to be like as they grow, prosper, and change. Community vision statements have become popular, we believe, for four reasons. First, given the speed and pace of

change, citizens want to have the sense of security within their own communities that is provided by a vision statement. Second, residents are investing more and more of their private capital into their own homes and are strongly interested in protecting and enhancing their properties. Third, the sense of direction provided to businesses by their vision statements has trickled into the public sector and is leading to more communities adopting this approach. Indeed, business has long practiced visioning as a means of creating clarity of purpose. Finally, a publicly approved and "bought in" vision of the future provides elected officials, board members, and residents a roadmap of where a community is and what it desires to become.

How does a community begin to prepare a vision for itself and then turn this vision into a statement that reflects its values and direction? There is no single approach. At the very least, the vision needs to be based on current trends that place the community in a global, national, state, and regional context. Many communities carry out a series of studies or investigations to gather the relevant information. A first study might gather concise facts about factors that are influencing the community. A second study might survey local values. Ideally, such a survey will be professionally prepared and broadly disseminated. It should be drafted, tested, reviewed, and sent to every household. We have had great success in obtaining the assistance of local colleges and regional planning agencies in writing these survey instruments. Community leaders should expect that the findings will be challenged. Over the past five years, we have noted at least five instances where the findings ran counter to popular perceptions and the results therefore generated extensive and heated debate! A third study might include a visual character survey. This survey, using photographs and, frequently, models, is designed to determine how residents feel about how the physical form of the community is emerging.

Once these studies have been completed and digested by the committee, we urge the community to call a town-wide charette or workshop to prepare the town's vision. Workshops of this sort have been most effective when up to one hundred people come to the session. An excellent facilitator will be needed to make the session a success. The purpose of the charette is to identify the community's strengths, weaknesses, opportunities, and threats, to identify the community's core values, and to draft the statement. The

Economic Development Excerpt from the Billerica, Massachusetts, Master Plan Document

The Town of Billerica is a regional employment center within a suburban community. Commerce and industry account for nearly 24 percent of the assessed value of the community. In pursuit of a balance between economic vitality and the quality of life, the following goals with associated objectives and expected results were developed:

Goal 1: The Town of Billerica should continue to attract new business to maintain a stable tax base. The diversity of the businesses is key to surviving fluctuations in the economy. Targeted new businesses should be in keeping with the character of the Town.

Objective A: The Town should develop a list of the businesses that are located in Town including information regarding type of business, type of employees, expansion potential, site requirements, etc.

Expected Results: A comprehensive list of local businesses would be developed. This list will assist the Town in learning about the existing market and be a valuable resource when the Town and/or realtors want to attract businesses to locate in Billerica.

Objective B: The Town should develop a list of the type of businesses that it would like to attract.

Expected Results: The Town will develop a list of the types of businesses that it would like to attract.

Goal 2: The Town of Billerica must work with the existing business community to maintain the Town's economic vitality. Established businesses should be encouraged to grow in Billerica, creating jobs and capital investment for the local community and for the region. Strong public-private partnerships are essential to economic stability.

Objective A: The Town should schedule company tours with local businesses.

Expected Results: The Town will schedule tours regularly with local businesses, i.e., one or two per month.

Objective B: The Town should explore the possibility of tax incentives for expanding local businesses.

Expected Results: If appropriate, the Town will provide tax incentives for expanding local businesses.

Objective C: The Town should explore the possibility of a small business loan pool to assist small businesses that create or retain jobs as they expand.

Expected Results: If appropriate, the Town will create a small business loan pool to assist small businesses that create or retain jobs as they expand.

Goal 3: The Town of Billerica's economic development policy should seek to create and retain good jobs for Billerica residents, and to promote job opportunities in local businesses to the residents.

Objective A: The Town should work through the School Department to prepare students for the requirements of local jobs.

Expected Results: The Town and the School Department will, together with local businesses, prepare students for work in the local workforce.

Objective B: The Town should work through the School Department to promote job opportunities in local businesses to residents.

Expected Results: A working relationship between the Town, the School Department, and local businesses will be developed to promote local job opportunities to residents.

Objective C: The Town should ensure that there are a variety of housing types available to future workers of all levels.

Expected Results: A variety of housing types will be developed and available in Billerica.

Goal 4: Recognizing that the retail shops help to define the character of the community, the Town of Billerica should encourage the growth of small shops within existing retail space, rather than focusing on the large users. Shops, and the goods and services they render, should be in keeping with the character of the Town.

Objective A: The Town should schedule company tours with local retail shops to determine if there is anything that the Town can do to help the businesses succeed.

Expected Results: The Town will schedule tours regularly with local retail shops, i.e., one or two per month.

Objective B: The Town should work with the local Chamber of Commerce and the State to develop a list of the retail businesses that are already located in Town including information regarding type of business, type of employees, expansion potential, site requirements, etc.

Expected Results: The Town will have a better understanding of its retail businesses and what they need to grow and be successful.

Objective C: The Town should explore the possibility of a small business loan pool to assist small retail businesses that create or retain jobs as they expand.

Expected Results: If appropriate, the Town will create a small business loan pool to assist small retail businesses that create or retain jobs as they expand.

participants should have summaries of the findings from the values survey and the visual character study but not the whole study—too much information tends to cause people to focus on details when the intent is to create something that is more holistic.

The above approach is but one of many. It is, however, one that works. Once the initial statement is delivered to the CEDS committee, that statement should be further discussed and refined—fully respecting the point that it truly reflects the perspectives of the community. The committee typically then votes on the vision and presents it to the elected leaders of the community, where it will begin to become incorporated into the civic culture.

Goals, Objectives, and Strategic Actions (How Does the Community Get There?)

Once the community establishes its vision, this vision needs to be translated into short- and long-term goals, and objectives that will lead to the achievement of the goals. Goals are broad statements while objectives need to be measurable steps.

Strategic actions are carefully selected approaches that propose responsibility for implementation. Strategic actions to promote economic development usually fall under five major categories:

The first is Locality Development. This set of actions focuses on local processes intended to make the community more attractive to businesses. Typical strategies might involve the community buying and holding prime land for specific types of development; pre-clearing industrial sites; building speculative buildings; creating flexible and performance-based zoning; and streamlining the permitting process.

The second set of action steps focuses on Business Development. Strategies here are aimed at making it easy for business to develop and prosper. Most of these strategies are typically geared toward small businesses. These might include Business Assistance Centers that specialize in business planning, identifying financial programs, group marketing, promotion programs, and some product development expertise. Incubators are another form of business development where several small businesses can co-locate in one space, share common office facilities, and share resources at relatively low cost.

The third area of action steps often focus on Human Resource Development. Typically, strategies are aimed at employment and training such as creating “first source agreements” with businesses which give local people first preference for jobs in exchange for local government help in some other way (a tax break for example). Customized training or developing skill banks also falls within this group.

The fourth type of action steps consist of creating Financial Resources and Incentives. More and more communities are exploring the possibility of creating innovative tax incentives as a way to promote desired commercial and economic development. These incentive tools include negotiated tax agreements and multi-year tax abatements. Tax abatement financing is attractive since it is virtually the only finance tool available at the sole discretion of local government. Tax abatements might be given to businesses to offset property, sale, or inventory taxes. For a neighborhood or group of parcels where redevelopment is especially desired, communities may want to establish tax increment financing.

Another local financing strategy now being used by some communities creates a local revolving loan fund or capital bank, often undertaken by forming a strong partnership that brings together public funds (such as government grants), private funds (such as commercial banks and private corporations), and nonprofits (such as foundations). The passage and subsequent utilization of the Community Reinvestment Act) requires banks to be players in “community development” within the communities in which they are located. They can contribute funds directly (make loans) or indirectly (make grants or loans to community development corporations or revolving loan programs that focus on community development) within their jurisdiction.

The fifth group of action steps that can result from a community’s vision relates to Business Retention and Attraction. There are six basic elements in the implementation of a Business Retention and Attraction Program:

- Presenting a package of good basic information about the community and what it offers business: Community Information.
- Meeting with and maintaining regular contact with entities such as state economic development agencies (this is where some businesses seek data when they are considering moving or seeking assistance): Sales Representation.
- Working with existing businesses in the community to

Tax Increment Financing

Tax increment financing is a technique used to disperse the cost of development to those government agencies that will benefit from the increased tax base that a TIF project will generate. First a TIF area needs to be defined by the TIF authority. The assessed property valuation of this area is frozen for a specific period of time (usually ranging from ten to twenty-five years). This frozen value is referred to as the “tax increment base value,” and it remains the same for the life of the project. The TIF authority then uses its powers of land assembly, sale, site clearance, infrastructure developments, etc. to improve the district and make it more attractive to business and developers.

Once the land has been secured by the TIF authority, it is usually sold to a real estate developer, who is responsible for attracting business to the district. As private investment begins to accumulate, the assessed valuation and corresponding property taxes generated by the district increase. However, this increase is not channeled to the taxing body (the Town). Instead, this revenue is earmarked for the TIF authority and is used to finance any debt that the authority accumulated when making improvements to the district. The difference between the “tax increment base value” and the assessed value after development is known as the “tax increment”.

There are two basic ways for the TIF authority to raise the initial monies needed to finance the infrastructure improvements. First, the authority can pay for improvements as they go, using the tax increment from the previous year. This method can be quite slow as development may occur only gradually. However, the authority does not need to issue bonds, thus reducing the risk of the project. The second financing method, which is more common, is the issuance of bonds (either general obligation bonds or revenue bonds). These bonds give the authority an immediate means of financing a TIF project. The issuance of bonds entails a higher risk. If development fails to occur or does not reach expected levels, it will be difficult to pay off the bond issues. Thus there is a trade-off between the higher risk of using bonds and the increased speed of development.

assure them that they are wanted, and assisting them to stay and grow: Business Visitation.

- Establishing both a single point of contact and a welcoming committee for businesses interested in moving to the community: Ambassadors.
- Being ready to act quickly and without confusion—for businesses time is money, delay is costly and a waste of money: Quick Action.
- Sustaining the program over time. Progress is often incremental, and like interest it compounds if the principal is not withdrawn: Maintenance of Effort.

Finally, there is one other aspect of a community’s industrial plan that requires additional careful thought: Who will oversee the implementation of the plan? We raise this issue because, too frequently, the answer is no one! We urge communities to look to forming an industrial development committee or commission with the charge of overseeing the economic base of the community.

Evaluation (How Is the Community Doing?)

We end with the question of how communities can track whether their efforts at economic development have been successful. In order for communities to evaluate and measure the success of their efforts, they will need to define indicators and performance measures for success, and design a process to evaluate progress and outcomes against stated goals. An *indicator* is a measure or a set of measures that describes a complex social, economic, or physical reality. A list of suggested indicators is included in the book’s appendix. A *measure* is one data point that acts as a gauge to tell us how well or poorly we are doing with respect to an indicator. Measures use quantifiable data, preferably collected over time, to identify trends and assess whether conditions are improving, staying steady, or deteriorating. Measures used will change over time to reflect relevance, availability of new data, and developments in society.

Criteria used to select measures include:

- Relevance and impact: Is the indicator associated with one or more issues which people care about and which have meaningful policy impacts?
- Validity and availability: Are the measures objective, statistically defensible, and credible? Is the data verifiable and easily and affordably reproducible for future reports?

- **Simplicity:** Are the measures appealing and understandable to the general public and to policy-makers?
- **Ability to aggregate information:** Does the measure contribute to the understanding of the important or broader issue expressed by the indicator? For practical reasons, indicators that aggregate information on broader issues are preferred.
- **Ability to reflect trends:** In order to understand and determine long-term impacts, can the data reflect trends over time? Is data in time series available?

Economic development is perhaps the most difficult to accomplish of all of the planning elements facing a community. It is fraught with concern over health and safety, often requires financial outlays for the community, is increasingly risky because of rapid shifts in world economic trends, and frequently takes years of effort before any positive return on investment can be realized. Still, despite these problems, there is a need to have a balanced economy and expand our tax base. It is worth the struggle. In sum, by creating a climate of action; moving quickly on short-term–low-cost actions; creating committees to study and develop policies and regulations that are carefully and slowly put together; and developing a funding plan that is based on the community's ability to pay, we are convinced a community's plan can be an effective, long-term guide to improving the quality of life for local residents.

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- Fitzgerald, Joan, and Nancey Green Leigh. 2002. *Economic Revitalization: Cases and Strategies for City and Suburb*. Thousand Oaks, CA: Sage Publications.
- Kotval, Zenia, John Mullin, and Kenneth Payne. 1996. *Business Attraction and Retention: Local Economic Development Efforts*. Washington, DC: ICMA Press.
- McLean, M. C., and Kenneth Vortek. 1992. *Understanding your Economy*. 2nd ed. Chicago: APA Press.

Web Resources

- Creating a Comprehensive Economic Development Strategy. Published by EDA, and available at <http://www.eda.gov/xp/EDAPublic/Research/PlanForEcoDev.xml>.
- Economic Development Administration (EDA), U.S. Department of Commerce: <http://www.osec.doc.gov/eda/>
- Economic Development Division of the American Planning Association: www.edd-apa.org
- Economic Development Institute: www.occe.ou.edu/edi
- International Economic Development Council: www.iedconline.org
- University of Michigan, Institute of Labor and Industrial Relations. Community Organizing and Economic Development resources online: <http://www.ilir.umich.edu/noframes/urban/ed5.htm>