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# The Changing Character of Economic Development

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# NEWS & *views*

*Economic Development Division*

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## The Changing Character of Economic Development

by John Mullin, Vice Chancellor for Outreach at the University of Massachusetts

This article lays out several key trends concerning industrial development that I have noted over the past ten years in my consulting practice and academic research. They are not exhaustive nor will they be reflected in all parts of the country. They do, however, point out that we need to continually adapt to the market place; we need to become more pro-active in controlling how and where we stimulate development; we need to insure that we provide the opportunity for industry to succeed; and, finally, we must be reflective of world events and the speed of change.

■ **Land is not enough.** We have noted in community after community where local promotional organizations have put out a sign at the edge of town proclaiming something like “Maplewood Means Business: Industrial Land Available.” And so they wait and wait and wait. Inevitably, the land considered available for sale is the corner lot of the late farmer James’ farm that is being sold by his heirs. It has, typically, no water or sewer services, no easy access to highways and no protective covenants. And the town, as it waits, wonders why it is not attracting the next great company. Unfortunately, simply having available land is not enough. We maintain that if a community is interested in attracting first-rate industrial development, then it must meet a group of basic requirements. The typical industrial park needs 50 to 100 acres of land; needs to be within 15 minutes of a major highway and 30 minutes to an airport; the site needs to be environmentally clean; have water, sewer and telecommunications infrastructure; and should be buffered from residential neighborhoods. Of these attributes, the absence of water and sewer systems represents the greatest flaw: Without such services, it’s clear that your community will wait and wait and wait. Indeed, we know of one community where the absence of such services caused the “We Mean Business” sign to fall down before a tenant was attracted to the community.

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■ **Taxes are (not that) important.** When we first broke in to economic development in the late 1960s, the planner's economic development toolkit was far less sophisticated than today. Indeed, the common wisdom was that low taxes would attract industrial firms. While there was some truth to the statement, most firms now look at a series of factors beyond taxes. It could be, for example, infrastructure (i.e., upgraded water and sewer systems), the quality of schools, the proximity to an airport and for an available and trained workforce. In fact, for strong high quality companies, amenities count. We will give you two instances where we observed this. The Pfizer Corporation chose New London, Connecticut, as the site for its 2,000-employee research and development firm. Virtually all places that it examined offered a tremendous tax/cost reduction package. However, no one offered the high quality of life factors desired by Pfizer employees, except Greater New London. In fact, today, well after Pfizer's project is operational, it continues to recommend certain communities in the region for employee relocation, particularly those with good schools. A second example involved the decision of Cisco Industries to locate in Boxboro, Massachusetts. Other cities and towns were willing to offer Cisco a much better financial package than the town of Boxboro. And yet, again for quality of life reasons, the company chose this small town. In summary, we are not diminishing the importance of taxes. They continue to be important. However, we are now seeing other factors that are equally, if not more, important.

*"Taxes are important — but we are now seeing other factors that are equally, if not more, important..."*

■ **Workforce education needs help.** We know of no community that is happy with the results of federal, state, local, nonprofit or private sector programs. While we applaud the efforts of the Private Industry Councils and Regional Economic Boards, the fact is that worker training is an on the job phenomena. More than ever, we continue to hear the mantra by the private sector: "Just get us a worker with the basic skills and we will do the rest." In fact we know of one company that has taken this challenge 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. It has been remarkably successful. While there are many other examples, they are still too few to even note a trend. This leads us to our fourth key trend.

■ **Community colleges are more important at the local level than major universities.** It gives me no pleasure to write this for, at present, I am the Vice Chancellor for Outreach at a large land grant university! Nevertheless, I have noted that major universities tend to be more oriented to pure research, abstract analysis, peer reviews and pay little attention to meeting the technical job skill requirements of local industry. It has been our experience that community colleges are able to adapt to local circumstances quickly and inexpensively. For example, Central Vermont Community College, located near Barre, Vermont, the center of America's granite industry, was able to develop courses that helped workers in this industry. In Leominster, Massachusetts, a pioneer plastics city, Mt. Wachusett Community College developed courses for improving the skills of plastics workers. And, in Springfield, Massachusetts, the efforts of Springfield Technology Community College to create a fully wired industrial incubator was so successful that the College was selected for the best project of the year by the Federal Economic Development Administration.

■ **Continuing education is essential.** We often ask our students how many jobs their fathers or mothers had as adults. Inevitably, they respond that their parents had one to two. We think this is history: there are now signs that your son or daughter can expect to have between seven and thirteen jobs in his/her life time. Your working children will carry their certificates, licenses, pensions and skills in a virtual backpack wherever they go — and they will go: Remember, each year 20% of Americans change jobs. If they are to succeed, they will have to constantly re-educate themselves. Thus, we expect that continuing education will boom. It may be through your local higher education institutes or it may be through a company or "online." In any case, we can expect to be going to school constantly.

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■ **“Be Wired Or Be Gone.”** We have become somewhat worried about the telecommunications revolution and its impacts on rural and isolated small towns. To date, many parts of the nation are not fiberoptically wired or lack broadband capabilities. Unfortunately, until this is corrected, businesses in these communities will be at a disadvantage. Indeed, we know of instances where companies have chosen old mill sites that are wired over new sites that aren’t. We have also noted companies that have left a region because, as they grew, they needed modern telecommunications systems. We are quite troubled about this: It means the richer communities will gain and the poorer ones will suffer.

■ **Zoning is becoming a conundrum.**

We applaud communities that have a strong master plan and are up to date on zoning by-law or ordinance. Unfortunately, from an economic development perspective, there are several trends occurring that are problematic. We note these below.

First, too many communities are not selecting the best possible parcels for industrial, office or service use. We jokingly use the formula  $GL = IL$  for these communities: It means Garbage (or workless) Land equals Industrial Land. In other words, communities will first designate lands for residential use then commercial use then open space/agriculture and lastly for industry. We know of one relatively prosperous community that once zoned more than 700 acres for industrial use. After carefully examining the parcels, we determined that less than 10% was actually developable. The key point here is quite simple: If you desire industry then one must be able to find land that meets its needs.

Secondly, too many communities will only provide for industry under special permit or exception provisions. In other words, if, for example, the owners can meet certain infrastructure, traffic, fiscal, environmental considerations and community character protection considerations, then they will be allowed to build. While we understand the need for such provisions in special circumstances, it need not be a condition to build in all instances. Moreover, given that industrialists want to build rapidly, they do not want to go through an often political and time consuming

process. Furthermore, they want to have some guarantees concerning neighboring uses. We can understand why they may choose to go elsewhere. In short, special permits or exceptions should be used with great caution.

Thirdly, the “tinkering” with industrial zoning must be done with great care. Developers want to make sure of the quality of their investment. Thus, attempts to change zoning, once they have invested, are frequently viewed negatively. 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: it now houses a 110,000-square-foot Stop and Shop Supermarket. The retail function did not complement the industrial uses. It is for this reason that we see so many developers

placing restrictions or covenants on their deeds and insisting that nearby properties have them as well.

In summary, we argue for fixed zoning with strong performance measures and the use of covenants. By so doing, all parties can win.

■ **The increased use of Economic Development and Industrial Corporations (EDIC).** Too often we have seen communities undertake their planning and zoning and then wait for development to occur. And, when it does occur, they are disappointed for the company that comes to town does not match community expectations. For example, instead of attracting a high-end quality mall, the town gets a low-end, cheaply built strip mall facility. Or, instead of a major manufacturer with good high paying jobs, a warehouse comes to town. To overcome this, many communities are creating EDICs. Such corporations will typically purchase or control key parcels and aggressively pursue the right type of company for the town. By so doing, the true meaning of the master plan and zoning can be met. We noted this working perfectly in Gloucester, Massachusetts not long ago. This city is the home of one of East Coast’s best fishing fleets. For this reason, it has attracted extensive “flash freezing” and warehousing facilities. The companies that occupy them typically pay low wages. The Mayor wanted to attract a more diversified base that would build on

*“Unfortunately, from an economic development perspective, several zoning trends are problematic.”*

greater Boston's high technology base. Yet, each time an industrial parcel came up for sale, the fishing firms purchased it. To overcome this, he organized an EDIC. When a 100-acre parcel came up for sale, the EDIC immediately purchased it. Today, it is a fully diversified high technology office park.

Our point is this: It is rare when there is a direct match between the availability of land and the right type of company. There is often the need for an extended period of time to bring the two together. Clearly, an EDIC can help.

The speed of change in our industrial base is increasing. The industrial base in our region is in constant flux. In my 30 years as an economic development planner, I 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 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 insuring that we are prepared for the next wave.

■ ***Sustainable development will be more important.***

We are now beginning to see some small examples of sound sustainable practices occurring without fanfare or due to the intrusion of advocates. Firms are beginning to pick up on the practice because they can save money, speed up processes and serve as a good neighbor. Where this is most likely to occur is in areas where there are industrial clusters or locations where it can easily happen. If it takes time or is difficult then it won't occur. Of all of our trends, this is the least noticeable. Nonetheless, we expect more in the future.

## **In Conclusion**

Not all of these trends will be found elsewhere in the country. And not all of them will occur at the same time. However, it is clear that our industrial future will require all of us to be vigilant, flexible, reflective and prepared. It will be chaotic, nerve racking and, at the same time, quite exciting. We need to plan or be planned upon. ■

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