Chapter 9 Local Economic Development

Creating a Successful Economic Development Plan

Local governments are increasingly involved in local economic development efforts. This is a specialization that can be quite beneficial to community planners, who know how to spend a community's revenues but often are less skilled at attracting resources through creative, targeted initiatives. The current economic climate is stormy, even at the community level. A changing global economy has brought greater international competition for low-wage industries, whose operations have moved abroad. Less support from the federal government puts a greater burden on communities for development efforts. Locally owned banks and businesses cannot compete with larger corporate banks and national retailers and e-tailers, drawing away local investment capital.

To overcome these trends communities should inventory their assets (sometimes referred to as "asset mapping"), set goals and objectives, evaluate the alternatives, and create an economic development program as a part of their comprehensive plan. Aggressive promotion of such a program is necessary to gain support, and investment, from the private sector. Economic development cannot simply be willed; it takes planning, patience, and commitment.

The first step in preparing an economic development plan is to compile an inventory that quantifies the total number of businesses by type and size and maps them to show spatial distribution. This is useful for assessing and analyzing the business environment, and reveals what kinds of business the community needs to supplement or complement what already exists. The inventory also helps planners to evaluate the business environment of a given community and compare it with that of surrounding communities.

The economic development planner should also analyze the strength of the local community's tax base, which includes tax rates, assessed valuations, and bond ratings (the cost for a community to borrow money). Higher property taxes may bring in more local revenues, but they may also discourage investment. Local leaders should continually assess taxes to determine the right balance.

Any successful economic development program requires an adequate labor force with relevant job skills. Economic development goals should reflect strengths inherent in the community's existing labor force, for example, skilled construction, manufacturing, high-tech workers, service personnel and trade groups, or others. A community may build on a major institutional or governmental function, such as a large hospital or military base. Many communities have seen a significant shift in employment from manufacturing to service sector jobs. In others, tourism may provide the necessary economic stimulus. Comprehensive plans often do not include quality-of-place factors as part of economic development analysis, but amenities such as schools, recreation, museums, and hospitals are important in attracting investment.

Using information from sources such as the U.S. Census Bureau's Economic Census, planners can examine local economic data from the last 10 to 20 years to acquire historical perspective regarding their community's past performance and to make informed judgments about its competitive advantages and potential. Sector-specific reports are available in the North American Industry Classification System (NAICS), used by government for classifying businesses by type. Sectors of special interest in planning include retail trade, construction, real estate, and transportation. You can obtain additional data firsthand by conducting surveys of local residents, shoppers, business people, and community leaders.

With the information collected, planners and community leaders can set goals and develop a clear set of objectives and strategies for implementing a successful program. It is important to recognize that programs are interrelated: improvements in one sector can spread to other sectors, with a multiplier effect that can improve the long-term impact on the community. A study conducted for the Economic Policy Institute showed that if 100 manufacturing jobs were created in a community, it would result in 291 additional jobs elsewhere in the economy. This compared to 154 additional new jobs from business services and 88 additional jobs in the retail sector. The report stated: The indirect employment (or *employment multipliers*) associated with jobs in any given industry results from three effects: *supplier* effects, *re-spending* effects, and *government employment* effects. Supplier effects are impacts that job creation or destruction in an industry has on supplier industries. For example, the closure of an automobile plant also affects (among other things) jobs in the steel industry that relate to supplying materials to the auto plant. Re-spending effects are the impacts that job creation or destruction in an industry has on those sectors where workers spend their paychecks. For example, when an automobile plant closes, it affects (among other things) the apparel industry that supplies the clothes that workers from the auto plant used to purchase with their wages. Government employment effects refer to the taxes that support jobs in federal, state, and local government; if workers in private industries lose their jobs, this erodes the tax base that supports government employment.[1]

In deriving local economic development goals, a community can benefit from the thinking and experience of others. In 1991, some of the leading professionals in urban design—including Peter Katz, Andres Duany, Elizabeth Plater-Zyberk, Michael Corbett, Stefanos Polyzoides, Elizabeth Moule, and Peter Calthorpe—met to develop a set of community principles based on new and emerging ideas in community design and planning. They were written at the Ahwahnee Lodge in Yosemite National Park by these founders of the New Urbanism movement and revised as economic development guidelines in 1997 by the Local Government Commission. The 15 items that comprise the Ahwahnee Principles emphasize sustainable development and quality of life, and span the economic, social, and environmental realms of responsibility.

Spotlight on Ahwahnee Principles for Economic Development[2]

Preamble

Prosperity in the 21st Century will be based on creating and maintaining a sustainable standard of living and a high quality of life for all. To meet this challenge, a comprehensive new model is emerging which recognizes the economic value of natural and human capital. Embracing economic, social, and environmental responsibility, this approach focuses on the most critical building blocks for success, the community and the region. It emphasizes community-wide and regional collaboration for building prosperous and livable places. While each community and region has unique challenges and opportunities, the following common

[1] Josh Bivens, *Updated Employment Multipliers for the U.S. Economy (2003)* (Washington DC: Economic Policy Institute, 2003), 3.

[2] The following material appears as revised and adopted by the Local Government Commission, 1997. From "Ahwahnee Principles for Economic Development: Smart Growth: Economic Development for the 21st Century: A Set of Principles for Building Prosperous and Livable Communities,", http://www.lgc.org/ahwahnee/econ_principles.html (accessed March 17, 2009).

principles should guide an integrated approach by all sectors to promoting economic vitality within their communities, and in partnership with their neighbors in the larger region.

1. Integrated Approach
Government, business, education, and the community should work together to create a vibrant local economy, through a long-term investment strategy that:
• Encourages local enterprise
• Serves the needs of local residents, workers, and businesses
• Promotes stable employment and revenues by building on local competitive advantages
• Protects the natural environment
• Increases social equity
• Is capable of succeeding in the global marketplace
2. Vision and Inclusion
Communities and regions need a vision and strategy for economic development according to these principles. Visioning, planning, and implementation efforts should continually involve all sectors, including the voluntary civic sector and those traditionally left out of the public planning process.
3. Poverty Reduction
Both local and regional economic development efforts should be targeted to reducing poverty by promoting jobs that match the skills of existing residents, improving the skills of low-income individuals, addressing the needs of families moving off welfare, and insuring the availability in all communities of quality affordable child care, transportation, and housing.
4. Local Focus
Because each community's most valuable assets are the ones they already have, and existing businesses are already contributing to their home communities, economic development efforts should give first priority to supporting existing enterprises as the best source of business expansion and local job growth. Luring businesses away from neighboring communities is a zero-sum game that doesn't create new wealth in the regional economy. Community economic development should focus instead on promoting local entrepreneurship to build locally based industries and businesses that can succeed among national and international competitors.
5. Industry Clusters
Communities and regions should identify specific gaps and niches their economies can fill, and promote a diversified range of specialized industry clusters drawing on local advantages to serve local and international markets.
6. Wired Communities
Communities should use and invest in technology that supports the ability of local enterprises to succeed, improves civic life, and provides open access to information and resources.
7. Long-Term Investment
Publicly supported economic development programs, investments, and subsidies should be evaluated on their long-term benefits and impacts on the whole community, not on short-term job or revenue increases. Public investments and subsidies should be equitable and targeted, support environmental and social goals, and prioritize infrastructure and supportive services that promote the vitality of all local enterprises, instead of individual firms.
8. Human Investment
Because human resources are so valuable in the information age, communities should provide lifelong skills and learning opportunities by investing in excellent schools, post-secondary institutions, and opportunities for continuous education and training available to all.
9. Environmental Responsibility
Communities should support and pursue economic development that maintains or improves, not harms, the environmental and public health.

10. Corporate Responsibility
Enterprises should work as civic partners, contributing to the communities and regions where they operate, protecting the natural environment, and providing workers with good pay, benefits, opportunities for upward mobility, and a healthful work environment.
11. Compact Development
To minimize economic, social, and environmental costs and efficiently use resources and infrastructure, new development should take place in existing urban, suburban, and rural areas before using more agricultural land or open space. Local and regional plans and policies should contain these physical and economic development planning principles to focus development activities in desired existing areas.
12. Livable Communities
To protect the natural environment and increase quality of life, neighborhoods, communities, and regions should have compact, multi-dimensional land use patterns that ensure a mix of uses, minimize the impact of cars, and promote walking, bicycling, and transit access to employment, education, recreation, entertainment, shopping, and services. Economic development and transportation investments should reinforce these land use patterns, and the ability to move people and goods by non-automobile alternatives wherever possible.
13. Center Focus
Communities should have an appropriately scaled and economically healthy center focus. At the community level, a wide range of commercial, residential, cultural, civic, and recreational uses should be located in the town center or downtown. At the neighborhood level, neighborhood centers should contain local businesses that serve the daily needs of nearby residents. At the regional level, regional facilities should be located in urban centers that are accessible by transit throughout the metropolitan area.
14. Distinctive Communities
Having a distinctive identity will help communities create a quality of life that is attractive for business retention and future residents and private investment. Community economic development efforts should help to create and preserve each community's sense of uniqueness, attractiveness, history, and cultural and social diversity, and include public gathering places and a strong local sense of place.
15. Regional Collaboration
Since industries, transportation, land uses, natural resources, and other key elements of a healthy economy are regional in scope, communities and the private sector should cooperate to create regional structures that promote a coherent metropolitan whole that respects local character and identity.

In his book, *The Rise of the Creative Class*, Richard Florida suggests that a new force for economic development has emerged in American cities.[3] He calls it the "creative class"—scientists, university professors, writers, artists, entertainers, architects, designers, and other cultural leaders and opinion makers, innovators, thinkers, and creative professionals who provide the initiatives and ideas for change that engenders new products. They are well-

17 Richard Florida, *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life* (New York: Basic Books, 2002).

educated, young, independent thinkers who generate ideas or products that go beyond their typical job description.

This creative core, Florida believes, provides the primary stimulus for economic development. The more of this group in a community's population, the better its chances for new job and company creation. Florida posits that creative people should no longer be considered eccentric but mainstream, and communities would be wise to attract them.

Evaluating an Economic Development Plan

Evaluation is a necessary part of the economic development planning process. It enables decisionmakers to determine whether planning efforts, projects, and programs have improved the existing situation and, if they have, by how much. The traditional objectives of evaluation are to ensure programs are efficient and equitable, qualities that have been called the "oil and water of economics" because they often are at cross-purposes and have disparate goals.[4] For example, funding for business development may be at the expense of support for social programs.

Various techniques can be used for program evaluation:[5]

Checklists assess a program against a list of criteria but do not consider trade-offs or provide a qualitative evaluation of effectiveness and level of satisfaction.

Cost-benefit analysis examines anticipated benefits of a program vis-à-vis its projected costs to determine whether the likely value created will be worth the investment in time, money, resources, and overall effort. The object of cost-benefit analysis is to identify projects where the benefits meet or exceed the costs. This condition is seldom evaluated in the public sector, since costs and benefits for community programs are difficult to define. For instance, what is the level of benefit of a downtown park or a recreation program? It may be ignored in constructing a cost-benefit analysis because it is not quantifiable. Contingency valuation, used to establish values that are hard to quantify, is based on asking people what they would be willing to pay for public goods or services to determine how to use limited resources. It is a technique used by major public agencies but has been criticized for its imprecision.

Strategic choice examines which programs have the greatest likelihood of success in a local political environment. Some programs are received more favorably by local officials and the general public, and this inherent interest and support can significantly affect a program's success.

Cross-impact analysis uses defined goals and activities to evaluate the likelihood of programs moving toward their established goals. A matrix illustrates the application of this technique to a central business district (CBD) [Fig 9.1]. Annual goals are ranged across the top. (In this example, all are evaluated as equally important; however, this type of analysis could also be weighted to reflect the relative importance of each goal.) Activities relevant to achieve these goals are listed on the left, with the relative financial cost for each indicated as low, moderate, or high.

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[4] Daniel Shefer and Lisa Kaess, "Evaluation Methods in Urban and Regional Planning: Theory and Practice" in *Evaluation Methods for Urban and Regional Plans: Essays in Memory of Morris (Moshe) Hill,* ed. Daniel Shefer and Henk Voogd (London: Pion Limited, 1990), 99.

[5] Ian Bracken, *Urban Planning Methods: Research and Policy Analysis* (New York: Methuen, 1981), 74–79.

The relative connection of each goal and each activity is expressed by the number of Xs shown: an empty box indicates the activity would have no impact on the specified goal; one X signifies low impact; two Xs, moderate impact; and three Xs, high impact. Totals on the right of the matrix represent that the impact of each activity, which can be compared to the relative cost of achieving the goal to derive its overall effectiveness. Totals at the bottom of columns represent the potential effectiveness of each goal, assuming a community initiates the listed activities.

		Annual Goals						
Cost to City	**Activities**	Increase per-business retail sales	Increase CBD share of area business	Increase local employment percentage	Increase pedestrian traffic in CBD	Reduce reported crime in CBD	Improve resident satisfaction with CBD	
Moderate	Annual downtown festival	X	X		X		XX	**5**
Low	Regular CBD promotions	XXX	XXX	X	XX		XX	**11**
Low	Extended store hours	XX	XX	XX	XXX	XX	XXX	**14**
High	Improve amenities- (streetscape, parking)	X	XX	X	XX	XX	XX	**10**
Moderate	Improve city services for CBD	X	XX		X	X		**5**
Moderate	Establish retail incubator facility	XX	XX	XXX	X		X	**9**
Low	Establish agreements with county	XX	XX	X				**5**
		12	**14**	**8**	**10**	**5**	**10**	

9.1. Cross-Impact Analysis chart[6]

Cross-impact analysis brings new perspectives to the evaluation of local economic development programs, and should include input from a variety of sources—for example, city officials, business owners, the public. Although based on educated "guesstimates," consensus, or other methods, the technique promotes discussion and consideration of the efficacy of various economic development goals.

Market Segment Analysis

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[6] This Cross-Impact Analysis Chart is based on an example in a book by Thomas S. Lyons and Roger E. Hamlin, *Creating an Economic Development Action Plan: A Guide for Development Professionals* (Westport, CT: Praeger Publishers, 2001), 147–154.

In any economic development study it is important to identify an area's primary market segments and develop a strategy for maximizing its commercial potential based on a defined market. Businesses in a commercial district can attract customers from varying markets. Some businesses attract local residents, while other businesses extend their marketing radius to a larger, regional area. Some may attract young families and others older, conservative consumers.

Planners or community leaders may commission a marketing consultant to perform a market segment analysis to determine the percentage of various types of consumer groups living within a given area based on demographics. They might be characterized as "old money," "conspicuous consumers," "family-centered blue collar," "home-oriented senior citizens," and the like. Using information from a census database, analysts can compare the population in the target area with the region, state, or nation. For example, an index may be scaled so a score of 100 represents a proportion of the population similar to that of the United States as a whole; an index score of 25 would indicate relatively few people from that category are found in the area of analysis, while a score of 250 represents a proportion much higher than normal.

Market segment analysis generally is conducted by first determining the boundaries of the trade area under analysis, inventorying its shopping facilities and competing businesses by square footages and NAICS codes, and calculating sales leakage from the district from sales per household per year statistics from the U.S. Department of Commerce. The amount of floor area expansion in various business-type categories is calculated based on leakage and current sales. Finally, a survey of consumers gives an assessment of perceived conditions in the area.

Other Economic Development Strategies

Economic Development Committees

A study conducted by the National Center for the Revitalization of Central Cities, looking a economic development for Atlanta, Portland (Oregon), Baltimore, New York City, New Orleans, Fort Worth, Minneapolis/St. Paul [Fig 9.2], and other cities identified the importance of planners and community leaders, including local bankers, utility executives, accountants, real estate brokers, attorneys, and small business owners, forming an economic development committee in their community. The research also indicates the importance of maintaining good relationships between levels of government, whether city-state, city-county, or other.[7] Economic development programs can attract revenue from sources at all levels of government. The role of planners is to coordinate efforts and limit competition for resources. In the absence of such relationships, hostile action by a county council or state legislature can make the implementation of many local strategies difficult.

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[7] Fritz W. Wagner, Timothy E. Joder, and Anthony J. Mumphrey Jr., *Urban Revitalization: Policies and Programs* (Thousand Oaks, CA: Sage Publications, Inc., 1995), 203 and 204.

9.2. Lowertown redevelopment area, St. Paul, Minnesota

Real Estate Investment

Encouraging local investment in real estate should be an obvious community economic development strategy. However, public sector planners are often seen merely as regulators of development, rather than promoters of appropriate development. To be effective, a community plan should not only establish regulatory controls but also deliberately provide incentives for desired new development.

Significant community advantages come from the promotion of real estate investment [Fig 9.3]. It does not rely on direct public funding; although some public funds may be expended for support facilities, the bulk of the investment comes from the private sector. New construction and rehabilitation of older buildings are long-term investments in a community. Real estate is a commodity that stays in the community. Real estate investment improves not just the property where a project is located but the value of surrounding properties, a secondary benefit that contributes more than the initial value to the overall worth of a project. It brings increases in tax revenues and, therefore, more resources to invest in the community. Historically, most real estate has increased in value at a rate greater than inflation. Real estate appreciates in value, while federal tax regulations are based on its depreciation. This means that the tax obligation decreases over time, while the market value of the real estate generally increases. In sum, real estate investment represents a solid, long-term investment. Unfortunately, comprehensive plans and zoning provisions sometimes discourage real estate investment in a community through the regulatory guidelines they set for new development. Planners should work to provide sufficient flexibility to allow real estate investment proposals that contain substantial community benefits.

9.3. Building developer and contractor discuss progress on a high-rise construction project

Public-Private Partnerships

Public-private partnerships are designed to capitalize on the respective strengths of local government agencies and private sector entities. The public sector can often offer land or other resources; the private sector typically contributes the financial wherewithal. Public-private partnerships function best if the public agency uses its resources judiciously, and the private sector benefits from financial or other incentives. This cooperation should be encouraged by planners.

Public-private partnerships take a variety of forms. Local government can use tax revenues to provide capital for investment for private enterprises to stimulate the economy or run joint enterprises with private companies, contracting with them to provide public services. Local government may lease on a long-term basis a facility owned and operated privately or sell one of its properties to a private investor, and then lease back the property at an agreed upon rate. Sale-leaseback gives the community the benefit of the sale plus new property tax revenues, while the owner has a reliable tenant. Such joint activities can have a significant impact on the community's capital improvements program and budget. (See Chapter 16 for more on capital improvement programs and budgets.) The arrangements should be simple to execute with a minimum of bureaucratic procedures.

Business Incubators

Planners are in a good position to encourage the creation of small, entrepreneurial businesses to stimulate the local economy. Studies have shown most new jobs come from small businesses. For example, the federal Small Business Administration found that between 2003 to 2004 companies with fewer than 20 employees created roughly 1.6 million new jobs, while companies with 20 to 499 employees created around 275,000 new jobs; employment at companies with more than 500 employees shrank by 214,000.[8]

[8] U.S. Small Business Administration Office of Advocacy, "Small Business Profile: United States," http://www.sba.gov/advo/research/profiles/07us.pdf.

One way to help new businesses become successful is by establishing a community "incubator" facility. The purpose of an incubator facility is to provide basic resources that new business owners may not initially be able to afford. It typically provides office space, phone and Internet service, shared office equipment, temporary help, a small warehouse or manufacturing area, and other resources and services needed by start-up businesses. These are costly to provide on an individual basis, but relatively inexpensive when shared. Incubator facility staff can provide assistance from the creative or concept stage to the promotion and distribution of a product or service. Research indicates that less than 20 percent of new businesses last five years, but more than 85 percent of incubator businesses are successful over the same time period.[9]

There are now over 1,400 business incubators in North America [Fig 9.5]. Most are nonprofit organizations focused on economic development, with a strong emphasis on technology. Over half of them are sponsored and supported by either government entities or economic development organizations. Research conducted by the National Business Incubation Association (NBIA) found that for every dollar of public investment provided, incubator clients and graduates of incubators generated approximately $30 in local tax revenue. More than 84 percent of incubator graduate businesses stay in their communities and continue to provide a return to local investors.[10]

Bluenergy, developer of the Solarwind Turbine (a hybrid turbine combining wind energy with solar cells) exemplifies a young company that has been able to thrive and grow with support from its incubator facility, the Santa Fe Business Incubator [Fig 9.4]. The incubator is a hub for business resources and links with other economic development organizations, and has received various national awards for its innovations. These include a "Client of the Year Award" from the NBIA and a "Community Development Excellence Award" from the U.S. Department of Housing and Urban Development.

9.4. Santa Fe Business Incubator Facility, Santa Fe, New Mexico

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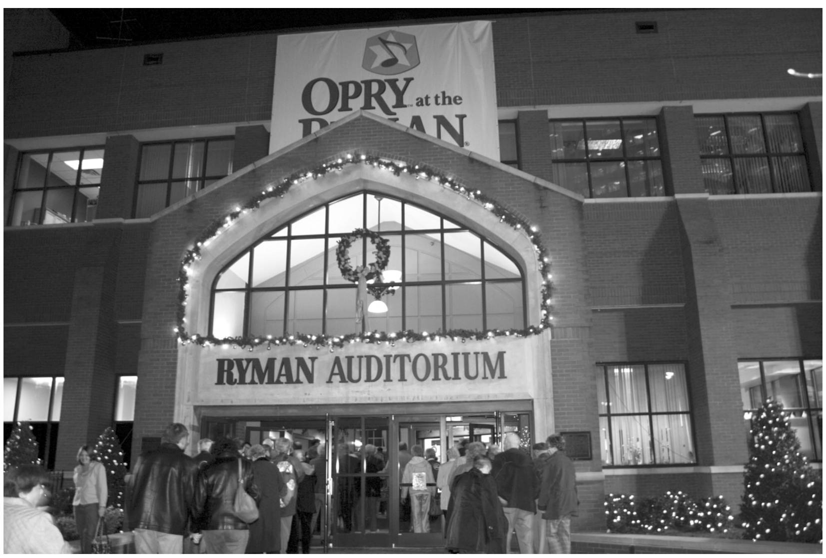
[9] University of Michigan, NBIA, Ohio University, and Southern Technology Council, *Business Incubation Works* (Athens, OH: National Business Incubation Association, 1997).

[10] National Business Incubation Association, "Business Incubation FAQ," http://www.nbia.org/resource_center/bus_inc_facts/index.php (accessed March 21, 2009).

Tourism

Developing a strong tourism industry can be a highly beneficial strategy for a community, but it is not without challenges. Tourism injects outside dollars into the local economy; if businesses are locally owned, those dollars are recirculated in the community, making tourism an "export" industry whereby local businesses sell their goods and services to outsiders.

Successful tourism requires that a community offer an attraction that is viewed as a "destination"—that is, something that encourages visitors to come. Shopping and dining in a pedestrian-friendly environment are a draw. Historic sites and districts, as described in Chapter 8, are a draw, as are special attractions like the Garlic Festival in Gilroy, California; the nautical history of South Street Seaport in New York City; the music of the Grand Ole Opry and Opryland in Nashville, Tennessee [Fig 9.5]. Visitors who stay overnight spend three to four times more than tourists who come only for the day, so evening activities are critical.



9.5. Grand Ole Opry at Ryman Auditorium, Nashville, Tennessee

The "4-times rule" states that to attract out-of-towners, activities should be able to provide visitors with enough things to see and do to keep them busy for four times the amount of time it takes to get there. A specialty restaurant may be a strong enough attraction for someone who needs to make only a 20- to 30-minute drive to get there, but if it takes an hour, there should be activities to occupy visitors for at least four hours. Thus, offering a special dining opportunity is not sufficient, since a meal takes only one or two hours' time, but combining eating and shopping at a large antiques mall or attending a half-day festival may serve as a sufficient draw.

Festivals are a fine attraction, whether the chicken broil of a small town or a large city marathon with corporate supporters. Milwaukee's Summerfest, billed as the "world's largest music festival" [Fig 9.6], started in 1968 and has grown into a major midwestern event, with annual attendance approaching the 1 million mark. Eleven stages along the shore of Lake Michigan provide venues for more than 700 performances continuously for 11 days. The festival's economic impact on Milwaukee comes to about $110 million annually, including more than $61 million in direct income and about $49 million in indirect income.[11]

9.6. Summerfest, Milwaukee, Wisconsin

Of course, such draws need to be adequately advertised and promoted. It helps to have a hook—a good logo, graphic, memorable phrase—and to sell activity rather than place. The emphasis should be on things to do, rather than on things to see [Fig 9.7]. A scenic riverfront being used by bikers, kids, and picnickers, with individuals, couples, and families enjoying and taking advantage of what is available to them at that location is a dynamic picture likely to create stronger appeal than a downtown riverfront devoid of people. Visioning sessions with community leaders should seek to identify unique aspects of the area that will entice strangers to visit. Serving up one more quaint alpine village or "olde towne" antiques center may no longer be enough in today's highly competitive marketplace. Communities need to be more creative than ever before when developing a theme on which existing businesses can build.

[11] Elizabeth Hockerman, "The Business of Summerfest," BizTimes.com (May 25, 2007), http://www.biztimes.com/news/2007/5/25/the-business-of-summerfest (accessed March 20, 2009).

ARKANSAS
DELTA
Soil & Soul

CELEBRATE THE DIFFERENCE BETWEEN "U" AND "I"

9.7. Promotion campaign for Arkansas Delta area

The Internet is a powerful tool for marketing a community. Today, the Web is the primary source for people planning trips and vacations. A good Web site appears on the first page of search results, is visually appealing and easy to use, and is comprehensive.

Finally, tourism requires parking facilities. It is preferable to remove parking meters, which say, "Be careful; we are watching how long you stay and charging you for the privilege of being here." They encourage short stays appropriate for local and short-term visitors, but send a message inappropriate for tourists. Parking is an allocation problem: visitors should be given ample easy-to-find parking, while employees should have allocated space in less visible, long-term areas.

Spotlight on Navy Pier, Chicago

Navy Pier is a good example of converting an underutilized facility into a successful tourist draw. It is located on the Lake Michigan lakefront near downtown Chicago. Its 50 acres combine functions of the shipping business with recreational and entertainment activities that encompass parks, gardens, shops, restaurants, and a variety of entertainment opportunities. Navy Pier has 170,000 total square feet of exhibition space, 50,000 square feet of reception space, and 48,000 square feet of meeting room space. Many business conventions, art shows, and public festivals occur at the pier annually. Families can enjoy the Children's Museum, the Skyline Stage outdoor theater, Crystal Garden indoor park, and an IMAX theater.

The Pier opened to the public in 1916 and soon became a thriving public meeting place. It was a great success because it incorporated business with recreation. It was easily accessible to the public, enabling people to flock to the area. Navy Pier hosted the Pageant of Progress, which attracted more than 1 million visitors within a few days. During World War I, Navy Pier continued to be a popular destination, accessible by streetcar and offering theater and restaurants. It also functioned as a military information center. The 1920s were considered the pier's Golden Age: an estimated 3.2 million visitors frequented it annually. During the Great Depression, the pier was still popular, but it received far fewer visitors. In World War II, the city leased the pier to the Navy as a training site for 60,000 soldiers and 15,000 pilots, making it unavailable for public use.

After the war, the University of Illinois established a two-year branch campus at the pier, changing the identity and function once again. When the university abandoned its facilities, the site fell into disuse and became an eyesore—a symbol of the declining, decaying city. Efforts made by various government agencies to restore parts of the pier were unsuccessful. In 1989, the Metropolitan Pier and Exposition Authority obtained ownership and began a revitalization program, quickly redesigning Navy Pier into one of the country's most unique recreation and exposition facilities [Fig 9.8]. By the end of the twentieth century, 1 million people per month were visiting the pier and it is now considered Chicago's most popular year-round destination.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9.8. Navy Pier, Chicago, 2009

Navy Pier stimulated the growth of nearby residential development, and a plan for a riverwalk along the South Branch of the Chicago River that would become part of a continuous walkway from Navy Pier to Chinatown. This plan envisions carrying the pier's success into dilapidated parts of the city.

The renovations of Navy Pier came with many compromises. Structures that were part of the original core were demolished, losing the pier its listing on the National Register of Historic Places. However, the new Navy Pier is a success, attracting millions of visitors and the businesses that serve them.

Casinos

Casinos provide a rather different but viable means of economic development [Fig 9.9]. Although the United States has always had some form of gambling (it was well established in Mississippi River towns in the early 1800s), in the nineteenth century it came under attack for corruption and was prohibited, except in Nevada, which took additional steps and legalized most forms of gambling in 1931 in an attempt to increase tourism. In 1978, gambling became legal in the resort town of Atlantic City, New Jersey. Casinos have gained approval across the country from cities and towns that view the facilities as simple revenue generators with little public expense. A 2009 survey indicated two-thirds of the respondents felt gambling was important to travel and tourism, and three-quarters of travel agents agree that gambling facilities propelled local economies.[13] While casinos are "the only business where cash is the

[13] A. J. Maldonado, "Survey Shows US Tourism Driven by Casino Gambling," Online Casino Advisory, http://www.onlinecasinoadvisory.com/casino-news/land/survey-shows-casino-gambling-economically-important-42815.htm (accessed June 18, 2009).

commodity" and may bring significant revenues into an area, the revenue-to-cost ratio is not always so positive as it may seem, and its connection with social problems of addiction is a downside to this economic bonanza.[14]

9.9. Casino Arizona, Scottsdale, Arizona

Spotlight on Deadwood

In 1989, the community of Deadwood, South Dakota, decided to use gambling as a way to redevelop the town and its historic buildings [Fig 9.10]. A former gold-mining town, it had been designated a National Historic Landmark, but its infrastructure was crumbling. Gambling was seen as a way to attract tourists to the town's historic sites while providing funds necessary to cover the costs for accommodating them. It was a controversial plan; as one resident commented, she did not want "the clean white linen of historic preservation washed with the dirty underwear of gambling."[15] The city did not have an adequate police force, housing, water, or sewerage to handle tourists attracted by the new slot machines. Deadwood officials had not had adequate time to prepare for the impact. Rebecca Crosswait, president of the Deadwood Historic Preservation Commission, said at that time, "We wish we were more prepared. We need zoning for non-gaming and gaming areas. Parents are really concerned because gaming is so close to schools and churches and homes. . . You have to have a very good control system."[16]

In spite of the community's concerns, however, Deadwood has become a successful gambling center, with three dozen casinos and 3,500 slot machines. Through the end of 2009, Deadwood gamblers had bet more than $12.7 billion, with $123 million designated for local

[14] Joanne Ditmer, "Gambling: A Tiger by the Tail," *Historic Preservation News* (August 1990):

[15] Tim Velder, "Deadwood Marks 20 Years of Bets," *Lawrence County Journal,* September 19, 2009. (accessed October 27, 2009: http://www.rapidcityjournal.com/news/local/top-stories/article_c02ec7bb-8a0d-5405-87e6-27f36378ecca.html).

[16] Ditmer, "Gambling: A Tiger by the Tail."

improvements.[17] The city's historic preservation officer noted, "Gaming has transformed Deadwood from a declining tourist town to a prosperous, vigorous community, and has ensured preservation of a unique historic landmark. It's been a successful wager."[18]

9.10. Deadwood, South Dakota

Sports Stadiums

One of the key strategies cities have employed to generate revenues is the construction of new sports stadiums. From 1997 to 2007, large cities across the country spent more than $16 billion on sports stadium construction and upkeep.[22] Local officials generally feel there is a rewarding economic spillover effect from such investment in new stadiums, since they generate tax revenues, direct spending by teams, new jobs, and ancillary benefits through concerts, festivals, and conventions. Successful sports franchises can be good for a community's image and attract local investment and tourism. To encourage such activities, public funds are available for major sports franchises.

But planners and community leaders need to carefully consider whether these expenditures are in the public's best interest. The economic return to cities where stadiums have been built is not always clearly demonstrable long term: *Regulation* magazine found in 2000 that in 37 metropolitan areas in the United States, a professional sports environment "had no measurable impact on the growth rate of real per capita income."[23] As alwaysm the best solutions occur when such a large-scale project is part of a more comprehensive redevelopment strategy.

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[17] Loretta Sorensen, "Deadwood's Gamble Pays Off," *Planning*, January 2010: 6.

Ibid, 6.

18

[22] Dave Zirin, "The Doming of America," CommonDreams.org, http://www.commondreams.org/archive/2007/07/08/2384/ (accessed March 20, 2009).

[23] Dennis Coates and Brad R. Humphreys, "The Stadium Gambit and Local Economic Development," *Regulation* 23, no. 2 (2000): 18.

Organizations for Promoting Economic Development

Planning Departments

A planning department can play a key role in the creation of a community's economic development plan. (Departments that focus on economic development are often called the Department of Planning and Economic Development.) With data collected for the comprehensive plan and Geographic Information System services, planners have access to a wealth of information on their community, which can be supplemented with additional economic information. Some planning departments encourage economic development by providing business assistance services, such as locations of development sites, sources of capital for expansion, hiring and training employees, and assistance in finding financial help through tax increment financing, tax abatements, or other available programs. For example, the Minneapolis Department of Community Planning and Economic Development lists 17 financial programs to assist in business development [Fig 9.11].[24] Planning departments can generate other information useful to businesses, such as offering guides to establishing a new business or for business growth; links to business associations; assistance in collecting employment, training, or recruitment data; and information on current development activities. A planning department can initiate proposals for special overlay economic zones to provide business incentives in designated areas of the community and administer loan programs. Obviously, the range of help a "full-service" planning department can offer is invaluable in a community's economic development plan.

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[24] Community Planning & Economic Development: Business Assistance & Finance (sidebar menu on Business Development Services page of the City of Minneapolis's Web page), http://www.ci.minneapolis.mn.us/cped/business_development_home.asp, (accessed March 20, 2009).

9.11. Minneapolis's Economic Development Services

Business Associations

Business associations, formed by local business owners and merchants to coordinate their collaborative efforts, are another means of promoting retail and service enterprises. They are not regulators or enforcers, but promotional organizations that represent and speak for business owners, who have a stake in the survival and viability of the community. Planners have much to gain and little to lose by working cooperatively through a business association to enhance the commercial environment of a business district.

A program for economic development should come from within the business community, rather than from consultants or local officials. The business association's leadership board should include one or two local officials as members to encourage linkage between private and public interests. A business association's aim is to establish a set of general goals and specific objectives that encourage positive change rather than waiting for problems or circumstances to arise and then dealing with them.

Chambers of Commerce

Local Chambers of Commerce typically focus on industrial growth and jobs. In many cities, they also are involved with retail businesses and downtowns and have been successful agents for economic development. These organizations represent a variety of business interests and programs, including fair tax policies, expanding and strengthening a community's infrastructure, and encouraging local governments to use resources for support of local businesses. Many local chambers encourage tourism and special events. The U.S. Chamber of Commerce lobbies for business interests at the national level and supports local chambers through various programs, for example, The Institute for a Competitive Workforce, which focuses on workforce development, and TradeRoots, a grassroots trade organization that helps communities assist small- and medium-sized companies to expand into the global marketplace.

Economic Development Programs

The following discussion of programs relating to economic development is not all-inclusive, but gives an overview of programs at both the federal and state levels. Planners benefit from understanding these programs as potential sources of funding for community programs and projects.

Federal Programs

Community Development Block Grants (CDBGs). As noted in Chapter 7, the Community Development Block Grant program is one of the most popular and successful of the programs of the U.S. Department of Housing and Urban Development (HUD). Established in 1974 as part of the Housing and Community Development Act, the CDBG program gives annual grants to "entitlement communities"—larger cities and urbanized counties—to conduct activities related to local economic development, neighborhood revitalization, and community facilities and services. In 1981, revisions to the legislation allowed states also to give CDBG funding to nonentitlement communities, cities with populations less than 50,000, and counties with populations of less than 200,000.

Communities may develop their own priorities for funding, rather than have the federal government define expenditures. This gives local governments considerable flexibility, but they must give priority to programs that benefit low- and medium-income residents, especially when funding from other sources is not available.

Enterprise Zones. Enterprise Zones, also referred to as Renaissance Zones or Empowerment Zones, can be established as a way to encourage special economic investment programs in an area needing renewal. The establishment of such zones often has led to economic revitalization. One of the most common incentives for Enterprise Zones is tax abatements for businesses that locate there. Connecticut, for example, allows an 80 percent tax abatement for five years and the state reimburses the local community for 75 percent of the lost revenue. Loan programs and job training programs may also qualify for tax abatement. Often the most effective incentive is simply the relaxation of normal regulations within the district to encourage investment, a strategy that encourages private involvement with minimal public cost.

Small Business Administration. The Small Business Administration (SBA) is one of the oldest of the federal support programs. Established in 1953, it aids, counsels, assists, and protects the interests of small businesses in recognition of their importance to the nation's economy. Most new jobs are created not by large companies but by small businesses (the size of a qualifying business is based on its type). The SBA makes loans available directly to small businesses and acts as a guarantor for bank loans. One of the most frequently used of the SBA's loan programs is its 7(a) Loan Guaranty Program, which provides funding to small businesses that might not be eligible for loans through normal lending channels. The program's flexibility allows loans for a variety of purposes, including working capital, machinery and equipment, furniture and fixtures, and land and buildings. Under some circumstances, it can even be used for debt refinancing.

The SBA ensures that a fair proportion of government contracts go to small businesses, primarily through set-asides that make these contracts available on a predictable basis. The

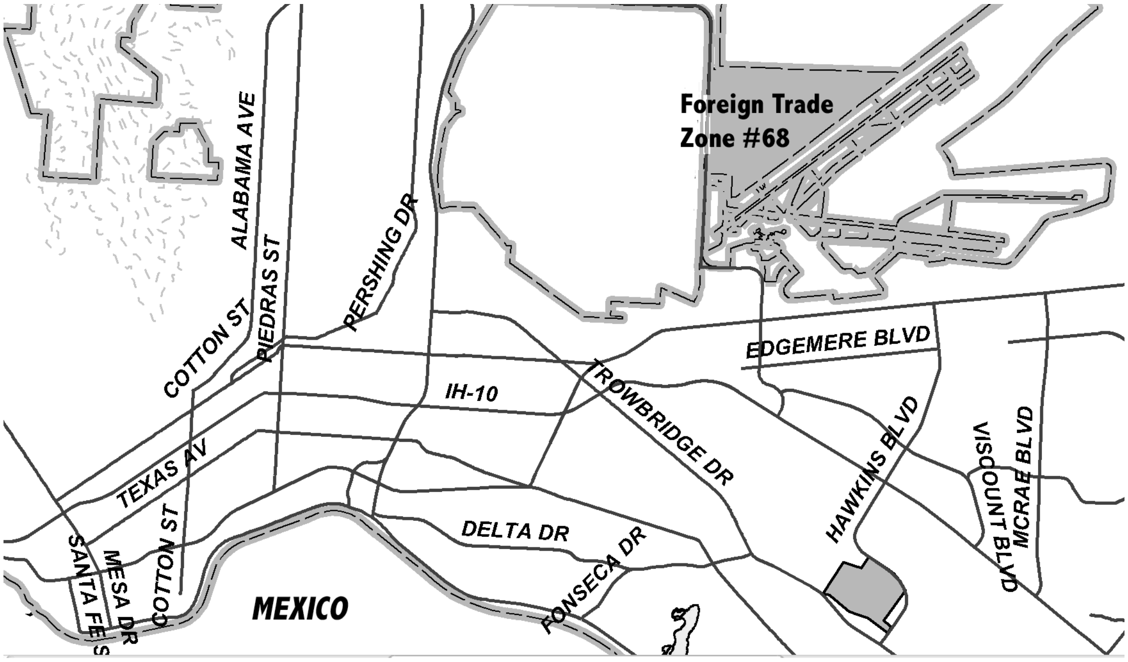
SBA has many regional field offices that work in partnership with a large number of public and private organizations. Nearly 20 million businesses have received direct or indirect assistance through the SBA since its inception in 1953. With over 200,000 loans in 2008, it is the largest single financial backer of U.S. business in the nation.

The Small Business Investment Corporation (SBIC) is a privately owned and operated company. The federal government uses it to sponsor public venture capital to small businesses, providing long-term loans using public and private funds. Typically, large loans are made available for up to 20 years for existing firms that have potential for rapid growth or expansion. Investments are regulated by the Small Business Administration.

The Small Business Innovation Research (SBIR) program provides support to small, innovative companies engaged in development and commercialization of new technologies. Through funding and other support services, the SBIR program makes it possible for small businesses to undertake significant research and development initiatives in the highly competitive new technology arena, covering the cost of research and protecting entrepreneurs from failure due to a lack of funding.

Foreign Trade Zones. Foreign Trade Zones (FTZ) can be established by communities to facilitate international trade in a local economy. An FTZ is an area located near a port of entry for goods, such as a port or international airport, where foreign and domestic merchandise is considered to be outside the country's customs territory and therefore free from duties and excise taxes, customarily collected when merchandise crosses the country's borders. No duty needs to be paid if the merchandise is re-exported without entering the United States. The FTZ thus serves as a staging area for international trade, allowing savings on items coming into the United States by deferring duty payments until they actually cross the customs boundary. No duty typically is collected for loss from transit. Merchandise containing foreign raw materials manufactured within an FTZ is subject to a lower duty rate. FTZs benefit local communities by providing jobs, adding to the tax base, generating trade contracts with other countries, and encouraging support businesses outside the trade zone.

There are currently 125 Foreign Trade Zones in the United States, some dating back to the 1930s. The El Paso FTZ No. 68 in El Paso, Texas, [Fig 9.12] is a general-purpose zone that contains over 3,000 acres at 21 contiguous sites. Located adjacent to the El Paso International Airport, air transportation services are integral to its success. On the Texas-Mexico border, it has twin-plant operations with Ciudad Juarez, Mexico.



9.12. Map of El Paso Foreign Trade Zone No. 68, El Paso, Texas

Workforce Reinvestment and Adult Education Act. The goal of the most recent Workforce Act (2003) is to provide opportunities for enhancing the general employment skills of the country's workforce as well as occupation-specific skills. This is accomplished through its one-stop career center systems. The Workforce Act encourages states to set up adult education programs and provide services that help individuals with disabilities become employable. The Act's broader goals include youth development programs connected to the private sector, postsecondary education and training, social services, and other economic development systems that enhance career opportunities.

Economic Development Administration. The federal government's Economic Development Administration (EDA) is especially relevant to planners. It provides support to planning organizations for development, implementation, revision, or replacement of Comprehensive Economic Development Strategies (CEDS). The EDA's Support for Planning Organizations program focuses on relatively short-term efforts to improve employment prospects in economically distressed areas. Eligible recipients may include community development corporations, economic development organizations, Native American tribes, and nonprofit regional planning organizations.

The EDA also has programs to provide investment capital for public works projects in distressed areas. The purpose is to upgrade a community's physical infrastructure to attract new business, encourage expansion of existing businesses, diversify the local economy, and support long-term private sector investment. The program's current emphasis is on developing clusters of associated industries in emerging work areas and creating a symbiotic environment for growth. Funding can support facilities such as water and sewer systems, industrial access roads, industrial and business parks, port facilities, railroad sidings, distance learning facilities, skill-training facilities, business incubator facilities, brownfield redevelopment, eco-industrial facilities, and telecommunications infrastructure improvements needed for business retention and expansion. Eligible activities include the acquisition or development of public land; improvements to a public works, public service, or development facility; and acquisition, design and engineering, construction, rehabilitation, alteration, expansion, or improvement of publicly owned and operated development facilities. Projects may also include infrastructure for broadband deployment and other types of telecommunications-enabling projects and technology infrastructure.

Housing. About 35 programs for housing are available at the federal level. Some of these are described in Chapter 7.

State and Local Programs

Land assembly programs. One of the powers municipalities have for long-term planning is the ability to buy and sell land, typically for a public purpose such as creating a park or public facility. A community also can purchase parcels to assemble into larger parcels and then sell to the private sector. The public sector thus can play a key role in reducing land costs to developers by converting underproductive land that yields little in taxes into desirable parcels that may return much higher property tax revenues. Such a policy must be carefully considered, however, since properties temporarily owned by a municipal government are taken off local tax roles.

Municipalities acquire land in a number of ways besides outright purchase, for example, through foreclosure or by reducing or eliminating back taxes owed by the owner, as an incentive. Land may be donated, bringing the owner a tax deduction. The cost of land may be reduced through state and federal redevelopment programs. Land may also be taken through eminent domain procedures, but this may be a protracted and legally expensive process. (For example, see *Kelo v. City of New London, Connecticut* in Chapter 14.)

The key to successful land assembly is the same as any approach to property investment—location, location, location. Is a parcel near a major transportation link? Are complementary businesses nearby? Are there appropriate amenities? A good parcel in one of a community's growth paths becomes desirable to the community.

Planners can formulate policies to ensure this outcome. The first step is to inventory properties in the community, including publicly held parcels, to determine which do not contribute desired levels of taxation. Next, a redevelopment plan should incorporate properties ripe for purchase, assembly, and development. Potential environmental concerns should be addressed by a Phase I Environmental Assessment. (See Chapter 11 for Environmental Assessment procedures.) A land bank can be created. Land banks, parcels of land held for development, can be managed either by the local government or by a designated nonprofit organization.

The final step is to market the properties, using tax abatements, offering grant or loan programs, upgrading capital improvements through construction of sewer and water lines, or simply implementing a rapid approval process for new developments. If properly used, a land assembly program can work to the advantage of both developers and communities.

University resources. A community's local economic development efforts can include many partners. Increasingly, higher education institutions are helping to create jobs and revitalize local economies. Universities and colleges can provide a variety of resources, such as faculty expertise, student labor, internships, and economic analysis and recommendations. New buildings and other facilities contribute people and resources in these districts and provide students as a customer base for nearby retail. The University of Wisconsin's Center for Community and Economic Development assists local communities with its Community and Economic Development Tool-box, a Web-based resource to guide them through the process of preparing for economic development action by carrying out economic analyses, offering economic development certificate courses, and publishing a monthly newsletter and articles on related topics.[25]

Local planners should work cooperatively with university personnel to determine how to improve the situation for the institution and the community. Both groups benefit by establishing formal ties.

Evaluating Information and Generating Incentives

In planning, the problems that need to be addressed often are not obvious or clear; it is important to give them definition. If you do not know what the problem is, you cannot find a suitable solution. Ask yourself: Do I have the appropriate information? Have I used it as a basis for effectively defining alternative solutions? Did I evaluate those alternatives and select the best?

Once you have defined the problems, review the four basic tools communities and planners can use to solve problems, as outlined in Chapter 4:

- Tax incentives or disincentives
- Capital spending
- Regulatory powers
- Buying and selling property

(For additional information on regulatory powers and property transactions, see Chapter 14; on tax incentives/disincentives and capital spending, see Chapter 16.)

Many economic development proposals include a preponderance of ideas that cost a considerable amount of money to implement, on the belief that problems can be solved by spending. However, in reality cities have limited and tightly allocated budgets. Planners must find strategies that minimize spending the city's money and instead attract investment and funding from other sources.

Planners can encourage economic development by providing a vision for others of what can be accomplished. Economic development is most effective when the public sector gives appropriate incentives to encourage the private sector to invest. The job of the planner is to illustrate a community's possibilities for renewal, building on its strengths. That sense of vision is the inherent fifth tool, and is possibly the most powerful one.

Exercise: Developing a Preliminary Economic Development Plan in Rivertown

You are a member of Rivertown's Planning Department staff. Using the ideas in this chapter and the information on Rivertown contained in Appendix A, prepare a preliminary economic development proposal for the city for presentation to planning director Burnham Daniel. The proposal will be evaluated based on the following:

- Clarity of the statement of the problem
- Relationship of the proposal to the stated problem
- Appropriateness of the strategies recommended to encourage private investment with minimal public investment (remember: good planning can reduce costs)
- Relevance to the role of the planning department in this process
- Overall cohesiveness and clarity of the report.

[25] University of Wisconsin Center for Community and Economic Development, Community and Economic Development Tool Box, http://www2.uwsuper.edu/cedpt/index.htm (accessed October 27, 2009).

If approved by Mr. Daniel, it will be presented to members of City Council; other city agency representatives; Ms. Ima Peeples, president of Concerned Citizens of Rivertown; Norman Tyler, bank manager and representative of the Merchants Association; and other interested individuals.

Use the template below as a guide to overall organization and content.

Cover page:

Economic Development Plan for
the Downtown District of Rivertown

Prepared by __________________

Rivertown City Planning Department

Date

Section 1: Problems Identified

The downtown district includes primarily retail uses but is adjacent to residential areas. Problems found in the district include:

Section 2: Potentials

The downtown district includes features on which an economic redevelopment plan can be based. These sources of potential include:

Section 3: Goals

The goals of the economic development plan for the downtown district of Rivertown are to:

Section 4: Elements of the Economic Development Plan

Write a two- to three-paged narrative presenting the important aspects of your economic development proposal. Explain how it addresses the goals for the area by addressing key problems and tapping key potentials. Include a map indicating clearly the areas tied in with your proposal.

Summary

A strong correlation exists between local economics and community revitalization and growth. All communities should develop a good economic development program to maintain their vitality and benefit private enterprise. Economic growth does not result from a natural evolutionary process, but rather from economic goals and objectives established and implemented by key individuals and organizations. The inclusion of an economic development plan as part of a community's comprehensive plan should be based on consideration of land use, social issues, and other planning elements.

Data collection and inventories provide the foundation for developing an economic plan. Market analyses help establish niches that may be attractive to investors. A strong and carefully considered economic development program can encourage public-private partnerships, teaming a local municipality with a private developer on projects that utilize the strengths and resources of both.

Many government economic development programs are available at the federal and state levels to assist local communities, and communities themselves can use their public spending, tax incentives, and regulatory powers such as zoning to create a positive environment of public sector–private sector cooperation. In this way, community growth patterns evolve from economic restructuring. So whatever path a community takes to remain viable, an economic development plan, with appropriate goals and strategies, must be part of it.