The International Economic Development Council’s

Economic Development Reference Guide

The Power of Knowledge and Leadership
Economic Development Reference Guide

Acknowledgements

Verizon

Verizon's mission is to open doors for economic development and to build relationships and partnerships that help create and retain jobs in Verizon communities. New jobs are the lifeblood of any thriving region and can ensure economic health and prosperity for years to come. Job creation or retention in a community produces a ripple effect that can have a profound impact on every aspect of community life, and Verizon's leadership in economic development focuses primarily on these areas. Verizon helps communities with business attraction, supports programs for workforce development to ensure well-trained personnel, and promotes small business development and new business startups.

Launched in 2000, the Verizon Foundation serves the nonprofit community on behalf of Verizon Communications. The Verizon Foundation will invest in support of the communities it serves from Hawaii to Maine, making it one of the top 10 largest corporate foundations in the United States.

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What is Economic Development?

No single definition incorporates all of the different strands of economic development. Typically economic development can be described in terms of objectives. These are most commonly described as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community. In the broadest sense, economic development encompasses three major areas:

- Policies that government undertakes to meet broad economic objectives including inflation control, high employment, and sustainable growth.
- Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged.
- Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community, therefore, will have a unique set of challenges for economic development.

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• The redevelopment and preservation of railroad stations to attract business near the stations and help to revive surrounding downtown areas.
• Some communities are moving away from developing large projects such as sports stadiums (attracting people only on game days) towards smaller-scale projects.
• Communities develop open space to create improve the quality of life in urban cores.
• Hotel construction in downtown areas meets the growing demand for accommodation from people on business, and also acts as a spur encouraging tourists.
• Integrating transportation and land use in downtown areas produces a more efficient transportation system whilst reducing congestion and pollution:
  o Creating and extending cycle routes
  o Developing more integrated mass transit systems
  o Building pedestrian friendly streetscapes
• Market research has become a key component of downtown developments. Understanding local markets helps to decide which potential projects will meet local demand and receive support.
• Information technology businesses are moving into downtown offices with large open plans to nurture team work and collaboration.
• Downtowns have also developed fiber optic infrastructures to support IT businesses. Maps of fiber optic cable help businesses locate near to fiber cable in downtown areas.
• Funding for downtown projects has become more widely available and easier to obtain, due to public, media and government interest shown in CBDs.

Benchmarking and Evaluating Downtown Development Programs

Downtowns need to be diverse, dynamic, and livable spaces. To evaluate a downtown development initiative means taking all these components into consideration. Downtown redevelopment includes both physical and perceptual changes.

Since downtown development requires many partners and affects many people, neighborhoods, and businesses, evaluators need to look at who is involved and the nature of their relationships, as well as what gets done.

Many cities and towns have established downtown development strategic plans. Since each community has its distinct vision for its downtown, requiring different packages of programs and investments, it will be hard to make direct comparisons between community efforts. Evaluation of such a complex undertaking, therefore, should focus on the degree to which communities have achieved their goals.

Quantitative Measures

• Number of jobs created/retained
• Number of housing units developed
• Cost per job created/retained
• Vacancy rates for retail and office space
Web-based Resources for Entrepreneurship

- American Entrepreneurs for Economic Growth
- Ewing Marion Kaufman Foundation
- Grameen Foundation
- MIT Entrepreneurs Club
- National Association of Seed and Venture Funds
- Silicon Valley Association of Software Engineers
- U.S. Department of Commerce
- U.S. Small Business Administration
- U.S. Small Business Administration Loan Programs
- National Business Incubation Association (NBIA)

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Incentives

Globalization has led to competition between nations, regions, and communities to attract and retain businesses that are moving or expanding.

Incentives are tools used to influence business decisions about where new investment will take place. Economic development incentives can be either financial or non-financial, such as tax exemptions and credits or workforce training and public infrastructure improvements. The kind of incentives offered depends both on the community and the business with which it is bargaining. Before offering an incentive, an economic development practitioner should analyze the cost and benefits of providing the incentives in terms of both dollars and social returns.

The role of incentives in economic development has and continues to be controversial. When businesses choose between two or more sites/communities, they weigh several factors of the business climate important to their industry. Incentives are a part of this equation, but rarely play a decisive role until the last few sites are being compared. Competing communities may choose to bargain with the business and even to out-bid one another. While this practice has resulted in some abuse of public dollars, many communities now use clawbacks, recissions, and performance-based incentives in order to assure the public that their investment will be returned in terms of jobs and wages.

Trends in Incentives

- The variety of incentives continues to grow as more state and local governments create and customize incentives to be comparable or competitive with each other.
- Incentives used to lure high-tech businesses include tax abatements of IT gross business receipts and stock options.
- Performance-based incentives require businesses to deliver promised jobs and payroll to the public.
- Business auditors analyze whether or not businesses can deliver promised returns on incentives offered.
- Recipients of economic development incentives often have to guarantee job quality standards ranging from wage and health insurance to full-time hours rules.
- Tax Increment Financing (TIF) is used by forty-nine states for site-specific economic development. Arizona does not allow TIF laws.
- State incentives are increasingly used for venture, research and associated facilities.
- Many economic development organizations use workforce and infrastructure development incentives more than tax-based incentives for economic development.
- Cost per job created
- Percentage of women and minorities assisted
- Number of local residents hired
- Private sector leverage
- Available amenities

**Qualitative measures**

- Diversification of businesses (e.g. new industries, new services)
- Stated project goals and the degree to which they have been achieved
- Physical appearance of local businesses, local buildings and the neighborhood in general
- Neighborhood residents and businesses satisfaction with services, shopping, amenities and the physical appearance of the neighborhood
- Range and quality of public-private partnerships to support neighborhood initiatives
- Community involvement in initiatives (local residents and local businesses)
- Changing use of the neighborhood (e.g. more people using the local park, easier access to the neighborhood)

**Web-based Resources for Neighborhood Economic Development**

- Community Development Financial Institutions Fund
- Executive Office for Weed and Seed
- National Congress for Community Economic Development
- Community Development Venture Capital Alliance

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• Talented youth, the new key to any truly successful economy, look for high-grade natural environments and places with real urban charm: sociable and walk-able places with restaurants, cafes, bars, night clubs, health clubs, and public spaces.

• High school and university standards are a key consideration for families moving into an area. Relocating or expanding businesses also place a strong emphasis on education standards to encourage existing employees to move, attract new employees, and to take advantage of a well-educated workforce.

• Businesses migrate to areas where the quality of life matches the group of employees that they are trying to attract. Many areas are trying to attain a mix of urban and rural to help foster new economy businesses and workforce. Urban lifestyles cater for young professionals and start-up businesses. Rural/suburban lifestyles cater to a family-orientated workforce.

• Taxation is an important component of quality of life - low taxes enable people to have more disposable income.

• Professionals planning to start a family are moving from California and New York to areas such as Philadelphia, which offer lower costs of living, less pollution, open spaces, and lower crime, while offering employment in similar fields or enabling professionals to begin their own business.

• Open space is an economic necessity for metropolitan areas. Many factors influence the decision of a company or an individual to move into or out of a city, with a major consideration being the city's quality of life. Parks, trails, and aesthetics are critical variables in the quality of life equation. Improving the quality of life through the expansion and enhancement of public open space is a key initiative of many urban areas.

• Urban areas are rapidly improving their transport and technology infrastructure, improving the quality of life the area offers two-fold.

### Web-based Resources For Quality of Life

- [Congress for New Urbanism](#)
- [International Society for Quality of Life Research](#)
- [The Argus Foundation](#)
- [National Institute for Family Literacy](#)
- [American Library Association](#)
- [Literacy Volunteers of America](#)

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• Old office buildings, lofts, and warehouses are being retrofitted with high bandwidth fiber optic cables and microwave antennas for IT firms and other businesses needing large open plan buildings.
• Carrier hotels for IT businesses are being developed from old warehouses in urban cores because these buildings offer high load bearing capabilities and high ceilings essential necessary to store large amounts of equipment.
• Mixed-use projects in central urban areas include more market-rate and low-income housing to meet demand for housing closer to the workplace.
• Public finance continues to play a crucial role, especially in the revitalization of distressed neighborhoods.
• Federal funding and financing for redevelopment comes primarily through HUD community development block grants, HUD section 108 loans, EDA public works grants, and various revolving loan funds.
• Real estate redevelopment is often part of downtown and neighborhood development.
• Public-private partnerships are increasingly common in redevelopment projects.
• Redevelopment projects addressing environmental concerns include features like:
  o Quality insulation to cut HVAC costs
  o Natural lighting to cut electricity costs
  o Solar-heated hot water
  o Reuse of building materials, such as bricks from demolished buildings
  o "Smart" buildings, which sense when people are in present and adjust heat, lighting, etc. accordingly.
• Military bases are often redeveloped for economic development purposes.

Benchmarking and Evaluating Real Estate Redevelopment Programs

Like brownfields projects, redevelopment and reuse projects are pursued to meet economic and social objectives. Evaluation, therefore, should consider both. Redevelopment and reuse projects require long time frames to implement; thus, it should be expected that economic benefits will increase over time. Studies of EDA projects showed that full jobs-creation impacts often take six to ten years to emerge. Project comparisons should take time frame into consideration.

Because property reuse and redevelopment may not create as many jobs as business finance, retention, or attraction programs, it should be evaluated using a wide range of indicators. Crucially, the main goals of property redevelopment and reuse are to remove blight, improve the quality of life, and create an environment that attracts new commercial and residential investment. Job creation is only one of several key objectives, so it should be used as one of the judging criteria, not the main criterion.

Quantitative measures

• Cost per job created/retained
• Private sector leverage
• Percent of jobs held by local residents/low income persons
• Fee-based small business buyer’s consortia make members eligible for bulk discounts on raw materials, such as food products and metals or other inputs like broadband service.

Web-based Resources for Small Business Development

• Business Nation
• Certified Development Company (504) Loan Program
• Minority Business Development Agency
• U.S. Department of Commerce
• U.S. Small Business Administration
• U.S. Small Business Administration Loan Programs

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Smart Growth

Smart growth describes the efforts of communities to manage and direct growth in a way that minimizes damage to the environment, reduces sprawl, and builds livable towns and cities.

Our current pattern of growth, sometimes known as sprawl, has a number of negative cultural, economic, environmental, and social consequences. In central cities and older suburbs these include deteriorating infrastructure, poor schools, and a shortage of affordable, quality housing. In newer suburban areas these problems may include increased traffic congestion and declining air quality, the absence of a sense of place, and the loss of open space. Smart growth argues that these problems are two sides of the same coin with the neglect of our central cities fueling the growth and related problems of the suburbs.

To address these problems, smart growth emphasizes the concept of developing "livable" cities and towns. Livability suggests, among other things, that the quality of our built environment and how well we preserve the natural environment directly affect our quality of life. Smart growth demands comprehensive planning, driven by input from affected people on real outcomes cast in terms of the needs of both present and future people along three main strands:

- Economic
- Environmental
- Social well-being

Trends in Smart Growth

- Smart growth is focused on reversing the trend of isolated poverty in urban cores, through revisions to the federal tax code, federal housing program incentives, and regional tax base-sharing strategies, in order to reduce fiscal disparities among localities.
- Improving the social fabric of urban communities through:
  - Providing the access to amenities, such as grocery stores and community centers
  - Reducing crime through programs such as the Department of Justice Weed and Seed Initiative
  - Adding services
- Counties and states establishing preservation orders and strict planning guidelines for rural land at the edges of city limits to prevent further urban sprawl.
- Transportation and land use are being integrated to reduce pollution by:
  - Creating and extending cycle routes