

# Things You Should Know About Economic Development



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Jeff Finkle, CEcD

*President & CEO*

*International Economic Development Council*

# Why this course

- ▶ Leadership is a critical factor in effective economic development.
- ▶ In your job you have opportunities to:
  - ▶ Raise awareness
  - ▶ Help develop and communicate a common vision
  - ▶ Motivate your community to act
  - ▶ Provide the right level of resources
  - ▶ Impact the climate for doing business





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*The Power of Knowledge and Leadership*

## About the IEDC

IEDC is the world's largest professional organization for economic development practitioners with more than 4,700 members across the United States, as well as Canada, Europe, Australia, New Zealand, and other nations.

Our mission is to help people involved in the ED profession to do their jobs more effectively. When we succeed, economic developers help improve the quality of life in their communities.

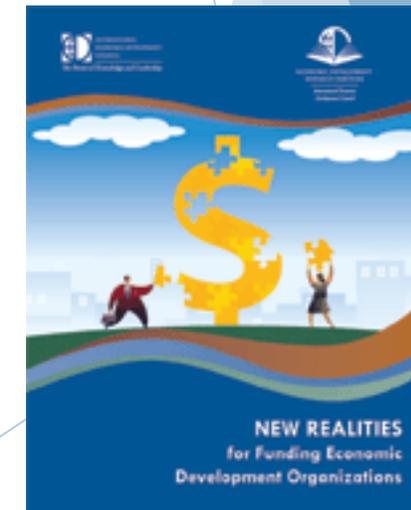


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# IEDC's Services

- Professional Development & Certification: CEcD
- Organizational Certification: AEDO Program
- National research on the latest trends in economic development
- Advisory Services and Research
- Conferences
- Legislative Tracking and Resource Center
- Career Services
- Newsletters and Journals



# Overview of Economic Development



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# What is Economic Development?

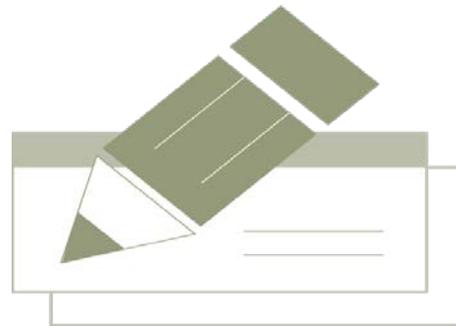
- A program, group of programs, or activities that seeks to improve the economic well-being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base.
- The creation, retention, and expansion of jobs, development of the tax base, and enhancement of wealth.



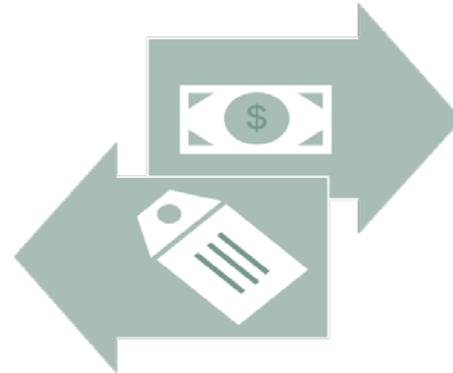
# An economically healthy community...



**Has a  
sustainable tax  
base.**



**Meets needs  
with income.**



**Exports goods &  
services &  
imports cash.**



**Provides  
opportunities for  
personal growth.**





“Jobs and economic development are inextricably linked. One is impossible without the other the other. Economic development creates jobs, and jobs provide the disposable income that further fuels the economy.”

- **Norman B. Rice**



# ED's Policy Areas

## Broad economic objectives

- Tax and fiscal policy

## Community services

- Capacity development, infrastructure development, cultural and recreation services
- Skilled workforce

## Improved business climate

- Business finance, marketing, competitiveness



# Aims of ED Policy

- Job creation and retention
- Attracting businesses and jobs
- Tax-base enhancement
- Entrepreneurship development



**Maintaining  
economic well-  
being**



# “Communities as Nations”



# ED and the Tax Base

- Successful economic development improves tax base
  - Higher land values
  - More personal and corporate income
  - More personal property
  - More business sales
- Diversifies tax base from residential property to
  - Industrial property
  - Sales taxes
  - Payroll taxes
  - Hotel taxes



# Approaches to ED

## Place-Based and People-Based



# Place-Based ED

-> Improving physical attributes to make place more attractive to business

- Faster permitting and better zoning
- Downtown and neighborhood revitalization
- Industrial parks
- Infrastructure (highway ramps, rail spurs, broadband)
- Incentives

*Advantage:* core competence of localities; place attracts labor too



# People-Based ED

- > Preparing citizens for available jobs; attracting better jobs with the right workforce
- Improve local schools
- Expand community colleges
- Offer programs in high-demand areas
- Develop entrepreneurs

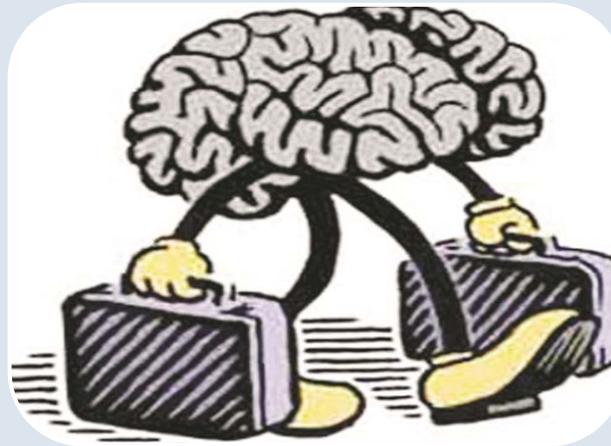


*Advantage:* talent is economic driver; efficient



# Brain Drain

Places with fewer jobs and lower quality of life



Places with quality jobs and high place quality



*So, do we need people- or place-based economic development?*



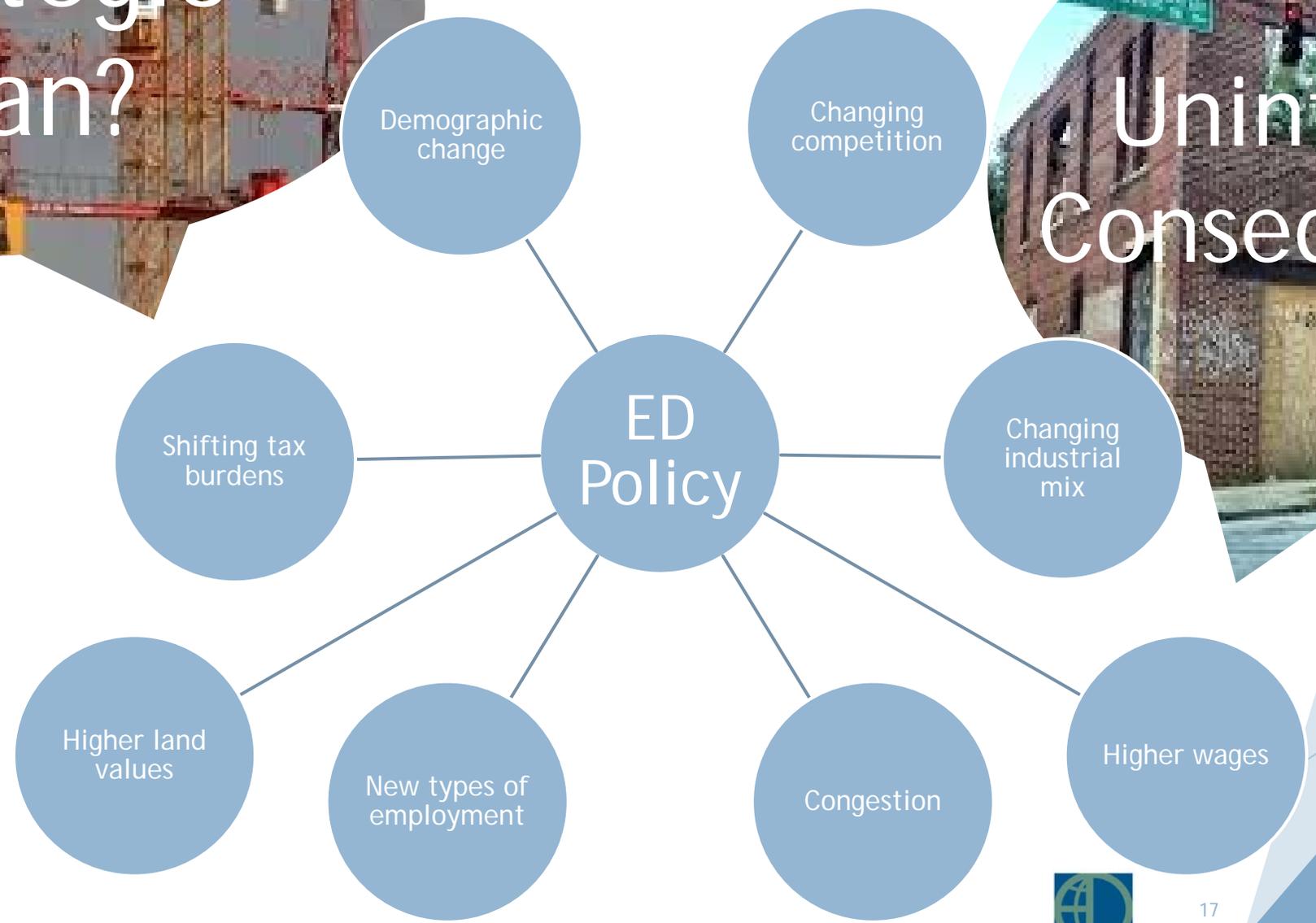
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# Strategic plan?



# Unintended Consequences?



**Flexibility of “vision”**

**Strong understanding of  
local economy**

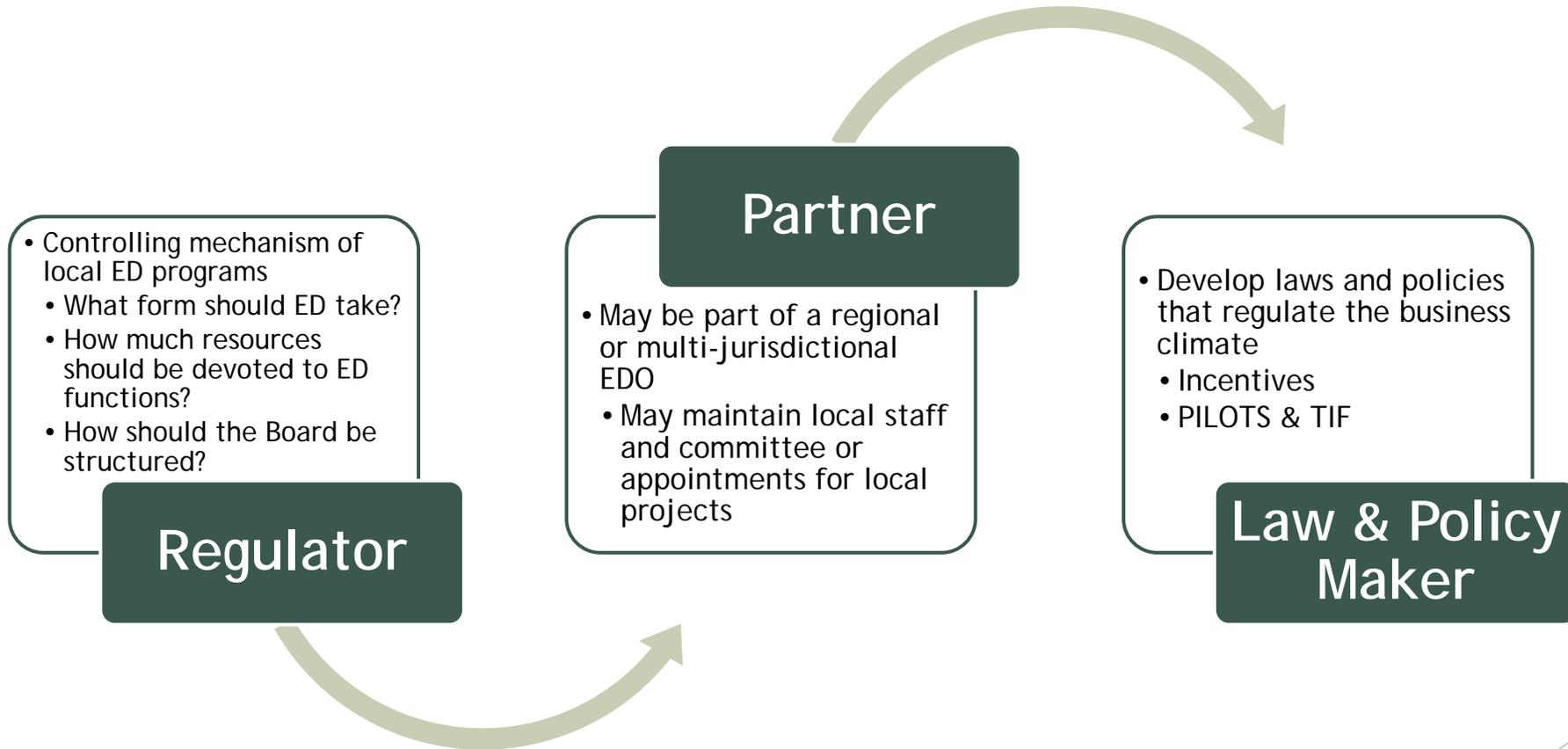
**Effective local leadership  
that stimulates co-  
operation**

**Designed around local  
comparative advantage**

**Success  
factors of  
ED  
policies**



# Your role in Economic Development



# What you need to know

1. Your community's economic strengths & weaknesses
2. Your community's place in the regional economy
3. Your community's economic development vision and goals
4. Your community's strategy to attain these goals
5. Connections between economic development and other local policies



# You need to know...

6. Your regulatory environment
7. Your economic development stakeholders and partners
8. The needs of your business community & how you can help shape the business climate
9. Your community's economic development message
10. Your resources for staffing economic development

*In this course we'll talk about all of these things*



# Economic Development Organizations



# Key Functional Areas of Economic Development



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- Business attraction & marketing
- Business retention & expansion
- Entrepreneurship and small business development
- Business finance
- Real estate development and redevelopment
- Workforce development
- Neighborhood development
- Technology transfer



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# Key components of ED

## Strategic Planning

- Designing where ED efforts will go
- Documenting & implementing action plans



# Key Components

## Marketing & Attraction

- Recruiting new industry and business
- Building positive community image
- Using new marketing technology



## Business Retention & Expansion (BRE)

- Assisting local business and industry
- Creating positive working climate with business community



# Key Components

## Entrepreneurial & Small Business Development

- Strategies designed to assist small business
- Programs that encourage new investment

## Workforce Development and Training

- Ensuring training providers prepare workers to meet business needs
- Supplying skilled labor



# Key Components

## Real Estate Development and Reuse

- Building new facilities
- Using and rehabilitating existing buildings

## Neighborhood Development Strategies

- Understand the neighborhood economy
- Learn the tools to revitalize distressed communities



# Key Components

## Tech-Led Economic Development

- Planning for the future
- Embracing new technology
- Using new technology to do business

## Economic Development Finance

- Evaluating deals
- Providing gap financing

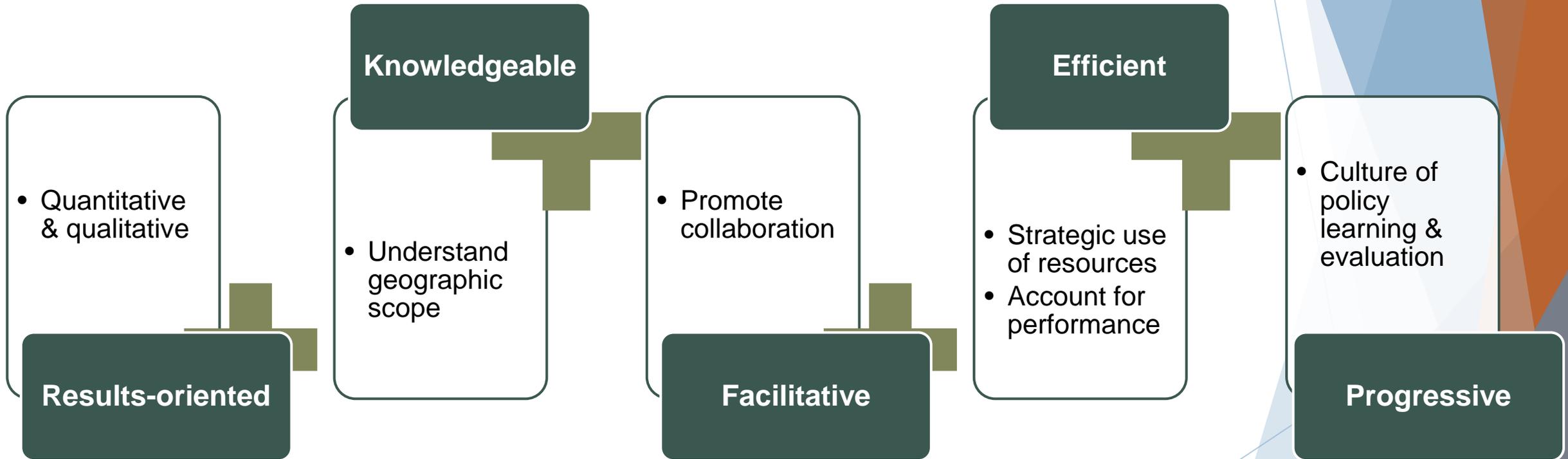


# Developing Your ED Organization

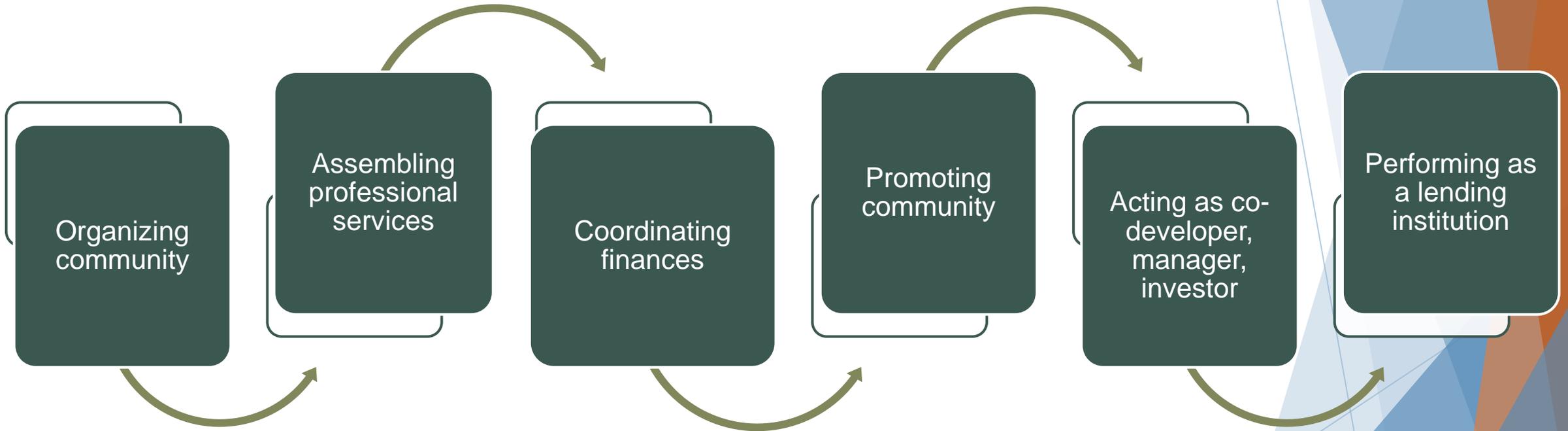
The quality of an economic development program or organization is greatly impacted by the quality of the staff and the adequacy of its resources.



# Economic development organizations should be...



# EDO Development Roles



Discussion Question:

# How are ED operations funded in your community?

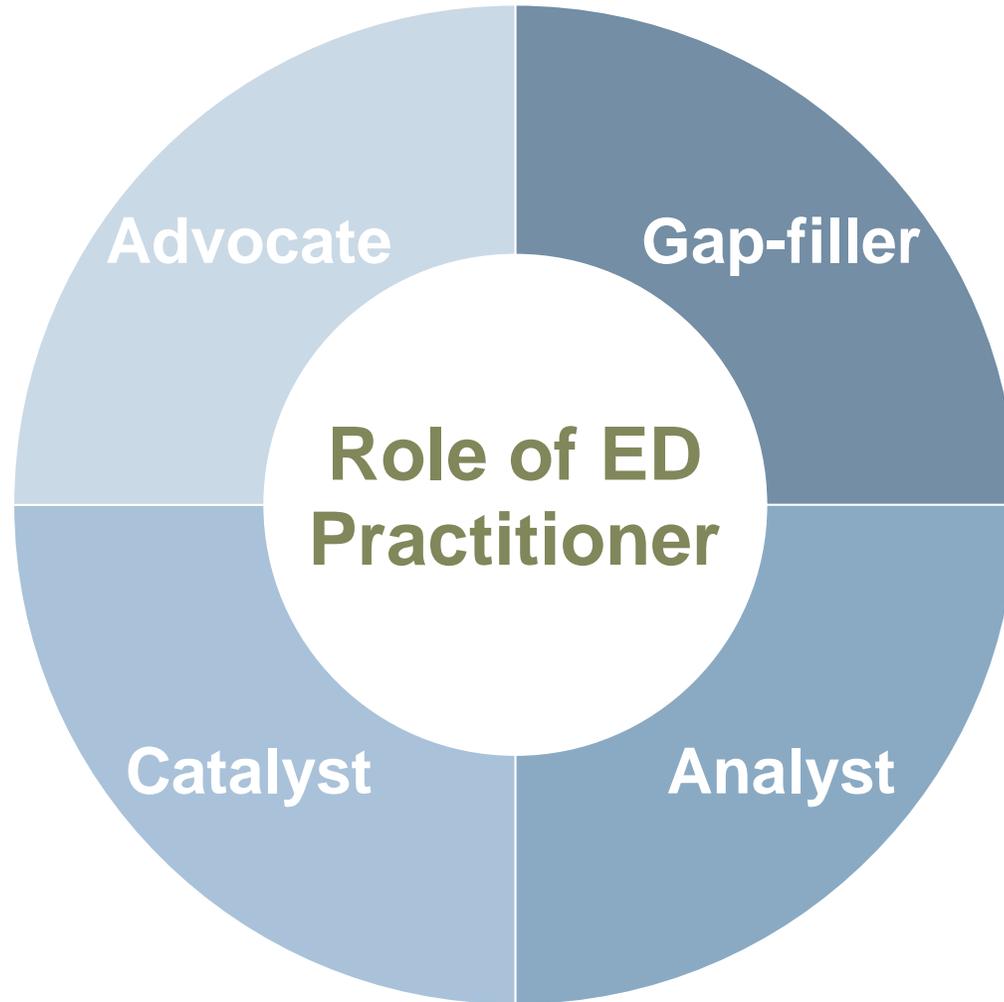
- Combination of municipal, state, federal appropriations
- Share of tax revenues
- In-kind services
- Public private partnerships
- Regional alliances
- Funding may be more than money



# Roles of Economic Developers



# Role of the ED Practitioner

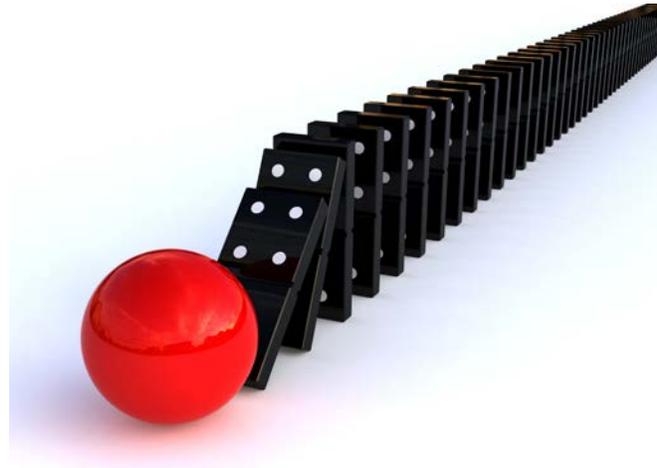


# Role in Analysis

- **Understand strengths and weaknesses**
  - Asset mapping, SWOT analysis
- **Recognize comparative advantage**
  - Location quotients, import/export data
- **Provide qualitative and quantitative info**
  - Economic dashboard indicators
  - Understand and interpret trends in the economy



# Role as a Catalyst



- Provide incentives to leverage investment
- Invoke enthusiasm within community for support of ED initiatives
- Design, implement, and benchmark ED programs that work



# Role as a Gap-filler



- Provide assistance where markets and institutions can't
- Recognize when private sector resources should be used
- Knowledge of gap-financing techniques and credit analysis



# Role as an Advocate

- Speak out for well being of community
- Protect interests of existing businesses
- Move strategic planning process along by supporting visions and mission



# Economic Development Teams

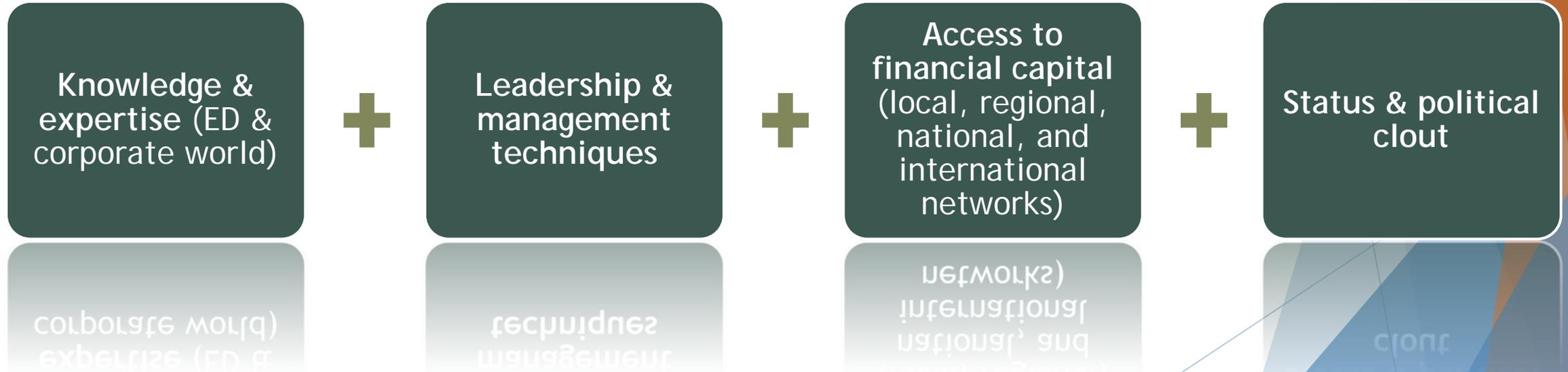


# What does your ED team look like?

- In-house
  - Single or multi-person department
  - Often housed at the County or Mayor's Office or City Manager's or in conjunction with Planning function
- Arms-length
  - Partnership of several municipalities or counties
  - May or may not have a board
  - "Fee for service" to outside organizations
- Blended model



# The Role of EDO Board



# What does the EDO's Board do?

- Provide financial oversight
  - Oversee independent financial auditors
- Develop comprehensive, long-range, strategic and tactical plans
  - Set broad policy directions, analyze macro-trends that may affect the EDO
- Raise funds
  - Provide financial support
- Monitor and evaluate
  - Evaluating the performance of the EDO as it relates to the mission and objectives
- Hire/ fire executive director/CEO
- Influence policies and implementation
  - Working with the governor, members of the state legislature, leaders of the departments of community and economic development, labor and industry, education, environmental protection, revenue, etc



# Advice for Leaders Working with “Prospects”

- Political instability is a nightmare for investors
- Build positive relationships but keep them professional
- Be transparent
- Keep records
- Respect confidentiality requests
- Diligently manage conflicts of interest
  - Financial disclosures such as Statement of Economic Interest
- Beware of offers of gifts, honoraria, travel and loans



# Traits of the CEO

- Should be experienced
- Critical thinker
- Marketing skills
- Should be knowledgeable about assets of community
- Works closely with elected leaders and Planning Dept. and knows how to link them
- Advocate for pro-business environment
- Links to business community



# Competencies of professional economic development staff



Source: Colarelli, Meyer & Associates (CMA)



# Excellence in Economic Development



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# Other Players in Economic Development



# Other players

- Federal, state, and local government
- Special authorities
- Public-private partnerships
- Chambers of commerce and other business groups
- Universities and community colleges
- Neighborhood groups and residents
- Utilities
- Financial institutions



# Federal Government

## Department of Agriculture

- Rural Business Cooperative Services
- Office of Community Development
- Economic Research Services



## Department of Commerce

- Economic Development Administration
- Minority Business Development Agency
- Trade Adjustment Assistance Centers (TAACS)



# Federal Government

## Department of Housing and Urban Development

- Community Development Block Grant Program
- Section 108 Program
- Renewal Communities, Empowerment Zones, Enterprise Communities



## Small Business Administration

- Numerous financial assistance programs
- SBDCs and technical assistance services



# Other Federal Resources

- Department of Labor
- Department of Justice
- Department of Health & Human Services
- Department of Defense
- Department of Energy
- Federal Reserve
- Department of Treasury
- Federal Home Loan Bank



# Federal-State Regional Authorities

## Delta Regional Authority (252 counties in AR, AL, IL, KY, LA, MS, MO, TN)

- States' Economic Development Assistance Program
- Strategic Economic Development Plans
- Delta Doctors



## Appalachian Regional Commission (420 counties in 13 states)

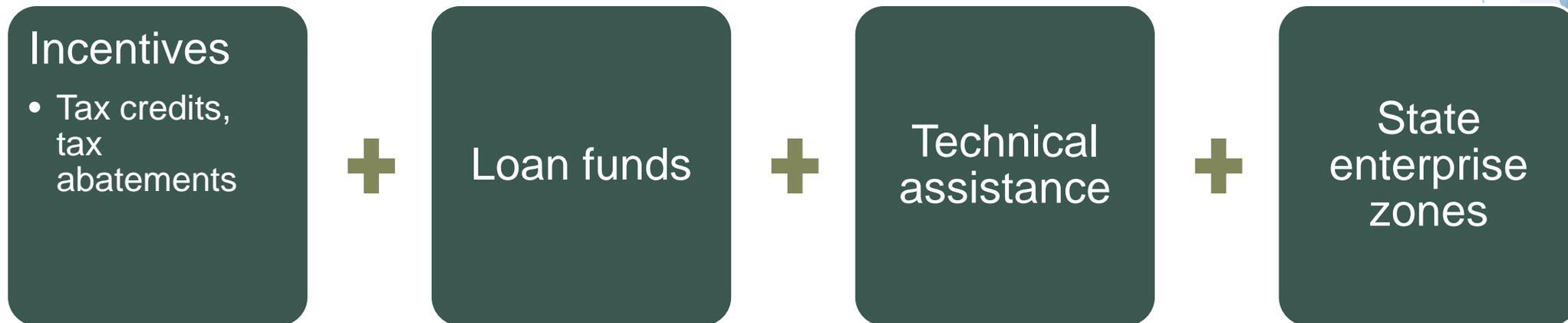
- Infrastructure development

## Tennessee Valley Authority (parts of 7 states)

- Business attraction



# State Government as a Resource



# Private-Sector Involvement



# Financial Institutions

- Banks
- Bank CDCs
- Community Development
- Financial Institutions
  - Community Development Banks
  - Community Development Credit Unions
  - Community Development Loan Funds



# Local Leadership in Economic Development



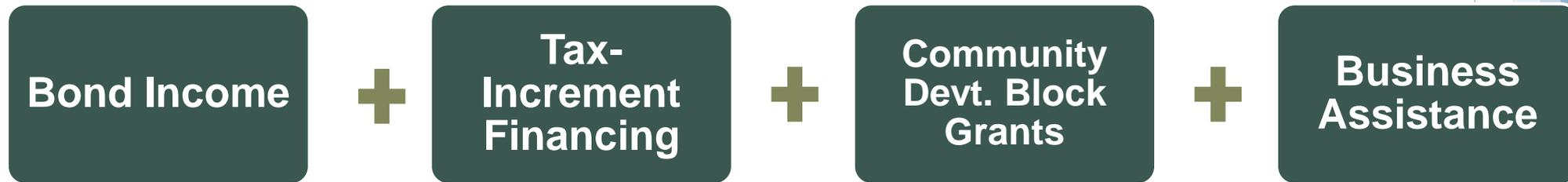
# Local Government

Local governments typically play a role in economic development by:

- Providing essential local data
- Facilitating
- Assuming front-end development costs
- Reducing private investor risk
- Reducing bureaucratic roadblocks



# Programs at the local government level



# Economic development needs local leaders as Champions

## Understand the basics of ED

- Core functions of economic development
- Knows what successful economic development looks like and how to fairly measure its effectiveness

## Understand trends and how to respond

*All this leads to an understanding as to what transforms communities and your economy*



# Example: City councils as ED Champions

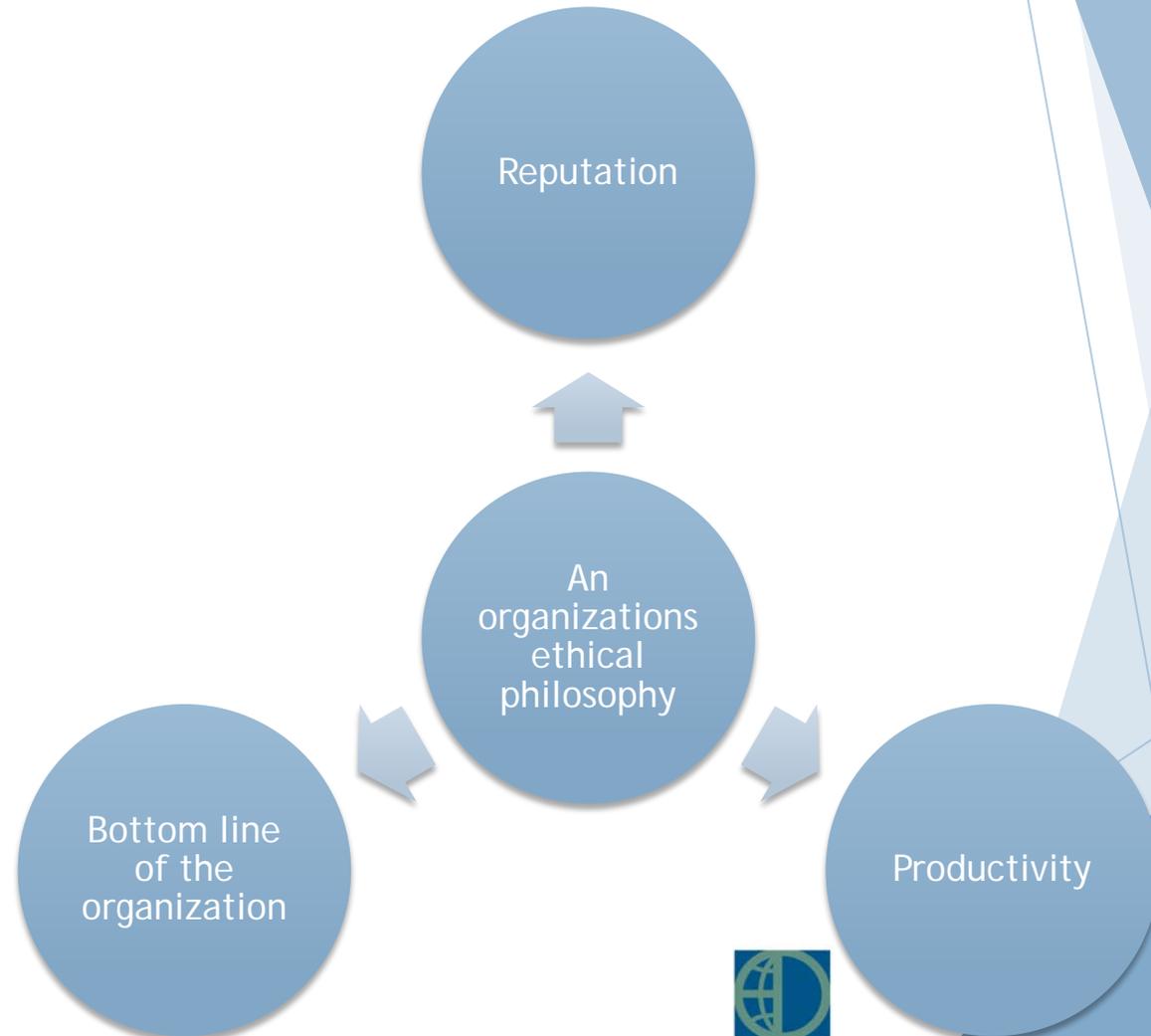
- Play a supportive role to mayors
- Work with city staff and EDOs to improve business climate
- Support policies that complement and support ED
- Serve as ambassadors for the community
- Value community-wide well-being above their own constituencies



# Good leaders are ethical

If ethics are poor at the top, that behavior is copied down through the organization.

Robert Noyce  
inventor of the silicon chip



Homework from this session:

# Begin making your ED “to do” list

- Help develop the strategic vision and plan
- Make sure the right infrastructure is in place
- Be prepared to represent your community with other governmental entities, investors, local businesses
- Ensure there's capacity to perform ED activities:
  - Revenue stream
  - Professional ED management
- Create business-friendly environment
- Recognize that you shape the BUSINESS CLIMATE and political instability is a nightmare for investors



**Jeffrey A. Finkle, CEcD**

President & CEO

International Economic Development Council

734 15<sup>th</sup> Street NW

Suite 900

Washington, DC 20005

[www.iedconline.org](http://www.iedconline.org)

Phone: (202) 223-7800

Questions?



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