

Economic Development 101: An Overview

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ESSENTIALS OF ECONOMIC DEVELOPMENT

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Learning Objectives

- Understand the process of economic development (ED)
- Understand the role of local govt.
- Examine ED strategies and tools
- Consider practical examples
- Identify “gaps” in your jurisdiction’s approach

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The Process of Economic Development

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Economic Development Goals

- Private investment
- Job creation
- Tax base expansion
- Wealth creation
- Higher quality of life
- Higher standard of living

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Growth vs. Development

Quantitative:

More

- Jobs
- Businesses
- People

Qualitative:

Better

- High-wage jobs
- Quality of life
- Diversification
- Sustainability

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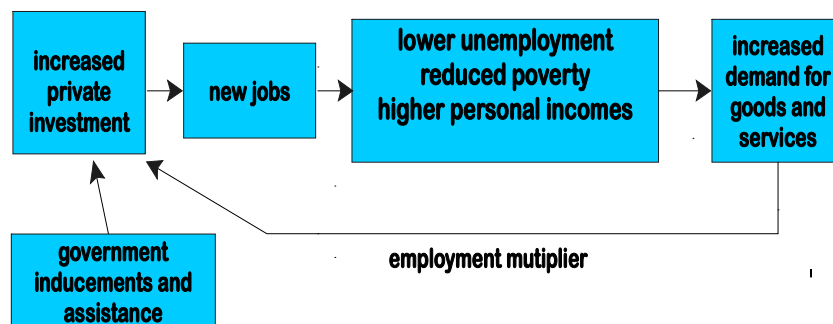
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The ED Process



Source: Eisinger, Peter K. 1988. The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the U.S. University of Wisconsin Press.

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What is the single most important role of local govt.?

- A. Provide incentives to businesses when requested.
- B. Create a positive business climate.
- C. Provide strategic leadership and facilitation.
- D. Provide quality services and amenities.

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Survey Says...

MOST IMPORTANT ROLE OF LOCAL GOVERNMENT

Provide quality services and amenities	43.1%
Create a positive business climate	29.2
Provide strategic leadership/facilitation	21.8
Offer incentives to companies	5.9

n = 202

Source: Jonathan Q. Morgan, 2015 Survey of Local Govt. Economic Development Activities, UNC School of Government.

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What Matters to Businesses?

- Sites and Buildings
- Access to Suppliers and Markets
- Workforce/Labor
- Financial Capital
- Regulatory Environment
- Transportation and Utilities
- **Incentives**
- Taxes
- Quality of Life

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What Matters Most for Firms

1.	Highway accessibility	91.3%
2.	Labor costs	91.1
3.	Availability of skilled labor	88.8
4.	Quality of life	87.2
5.	Tax exemptions	85.9
5.	Occupancy or construction costs	85.9
6.	Proximity to major markets	84.6
7.	Corporate tax rate	83.2
8.	State and local incentives	81.3
9.	Available land	76.9

Source: Area Development, 32nd Annual Corporate Survey, 2017

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Foundations of Economic Competitiveness

- Human capital
- Financial capital
- Physical infrastructure
- Innovation infrastructure
- Social and civic capital

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Economic Development Strategies & Tools

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Evolution of Economic Dev.

Traditional Approach

- Industrial recruitment
- Cheap labor
- Incentives
- Individual firms and sectors
- Large branch plants

New Approach

- Existing industry
- Talent and creativity
- Targeted incentives
- Industry clusters
- Entrepreneurship
- Regional collaboration
- Place-making
- “Green” development

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Asset-Based Development

- Relates to the local context of a place
- Leverages distinctive community assets
- Strengthens locally to attract externally

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Themes of Asset-Based Dev.

- Know your niches
- Build on local strengths
- Grow your own
- Develop people and place
- Look within for economic opportunities

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Economic Dev. Strategies

1. Business recruitment/attraction
2. Business retention/expansion
3. Business creation (“gardening”)
4. Human capital and talent dev.
5. Place-making

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Business Recruitment Basics

- Clearly defined point of contact in the community
- Up-to-date information on the community and its assets
- A “modern” web site
- A targeted marketing strategy
- Connections with regional and state efforts

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“Product” Development

- Infrastructure
- Land and sites
- Business/industrial parks
- Speculative buildings
- Property rehabilitation and reuse

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Partnering on Product Dev.

- **Kerr-Tar Industrial Hub** project, now called *Triangle North*
 - Network of specialized industrial parks in Franklin, Granville, Vance, and Warren counties
- **North Mecklenburg Industrial Park**
 - Cornelius, Davidson, and Huntersville

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Business Retention

- Formal process for addressing business needs and concerns
- Get businesses involved in the community
- Facilitate collaboration and joint ventures among firms (clusters)
- Recognize and celebrate existing firms

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Why Business Retention is Important

- Most significant source of new jobs and investment
- Existing companies contribute to the tax base and employ residents
- Builds the local economy from within

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BRE = Business Retention + Expansion

- Keeping jobs and investment is important
- But so is helping existing firms grow and expand in order to create more jobs and investment

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Industry Targeting (Clusters)

Washington, NC (Beaufort County)

- Supporting marine trades and boat building businesses
- Partnered with community college to develop specialized training programs in welding, etc.
- Created incubator to assist small firms that supply boat manufacturers

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Business Creation/ “Economic Gardening”

- Entrepreneurship
- Homegrown jobs
- Specialized infrastructure
- Social capital
- Entrepreneurial “ecosystem”

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Business Creation Tools

- Entrepreneurship training (esp. K-12)
- Networking opportunities
- Mentoring and technical assistance
- Access to financial capital
- Links to higher education and sources of innovation
- Business incubators

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An Example: Brevard, NC

- Pop. 6,643; Transylvania County
- ***Supporting entrepreneurs***
- Using local retired business executives to provide consulting and assistance to existing small firms and start-ups

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An Example: Dillsboro, NC

- Population 206; Jackson County
- *Entrepreneurship support for local artisans*
- Using methane gas from the county landfill to power studios for artisans
- Incubator for fledgling artisans

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Human Capital and Talent Strategies

- Workforce development
- Early childhood development
- Community amenities
- Arts, culture, and creativity
- Leadership development
- Social capital

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Workforce Development

- Improving K-12 public education
- Meeting skill needs of target industries
- Industry specific training for displaced workers
- Advanced skills for incumbent workers
- Support services like child care, transportation, and career advice

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What is Placemaking?

- A concerted effort to create a high-quality community with the amenities, infrastructure, and opportunities that residents, workers, and firms desire.

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True or False?

- **People** go where the **jobs** are.
- **Jobs** go where the **people** are.
- People go where they want to live.
 - Is your community a **place** where people want to be?

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What is Placemaking?

- A targeted effort to improve and revitalize a particular area:
 - Downtown, main street
 - Waterfront property
 - Vacant industrial facility
 - Distressed neighborhood

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Key Aspects of Placemaking

- Sense of place
- Memorable experiences
- Emotional attachment
- Well-designed, functional, and attractive physical spaces
- Connectivity

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Placemaking Targets

- Arts and crafts trades
- Agriculture and local foods
- Tourism, recreation, and sports
- Cultural attractions
- Creative industries
- Craft breweries

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Place-Making Tools

- Quality of life amenities
- Downtown development
- Historic preservation
- Arts and culture
- Tourism development
- Resident and retiree attraction

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Place-Making in NC

AYDEN (Pitt County) – Population 4,620

- Comprehensive strategy for *downtown revitalization*
- Partnered with Main Street Program
- Improved streetscapes and expanded a façade grant program to attract businesses
- Branding: downtown Ayden is “Close to home, close to your heart”.

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Place Making in NC

EDENTON (Chowan County) – Pop. 5,394

- *Residential development through historic preservation*
- Partnered with Preservation NC to transform a blighted cotton mill village
- Used CDBG funds to upgrade water/sewer
- The unique and historic mill homes have attracted artists and entrepreneurs

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Strategy Selection

1. Business recruitment/attraction
2. Business retention/expansion
3. Business creation (“gardening”)
4. Human capital and talent dev.
5. Place-making

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Homegrown Tools

- New partnership with NCGrowth-Kenan Institute
- Updated and new case studies of small town economic development
- www.homegrowntools.unc.edu

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Incentives

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State ED Incentives in NC

- ~~Statutory tax credits~~
- Discretionary grants (JDIG and OneNC)
- Building reuse grants
- Industrial revenue bonds (IRB)
- Infrastructure assistance
- Customized industrial training (NCWorks)

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Local Incentives in NC

- Zoning and permit assistance
- Infrastructure improvements
- Cash grants
- “One-stop” permitting
- Land or building acquisition
- Site preparation
- Subsidized land or buildings

Source: J.Q. Morgan, *The Role of Local Government in Economic Development : Survey Findings from North Carolina*, UNC School of Government, 2009.

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Arguments for:

- They actually influence business location decisions—“but for”
- Generate new tax revenues that would not otherwise be available
- It's the way the game is played
- Necessary evil to compete
- Companies say they matter

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Arguments against:

- They don't work
- Slippery slope; escalating demands
- Counterproductive competition among jurisdictions
- Firms don't always deliver
- Divert public dollars away from other programs and investments

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Are ED Incentives Effective?

- **Effective at what?**

- Lowering business costs?
- Influencing business investment decisions?
- Inducing jobs and investment that would not otherwise occur?
- Helping poor people and places



Are ED Incentives Effective?

- Not typically the most important factor in location decisions
- Can tip the scale in some cases
- Do not compensate for major shortcomings in a location
- Tend to benefit prosperous communities



Challenges for Local Government

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Top Barriers for Local Govt.

	% reporting
Lack of buildings	66
Lack of capital/funding	66
Cost of land	58
Lack of land available	56
Limited no. of major employers	56
Lack of skilled labor	47
Environmental regulations	38
Inadequate infrastructure	37

Source: ICMA Economic Development Survey, 2014.

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