By David Ammons and Jonathan Morgan

STATE-OF-THE-ART MEASURES IN ECONOMIC DEVELOPMENT

Find out more about the new generation of performance measures

TAKEAWAYS

Four messages make this article a compelling read:

- Use the examples to brainstorm with your staff about meaningful measures for your community.
- Measure things that aren't necessarily 100 percent in your control—they're too important to ignore.
- Start now so that you can establish a benchmark because it's never too late to begin.
- Performance measures have evolved over time to reflect the use of newer approaches and strategies.

For years local governments have invested resources into efforts to spur economic growth. And for years the officials heading most of these economic development initiatives tracked their efforts with little more than output measures—for instance, the number of industrial contacts made or assisted, the number of meetings held or presentations made, the number of information packets or brochures distributed, the number of trade shows attended, and similar measures of activities. They focused on showing that they were trying hard.

More recently, as local governments have gained greater experience with economic development and as more attention has been directed to outcomes and accountability across the range of local government programs and services, the state of the art has begun to change. Now, economic development officials—and those who monitor their performance—are increasingly tuned in to a broader and more meaningful array of measures to document their performance.

Limited Control of Outcomes

Simple outputs, such as raw counts of meetings and contacts, were appealingly easy to compile and report, but another factor also led to the tendency to report activities rather than results. By reporting numbers of contacts made, meetings held, and brochures distributed, economic development officials reported on things they controlled. Many were reluctant to claim outcomes that were dependent on more—sometimes much more—than their own efforts.

Taxpayers and public officials, however, want results from their investments. They want to see outcomes. The state of the art for measures of economic development has evolved accordingly.

More and more economic development officials are showing a willingness to move beyond the customary raw counts of outputs and have begun to report on outcomes—even outcomes over which they have limited control. Having only limited control might not be as desirable as having complete control, but the absence of full control over an important goal is not a characteristic unique to economic development among local government programs.

Many factors beyond police performance influence crime rates, yet the police are expected to hold the rate down; many outside factors influence the rising incidence of teen pregnancy in a given community—many beyond the full control of a local program established to battle the problem—but the program is expected to make a dent. Other local government programs also tackle problems that lie beyond the government's full control, often by leveraging the assistance of others.

Limited control is neither unique to economic development among local government programs nor is it likely to be considered an adequate alibi for unsatisfactory results. Although far short of *absolute* control, limited control is by no means the same as *no control*.

Economic development efforts can influence outcomes; otherwise, local governments would have little reason to fund them. Economic development outcomes—at least in the form of intermediate outcomes—are now being reported by local governments.

Results in Raw Terms

Some localities have supplemented their workload measures with measures that demonstrate results. Nearly two-thirds of the respondents to a 2009 survey conducted by ICMA and the National League of Cities reported that they used performance measures to track outcomes specified in the economic development plans of their cities and counties.

Increasingly, local governments are reporting on new capital invested, jobs created, and businesses attracted or retained. Measures from Austin, Texas; Olathe, Kansas; and Scottsdale, Arizona, for example, show important characteristics of economic development: investment, new jobs, downtown construction, and new business licenses (see Table 1).

Economic development officials in these cities are not claiming sole

TABLE 1. Tracking Economic Development Results in Raw Numbers: **Examples from Selected Cities**

COMMUNITY	IMPACT
Austin, Texas	Dollar amount of investment created through economic development efforts: $60,200,000
	Number of new jobs created through economic development efforts: 1,368 (2008)
Olathe, Kansas	Value of new construction downtown: $2.2 million (2007); $5.1 million (2008)
Scottsdale, Arizona	Number of business licenses issued: 29,100 (2007); 29,900 (2008)
	Number of jobs: 142,000 (2007); 145,000 (2008)

TABLE 2. Expanding the Tax Base: **Selected Examples**

COMMUNITY	MEASUREMENTS OF AN EXPANDING TAX BASE
	Annual growth
Olathe, Kansas	Growth in appraised value of downtown: 22% (2007); 7% (2008)
Oklahoma City, Oklahoma	Percentage increase in assessed values of business improvement district properties: 14% (2009)
Austin, Texas	Percentage increase in property tax valuation in downtown public improvement district: 9.7% (2008)
Norfolk, Virginia	Percentage increase in business tax base: 3%
	Percentage of expansion of the commercial tax base: 3% (2008)
	Growth compared with five-year average
Woodbury, Minnesota	Current-year increase in market value of commercial/industrial property, as a percentage of five-year commercial/industrial market value average: 11.5% (2008)
	Tax base composition
Shoreline, Washington	Percentage of city assessed valuation that is classified commercial: 9.2% (2008)

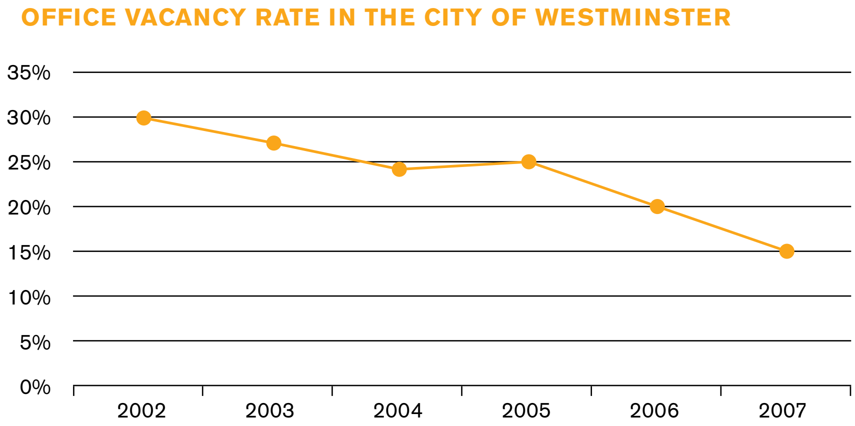
TABLE 3. Building Occupancy and Vacancy Rates: **Selected Examples**

COMMUNITY	RATES OF VACANCY AND OCCUPANCY
Grants Pass, Oregon	Target:[1] Downtown building vacancy rate will remain at or below 5%; actual: target met (2008)
Bellevue, Washington	Downtown office vacancy rate: 6% (2007)
Chandler, Arizona	Retail occupancy rate: 94% (2007); 93% (2008)
Fairfax, Virginia (city)	Office space vacancy rate: 8.8% (2008); 10.5% (2009)
	Retail space vacancy rate: 4.0% (2008); 6.0% (2009)
Raleigh, North Carolina	Office space vacancy rate: downtown, 7%; suburban, 11% (2007)
St. Petersburg, Florida	Existing and available office space: 14%
	Existing and available industrial space: 4%
	Existing and available retail space: 3% (2008)
Olathe, Kansas	Percentage of occupied commercial space in downtown: 89% (2007); 87% (2008)
Westminster, Colorado	Office vacancy rate: 15%
	Retail vacancy rate: 7% (2007)
Bowie, Maryland	Retail space vacancy rate: 7.4%
	Office space vacancy rate: 17.3% (2009)
Minneapolis, Minnesota	Downtown office vacancy rate: 13.0% (2008)

TABLE 4. Other Measures of Economic Development Success: **Selected Examples**

COMMUNITY	MEASURES OF SUCCESS
	Downtown vitality
Olathe, Kansas	Percentage of occupied commercial space in downtown: 89% (2007); 87% (2008) Growth in appraised value of downtown: 22% (2007); 7% (2008)
Austin, Texas	Percentage increase of residential units downtown: 44.9% (2008) Percentage increase in property tax valuation in downtown public improvement district: 9.7% (2008)
Plano, Texas	Percentage of leasable civic center space utilized: 75% Percentage of civic center operation cost recovered through revenue: 76% (2008)
	Hotel occupancy
Minneapolis, Minnesota	Hotel occupancy: 68.7% (2008)
Alexandria, Virginia	Percentage of hotel rooms occupied: 66.7% (2007)
Scottsdale, Arizona	Scottsdale hotel/motel average occupancy rate: 65% (2008)
	Job retention and creation
Oakland, California	Percentage of potential jobs at risk that are retained: 78% (2006)
San Antonio, Texas	Mean hourly wage of jobs created through Economic Development Department incentive programs: $23.79 (2007)
Oklahoma City, Oklahoma	Percentage above the Oklahoma City MSA average wage for all new jobs created: 11% (2008); 3% (2009)
	Job-to-resident ratio
San Jose, California	Ratio of San Jose jobs to employed residents: 0.93 jobs per resident (2008); five-year goal: 1.0 jobs per resident
	Leveraging funds
Cincinnati, Ohio	Target: Achieve a 5:1 ratio of outside funds to city funds for community development programs Target: Leverage private capital for economic development initiatives at an average ratio of 3:1 for each dollar of city funding received on projects each year
Oklahoma City, Oklahoma	Dollars of private investment leveraged per dollar of public investment: $49 (2008); $3 (2009)
Denver, Colorado (city and county)	Leverage ratio from private debt and equity for business development: 4 to 1 (2008)
	New businesses and business start-ups
Bellevue, Washington	New business registrations in current year as a percentage of all active taxpayer businesses: 16.0% (2007)
Williamsburg, Virginia	New business start-ups, as a percentage of all businesses in city: 4.1% (2008)
	Prompt processing
Duncanville, Texas	Percentage of site searches completed within two business days: 100% Percentage of information packets mailed within 24 hours of request: 100% (2008)
Santa Ana, California	Percentage of enterprise zone applications processed within 10 business days: 90% (2008)
	Recruitment
Oakland, California	Percentage of active business leads that choose to locate in Oakland: 25% (2006)
	Sales tax
Shoreline, Washington	Sales tax per capita: $124.26 (2008)
Chandler, Arizona	Estimated annual sales tax revenue generated by new retail businesses located with city assistance: $2,942,000 (2007); $2,760,024 (2008); note: retailers might not open for business in year located; however, they have received construction permits.
Scottsdale, Arizona	Percentage increase in sales tax revenue: 1% (2008)
	Tourism and convention center
Anaheim, California	Annual occupancy percentage (Exhibit Halls A–D only): 69% (2007)
Juneau, Alaska	Percentage of rooms scheduled compared with percentage available: 40% Number of days facility scheduled compared with number of days with no rentals: 340:24 (2007)
Phoenix, Arizona	Convention center occupancy rate (square feet occupancy): 34% (2007)
	Training and mentoring success
Grand Rapids, Michigan	Percentage of participants in mentoring program for microenterprise business owners who reach business goal and increase sales, profits, job creation, or job retention within 12 months: 72.7% (8 of 11) (2008) Percentage of graduates of 15-week advanced entrepreneurial training course or recipients of extensive individualized business planning and technical assistance who opened or expanded or improved a microenterprise by increasing sales or providing new jobs within 12 months: 58.3% (14 of 24) (2008)

FIGURE 1. Office Vacancy Rate: **Westminster, Colorado.**



Source: City of Westminster, Colorado, Take A Closer Look: How Performance Measures Build a Better City–2007 Performance Report (April 2008), p. 48.

responsibility for any advances from one year's number to the next, but they are suggesting that they have had a role in influencing the results.

Results in Terms that Could Serve as Benchmarks for Others

Among the new generation of economic development measures are some that report performance in a manner that could serve as useful benchmarks for others. These are outcome measures that convert raw improvement into percentage improvement or, better yet, into measures that reflect conditions of economic development vitality that can serve as inspiration to other communities.

Communities often establish economic development programs with a principal hope of boosting the local tax base. Increasingly, these programs are reporting data relating to that goal (see Table 2).

A sure sign of economic vitality is a high occupancy or low vacancy rate for existing office, retail, and industrial buildings. Of course, this can be a moving target. Achieving a low vacancy rate is likely to spur new construction with new vacancies, perhaps causing the vacancy rate to edge upward—but the tax base will get a boost.

The occupancy or vacancy rates reported by economic development programs in several local governments are shown in Table 3. Progress over time in Westminster, Colorado, is shown in Figure 1.

Other measures focusing on different aspects of economic development success are also being reported by various programs (see Table 4). Each of these measures goes well beyond simple counts of activities and provides an indicator of quality or results.

Different clusters of measures have been selected by different communities. A set of complementary measures for the city and county of Denver, Colorado, is shown in Table 5.

Yet another approach to measuring outcomes has been adopted by a few communities that track their standing or progress on national indices of economic vitality (see box on page 10). Centralia, Illinois, for example, tracks its economic strength ranking through a feature of the POLICOM Corporation national rankings; and Mesa, Arizona, reports new jobs created on the basis of metrics compiled for metropolitan regions by the Milken Institute and Greenstreet Real Estate Partners.

Although these national ratings typically pertain to entire metro areas rather than to individual communities, the economic development programs that choose to include metro area rankings among their measures implicitly acknowledge the link between the success of the region and their own.

TABLE 5. Asset-Building and Wealth Creation Indicators: **Denver, Colorado**

INDICATORS	2008 ACTUAL
Unemployment rate	5.5%
Percentage of owner-occupied households	55.56%
Percentage of renter-occupied households	44.44%
Percentage of Denver residents living below the poverty level	17.70%
Median household income	$51,705
Number of new full and part-time jobs that the Division of Business Development was directly or indirectly involved in creating	103
Number of businesses and entrepreneurs served by the Business Assistance Center	2,844
Leverage ratio from private debt and equity	4:1

Source: City and County of Denver, Colorado, Mayor's Proposed 2010 Budget, pp. 123, 126.

Value of Advances in Results-Focused Measures

Leading economic development programs are increasingly focused on results. Several have also demonstrated a willingness to declare their results in a format that permits others to compare their own results with the results of these leaders. Some have even tied their claims of success to advancement in national rankings.

These advances in performance reporting provide other program models of better measurement. Perhaps more important, this approach to performance measurement can increase other programs' aspirations to achieve similar results.

Looking Ahead: New Strategies, New Measures

A changing economy, major shifts in industrial structure, and increased global competition for jobs and private investment have challenged traditional approaches to economic development and led local governments to pursue new job creation strategies. What had been an almost exclusive focus on marketing and industrial recruitment is being augmented by approaches that emphasize homegrown sources of economic activity—efforts that develop entrepreneurial skills, creativity and talent, and promote innovation.

The cutting edge of economic development performance measurement reflects the reality that economic development has expanded to become so much more than activities aimed at recruiting large manufacturing facilities or filling commercial office buildings. Some analysts call for new metrics that are better aligned with the dynamics of a knowledge-based, global economy and that use regional economies, not political jurisdictions, as the units of analysis.[1]

This approach to measuring performance in economic development emphasizes outcome metrics focusing on the number of high-tech jobs, levels of personal income, and number of new businesses as well as indicators that gauge the local assets that can be thought of as the "inputs" to regional competitiveness. These assets include a skilled workforce, ample financial capital, and a community's innovative capacity.

The new set of performance measures will reflect the fact that so much of what communities do now to promote economic development involves enhancing local and regional competitiveness and boosting the local capacity to support private investment and economic growth from both within and without. This new approach to measuring success will assume that economic growth, as measured by a quantitative increase in certain indicators—jobs, capital investment, and tax base, for example—is an intermediate outcome that should lead to qualitative improvements in a local and regional economy over the longer term.

Communities, therefore, will be following Denver's lead (as shown in Table 5) and will be emphasizing such indicators as job quality, wealth creation, economic diversification, and sustainability. PM

1 Eva Klein, "Your Regional Knowledge Economy Strategy: Is It Succeeding?" *Economic Development America* (Spring 2007), pp. 26–29.

USE RANKINGS AS BENCHMARKS

SOME ECONOMIC DEVELOPMENT PROGRAMS have begun to use national rankings as a component of their sets of performance measures. Several such rating systems are available. The "Best-Performing Cities Index," compiled by the Milken Institute and Greenstreet Real Estate Partners, ranks U.S. metropolitan areas from top to bottom according to their performance in creating and sustaining jobs and economic growth (http://bestcities.milkeninstitute.org).

Another ranking–the "State of Metro America" project of the Brookings Institution–focuses broadly, beyond economic development alone, but it includes individual rankings of metro areas on such indicators as median household income and hourly wages (www.brookings.edu/metro/StateOfMetroAmerica).

POLICOM's annual "Economic Strength Rankings" of 366 metro areas offers an alternative scoring system that features economic stability and consistency of growth among a variety of other factors in gauging economic strength (www.policom.com/metrorank.htm).

Still other rating systems emphasize a given locale's capacity for innovation. A set of metro rankings by the Progressive Policy Institute focuses on the new economy and emphasizes knowledge jobs, globalization, the digital economy, and innovation capacity (www.neweconomyindex.org/metro/index.html).

Another–this one by Purdue University's Center for Regional Development, Indiana University's Indiana Business Research Center, and other partners–is called the "Innovation in American Regions" project (www.statsamerica.org).

VALUE OF CITIZEN SURVEYS

SURVEYS OF LOCAL RESIDENTS can be an important source of information that can supplement national surveys and rankings. Residents who are happy with the overall image or reputation of their community can be a potential driver of future development.

Similarly, residents' perceptions of the speed of job growth and economic opportunities provide a window on the prospects for economic development. Survey questions that ask whether a resident would recommend living in his or her community help to measure and assess the climate for growth and economic development.

Over time, results from citizen surveys provide a way of assessing the extent that economic development tactics are influencing public perceptions. These perceptions, in turn, may then influence future economic development.

For precise wording of survey questions about resident perceptions that are included in the National Citizen Survey™ as well as other performance measures, visit icma.org/ncs and icma.org/performance.

– Mike Lawson, director, ICMA Center for Performance Measurement™ Washington, D.C.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