

INTRO TO ECONOMIC DEVELOPMENT

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Economic growth is the life blood of a community, though some support growth and some are skeptical of its benefits (a.k.a. "impacts"). Such is the environment where planning interacts with economic development. Are these two professions that cannot interact and achieve a mutual benefit? It is imperative to balance the interests of planning with those of economic development. What good is a master plan for land uses that is unrealistic from a market-driven economic standpoint, and what good is economic growth that pillages that land at the cost of quality of life? Both professions can benefit from the insights of the other. Therein lays the premise for this chapter. How can professionals and citizen volunteers in planning and economic development work together for the betterment of their community?

What is economic development? The definition of economic development can change based on the point of interest. Example definitions include:

- The purposeful intervention into an economy to improve economic well-being
- The process that influences growth and restructuring of an economy to enhance the economic well-being of a community
- The creation of jobs and wealth, and the improvement of quality of life

The premise of this chapter is an introductory discussion of economic development. Emphasis is on "meat-n-potatoes" economic development rather than the isolated opportunity to pursue a unique funding source for a specific application. Economic development as a topic is every bit as broad as planning, with significant financial impacts to a jurisdiction. In this introductory chapter to economic development, the following topics will be briefly addressed. Additional resources will be identified for those desiring in-depth pursuit of more advanced topics.

- Organizational Issues
- E.D. Office Administration
- Business Climate
- Strategic Planning
- Resource Development
- Business Retention & Expansion
- Business Attraction & Recruitment
- Marketing & Promotion
- Main Street Programs
- Financial Analysis
- Incentives
- Allied Agencies

ORGANIZATIONAL ISSUES

A variety of organizational formats are utilized when supporting the economic development function of a jurisdiction. Cities typically either incorporate economic development into their departmental structure or partner with the Chamber of Commerce or third-party business partnerships interested in economic development. This section attempts to identify the advantages and disadvantages of these different structures (Kolzow), (Whitehead).

Private Sector Models

Funding and policy direction is provided solely by private enterprise (e.g. bankers, lawyers, industrialists, small business owners, accountants, brokers). Advantages

Include:

- Activities are not restricted by political boundaries
- Allows maintenance of confidentiality
- Speaks effectively for the business sector's interests

Disadvantages Include:

- Lack of control over incentives, infrastructure improvements etc.
- General limitations in establishing public relations or building public support for a particular project

Government Agency Models

Funding and policy direction are provided solely by the public sector (i.e. Mayor and City Council).

Advantages Include:

- It allows access from all sectors of the community via elected officials
- It ensures direct access to government programs providing incentive and infrastructure improvements

Disadvantages Include:

- Changes in elected leadership
- Lack of meaningful involvement of volunteers

Public / Private Partnership Model

Funding and policy direction is provided by both the public and private sectors. Advantages and disadvantages are moderated due to shared emphasis. A survey by the American Economic Development Council found that 80% of the respondents utilized public / private partnership models.

Conclusions Regarding Organizational Structure

The type of organizational structure can vary greatly with the type of environment within the jurisdiction. The important thing is to find the structure that best utilizes the assets of the entities willing to provide support for both economic development and planning interests in a political environment.

ECONOMIC DEVELOPMENT OFFICE ADMINISTRATION

Economic development efforts, whether a part of a municipal organization or private structure, should take advantage of efficiencies recognized industry-wide. Two of the most important aspects of managing an economic development office are the philosophies of the governing body and the personnel to operate the office.

Best Practices Philosophy

An analysis of economic development efforts has yielded the following examples of best practices for long-term economic development success (Renzas).

- 1. Long-term Perspectives:** Requires a long-term commitment to build an organization the right way, consistent goals and objectives, consistent funding, and a long—term commitment towards staff
- 2. Focus on Product Development / Successful Communities:** Focuses on what industries or prospects are best suited to them, they are prepared for these prospects, know their strengths and weaknesses, and have a plan to create the product needed.
- 3. Focus on Quality and Service:** Focus on closing the deals they already have rather than always searching for more, pay particular attention to active prospects, help provide a risk reduced relocation transition (service, not cash) and have a customer service approach.

Personnel

The personnel implementing the efforts of economic development are one of the most important aspects of the entire effort. The effort needs to be guided by personnel having a diversity of skills ranging from the technical skills needed to analyze a business proposal to the patience to develop resources marketing the jurisdiction and the interpersonal skills to represent the jurisdiction.

Training — It is important to anticipate and accommodate the needs for professional training of personnel focused on economic development. The International Economic Development Council (IEDC) leads the industry with training opportunities. First in the series is the Basic Economic Development Course (BEDC) which is required as a pre-requisite to the Economic Development Institute (EDI) co-sponsored by the University of Oklahoma and the IEDC. The EDI is a three-year curriculum covering diverse topics in economic development. The Texas Economic Development Council (TEDC) also provides opportunities for basic and advanced training.

Certification — The national standard for professional recognition in economic development, set by the IEDC, is the Certified Economic Developer and has been designated as CEcD since 2002. The IEDC is a result of a merger between the American Economic Development Council (AEDC) and the Council for Urban Economic Development (CUED). Each agency granted Certified Economic Development status designated as CED and EcD respectively prior to 2002. All professional designations; CEcD, CED, and EcD represent the same professional achievement in economic development (Also see Wansley).

BUSINESS CLIMATE

Why is business climate included so early in an overview of economic development? Communities, whether big or small, can spend a considerable amount of time and money encouraging or advocating economic development, while overlooking the obvious and most effective means of economic support. Business climate can be defined as "The community's receptivity to business ventures as reflected in attitudes, comments, news articles, rhetoric, and elections of the community leaders. It also includes the ease of regulatory permitting and entitlement approvals." Does your community exhibit a positive or negative business climate?

Development Processing

How timely are your zoning, site plan, or building permit approval processes? When a business compares business location sites, one component is the ease of getting their project built and into productive operation. A community that wants to project a positive "business climate" will have an approval process that is timely and easy to understand.

STRATEGIC PLANNING

So goes the saying, "If you don't know where you are going, any path will get you there." The process of strategic planning can provide the guidance to achieve the goals desired by community leaders

Strategic Planning Process

Strategic planning (Keller) is the process by which an organization or community envisions its future and develops the necessary procedures and operations to achieve that future (Goldstein). It can provide the means for facilitating the resolution of local economic problems within a consensus-building framework. A strategic plan should present a clear vision for the future activity of an organization, a set of goals to attain that vision, a set of strategies to achieve each goal, and a system for evaluating the results. Phases of the strategic planning process in sequential order include the following.

Initiation & Organization — Generally the motivation to initiate the process is the desire to establish a more effective economic development program. This phase of the strategic planning process includes:

1. Identifying key community leaders including a "champion" and stakeholders
2. Gain commitment of leaders via briefings of the strategic planning process
3. Formulating a steering committee representing all stakeholders

Analysis — The analysis phase includes:

1. **Conducting an economic assessment.** An economic assessment can include both external and internal assessments.
 - a. External Assessments: An assessment of economic trends and expectations outside of the local economy at regional, national, international, and global perspectives. Another input might include observations made by credible "futurists" particularly regarding socioeconomic trends. (aka situational analysis or environmental scan).
 - b. Internal Assessments: An assessment of the strengths and weaknesses of a community and their ability to adequately anticipate opportunities and impacts identified via the external assessment. (aka a SWOT Analysis; the analysis of Strengths, Weaknesses, Opportunities and Threats for an organization).

Formulation — The formulation phase includes:

1. Visioning
2. Defining goals and objectives
3. Developing strategic actions
4. Finalizing the strategic plan

Implementation — The implementation phase includes:

1. Assigning organizational responsibilities
2. Formulation of organizational strategic action plans

3. Allocation of resources
4. Development of work programs

Evaluation — The evaluation phase includes:

1. Monitoring process
2. Reviewing performance
3. Analyzing the results

Community Involvement

It is important to involve the leaders and decision-makers in a community in the strategic planning process (Shively). Both formal and informal power structure participants should be included in the process. The formal power structure includes those individuals that are readily identifiable to include elected and appointed government officials, and leaders of civic organizations, has easy entry and high turnover. The informal power structure includes "The Establishment," or influential persons of long tenure within an organization or community, generally more difficult to identify than formal leaders, and may have greater influence than those in the formal structure, restricted entry (generally by wealth, status, expertise or charisma) and little turnover.

Mission Development and Implementation

The mission statement is the overall guiding direction for a community, jurisdiction, or organization. It is generally the mission statement that is the broadest policy statement of an organization. The mission statement briefly answers questions such as the following:

1. What "markets" will be served?
2. What are the major outputs or areas of service of the organization?
3. What are the major commitments of the organization?
4. What defines the organizations constraints?
5. What function does the organization perform?
6. For whom does the organization perform these functions?
7. How does the organization go about fulfilling the functions?

Goals, Objectives, and Strategies are implementation approaches to meet the mission.

Goal — Derived from the mission or vision statement, a goal is a specific statement of what an entity would like to be or what they would like to achieve. Goals should be clear and concise and are reached through the accomplishment of specific objectives. Goals are aspirations, objectives are targets. A single goal can give rise to several objectives.

Objectives — Statements intended to identify actions necessary to meet the goals of an organization. Typically they are more detailed as to the desired outcome, often including numerically defined outcomes or performance targets. Objectives should be realistic and obtainable and ideally describe:

1. The key result to be achieved
2. A numerical measure of progress
3. A target date for achievement

Strategies — Strategies represent action-oriented approaches to the achievement of stated objectives to meet goals driven by the mission.

RESOURCE DEVELOPMENT

One of the primary building blocks necessary to represent a community through marketing and promotion is the generation of resources representing the many facets of a jurisdiction. This basic effort is often overlooked during the zeal to cold-call corporate CEO's with the hope of convincing them verbally to relocate their headquarters or plant to the community. The development of resources serves many purposes; for community staff (e.g. bond rating presentations), for local businesses (e.g. banker data for loan support) and externally to attract that desired prospect. Once the information is collected and formatted, critical pieces should be easily accessible at obvious locations (i.e. city secretary's office, chamber office, E.D. Office) but preferably at more contemporary locations such as the jurisdiction's website.

Types and Uses of Resources

No jurisdiction has the time, money, or personnel to compile all the resources that would be beneficial to represent the jurisdiction. This section will attempt to identify four categories of resources; basic, secondary, targeted, and strategic. Each has a priority and a purpose which should be evaluated against the goals and strategies identified by the jurisdiction.

Basic Resources — Basic resources are the first priority for any jurisdiction due to multiple uses for this type of information. This data can often be used internally by the jurisdiction for such things as the orientation of elected and appointed officials.

- Census Data for the jurisdiction: Easily compiled from the Census Bureau (www.census.gov) or your local Council of Governments. Pull in the data, put a jurisdiction cover on it, and you are done.

- Most frequently asked questions: Ask the locals who have been volunteers in economic development for some period of time and compile a list of the most frequently asked questions...and answers.
- Fast Facts Summary: A one or two page summary of facts about your jurisdiction. Topics might include: Jurisdiction's web site, demographics, recreation, parks, labor availability, top taxpayers, bond ratings, cost of living, health care, hospitals, largest businesses, education-primary and advanced, tax rates, utilities, child care, etc.

Secondary Resources — Secondary resources have increased importance for economic development particularly for the attraction of prospects unfamiliar with the jurisdiction.

- Community Profile: A detailed summary of various aspects of a jurisdiction. The profile likely includes a page description of each of the aspects briefly summarized in the Fast Facts. Topics might include: overview, demographics and census data, education/schools, transportation, labor, tax rates, largest taxpayers, largest employers, utilities, fire and police services, parks/recreation, religion/churches, attractions/entertainment and staff contacts. This type of document is a tremendous aid in the orientation of employees, as well as elected and appointed public officials. It is also a good resource for prospects after they have expressed a preliminary level of interest. It allows a more in-depth understanding of diverse aspects of a jurisdiction. This type of document can be easily segmented so that individual pages may be hot linked and downloaded easily from a web site. Make it easy for the location consultant to find what they want and incorporate it into their summary comparison booklets.
- Available Buildings Data: A summary of all buildings available for sale or lease. Typically includes: square feet, zoning, clearance heights, floor load capacities, clear span areas, power service loads, minimum and maximum lease spaces and acreage.
- Available Sites Data: A summary of all sites available for sale or lease. Typically includes: acreage, zoning, dimensions, utilities, topography, rail service, telecommunications, environmental status, broker contact information and pricing.
- Incentives Information: An overview of the available incentives potentially considered by a jurisdiction. This can be portrayed either as a summary of "potential incentives" considered by the jurisdiction under certain circumstances or a summary of "historical incentives" which provides credibility as to the likeliness of the community delivering such incentives.

Targeted Resources — Targeted resources are more specialized. These are intended to target the prospects identified through the strategic planning process. There

are many variables to consider in evaluating the importance of various types of resources for specific prospect targets. The following chart attempts to generalize the relative importance of these types of resources. It should be understood that the importance of various types of resources will change with each jurisdiction. Following the chart is a brief description of the resources represented.

Legend: P = Primary Importance / S = Secondary Importance / B = Beneficial

Census Local: Census data for the primary jurisdiction

Census Regional: Census data for the perceived market area of the jurisdiction

Qualified Labor: Selected industry employment, skills available

Education / Schools: Primary school data, test score averages, % graduating / attending college

Higher Education: Availability of colleges and universities, advance programs, etc.

Income Levels: Household incomes, per capita incomes, disposable incomes

Traffic Counts: Two-way 24 hour totals and peak hour counts for selected street locations

Rail Access: Rail availability and service levels, availability of a spur access

Vehicular Access: Proximity to state highways, on/off ramp conveniences

Airport Access: Proximity to regional or international airports, flight access around country

Bldg. Criteria: Floor load capacity, ceiling clearance, clear span area available

Residential Opps: The importance of residential opportunities for various income levels

Targeted Prospect	Census Local	Census Regional	Qualified Labor	Education / Schools	Higher Education	Income Levels	Traffic Counts	Rail Access	Vehicular Access	Airport Access	Bldg Criteria	Residential Apps.	Water/ Sewer	Electric Power	Telecommunications	Gas Availability	Incentives	Parks / Recreation	Public Safety
Manuf/Indust	P	P	P	P	P	B	B	P	P	P	P	S	P	P	S	P	P	B	S
Prof: Services	P	P	P	P	P	S			S	P		P	B	S	P	B	P	B	B
Entrepreneurs	P	S	S	P	P	B				S		S			P			S	S
Retail	S	P	S	B	B	P	P		P	B									

Water / Sewer: Quality of water and sewer services, costs, reliability, volumes available

Electrical Power: Electric power reliability, redundancy, interruption levels

Gas Availability: Gas services, volumes, quality. Varies among prospects

Incentives: The importance of abatements or other financial incentives

Telecommunications: Internet access, speed, and reliability, technology availability

Parks / Recreation: Available parkland, recreation programs, community services

Public Safety: Fire and police facility locations, equipment, personnel, capabilities

Strategic Resources — Strategic resources typically includes the preparation of specialized data that answers a prospect's questions regarding a jurisdiction. Strategic resources are often project specific and unprepared prior to the request. If it is important enough for the prospect to ask, it is important enough for you to drop everything you are doing and answer the question!

Data Sources

Following are several basic sources of data. Many additional resources are available with limited research.

Census Bureau: The Census Bureau of the U.S. (www.census.gov)

Business & Industry Data Center: (www.bidc.state.tx.us)

Texas Workforce Commission: (www.twc.state.tx.us)

Texas Economic Development: (www.governor.state.tx.us/divisions/ecodev)

Texas Economic Development Council (www.texasedc.org)

Texas Economic & Demographic Association: (www.teda.org)

Regional Chambers of Commerce

Utility Companies

Comptroller's Office: (www.window.state.tx.us)

Multiple Listing Service (MLS)

Brokerage Community

Council of Governments

Texas Attorney General's Office: (www.oag.state.tx.us)

Databases

The accumulation and maintenance of beneficial data cannot be accomplished efficiently without the utilization of databases. Database development and ongoing maintenance takes considerable time but can provide many benefits and resources toward the economic development effort. Examples of primary databases include the following.

Contacts Database — Economic development is a networking business. Nothing is more important than the contacts you have and maintain for various purposes. A database of contacts includes many of the following: prospects, brokers, developers, site location consultants, other economic development professionals, vendors, various

consultants, and VIP's. The use of queries allows for the quick generation of mailing labels or email lists necessary to contact any of the mentioned groups. Following are some of the many uses for a consistently maintained contacts database.

- Notifying brokers or developers of potential regulatory changes, prospect leads, new data resources, upcoming meetings, etc.
- Inviting VIP's or other selected groups to important meetings
- Mailing announcements of a positive nature to site selection consultants

Business Database — A database of the existing businesses in the jurisdiction is a critical component of any business retention and expansion program. This database also takes a dedicated effort to establish and maintain. Collected data typically included in a business database are: name of business, address, phone, fax, email, website, business manager, opening date, development name, building square footage, and use related topics such as category of business. Also, provide for an entry that can elaborate on the type of business, products or services provided, inputs to production, whether they import or export goods, and any other aspect that may be important to your Business Retention & Expansion programs. Typical uses for the business database might include the following:

- Creation of various queries to identify selected types of business (e.g. all banks or financial institutions, medical and health)
- Queries identifying invitees to various business forums (e.g. corporate issues, import-export businesses, retailers, financial business forum)
- "Find-a-Business" search functions that utilize keyword searches in the business description field of the collected data

Sites & Buildings Database — One of the primary functions of an economic development office is facilitating the connection of prospects desiring land or lease space with building owners, developers, brokers and/or leasing agents representing opportunities in the jurisdiction. One tool to accommodate this connection is the maintenance of a sites and buildings database. Information typically maintained in this type of database includes: acreage of land, building square footage, lease price and conditions, minimum and maximum lease spaces. Typical uses for a sites and buildings database include the following.

- Establishing a query, particularly on a website, that allows the prospect to enter criteria and receive a listing of qualified properties
- Posting various pre-determined queries on a website or in pamphlets

Data Standards

There has been a national effort to develop standards for the preparation of data that would be accepted by site selection consultants nationwide. It is probable that site selection consultants will continue to develop unique requests for data responses tailored to each prospect. Having said that, it would be beneficial for a jurisdiction to prepare responses to the standard data requests with the likelihood that the standard information would be sufficient to cover unique requests in most instances.

(see www.iedconline.org/hotlinks/site_selection)

Website Resources

The importance of adequate information on the jurisdiction's web site cannot be overstated. Many site selection consultants pre-qualify sites via the Internet. It is recommended that all information be accessible by no more than three (3) clicks on the website. Segmental downloads that provide one-page data summaries are very beneficial to consultants and real estate managers in preparing summary reports regarding competitive potential locations. They also assist local brokers and developers in preparing proposal packets for their individual sites.

BUSINESS RETENTION AND EXPANSION

The likelihood that an economic development program includes an objective related to retaining and expanding existing businesses is high. A broadly believed paradigm is that 80% of job growth and economic expansion is the result of the expansion of existing businesses. Although it is exciting to think about landing the "big deal" of economic development, and in one instance satisfy all the goals of the governing body, reality suggests that the work in the trenches related to retaining and expanding your existing businesses is in fact where the Holy Grail exists for economic developers (Orr).

Typically a Business Retention and Expansion (BRE) program is implemented to encourage economic development from within the existing businesses in the jurisdiction. Various types of programs can be implemented to include the following examples (Luke).

Contact / Visitation Programs

A primary component of a BRE program includes the (typically) annual contact of existing businesses in the jurisdiction. Two types of visitation programs are those that are staff-based and those that are volunteer-based.

Staff-Based Visitation — Visitation programs based on execution by members of the economic development staff Characteristics include:

Advantages:

1. Monitoring of businesses can be continuous
2. Programs tend to be more future directed
3. Fewer coordination problems, organization is easier
4. No worries that interviewers will double as salesman
5. Trained staff more likely to respect confidentiality
6. Message business leaders receive is consistent and accurate
7. The need to train volunteers is eliminated

Disadvantages:

1. The number of businesses that can be interviewed in any designated time frame is limited
2. More difficult to get media attention
3. Analysis of data may not be statistically correct
4. Paid staff increases the cost of the program

Volunteer-Based Visitation -, Visitation programs based on execution by volunteers supporting the economic development organization. Characteristics include:

Advantages:

1. Entire business community can be canvassed at one time
2. Work load split among many volunteers
3. More media exposure
4. Data collection more statistically correct
5. Generally lowest cost option

Disadvantages:

1. Usually not a continuous process, but rather a one-shot survey
2. Focus more on past than future
3. Rarely able to make substantive changes that may be needed
4. Difficult to coordinate
5. Businesses hesitant to share information with volunteers
6. Volunteer training does not always guard against misinformation
7. Analysis is difficult since data are collected by different people

Industry Recognition Programs

The establishment of an annual appreciation day or week. Components of the event might include:

1. An appreciation dinner
2. Proclamations and certificates of appreciation
3. Sponsoring employee of the year awards for each business
4. Product displays in prominent public spaces
5. Plant tours and open houses

Individual Recognition Programs

Individual recognition programs might include:

1. Small Business Person of the Year
2. Entrepreneur of the Year
3. Small Business Advocate of the Year

Business Development Programs

Several initiatives are potentially beneficial in developing additional new business for a company. Examples include:

Business Associations — Provides a forum for idea exchange, common problem solving and potential new business relationships. Examples of associations or forums might include:

- Retailers Association
- Manufacturers Association (see Back)
- Corporate Issues Forum

Export Promotion — Assistance in penetrating foreign markets to allow or increase the export sales for a company.

Incentives — Dissemination of information on loan programs, employee training and assistance, tax exemptions, grants and other available cost savings opportunities.

Management Seminars — Training for business owners that might include tax laws, regulatory permitting, bookkeeping, and financial management.

Market Research — Assisting in research for potential new markets for a firm's products.

Match-Market Analysis — The identification of existing and potential customers and suppliers for local businesses.

This discussion just scratches the surface of business retention and expansion programs. The best programs partner with business representatives during program development and implementation to ensure a successful program.

BUSINESS ATTRACTION & RECRUITMENT

Another important component of an economic development program includes efforts to attract new businesses to the jurisdiction. Typically the most desirable types of businesses for economic growth within a community are those termed "primary" businesses. These types of businesses export the majority of their product or services outside the local jurisdiction but the revenue stays within the jurisdiction, either through salaries of local employees or continued capital investment. "Secondary" types of businesses are those where a majority of their products or services are sold within the jurisdiction and although the business may generate considerable transfer of wealth within the jurisdiction, the community's economic growth generally is not benefited as much as with primary businesses.

Prospect Identification

The first step in attracting new business enterprises to a jurisdiction is to identify what type of business would make a good match and which businesses in that industry might be a potential prospect.

Strategic Planning — Strategic planning is a semi-formal process that identifies aspects of a jurisdiction and identifies prospects that are likely good matches for these attributes. Strategic planning was discussed in greater length in an earlier section.

The Ideal Prospect — As a part of a targeted marketing program, it may be desirable to try to identify the "ideal prospect" for a community. The following questions may help with this identification (Page).

- What type of business do we want?
- How many employees would we like the company to employ?
- What skill level would we want the company to need?
- Would we prefer a foreign or domestically owned company?
- Would we like the company to use an existing facility or build a new one?
- What type infrastructure would be important to the company?
- What type of incentives would the company expect?

Targeting Prospects

Manufacturing & Distribution — Still a mainstay in many jurisdictions, manufacturing, industry, and distribution can provide significant primary employment for a community. Principle factors in attracting such prospects include the availability of sites and/or buildings, electric power, gas availability, rail service, raw material availability and environmental issues (McKee), (also see Koepke). A logistics analysis is often performed when evaluating alternative sites for these types of uses.

Professional Services — Gaining in importance due to global economic trends are the professionals and white collar businesses. Prospects that primarily provide services profit from the utilization of human resources and expertise rather than the manufacturing, distribution, or selling of a physical product. Primary factors in attracting such prospects include the availability of qualified labor, airport access, residential relocations and availability, Internet technologies, available support services such as retail and restaurants, schools, and aesthetic site amenities (also see Davis). Types of services differentiated by the Economic Council of Canada include the following:

Dynamic Services — Generally considered the high value-added, high growth industries that are involved in globally competitive markets. Examples include: finance, insurance and real estate, business services, transport and storage, communications, utilities, and wholesale trade.

Traditional Services — Tend to be lower value-added, less subject to technological changes and less rapidly expanding. Examples include: retail trade, accommodations, food and beverage, amusement and recreation, and personal services.

Non-Market Services — Service activities that are primarily generated outside the market place under the control and supervision of the public sector. Examples include: Education, health services, social services, and public administration.

Retail — More and more jurisdictions desire to put retailers into their target mix, primarily because of the benefits of sales tax for the community (Devine), (Harald), (Pittman). Sales taxes often contribute to the general fund of the community as well as the economic development efforts if 4A or 4B sales tax revenue options are utilized. (see www.oag.state.tx.us for complete description of 4A and 4B sales tax issues). Retailers are primarily interested in projected sales at a particular location (generally developed by retailer or their consultant) however particular attention should also be paid to the following resources in order to enhance retailer interest: Traffic counts, income levels, competitor locations, residential populations and daytime (total employment) populations,

as well as targeted surveys defining resident desires (e.g. restaurant survey of desired restaurants).

Prospect Management

It is very important that a community takes advantage of the few opportunities they will have to develop the prospect relationship. Professional prospect management can close the deal where inept handling will surely steer the prospect to the next location on the list.

Prospect Handling — The art and service of attending to the needs of a prospect from initial contact until years after their establishment in a community. Some principles of professional prospect handling include:

- Maintaining confidentiality, inform others only on a need-to-know basis
- Responding promptly in all instances
- Providing what is requested, not what you have available
- Delivering what you promise / don't promise what you can't deliver
- Listening to the prospect
- Making the community contacts available to the prospect and handling all arrangements
- Coordinating transportation for prospects visiting the community, even if you are not included during drive time

Visitation Team Make-up — Visitation teams meet to discuss issues related to potential development or expansion in the community. Generally there are two types of teams, those that represent the prospect and those that represent the community.

Prospect Team — The prospect team can be as small as a single person or may include several people. Generally this might include: Real Estate Manager, Project Manager, Finance Director, Human Resources Director and / or Operations Manager. Bigger projects also likely include site selection consultants and real estate brokers.

Community Team — The best team to represent the community is made up of the people requested by the prospect. Without that direction, members typically include: Mayor, City Manager, E.D. Director, representatives from planning, public works, electric & gas providers, and a local business similar to the prospect in industry and scale of business. The least number of people capable of answering all questions is desirable. Characteristics of a good visitation team member include (Heare):

- Flexibility with employer to allow planned or unplanned interruptions during work hours to meet with the prospect
- Ability to maintain confidentiality

- Possesses a "can-do" attitude
- Can have a good time while interacting productively with a prospect
- A commitment and dedication over time

MARKETING AND PROMOTION

Representing a jurisdiction is a primary function of most economic development programs. It is important to understand the many audiences and methods of promotion in order to be efficient and effective in your efforts.

Promotion Audiences

Promotional efforts are typically directed at three basic audiences.

Internal Promotion — The communication with and constant education of your colleagues to include staff members, directors, board members, as well as elected and appointed officials of your jurisdiction (Lanava).

Local Promotion — Communication of the economic development program to the citizens, existing businesses, investors, opinion leaders and critics of the jurisdiction being represented.

External Promotion — Communication with the general public, media, professional networks, and strategic allies outside the jurisdiction with particular focus on targeted businesses and potential prospects.

Promotion Techniques

There are many techniques for getting the message out to the intended target (Page).

Advertising — Extensively used though expensive and ineffective. Best when combined with other more targeted approaches. Better for general awareness than for prospect generation.

Direct Sales Call — Effective but expensive, best used on highly qualified targeted prospects with known plans for expansion or relocation.

Direct Mail — Least effective but inexpensive. Can be cost effective if combined with follow-up direct contact by the promoter.

Telemarketing — Can be effective if performed in a highly targeted and professional manner. Often used as a follow-up to direct mail contacts.

Trade Shows — Typically the marketing agency reserves a 10' x 10' booth (or multiples thereof) and mans the booth during a conference of targeted prospects, representing the community and marketing the positive aspects of the community.

MAIN STREET PROGRAMS

Downtown revitalization and main street programs are the heart and sole of many communities in Texas. It is a topic too broad to cover in this overview. An important program to be evaluated by any community with such interests is the Main Street Program. Started in 1977 by the National Trust for Historic Preservation, it is a program designed to produce increased levels of reinvestment and jobs while preserving and enhancing the heritage of communities (www.mainst.org). Another resource to consider is the Texas Downtown Association (info@texasdowntown.org).

Main Street Program Obiectives

Objectives of the Main Street Program include:

1. Study the reasons downtowns were dying
2. Identify the many factors that have an impact on downtown health
3. Develop a comprehensive revitalization strategy that would encourage economic development within the context of historic preservation

Fundamental Program Precepts (Lawhead)

Design — Improving the downtown's image by enhancing its physical appearance. Buildings, street lights, window displays, parking areas, signs, sidewalks, promotional materials and any other elements that convey a visual message about the downtown.

Organization — Building a consensus and establishing cooperation between the groups that play roles in the downtown.

Promotion — Marketing the downtown's unique characteristics to shoppers, investors, new business, tourists and others. Methods include retail promotional activity, special events and ongoing programs to build positive perceptions of the district.

Economic Restructuring — Strengthening the existing economic base of the downtown while diversifying it. Activities include helping existing businesses expand, recruiting new businesses, converting unused space into productive property, and sharpening the competitiveness of downtown merchants.

FINANCIAL ANALYSES

Economic development includes both job development and economic growth, generally measured by the financial benefits derived from the project. Following are topics necessary to understand basic aspects of financial analysis.

Understanding Taxes

Ad-Valorem Tax — A tax on real and personal property that provides revenue to the taxing jurisdiction (a.k.a. property taxes). This tax is typically less volatile on an annual basis than sales tax or other use-type taxes (e.g. with a tax rate of .422 per \$100 valuation: appraised value of \$360,000 divided by \$100 = \$3,600 x .422 = \$1,519 in tax revenue per year to the jurisdiction).

Sales Tax — A tax charged by state and local entities on every retail purchase made in the jurisdiction. Typically reflected as a percentage of the purchase (e.g. purchase of \$100 with 8.25% sales tax would cost \$108.25 total, reflecting \$8.25 sales tax to the taxing entities).

Hotel Occupancy / Bed Tax — A tax added to the cost of a room rental as a percentage of the room rent (e.g. 7%). Often this tax is intended to be applied towards the marketing and promotion of tourism for the taxing jurisdiction (e.g. room costs \$120/night to rent: \$120 x .07 = \$8.40/night in occupancy tax to the jurisdiction).

Revenue Estimation

An important aspect of economic development is the estimation of revenues derived from the taxes provided by the proposed project. Important aspects in the estimation of revenues for a particular development include 1) the value of the project and 2) the tax rate imposed on the project. Various values can be evaluated for a particular project as noted below.

Ad-valorem Revenue Estimates

Land: Square foot of land x value per s.f x tax rate = revenue

Real Property-Building: Square foot of building x value per s.f x tax rate = revenue

Personal Property: Personal property value per s.f x bldg. s.f x tax rate = revenue

Sales Tax Revenue Estimates

Square foot of building x sales per s.f.x percentage taxable = revenue

INCENTIVES

Incentives are a permanent factor to be considered in economic development. This includes any number of inducements that a jurisdiction might offer to a prospect to entice them to remain, expand, or locate within a particular jurisdiction (Mooney). Examples in three major categories include the following (McEnroe).

Corporate Expenses

Land Related: Free land, free rent, land write-downs, land leases, public infrastructure.

Financial: Tax increment financing, special assessment districts, IRB's, cash grants, loan guarantees, subordinated financing, deferred payment mortgages, interest rate buy-down.

Operational: Equipment leasing, utility cost reduction and tax abatements.

Construction: Permit acceleration, fee reductions, non-strike agreements, contractor selection assistance, free office space during construction, dedicated inspection staffing.

Workforce Development Incentives

Workforce development incentives include: Pre-employment screening, on-the-job training programs, customized training programs, job training funds, and technology transfer programs.

Relocation Assistance Incentives

Relocation incentives include: Community presentation visits at company location, spousal employment programs, temporary executive housing, transportation, children acclimation, childcare, discounts on home furnishings, moving cost

reimbursement, guaranteed home sales, bank assistance with home mortgage extensions or bridge loans, complimentary hotel rooms during house hunting visits.

Incentives Policy & Application

A policy outlining the jurisdiction's position regarding various incentives that might be utilized to attract or retain a business. Any tax abatement policy should comply with requirements of the provisions of Chapter 312 of the Texas Tax Code. Elements of a policy might include:

1. Applicability to all types of businesses
2. Processes for quantifying costs and benefits to the community
3. Pre-set guidelines for investment and required return
4. Draws on benchmark research of business requirements and cost profiles
5. Reflects a true understanding of competitive advantages and disadvantages
6. Contains procedures for quick responses
7. Exists before the prospect calls
8. Allows the community to walk away from bad deals
9. Contains safeguards to protect the community's investment

Tax Abatement Application — Following are example issues to be included in an application for tax abatement or other incentives.

- Contact Information: Company requesting incentive, contact person, title, address, phone, fax, email, web page, same info for consultant if applicable.
- Basic Data: Property location, total acreage
- Project Clarification: Various aspects of the project to include the intended use (i.e. call center, corporate office, professional office), project type (relocation, expansion of existing facility or new facility)
- Development Concept: Various aspects of the development concept to include the building type (i.e. number of stories, style, materials), concept (single building or campus setting, open space, surface or structured parking, acreage, vehicular access)
- Critical timing aspects of the project
- Project Criteria (square feet, values, total employees, average salaries)

ALLIED AGENCIES

Economic Development is generally a partnership among many individuals and agencies. Networking and partnering with allied agencies helps market your jurisdiction, identify opportunities, and increase efficiencies through shared efforts. Following are typical agencies all working together toward the betterment of a jurisdiction.

Local Agencies

Chamber of Commerce — The local area Chamber of Commerce is likely the best association of businesses operating in the jurisdiction. The chamber can provide tremendous access to local business managers and provide critical functions in any Business Retention and Expansion program.

Economic Development Corporations — Economic Development Corporations typically have more autonomy than a department in a jurisdiction.

Regional Agencies

Regional Chambers — **Regional** chambers of commerce or similar coalitions are great allies when representing a larger region. They often are also a primary source of leads for smaller jurisdictions. It is more efficient for site locators to contact regional entities with RFP's and have them coordinate the dissemination to allied agencies and the collection of responses. A primary responsibility of the smaller jurisdiction is to make sure the regional chamber knows everything they need to know about your jurisdiction.

Council of Governments — **The regional Council of Governments (COG)** can be a tremendous asset in the accumulation of data for the jurisdiction or market area. Often they can provide data sets on particular topics, regional planning documents and unique studies if required.

State Agencies

Texas Office of the Governor, Economic Development & Tourism Division - The Office of the Governor is another great ally, particularly in the development of leads interested in a Texas location. The local jurisdiction should make an effort to visit the state staff and make them aware of all aspects of the jurisdiction. The State also maintains a system for distributing leads via a primary contact for each local jurisdiction, be sure you are on the list (www.governor.state.tx.us/divisions/ecodev).

Texas Economic Development Council (TEDC) — The Texas Economic Development Council is a membership organization representing the interests of economic developers across the state. They monitor legislative actions and provide email updates on important issues. They also hold meetings periodically throughout the state for both networking and training purposes (www.texasedc.org).

TxAPA, Economic Development Network (EDN) — The Texas Chapter of the American Planning Association maintains an Economic Development Network (EDN) of professionals interested in both planning and economic development throughout the state. Most all communications are via email correspondence. For a full overview of the EDN or to sign up on the network list serve, visit the TXAPA website at www.txplanning.org.

National Agencies

International Economic Development Council (IEDC) — Created in May of 2001 via the merger of the American Economic Development Council (AEDC) and the Council for Urban Economic Development (CUED). A non-profit, non-governmental organization dedicated to excellence and leadership in economic development. IEDC is the largest membership association serving economic and community development professionals in the United States (www.iedconline.org).

Small Business Administration (SBA) — A federal organization responsible for financial programs to assist the development of small businesses (www.sba.gov).

Economic Development Administration (EDA) — The EDA was established under the Public Works and Economic Development Act of 1965 to generate jobs, help retain existing jobs, **and stimulate** industrial and commercial growth in economically-distressed areas of the United States. EDA assistance is available to rural and urban areas of the nation experiencing high unemployment, low income, or other severe economic distress (www.doc.gov/eda).

United States Department of Agriculture (USDA) — Their mission is to enhance the quality of life for the American people by supporting production of agriculture. Their vision is a healthy and productive nation in harmony with the land. USDA administers the Rural Development and Farmers Home Administration Programs (www.usda.gov).

SUMMARY

Economic development for a jurisdiction is a multi-faceted effort that is best implemented through a deep cultural understanding of the benefits of long-term economic growth. Planning is an integral part of the process, and can either be a hindrance or an asset to the overall economic strategy. A balance between regulatory controls and economic health should be an objective of any jurisdiction. This introductory chapter barely scratches the surface of economic development topics that could be pursued more deeply. Economic development can be a very satisfying community effort, realized by the continued economic vitality of a jurisdiction and the addition of jobs and opportunities for residents of the jurisdiction, all of which add to the quality of life of residents.

Note: This is the first year for inclusion of this introductory chapter on economic development. Your feedback regarding additional topics that should be covered, or recommended revisions or supplements to existing topics would be appreciated. Please send comments to Dick Lillie, TxAPA Executive Director at the following email address: dillieidBash.net

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