

# Taking the Mystery Out of Economic Development

by Otis White

*Economic development can be a high-stakes emotional game. But it needn't be confusing. And you can do many things to put your planning commission at the center of economic development activities for your community.*

If you've ever felt that dealing with economic development projects was difficult, consider this. Hodding Carter Jr., was a Pulitzer prizewinning editor in Mississippi in the 1950s and 1960s who wrote editorials favoring civil rights. For that, he lived under constant political attack and, from time to time, threats of physical attack.

Yet for all his courage, there was one subject, Carter said, that he dared not write about: Any suggestion that his hometown, Greenville, Mississippi, wasn't the best place to locate a business.

That's the way it is in many places. Economic development is a form of local patriotism, a source of new jobs and, potentially, a great deal of money for some in your community. No wonder it's such a difficult subject.

But it need not be a mystery. In essence, economic development is about three things: companies moving to your community, companies starting in your community, and companies expanding in your community.

What makes economic development mysterious – and difficult for planning commissions – is that all the attention is focused on only one of the three, companies that move to your community. Why? Because “relocations” tend to make a big splash. The news media pay attention, chamber of commerce executives get bonuses, and politicians cut ribbons when a new plant comes to town. Nobody notices when a new company is

created – and few pay attention when an existing company adds more jobs.

But it's important for you, as a planning commissioner, to keep the other two in mind. First, new and expanding businesses provide many more and, often, better jobs than relocations do. Second, they don't cause nearly the planning headaches.

## THE HEADACHE OF RELOCATIONS

The reason relocations are difficult is because frequently they require rezoning. This isn't always the case – some companies want to be in your community's industrial park or an older, industrial part of town – but many don't. They want to be on the edge of town, in an undeveloped section. And the neighbors often aren't happy.

Why do manufacturing and distribution companies, in particular, want these “greenfield” locations? For one thing, land assemblage is usually easier on the edge of town than in already developed areas. But more important, they want speed. Much of American industry today is built for speed – speed in bringing in parts, speed in assembling products, speed in delivering the finished goods to the customer – and greenfield locations offer greater opportunities for designing a plant around speed.

How intense is this need for speed? An executive told me that his company decides where to locate based, in part, on “gear downs.” Every time a driver gears down his truck for traffic or stop signs, he explained, it costs his company money. So he was interested only in sites directly on interstate highways and in uncongested areas.

There are three lessons planning commissions and economic developers

should draw from the growing importance of speed. First, transportation and land use planners must work closely with economic developers because each controls a vital element of satisfying the need for speed – and successful economic development.

Second, if you want to redevelop older industrial areas, you must have land that is as easily assembled – and accessed – as locations on the outskirts of town.

Finally, you should identify the suburban locations that are most attractive to industry and prepare them for economic development. That means appropriate zoning, but it also means upgraded transportation access and sewers. And it means keeping residential and retail developers away from prime industrial locations.

## RETAIL VS. INDUSTRIAL AND OFFICE DEVELOPMENT

This brings us to an important question – what is economic development? Does it include stores and restaurants or just factories? What about offices?

Obviously, the answer depends on your objectives, but in general I'd argue that your efforts should be directed at industrial and office developments, not retail. Three reasons: Retail is one of the lowest paying industries around. It naturally follows markets, so there's little reason (outside of depressed markets or special cases, like downtowns) to spend limited resources pursuing it. Most important, retail brings little money into an area; it merely circulates what's already there.

The heart of your community's economic development program ought to be directed at jobs that bring new money to your region – what economists call “traded jobs.” These are the jobs that truly enrich a community – a factory that

builds export products, a regional insurance claims office, a statewide distribution center, a metropolitan sales office and so on. These are what your community should be targeting.

### NEW COMPANIES AND OLD

The great temptation in your community will be to spend all your resources chasing a handful of relocations and miss the greatest resource you have: older companies expanding and new ones starting up.

Entrepreneurs need many of the same things other businesses do, but they have special needs.  *What Businesses Look For.* Some are outside your control – such as access to capital and specialized business services – but others can be influenced by land-use decisions. Most important is space needs. Entrepreneurs start out, well, small. A new company rarely builds its own plants or office buildings. They rent – or they start out in the garage or at the kitchen table.

Point is: If you want entrepreneurs, you need zoning that will accommodate speculative industrial and office space as well as home offices. And if you can concentrate these activities in one part of town, all the better. Entrepreneurs need each other – and certain business services, like quick copy shops, office supply stores, temporary help offices.

Delray Beach, Florida, recognized this need to congregate several years ago, when it rezoned a neighborhood near its downtown for artists to live, work and sell from. The result: Many old houses have been made over into studios and galleries (with artists sleeping upstairs), and the result was a new arts-related economy for the resort city.

Expansions of existing businesses rarely cause the land-use headaches of other kinds of economic development. They have a different problem. Existing businesses are the “Maytag repairmen” of your community – ignored and feeling a bit hurt.

One of the most cost-efficient ways of building your local economy is to encourage your chamber to create an “existing industries council” that meets



## What Businesses Look For

Every business has a list of things it needs from a community. Some companies use a lot of water, others need nearby research universities, others need sophisticated financial services. But there are six factors nearly every business requires.

**Workforce:** This is the most serious problem businesses face today – finding dependable skilled workers. Partly it’s because of the full-employment economy we have today, but it goes much deeper. Our high-quality, high-productivity economy is outstripping the ability of educational institutions to turn out the workers businesses need. The most important economic development action your community can take, then, is to improve local work skills.

**Transportation:** This is a major consideration for all businesses, and critical for many. There are many businesses that must have quick access to highways, rail, ports and airports in order to serve their markets. Anything your community – and commission – can do to improve that access will greatly bolster economic development.

**Other infrastructure:** Let’s be specific: No sewers, no industry. Businesses larger than a convenience store have problems operating off septic tanks. As a result, sewers may be the single greatest planning tool a community has – far more effective than zoning in directing where industry will locate. I sometimes tell communities that zoning is the power of “no,” but sewers are the power of “yes” – and “yes” is far more decisive than “no.” (Translation: Zoning tells businesses where they can’t go, but sewers tell them where they can.) There are other forms of infrastructure that affect economic development: Fiber optic networks and civic centers, for example, can be critical for data processing companies and convention industries.

**Quality of life:** This is a category that, as a planning commissioner, you can have great influence over. It means, in a sense, the “curb appeal” of your community – the look and feel of your downtown, the variety and vitality of neighborhoods, the convenience and quality of retail. This is

important to businesses for three reasons. First, companies that relocate are making 20- to 50-year bets on a place. They want to know that a community has the long-term leadership to make it a good bet – and the look and feel of a place is the most tangible sign of civic leadership. Second, an attractive community makes it much easier for companies to attract executives and workers to relocate for work. Third, a welcoming place retains its people. As Harvard business professor Rosabeth Moss Kanter puts it, successful cities need both “magnets” and “glue” – things that attract new people and things that hold them there. Quality of life can be both.

**Community will:** Basically, this refers to what the community wants to be. As I mentioned above, companies make 20- to 50-year bets on places they locate. They don’t want to go where they’re not welcomed. The more specific and united the community can be about which industries and jobs it wants – and which it doesn’t – the more successful its economic development program will be. Obviously, you need to temper your dreams with reality. If you have no high-tech jobs, dreaming of becoming another Silicon Valley will get your community nowhere. One way of framing your economic desires is by asking this question: What jobs do we presently have that we’d like more of? That way, you’re building from established successes.

**Cooperation:** This means just what it says – how willing people are to work together. This is a factor that’s rising in importance. Reason: In a networked economy, having a high degree of local trust and cooperation is valuable. In fact, it may be the single greatest factor in entrepreneurship. Places where people do not cooperate – among businesses, between government and business, and among non-profits, businesses and governments – do not tend to give birth to many new companies. But it is also important to expanding and relocating companies. How do you learn to cooperate? By offering as many venues for discussing local problems and opportunities as possible – and then acting on the consensus. In a sense, then, the community that works together, grows together.

once a quarter with local government officials – including planners. Let these businesses tell you the obstacles they are facing, and let local officials brainstorm about how to overcome the obstacles.

You'll solve a lot of problems, send a powerful signal to existing employers and almost certainly bring more jobs to your community than the most expensive recruitment campaign imaginable. And all it costs is the price of lunch four times a year. ♦

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## On-Line Comments

"A specific role for the plan commission is to ensure, through the comprehensive planning process, an adequate supply of available land for economic development. When a rezoning or annexation agreement is needed, we try to have study sessions with our plan commission prior to the public hearing, in an effort to identify questions that may come up and hopefully reduce the review time.

White's comments on retail are right on. Retail jobs and opportunities will come with a strong local economy, and they will undoubtedly redistribute spending dollars which already exist in town. Champaign provides zero incentives for new retail.

Plan commissions [should seek to] provide flexibility in development regulations, particularly for home businesses and incubator type (commercial/industrial) facilities. As we all know, our economy is changing. Gone for the most part are the "home-run" type plant openings – auto plants and other heavy manufacturing facilities. More focus needs to be placed in keeping and fostering the companies that already exist in our towns."

– Matt Flynn, AICP, Champaign, Illinois