

Creating an Economic

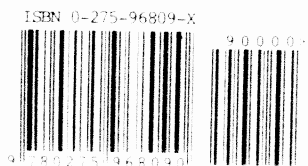
Development Action Plan

A Guide for
Development Professionals

Revised and Updated Edition

Thomas S. Lyons and
Roger E. Hamlin

Arguing that economic development planning continues to focus too narrowly on job creation at the expense of long-term goals, the authors focus on the secondary and long-term effects of local development activities. Job creation, they claim, should be the end product of a well-considered, comprehensive, rational approach to economic development. The book looks at the objectives of economic planning, offering a broad conception of them, and considers the information needed to plan effectively. Following a discussion of public-private partnership tools in the United States, the book shows how to translate objectives and data into a program of action, then closes the loop of the planning cycle with a description of program evaluation.



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A good understanding of the tools of public intervention in the private market and their effects on private firms and individual behavior can help the economic development professional to recommend objectives that will work positively and synergistically for community-wide development.

ESTABLISHING MEASURABLE ECONOMIC DEVELOPMENT OBJECTIVES

Objectives are statements that serve as a guide for action. They are something to shoot for. Measurable objectives have the following additional characteristics:

1. They can be achieved.
2. The time of their achievement can be determined.
3. Progress toward their achievement can be measured.

Example of a Measurable Economic Development Objective

If an economic development goal is to broaden the local economic base so as to mitigate the cyclical impact of recessions, a measurable objective might be "to cause employment to expand by 4,000 in a set of identified countercyclical industries."

To make this objective operational, "countercyclical" must be carefully defined. It could mean industries that have cycles opposite those of the dominant local industry. The word "cause" is included in the objective statement because in order to evaluate the worth of the economic development program, we are interested in knowing the impact of the program itself. The stated objective is achievable; its achievement can be measured, and intermediate levels of achievement can be determined.

Why Establish Measurable Objectives?

Inducing individuals to think carefully about the future is always difficult. Motivating people to define measurable objectives is even more difficult. Most do not know what is achievable, and they do not like to be put in a position in which they might fail. Political leaders

are particularly uncomfortable in being specific about goals, even though they have to be specific about dollars and laws. It requires a mode of thinking to which people are unaccustomed.

However, creating and implementing economic development programs are expensive undertakings. One must understand the impact of actions to determine if the dividends are worth the investment.

Defining measurable objectives:

- forces people to think more precisely about their actions
- generates positive discussion
- provides a benchmark of success for periodic evaluation of directions and actions
- helps participants put the mundane day-to-day activities of economic development into a larger context
- offers daily feedback on progress so as to provide both a stimulant to and a psychological reward for daily progress

How to Establish Measurable Objectives

Given the difficulty of encouraging people to establish measurable objectives, a special effort is required to get them built into the economic development plan. The following are some suggestions for making the process work more smoothly:

1. Establish an advisory group for the economic development program whose job it is to set measurable objectives, and monitor progress toward them.
2. Keep the group small (about five) so as to promote discussion.
3. Meet regularly, but for short periods of time (about once a month, over breakfast or lunch).
4. Have one or two elected officials on the group, but do not make it all elected officials.
5. Ensure that two or three different sectors of the business and general communities are represented.
6. Survey outside groups before discussing objectives. If possible, complete a community opinion survey in order to give the group

Figure 1.1
Format for Writing Measurable Objectives

1. OBJECTIVE NUMBER _____	
2. short title	
3. OBJECTIVE	
4. definitions	
5. 75% attainment of objective	
6. 50% attainment of objective	
7. data needed to measure progress:	8. source:
9. ramifications and secondary impacts of attainment	

a sense of community purpose (see "Business Retention Survey," Chapter 2).

7. Discuss and formulate about five to ten measurable objectives that can be achieved in the next year.
8. Establish data collection procedures to ensure data availability to evaluate progress. Multiyear goals should be broken down into one-year objectives.
9. Reevaluate objectives at least once a year.

The form in Figure 1.1 provides a suggestion as to how each objective should be written. On line (1) in Figure 1.1 give the objective a number, and on line (2), a short title. Both are for the purpose of quick reference. On line (3) carefully state a complete, one-sentence objective. On line (4) provide an elaboration of any terms used in the objective. Lines (5) and (6) state what would constitute 75 percent and 50 percent attainment. The ability to write these intermediate targets is a check to see if the original objective is in workable form. Line (7) lists quantitative information required to evaluate achievement of the objective and line (8) offers a source for that information. Line (9) holds a brief statement of the effects of accomplishing the objective.

SUMMARY

The first step in the planning process is to set measurable objectives. Objectives should be measurable so as to motivate and sharpen community discussion, and to be able to monitor progress. Typically, economic development is defined as creating jobs in a community, but we should begin thinking about a broader array of reasons for and kinds of economic development. Improving economic conditions in many communities allows us to plan for economic development more carefully.

2

Inventory of the Local Economic Situation

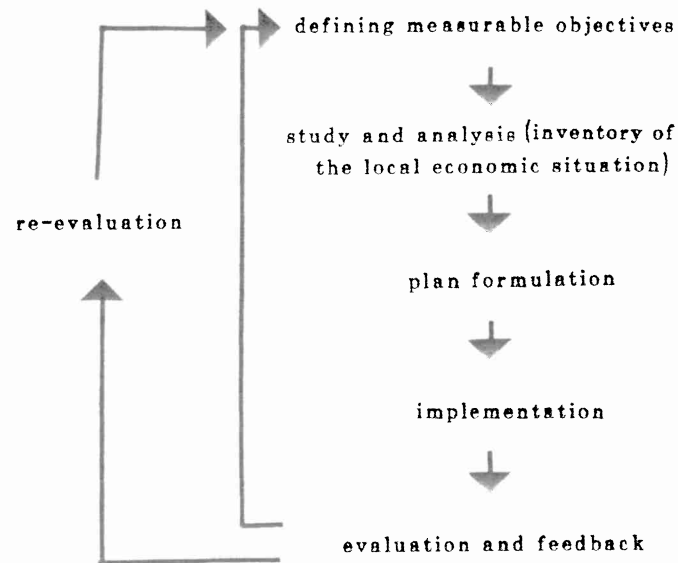
After defining measurable objectives, the second step in the action plan process is to inventory the local economic situation. This step involves data collection and analysis. Once more is known about the local economy, measurable objectives may be revised based on this improved understanding. This is appropriate since the entire process is iterative and dynamic rather than a static five-step sequence (see Figure 2.1). Goal formulation comes first because it acts as a guide to determine the kind of information that is needed.

This chapter describes methods of collecting and analyzing information for economic development planning. The first section demonstrates how to focus data collection efforts. The second section lists and briefly describes important categories of information. The list is organized in the same manner as a business firm might assess its own needs. The successful economic development planner must think in terms of those needs. The third section covers the importance of a business retention survey as a source of critical information, and the fourth section talks about analyzing the needs of the local economy.

PARSIMONIOUS DATA COLLECTION

Formulating a long list of useful information for local economic development planning is quite easy. Planners with a background in quan-

Figure 2.1
Dynamic Planning Process



titative analysis quickly list figures on employment by firm, industry, and occupation. With this information, economic base analysis, shift/share analysis, and input-output analysis can be completed. Some items in this long list of information are readily available while others require substantial work.

However, data collection is expensive and data analysis is time consuming. One is easily overwhelmed with the economic information that can be collected in any community. It is common for valuable time to be spent obtaining data that are never fully analyzed and utilized in the planning process. Planners who are action oriented will want to be frugal in spending resources for data collection and analysis. **RATHER THAN WORKING HARD TO COLLECT DATA, ONE SHOULD WORK HARD TO MINIMIZE DATA COLLECTION.**

In order for data collection to be worthwhile the information must have these characteristics:

1. It must be worth collecting periodically and consistently, so as to become a part of a continuously functioning management information system.
2. It should have an immediate analytical use that leads directly to economic development decision-making.

The following three items represent a guide to parsimonious data collection that allows one to get on with the process of economic development:

1. Collect information that relates to established measurable objectives.
2. Collect information about the needs of firms.
3. Collect information that helps the local economy respond to the needs of the outside world.

Each of these three items is discussed in the following sections.

LINK TO MEASURABLE OBJECTIVES

Measurable objectives help outline what information is most critical. If measurable objectives are clearly defined, and the objective sheets filled in carefully, the information called for on line (7) in Figure 1.1 may be all the information that is needed to operate an effective economic development program. Depending on the resources available, this information becomes the basis for a computerized or manual management information system for the economic development office.

NEEDS OF THE FIRM

The second most important data to be collected is information that satisfies the needs of local and prospective businesses. Public planners, who are often educated in a public sector mode, do not always have a clear understanding of private sector culture. Without the experience of actually running a business, one cannot develop a real internal understanding of how the hopes and anxieties of the business person govern business behavior. The phrase "cash flow," for example, does not

Table 2.1
Needs and Concerns of the Firm

1. Land
2. Labor
3. Capital
4. Energy
5. Finance
6. Management
7. Taxes
8. Research
9. Quality of life

take on true meaning for those who have not been "baptized" with the emotions of many sleepless nights.

To compensate for this lack of "gut-level" understanding, economic development planners must attempt to orient their thinking to the needs of the firm. In this way they can relate to the businessperson's perspective and can better understand how their community does or does not satisfy those needs. This helps the planner to understand both how to attract new businesses to the community and how to promote those that already exist. The information can also be used in community promotional information.

Table 2.1 provides a list of the general categories of the needs of the firm, not necessarily in order of priority. The meaning of each of the items is described thereafter, along with important information the economic development planner should keep on file, ready to communicate to the business community. Sources of this information are listed in Table 2.2 at the end of this section.

Land

Land means more than a piece of real estate. It means usable, accessible space to develop new facilities. A major attraction to a firm looking for a new location is the existence of land that can be built upon quickly. This means infrastructure completed, ready for use, and adequate for future growth. Water, sewer, storm drainage, pavement, curbs, and gutters should all be in place. The land should be accessible

to transportation systems; it should be flat for industrial development, and have good soils for development. The prospective business should not have to deal with any legal delays before construction. Zoning should be taken care of and property liens discharged. Outstanding land contracts, second mortgages, deed restrictions, and so on should be disposed of.

Moreover, there should be a choice of such parcels because one single location cannot fit the needs of a variety of business types.

A fundamental data element is, therefore, a list of available parcels of property indicating ownership, possible use, and status with respect to all of the issues mentioned above, maintained in the form of a land availability data bank. Some of this information already exists in the tax assessor's office and in planning reports, but not all of it is in the detail required. The local economic development professional may need to assemble this information from a variety of sources as described in Table 2.2.

Land availability also carries importance for existing businesses. One of a local community's most important resources is the successful local business. They are a rare find, but highly successful businesses inevitably have expansion problems. Often the local community does not even hear about their expansion problem, and the business does not realize the community can help. The business is landlocked, looks around, does not see adequate expansion or relocation alternatives, and moves on. Later, the local city government hears that a former local fledgling business is now booming somewhere else. In one midwestern community, for example, a tool and die company located in a small unimpressive building left town. It was not until late in the process that the local government learned that the tool and die operation used laser technology, had substantial federal contracts, was nearly debt free, and was leaving town because it could not find expansion space.

When expansion can be handled by adding onto existing facilities, keeping lines of communication open is still important. As an information broker, the economic developer might be able to assist in real estate trades and zoning changes. Expansion of one firm might be connected with the relocation of another. If relocation is necessary, the land availability data bank will serve existing business as well as prospective ones.

A truly proactive economic developer will monitor businesses in his or her community so as to remain up to date on their needs for land.



Recently, a large amount of development has been constructed at the I-82 Howe Rd. interchange. These projects create several opportunities and potential problems for economic expansion in Dansville. Because this development attracts people from other major metropolitan areas, and because it induces I-82 traffic to exit at Howe, this new development may generate increased visitor traffic for downtown Dansville and augment its visibility. Although the new construction on Howe feeds off Dansville visitor traffic, it also draws a distinct clientele from which Dansville might benefit.

Congestion around this interchange could reduce accessibility to Dansville, frustrating the achievement of one of the important objectives of the economic development plan. It may discourage Dansville traffic, and stores around the interchanges may compete with shops in central Dansville.

To attempt to maximize the benefits of the new development while minimizing problems, the Dansville visitor center should be established near the interchange.

A visitor center attracts the attention of visitors, reminds people that Dansville is close, and conveys the appropriate image of Dansville. One of the community's needs, according to the statement of measurable objectives, is for Dansville to expand its image to include a greater emphasis on industrial development. A second need is to expand markets for the products of the community. The center can be used to communicate the Dansville community's interest in and capacity for a much broader array of economic activities. Through appropriate displays and information, the visitor could learn about the goods and services that are produced in Dansville, the market for those products, related economic activities that would be encouraged to locate there, the incentive programs and services available to prospective businesses, and the importance of Dansville to the economy of the region.

Finance

The next point to cover for each action is the finances involved. This includes: (1) the cost of carrying out the action; (2) who has to pay the cost; (3) what sources of financing are available; and (4) what revenues might be generated by the action. As an example:

Construction costs are estimated to be \$100 per square foot. Installation and interior decoration would cost approximately \$40,000. Annual maintenance is estimated at \$20 per square foot. While land is free, the opportunity cost is significant since the lot has a prime location. Construction and operation are to be paid by the city, with a small grant from the Chamber of Commerce covering 10 percent of the cost and a grant from the Enfield Foundation for \$10,000. Some revenues may be generated by selling advertising space to businesses, but this is expected to be minimal.

Secondary Impacts

This section should be a brief discussion of the ramifications of carrying out the action. It may contain a variety of both positive and negative unintended effects. Including this section in the action plan indicates that the multitude of impacts of any action have been considered and are understood to the extent possible.

ECONOMIC DEVELOPMENT STRATEGIES

This section contains a description of some economic development programs or actions that communities have found successful. The programs presented are not just mechanisms for attracting industries or providing jobs, but represent imaginative approaches to satisfying the needs of existing as well as prospective firms. The bias is toward development from within, and the economic goals to be achieved are broad. Each program section describes the program, its purpose, how it works, its advantages for business and to the community, which communities currently use the program, and what it takes to be successful.

Business Incubation Program

What Is It?

A business incubation program is a tool for encouraging the formation, survival, and growth of new enterprises. Such a program typically takes one of three forms: (1) a residential incubator, which is a building or set of buildings that has been subdivided for rental to a number of small fledgling businesses and offers flexible work spaces and low-cost