

The International Economic Development Council's
Economic Development Reference Guide



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

*The Power of
Knowledge and Leadership*

Economic Development Reference Guide

Acknowledgements

Verizon

[Verizon](#)'s mission is to open doors for economic development and to build relationships and partnerships that help create and retain jobs in Verizon communities. New jobs are the lifeblood of any thriving region and can ensure economic health and prosperity for years to come. Job creation or retention in a community produces a ripple effect that can have a profound impact on every aspect of community life, and Verizon's leadership in economic development focuses primarily on these areas. Verizon helps communities with business attraction, supports programs for workforce development to ensure well-trained personnel, and promotes small business development and new business startups.

Launched in 2000, the [Verizon Foundation](#) serves the nonprofit community on behalf of Verizon Communications. The Verizon Foundation will invests in support of the communities it serves from Hawaii to Maine, making it one of the top 10 largest corporate foundations in the United States.

The following individuals and IEDC staff contributed to the preparation and publication of this report:

- Project Management: Courtney Anderson and Shari Garmise
- Lead Researcher: David Holman
- Online Publication Assistance: Jason Christian, Director of Web Development, and Uli Luckert
- Copy Editors: Katie Burns, Editor, and Corey Taylor
- Additional Researchers: Phillipe Accilien and Sherry-Lee Abrahams

» Back to [Table of Contents](#)

Economic Development Reference Guide

What is Economic Development?

No single definition incorporates all of the different strands of economic development. Typically economic development can be described in terms of objectives. These are most commonly described as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community. In the broadest sense, economic development encompasses three major areas:

- Policies that government undertakes to meet broad economic objectives including inflation control, high employment, and sustainable growth.
- Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged.
- Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community, therefore, will have a unique set of challenges for economic development.

» Back to [Table of Contents](#)

Economic Development Reference Guide

Business Retention and Expansion

Healthy communities have strong, healthy businesses. As competition among communities for increasingly footloose businesses heats up, business retention programs have become the most popular economic development efforts of communities nation-wide. While retention programs emerged in response to business defections and the negative impacts those defections have on the local economy, they have increased in importance as communities recognized that real job growth over time comes from local business expansion. Surveys of U.S. economic development organizations rank it as the number one economic development activity.

Business retention programs assist small businesses to prevent their relocation and to help them survive in difficult times. Retention programs typically involve partnerships among public and private organizations that assess the assets and opportunities of individual companies through periodic surveys, interviews, and visitations. The purpose is to establish relationships between community businesses and economic developers to strengthen existing companies, establish early warning systems to flag at-risk businesses that require assistance, and ensure that public programs meet local business needs. Business retention initiatives usually include a mechanism for linking expanding businesses with public programs designed to mitigate growing pains and regulatory issues.

Trends in Business Retention and Expansion

BRE is the one of the main priorities of state and local development professionals. Local businesses have strong community ties, reducing the risk of leaving and BRE programs are often less expensive than business attraction, yielding more jobs on average.

- Low-interest loans, available to businesses purchasing land, refurbishing buildings, and new equipment.
- Bond programs are created to help lower the cost of borrowing for a business; the interest on a bond is much lower than on traditional bank loans.
- Increased use of zoning to encourage and discourage desirable and undesirable business expansion and retention
- Low-cost training provided for the workforce of businesses and industries, allowing them to remain competitive, this is usually provided locally through a variety of counties or state programs.
- [Tax credits](#) for businesses encouraging business retention and expansion.

- [Business cluster](#) group strategies are increasingly used to assist BRE. Sharing concerns such as infrastructure, zoning and quality of life enables a more powerful voice to be heard, influencing business climate improvement.
- One-stop permitting centers enable businesses to begin or expand operations quickly.
- Ensuring business finance availability is an important part of BRE. Many cities now work on identifying and promoting financial incentives often through one stop services linking companies to services in the key areas of:
 - Finance
 - Incentives
 - Taxes
 - Real estate
 - Workforce issues
 - Regulations
 - Technology
- A recent trend in BRE has been further expansion of Planned Manufacturing Districts (PMDs) which create tiered zoning reserving the core of an area for manufacturing and creates a buffer area for commercial use, separating residential properties from the heavy manufacturing area. This allows for heavy industry and upscale residential property to coexist, reducing sprawl.

Benchmarking and Evaluating Business Retention and Expansion Programs

Business retention programs are concerned with relationship building, so they should have an important influence on how businesses view their community and the activities of the local government.

Business retention programs may not be directly involved with service provision, but they need to know how to get a business the assistance it requires. The degree to which business retention programs are linked to other community programs such as loan funds or workforce training initiatives can have a significant impact on program effectiveness.

Quantitative Measures

- Number jobs created/retained
- Number of retained businesses
- Cost per job created/retained
- Number of businesses visited
- Number of businesses surveyed
- Number of at-risk businesses assisted
- Percent of jobs held by local residents/low income persons
- Average salary of jobs created
- Spinoff private investment

Qualitative Measures

- Business perceptions of local government
- Business perceptions of the community
- Relationship between business retention programs and city services available to businesses (e.g. workforce development initiatives)
- Involvement of assisted businesses in other community activities

Web-based Resources for Business Retention and Expansion

- [U.S. Department of Commerce](#)
- [U.S. Department of Commerce International Trade Administration](#)
- [U.S. Department of Labor](#)
- [U.S. Small Business Administration](#)
- [U.S. Small Business Administration Office of International Trade](#)
- [Business Retention & Expansion International \(BREI\)](#)

» Back to [Table fo Contents](#)

Economic Development Reference Guide

Brownfields

The United States Environmental Protection Agency defines brownfields as commercial or industrial sites that are abandoned or under-utilized and have some degree of environmental contamination, whether real or perceived. The General Accounting Office estimates that U.S. communities contain close to 450,000 brownfields sites, but some others have suggested that the number may be closer to 600,000. Historically, brownfields, which tend to be located in economically distressed neighborhoods, were not redeveloped because environmental clean-up costs were high, pertinent regulations were complex, and unclear liability dissuaded both developers and banks from investing in these projects. In the 1990s, reforms and new initiatives at the federal, state and local levels eased the process and made brownfields redevelopment and reuse a viable economic development objective.

Brownfields remediation adds new developable land to a community's inventory, uses existing infrastructure, and adds new construction, investment and jobs to the city. Communities can use brownfields redevelopment to meet a series of goals, including neighborhood revitalization, open space creation, crime reduction, blight clearance, workforce development and growth management. Brownfields, therefore, can be important catalysts for economic development.

Trends in Brownfields Redevelopment

- Brownfield redevelopment projects usually focus on industrial uses like manufacturing and processing.
- Mixed-use projects are tied to efforts to curb suburban sprawl and foster urban revitalization. Redeveloping brownfields contributes to communities plans for smart growth. A recent study found that of 240 sites, 45.4 percent were mixed-use projects, compared to 22.1 percent for industrial uses.
- A growing interest in providing open green spaces within urban areas has sparked the redevelopment of brownfields into parks and recreational areas.
- In a sample of 107 projects, IEDC research found that \$1 of public investment in brownfield redevelopment leverages an average private investment of about \$2.50. We also found that localities contribute the most public investment in brownfield redevelopment.
- More than 35 States now have voluntary cleanup programs (VCPs) under which, private parties that voluntarily agree to clean up a contaminated site are offered some protection from future State enforcement action at the site, often in the form of a "no further action" letter or "certificate of completion" from the State.
- [Partnerships](#) among states, cities and federal agencies can induce redevelopment.

- Insurance firms that issued policies before 1985 to businesses that created contaminated sites can be sued to help fund site remediation.
- The redevelopment of brownfield sites has the inherent problem that developer's may face liability issues in the future. Where local authorities deem the liability risk is too great for them, sites are handed over to private developers.
- Environmental insurance reduces investment risks attributed to environmental contamination liability.
- [Emerging web-based resources](#) assisting brownfield development.
- Marketing brownfield sites over the Internet reaches a wide audience with a wide range of sites available for redevelopment.

Benchmarking and Evaluating Brownfields Redevelopment Programs

Since communities pursue brownfields redevelopment to meet economic as well as social goals, programs should track economic benefits, which tend to be measured quantitatively, as well as important social and community benefits, which require additional and qualitative information.

Because brownfields redevelopment tends to cost more than the average redevelopment project due to remediation expenses and the likelihood that the site is located in a highly distressed neighborhood, job creation costs tend to be higher and private-sector leverage lower than in average economic development projects. Thus, brownfield project figures should only be compared to other brownfield projects.

Brownfields projects require long time frames to implement; therefore, practitioners should expect that economic benefits will increase over time. Project comparison should take the time frame into consideration.

Quantitative Measures

- Number of jobs created/retained
- Cost per job created/retained
- Private-sector leverage
- Percent of jobs to local residents/low-income persons
- Average salary of jobs created
- Spin-off private investment

Qualitative Measures

- Significance of project to community
- Stated project goals and the degree to which they have been achieved (e.g. creation of open space or crime reduction)
- Community engagement in the process
- Perceptions of the neighborhood

- Degree and character of public-private partnerships

Web-based Resources for Brownfield Redevelopment

- [Brownfield News](#)
- [The Brownfields Center at Carnegie Mellon University](#)
- [Center for Public Environmental Oversight](#)
- [Federal Reserve Bank of Atlanta](#)
- [Northeast-Midwest Institute](#)
- [Trust for Public Lands](#)
- [U.S. Conference of Mayors](#)
- [U.S. Department of Housing and Urban Development Brownfields Economic Development Initiative](#)
- [U.S. Economic Development Administration](#)
- [U.S. EPA Brownfields Program](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Business Climate

Business climate indicates how states state, regional and local policies, relationships and local communities support business development. Ultimately, a good business climate allows businesses to conduct their affairs with minimal interference while accessing quality high inputs and customers at low costs. While no business climate is perfect for every kind of company, certain attributes of the regional or local economy allow investors to find fewer risks and higher returns when compared to other places.

Key factors used in the measure of business climate include:

- Business and income tax levels
- Workforce availability
- Energy costs
- Market size
- Quality of services
- Cost of living
- Quality of life
- Environmental regulation
- Permitting, licensing, and various reporting regulations
- Real estate costs and availability
- Infrastructure
- Access to financing and capital
- Incentive

Trends in Business Climate

Businesses relocate or expand in places with business climates favorable to their industry. States and localities targeting specific sectors fine-tune their regulations, policies and other site location factors to create a business climate favorable to a specific industry or group of industries. Key trends include:

- The pervasive need for an available skilled workforce has spurred workforce development initiatives, with a particular emphasis on training in new technologies.
- De-regulation of utilities has allowed businesses to purchase lower cost energy.
- Localities now offer incentives, such as tax breaks, to businesses that are expanding locally not just those that are relocating to the area for the first time.

- Income tax is kept as low as possible because many skilled workers demand high net pay and prefer working and living where they have maximum purchasing power.
- Local governments create [one-stop centers](#) to streamline the process for obtaining business permits when beginning or expanding operations.
- Public and private sector investment initiatives in telecommunications infrastructure ensure that high speed, high bandwidth communications are available for business.
- To encourage the growth of e-commerce, the Internet Tax Freedom Act signed in 1998 imposed a three-year moratorium on new state and local taxes for online transactions and sales.
- Localities focus resources on improving arts, culture and other the quality of life factors to attract and retain skilled workers that businesses seek.
- Development of affordable housing attracts and retain key workers who may other wise be priced out of the local housing market in a growing economy.

» Back to [Table of Contents](#)

Economic Development Reference Guide

Clusters

Clusters are geographic concentrations of interdependent, complementary and/or competing businesses in related industries that trade with each other. Clusters develop and change over time, stemming from the long-term economic history, companies and demand for products, and services locally.

Clusters act as a powerful magnet for business location and create diverse pools of skilled workers. They also attract new suppliers that congregate nearby for increased efficiency. Clusters thrive on a steady stream of skilled workers, finance, infrastructure and a good [business climate](#). Spin-off businesses started up by experienced workers also foster a competitive spirit that stimulates growth and innovative strategic alliances. Built around core export orientated firms, industry clusters generate new wealth in a region. Silicon Valley is an example of highly developed cluster-based economy.

Key Trends in Clusters

- To prevent talent poaching, regions are using business clusters to identify shared skill needs to prepare joint workforce development and training programs.
- Economic developers identify the workforce needs of local clusters and encourage universities, colleges and schools to provide relevant skills training corresponding to the needs of local clusters.
- Communities are targeting clusters that provide well-paid jobs and promise high growth including:
 - Bio-tech
 - Pharmaceutical
 - Optics
 - Information Technology
 - Nanotechnology
 - Electronics
 - Defense
 - Aerospace
- Resource-based and manufacturing clusters like wood, plastics, brewing, and auto industries strongly influencing regional economies.
- Seed funds used to assist cluster development, leverage private investment, and improvements made to access risk and venture capital.
- Clusters working together to attract federal research and development funding.

- Regional and local organizations facilitate the formation of industry associations, networks and support centers addressing common needs to help businesses implement new technologies and business practices.
- Identifying and removing barriers to the commercialization of university-developed technology and encouraging access to federal laboratories.
- Cluster analysis is used to help identify missing or weak links, making these businesses targets of [business recruitment programs](#).
- Cluster databases are increasingly combined with Geographical Information Systems (GIS), creating many applications for land use planning and city plans.

Web-based Resources for Clusters, including State Cluster Resources

- [City of Phoenix Cluster Project](#)
- [Connecticut Industry Clusters](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Downtown Development

Downtown development is the promotion of development, redevelopment, and revitalization of the central business districts and adjacent areas in a city. Commercial and residential growth in the suburbs has contributed to the decline of downtown. Downtowns traditionally are the centers of both business and culture. Developing downtowns, therefore, involves a range of activities, including marketing for both business and tourist attraction, building or improving infrastructure, clean-up initiatives, property redevelopment and reuse, and retention programs. The purpose of these initiatives is to create an attractive environment to increase the number and variety of businesses downtown and bring in shoppers and tourists.

Since downtown development encompasses multiple activities designed to meet complimentary goals, it requires partnerships among local government, chambers of commerce, and public-private partnerships - such as business improvement districts and convention or tourist bureaus - in order to succeed.

Trends in Downtown Development

- Safety and crime prevention encourage downtown visits. Strategies that are used include:
 - Security surveillance equipment
 - Public advice on using public transportation safely
 - Environmental design that deters crime, such as improving street lighting
 - Positioning of 911 boxes in the streets and other areas
 - Security guards
 - Ambassadors, which give people important information, such as directions
- Arts districts - with their galleries, cinemas, opera houses, artist housing, and theaters - are emerging as an important revitalization tool and are continuing to grow in popularity in downtowns of all sizes.
- Mixed-use downtown developments that include retail, residential, and entertainment, create downtowns that are busy around the clock all week long.
- Retailers are showing a renewed interest in central business districts (CBDs), due to the potential size of untapped markets.
- Large scale projects are developed to stimulate lagging areas. For example the new [convention center](#) in Washington, DC is expected to generate \$14 million in economic stimulus each year.
- Waterfront development utilizes neglected or under-utilized downtown waterfronts to provide recreation, business, commercial, and residential areas. Baltimore's once desolate Inner Harbor has been developed into a thriving commercial and tourist area.

- The redevelopment and preservation of railroad stations to attract business near the stations and help to revive surrounding downtown areas.
- Some communities are moving away from developing large projects such as sports stadiums (attracting people only on game days) towards smaller-scale projects.
- Communities develop open space to create improve the quality of life in urban cores.
- Hotel construction in downtown areas meets the growing demand for accommodation from people on business, and also acts as a spur encouraging tourists.
- Integrating transportation and land use in downtown areas produces a more efficient transportation system whilst reducing congestion and pollution:
 - Creating and extending cycle routes
 - Developing more integrated mass transit systems
 - Building pedestrian friendly streetscapes
- Market research has become a key component of downtown developments. Understanding local markets helps to decide which potential projects will meet local demand and receive support.
- Information technology businesses are moving into downtown offices with large open plans to nurture team work and collaboration.
- Downtowns have also developed fiber optic infrastructures to support IT businesses. Maps of fiber optic cable help businesses locate near to fiber cable in downtown areas.
- Funding for downtown projects has become more widely available and easier to obtain, due to public, media and government interest shown in CBDs.

Benchmarking and Evaluating Downtown Development Programs

Downtowns need to be diverse, dynamic, and livable spaces. To evaluate a downtown development initiative means taking all these components into consideration. Downtown redevelopment includes both physical and perceptual changes.

Since downtown development requires many partners and affects many people, neighborhoods, and businesses, evaluators need to look at who is involved and the nature of their relationships, as well as what gets done.

Many cities and towns have established downtown development strategic plans. Since each community has its distinct vision for its downtown, requiring different packages of programs and investments, it will be hard to make direct comparisons between community efforts. Evaluation of such a complex undertaking, therefore, should focus on the degree to which communities have achieved their goals.

Quantitative Measures

- Number of jobs created/retained
- Number of housing units developed
- Cost per job created/retained
- Vacancy rates for retail and office space

- Absorption rates for retail and office space
- Quality of available space (ratio of A, B and C office buildings)
- Crime rates
- Number of positive press hits on downtown activities, improvements
- Tourism rates (number of hotel nights, conference attendance)
- Culture (attendance at performances, museums, special events)
- Private-sector leverage
- Percent of jobs held by local residents/low income persons
- Average salary of jobs created
- Spinoff private investment

Qualitative Measures

- Number of actors involved in the downtown development strategy and the quality of their relationships
- Types and degrees of public-private interaction
- Stated project goals and the degree to which they have been achieved (e.g. crime reduction, increased retail sales or tourism development)
- Community engagement in the process
- Perceptions of downtown (cleanliness, accessibility, safety)

Web-based Resources for Downtown Development

- [The Downtown Research & Development Center](#)
- [The International Downtown Association](#)
- [National League of Cities](#)
- [National Main Street Center](#)
- [National Urban League](#)
- [Urban Land Institute](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

E-commerce

E-commerce allows commercial business transactions with the assistance of electronic-based tools. Today the majority of e-commerce takes place over the Internet, however it also includes fax and telephone transactions.

E-commerce consists of four main markets:

- Business to Business (B2B), one business selling a good or service to another business.
- Business to Consumer (B2C), business selling a good or service to an individual consumer.
- Business to Government/Government to Business/Government to Consumers (B2G/G2B/G2C):
 - B2G: Sale of a good or service to a branch of the government
 - G2B: Sale of a good or service to a business e.g. Building permits
 - G2C: Sale of a good or service to consumers e.g. driving licenses.
- Consumer to Consumer (C2C), on-line auctions and classified ads allow consumers to sell goods and services directly to each other.

The development of the Internet has been the main force behind the growth in e-commerce, enabling transactions to be completed quickly, reliably, and securely.

Trends in E-commerce

- E-commerce firms prefer downtown locations, which offer face-to-face collaboration for the creation of new ideas and problem solving with other firms. Downtowns can offer:
 - Large open plan offices
 - Vibrant urban scenes attractive to young technology workers
 - Coincidental meetings on the street with others in the same line of work
 - Alternative meeting places.
- Cities promote themselves as e-commerce centers to draw other e-commerce businesses to the area.
- Online retail has grown in the U.S. particularly for computer equipment, fresh flowers, event tickets, books, travel, and auctions.
- Growing online professional service areas include stock brokering, real estate, banking, and medical.
- Utility competition lowers the cost of access to the Internet, while improving speed and capacity.

- Growth in e-commerce creates residual demand for:
 - Web site hosting services and Internet service providers (ISPs)
 - E-commerce consulting firms.
 - High demand for skilled graphics and Web designers, leading businesses to locate near or recruit from art schools to take tap into their talent pools.
- Manufacturers use e-commerce to:
 - Speed up transactions in the supply chain (particularly for just-time delivery)
 - Increase global and local market share
 - Establish new supplier networks.
- E-government at the state and local level offers services like permitting and vehicle registration.
- Venture capital for e-commerce businesses has declined and unprofitable startups are being steered toward more traditional business models or being closed down altogether.
- E-businesses locate near universities and in areas with high qualities of life to attract and retain programmers and other IT professionals.
- E-commerce incubators stress sound business advice and mentoring as essential for start-up survival.
- In the future, mobile commerce, or m-commerce, will enables people to buy online from almost anywhere.

Web-based Resources for E-commerce

- [Advisory Commission on Electronic Commerce](#)
- [E-Commerce Guide Book](#)
- [Internet Industry Association \(USIIA\)](#)
- [Internet Corporation for Assigned Names and Numbers \(ICANN\)](#)
- [Network Solutions](#)
- [Verizon](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Entrepreneurship

Entrepreneurship is the process of creating a business idea and turning it into a real business. Entrepreneurs create new goods and services based on new technologies or demands. They are extremely motivated and focused, typically spending long, unpaid hours working on their ideas in attempts to turn them into profitable businesses. Entrepreneurs are the engines of the economy in every generation, so many economic development efforts support their needs in the hope of creating new employment prospects.

Entrepreneurship development programs provide potential entrepreneurs with the capital, training, and technical assistance they need to start-up and grow their business. Incubators are one of the many initiatives used for entrepreneurship development, but programs also include technical assistance, financing, legislation, marketing, accounting, and networking.

Trends in Entrepreneurship

- Entrepreneurs create approximately 600,000 - 800,000 new businesses each year.
- Skilled individuals leave large businesses to become entrepreneurs because they see:
 - New and emerging market opportunities
 - Greater career progression/use of skills
 - Independence
- Graduates and university students in IT-related fields are becoming entrepreneurs in IT, e-commerce, and electronic engineering businesses.
- Entrepreneurs need training and technical assistance; technology incubators empower entrepreneurs by giving them access to equipment, funding, and mentoring.
- Entrepreneur training programs through local colleges give entrepreneurs skills and business acumen to develop ideas into real businesses. Programs cover issues such as financing, legislation, marketing, and accounting practices.
- Programs aimed at developing [women and minority entrepreneurs](#), often offer technical assistance, access to capital, administrative services, information, networking, and incubators.
- Angel venture capitalists target [university alumni and students](#) for their connections to cutting edge technologies, research and development.
- States are trying to mobilize networks of angel investors who meet regularly and listen to presentations from local companies seeking investments.
- Growth in the entrepreneur population has been fueled by investments of personal savings and lower risk among those with few or no children.

Benchmarking and Evaluating Entrepreneurship Programs

Programs established to support entrepreneurship also need to weed out individuals who would not be good entrepreneurs. Thus, training programs may have as many drop-outs (those who decide not to become entrepreneurs) as those who go out and actually start a business. In the case of this particular type of economic development initiative, drop-out rates may indicate a successful program.

Quantitative Measures

- Number of new business startups
- Numbers of entrepreneurs assisted
- Business failure rates (or ratio of start-ups to failures)
- Number of jobs created
- Cost per job created
- Percentage of women and minorities assisted
- Number of local residents hired

Qualitative Measures

- Diversification of businesses (e.g. new industries, new services)
- Program graduates understanding the costs and opportunities of an entrepreneurial endeavor
- Ability to create a supportive environment for entrepreneurs (courses, networks, mentors)
- Stated project goals and the degree to which they have been achieved (e.g. promotion of female entrepreneurs)

Incubators provide entrepreneurs with affordable space, and on site available technical assistance and management support. Incubators strive to accelerate the successful development of new ventures through low start-up costs. Incubators provide An incubator may serve a specific objectives such as technology development or neighborhood revitalization. Incubators should be evaluated by the degree to which they meet their unique objectives.

Additional Quantitative Measures

- Incubator occupancy rate
- Incubator graduation rate
- Average time spent in the incubator prior to graduation
- Ratio of failures to total tenant occupancy over the life of the incubator
- Percentage of firms obtaining finance

Additional Qualitative Measures

- Tenant training (exposure of tenants to the business world including courses, seminars, luncheons, access to accounting, financing and legal services)

Web-based Resources for Entrepreneurship

- [American Entrepreneurs for Economic Growth](#)
- [Ewing Marion Kaufman Foundation](#)
- [Grameen Foundation](#)
- [MIT Entrepreneurs Club](#)
- [National Association of Seed and Venture Funds](#)
- [Silicon Valley Association of Software Engineers](#)
- [U.S. Department of Commerce](#)
- [U.S. Small Business Administration](#)
- [U.S. Small Business Administration Loan Programs](#)
- [National Business Incubation Association \(NBIA\)](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Empowerment Zones/Enterprise Communities

Distressed urban and rural communities face problems of high unemployment, crumbling infrastructure, minimal access to capital, and psychological despair. To help with these problems, communities can apply to become designated one of HUD's Empowerment Zone/Enterprise Community Initiative's (EZ/EC). The initiative recognizes that local communities, working together, can best identify and develop local solutions to the problems they face.

EZ/EC's use federal seed money to create partnerships leveraging public and private investment to fund revitalization strategies aiming to generate jobs; provide business assistance and services; train and educate youth and families; improve access to childcare, healthcare and transportation; and increase residents' safety and involvement in their neighborhoods.

The main tools a community receives through designation as an EZ/EC are:

- Tax incentives
- Technical assistance and support
- Performance-oriented, flexible federal grant funding

Trends in Empowerment Zones and Enterprise Communities

Since their creation in 1994, EZ/ECs have used their federal seed money to create partnerships leveraging more than \$12 billion in public and private investment. There are currently [21 urban Empowerment Zones and 95 Enterprise Communities](#).

- A comprehensive menu of community development projects include:
 - Organizational and institutional capacity building
 - Workforce development
 - Business assistance
 - Capital access
 - Housing
 - Public safety
 - Infrastructure
 - Environment
 - Health services
 - Leveraging the development of neighborhood shopping centers
 - Creation of local, private-sector jobs
 - Construction of new affordable housing on vacant sites or abandoned property

- Walk-in job centers located in the heart of communities provide residents with job vacancy information and job matching between welfare recipients and local employers.
- Recruitment of businesses needing available workers and incentives, such as wage credits and tax-exempt bonds.
- One-stop capital shops in urban EZ/ECs assist entrepreneurs and small business owners
- EZ business empowerment centers assist small and minority-owned businesses needing access to capital, land, skilled workforce, and professional development workshops.
- Establishment of industrial incubators helping community based start-up businesses.

Web Resources for Empowerment Zones/Enterprise Communities

- [HUD Urban EZ/EC Initiative Home page](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Economic Development Finance

Financial capital is a necessary input into economic development. Economic development finance meets the capital needs of businesses that are not addressed by traditional lending and investment institutions. Financial capital can translate a good business or development idea into products, services, and places that create and retain jobs and wealth in a community. In addition, financial capital helps existing businesses expand and stay competitive. Economic development finance programs meet the following economic development objectives:

- Job creation and retention
- Business creation, retention, and expansion
- Support for distressed communities and those in the process of economic adjustment
- Economic diversification and stability
- Support for disadvantaged and underserved businesses

Business development finance programs provide financial assistance for small business creation and expansion. These programs usually target small businesses – both at the start-up and expansion phases – that face strong limitations in their ability to raise debt and equity financing, including:

- Small capital requirements
- Difficulties meeting their short-term debt obligations
- Limited collateral
- High debt-to-equity ratios
- Exposure to higher risks
- Lack of expertise in raising capital, management experience, and financial planning.
- [Venture Capital](#)

[Real estate development](#) finance fills gaps in the commercial market for real estate development projects such as the construction of a parking garage or redevelopment of a key historic property. Though these projects may contribute over the long-term to the revitalization and development of at-risk communities and commercial areas, private financiers may consider them too risky to support alone.

Trends in Economic Development Finance

- Tax Increment Financing (TIF) captures the future tax benefits of real estate improvements to pay the present cost of those improvements. Economic development activities that are funded by TIF include:
 - Infrastructure improvements

- Acquiring land
- Clearing and preparing land for redevelopment
- Job training and educational programs
- Insurance companies and pension funds provide long-term financing to businesses. There direct loans are exempt from registration with the Securities and Exchange Commission (SEC) as private placements.
- State and local tax credits encourage investment in specific kinds of businesses, locations or project types which states and localities target for development.
- [Empowerment zones and enterprise communities initiatives](#) offer community tax incentives.
- Mergers and acquisitions of finance institutions have reduced the availability of smaller commercial loans which cost more to administer and earn less interest than large loans.
- Decreased private sector financing has instigated the growth in public sector financing options.
- Some public sector economic development finance programs choose to weigh social return to the community in addition to financial return as a goal of investment.
- Private sector investors are pulling together to tap into underserved markets for new investment opportunities<

Benchmarking and Evaluating Economic Development Finance Programs

Business finance results vary for different types of financial projects and lending institutions. For example, community development corporations' finance programs often have higher costs than other business finance organizations because they serve lower income populations. As a result, standard economic development criteria, such as cost per job created, have proven to be higher. When evaluating programs, economic impact differences must be kept in mind.

Quantitative Measures

- Private sector leverage
- Numbers of businesses assisted
- Loan/business failure rates (or ratio of start-ups to failures)
- Number of jobs created/retained
- Cost per job created/retained
- Percentage of women and minorities assisted
- Number of local residents/low and moderate income individuals hired

Qualitative Measures

- Diversification of businesses (e.g. new industries, new services)
- Stated project goals and the degree to which they have been achieved (e.g. promotion of female entrepreneurs)
- Perception that financial assistance prevented layoffs or business failures
- Perceived impact on the community

Micro-enterprise finance is a specific kind of business finance program. Because micro-enterprise finance assists individuals with little or no credit rating, and often with insufficient business experience, effective programs tend to couple finance with various types of technical assistance efforts (business plan development, accountancy, marketing plans). Also, small loans can have high administrative costs, which is why banks do not provide micro-finance. Consequently, costs and failure rates may tend to be higher than in larger, less targeted business finance initiatives. Micro-finance should not be compared with any other type of business finance.

Micro-finance is predominately about [entrepreneurship](#) development and new, [small business](#) formation. These programs, therefore, tend to create fewer jobs than other business finance initiatives. Job creation figures should only be a minor consideration in the evaluation of these programs.

Additional Quantitative Measures

- Number of new business start-ups
- Numbers of entrepreneurs assisted

Additional Qualitative Measures

- Improvement of business management structures
- Program graduates understanding the costs and opportunities in an entrepreneurial endeavor
- Ability to create a supportive environment for entrepreneurs (courses, networks, mentors)

Revolving Loan Funds(RLFs) are a specific form of business finance program. Similar to general business finance programs, results vary for different types of financial projects and lending institutions. For example, loans to target populations and smaller borrowers tend to create jobs at higher costs than loans to the more general business population and larger businesses. When evaluating programs, these economic impact differences must be kept in mind.

Additional Quantitative Measures

- Private sector leverage
- Numbers of loans made

Additional Qualitative Measures

- Perception that financial assistance prevented lay-offs or business failures
- Perceived impact on the community

Web-based Resources For Economic Development Finance

- [Economic Development and Financing Corporation](#)
- [Community Reinvestment Fund, Inc.](#)
- [Review of Best Practices for Tax-Increment Financing in the United States](#)
- [National Association of Independent Public Finance Advisors](#)
- [National Association of Seed and Venture Funds](#)
- [National Development Council](#)
- [National Association of Development Companies](#)
- [U.S. Department of Agriculture Rural Development Agency](#)
- [U.S. Small Business Administration](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Incentives

Globalization has led to competition between nations, regions, and communities to [attract](#) and [retain](#) businesses that are moving or expanding.

Incentives are tools used to influence business decisions about where new investment will take place. Economic development incentives can be either financial or non-financial, such as tax exemptions and credits or workforce training and public infrastructure improvements. The kind of incentives offered depends both on the community and the business with which it is bargaining. Before offering an incentive, an economic development practitioner should analyze the cost and benefits of providing the incentives in terms of both dollars and social returns.

The role of incentives in economic development has and continues to be controversial. When businesses choose between two or more sites/communities, they weigh several factors of the [business climate](#) important to their industry. Incentives are often part of this equation, but rarely play a decisive role until the last few sites are being compared. Competing communities may choose to bargain with the business and even to out-bid one another. While this practice has resulted in some abuse of public dollars, many communities now use clawbacks, rescissions, and performance-based incentives in order to assure the public that their investment will be returned in terms of jobs and wages.

Trends in Incentives

- The variety of incentives continues to grow as more state and local governments create and customize incentives to be comparable or competitive with each other.
- Incentives used to lure high-tech businesses include tax abatements of IT gross business receipts and stock options.
- Performance-based incentives require businesses to deliver promised jobs and payroll to the public.
- Business auditors analyze whether or not businesses can deliver promised returns on incentives offered.
- Recipients of economic development incentives often have to guarantee job quality standards ranging from wage and health insurance to full-time hours rules.
- Tax Increment Financing (TIF) is used by forty-nine states for site-specific economic development. Arizona does not allow TIF laws.
- [State incentives](#) are increasingly used for venture, research and associated facilities.
- Many economic development organizations use workforce and infrastructure development incentives more than tax-based incentives for economic development.

Web-based Resources for Incentives

- [The Economic War Among the States](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Infrastructure

Infrastructure encompasses existing transportation, communication and utility networks. Rebuilding the physical infrastructure of a community improves the local business climate and is critical to the redevelopment of distressed neighborhoods. Infrastructure gets people to their jobs and goods and services to their markets. Many distressed neighborhoods suffer from inadequate infrastructure, decreasing their access to economic opportunities and their ability to integrate into wider city, national, and international markets. Programs to build roads, provide water and waste removal, and offer telecommunications services all bestow substantial economic benefits such as job and business creation and retention to a community. Additionally, modernizing physical infrastructure can help improve the image of a distressed neighborhood.

Transportation infrastructure includes:

- Roads
- Light transit rail networks, inter city, state passenger railways
- Airports
- Waterways and ports
- Bus services

Communication infrastructure includes:

- Copper wire for telecommunications, installed by telecommunications companies
- High bandwidth and fiber optic cable capable of carrying voice, data and video streams
- Satellite communications and microwave antenna
- Mobile phone networks
- Local area networks (LAN)

Utility infrastructure includes:

- Electric power
- Water and sewage treatment
- Natural gas lines

Trends in Infrastructure

The need for fast, reliable, and cost-effective transportation and communications is driven by businesses operating in competitive global markets. Many manufacturers operate a "just in time"

supply and delivery process, which requires a highly efficient transportation infrastructure. Thus, community, regional, and national infrastructures are under pressure to improve road, rail, air, and even waterway transportation. Telecommunications companies and utilities, such as water and electricity, are also upgrading their services to cope with growth in demand.

- High-tech companies seek reliable communications service around the clock; breakdowns result in trade losses and stall information flow among businesses.
- Old warehouses and empty office buildings near fiber optic lines are becoming carrier or teleco hotels to house transmission equipment for telecom businesses.
- Structures that had been leasing for \$2.50 to \$5 per square foot may command \$10 to \$12 per square foot and more.
- Telecommunications firms are increasingly co-locating, sharing the fiber optic infrastructure, and reducing costs.
- [Competitive Local Exchange Carriers](#) (CLEC's) are increasingly the main tenants of these buildings. CLEC's provide networks to businesses, bypassing local telephone companies, linking branch offices, connecting to long distance services and fiber-optic cable.
- Electricity suppliers are being asked to supply as much as 100 Watts of electrical power per square foot, creating new demand.
- Infrastructure network maps assist businesses needing to locate main transportation routes, fiber optic cable lines, and electricity grids.
- The U.S. Maritime Administration's Marine Transportation System (MTS), consists of waterways, ports, and intermodal connections which allow various modes of transportation to move people and goods to, from, and on the water. MTS aims to be the world's most technologically advanced, safe, secure, efficient, effective, globally competitive, and environmentally responsible system for moving people and goods.
- Increasing demand for air travel exerts pressure on airports to remain efficient, free of congestion, and safe.
- Increased trade across U.S. Border regions (as a result of NAFTA) has created demand for new international infrastructure projects with Mexico and Canada.
- Some communities use tax increment financing for infrastructure improvements, such as road repairs, utility upgrades and raising low-level clearance viaducts.

Benchmarking and Evaluating Infrastructure Programs

While infrastructure installation does help create jobs and stimulate new business development, a community will not feel its full impact in these areas for six to 10 years. Economic impacts of infrastructure improvement should only be critically evaluated after an appropriate period of time has elapsed.

Infrastructure installation may have negative impacts on the community initially (roads torn up, loss of parking spaces, noise pollution from workers), before benefits are felt. The degree to which public agencies involve the community in these efforts will influence how smoothly the project proceeds.

Infrastructure improvements must aim to not only provide access to certain services, such as energy and telecommunications, but also to provide these services affordably to the general public.

Quantitative Measures

- Jobs created/retained
- Amount of investment generated
- New businesses created

Qualitative Measures

- Community involvement and support
- Conditions of roads, transportation services
- Stated project goals and the degree to which they have been achieved
- Improved physical access to the community
- Access to information technologies at reasonable prices
- Access to energy sources at reasonable prices
- Perceptions of the community

Web-based Resource Links for Infrastructure

- [Bureau of Transportation Statistics](#)
- [Federal Rail Road Administration](#)
- [Federal Transit Administration](#)
- [Metropolitan Atlanta Rapid Transit Authority](#) (MARTA)
- [U.S. Department of Transportation](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Economic Development Marketing

Communities market to achieve multiple economic development objectives including:

- Attraction, retention, and expansion of businesses
- Attraction and retention of residents and tourists
- Improvement of the community's image locally, nationally, and internationally
- Promotion of policies and programs

Communities can market the community as a whole, individual properties or sites, particular neighborhoods or specific programs or policies. From an economic development point of view, one major business relocation can revitalize an economy by creating jobs, spinning off ancillary businesses, and changing the image of the community as a business-friendly area. Alternatively, when businesses leave the area, they eliminate jobs and have negative economic consequences on other businesses in the area that had relied on their patronage. In the current environment where businesses and labor are increasingly footloose, communities spend a lot of effort marketing their community and their available sites for economic benefit.

Many organizations contribute to a community's marketing activities – state and local governments, chambers of commerce, utility companies, regional organizations, community development corporations, property developers, hospitals, universities, and hotel, convention and tourist bureaus. The degree to which these organizations coordinate their activities around a common vision is a critical determinant of marketing success.

Trends in Economic Development Marketing

- Manufacturing businesses have traditionally been the target of marketing. In recent years, however, communities have included retail, services, and technology firms.
- According to [Development Counsellors International](#) (DCI) 1999 survey of site location professionals, the role of web-based marketing increased two-fold from 1996.
- Domain names such as BestPlace2Live.com help to distinguish State and city economic development sites.
- [Geographical Information Systems](#) (GIS) provide dynamic site selection information including: available properties, demographics, core business analysis.
- Television ads promoting jobs and industry are used to recruit talented workers.
- Marketing career pathways in schools stimulates children to think about targeted careers from an early age.

- Practitioners advertise the [capabilities of the entire region](#) as well as their community. Some cities in California, outside the heart of Silicon Valley, position themselves as a high-tech area by marketing their proximity to Silicon Valley.
- Economic development practitioners target a particular industry in a country/region or all industries in a region through [cluster](#) analysis, sectoral analysis and geographic targeting.
- Marketing is used to create a [community image and identity](#) and to project a high quality of life.
- Public-private partnerships and entities increasing conduct regional marketing.
- Marketing through foreign trade missions and hosting foreign delegations bolster the local economy by improving the region's global stature and by identifying new markets.

Benchmarking and Evaluating Economic Development Marketing Programs

Communities use marketing to achieve different objectives. Some use it to attract businesses, others to retain businesses, others to drum up tourism, and still others to get local residents to shop locally. Marketing efforts should be evaluated to the degree their marketing campaign meets their economic development objectives.

Given the range of organizations involved in marketing efforts, coordination and pooling of resources to meet common goals is necessary to maximize the potential of marketing efforts. Thus, how and the degree to which coordination occurs should be considered in the evaluation.

Quantitative Measures

- Number jobs created/retained
- Cost per jobs created/retained
- Number of positive press stories on the community, local businesses, sites and/or amenities
- Tourism rates (number of hotel nights, conference attendance)
- Percent of jobs held by local residents/low income persons
- Type of jobs created (measured by average salary, or skill base)
- Spinoff private investment
- Number of business inquiries about the community
- Number of businesses relocating or retained in particular neighborhoods

Qualitative Measures

- Degree of coordination among organizations involved in marketing
- Stated project goals and the degree to which they have been achieved (e.g. attraction specific target industry or businesses creating jobs at a certain salary level)
- Community engagement in the process

Web-based Resources for Economic Development Marketing

- [Development Counsellors International](#)
- [Development Alliance](#)
- [National Association of Manufacturers \(NAM\) - Plant Site Locators](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Neighborhood Economic Development

Neighborhood revitalization seeks to improve a neighborhood's physical, economic, and social conditions to improve the overall quality of life and economic opportunities for neighborhood residents. Like downtown development, it includes a range of initiatives that target multiple - but complementary - development goals including business development, infrastructure improvements, workforce training, facade improvements, amenity development and property reuse. Critical to this process is the revitalization of commercial areas, because it creates jobs for local residents, provides goods and services to the local market - thereby keeping local dollars in the community - and improves the overall image of the neighborhood by signaling that business can succeed there.

Many organizations in the community should contribute to neighborhood revitalization. Ultimately, successful revitalization efforts will have leveraged public, private, and community resources to achieve a commonly held vision for the neighborhood, and the city more widely.

Trends in Neighborhood Economic Development

Inner city neighborhoods have been in serious decline for many years, people have moved out of the cities due to increased crime, high property prices and taxes. However increasing pressure on the suburbs and efforts to reduce urban sprawl has led to efforts being made to improve the quality of neighborhoods, encouraging people to stay in cities but also to encourage people to move back into them. Key trends include:

- Promoting minority business development is an essential part of many revitalization programs.
- Increasing emphasis on improving the quality of life within neighborhoods to encourage people to remain/move into areas, often through a focus on the development of recreational and cultural amenities.
- Crime reduction is a precursor to neighborhood economic development. The U.S. Justice Department's [Weed and Seed Initiative](#) is a multi-agency approach to law enforcement, crime prevention, and community revitalization.
- The Community Development Financial Institutions(CDFI) Fund assists in the expansion of credit availability, investment capital and financial services in distressed urban and rural communities.
- [Community Development Block Grants](#) are awarded to help fund neighborhood development initiatives.

- Community Development banks focus services on improving the economic health of neighborhoods they are located in.
- The [Social Compact](#) has produced The Neighborhood Market Drill Down, a pioneering market analysis model built on innovative sources of dependable, business-oriented data that reveals the hidden strengths of traditionally undervalued communities.
- Mixed-use land use in neighborhoods are becoming a key part of neighborhood economic development, serving as hubs for neighborhood services such as youth training, health services.
- IT training is given in many neighborhoods aiming to bridge the digital divide.
- Collaborative efforts between local governments and institutions, neighborhood residents and the private sector to provide services are on the rise.
- Faith-based neighborhood economic development is becoming increasingly commonplace.
- Development of venture capital funds for neighborhood development.
- Social venture partnerships deliver an important community service that would not otherwise be available. Many social entrepreneurs are coming together for the well being of communities.
- The Retail Initiative is a commercial real estate equity fund that brings supermarkets to low income neighborhood.
- Community Development Corporations run by professional staff and citizen boards take responsibility for improving an area or community that they live in.
- Universities are becoming increasingly involved with the economic development of the communities they are a part of through revitalization efforts.

Benchmarking and Evaluating Neighborhood Revitalization Programs

Since neighborhood revitalization seeks to improve the economic, social, and physical conditions of the neighborhood, evaluation must emphasize qualitative improvements in the image and quality of life of a neighborhood. Time is a major factor in neighborhood revitalization. It can take many years, if not decades, to turn neighborhoods around. Comparisons between different projects should always take different time frames into account, among other things.

Community participation and public-private partnership development are both conditions for - and outcomes of - neighborhood revitalization. Project evaluation should focus on the quality and depth of community involvement and the relationship between the community and the public and private sectors.

Quantitative measures

- Number of new businesses
- Number of retail and consumer businesses
- Number of vacant or underutilized sites rehabilitated or reused
- Business failure rates (or ratio of startups to failures)
- Number of jobs created

- Cost per job created
- Percentage of women and minorities assisted
- Number of local residents hired
- Private sector leverage
- Available amenities

Qualitative measures

- Diversification of businesses (e.g. new industries, new services)
- Stated project goals and the degree to which they have been achieved
- Physical appearance of local businesses, local buildings and the neighborhood in general
- Neighborhood residents and businesses satisfaction with services, shopping, amenities and the physical appearance of the neighborhood
- Range and quality of public-private partnerships to support neighborhood initiatives
- Community involvement in initiatives (local residents and local businesses)
- Changing use of the neighborhood (e.g. more people using the local park, easier access to the neighborhood)

Web-based Resources for Neighborhood Economic Development

- [Community Development Financial Institutions Fund](#)
- [Executive Office for Weed and Seed](#)
- [National Congress for Community Economic Development](#)
- [Community Development Venture Capital Alliance](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Public-Private Partnerships

Public and private organizations often come together, forming non-profit organizations with the aim of:

- Undertaking economic development efforts
- Promoting sustainable business
- Improving workforce development
- Diversifying the economic base of a region
- Improving the quality of life

Both the public and private organizations who form these non-profits contribute either financially or "in kind" support (i.e. administrative support, grant writings, etc.)

Public-Private partnerships act as a strong voice for the interests of local businesses, while also possessing immediate access to the highest levels of local government. These organizations have greater flexibility than the public sector to conduct economic development activities since they do not have to answer to such a broad constituency.

Trends in Public-Private Partnerships

The need for a broad range of skills, information, and finance in many economic development projects has led to the creation of many public-private partnerships. The form of most public-private partnerships is very similar; however, the aims of many partnerships vary.

- Small public-private partnerships are being created to focus on smaller geographic areas for better access to funding programs, reaching out to public and private stakeholders in the community, and recruiting community volunteers.
- Universities create partnerships targeting economic development in their communities.
- [Enterprise Communities/Empowerment Zones](#) bring public and private partnerships together to further their goals.
- Communities have formed public-private partnerships to build [fiber-optic telecommunications networks](#).

Web-based Resources For Public-Private Partnerships

- [Council for Public-Private Partnerships](#)
- [EZ/EC Community Based Partnerships](#)
- [Public-Private Partnerships for the Urban Environment](#)
- Select Regional Public-Private Partnerships:
 - [Greater Baltimore Alliance](#)
 - [Greater Houston Partnerhsip](#)
 - [Greater Phoenix Economic Council](#)
 - [Greater Richmond Partnership](#)
 - [Growth Council of Oxford Hills](#)
 - [Research Triangle Regional Partnerhsip](#)
 - [San Diego Regional Economic Development Corp.](#)
 - [SmartCities, Kansas City](#)
 - [Tampa Bay Partnership](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Quality of Life

Quality of Life is the economic well being, life style, and environment that an area offers. Improving the quality of life is the ultimate aim of economic development programs and initiatives. A balance has to be maintained between encouraging the growth of the local economy, while limiting impacts upon the quality of life. In this post-industrial new economy people are increasingly seeking better quality of life, including:

- Well-paid jobs
- Quality education / life-long learning
- Medical facilities
- Quality and affordable housing
- Low pollution and environmental damage
- Public amenities
- Low crime
- Recreation, entertainment, and intellectual stimuli
- Low cost of living / low taxation
- Aesthetic build and natural environment

Trends in Quality of Life

Don Carter of the Urban Design Institute of Pittsburgh reported on young knowledge-workers of the New Economy and their preferences. The report shows that quality of life is now the main consideration in selecting a place to work:

"Young worker lifestyles fit no earlier pattern in history. They are on a 24 hour/7-day-a-week schedule - long, untraditional work hours. They marry late and have fewer children. They like diversity in race, nationality, culture.

They move around among jobs and locations and they'd just as soon rent as buy. Whether it's cappuccino or a movie, they want it when they want it. Many prefer to walk, bike, or roller-blade to work than drive. They like transit and may not even own cars. They want the environment protected and they see the outdoors as an amenity. So they're looking for bike trails and kayaking and rock climbing. They've money to spend. They tend to reject the suburbs in favor of funky city neighborhoods. They're into authenticity. They like old buildings or new buildings that look like old buildings."

- Talented youth, the new key to any truly successful economy, look for high-grade natural environments and places with real urban charm: sociable and walk-able places with restaurants, cafes, bars, night clubs, health clubs, and public spaces.
- High school and university standards are a key consideration for families moving into an area. Relocating or expanding businesses also place a strong emphasis on education standards to encourage existing employees to move, attract new employees, and to take advantage of a well-educated workforce.
- Businesses migrate to areas where the quality of life matches the group of employees that they are trying to attract. Many areas are trying to attain a mix of urban and rural to help foster new economy businesses and workforce. Urban lifestyles cater for young professionals and start-up businesses. Rural/suburban lifestyles cater to a family-orientated workforce.
- Taxation is an important component of quality of life - low taxes enable people to have more disposable income.
- Professionals planning to start a family are moving from California and New York to areas such as Philadelphia, which offer lower costs of living, less pollution, open spaces, and lower crime, while offering employment in similar fields or enabling professionals to begin their own business.
- Open space is an economic necessity for metropolitan areas. Many factors influence the decision of a company or an individual to move into or out of a city, with a major consideration being the city's quality of life. Parks, trails, and aesthetics are critical variables in the quality of life equation. Improving the quality of life through the expansion and enhancement of public open space is a key initiative of many urban areas.
- Urban areas are rapidly improving their transport and technology [infrastructure](#), improving the quality of life the area offers two-fold.

Web-based Resources For Quality of Life

- [Congress for New Urbanism](#)
- [International Society for Quality of Life Research](#)
- [The Argus Foundation](#)
- [National Institute for Family Literacy](#)
- [American Library Association](#)
- [Literacy Volunteers of America](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Real Estate Redevelopment

Vacant and older buildings blemish many urban neighborhoods, contributing to blight, crime, and perceptions of the neighborhood as an undesirable place to live and do business. Vacant buildings lead to disinvestment. The Urban Land Institute estimates that the United States holds 876 million square feet surplus of industrial space, which present threats to neighborhoods if left unattended, and opportunities if reused or redeveloped.

Property redevelopment and reuse refers to the process of taking previously developed property or areas to a higher, more productive use. Redevelopment consists of demolition with new construction, or the process of improving an area through both new construction and property reuse. Property reuse is the renovation or rehabilitation of an existing building. Reuse and redevelopment projects, often located in distressed neighborhoods, are usually high-risk development projects from a private sector point of view, and require public action to leverage private activity.

As commercial and residential activity continues to move from the urban core to the suburbs, cities lose jobs and tax base, and face higher levels of blight. Redevelopment and reuse provide ways to rebuild neighborhoods economically, remove blight, and improve the quality of life.

The economic developer may act as a coordinator among developers, banks, regulatory authorities, and private businesses, which are the end-users of most redevelopment projects. Urban economic developers may become involved in real estate redevelopment to revitalize their core areas and retain firms within the city limits.

Trends in Real Estate Redevelopment

Redevelopers are looking to cities not only for existing buildings and infrastructure, but for growing markets. Many cities in the United States are littered with empty shells of buildings that once housed manufacturing firms, derelict shops, and huge empty warehouses. Many of these buildings are in or near to city centers, making the buildings ideal for redevelopment and meeting the demands of the new economy. The following are key trends:

- Buildings are being reused for mixed-use projects incorporating retail, office, and housing, or solely as office developments. The size of older industrial buildings and redundant department stores makes them difficult to redevelop. Mixed-use development can capitalize on this by including multiple components that serve different markets simultaneously.

- Old office buildings, lofts, and warehouses are being retrofitted with high bandwidth fiber optic cables and microwave antennas for IT firms and other businesses needing large open plan buildings.
- [Carrier hotels](#) for IT businesses are being developed from old warehouses in urban cores because these buildings offer high load bearing capabilities and high ceilings essential necessary to store large amounts of equipment.
- Mixed-use projects in central urban areas include more market-rate and low-income housing to meet demand for housing closer to the workplace.
- Public finance continues to play a crucial role, especially in the revitalization of distressed neighborhoods.
- Federal funding and financing for redevelopment comes primarily through HUD community development block grants, HUD section 108 loans, EDA public works grants, and various revolving loan funds.
- Real estate redevelopment is often part of [downtown](#) and [neighborhood](#) development.
- [Public-private partnerships](#) are increasingly common in redevelopment projects.
- Redevelopment projects addressing environmental concerns include features like:
 - Quality insulation to cut HVAC costs
 - Natural lighting to cut electricity costs
 - Solar-heated hot water
 - Reuse of building materials, such as bricks from demolished buildings
 - "Smart" buildings, which sense when people are (not) present and adjust heat, lighting, etc. accordingly.
- Military bases are often [redeveloped](#) for economic development purposes.

Benchmarking and Evaluating Real Estate Redevelopment Programs

Like [brownfields](#) projects, redevelopment and reuse projects are pursued to meet economic and social objectives. Evaluation, therefore, should consider both. Redevelopment and reuse projects require long time frames to implement; thus, it should be expected that economic benefits will increase over time. Studies of EDA projects showed that full jobs-creation impacts often take six to ten years to emerge. Project comparisons should take time frame into consideration.

Because property reuse and redevelopment may not create as many jobs as business finance, retention, or attraction programs, it should be evaluated using a wide range of indicators. Crucially, the main goals of property redevelopment and reuse are to remove blight, improve the quality of life, and create an environment that attracts new commercial and residential investment. Job creation is only one of several key objectives, so it should be used as one of the judging criteria, not the main criterion.

Quantitative measures

- Cost per job created/retained
- Private sector leverage
- Percent of jobs held by local residents/low income persons

- Average salary of jobs created
- Spinoff private investment
- Crime rates

Qualitative measures

- Significance of project to community
- Stated project goals and the degree to which they have been achieved (e.g. creation of open space or crime reduction)
- Community engagement in the process
- Perceptions of the neighborhood
- Degree and character of public-private partnerships

Web-based Resources for Real Estate Redevelopment

- [Black's Guide](#)
- [The National Association of Housing and Redevelopment Officials](#)
- [National Association of Industrial & Offices Properties \(NAIOP\)](#)
- [NAID, An Association of Defense Communities](#)
- [National Trust for Historic Preservation](#)
- [National Park Service](#)
- [New Leaf Green Development](#)
- [Urban Land Institute](#)
- Business Journals:
 - [American Business Law Journal](#)
 - [Wall Street Journal](#)
 - [Washington Business Journal](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Rural Economic Development

There is no single definition of rural economic development. Typically it is described in terms of its objectives: these are most commonly described as the creation of jobs and wealth, and the improvement of the quality of life in rural areas. Rural economic development can also be described as a process that influences the growth and restructuring of an economy to enhance the economic well-being of rural communities. For rural communities, the challenges are very different from those in urban areas. Small-scale, low-density settlement patterns make it more costly for rural communities and businesses to provide critical services.

Rural America is home to one-fifth of the nation's people. It is a place of natural amenities and national treasures, and safeguard of an important part of American culture, tradition, and history. Today, rural America comprises more than 2,300 counties, including 83 percent of the nation's land and 55 million people. The well-being of America's rural people and places depends upon many things including:

- The availability of good-paying jobs
- Access to critical services, such as education and health care
- Strong communities
- A healthy natural environment

Trends in Rural Economic Development

- Several recent federal programs and initiatives provide incentives for private investment in distressed rural areas. These include:
 - The Empowerment Zone/Enterprise Community (EZ/EC) program
 - Community Development Financial Institutions (CDFI) Fund
 - Community Adjustment and Investment Program (CAIP), assisting areas impacted by the North American Free Trade Agreement (NAFTA)
- [EZ/EC](#) programs include economically depressed rural areas and communities with real opportunities for growth and revitalization. The aim is to create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment and general distress. They also aim to demonstrate how distressed communities can achieve self-sufficiency through innovative and comprehensive strategic plans developed and implemented by alliances among private, public and nonprofit entities.
- Programs are helping rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other critical community facilities.

- Small Business Investment Companies (SBIC) programs target venture capital to low- and moderate-income areas. Other small business initiatives such as BusinessLinc provide new forms of technical assistance.
- Sustainable rural community development are being promoted by the U.S. Department of Agriculture (USDA).
- The Rural Utilities Service (RUS) agency for rural infrastructure assistance has helped develop electricity, water and telecommunications infrastructures in rural communities, by forging public-private partnerships with these companies. Federal assistance for telecommunications infrastructure funding is also available through the USDA's telecommunications loan program.
- Emergency agricultural assistance is available to help distressed farmers.
- Cars donated to rural nonprofits are repaired, then loaned, leased, or given to rural residents who need car access, enabling them to commute to work.
- Fuel vouchers help with the cost of driving to work for rural residents on low incomes.
- The Graham-Leach-Bliley Act of 1999 allows banks, securities firms, and insurance companies to merge, which enables rural consumers to one-stop shop for a variety of financial services.
- The USDA offers [technical assistance and information](#) to help agricultural and other cooperatives get started and improve the effectiveness of their member services.
- To help combat the problem of the rural technology gap, distance learning and universal Internet access in schools and libraries are subsidized.
- Funding for highways and rural airport improvements aim to improve rural areas' infrastructure.
- Farmers have adopted technology including the use of the latest chemicals and machinery; however, pressure is put upon farmers to use environmentally friendly farming practices, and has led to a growth in organic farms.
- The elimination of substandard housing in rural communities is being helped through programs giving assistance to rural inhabitants to buy, build or rent decent housing.

Web-based Resources for Rural Economic Development

- [United States Department of Agriculture, Rural Development](#)
- [Home of the Rural Empowerment Zone and Enterprise Community Program](#)
- [American Farmland Trust](#)
- [The National Rural Economic Developers Association](#)
- [American Planning Association](#)
- [Center for Rural Studies \(CRS\)](#)
- [Community Toolbox](#)
- [Applied Rural Telecommunications \(AeRie\)](#)
- [Appalachian Regional Planning Commission](#)

Economic Development Reference Guide

Site Selection

Site selection is the process by which firms find new locations for business facilities or expansions of their operations. Each year, more than 15,000 localities seek to attract the estimated 100-200 locations that take place. New facilities often mean new jobs, new investment, and an enhanced tax base. During location, businesses look to minimize start-up and operating costs while maintaining close proximity to their suppliers and customers.

Though most new locations are within the same region and about 60 percent are due to expansion, communities market themselves extensively to expanding firms and to independent third parties called "location professionals". These location professionals select sites based on detailed, current data about the local labor force, business climate, and available properties. This data is submitted by the community, often on short notice.

Site selection factor ratings depend on the type of facility, the company size, product and industry, and thus the kind of physical infrastructure and workforce skills that are necessary. Good data collection provides a competitive advantage to communities that are able to chart economic, industrial, and workforce trends. Rural, suburban, and urban locations offer different advantages and disadvantages for firms in a variety of growth sectors like:

- Back office locations
- Corporate head quarters
- Corporate campuses
- Industrial parks
- Biotechnology
- Retail sites
- E-commerce

Trends in Site Selection

- Marketing via the Internet is increasingly used by cities and regions to encourage firm location. Web sites offer extensive information about the community 24 hours a day, seven days a week and can be downloaded at any time from anywhere in the world.
- Each site location firm requires data be reported differently. Communities with quick, flexible data presentation capabilities have an advantage in the site selection process.
- [One-stop permitting centers](#) streamline the permitting process by issuing the necessary permits and licenses that a business needs to begin or expand operations.

- [Performance-based incentives](#) are used to attract businesses and assure tax payers that they will recoup public investments like tax abatements, land write-downs, etc.
- States and cities are mapping their technology infrastructure, such as fiber optic networks, to help firms identify specific locations with access to needed technology resources.
- The availability of skilled workers is a high priority, sometimes more so than financial incentives. High-tech firms are seeking to be near universities and community colleges with solid technology programs.
- Buildings are [being retrofitted](#) with fiber optic cable to attract tenant firms, especially small technology firms, that need fast, high-bandwidth connections to the Internet.
- Utilities work closely with local and state governments to help companies choose new sites, with the added advantage of being privately held.
- Attracting and retaining skilled workers requires that firms seek out places offering a high [quality of life](#) that is vibrant and exciting for a wide range of people and lifestyles.
- Remediated brownfields can offer large tracts of open land in or near to center cities. Remediation usually occurs with the use of redevelopment [incentives](#) for manufacturing and some retail end uses.
- [Geographical information systems](#) (GIS) provide dynamic site selection information including available properties, demographics, and business analysis.
- Site location professionals conduct 30 to 55 percent of all site selection searches, creating demand for new U.S. and international site location consulting firms.
- Back office locations are increasingly moving from urban areas into suburban and even rural areas, taking advantage of lower wage and office costs.

Web-based Resources for Site Selection

- [Area Development Magazine](#)
- [DevelopmentAlliance](#)
- [Business Development Outlook Magazine](#)
- [Business Facilities Magazine](#)
- [Expansion Management Magazine](#)
- [Harris Publishing](#)
- [Lexis-Nexus](#)
- [Plant Sites & Parks Magazine](#)
- [Site Selection Magazine](#)
- [STAT-USA](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Small Business Development

America's 25 million small businesses employ more than 50 percent of the private work force, generate more than half of the nation's gross domestic product, and are the principal sources of new jobs in the U.S. economy. The importance of small businesses has led to improvements in the environment within which small businesses operate, with a proactive approach used to assist small business owners.

Since the U.S. Small Business Administration's definition of small business is any business with fewer than 500 employees, small businesses vary widely in size and character. Many small businesses distinguish themselves by being innovative, flexible, and strongly tied to the community. Small businesses often require [economic development finance](#) tools and programs to grow and develop new products. [Venture capital](#) can be important for small businesses with high growth potential.

Trends in Small Business Development

- Community Development Block Grants and tax increment financing are used as a source of funding for local entrepreneurs and small businesses usually on condition that the money will contribute to increasing the size of the business workforce.
- Business incubators foster start-up companies their first few years, a time in which most small businesses die. Small business incubators provide office space, administrative assistance, funding information such as links to venture capital and proactive entrepreneurial mentoring.
- Technology and biotech incubators are in high demand by startup firms because they offer mentoring affordable office space, technology infrastructure and laboratory costs and thus allow the firm to concentrate business and product development.
- Business improvement districts fund activities and improvements, such as streetscaping and stronger law enforcement, which benefit small retail businesses in commercial areas.
- Informal and formal networking helps small businesses learn from each other about how to reach new customers, suppliers and potential workers.
- Small [e-commerce](#) businesses ranging from Web design to online retailers allow entrepreneurs to sell goods and services all day long, all around the world, with minimal investment in bricks-and-mortar storefronts.
- Small businesses rooted in technology may employ fewer than 10 people and yet have budgets in the millions.

- Fee-based small business buyer's consortia make members eligible for bulk discounts on raw materials, such as food products and metals or other inputs like broadband service.

Web-based Resources for Small Business Development

- [Business Nation](#)
- [Certified Development Company \(504\) Loan Program](#)
- [Minority Business Development Agency](#)
- [U.S. Department of Commerce](#)
- [U.S. Small Business Administration](#)
- [U.S. Small Business Administration Loan Programs](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Smart Growth

Smart growth describes the efforts of communities to manage and direct growth in a way that minimizes damage to the environment, reduces sprawl, and builds livable towns and cities.

Our current pattern of growth, sometimes known as sprawl, has a number of negative cultural, economic, environmental, and social consequences. In central cities and older suburbs these include deteriorating infrastructure, poor schools, and a shortage of affordable, quality housing. In newer suburban areas these problems may include increased traffic congestion and declining air quality, the absence of a sense of place, and the loss of open space. Smart growth argues that these problems are two sides of the same coin with the neglect of our central cities fueling the growth and related problems of the suburbs.

To address these problems, smart growth emphasizes the concept of developing "livable" cities and towns. Livability suggests, among other things, that the quality of our built environment and how well we preserve the natural environment directly affect our [quality of life](#). Smart growth demands comprehensive planning, driven by input from affected people on real outcomes cast in terms of the needs of both present and future people along three main strands:

- Economic
- Environmental
- Social well-being

Trends in Smart Growth

- Smart growth is focused on reversing the trend of isolated poverty in urban cores, through revisions to the federal tax code, federal housing program incentives, and regional tax base-sharing strategies, in order to reduce fiscal disparities among localities.
- Improving the social fabric of urban communities through:
 - Providing the access to amenities, such as grocery stores and community centers
 - Reducing crime through programs such as the Department of Justice [Weed and Seed Initiative](#)
 - Adding services
 - [Neighborhood economic development](#)
- Counties and states establishing preservation orders and strict planning guidelines for rural land at the edges of city limits to prevent further urban sprawl.
- Transportation and land use are being integrated to reduce pollution by:
 - Creating and extending cycle routes

- Developing more integrated mass transit systems
 - Building pedestrian-friendly streetscapes
- Barriers to brownfield redevelopment are being removed or lowered
- [Infrastructure](#) in existing neighborhoods is being rebuilt or modernized.
- Affordable housing is being developed in urban centers, ensuring that key workers are not priced out of the local real estate market, and forced to commute from outside the area.
- Focus has increased on participatory planning, including cooperation between environmentalists and developers.
- Officials are creating strategies to assist the growing numbers of low-income and elderly in urban areas.
- [Downtown development](#) has become a key component of smart growth strategies.
- The availability of smart growth finance, including smart real estate finance, has increased. More and more financing is going to the development of buildings that save energy, reduce raw material use through using recycling building materials, and are designed to fit in with the surrounding environment.
- Mixed-use developments include office space, shopping, entertainment, and residential uses.

Web-based Resources for Smart Growth

- [American Planning Association, Growing Smart](#)
- [Smart Communities Implementation Guide](#)
- [The Smart Growth Network](#)
- [Sprawl Guide](#) (Planning Commissioners Journal)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Sustainable Development

As described by the World Commission on Environment and Development, sustainable development is the process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.

Building sustainable communities involves considering how to:

- Encourage employment
- Decent housing
- Good health
- Access services and recreation

Communities can accomplish these goals while making good use of natural resources, protecting the environment, promote social cohesion, and contributing to local, regional, and national prosperity. Sustainable development brings together matters such as land use planning, an integrated transport policy, housing and construction, and regeneration of cities, towns and rural areas. Decisions on matters like planning, transport, or housing are ultimately about the quality of life of communities and individuals.

Trends in Sustainable Development

- Rapid growth in land consumption, which has a potentially negative effect on the environment, transportation, and infrastructure in both cities and suburbs has helped create [smart growth initiatives](#).
- Energy efficiency measures - some of which can pay for themselves in just two to three years - and changing energy use in the home, enables people to have warmer and more comfortable homes while still reducing the amount of money that people need to spend on heating. This leads to a reduction in pollution and resource use, because the demand on fossil fuel-burning electricity generators is reduced.
- The development of recycling schemes helps reduce the depletion of raw materials, pressures on landfill sites, and the demand for new manufactured products.
- Urban areas are developing and promoting alternative environmentally-friendly methods of transport, through:
 - Creating and extending cycle routes
 - Developing more integrated mass transit systems
 - Building pedestrian friendly streetscapes

- There has been a move towards the involvement of social partners and policies that promote sustainable development.
- Eco-industrial parks are being developed.
- [Brownfields](#) redevelopment enables remediation of contaminated sites, and provides prime real estate.
- Preservation orders and strict planning guidelines have been placed on rural land at the edges of city limits to prevent further urban sprawl.

Web-based Resources for Sustainable Development

- [Center of Excellence for Sustainable Development](#)
- [Great Lakes Growth Council](#)
- [International Centre for Trade and Sustainable Development](#)
- [International Institute for Sustainable Development](#)
- [Southern Growth Policy Board](#)
- [State Science and Technology Institute](#)
- [United Nations Commission on Sustainable Development](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Technology-led Development

Technology-led economic development fosters the development of new technology-based products and encourages the deployment of technologies to the private sector. Technology businesses have distinct needs which include:

- Creating a [business climate](#) attractive to technology industries with technology infrastructure, skilled workers, research institutions, and [economic development financing](#)
- Supporting [entrepreneurship](#) and the emergence of locally generated technology business
- The presence of other technology firms
- A strong local research and development base that transfers technology into the marketplace
- Policies and programs that deploy technology to traditional and small businesses.

Trends in Technology-Led Development

Less than a decade ago, technology-led development focused on technology transfer and deployment initiatives. Technology-based business and technology-led innovations, such as the Internet, strongly influenced the rapid growth of the US economy in the late 1990's. From 1995 to 1998, information technology industries accounted for one-third of the nation's real economic growth and created demand for these kinds of firms in many local communities. Current trends in technology-led development include:

- State and local governments and other organizations have established venture capital funds to stem migration of local entrepreneurs to California, Massachusetts, and New York venture capital markets.
- Encouraging students to enter science and engineering fields.
- Recruiting workers from other states and countries to fill local technology job openings.
- Technology report cards enable communities to gauge their technology business climate.
- Fee-based buyer's consortia that make members eligible for discounts on technologies such as broadband services and access to the latest technology.
- Developing Technology Innovation Centers supporting start-up technology businesses.
- Creating technology firm incubators
- Workforce development programs focusing on training individuals for the technology industry.
- Increase in the number of [programs that commercialize R&D](#) such as manufacturing extension partnerships, and consortiums.

- Programs that support emerging and established high-tech [cluster](#) development.
- Matching out-of-town companies needs with technology companies in a geographic area.
- [Schools and childcare](#) facilities using the Internet to develop an early understanding of computers and online educational material.
- State and local investment in technology infrastructure such as fiber optic cable and wireless communications ensures high speed and high bandwidth Internet access for businesses and residents.
- Inventories of municipal technology infrastructure map fiber optic cables so businesses may locate on or near to a main communications line.
- The U.S. Economic Development Administration (EDA) funds community technology transfer projects. These projects include small business incubators and advanced technology centers.
- Removing barriers to commercializing federal laboratory technologies.
- Research parks developed in association with universities make commercial use of university research.
- Technology parks attract start-up and leading businesses in IT, biotechnology, and advanced materials by offering below-market office space, finance acquisition, business plan development and providing mentoring services.
- Legislation changes may be used to attract and retain high tech companies.
- Transforming city center buildings into high tech [carrier hotels](#) for Competitive Local Exchange Carriers (CLEC). The CLEC's then provide low-cost, high-bandwidth networks to local companies.
- State government agencies increasingly provide services to the public via the Internet.

Web-based Resources for Technology-led Development

- [Association of University Research Parks](#)
- [Federal Communications Commission](#)
- [Georgia Tech Economic Development Institute](#)
- Local Technology-led Examples:
 - [Telluride, Co.](#)
- [Manufacturing Extension Partnerships](#)
- [National Governors Association](#)
- [National Institute of Standards and Technology](#)
- [National Science Foundation](#)
- [Public Technology, Inc.](#)
- Regional Technology-Led Examples:
 - [Florida High-Tech Corridor](#)
 - [Silicon Alley](#)
 - [Silicon Hills](#)
 - [Silicon Valley](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Tourism

Tourism as an industrial sector encompasses portions of many other sectors including hospitality, transportation, retail, and entertainment. Tourism attracts temporary visitors to places where they purchase goods and services before leaving. For this reason, tourism is considered an exported commodity totaling more than \$90 billion in 2000 nationwide. Both rural and urban localities based their visitor attraction strategies around favorable local advantages such as a climate, history, and cultural and natural resources, which attract visitors.

Tourism offers a variety of entry-level positions for relatively unskilled workers. For this reason, many local economies diversify their existing economic base with complementary tourist activities. But the tourism industry is extremely sensitive to fluctuations in the business cycle and tends to offer low wages and limited opportunities for occupational advancement. For these reasons, some communities prefer not to make tourism their keystone for economic growth.

Trends in Tourism

- Tourists demand greater diversity and authenticity. Heritage tourism is travel based on an interest in history, culture, or a region's natural resources, harvesting existing assets and boosting home-grown economic development.
- Eco-tourism, a nature-based form of tourism, has seen large growth. The main motivation of the tourists is the observation and appreciation of nature as well as the traditional cultures prevailing in natural areas. The benefit for host communities is that along with generating economic benefits, it enables natural areas to be conserved and provides alternative employment and income opportunities.
- Local communities of all sizes host celebrations and events which draw visitors.
- Sustainable tourism balances economic, social, and aesthetic tourist interests while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems locally.
- Rural tourism draws on remoteness and natural resources to attract visitors.
- Nearly all [state government departments of tourism](#) have Web sites enabling hotel, car rental, and attraction reservations to be made online.
- Some [states partner together](#) to promote regional tourist attractions and create new opportunities to boost economic development.
- [Downtown development](#) promotes tourism among local people through cultural attractions such as theaters, galleries, museums, and sporting venues in the urban core.

- Easing of gaming regulations enables communities to use anchor casinos to spur economic development initiatives, development of public amenities and [infrastructure](#) improvements.
- Improved and varied [transportation](#) modes facilitate the arrival of tourists.

Web-based Resources for Tourism

- [Department of Commerce, Tourism Industries Office](#)
- [Listing of State Departments of Tourism](#)
- [Travel Industry Association of America](#)
- [United Nations Environment Program](#), Division of Technology, Industry and Economics (DTIE), Tourism Activities
- [World Tourism Organization](#)
- [World Travel and Tourism Council \(WTTC\)](#)
- Examples of Local Celebrations and Events:
 - [Boston Marathon](#)
 - [New Orleans Mardi Gras](#)
 - [Pasadena Tournament of Roses](#)
 - [Philadelphia Flower Show](#)
 - [Scottish Highlands Games and Clan Gatherings](#)
 - [Tampa Bay Gasparilla Pirate Fest](#)
 - [Whitwater Canoe and Kayak Events](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Export/Trade Development

Export/trade development and promotion enables firms to expand their market area and possibly extend the life cycle of products or services that have exhausted their existing markets.

Typically, firms do not have the resources to explore or develop an export-marketing plan.

Exporting can contribute to a firm's sales volume and create new jobs for the local economy.

Businesses often need information about the export process, potential opportunities (such as agents and distributors), patent, copyright, and intellectual property right regulations, technical assistance and financing programs, and country-specific information related to exporting. The export process is not necessarily linear or systematic, however firms usually:

- Become aware of exporting in general
- Determine whether to make an initial investment
- Identify marketing opportunities
- Assess competitive challenges

Trends in Export/Trade Development

With the development of NAFTA and increasing global trade, US businesses can look at new markets for their products and services. Falling costs for transportation and communications enable US and foreign businesses to penetrate new markets and export virtually anywhere in the world.

- Within the NAFTA region, U.S. businesses can export products and services with low tariffs. However other trading blocks such as the EU, impose tariffs on imports from non-member countries.
- The Internet has facilitated export growth in four primary ways:
 - Web sites penetrate markets around the globe, 24 hours a day, seven days a week at a low cost.
 - Businesses can use the Internet to search for potential customers.
 - Businesses and their clients can transfer accurate product or service specifications at high speeds across any distance.
 - On-line inventories allow businesses to search for other businesses offering a product or service they need.
- The U.S. Commerce Department's Economic Development Administration (EDA) awards grants to help increase the export capacity of small and minority owned firms.

- [World Trade Centers](#) (WTC) in some US cities house export-import businesses, trade agencies and other trade services organizations that:
 - Organize and host trade missions
 - Add wealth and jobs through international trade
 - Promote educational and legislative programs in international commerce.
- States dedicate resources to assist existing and potential exporting companies
- Local organizations are supporting the export capabilities of local businesses, often targeting small and minority owned businesses, through training on the export process and marketing.
- Strategic alliances, an alternative to direct exporting, allow businesses to enter foreign markets without the need for capital investment. Strategic alliances are usually based on licensing agreements, allowing foreign firms to produce the business or service in their domestic market.
- Joint partnerships enable U.S. businesses to share ownership and have a management role in a foreign business, without large capital investments.

Web-based Resources For Export/Trade Development

- [Export-Import Bank of the United States](#)
- International Economic Development Trade Associations and Networks
 - [Association of Southeast Asian Nations \(ASEAN\)](#)
 - [British Urban Regeneration Association \(BURA\)](#)
 - [Economic Developers Association of Canada \(EDAC\)](#)
 - [European Association of Development Agencies \(EURADA\)](#)
 - [International Network of Economic Developers \(INED\)](#)
 - [Local Economic Development and Employment Development \(LEED\)](#) of the Organization for Economic Co-Operation and Development
- [North American Development Bank](#)
- [U.S. Department of Commerce International Trade Administration](#)
- [U.S. Small Business Administration Office of International Trade](#)
 - [Small Business Administration Office of International Trade- Export Finance](#)
 - [SBA Guide to Exporting](#)
- [World Trade Organization](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Transportation

Transportation moves people and goods from one place to another. The mode – train, truck, airplane or ship – moves within a medium of transportation: land, sea or air. Transportation enables the trade of goods and the movement of workers to occur; thus it is vital for economic development. The most popular mode of transport is automotive, with millions of cars and trucks using streets, roads, highways and interstates. Transportation is a key component of [business climate](#) and [quality of life](#).

Competitive local and regional transportation systems are:

- International, linking existing and new markets and destinations around the world
- Intermodal, benefiting from the combined strengths of the individual modes
- Intelligent,utilizing technological advancement
- Inclusive in service

Trends in Transportation

- An increase in transportation demand for high value-added-per-unit-weight commodities, like computers and electronic equipment, is predicted.
- Just-in-time inventory systems are likely to move inventory out of warehouses and into the transportation system, requiring both system capacity and greater reliability.
- Trucking has grown due to point-of-sale and just-in-time inventory systems, express package delivery, and e-commerce.
- Air cargo demands will grow in response to e-commerce and globalization with larger aircraft dedicated to freight and passengers carrying as much cargo as possible.
- Integrated multi-modal transportation hubs, such Chicago's O'Hare Airport, increase trade volume by facilitating the efficient, uncongested, and safe movement of people and goods.
- The United States has signed 37 Open Skies agreements with other nations to open new markets and create opportunities for international air service.
- Some airports have full-time departments to market local and regional strengths, develop new air traffic, and attract new levels of service.
- The development of the Airbus A380, to be in service by 2006, will carry up to 800 passengers (almost double a 747) and has forced U.S. airports to plan runway extensions to accommodate the aircraft.
- HOV lanes, green modes of transport, and the use of public transportation help to address growing environmental impacts.

- Dense traffic threatens quality of life rankings for relocating and expanding businesses because workers and goods are difficult to transport.
- Transit systems offer economic development opportunities as land around transit becomes attractive for real estate development.
- The Marine Transportation System transports goods and people to, from, and on waterways in a technologically advanced, safe, secure, efficient, and environmentally sound manner.
- Ferryboats are being used to address congestion in metropolitan areas with waterways like San Francisco, New York City, and Seattle.

Web-based Resources For Transportation

- [American Association of Port Authorities](#)
- [The Eno Transportation Foundation](#)
- [U.S. Department of Transportation](#)
- [U.S. Department of Transportation, Federal Highways Administration](#)
- [U.S. Department of Transportation, Marine Administration](#)
- [U.S. Federal Aviation Administration](#)
- [U.S. Federal Railroad Administration](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Venture Capital

Venture capital (VC) is professionally-managed equity money (money for stock), that is repaid by capital gains through the sale of stock. Investors are typically short- to intermediate-term investors. With average investments well over \$1 million, venture capitalists seek high rates of return by investing in high-risk, early-stage businesses. These businesses must demonstrate the possibility of extremely rapid growth. Typical investee companies have demonstrated sales, but are not yet profitable. Venture capital promotes economic development because it allows new ideas and technologies to become profitable, creating wealth and jobs.

Trends in Venture Capital

- High-tech businesses often need venture capital up-front in their idea stages, often before any product is established. Delays in obtaining financing may allow ideas and products to become outdated or copied.
- To help stem entrepreneur migration to places with strong venture capital resources such as Silicon Valley and Boston, states have pursued private capital for seed venture funds.
- States' pension funds may be invested in private venture capital partnerships to develop a healthy local venture capital climate.
- Venture capitalists may steer their struggling start-ups to better business models to sustain them or to yield earlier profits.
- Incubators with shared services, low-cost office space, and business counseling may also offer access to venture capital.
- Venture capitalists investing in technology look for quality science and a first-rate management team. Universities producing talented scientists may lure a concentration of venture capital resources, as is the case in San Jose and Boston.

Web-based Resources For Venture Capital

- [Capital Growth Interactive](#)
- [MoneyHunter](#)
- [National Association of Seed and Venture Funds](#)
- [National Venture Capital Association](#)
- [Venture Finance](#)

» Back to [Table of Contents](#)

Economic Development Reference Guide

Workforce Development

Workforce development and/or training refers to community efforts to train individuals for specific jobs or industries. Training may cover everything from soft skills (work ethic, attitude, getting to work on time) to basic skills (literacy, numeracy) to specific job skills (carpentry or Web site development). Community workforce efforts may also include job placement assistance, resume writing, interview skills, and retention services such as legal advice and child care, that help people stay in a job once placed there. The goal of workforce training programs is to improve the quality and skill sets of individuals, to place them in jobs, and help businesses find an employee base in line with their needs. A good workforce training program, therefore, serves two customers: individuals and businesses.

Trends in Workforce Development

- By 2010 the number of workers age 45 to 54 will grow more than 30 percent. By 2020 almost 20 percent of the U.S. population will be over 65 years old.
- The Department of Commerce projects a 1.1 percent growth of labor supply and a 2.6 percent growth labor demand in the next 10 years.
- Suburban areas experience approximately 30 percent more high-tech business growth than do cities.
- Both public and private sector initiatives seek to prepare inner city residents for high-tech jobs.
- Former welfare recipients, mature workers, the disabled, dislocated workers, and other low-income individuals provide new talent the labor pool.
- Developing advanced technology manufacturing training meets needs for skilled workers in regions with high-tech industries.
- Formalized business clusters can delineate shared skill needs and standards to alleviate concerns over talent poaching and to develop joint workforce training curricula.
- Small business consortia are now helping small businesses gain access to previously unaffordable training.
- Partnerships pool and leverage a range of [financial, physical, human and intellectual resources](#) and provide a collective voice for workforce development funding.
- Businesses' employee retention efforts focus on accommodating differing needs and lifestyles of workers.
- Cities are establishing programs to retain local university graduates who possess needed skills for high tech firms.
- Tax increment financing funds may be used for job training and related educational programs in some communities.

- Corporate universities offer specialized certifications and diplomas such as Microsoft Certification.
- Integrating the curricula of community colleges and vocational schools provides an educational path for students seeking specialized technical skills.
- Firms seeking new locations are interested in data that shows the level of unionization and employee/management relationships.

Benchmarking and Evaluating Workforce Development Programs

A good workforce program must find a balance in meeting the needs of its dual customer base: individuals and businesses. Individuals need training that supports their aspirations and businesses need employees that serve their needs. An effective program will identify ways to support both customers. Business involvement in programs, therefore, is critical.

Retention rates should hold more weight than placement rates in an evaluation. Placement rates are only one part of the picture. The real test for training programs is how long individuals stay on the job.

Quantitative measures

- Number of individuals trained
- Number of individuals placed
- Retention rates (lengths of time individuals stay in a job)
- Percentage of women and minorities assisted
- Cost per person trained
- Number of businesses hiring from the training program
- Number of businesses that keep coming back for new hires

Qualitative measures

- Business involvement in design of training program (e.g. identifying skill standards)
- Type and range of supportive services (e.g. retention services)
- Stated project goals and the degree to which they have been achieved
- Follow up (does the program follow up with businesses and individuals to ensure that training is appropriate)

Web-based Resources for Workforce Development

- [ACT Workkeys Program](#)
- [ERISS](#)
- [Hudson Institute](#)

- [National Association of Workforce Development Boards](#)
- [State Programs](#)
- [U.S. Department of Labor](#)

» Back to [Table of Contents](#)