

Elected Leaders and Local Economic Development

Elected Officials Engagement Workshop

IEDC FED Forum – April 2017

Emily Robbins
Principal Associate
Economic Development

NLC NATIONAL
LEAGUE
OF CITIES

CITIES STRONG TOGETHER



What You Should Know 2.0: **Elected Leaders and Economic Development**

Effective economic development demands informed leadership from local elected leaders. Economic development is the process of building strong, adaptive and equitable local economies. What constitutes success in economic development and the specific strategies to accomplish it will undoubtedly look different from place to place. Yet despite these differences, leadership is consistently identified as a critical factor in advancing local economic development.

Perhaps now, more than ever, it's imperative for cities to take the reigns and grow a strong local economy from within, especially in the context of rapidly evolving business and workforce demands, growing inequity within cities, and a new era of federalism shifting more responsibility for growth to local governments. Therefore, it's important for city leaders to understand the practice of economic development and their roles within it.

Key Functions of Local Economic Development



While there is no single, standard definition of economic development, it can be broadly defined as a group of programs or activities that seeks to improve the economic well-being and quality of life for a community. This can be achieved by creating and retaining well-paying jobs, supporting business growth, developing key real estate, and providing access to open space, neighborhood amenities and cultural programs. The information below outlines the key functions of local economic development.

Strategic planning

A vital first step in any local economic development department is strategic planning. This means designing where and how economic development efforts will be focused and implemented. A clear economic vision and goals are needed to provide a framework for strategically assessing and coordinating these efforts. The vision stems from the community's values, its collective sense of local economic strengths and weaknesses, and consensus

on a desired future. Goals are more tangible expressions of the vision and provide specific direction for actions. An important role for elected officials during the strategic planning process is to help bring people to consensus and agreement on a common purpose. Elected officials should also work with their staff to determine a set of expected outcomes, the necessary level of resources (staff and budget) needed to achieve these outcomes and performance metrics to evaluate and measure them.

Business retention and expansion

Economic developers also are responsible for supporting existing businesses and making sure they remain a part of the community. Business retention and expansion efforts centers around building relationships with existing companies to better meets the needs of business owners and the overall local business ecosystem. The role of economic developers is to survey and then assist local businesses and industries to solve problems so they are incentivized to stay in your community, and potentially expand into larger enterprises. A part of the retention and expansion efforts also includes tracking data on local businesses to analyze business activity and track related trends.

Business marketing and attraction

One role for economic developers is to attract new industries and businesses to the city as a strategy to create new jobs and grow the local economy. In practice, this involves various marketing activities designed to build a positive community image and attract attention to your community. This also refers to efforts by economic developers to work with site selectors to showcase available commercial space, and to close location deals with companies.

Entrepreneurial and small business development

Small businesses and startups are the backbone of many local economies. Our nation's small businesses not only create well-paying jobs, but also deliver vital goods and services, generate local sales tax revenue, and contribute to the

unique character and livability of neighborhoods. Unfortunately, the high failure rate of small businesses – especially early-stage start-ups – demonstrates a need for more targeted investment in their long-term success. Creating a culture that makes entrepreneurship a local value, as well as putting in place specific local economic development programs to build an ecosystem of support for entrepreneurs and small business owners is essential. Such programs should include providing access to technical assistance, streamlined regulations, industry-specific resources and mentors, funding/financing opportunities, and other tools.

Workforce development

It's important for economic development activities to closely align with workforce development efforts. A comprehensive and cohesive strategy encourages residents to participate in the local job market, and also helps ensure that businesses will have an adequate pipeline of skilled workers. Successful workforce development efforts work like a supply chain, and consist of taking stock of business needs, and then connecting job training and education programs, as well as initiatives to attract and retain the right kind of talent in a community.

Real estate development and reuse

An economic development team is responsible for proactively guiding the development and reuse of commercial buildings, office towers, industrial facilities, and vacant land parcels. A city's involvement in management decisions includes supporting the development of



Context for Local Economic Development



While each city has its unique challenges and opportunities, it's important to understand some universal aspects of local economic development. Recognizing the environment within which local economic development efforts play out is necessary for successful leadership. The following section outlines aspects of the economic development context that you should know about your city.

Your city's economic strengths and weaknesses

Each community has strengths and weaknesses that help determine which types of economic development efforts are needed. Areas where your city can be strong or weak include access to high-paying jobs, the availability of skilled workers, the quality of transportation and infrastructure, the affordability of housing, and the prevalence of quality-of-life amenities. It also includes having access to raw materials and supply chains, as well as developable land and move-in ready sites for businesses to locate. These community assets, as well as trends in your economic profile, lay the foundation for creating a realistic vision and strategic direction for economic success that is unique to your community. Information about your local economy can also help engage and educate constituents and build community support for economic development decisions.

Your city's role in the regional economy

It's also important to know the larger regional economic landscape and your city's position within it. For example, are you a community that

has industries and supply chains that attract incoming commuters or one that workers commute from? With a firmer grasp of your community's place in the region, you're better prepared to work with other jurisdictions to share responsibility for promoting regional economic success. Although increased competition for jobs, taxes and private investment can put political pressure on elected officials to go toe-to-toe with neighboring jurisdictions, the reality is that local economic success depends on regional economic success. For example, local governments can work together to draw businesses and other economic activity to the region while agreeing not to compete or offer incentives to firms to locate in their specific communities. Similarly, many cities work together on regional marketing efforts, typically via participation in a regional council. These collaborative efforts attract firms, investment and employment that benefit the entire region.

The difference between a weak and strong real estate market

The degree of demand for real estate in a community dictates whether the market is "weak" or "strong." A strong market city is characterized by low vacancy rates, high real estate prices and

a strong level of interest from development and businesses communities. Conversely, a weak market city is typically defined by high vacancy rates, below-market real estate prices, and lukewarm investment interest from businesses and developers.

It is critical for city leaders to be cognizant of how access to key amenities, affordable housing and other quality of life characteristics are vital to business attraction and retention.

This distinction is important for local leaders to understand because strong and weak market cities demand different types of economic development strategies and considerations. In weak market cities, the use of incentives, like tax breaks and fast-tracked approvals, are often necessary to secure deals and attract outside investment. It is critical for city leaders to be cognizant of how access to key amenities, affordable housing and other quality of life characteristics are vital to business attraction and retention. Conversely, in strong market cities, the strong level of interest and high price of commercial space means that there is often a great deal of competition for commercial and retail space. To this end, it is important for city leaders to establish measures that prevent local businesses from being priced out of their leases

The local regulatory environment

Municipal governments have direct control over business licensing, inspection processes and permit authorization. This is the regulatory framework within which businesses in your city are granted permission to operate by passing standards in terms of health, safety, and professional certifications. As important as these standards are, however, businesses owners often describe these regulatory systems as complex, time-consuming and frustrating. As a local leader, you can push for policy and management reforms that will make the processes more streamlined and transparent for the businesses in your city. For example, some cities are putting all of their business license and permit information on a single, user-friendly website.

STARTUP IN A DAY

"The Small Business Administration (SBA) has created a prize competition to help our nation's cities simplify the licensing process so entrepreneurs can startup in a day. Technology now makes it easy and inexpensive to create online license and permitting tools that meet SBA's Startup in a Day challenge. The online tools we are encouraging with this prize competition will help more of America's entrepreneurs apply for all permits and manage the application process from a single online interface."⁴

Stakeholders and Partners

There are many stakeholders and partners involved in local economic development, both within government and in nonprofit and private sectors, all with diverse (and sometimes conflicting) priorities and interests. We discuss here the various agencies, business groups, and community partners that you should consult, empower, and leverage in your local and regional economic development planning and implementation.

Public economic development agencies and city staff

In nearly every municipal government, there is a public office dedicated to economic development. The local government economic development functions can be structured in different ways, for example, as part of the mayor's office, as an office within in a larger

department, or as a stand-alone department or agency. The staff members leading these efforts possess institutional knowledge, networks and professional experience that are invaluable to implementing economic development strategy. Local officials should begin building a strong relationship with economic development staff at the beginning of a political term or new project.

CHAMBERS OF COMMERCE

The local chamber of commerce is a membership organization representing the interests of the private-sector business community. Activities typically include business recruitment and retention, tourism, supporting local businesses, neighborhood revitalization, and business advocacy.

COMMUNITY DEVELOPMENT CORPORATIONS (CDCs)

A CDC is a development corporation with the main role of supporting community-based economic development through such actions as developing/leasing property, lending to businesses, and providing workforce training. These corporations can be structured as community cooperatives, nonprofit organizations, or for-profit entities.

COMMUNITY DEVELOPMENT FINANCE INSTITUTIONS (CDFIs)

The role of local CDFIs is to offer affordable financing and capital to economically distressed neighborhoods and low-income individuals. The various forms that CDFIs can take include community development loan funds, community development banks, and community development credit unions.

Public-private and nonprofit economic development organizations

Some communities also have public-private partnerships for economic development as well as private or nonprofit organizations involved in local economic development activities. These organizations may or may not receive some level of government funding and sometimes operate independently from public economic development efforts. The goals of these organizations is to support economic growth, most often through activities including assisting entrepreneurs, marketing the community to attract new companies, advocating for infrastructure projects and lending to businesses. Organizations that fall under this category are regional economic development organizations, chambers of commerce, community development corporations (CDC), downtown revitalization organizations, business improvement districts, industry associations and community development finance institutions (CDFI).⁵

Local and regional business community

Local businesses are essential to a stable and diverse local economy. In recent years, many cities have shifted their primary economic development focus away from attracting large firms from outside the community to growing new businesses from within and helping existing businesses survive and thrive. Local officials and economic development partners can work together to help create an environment that supports the growth and expansion of local businesses. At the same time, the voices of your local and regional business community should always be heard when your city is making important economic development decisions. There are both informal methods and formal methods for obtaining feedback from business owners, including community listening sessions and small business advisory committees.



Funding Sources

It's important for local elected leaders to be familiar with the various economic development funding sources used to leverage economic development. Most communities use a mixture of the city budget, state funding, and federal program dollars to support economic development programs and initiatives. Some municipalities are also exploring the use of public-private partnerships to fund economic development projects and programs. The information below helps clarify the most commonly used economic development funding sources.

City funding

Most local governments budget for economic development activities using the city's general fund (i.e., revenue from property taxes, as well as sales and/or income taxes in states where permitted). This funding pays for the programming and staff for the city's economic development office. City funding pays directly for items such as business surveys, site visits, marketing campaigns, business education

programs, redevelopment efforts and workforce development trainings. Municipal governments also sometimes indirectly pay for local economic development through the use of incentives, including tax breaks for businesses. Typically, these incentive deals will waive a portion of property or commercial taxes as a strategy to attract a new business (and jobs) to the community. It is important for local elected officials to be familiar with the funding options specific to their municipality.



State Funding

Many municipalities also receive support from their state government for local and regional economic development initiatives in the form of on-the-ground programs or through direct funding. Some states also offer incentives directly to businesses as an attraction strategy. As with local funding sources, each state has its unique approach to funding economic development activities. Local elected officials should become familiar with state funding programs, not only to take advantage of them, but also to be an advocate for their continued funding by state legislators.

Federal funding

There are several federal programs supporting local economic development strategies from the Economic Development Administration (EDA), the Small Business Administration (SBA), the Department of Housing and Urban Development (HUD) and other agencies. These programs provide direct federal dollars to state/local governments or businesses, as well as tax credits to developers or community entities. Below are excerpts with information from some of the most common programs.

- **EDA Planning and Local Technical Assistance Programs** – The Economic Development Administration (EDA) assists eligible recipients in developing economic development plans and studies designed to build capacity and guide the economic prosperity and resiliency of an area or region. The planning program helps support organizations, including district organizations, American Indian tribes, and other eligible recipients, with short term and state planning investments designed to guide the eventual creation and retention of high-quality jobs, particularly for the unemployed and underemployed in the nation's most economically distressed regions.⁹

- **Community Development Block Grant (CDBG)**

- The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is an important tool for helping local governments tackle serious challenges facing their communities. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD.¹⁰

- **New Markets Tax Credit** – The New Market Tax Credit Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities. The credit totals 39 percent of the original investment amount and is claimed over a period of seven years.¹¹

- **Historic Preservation Tax Incentives** – The Federal Historic Preservation Tax Incentives program encourages private sector investment in the rehabilitation and re-use of historic buildings. It creates jobs and is one of the nation's most successful and cost-effective community revitalization programs. The National Park Service and the Internal Revenue Service administer the program in partnership with State Historic Preservation Offices.¹²

Public-private partnerships

A new approach to funding local economic development projects is the concept of public-private partnerships. These are contractual arrangements between a municipality and a private or corporate entity agreeing to share the responsibility of funding and managing an economic development project. According to the Government Finance Officers Association (GFOA), the structure of a public-private partnership typically includes the offer of funding, tax incentives, or public land from the local government, while the private organization promises capital investment, job creation, or development expertise.¹³

Focus on Equity

There is growing emphasis on how local economic development can be leveraged to improve access to economic opportunities for residents, particularly in cities where there is growing income inequality and a lack of economic mobility. The practice of inclusive economic development is defined as “community-based strategies that aim to improve economic opportunity for all, with a focus on disadvantaged residents.”

These efforts can include initiatives such as attracting businesses to underserved neighborhoods, connecting at-risk youth to workforce training in high-paying industries, and targeting entrepreneurship education to low-income individuals, women and minority populations.



Portland's Inclusive Strategic Plan

“We’re a very white, progressive city,” said Katherine Krajnak, Senior Industry Liaison at the Portland Development Commission (PDC). The city’s 72 percent non-Hispanic white population ranks it as the whitest of America’s 50 largest metros. “But there’s diverse talent and diverse leadership in our community that we need to be supporting.”

PDC, Portland’s redevelopment, urban renewal, and economic development agency, has documented that change is coming—according to the National Equity Atlas, by 2040, 42 percent of the city’s population will be people of color. Recognizing the fact that Portland’s economic future is tied to growing the wealth of the city’s communities of color, **the agency made equity and inclusion the central themes of its five-year strategic plan**, adopted in 2015.

The PDC has identified Portland’s market-leading sectors to include software, digital media, metals and machinery manufacturing, and athletic/outdoor (the region is home to Nike, Adidas, and Columbia Sportswear). And PDC staff have been trying to ensure that the prosperity that is generated in those industries is harnessed and shared. Much effort has focused on the city’s burgeoning tech sector. But a scan of local startups conducted in 2013 and 2014 demonstrated that diversity in the city’s tech sector compares dishearteningly to national numbers: only two percent of teams that received venture-backed funding those years had a black founder, and only 19 percent had female founders.

To support and cultivate entrepreneurs of color, PDC has embarked on a three-year **Inclusive Entrepreneurship Action Plan** to create a more inclusive startup ecosystem. Strategies include: investing in leadership development

and entrepreneurial education, taking an ecosystem-wide approach to build an inclusive culture, casting a wider net to draw in minority entrepreneurs that might be working outside the existing tech network, and taking risks with the understanding that they might be vulnerable to criticism or failure.

The agency is also trying to support existing local affinity networks and support groups, while also encouraging the tech sector at large to demonstrate a commitment to a more inclusive culture. Similar to Silicon Valley’s Project Include, PDC has encouraged tech companies in Portland to sign the **Portland Tech Diversity Pledge** to take a stand on the underrepresentation of women and communities of color. So far 23 companies and six organizations have signed the pledge. Together, this cohort has 1,900 existing employees in the Portland region, signaling the potential for significant change in the future.

One of PDC’s hallmark programs has been **Startup PDX Challenge**, an annual competition designed to connect entrepreneurs from underrepresented demographics in the tech and manufacturing industries with early-stage growth support and funding. Winners receive a \$25,000 convertible note or low-interest loan, free rent, legal services, and marketing and hiring/HR services. So far, among more than 300 total applications to the Challenge, a quarter of the teams have had a black and/or Latino founder and 61 percent of the founders in the 2014 and 2015 classes were black and/or Latino.

PDC is continuing to balance action with building and maintaining community relationships. “Especially with an organization like an economic development corporation, you want to move quickly and act a little bit like a startup—you want to iterate and be agile,” said Krajnak. “But if you move too fast and don’t include the community leaders and partners, they will not be invested.”

Measuring Impact with Performance Management



Measuring the impact of economic development initiatives and projects will help you determine whether you are meeting the needs of your community and local businesses. It's important to point out that in the context of short-term political cycles, it may be tempting to stray from the strategy and only consider economic development in terms of traditional, more tangible successes, such as attracting a new, large employer or the number of jobs added in your community.

However, if this is all you're measuring, you are seeing an incomplete picture. For this reason, it is important for elected officials and staff agree upon, committed to and accurately measure even incremental economic achievements. This will allow political leaders to demonstrate success and champion all the various ways the community is supporting economic activity.

City staff consistently note the imperative of city leadership in ensuring the long-term

sustainability of performance management and service delivery improvements. Often, performance management has difficulty gaining traction among city staff because it can be viewed as a punitive review exercise instead of an exercise focused on holistic improvement. Support from the mayor, city manager and city council can help launch performance management programs, change the culture of performance management, and maintain the momentum and commitment to the process.



Many communities are still exploring how to incorporate data-driven decision-making into the everyday operations of economic development programs. In particular, cities are developing standards for measuring the impact of incentive programs. When a government provides an incentive to an employer or developer, there should be a way to verify and account for the related community benefits. The advisory group Smart Incentives encourages cities to collect and evaluate metrics that are aligned with community values, and to think beyond simply counting new job creation in order to measure growth towards community goals and economic development objectives, such as increasing tourism or expanding access to workforce training programs.¹⁵

Economic Development Metrics

The cornerstone of performance management is access to data. A detailed outline of how to measure economic development outcomes is also available in IEDC's guidebook, *Making it Count: Metrics for High-Performing EDOs*. Below is a list of suggested data points for your city to begin tracking.¹⁶

- **Economic conditions:** New business starts and closures, retail sales, imports and exports, location quotients that compare the size of your industries and sectors to those of typical communities your size, shift-share analysis that shows how industries are growing and declining compared to one another
- **Population characteristics:** Population size and growth, age, educational attainment
- **Labor force characteristics:** Labor force participation, unemployment, wages, incomes, occupations, skills, commuting trends, productivity

- **Physical conditions:** Land use, zoning, land values, condition of buildings, vacancy rates, building activity, parking facilities, condition and capacity of infrastructure, air and water quality
- **Business climate:** Community attitudes, labor relations, business taxes and regulations, level and quality of municipal services, workforce training, access to and cost of capital, public and private infrastructure
- **Knowledge-based resources:** Federal labs, science and research parks, industry incubators, colleges and universities, technical training schools
- **Quality of life:** Housing availability, public services, education system, crime rate, cultural and recreational activities, parks and other natural amenities

Under new guidance from the **Government Accounting Standards Board (GASB)**, Statement No. 77 requires governments to disclose essential information about tax abatement agreements, including:

- The purpose of the tax abatement program
- The tax being abated
- Dollar amount of taxes abated
- Provisions for recapturing abated taxes
- The types of commitments made by tax abatement recipients
- Other commitments made by a government in tax abatement agreements, such as to build infrastructure assets

This excerpt and more can be found in What You Need to Know: Tax Abatement Disclosures (GASB 2015)

The Role of Elected Leaders



Be a student

Take the time to learn about the economic development priorities, strategies, and stakeholders in your city. Your residents, business community, and real estate developers will be looking to you for leadership on future projects. It's important for you to watch and understand the economic trends. Make sure to read the indicators on a regular basis and discuss them with economic development professionals.

Be a convener

With so many players in the mix, it would be easy for communication to be inconsistent among all of the various stakeholders. As an elected leader you can convene these individuals at neighborhood meetings, public hearings, and site visits to make sure everyone has access to the same data and information about economic development projects. Help lead and be a champion for economic development strategic planning efforts and their implementation. Appoint stakeholders to organize and implement this function.

Be a listener

When you convene your stakeholders, it's important to listen to their feedback (both positive and negative). Your residents may not be happy with every single economic development decision, but it's important for your community members to know their opinions are being heard and taken into consideration. Take extra care to make sure you're not leaving anyone out, and giving opportunity for all to have their voices heard.

Be a salesperson

As an elected official you probably ran for office because you love your community and want to help improve it. Be a salesperson for your city so that others will want to live, work, and play there. Often times an elected leader can make a significant difference in building relationships with existing businesses and advocating for your community to new businesses.

Be a policymaker

Review your zoning code and local regulations to see if there are ways that you can make the economic development process more transparent and inclusive. Consider the effects of your actions on the business climate, particularly as it relates to the needs and interests of existing businesses. If you are in a position to help set the funding for economic development, make sure you are acting consistently and providing adequate resources to make your community competitive. If you have the opportunity to appoint board members of economic development organizations and hire professionals to lead them, make sure you consider the strengths and qualifications these people bring very carefully. Every position makes a difference.

Be an ambassador

You will also at times need to be a cheerleader for your community on national and international stages. In particular, you may visit other countries to learn about their industries or to attract foreign direct investment (FDI). When participating, make sure your actions are strategic, demonstrate accountability, and bring value for your efforts.

NLC

NATIONAL
LEAGUE
OF CITIES

CITIES STRONG TOGETHER