



THE FOUR FUNDAMENTALS OF ECONOMIC DEVELOPMENT

Virginia Institute for Economic Development
September 25, 2019

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Who, What, When, Where, How?

Who leads it?

- Designated individuals or organizations at local, regional and state levels

What is it?

- A process that **influences** the growth and restructuring of local economies

When does this happen?

- Consistently and steadily

Where does this happen?

- In localities, in regions, in states

How is it done?

- **Understanding** the dynamics of business change
- Proactively **creating** a healthy climate for business development
- **Partnering** with businesses to support growth



Why Economic Development?

- \$ for Companies
 - Profit and Sustainability
- \$ for Citizens
 - Quality of Life, Wealth Creation
- \$ for Government
 - Services for citizens Creating better, stronger communities



Outcomes?

- Largely to create jobs and draw new income into the regional economy that can then be spent within the community and support non-basic employment sectors
 - *Basic Economic Industry - Economic entities that attract dollars to the local economy*
 - *Non-Basic Industry - Economic entities that serve the local market and recycle income generated from out-of-region.*
- Assure sustained economic prosperity that contributes to a better quality of life



A Business Mindset

- What are the costs of public services per household in your community?
- What are the taxes paid in your community per household?
- The gap between the cost of public services and the residential taxes collected is a primary reason we do economic development.



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Economic Development Over the Years

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Early 20th Century: *Move from Farms to Metropolitan Areas and the Birth of the Corporate Real Estate Industry*

- Immigration and explosion of growth in cities
- Mass-production manufacturing results in *centering* activity in resource rich and urban areas
- Rise of central business districts, “modern” skyscrapers and large offices as symbols of corporate strength
- Rise of Bell Telephone facilitating communications between centers



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

Mid 20th Century: *The Interstate Highway System Post War World II and the Dawn of the Economic Development Discipline*

- From Rust to Sun Belt, from Cities to Suburbs: sprawling residential, office, corporate and industrial parks result in *decentralization* of business activity spurred by public sector incentives
- Hollowing out of CBDs and dense neighborhoods, onslaught of public financing programs to spur urban renewal
- In 80s and 90s, overheated corporate real estate leads to savings and loan debacle, the rise of REITs and risk adverse projects



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

New Millennium: *Data Driven Globalization, Networked Communities & Maturing of the Economic Development Profession*

- Aging, shrinking workforces, technology, and social changes in a knowledge-based economy
- Local to Global: Globalization permitting work anywhere across time zones, less office need, more *integrated and collaborative* space
- Shorter business life cycles with profit focus produce more near term leases and greater flexibility with real estate plays, talent and energy advantages result in return of manufacturing (“on-shoring”)



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

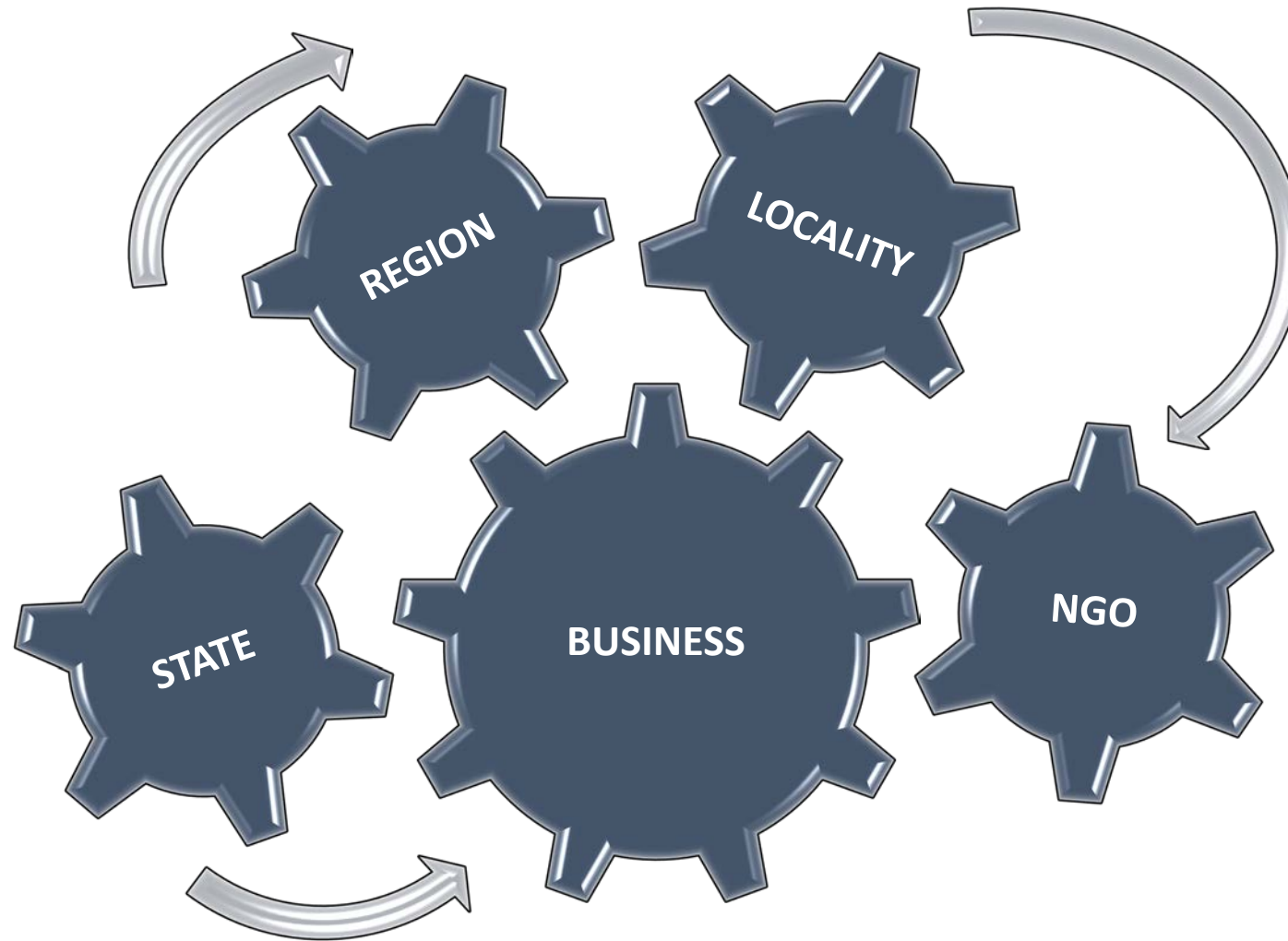
Economic Development Shift

Traditional Economic Development	Toward a New Model (Traditional +)
Government Distributive <ul style="list-style-type: none">• “Open for Business”• Political• Incentive Toolbox• Jobs, jobs, jobs	Investor Perspective <ul style="list-style-type: none">• Sustained Growth• Data-driven• Advice and Advocacy• Competitiveness and Productivity
Project and Deal Centric <ul style="list-style-type: none">• Tactical and Transactional• Prescriptive• Bricks-and-Mortar• One-offs	Focus on Economic Growth <ul style="list-style-type: none">• Strategic, Integrated and Prioritized• Consultative and Collaborative• Human Capital• In-the-center-of-it-all Leadership
Swinging for the Bleachers <ul style="list-style-type: none">• Big-Game Hunting• Next Big Thing (the Silver Bullet)• “Build it and They will Come”• Local Legacy	Improving the Economic Base <ul style="list-style-type: none">• Entrepreneurial Ecosystem• Focus on Diversifying Base/ Resiliency• Benchmark to Focus Resources• Regional & Global Growth

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Economic Development Partnerships



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



The Four Fundamentals of Economic Development



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Four Legs to the Economic Development Function

- The foundation of a healthy economy starts with placemaking, which often is affiliated with a focus on tourism.
- The second leg of the stool is Business Retention & Expansion—retaining and growing existing businesses already residing in the local trading area.
- The third leg of the stool is Entrepreneurial Development—starting and nurturing new businesses within the local trading area.
- The fourth leg of the stool is Investment/Attraction—recruiting businesses or business expansions from competing communities to the local trading area.

Placemaking & Tourism

- What a change 15 -20 years can bring...An inverted model
- **New significance for “Quality of Life” as an evaluation factor**
- **“Vibrancy and life”** – as expressed in schools, health care, events, recreation, neighborhoods, community pride, general amenities, etc.



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Placemaking & Tourism



VIRGINIA'S HERITAGE MUSIC TRAIL

The Virginia Oyster Trail



Nelson 151 Trail



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

Business Retention & Expansion

- Higher percentage of new jobs and capital investment come from existing businesses
- Retention of capital base secures tax revenue for state and locality
- Outreach is cost-efficient
- Opportunities to identify problems before they become unsolvable
- Opportunities to validate business climate and identify business climate improvements
- Create business champions for your community
- Create a professional service team that is creative and customer-focused



Business Retention & Expansion

Winchester/Frederick County

“We believe, as hopefully you do, there is nothing that exerts more influence in the location process than demonstrated success and dedication to the existing economic base.

Over 100 businesses experience Winchester & Frederick County's commitment each year.”

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Recent Headlines

- Governor Northam announces major investment in Micron's Semiconductor Manufacturing Facility in Manassas (\$3 billion, 1100 jobs)
- AFL to invest \$1.3 million in existing Washington County facility, creating 20 new jobs
- Smyth Companies to invest \$6.5 million, retrain 28 employees in Bedford County
- Premier Technologies announces investment in King & Queen County, creating 20 new jobs.



Growing Your Own – Entrepreneurial Development

- **Benefits:**
 - Corporate downsizing – more opportunity
 - Potential scalability
 - Build on and create clusters
 - Small business people typically have a vested interest in the well being of the community and are civic-minded
- **Challenges:**
 - Entrepreneurs are heavily influenced by quality of place
 - Entrepreneurs typically require extensive support networks
 - High percentage of failure in first two years
 - Significant staff time necessary for sometimes limited visible rewards



Growing Your Own – Entrepreneurial Development



COwORK Gloucester



VASstartup.org



Growing Opportunities for Small Business

© VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

1776

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Business Attraction

- **Benefits:**
 - Increases the size of the local economy
 - Diversifies the tax and employment base
 - Most visible result of economic development efforts
- **Challenges:**
 - The most competitive of economic development functions
 - Generally an expensive strategy
 - Successful recruitment requires elements in place to reduce the risks for the business client:
 - Critical mass • Population density and growth • Quality of place and world class amenities • Research universities and colleges • Multiple reliable and scalable transportation modes • Affordable, higher density housing • Shovel ready sites and spec buildings • Aggressive and scalable workforce development resources • Proven past success in analogous economic development efforts

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

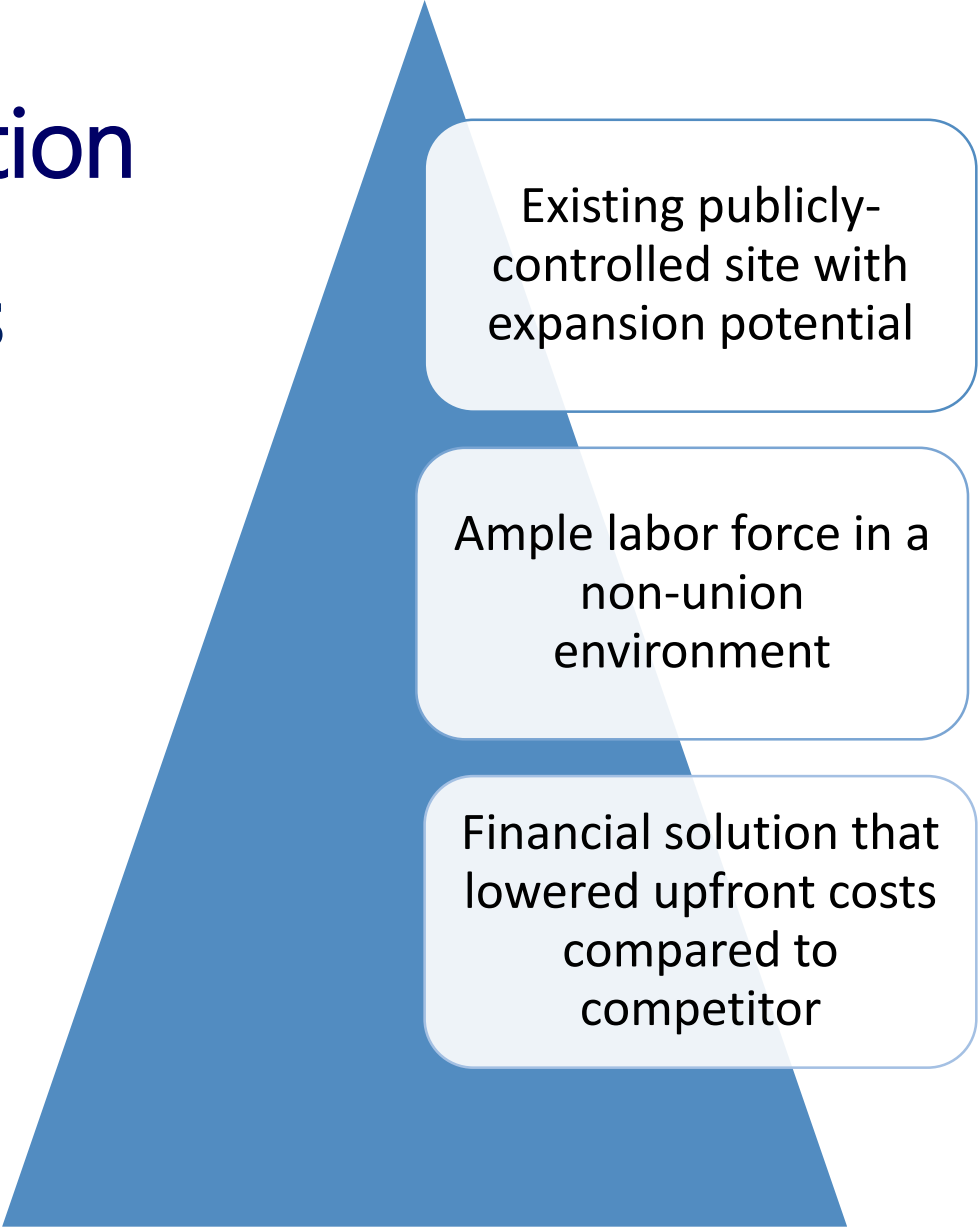


Business Attraction

Press Glass

\$ S
43.55 M

Jobs
212



9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Resources

<https://www.vatc.org/>

www.vedp.org

www.govirginia.org

<http://www.virginiasbdc.org/>

<http://edwardlowe.org/>

<http://www.bre.guru/BRE>

<https://brei.org/>

<http://siteselectorsguild.com/>

www.iedconline.org

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297



Questions? Thank You!

Virginia Institute for Economic Development
September 25, 2019

9702 Gayton Road | Suite 336
Richmond, VA 23238 | 804-399-8297

