THE FOUR FUNDAMENTALS OF ECONOMIC DEVELOPMENT
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 to support business growth
- Measuring results and adapting strategies
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.
Economic Development Over the Years
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
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
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”)
## Economic Development Shift

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Questions...........

How do you think the current pandemic has impacted the national, state, regional and local approach to economic development?

What emerging trends will impact economic development?
Economic Development Partnerships
The Four Fundamentals of Economic Development

1. Business Attraction
2. Grow Your Own
3. Business Expansion
4. Placemaking for Talent
Four Legs to the Economic Development Function

• The foundation of a healthy economy starts with placemaking—often affiliated with tourism—significantly affects workforce and talent.

• 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

- 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.
- **Social Justice Movement** – creating the **“big tent”**
Placemaking and Talent Attraction

- Talent is the fuel of a community’s economic health
- Live Here – Work There
- Value All
- Take Care
- Showcasing Virginia’s talent
  - https://hqnova.com/talent.html
  - https://www.youtube.com/watch?v=XplxITBZ5zM
  - https://get2knownoke.com/
Placemaking

The Crooked Road
Virginia's Heritage Music Trail

Virginia Civil War Trails

Fields of Gold

The Virginia Oyster Trail

NELSON 151
Virginia’s Long Weekend Address

9702 Gayton Road I Suite 336
Richmond, VA 23238 I 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

Frederick County Economic Development Authority:
“We continue to shine as one of Virginia’s finest economic development regions......leaning on numerous resources.....One such resource includes call-team visits to local businesses to communicate training resources and expansion assistance opportunities. The Frederick County EDA has an established track record of facilitating financial and workforce training assistance to expanding companies.”
Recent Headlines

• May 2018: *UAV PRO* builds new facility in *Nottoway County* (75 jobs, $2 million)
• May 2020: *Hershey* announces $135 million *Augusta County* expansion (110 jobs)
• June 2020: Governor Northam announces *Drake Extrusion* to expand *Henry County* operation (30 jobs, $6.85 million)
• July 2020: *Bausch + Lomb* expanding *Lynchburg* operation, creating 79 jobs over next 5 years ($35.5 million)
• August 2020: *Musser Lumber Company* to expand sawmill, create jobs in *Wythe County* (12 jobs, $2.4 million)
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

the Launch place

COwORK Gloucester

VAStartup.org

CBL Virginia Community Business Launch

OPEN for BUSINESS

SOVA INNOVATION HUB

The NEST

Launchpad Greater Williamsburg Business Incubator

1701

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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
Business Attraction

Morgan Olsen

- Timing – IKEA facility becomes available
- VEDP’s Talent Accelerator Program
- Financial solution that lowered upfront costs compared to competitor

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57.8 M

Jobs
700

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The Four Fundamentals of Economic Development

- PLACEMAKING for TALENT
- BUSINESS EXPANSION
- GROW YOUR OWN
- BUSINESS ATTRACTION
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
https://www.institutefortomorrow.com/

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Questions?
Thank You!

Petersburg Economic Development Authority
February 2021