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Getting Your Community Ready for Economic Development

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The Growth of Small Town America

Rural America is growing again. For the first time in more than 160 years, the population growth rate in the United States was higher in rural and small town communities than in metropolitan areas. From 1970 to 1980, rural and small town counties grew by 15.4% which compares with a 9.1% increase for metropolitan counties and a 10.8% increase for the nation as a whole.1

Within Indiana, small towns between 10,000-20,000 population grew the greatest with a 25.5% increase between 1970-1980 while cities over 100,000 declined by 8.9%. Table 1 indicates the amount of growth for communities of various population sizes.

This change in migration and growth patterns may present new opportunities for smaller Indiana communities to expand their economic base and improve community facilities and services. However, the community must be ready to meet these opportunities. It is not adequate to adopt the industrial plans and strategies of large metropolitan areas. Small towns are not just smaller versions of a city. Rather, small towns are unique with their own set of strengths and weaknesses. Small towns need different development strategies based upon their own needs and resources.

Industrial Development Must Be Viewed as Part of the Total Community

One factor that must be kept in mind when developing a strategy is that a community of any size is very complex. It is composed of many social, political and economic units. Because these units oftentimes work independently of one another, the community can become fragmented. The town board, Chamber of Commerce, park board, planning commission, fire department, Lions Club, Jaycees, women's club, school board, church groups, etc., all have a special interest in the community and play a very vital role in the health and well-being of the total community. The words “total community” are emphasized because so often, as members of these various groups, one becomes concerned only with the particular interests of that group without consideration of its effects on other segments of the community. Each part must be seen within the context of the whole community. This is especially true of industrial development which may affect and be affected by the water system, sewer system, traffic, roads, streets and bridges, schools, housing, retail businesses, and so forth.

Because of the complexity of the community, it is clear that no one person, no one group has all the expertise, knowledge or resources necessary to solve all the problems within a community. Resources are usually quite limited especially in small towns. It is essential that the leaders in a small town communicate with one another, coordinate their efforts and pool available resources.

Table 1. Growth of Indiana Cities and Towns 1970-1980

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1,000</td>
<td>4.1</td>
</tr>
<tr>
<td>1,000 - 2,500</td>
<td>15.8</td>
</tr>
<tr>
<td>2,500 - 5,000</td>
<td>21.1</td>
</tr>
<tr>
<td>5,000 - 10,000</td>
<td>9.4</td>
</tr>
<tr>
<td>10,000 - 20,000</td>
<td>25.5</td>
</tr>
<tr>
<td>20,000 - 50,000</td>
<td>10.1</td>
</tr>
<tr>
<td>50,000 - 100,000</td>
<td>-0.74</td>
</tr>
<tr>
<td>Over 100,000</td>
<td>-8.9</td>
</tr>
</tbody>
</table>

2 Based upon 1980 Census of Population, PHC80-V.16, March 1981. Calculations made by the author. This includes only incorporated cities and towns and does not include unincorporated places nor the township within which the town is located.
Demographic Changes Hold Promise of Breathing New Life into Small Towns, but Successful Industrial Development Requires the Effort of the Entire Community

There are two views concerning what attracts an industry to a community. One view deals with factors over which the community has little or no control. Examples of such factors would be the size of the community, its proximity to larger urban areas, market conditions, existing industrial sites, transportation costs, density of the population in the surrounding region, union representation, accessibility to major interstates. In other words, the decision-makers of industries locate their industries where they do because of the above mentioned factors and local leadership and local actions have little influence in these decisions.

The other view is that industries are influenced by factors over which community leaders have control. In other words, locally organized efforts, broad-based citizen support, and the provision of necessary community services and facilities play an important role in the decision to locate an industry. Examples of such factors include: sewer capacity, zoning, general aviation airports, vocational-technical schools, fire protection, an active industrial development organization, and the salesmanship of the community.

Which of these perspectives is more accurate? Is the decision of an industry to locate in a particular community something that the community can influence, or is it completely out of their hands? A number of studies have been conducted in an attempt to answer this question.

The decision-maker locating a new plant probably strives to maximize profits as well as perceived amenities. Thus, a broad geographic region may be selected because of such factors as market areas served and availability of raw materials. A specific town within the region may be selected because of both localized profit factors and amenities.

Research indicates some of the factors affecting industrial growth are beyond the influence of the community. For example, Kuehn found that the previous successful establishment of manufacturing plants, large asset size of local banks, low labor costs, and a large labor supply are factors which do significantly and favorably influence plant location and are factors which the community cannot control.

On the other hand, the data from some studies also indicate that communities are not powerless to influence their chances for industrialization. The size of the community, the proximity of the community to a larger urban area, and immediate access to interstate highways are important factors, but are of less importance when compared to factors which communities do control. Examples of such factors which appear to significantly and favorably attract new plants and over which the community can exert partial or complete control include: large excess sewer capacity, good access to an airport, usage of city zoning, and nearness to a vocational-technical school. For example, Smith (1980) found that communities which are comparable in terms of higher educational facilities, transportation access, investments in public education, and actions to attract industry are at no significant disadvantage because of community size or the absence of previously established industrial bases.

The only factor Kuehn found over which the community has little influence and which greatly outweighs factors subject to town control, was the number of manufacturing plants already operating in the town. While Smith found that this factor could be overshadowed by local actions, Kuehn did not find that to be the case. The number of industries already existing in the town may be an indication of the previous attractiveness of the community and its ability to retain industry.

The studies further show that communities which are not favored by good natural location will ordinarily have to invest more in educational facilities, fire protection, water and sewer capacity, and so forth, if they are to compete on equal terms with the communities having better locational characteristics. Although community investments of appropriate types can overcome most natural and situational impediments to industrial expansion, the real question is, will the investment pay off?

It is critical that community leaders realistically and thoroughly evaluate the costs of investments as well as the long-term payoffs to the community. If a town has little in the way of locational advantages and previous investments, some disadvantaged communities, especially those with small tax bases, may find the cost of an industrial development program to be prohibitive in relation to their chances of success. Upgrading inadequate sewer and water systems is very costly and often difficult to finance. Furthermore, many actions are linked to others, again pointing to the importance of evaluating industrial development in light of the total community. A high grade fire protection service, for example, requires a high capacity water system, as well as good fire fighting equipment. Before investing in such a costly venture solely for the purpose of attracting industry, the community should compare benefits to costs. Another factor to consider is whether the local labor supply is basically fully employed. If so, the benefits to the community of having a new industry could be rather small.

Again, each community should realistically assess both the costs of investments to attract industry as well as benefits, before embarking on an industrialization effort. Depending on available fiscal capabilities and prior levels of investment of industrial development, rural communities can modify their prospects for industrial development. For some communities risk of failure would be excessive at any feasible level of cost relative to expected benefits. While programmed community action can improve the probability of acquiring new industries, it will not guarantee success.

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1 See Smith (1978, 1980); Kuehn (1979); and Williams (1977).
2 Ibid.
Developing a Strategy for Small Town Economic Development

If you, as a community leader, decide to pursue economic development for your community, how do you get started? Who should be involved? What are some issues to keep in mind? What is a strategy?

Local action for economic development is a long-term, continuous effort that requires the commitment of the leaders and citizens in the community. Although there is no strategy that will guarantee success as previously discussed, there are some basic steps that should be considered. The following four steps are briefly presented: (1) organize community leaders; (2) know your community; (3) formulate goals and objectives and analyze alternatives; (4) develop a program.

1. Organize community leaders

Almost any economic development effort requires the formation of an economic development committee. The committee may operate very informally or be a more structured organization. Whatever form the group takes, it should strive to get the following representation: utilities, finance, real estate, transportation, local government, industry, retail business and planning. Members must be committed and able to spend the time necessary to attend meetings, collect information and meet with industrial prospects. It is important that they be willing to make a long-term commitment in order to have the necessary consistency and follow through from year-to-year. It is also important that members of the committee be serious about the work, have some business knoll-edge about the community and most importantly, have a vision about the future of the community.

It should be noted that effective leadership does not mean that one individual or that an economic development group makes all the decisions. It implies, rather, the willingness and the ability to involve the whole community in trying to reach consensus.

In many small communities, an informal committee that meets regularly over coffee may work quite effectively in pursuing economic development objectives. If, however, the group finds a need to have some vehicle through which to channel funds, it may be necessary to form a more structured organization. It is not necessary to formalize an organization at the beginning of such an effort, if ever at all. In fact, for a community just beginning economic development efforts, it may be advisable to wait until some goals and objectives are established and some community support is gained, in order to know whether or not to form a more structured organization; and if so, what kind would best serve the needs of the community. Many small towns have functioned effectively on an informal basis. Other communities have found a need to create a more structured organization in order to accomplish their goals. If your group has a need to channel funds for industrial development, the following three organizational structures are options:

a. Not-For-Profit Corporation—The not-for-profit corporation, like the committee, is composed of members who represent the broad interests of the community. This form of organization is best suited to the community with more ambitious plans than that of an informal committee, as it provides a vehicle through which major improvements can be funded and through which parcels of land can be assembled for development or redevelopment. Such an organization can also serve to attract new businesses by buying and renovating commercial property. It offers the advantage of raising capital within the community through non-returnable contributions from its members. The donations are tax deductible. It also offers the potential of involving a large number of local citizens, institutions and businesses (all of them investors or contributors) in the making of decisions. Such an organization qualifies for tax-exempt status from the Internal Revenue Service.

The incorporation process is relatively simple and requires only the filing of an application with the State of Indiana and paying a minimal filing charge. A lawyer can assist in forming a not-for-profit corporation.

b. Local Development Corporation (LDC)—An LDC can be a profit or not-for-profit organization. It is authorized, under Indiana laws, to promote and assist the growth and development of small businesses. It must have at least 25 stockholders or members. The LDC offers many possibilities as it is a
very flexible organization. The following is a listing of some of the things an LDC can do: lease and improve real property, acquire property, make equity investments in new and young small businesses, sell notes and debentures to finance projects, borrow and re-lend money to assist businesses, receive grants from federal, state and local agencies, develop industrial parks, provide state income tax credits to program contributors for eligible activities, establish and operate a small business resource center, and undertake historic preservation activities.

c. Economic Development Commissions (EDC)—
An EDC is created through the governing body of a city, town or county by the adoption of a resolution or ordinance. The members of such a commission are appointed by the governing body. It has the duty to investigate, study and survey the need for additional job opportunities and industrial diversification and to recommend action. Specifically, an economic development commission has the power to acquire land; to exercise the power of eminent domain; to purchase, lease, construct, remodel, rebuild, enlarge or substantially improve facilities including machinery and equipment; to sell facilities; to make direct loans to users or developers for the cost of construction of facilities; and to issue bonds.

For assistance in evaluating whether or not your community should form an organization and if so, what type would be best, you should contact your field representative from the Indiana Department of Commerce. The address and phone number are given at the end of this publication.

2. Know your community
The second step is to know your community. This consists of two parts: (1) What are the facts about the community? and (2) What are the attitudes of the citizens toward industrial development?

Not only should this information be readily available, it should be presented in a clear, concise, attractive folder, ready for review by any industrial prospect. The community need not spend a great deal of money in order to have this information. Many of the utility companies will collect this information free of charge to the community. You should check with the utility company in your area to see if such a profile has already been completed for your town. Another resource available to your community is the Community Evaluation Program of the Indiana Area Development Council. Again, this is free of charge to the community. For more information, the contact person is listed at the end of the publication.

If you have the information and you are preparing a brochure, first contact your field representative with the Department of Commerce. He/she can inform you of the type of information that should be presented and in what format. Again, it is not necessary to spend a great deal of money on this. Your field representative can show you examples of community brochures that have been produced at a relatively low cost.

The following is a very brief list of some of the facts about the community that should be known. If they are not already collected and available, then this should be a high priority for your group. This information should be collected and analyzed in terms of the services' and facilities' present capacity or condition and in terms of future projected needs.

a. Labor characteristics (labor force inventory, unions, wage rate, history of labor relations).

b. Location of the town in relation to larger cities.

c. Population characteristics (rate of growth or decline, age structure, education, income, projections).

d. Land use patterns including a map of the community and industrial park.

e. Community facilities (police and fire protection, educational facilities including area colleges, and pupil/teacher ratios in elementary and secondary schools, medical and hospital facilities).

f. Communications (radio, newspaper, TV).

h. Housing (types and availability).

i. Financial institutions (amount of assets).

j. Churches.

k. Civic organizations.

l. Parks, recreation, entertainment, cultural facilities.

m. Vocational training (area schools or training facilities).

n. Transportation (interstates, highways and streets, trucking services, bus and rail services (including time schedules to larger cities), and airports (including major airlines).

o. Utilities and fuel (electricity, water, sanitation, natural gas, fuel oil, propane, coal, and energy costs).

p. Local existing industries (manufacturing industries, support industries, service industries, government facilities).

q. Local government (structure of municipal government, planning and zoning, environmental regulations, attitudes of officials, fiscal expenditures).

r. Taxes.

ten. Climatic and geological conditions.

t. Industrial site characteristics (location and description, ownership or control, utilities, transportation access).

A second part in knowing your community is knowing the attitudes of the general public. Do they support industrial development? Would they be willing to support a tax increase to acquire land for an industrial park? Would they be willing to support the investment to increase the sanitary sewer capacity? One mechanism available to gain such knowledge is through a citizens' attitude survey. Such a survey gives the people an opportunity to express their feelings and thus become a part of the program. Results of an attitude survey provide not only useful information in knowing where to set priorities and place scarce resources, but also create community awareness. This might be called developing a "psychological base"—the people must want economic development, be sensitive to the prospects of betterment and be willing to work long and hard to achieve...
their goals. Without such broad-based support, industrial development efforts may be more difficult to accomplish and less effective. For assistance in conducting a citizens’ attitude survey, contact the Community Development Program at Purdue University. The address is given at the end of this publication.

3. Formulate goals and objectives and analyze alternatives.

Armed with the facts about the community, both existing conditions and projected needs, and knowing the support of the community toward industrial development efforts, your group should set down very clear-cut, specific industrial development objectives. Part of this step should be the consideration of various alternatives and the consequences of the alternatives. Who will pay? Who will benefit? What are some available resources? What will the impact of an industry be in the community? What investments are necessary? Will the investments pay off? You must know very specifically what it is you are trying to accomplish and what it will cost. It is essential that your objectives be realistic and in line with available resources. In other words, your objectives must be built upon the characteristics of the community. If your objective is to increase your sanitary sewer capacity at a cost of thousands of dollars in order to possibly attract an industry, will the benefits an industry, if you are lucky enough to attract one, offset the investment of the expanded sewer? Again, in your evaluation of various alternatives and in the establishment of your goals and objectives, it is important that you analyze what effects your objectives might have on various segments of the community, as well as the community as a whole. The outcome of this step will include a statement of short and long-term objectives for development.

4. Develop a program.

Based upon the objectives you have established, the alternatives you have analyzed, the consequences you have considered, and the resources that are available, a work program should be outlined detailing the steps necessary to accomplish your objectives. Keep in mind that any program you develop should be a joint venture with the Indiana Department of Commerce, new and existing businesses and your community. The state offers various economic development incentives, tax credits and development funds. For information, contact the Indiana Department of Commerce at the phone number and address given at the end of this publication.

There are several important factors in a development program that should be undertaken:

a. Develop assistance for existing industry—Local businesses provide the backbone of all communities, large and small, and some may provide the best opportunity for expansion of a local economy. Make sure existing industry remains! The growth and expansion in job opportunities of an existing business may far exceed whatever can be brought in from outside. Careful consideration should be given possible problems of existing businesses. A conscious effort to visit with owners or managers may turn up situations that, if allowed to continue, might end in business failure, or a decision to relocate. Additionally, expansion of local businesses, or assisting a local resident to establish a business, may offer the most immediate opportunity for economic growth. Careful consideration should be given to identifying local opportunities that might be at least partially met by local business people or residents.

b. Develop community information and support

—Industrial development can involve the entire community. Citizens cannot be expected to be involved or sympathetic if they are not informed of your groups’ activities or ultimate goals. You might want to consider speaking before community groups and organizations about your program and preparing frequent articles for your local paper. You cannot develop community support if you don’t keep them informed. Publicity is very important.

c. Prepare promotional plan—Along with developing community support and involvement, your group might want to prepare a plan for the promotion of the community. The plan could identify target industries, propose ways to inform them about the community and its available sites, and develop strategies for dealing with prospective firms. Community brochures or flyers could be prepared. Again, it is recommended that you first contact your field representative with the Indiana Department of Commerce so that you do not waste time or money on a brochure that is filled with useless information or that is costly.
d. Organize and train a promotion team—The key to the successful attraction of industrial prospects is a small team (host sales team) of enthusiastic and knowledgeable people who are prepared to meet with the representatives of prospective industries. The team should be well informed about the advantages of location in the community, the steps being taken to eliminate community problems and the procedures for dealing with prospective firms. A mock prospect trip can be used to help train your sales force as well as to help develop community awareness. The Indiana Area Development Council can help you in going through a mock prospect trip.

These steps just outlined must be viewed not as ends within themselves, but as an integral part of an on-going comprehensive planning and development process. As previously discussed, there are many factors involved in deciding where to locate an industry, many of which are out of the control of local leadership. Research indicates, however, that many factors which local leadership can affect, overshadow the locational disadvantages of many communities. Each community must evaluate its own particular situation to determine whether the necessary investments for industrial development will pay off. If your community decides to embark on such an effort, the effectiveness of the program lies in your hands as a leader in the community. You must be willing to make a long-term commitment, possess skills of organization and have the will and determination to constantly pursue the goals you have set for your community. Equally important, you must know how to create citizen awareness and gain broad-based support.

Remember that the ability of your community to attract and retain industry is not only dependent upon the development of an industrial program, but also upon the overall condition of the community. You’re selling the community—not just an industrial site. Remember that people moving in with an industry are concerned about the availability of housing, the condition of the school, the availability of parks and recreation, and most importantly—the attitude of the people in the community in general.

To summarize, demographic changes are presenting new opportunities in small towns and rural areas. Small towns are not necessarily at a disadvantage in attracting new industry. Local leaders can exert control over certain amenities to create a community that is attractive for development. In order to take advantage of these opportunities, it is essential that the community be prepared. This involves evaluating industrial development in terms of the total community—the costs of investment for improved services and facilities as well as the long-term pay-off to the community; organizing the community; having a vision for the future of the community; gaining broad-based community support; and creating a sense of pride. In other words, getting your community in order for economic development.

Where To Go for Assistance

Field Representative
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Indiana Department of Commerce
440 North Meridian
Indianapolis, IN 46204
317/232-8911

The Community Improvement Program
Janet Ayres Weitz
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References


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