

Investing in Economic Development

IMPORTANT KEY INDICATORS MUNICIPALITIES SHOULD ASSESS

Paul Blais and Andrew Redden

Economic development has come a long way in the last 30 years. Once the bastion of smoke stack chasers, it is now a more sophisticated practice that includes place branding, creative community engineering, and unique value positioning. If that's not enough to get your attention, how about economic gardening, clustering, retention consulting, and social networking?

These are not just figures of speech, but ways in which the science of economic development forces one to examine a community as a product that can be tweaked, pushed, and nurtured towards a desired outcome. It is why no two municipalities employ the same economic development techniques. Some municipalities use a volunteer-only advisory board that might be a committee of council or the chamber of commerce. Others hire economic development officers or use a combination of both.

Nonetheless, when examining whether or not to add an economic development function to your municipality, or to enhance the existing services that you already have, there are three widely recognized important key indicators you should assess. In this article, we discuss these indicators, including the importance of an economic development strategic plan; outline the need to build local capacity and not "start from scratch"; and highlight the merits of tracking performance.

This article should be of interest to municipalities that

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wish to establish an economic development office, but are wondering where to begin. It is also relevant for those that may have a two-tier system, with the potential for duplication of efforts and even for those that may want a regional effort, but have a history of working individually.

Form Follows Function

Before hiring someone to run your economic development and/or appointing a committee, a key element to consider first is the concept of "form follows function." In other words, organizational structures and policies that are established to pursue economic growth in the community should only be established once there is a thorough understanding of what it is exactly that your municipality wants to accomplish. As such, critical importance should be placed on developing an economic development strategy first.

The strategy provides the municipality and its communities with guidance that will maximize the chances of achieving the identified goals. These goals could include creating jobs, improving living conditions, protecting the natural environment, and raising the municipality's profile.

Once it is identified what needs to be done to meet the municipality's economic development goals (the function), it is time then to establish the tools that will help the community to achieve those goals (the form).

While there are several hybrids, the main delivery models for economic development are:

- ▶ an internal department that reports through the administration to a municipal council (often with a volunteer advisory body consisting of public and private sector representatives); or
- ▶ an external body that reports to a board of directors composed of members of council, but also members

of the private sector.

Table 1 shows the results of research done by Millier Dickinson Blais in 2008 on economic development/tourism structures in Ontario upper-tier municipalities with 50,000+ people, where those municipalities have maintained such a function for 7+ years.

This table shows there is no clear cut “winner” in terms of preferred delivery model. There are as many municipal-level economic development and tourism organizations that are structured internally as there are externally (at least for larger communities).

The advantages and disadvantages that commonly characterize internal and external services should not be viewed as a “right way” or “wrong way” to deliver economic development programming. Both approaches have succeeded and failed. Unfortunately, there is no research available to show which model is more effective, more often.

The decision to go internal or external is really a local one. As an example, Hastings County in Eastern Ontario is an upper tier that chose to reinvest in economic development in 2007, and did so after completing a comprehensive strategic planning process that was based on the challenges and opportunities that the county had been facing. The strategy involved consultation with stakeholders and therefore identified the internal structure that would have the most buy-in.

Work to Build Local Capacity

An important key indicator that Hastings County had to be cognizant of was respecting the local capacity and grassroots organizations already functioning within the county. Municipalities choosing to invest in, or to expand, an economic development function must focus on establishing a structure that encourages and supports the efforts of existing community-based organizations, rather than one that ignores them. It is likely your economic development strategy will show there are many priorities for the community and, even with a municipally-driven economic development form, local organizations can have plenty to accomplish.

Examples of existing organizations that a community may have include: chambers of commerce, destination marketing organizations (tourism), business improvement areas, upper- and lower-tier economic development committees, and community futures development corporations. The municipality must work to develop a form that is strategic and flexible, filling gaps and taking responsibility for core services that are not being provided effectively or at all.

This point was critical to the development of the Hastings County economic development structure. Because the county did not have an economic development function for a decade after the office was discontinued in 1997, a host of grassroots organizations soon emerged to fill the community’s economic needs. One of the strongest characteristics

Table 1

Delivery Type	Economic Development Services	Tourism Services
External	12	13
Internal	13	12
Combined	3	2
Under review	0	1

of the county is the willingness of people to get involved.

Existing organizations that were already in place included ComfortCountry, the North Hastings Economic Development Committee, and formal main street revitalization initiatives in eight of the county’s major downtown areas. Each of these organizations had been, and continues to be, excellent at rallying local support, and plays an important role in economic development. The new structure at the county effectively involved the local community by taking into consideration local needs and desires, and incorporating them into ongoing decision making and activity. The new county role was purposely built on the successes of these organizations.

Measuring Results

To ensure the success of municipal economic development, municipalities, including Hastings, should not forget performance measurement. This is a tool to determine how well a job has been done using both qualitative and quantitative information and activities. A lack of clear measurements (or the communication of them) was one of the key reasons why economic development was dropped in Hastings in 1997. The following reasons make it important to track activity and performance:

- ▶ providing public accountability;
- ▶ assisting with human resources management;
- ▶ using results to improve performance; and
- ▶ identifying the return on investment.

An effective economic development office must perform, measure, and communicate these results.

Unfortunately, performance measurement in economic development is not a common practice. To date, it has been unaffected by the Government of Ontario’s Municipal Performance Measurement Program, which has set guidelines for almost all other aspects of municipal service delivery, including road maintenance, emergency services, and governance.

The most common measures centre on investment attraction – the number of jobs and taxes created by new developments. This is a fine measure for communities with a strong emphasis on this aspect of economic development. But, as has been shown above, this is no longer the focus of most organizations. Despite the lack of industry-wide standards, there has been an effort to provide very specific quantitative and qualitative measures that can be benchmarked and

tracked year after year. For Hastings County, the following are suggested measures in their economic development strategy based on core responsibilities:

Overall

- ▶ marketing action plans with a prioritized list of achievable projects
- ▶ vibrant advisory committee with representation from across the community
- ▶ successful leveraging of \$x through senior levels of government
- ▶ x% customer satisfaction based on feedback forms
- ▶ x% of business people understanding the role of the EDO and how it can help them and their peers

Agriculture

- ▶ number of producers impacted by the county's efforts
- ▶ income and job impact of county's efforts
- ▶ number of new exporters
- ▶ number of restaurants selling local product

Infrastructure and Planning

- ▶ x number of community improvement plans and brownfield properties evaluated
- ▶ x% of population and businesses having access to high-speed Internet
- ▶ x% of population and businesses having access to cellular telephone service

Natural Resources (Forestry & Mining)

- ▶ number of businesses impacted by the county's efforts
- ▶ income and job impact of county's efforts
- ▶ "health of the local sector" surveys returned with increasing optimism
- ▶ revenue from logging operations on Crown land
- ▶ revenue from mineral and aggregate extraction

Downtown Revitalization

- ▶ new programs established for façade and building improvements
- ▶ vacancy rate
- ▶ number of employed people in target sectors
- ▶ net jobs and taxes created
- ▶ expansion of trade market area
- ▶ increasing % of people who consider the downtowns to be primary shopping area
- ▶ improved perception of downtown as a gathering

place

Physician Recruitment

- ▶ improved lead: success ratio – indicator of the ability to "close the deal"
- ▶ x number of physicians attracted to the community
- ▶ competitive incentives package being offered

Investment Attraction

- ▶ an up-to-date community profile with data that is relevant to target sectors
- ▶ an up-to-date online available properties guide containing information on vacant industrial and commercial property
- ▶ x% of incoming investment inquiries while on the phone with the prospect
- ▶ x% of customized responses delivered within 24 hours
- ▶ x jobs and property taxes created, using a weighted "community contribution factor"
- ▶ lead: success ratio that improves continuously
- ▶ EDO \$ investment per lead, prospect and success

Business Retention and Expansion

- ▶ the EDO is aware of changes in industry patterns and is ready to act should an opportunity arise
- ▶ x% of business people understanding the role of the EDO and how it can help them and their peers
- ▶ x% of red flag issues resolved within one day, one week, one month, etc.

Conclusion

Evidently, there is no "cookie cutter" approach to municipal economic development. It would be nice if there was a one-size-fits-all model. But this can never happen, due to the unique social and physical landscapes that make each of our municipalities interesting, special, and attractive for different types of investment. We are therefore challenged to reach beyond our capable grasp and practise the strategic planning to find the best form and function.

Never forget the local capacity that already exists, work to support it, and ensure that a set of clear measurements are put in place to track activity and performance. By respecting these main key indicators, your municipality should be well on its way to a successful economic development practice. *MW*

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