THE BIGGER PICTURE: ECONOMIC DEVELOPMENT MEANS MORE THAN INCREASED JOBS AND TAX REVENUES

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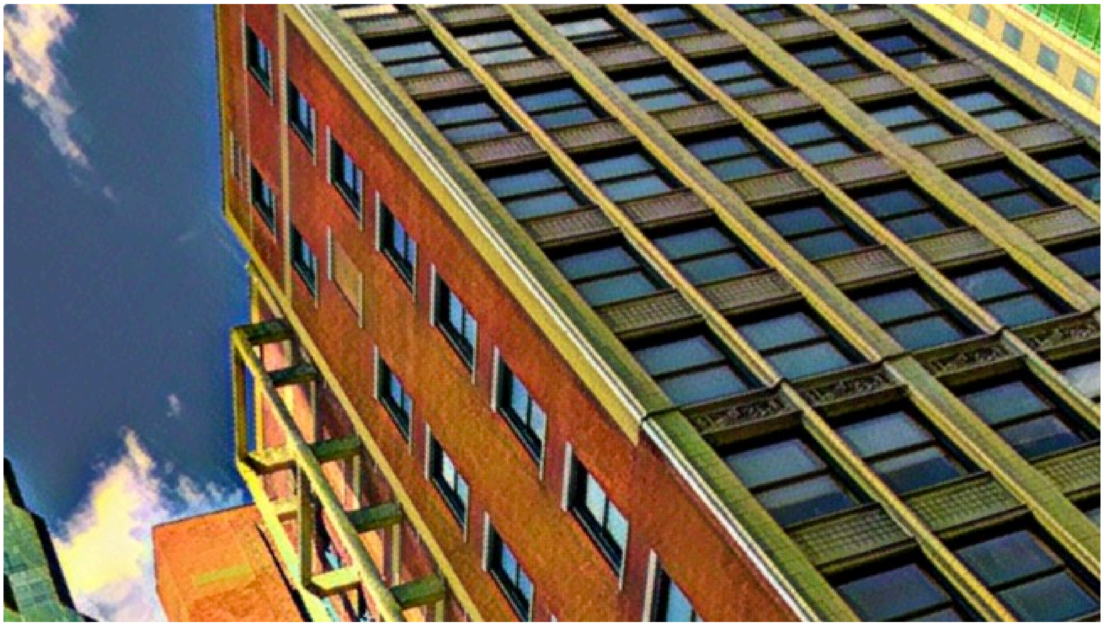

By Judd Treeman

In the public debate that rages in the press and the Twittersphere, economic development projects are often measured by two prominent metrics: the number of jobs to be created and the amount of increased tax revenues expected. But these tell only part of the story for many economic development projects. And developers and communities can do a better job of communicating the full value-proposition of a project.

So says a new paper, *Redefining Economic Development Performance Indicators for a Field in Transition*, from the Center for Regional Economic Competitiveness (CREC). In it, CREC recommends that communities build an information infrastructure enabling them to report whether and to what extent their economic development programs are advancing their particular economic development goals.

According to CREC, the infrastructure should:

- Have a "logic model" connecting metrics and program activity showing how investment translates into goals
- Adopt performance indicators, especially for job *quality* (not just quantity) and "business dynamics"
- Most importantly, create a communication plan to collect and marshal accurate data (more on this later)

Logic Model

CREC's idea of a logic model is simply committing to paper the explicit public investment input and correlating it to a specific hoped-for outcome. The goal of the logic model is to narrow the focus of the development investment objectives to a certain set of performance indicators that can be reliably tracked and reported during the life of the development investment. The logic model simply explains how the performance indicators relate to the goals sought in making the initial development investment, enabling the developer and incentive providers to make a clear and concise case for the incentive and project.

Performance Indicators

CREC suggests two categories of performance indicators are underutilized in economic development today: *job quality* and *business dynamics*.

Job Quality Indicators

By "job quality," CREC means tracking how economic development makes *better* jobs, not necessarily *more* jobs. To track job quality performance, CREC offers some suggested examples:

Wage-Related Job Quality Indicators

- Average wage or salary of job attracted or retained
- Wage gains during project, and after completion, by sector
- Percent of jobs that are family-sustaining
- Percent of living wage jobs
- Percent higher than living wage jobs

Benefits-Based Job Quality Indicators

- Average value of benefits provided per job
- Percentage of jobs with employer-provided benefits
- Average commute times

Skills-Related Job Quality Indicators

- Percentage credentialed employees
- Target sector or occupation quota performance
- Average age of credential employees in target occupations

Demographic-Related Job Quality Indicators

- Percentage jobs filled by locally-educated employees
- Occupational and wage gaps by race and location

Business Dynamics Indicators

By "business dynamics," CREC means tracking how economic development makes *sustained* business growth, not just more startups. To track business dynamics performance, CREC offers a menu of performance indicators. Here are some examples:

Growth-Oriented Business Dynamics Indicators

- Percent revenue growth of businesses within program during program, and after completion
- Number of benefitted business joint ventures, mergers, acquisitions, etc.
- Value realized of benefitted businesses upon major capital events

Churn-Related Business Dynamics Indicators

- Number of startups as percent of all business
- Number of new and young firms per capita of population
- Share of firms less than five years old per capita of population
- Percent of locally-owned businesses

- New businesses' five-year survival rate
- Census Business Dynamics churn rate

Financing-Related Business Dynamics Indicators

- Per capita lending activity per SBA loan program
- SBIR grant winners assisted
- Number of unique investors attracted to development programs
- Percent of capital in development programs by source (loans, VC, angel, etc.)
- Loans to businesses under $1M revenue

Communication Plan

Communication of many of CREC's suggested performance indicators are already (to varying degrees) part of statewide economic incentive programs and legal and regulatory frameworks. These programs often require detailed revenue, wage, retention, and benefits reporting necessary to track performance indicators on state-provided economic development incentives. The purpose of these reporting requirements is to provide data which may be reported to the public to track the progress of development programs.

While some cities have astutely begun incorporating such reporting requirements into their own economic development policies, there is still a vast multitude of projects which lack any performance indicators that could be used to gauge the relative success of the incentive investment.

As controversy over local incentive grows in many markets, cities (and other incentive providers) and developers may need to build into their development agreements and policies ways of collecting and sharing information which can later be published to show the success of the project, and keep the public informed of the importance of economic development to their communities.

While many developers and incentive providers may fear that performance indicator collection and reporting procedures will overburden already-overworked staff and make already-complicated development programs even more so, a trusted and experienced counsel should be able to identify ways of using existing business and accounting practices and filings for creating reportable incentive performance indicators for a project with minimal additional administrative burden and in a way that makes the project's value proposition more prominent to the public and incentive providers.

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