

# ECONOMIC DEVELOPMENT FINANCE

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# Local Economic Development Strategy

- Economic development professionals increasingly understand the value of strategic approaches to rekindle distressed communities.
- Most communities that have been successful in their economic development efforts form economic development strategies based on local consensus.

# Goals of Economic Development

- Quality Jobs
- Achieve local economic stability
- Build a diverse economic and employment base
- Promote local sustainability

# Prerequisites for Successful Strategy Formulation

- The best job-creation strategy is one that stresses increasing basic employment.
- Basic employment entails business activities that provide services primarily outside the local area via sale of goods and services, but whose revenue is directed to the local area in the form of wages, payments to local suppliers, and capital expenditures

# Continued

- Determine which sectors play a dominant role in the local economy in terms of jobs, sales, taxes paid, and linkages to other local industries
- Identifying important linkages between the local economy and the external economy to gauge the extent to which local sectors and infrastructure respond to changes in the regional, national and international economies
- Assessing the local potential for economic growth, stability, and decline and identifying contingencies for economic development
- Explore contingencies important to the local population that could have major impacts on jobs, sales, incomes, public revenue and expenditures, economic productivity, job quality, and local quality of life.

# Strategic Options

- There are four strategic approaches that focus on addressing economic development challenges.
- Locality or physical development
- Business development
- Human resources development
- Community development

# Common Traps in Strategy Formulation

- When developing a local economic development strategy, five (5) common traps can emerge that economic development practitioners must be aware of:
  1. Leading with grants without a strategic program and clear goals
  2. Letting the tool(s) determine the strategy
  3. Starting at the wrong end of the problem
  4. Following the fad
  5. Overlooking development capacity

# Assembling the Elements of a Strategy

- A strategy is a collection of actions and activities that help achieve a predetermined goal.
- Target Characteristics (the focus)
- Methods of Development (the how)
- Forms of Local Organization (the who)
- Time Frame (short term-long term goals)



# Projects from Strategies

- Having formed a development strategy, the next step is to build an action plan for each of its viable projects.
- Action plans are documents describing the components of a proposed project that match the economic development strategy.
- The principal purpose of the project action plan is to provide sufficient information to test the project's viability – that is, to determine whether the necessary economic, technical, management, and other support systems will indeed be adequate to support the proposed project (DC Project discussion)
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# Strategic Resources: The Five Ms

- Five key elements must be present for economic development to occur. These elements are as follows:
  1. Materials
  2. Human Power
  3. Markets
  4. Management
  5. Money

# Building the Implementation Plan

- Financing an economic development project is difficult if an plan for implementation is not in place.
- Often times the time is not dedicated to developing the strategy and implementation process needed to execute
- A rush to do something usually trumps solid planning and execution.

# Public Private Partnerships

- Public private partnerships are a long, difficult, and time-consuming process.
- A public private partnership is a project that uses the assets usually of the private sector.
- The private sector provides the design and development capacity along with cash or equity to finance the project.
- The profit or income is split between the public and private sector in some fashion.

# Project Financing

- For projected to be financed and supported, the following two elements must be present:
- Must be a viable project within the environment is designed to improve
- Must be viable in the sense of quantifying outputs, resource need and support for the project

# Four Keys to Assessing Project Viability

- Community Viability
- Locational Viability
- Commercial Viability
- Implementation Viability

# The Plan Setup

- Project Summary
- The Market and Needs
- Site Analysis
- Financing Options
- Project Cost Assumptions
- Project Organizational Management Oversight
- Monitoring and Evaluation

- Questions