Chapter 3
Community Economics

Understanding Communities and their Dynamics

- Basic Understanding of Community
- Community Demographics
- Community Economics
- Community Power Structure
- Community Situational Analysis
- Community Sustainability
- Community Development Process

Presenters

Stephan Goetz - Director, The Northeast Regional Center for Rural Development and Professor of Agricultural and Regional Economics, Penn State University. Stephan has over 20 years of experience analyzing the economics of communities and has published widely in the area of county-level economic development. Before joining Penn State University, he served on the faculty at the University of Kentucky for nine years. His Ph.D is from Michigan State University.

Walt Whitmer - Associate Director, The Northeast Regional Center for Rural Development and Extension Associate, Penn State Cooperative Extension. Walt has worked in the area of community and economic development for more than 25 years and holds an M.S. in Rural Sociology and Demography from Penn State. Prior to joining Penn State in 1992, Walt worked with both Peace Corps and USAID.
Goals of This Session

- Basic Strategies for Fostering Greater Economic Growth in the Community
- Promises and Pitfalls of Each Strategy
- Possible Roles for Extension Professionals in Each Strategy

Note: While we have revised this presentation in a number of ways, it draws substantially from work originally developed by Dr. Scott Loveridge, Michigan State University, and Transitional Director, the North Central Regional Center for Rural Development.

Why Community Economics

All communities are NOT created equal...
- Different resource endowments (financial, infrastructure, environmental, sectors, histories etc)
- Different growth trajectories
- Different leadership structures & capacity
- Change is constant

Role of Educator--Overall

- Help community understand its strengths and weaknesses.
- Help community learn to develop capacity to plan and implement.
- Teach about strategies.
- Assist communities to access data and other research.
Major Players in Economic Development

- State Development Agencies
- Small Business Development Center Network
- Chambers and other Business Groups
- Local Development Authorities & Corporations
- Local Governments and Planning Agencies

Six Strategies

1. Strategic Planning for Economic Development
2. Attracting Manufacturing (Targeting)
3. Business Retention & Expansion
4. Downtown Development
5. Tourism & Recreational Development
6. Developing Entrepreneurs

Strategic Planning For Economic Development
Strategic Planning: Basics

- Convene community leaders
- Engage broader set of stakeholders
- Process inputs
- Develop action plans

Steps Along the Way

- Organize and identify sponsorship
- Scan the horizon
- Identify key issues
- Develop goals and strategies
- Formulate action plans
- Implement action plans
- Monitor results

Advantages and Disadvantages

**Advantages:**
- Complement other strategies; identify best fit
- Low cost
- Achieve consensus

**Disadvantage:** May “sit on shelf”
Potential Roles for Extension

• Convene
• Educate and train
• Broker resources
• Facilitate/moderate
• Gather and analyze data
• Develop plan
• Ensure accountability

Attracting Manufacturing

• Only strategy that many communities pursue.
• Popular because it seems to offer “quick fix.”
• A multi-year process with real potential pitfalls.
When to Use Attraction
• When a major facility is idled.
• When you are going to grow anyway.
• As a complement to other strategies.
• To fill an identified gap

Attracting Manufacturing: Steps
• Identify land
• Make site improvements
• Develop recruitment “packages”
• Identify possible industries
• Attend trade shows
• Consulting reports vs. process
• Community Business Matching and Analytical Hierarchy Processes

Potential Educator Roles
• Teach possible pitfalls
• Teach long-term nature
• Help gauge strengths and weaknesses
• Serve as EDA “Point”
• Teach grant writing
• Foster board development
Business Retention and Expansion

**BR&E Basics**

Two Types:
- **Lone Ranger:**
  - Visits business and fixes the problem.
  - Not recommended for Extension professionals.
- **Volunteer Visitor:**
  - Survey of businesses
  - Committee review
  - Looks broader, community-wide

**BR&E Basics (cont’d)**

- Applications:
  - Manufacturing (most frequent)
  - Retail
  - Agriculture
  - Businesses in general
- Volunteer visitor program: many roles
- Challenge is to prioritize and sustain
**BR&E Advantages**

- **Efficient**: jobs created or saved per dollar invested.
- Can help pull the community's leadership together.
- **Well received** by businesses who feel that new firms are favored over the "old reliable" firms.
- Good opportunity to address business succession planning.

**BR&E Caveats**

- Leader must have very strong social networks.
- Cannot reverse economic fundamentals.
- Buy-in of local economic developer needed.
- Challenging to "mix" business types.
- Cannot fix all problems.
- Important to get leadership buy-in.

**Extension Educator Roles**

- Task Force leader
- Task Force member
- Facilitator
- Connector to outside resources
- Visitor
Downtown Development

Downtown Development: Basics

• Physical enhancements
• Preservation of historic & interesting buildings
• Marketing through advertising and events
• Coordination among merchants
• Develop “brand” for town

Towns With Brands

• Branson
• Las Vegas
• Orlando
• Regional brands:
  – Traverse City, MI (Cherries)
  – International Falls, MN (Coldest place)

What about your state?
Advantages

• Source of community pride
• Good for the environment.
• Creates a sense of community identity
• Double benefit:
  – Attract newcomers
  – Create a more pleasant place for residents

Cautions

• Build it and they don’t come
• Creating a sense of “sameness” instead of a sense of place.
• May gentrify place, with newcomers outnumbering the long term residents.
• Tastes and preferences change

When to Use It

• Basic infrastructure is sound
• Proximity to potential markets
• Uniqueness of Place
Potential Extension Roles

- Charette
- Identification of assets and planning
- Historic preservation workshops
- Grant-writing workshops
- Downtown association
- Main Street Program
- Master Gardeners
- First Impressions program

Tourism & Recreation Development

Tourism versus recreation
Tourism: coming from somewhere else
Recreation: coming from the area
Tourism and Recreation are synergistic
Recreational facilities can be used by tourists.
Basics
• Inventory current visitor activities
• Distinguish between business vs. leisure visits.
• Recognize that business visits can lead to leisure visits
• Inventory current tourist assets
• Develop marketing plans

Basics, continued
• Assist individual businesses with marketing plans
• Conduct hospitality training
• Consider a First Impressions program

Tourism: Advantages
• Growing sector in United States
• May increase due to state of the US dollar
• Can keep a town livable
• Can bolster support for local amenities
• Can help attract manufacturing firms
• Can attract retirees or other “lifestyle” immigrants
• Increase opportunities around agric- and eco-tourism
Tourism: Caveats

- Requires shift in "mind set"
  - Myth: All tourism jobs are low wage
  - Myth: Tourism doesn’t bring in dollars
  - Myth: There’s nothing here to attract visitors
- Can lead to extreme seasonality
- Can be very fragmented
- May be difficult to get businesses to cooperate
- May need promotional and staff development assistance for “Mom and Pop” businesses

Tourism: When to Use It

- Community has undiscovered assets
- Infrastructure is under-utilized
- Tourism efforts are fragmented
- Assets/partners in tourism engaged:
  - MainStreet program
  - Convention and Visitors Bureau
  - State Travel and Tourism Agency
  - Tourism/recreation faculty

Recreation: Basics

- Focus on parks, trails, sports facilities, libraries
- Identify gaps
- What is market able to pay?
- What is public willing to support?
- Most public recreation now supported with combination of taxes and user fees.
- Recreation Development
Recreation: Advantages

• Great benefits to the community
• May reduce out-migration
• May help industrial recruitment
• May help tourism development

Recreation: Caveats

• May be tough to “sell” to the community
• Large property owners may oppose
• User fees may be difficult to enforce
• Requires careful assessment of costs and use

Potential Extension Roles

• Facilitate public discussion
• Connect to university resources
• Help form new associations
Entrepreneurial Communities

Basics
- Establish “community systems”
- No one-size-fits-all recipe
- Focus on owners of small-to-medium sized businesses
- Common approaches:
  - Business advocate or coaching
  - Youth entrepreneurship
  - Peer-to-peer networking/problem solving
  - Business incubators
  - Focus on entrepreneurs rather than businesses

Advantages
- Requires no special location advantages.
- A business that succeeds will probably stay in the community.
- Not hard to convince people that more entrepreneurship is a good idea.
Disadvantages

- May be viewed as duplicative of existing services such as:
  - Business visitation programs
  - Small business development center services
- Funding is sparse.
- Strategy has a long gestation period before payoff.
- Some aspects require "culture change."

When to Use

- When need to transition local economy from its traditional strengths
- Michigan example

Potential Roles for Extension

- Conduct community assessments
- Develop incubator
- Connect community to SBDC and Land Grant Value-Added center
- Help form and foster peer networks
- Serve in "coaching" role
- Introduce youth entrepreneurship program
- Develop community recognition systems
Overall Potential Extension Roles

- Facilitate or bring in outside facilitator
- Conflict resolution
- Connect to university data and resources
- Resource identification for action teams

Additional Reading & Data Sources in Handout

Next Session

- Community Power Structure
  October 20 and 21
  1:30 to 3 p.m. CST
- Dan Kahl
Questions?

Evaluation Link: