

WHAT IS ECONOMIC DEVELOPMENT?

One way communities can enhance their chances for a viable future is through the intentional process of proactively creating a preferred economic future with economic development.

By definition, economic development is a concerted effort on the part of a locale to influence the private sector to make investments in the community that will provide incomes for local residents, profitable opportunities for people with an entrepreneurial bent to invest in a business and tax revenues for maintaining community infrastructure and services. It is a process of deliberate intervention in the dynamics of the local economy by making economic growth easier or more attractive.

Economic development involves the allocation of limited resources (labor, capital, land and entrepreneurship) in a way that has a positive effect on the level of business activity, employment, income distribution patterns and fiscal solvency. There are three broad components of economic development:

- **Business Retention and Expansion**—enhancing the success of existing businesses. Helping existing base employers be more competitive is the best strategy for most communities. It is a cost-effective approach to economic development. Improved profitability by existing employers can lead to business expansion. Some strategies include establishing job training programs and identifying external markets for export. It's important for communities to keep in mind that a base employer in their area is considered a prospect by other communities.
- **Business Start-ups (sometimes called 'growing our own')**—encouraging the creation and growth of new businesses. Strategies associated with this objective strive to create new enterprises that serve local markets or those outside the community. The essence of entrepreneurship

is the development of new products for manufacturing or the creation of innovative services not presently available.

- **Business Attraction** - attracting to the community expanding or relocating businesses. Recruiting businesses and industries that are looking to move or expand into new locations is an important part of an overall economic development program. Effectively recruiting base employers can help a community diversify its economic base, raise income levels for residents and fill voids.

Secondary strategies:

- **Capture More Local Dollars**—Many of the dollars that come into a community leave just as quickly, in lost retail sales outside the community (referred to as 'retail leakage'), taxes paid to higher governments and purchases of services and supplies elsewhere. Retaining those dollars can enhance the community's overall wealth. Programs like 'Shop Fort Collins' and 'Be Local' are aimed at that purpose. Programs like purchasing agent fairs that encourage institutions to purchase goods and services locally are another strategy for retaining money already in the local economy. Although of secondary economic benefit, these activities can augment the higher yielding strategies cited above that attract new money into the community.
- **Access Outside Sources of Income and Capital**—In addition to 'traditional' economic development, as outlined above, other sources of outside income for a community exist. One example is retirement income coming in the form of passive income and transfer payments. Another example is money coming into the community from the startup and growth of a firm that creates an equity event upon its sale.

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