

# Minnesota Star City Program

---

An Economic Development Strategy



Copyright © 1989 Minnesota Department of Trade and Economic Development. All rights reserved. No part of this material may be reproduced by any means without permission in writing from the Department of Trade and Economic Development. Permission is hereby granted to cities and counties in Minnesota to reproduce any part of this manual for use in their economic development programs.

**RECEIVED**

JUN 27 2006

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

## Table of Contents

---

Acknowledgments	vii
How to Use This Manual	ix
Unit One Background on Star City Program	1-1
Unit Two Overview of the Star City Process	2-1
Unit Three The Organizing Phase	3-1
Unit Four The Information Gathering Phase	4-1
Unit Five The Planning Phase	5-1
Unit Six The Marketing Phase	6-1
Unit Seven The Evaluation	7-1
Appendices	A-1
I. Star City Commission Ordinance	A-5
II. Organizational Charts	A-13
III. Community Information Worksheet	A-17
IV. Capital Improvement Plan	A-33

V. Community/County Profile A-37

VI. Bibliography of Resources for Strategic Planning A-39

VII. Guidelines for Video Production A-41

VIII. Economic Development Handbook A-59

Index In-1

## List of Figures

- Figure 1      Star Cities    1-4, 5
- Figure 2 a-b    Benefits of Being a Star City    1-8, 9
- Figure 3 a-b    Star City Program Impact    1-10, 11
- Figure 4      Technical Assistance by Region    1-12
- Figure 5      Star City Application Process    2-3
- Figure 6      Star City Application Process (Information Gathering and Planning)    2-6
- Figure 7      Star City Steering Committee    3-1
- Figure 8      Suggested Checklist for Organizing Phase    3-7
- Figure 9      Commonly Asked Questions During Organizing Phase    3-8
- Figure 10     Information Gathering    4-4, 5
- Figure 11     Suggested Checklist for Information Gathering Phase    4-13
- Figure 12     Commonly Asked Questions During Information Gathering    4-14
- Figure 13     Strategic Planning    5-3
- Figure 14     An Outline for Internal Community Analysis    5-4
- Figure 15     An Outline for External Community Analysis    5-5
- Figure 16     Strategic Planning    5-10
- Figure 17     Goals and Objectives    5-11

Figure 18	Goals, Objectives and Tasks	5-12
Figure 19 a-d	Action Plan	5-14, 15, 16, 17
Figure 20	Suggested Checklist for Planning Phase	5-18
Figure 21	Commonly Asked Questions During Planning Phase	5-19
Figure 22	Community Brochure Development	6-5
Figure 23	Fact Book Content Considerations	6-7
Figure 24	Video Development	6-9
Figure 25 a-c	Marketing Tools Effectiveness Evaluation	6-10, 11, 12
Figure 26	Community Marketing Presentation Guide	6-15, 16, 17
Figure 27	Suggested Checklist for Marketing Phase	6-19
Figure 28	Commonly Asked Questions During Marketing Phase	6-20
Figure 29	Application Review	7-3, 4, 5
Figure 30	Organizational Chart	A-14
Figure 31	Organizational Chart	A-15
Figure 32	Capital Improvement Program Approval Steps	A-34
Figure 33	Sample Capital Facilities Inventory	A-35

## **Acknowledgments**

This is the second major rewrite the Office of Development Resources in the Department of Trade and Economic Development (DTED) has undertaken since the manual was originally written in 1983. Our goal was to present the Star City Program in a clear and effective manner. We think that has been accomplished. Many people have participated in the process. We thank them for their assistance, expertise, and patience. They are listed below.

### **Office of Development Resources, DTED**

Bill Coleman  
Jill Hanson  
David Nelson  
Marlys Miller  
Gerald Wenner

### **Communications Office, DTED**

Marci Holbrook  
Jerry Steinworth

### **Medium Well Done (Instructional Media Specialists)**

Judi Devin  
Joan Toohey

### **Cartoonist**

John Bush

### **Publication Support Services**

Barbara Van Eps  
Jenny Johnson

Harry Rosefelt, Director, Office of Development Resources  
Joyce A. Simon, Project Director

1911

1912

1913

1914

1915

1916

1917

1918

1919



## **How to Use This Manual**

This manual was created by the Minnesota Department of Trade and Economic Development to assist those communities seeking a framework for economic development, particularly those seeking Star City designation. Originally designed for individual cities, the Star City framework has been used by clusters of cities and towns and by counties.

This manual is a guide for all communities regardless of where they may be in the process or whether they ever attain Star City designation. For those cities already designated as Star Cities, it will serve as a quick reference. It is not meant to serve as the only reference or source of information for any community.

In creating this revision, the Department of Trade and Economic Development hopes to clarify the basic components of the program and the requirements for designation. Changes contained herein reflect the concern of staff to clearly define and explain the Star City program and its benefits. Key elements of the program have not changed, but suggestions, understandings, and procedures may have changed. Based on the experience of the program and work with more than 90 Star City communities, these will lead to a better local program.

And that is the bottom line. The Star City program is not designed to be a bureaucratic effort to meet an arbitrary standard. Each element has been judged valuable and necessary in a successful, comprehensive, local economic development effort.

The first unit of this manual presents the historical background of the Star City program and its role in the context of economic development. Unit Two provides an overview of the Star City process, helping the user see the "big picture." Units Three through Six look at the individual phases of the Star City process and outline the necessary tasks that need to be completed in each phase. The appendix contains information that communities should use as a supplement to this manual. The index helps with locating information about specific topics.

This manual is a guide or tool to help the community build a strong, local economic development program and receive Star City designation. Read through the entire manual once to get an overview of what is contained in it. Then, use the manual as

a resource during each step of the process. Duplicate appropriate sections for use by individuals or committees working on those parts to encourage better understanding of each component.

Additionally, readers are encouraged to contact their regional representative at any time there is a question about the process.



LAW OFFICES  
**BRIGGS AND MORGAN**  
PROFESSIONAL ASSOCIATION

2200 FIRST NATIONAL BANK BUILDING

SAINT PAUL, MINNESOTA 55101

TELEPHONE (612) 291-1215

TELECOPIER (612) 222-4071

INCLUDING THE FORMER FIRM OF  
LEVITT, PALMER, BOWEN, ROTMAN & SHARE

**ECONOMIC DEVELOPMENT AUTHORITIES**

TABLE OF CONTENTS

	<u>PAGE</u>
I. Formation and Operation of an EDA.....	7-1
A. Reasons for Forming an EDA.....	7-1
B. Procedure for Establishing an EDA.....	7-2
C. Limiting the Powers of the Authority.....	7-2
D. Commissioners.....	7-4
E. Officers.....	7-5
F. Employees.....	7-5
G. City Facilities, Services.....	7-6
H. Existing Development Agencies and Projects...	7-6
I. Budgets and Reports.....	7-6
J. Conflict of Interest.....	7-6
II. Powers of an EDA.....	7-7
A. Powers that must be exercised within or in conjunction with an Economic Development District.....	7-7
1. Creation of Economic Development District.....	7-7
2. Acquisition of Property.....	7-7
3. Acquisition of Rights and Easements.....	7-8
4. Receipt of Assistance.....	7-8
5. Sale or Lease of Land.....	7-8
6. Public Facilities.....	7-8
7. Government Agent.....	7-9
8. Acceptance of Public Land.....	7-9
9. Development and Improvement.....	7-9
B. Powers that need not be exercised within or in conjunction with an Economic Development District.....	7-9
1. Eminent Domain.....	7-9
2. Power to Contract.....	7-9
3. Limited Partner.....	7-10
4. Supplies and Materials.....	7-10
5. Foreign Trade Zone.....	7-10
6. Studies, Analysis, Research.....	7-10
7. Cross-Fertilization.....	7-10
8. Levy of Taxes for Economic Development Authority.....	7-11
9. Advances.....	7-11

	<u>PAGE</u>
C. Issuance of Obligations.....	7-12
1. Issuance of Tax Supported General Obligation Bonds.....	7-12
2. Issuance of Revenue Bonds.....	7-12
3. Tax Increment Bonds.....	7-13
4. Pledge of Revenues.....	7-13
5. Borrowing Money.....	7-13
D. Optional Use by Existing Port Authorities....	7-13
E. Cross-Fertilization Powers.....	7-14
1. Purposes.....	7-14
2. Powers.....	7-15
III. Constitutional Concerns.....	7-19
A. Public Purpose Doctrine.....	7-19
B. "But for" Finding.....	7-20
C. Loan of Credit.....	7-20
IV. Availability and Appropriate Utilization of Revenue Sources.....	7-21
A. Tax Increments.....	7-21
B. General Fund Moneys of City.....	7-23
C. Bonds.....	7-24
D. Tax Levy.....	7-25
E. Reimbursement Tax Increment Money.....	7-25
F. Utility Taxes.....	7-25
G. Miscellaneous Sources of Revenues.....	7-26

## ECONOMIC DEVELOPMENT AUTHORITIES

Responding to the requests of many Minnesota cities for broader powers in the area of economic development, in 1986 the Minnesota Legislature passed a law authorizing home rule charter or statutory cities to establish economic development authorities. In 1987, the Legislature recodified the statutes pertaining to economic development into one large chapter, Chapter 469. Economic Development Authorities may draw on the purposes and powers contained in several different sections of Chapter 469. Sections 469.091 to 469.108 constitute the principal body of legislation pertinent to EDAs.

This memo addresses many of the questions cities have raised concerning the formation, uses, and powers of economic development authorities (referred to herein as an "EDA" or an "Authority"). The statutes concerning EDAs are complicated and somewhat ambiguous, and the various "cross-fertilization" provisions used in the EDA sections of Chapter 469, allowing the EDA to exercise powers granted to other entities for a wide variety of purposes, lead to further confusion and uncertainty. Nevertheless, we believe the underlying purpose of the law - the promotion of economic development - is clear and that reasoned conclusions can be drawn about the scope and intent of the law. The following is an effort to outline the steps that must be taken to form and operate an EDA, the powers that an EDA may exercise once formed, and the constitutional concerns that may arise in connection with the use of EDA powers.

**I. FORMATION AND OPERATION OF AN EDA**

**A. Reasons for Forming an EDA.** Forming an economic development authority will provide a great deal of flexibility to a city to pursue economic development. Economic development authorities may exercise their own powers, the powers of housing and redevelopment authorities, the powers of cities in connection with city development districts and the powers of municipalities or redevelopment agencies in connection with municipal industrial development. The purposes for which these powers may be exercised is expanded to embrace economic development throughout a city and not just in areas which may be deemed to be blighted. The concentration of various economic development powers and purposes in one Authority therefore provides a valuable tool to a city for the promotion and financing of economic development.

**B. Procedure for Establishing an EDA.**

The city council creates an Economic Development Authority by passing a written resolution called an enabling resolution. Before adopting an enabling resolution, the city council must conduct a public hearing. Notice of the time and place of hearing, a statement of the purpose of the hearing and a summary of the enabling resolution must be published in a newspaper of general circulation within the city once a week for two consecutive weeks, with the first publication appearing less than thirty days from the date of the public hearing. Minn. Stat. §469.093.

Each year, prior to the anniversary of the passing of the enabling resolution, the EDA must submit a report to the city council stating whether and in what respects the enabling resolution should be modified. Within thirty days of receipt of the report, the city council must consider the recommendations and make any modifications it deems appropriate. Minn. Stat. §469.092, Subd.3. Modifications to the enabling resolution must be by written resolution and may be adopted only after notice and public hearing as required for the adoption of the original enabling resolution. Minn. Stat. §469.093, Subd 2.

Once established, an EDA is a public body corporate and politic and a political subdivision of the State. It may sue or be sued in its own right. Section 469.091, Subd. 2 characterizes an EDA as a body which "carries out an essential governmental function when it exercises its power...." Nevertheless, sovereign immunity does not apply -- an EDA is not immune from liability because of its function.

**C. Limiting the Powers of the Authority.**

1. The city, through the enabling resolution, may impose the following limits upon the actions of the Authority:

- a. The enabling resolution may provide that the EDA may not exercise any specified power contained in the EDA law or that the EDA may not exercise a specified power without the prior approval of the city council;
- b. The city council may require that any unpledged reserves generated by activities of the EDA and not needed for its successful operation be transferred

to the Debt Service Fund of the city and be used to reduce tax levies for bonded indebtedness;

- c. The city council may require that the EDA obtain city approval before selling any bonds or obligations issued by the EDA (and prior approval is required in any case for general obligation bonds);
- d. The city may impose other limitations on an EDA's budget process, administration and management, and other activities, and may require an EDA to comply with the city's comprehensive plan, and may impose any other limitation the city council deems appropriate.

Minn. Stat. §469.092

2. There are, in addition to the above limitations, other means by which a city council may limit the powers of the Authority:

a. City Council as Commissioners of Authority. The authorizing legislation states that at least one (and in some cases, two) city council members must be included among the EDA commissioners. A city council can provide in the enabling resolution, however, that the members of the city council shall serve as all the commissioners of the Authority. This approach would ensure absolute city council control over EDA activities. If a city elected to take this route, it could establish a separate advisory committee to assist it with economic development matters. As an alternative, a city council could provide that some, but not all, commissioners be city council members.

b. Limitations on EDA Powers. If a city council chooses not to act as the governing body of the Authority, it may, in the enabling resolution, place specific restrictions on the exercise of powers by the EDA. These restrictions could take several forms.

(i) Restrictions on Exercise of Powers. The enabling resolution may provide that the Authority may not exercise certain specified powers without the prior approval of the city council. Such a restriction might be placed on the power to issue general obligation or revenue bonds, on the power to grant or loan EDA funds, on the power to enter into



limited partnerships, or on any other specific power over which the city council wishes to exercise control.

(ii) Budgetary Control. The EDA law already requires that the EDA annually submit its budget to the city. Apart from the obvious control the city council has in appropriating city money to help fund the budget, the enabling resolution may require city council approval of the Authority budget, and compliance with the budget as approved.

(iii) Other Monetary Restrictions. A city may place monetary limits on exercise of EDA powers. Monetary limitations could be imposed on a per-project basis, or such limits may be imposed on aggregate spending on projects by the EDA. Project based limitations would require approval by the city council of expenditures on any proposed project over a certain monetary amount. An aggregate restriction would provide for city council approval once the Authority had expended its aggregate approved amount in a fiscal year.

(iv) Other Controls. In addition to the foregoing controls, an enabling resolution may also provide for city council control of EDA activity by requiring the following:

(A) That all official actions of the Authority must be consistent with the adopted Comprehensive Plan of the city and any official controls (e.g., zoning ordinances) implementing the Comprehensive Plan.

(B) That the Authority submit all planned activities for influencing the action of other governmental agencies, subdivisions, or bodies to the city council for approval.

(C) That the Authority submit its administrative structure and management practices to the city council for approval.

**D. Commissioners.**

The Economic Development Authority governing body may consist of three (3), five (5) or seven (7) commissioners.

The enabling resolution must state the number of commissioners. The mayor appoints the commissioners with the approval of the city council. A three member authority must include at least one member of the city council, and a five or seven member authority must include at least two members of the city council. Members of the city council in numbers greater than those mentioned above may serve as the commissioners of the EDA. The enabling resolution may provide that the members of the city council shall serve as the commissioners. Further, an EDA may be increased from three to five or seven or from five to seven members by resolution of the city council following the same notice and hearing procedures required for adoption of the enabling resolution.

Original appointees to the EDA serve for terms varying from one to five years, and subsequent commissioners serve six year terms. Commissioners may be paid for attending meetings of the EDA in an amount determined by the city council. Commissioners may be removed for cause following written notice and hearing on the matter. Minn. Stat. § 469.095.

**E. Officers.**

The EDA may adopt bylaws and rules of procedure and must adopt an official seal. The EDA must elect a President, a Vice President, a Treasurer, a Secretary, and an Assistant Treasurer. The Authority must elect the President, Treasurer, and Secretary annually. Although a commissioner can not serve as President and Vice President at the same time, the other offices may be held by the same commissioner. Further, the offices of Secretary and Assistant Treasurer need not be held by a commissioner. Minn. Stat. § 469.096.

**F. Employees.**

The Authority may employ an Executive Director, a Chief Engineer, other technical experts and agents, and other employees as it requires, and it may determine their duties, qualifications, and compensation. Further, the Authority may contract for the services of consultants, agents, public accountants, and other persons needed to perform its duties and exercise its powers. The Authority may use the services of the City Attorney or hire a general counsel for its legal needs. Minn. Stat. §469.097.

G. City Facilities, Services.

The city may furnish offices, structures, space, clerical, engineering, or other assistance to the Authority. The Authority may use the city's purchasing department in connection with construction work and to purchase equipment, supplies or materials. Minn. Stat. § 469.097.

H. Existing Development Agencies and Projects.

The city may divide any economic, housing or redevelopment powers granted under the HRA and EDA sections of Chapter 469 between the Authority and any other authority or commission established under statutes or City Charter for economic development, housing, or redevelopment. Minn. Stat. §469.094. The city may also, by resolution, transfer the control, authority and operation of any project (as defined in the Municipal Industrial Development sections of Chapter 469) or program authorized by the HRA or Municipal Development District sections of Chapter 469 from the agency that established the project to the Authority.

I. Budgets and Reports.

The Authority must submit an annual budget to the city including a detailed written estimate of the amount of money the Authority expects to need from the city during the next fiscal year. The Authority must also submit to the city a detailed account of its activities, and its receipts and expenditures during the preceding calendar year. The Authority's financial statements must be audited annually, and the audits must be filed with the State Auditor. Minn. Stat. § 469.100.

J. Conflict of Interest.

An independent anti-conflict-of-interest provision applies to EDAs. It prohibits any commissioner, employee or agent of an EDA from having any direct or indirect financial interest in any project (or property included in a project) or in any contract for materials or supplier in connection with a project.

## II. POWERS OF AN EDA

The Authority is granted several different types of powers in the EDA statutes. First, the statutes grant powers that the EDA may exercise only within or in conjunction with an economic development district. Second, the statutes directly grant powers that the Authority may exercise outside an economic development district. Finally, the statutes, by cross-reference, grant the Authority the powers that may be exercised by housing and redevelopment authorities ("HRAs"), cities in connection with Development Districts, or municipalities or redevelopment agencies in connection with Municipal Industrial Development. The broadest of these powers are those contained in the HRA and the Industrial Development sections of Chapter 469, making the "cross-fertilization" powers contained in Chapter 469 invaluable to Economic Development Authorities.

### A. Powers that must be exercised within or in conjunction with an Economic Development District.

The following is a list of the specific powers granted to the Authority which must be exercised within or in conjunction with an economic development district. These powers allow the Authority to create an economic development district, acquire land by various means within that district, improve the land to make it suitable for development, sell the land so acquired (with development stipulations) or develop the land itself as a public facility.

#### 1. Creation of Economic Development District.

The Authority may create, following notice and hearing, an economic development district at any place within the city. Under Minn. Stat. §469.101 Subd. 1, the district must satisfy the requirements of section 469.174 Subd. 10 (a provision which is part of the Tax Increment Financing Law), except that district boundaries must be contiguous. Section 469.175, Subd. 10 defines a "redevelopment project" and, in general, requires structurally substandard buildings, health or safety hazards, underutilized air rights, vacant or underutilized railroad property or an industrial park with a contaminated sewage lagoon.

#### 2. Acquisition of Property.

In order to create an economic development district, the Authority may acquire by lease, purchase, gift, demise or

condemnation proceedings any necessary right, title or interest in property. Property acquired for this purpose is exempt from taxation by the state or political subdivisions, but only while the Authority holds the property for its own use. Minn. Stat. §469.101, Subd. 2.

3. Acquisition of Rights and Easements.

The Authority may acquire rights and easements for development of an economic development district. Minn. Stat. §469.101 Subd. 7.

4. Receipt of Assistance.

The Authority may accept land, money or other assistance from the federal or state government or an agency of either to acquire and develop an economic development district. Minn. Stat. §469.101 Subd. 9.

5. Sale or Lease of Land.

The Authority may sell or lease land held by the Authority in economic development districts. Minn. Stat. §469.101, Subd. 10.

The Authority may, after notice of hearing, sell property owned by it if the sale or conveyance is in the best interest of the city and furthers the Authority's general plan of economic development. The sale may be by private or public sale. The terms of the sale of property must include the intended use of the land and may not be consummated until the purchaser delivers the plans and specifications covering the development of the property to the Authority for approval. If the purchaser fails to devote the property to its intended use or fails to begin work on improvements in one year from the date of the purchase, the Authority may cancel the sale, and title to the property will revert to the Authority. The Authority may extend the one year deadline for good cause. The purchaser of the land may not transfer title within one year after the sale without the consent of the Authority. Minn. Stat. §469.105.

6. Public Facilities.

The Authority may maintain and operate a public parking facility or other public facilities to promote development in an economic development district. Minn. Stat. §469.101, Subd. 13.

7. Government Agent.

The Authority may cooperate with or act as an agent for the federal or state government in the area of economic development district improvement. Minn. Stat. §469.101, Subd. 14.

8. Acceptance of Public Land.

The Authority may accept conveyances of land from all other public agencies, commissions, or other units of government if the land can be properly used by the Authority in an economic development district. Minn. Stat. §469.101, Subd. 17.

9. Development and Improvement.

The Authority may carry out EDA law to develop and improve land in an economic development district. The Authority may fill, grade and protect property and do anything necessary and expedient after acquiring property in an economic development district to make it suitable and attractive for development. Minn. Stat. §469.102 Subd. 18.

**B. Powers that need not be exercised within or in conjunction with an Economic Development District.**

The Act also grants to Authorities various powers that need not be exercised within or in conjunction with an economic development district. These powers are a great deal broader than those outlined above, and they represent the true value of an economic development authority to a city. These powers include not only those granted directly by the EDA statutes, but also those granted to an Authority by cross-reference to other sections of Chapter 469. The Authority also has the power to issue various types of obligations.

1. Eminent Domain.

The Authority may exercise the power of Eminent Domain. Minn. Stat. §469.101 Subd. 4.

2. Power to Contract.

The Authority may enter into contracts for the purpose of economic development and may contract to purchase and sell

real and personal property. Any obligation or expense of the Authority may not be incurred unless there is an existing appropriation and reasonably expected revenue of the Authority from other sources sufficient to discharge the obligation or pay the expense when due. Minn. Stat. §469.101 Subd. 5.

3. Limited Partner.

The Authority may act as a limited partner in a partnership whose purpose is consistent with the Authority's purposes. Thus, the Authority may invest directly in a business and will be protected from liability because of the form of the investment. The Authority's liability will be limited to the amount of contributions it has made to the partnership. Limited partner status, however will prevent the Authority from taking an active role in the operation and management of the business. Minn. Stat. §469.101, Subd. 6.

4. Supplies and Materials.

The Authority may buy the supplies and materials it needs to carry out economic development. Minn. Stat. §469.101 Subd. 8.

5. Foreign Trade Zone.

The Authority may apply for Foreign Trade Zone powers alone or with another Authority. Minn. Stat. §469.101, Subd. 11.

6. Studies, Analysis, Research.

An Authority may study and analyze economic development needs in the city and ways to meet the needs and may engage in research and disseminate information on economic development within the city. Minn. Stat. §469.101, subd. 15.

7. Cross-Fertilization.

An Authority may exercise the powers and duties of a redevelopment agency under sections 469.152 to 469.165 (Municipal Industrial Development) for a purpose in sections 469.001 to 469.047 (Housing and Redevelopment Authorities) or 469.090 to 469.108 (Economic Development Authorities). The Authority may also use the powers and duties in sections 469.001 to 469.047 (Housing and Redevelopment Authorities) and 469.090 to 469.108 (Economic Development Authorities) for a purpose (essentially economic development) in sections 469.152

to 469.165 (Municipal Industrial Development). The Authority also has the powers of a city under sections 469.124 to 469.134 (City Development Districts). Minn. Stat. §§ 469.091, 469.101, subd. 12. For a summary of the purposes and powers of Housing and Redevelopment Authorities, City Development Districts and Municipal Industrial Development, see Section II E of this outline.

8. Levy of Taxes for Economic Development Authority.

The city may, at the request of the Authority, levy a tax in any year for the benefit of the Authority in an amount not more than 0.75 mill times the assessed valuation of the taxable property in the city.

An increase in the levy is allowed if the city follows certain procedures, although the levy increase is subject to reverse referendum. The levy increase may be accomplished by resolution of the city council after published notice is given. The resolution will not become effective if a petition requesting a referendum is filed with the City Clerk within 30 days after publication of the resolution. The petition must be signed by voters equalling at least 5% of the vote cast in the last general election. The election called for by the referendum must be held as specified in section 275.58. Minn. Stat. §469.107.

9. Advances.

An Authority may advance (loan) its general fund money or credit (guaranty) without interest, for the objects and purposes of the Act. The advances must be repaid from the sale or lease of land. If the money advanced for the development or redevelopment was obtained from the sale of the Authority's general obligation bonds, then the advances must have not less than the average annual interest rate on the Authority's general obligation bonds that are outstanding at the time the advances are made. Advances made to acquire land and to construct facilities for recreation purposes, if authorized by law, need not be reimbursed. Minn. Stat. §469.106. Although the repayment provisions of this section require that advances be repaid from the proceeds of the sale or lease of land, it would be unreasonable to conclude that the legislature intended to limit repayment to those sources alone, and therefore this section has been construed as authorizing the Authority to make loans whether or not cast in the form of an installment sale or financing lease.



C. Issuance of Obligations.

1. Issuance of Tax Supported General Obligation Bonds.

The Authority may issue tax supported general obligation bonds in anticipation of income from any source, in the principal amount authorized by a two thirds vote of the city council, for the purpose of acquiring property or for any other purpose set forth in the Act. These bonds are secured by a full faith and credit pledge of the City, and not of the Authority, although revenues of the Authority may be and often are the primary source of payment for the bonds and pledged for that purpose. The bonds must be sold by public sale, and the form and interest rate must be set by the city council. The issuance of the bonds is governed by the Act, except for matters that are not covered in the Act, which are governed by Chapter 475 (Public Indebtedness). An election is required for the issuance of the general obligation bonds unless the bonds otherwise qualify for an exception from the election requirement under the provisions of Chapter 475. The election requirement may only be avoided for general obligation bonds if at least 20% of the debt service will be paid from tax increments, in which case the procedures of the Tax Increment Financing Law must be followed. The bonds must mature within 20 years from the date of issuance. The city council must, by ordinance, give specific consent to the pledge of the City's full faith and credit to the bonds. The bonds are payable from taxes levied by the Authority on all taxable property in the city, which taxes must be in an annual amount at least 5% in excess of the annual principal and interest on the bonds. Minn. Stat. §469.102.

2. Issuance of Revenue Bonds.

Revenue bonds may be issued by the Authority to acquire land, to purchase or construct facilities, to purchase, install or furnish capital equipment, or to extend, improve, or enlarge a project under its control. The bond issue may also include a reserve to secure the payment of principal and interest on the bonds. The bonds must mature within 20 years from the date of issuance, may be sold at public or private sale and may be secured by any revenue from the facility financed by the bonds and any other facilities named in the authorizing resolution. Revenue bonds are not a debt of the Authority or the city but are payable only from the revenues pledged to their payment. If the revenue bonds are taxable bonds or if the proceeds thereof are not loaned to a private person, the project financed with them does not have to be

approved by the Department of Trade and Economic Development and certain public hearing and reporting requirements under the industrial development bond provisions of Chapter 469 do not apply. In addition, the industrial development bond provisions of Chapter 469 which prohibit the financing of property to be sold for housing facilities to be rented or used as permanent residence do not apply. Minn. Stat. §469.103. However, the bonds will be subject to the limitations set forth in Sections 462C.01-462C.07.

3. Tax Increment Bonds.

Under Minn. Stat. §469.103, Subd. 8, the Authority may issue tax increment bonds payable from tax increment revenues. The issuance of tax increment bonds are subject to the provisions of the Minnesota Tax Increment Financing Act. Minn. Stat. §§469.174 to 469.179. The proceeds of tax increment bonds are subject to the same use limitations as tax increments. Minn. Stat. §469.176, subd. 4.

4. Pledge of Revenues.

The Authority may pledge and grant a lien on revenues of the Authority to secure the payment of its general obligation or revenue bonds. The revenue must come from the facility to be acquired, constructed or improved with bond proceeds or from other facilities named in the resolution authorizing the bonds. Minn. Stat. §469.103, Subd. 5.

5. Borrowing Money.

After authorizing general obligation or revenue bonds, the Authority may borrow money for the purpose for which the bonds are to be issued in an amount not to exceed the amount of the bonds to be issued. The loans must be evidenced by negotiable notes due not more than 12 months after the date of the loan, which notes are to be repaid from the proceeds of the bonds. Minn. Stat. §469.101, Subd. 19.

D. Optional Use by Existing Port Authorities.

Any city that has established a port authority by special law or that has been granted the power to establish a port authority by special law may elect to use any of the powers granted in the Act. The provisions of the Act, however, must be used exclusively and, upon an election to use the power set forth in the Act, any powers granted in the special law may no longer be used.

E. Cross-Fertilization Powers.

As noted previously, the Authority may exercise Industrial Development powers (contained in §§ 469.152 to 469.165) for HRA or EDA purposes, and it may also use HRA or EDA powers for Industrial Development purposes. The Authority may also exercise the powers of a city contained in §§ 469.124 to 469.134 (City Development Districts). This "cross-fertilization" gives Authorities great latitude in using the various powers contained in the statutes for various purposes within the statutes.

1. **Purposes**

a. HRA Purposes

The purposes of HRAs are to provide adequate housing and to clear and redevelop blighted areas. Minn. Stat. § 469.001 et seq. A "blighted area" means an area with buildings or improvements which are detrimental to the safety, health, morals or welfare of the community. Minn. Stat. § 469.002, subd. 11.

b. EDA Purposes

The purposes of EDAs are not made altogether clear by the statutes. Although the statutes make frequent references to EDA purposes, the statutes do not specify those purposes; in fact, the Legislature entangled, almost inextricably, the concept of purposes with the concept of powers. However, it does appear that one purpose of an EDA is to make land suitable and available for economic development uses and purposes and to encourage the location or expansion of economic development facilities.

c. Industrial Development Purposes

The broadest purposes are those which underlie municipal industrial development. Those purposes are the active promotion, attraction, encouragement and development of economically sound industry and commerce through governmental action for the purpose of preventing the emergence of blighted and marginal lands and areas of chronic unemployment. In essence, industrial development purposes are those necessary to encourage economic development.

2. Powers

Because the list of powers that may be exercised by a given Authority is so long, only those powers which seem most suited to economic development will be listed below.

a. HRA Powers

The HRA statutes give powers to both the HRA and the city to exercise in connection with redevelopment.

(i) HRA Powers as to Projects.

The schedule of powers contained in the HRA law states that an authority shall have all the powers necessary or convenient to carry out the purposes of the HRA law. Those powers include the power:

(A) To establish a redevelopment project under Minn. Stat. §469.002, subd. 14, which may be to conduct an "urban renewal project" for elimination or prevention of blighted or deteriorated areas. The term project may be applied to all real and personal property, assets, cash, or other funds, held or used in connection with the development or operation of the project.

To establish a redevelopment project, the Authority must prepare a redevelopment plan, which the city must then approve. Minn. Stat. § 469.028. The city may approve the redevelopment plan after a public hearing for which at least ten (10) but not more than thirty (30) days published notice was given. The city must make the following findings in connection with its approval of the plan:

(1) the land in the project area would not be made available for redevelopment without the financial aid to be sought;

(2) the redevelopment plans for the redevelopment areas in the locality will afford maximum opportunity, consistent with the needs of the locality as a whole,

for the redevelopment of the areas by private enterprise; and

(3) the redevelopment plan conforms to a general plan for the development of the locality as a whole.

Minn. Stat. §469.028, subd.2.

(B) To undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or any part thereof; Minn. Stat. §469.012, Subd. 1(4);

(C) To give, sell, transfer, convey or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments and take action that is necessary or convenient to carry out the purposes in the HRA law; Minn. Stat. §469.012, Subd. 1(5);

(D) To acquire real or personal property or any interest therein by gifts, grants, purchase, exchange, lease, transfer, bequest, or otherwise, and by the exercise of the power of eminent domain; Minn. Stat. §469.012, Subd. 1(6);

(E) To borrow money or other property and accept contributions, grants, gifts, services or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources; Minn. Stat. §469.012, Subd. 1(13);

(F) To issue bonds of a type determined by the Authority for any of its corporate purposes. This means that the bonds could be general obligations of the Authority in which its full faith and credit, rather than the City's, is pledged to the payment of the bonds. The Authority may also or alternatively secure the bonds by mortgages upon property held or to be held by the Authority or by pledge of its

revenues, or a pledge of grants or contributions from the federal government or any other source; Minn. Stat. §469.012, Subd. 1(15), §469.034;

(G) To develop and administer an interest reduction program to assist the financing of the construction, rehabilitation, and purchase of housing units which are intended primarily for occupancy by individuals of low or moderate income and related and subordinate facilities. Minn. Stat. §469.012, Subd. 7. The authority to authorize payment of interest reduction assistance expires on January 1, 1989; Minn. Stat. §469.012, Subd. 10;

(H) To levy a special tax each year upon all property, both real and personal, within the taxing district (which includes all of the territory included within the area of operation of the Authority). The taxes will be kept in a separate fund known as the "housing and redevelopment project fund". The money in the fund may be used for HRA purposes and no other purpose. The tax may not exceed ten cents on each \$100 of taxable valuation in the area of operation; Minn. Stat. §469.033, Subd. 6;

(I) An HRA may exercise the powers of a city under Sections 459.31 to 459.33 if the city, by ordinance, authorizes it. Under Sections 459.31 to 459.33, a city may establish and provide for the administration of a commercial building loan program to rehabilitate and preserve small and medium sized commercial buildings within its boundaries.

(ii) City Powers as to Projects.

A state public body (which includes cities) may aid and cooperate in the planning, undertaking, construction or operation of projects by doing any of the following things:

(A) Dedicate, sell, convey, or lease any of its interest in any property or grant easements, licenses or other rights or

privileges therein to an Authority (Minn. Stat. §469.041 (1));

(B) Pay the bonds of or make loans or contributions for redevelopment projects (Minn. Stat. §469.041(1)).

(C) Do any and all things necessary or convenient to aid and cooperate in the planning, undertaking, construction or operation of projects; and

(D) Furnish funds available to it from any source, including the proceeds of bonds, to an authority to pay all or any part of the cost to the authority of the activities authorized by section 469.012, subd. 1, clause (7) (acquiring real property, demolishing, removing or rehabilitating, or reconstructing the buildings or improvements, constructing new buildings or improvements thereon, or to prepare the site for improvements Minn. Stat. §469.041(9)).

b. EDA Powers

See Section II, A-E of this outline.

c. City Development District Powers

A city may designate development districts within the city boundaries. After consulting with its planning agency and conducting a public hearing within a development district, the city may adopt a development program, acquire land or easements through negotiation or powers of eminent domain, adopt ordinances regulating traffic (pedestrian or automobile) in facilities constructed within the development district, and exercise certain other powers. Minn. Stat. § 469.126.

d. Industrial Development Powers

A municipality or redevelopment agency may:

(i) acquire, construct and hold any lands, buildings, easements, water and air rights, improvements to land and buildings, and capital equipment to be located permanently or used

exclusively on a designated site and solid waste disposal or pollution control equipment and inventory, regardless of where located, that are deemed necessary in connection with a project to be situated within the state and construct, reconstruct, improve, better and extend the project (Minn. Stat. § 469.155, Subd. 2);

(ii) pay part or all of the cost of an acquisition and construction by a contracting party under a revenue agreement (Minn. Stat. § 469.155, Subd. 2);

(iii) enter into revenue agreements with any public or private entity to ensure revenue sufficient to pay principal interest on bonds issued under the statute (Minn. Stat. § 469.155, Subd. 5);

(iv) pledge the revenues of one or more projects to payment of bonds, and it may mortgage or permit to be mortgaged a project and its revenues in favor of the city or authority, the bondholders, or a trustee therefor (Minn. Stat. § 469.155, Subd. 6 and Subd. 7);

(v) make contracts, execute instruments, and do all things necessary or convenient in the exercise of powers granted in the Municipal Industrial Development section (Minn. Stat. § 469.155, Subd. 8).

It may not operate a project as a business, and it may not expend funds on a project other than the revenues of the project or the proceeds of revenue bonds and notes or other funds granted to the municipality or authority for industrial development purposes. Since an EDA may exercise HRA powers for the purpose of industrial development, and since an HRA has clear authority to operate a project, this limitation has been overridden by other provisions of the statute.

### III. Constitutional Concerns

#### A. Public Purpose Doctrine

The Minnesota Constitution mandates that public funds be used only for public purposes. Minnesota Constitution, Article X, §1. ("taxes shall be . . . levied and collected



for public purposes"). Minnesota Constitution, Article XII, §1. ("The Legislature shall pass no local or special laws . . . authorizing public taxation for a private purpose.") However, the Minnesota Supreme Court has given a broad interpretation to the meaning of public purpose, holding that such meaning "is ever evolving in light of contemporary conditions." Minnesota Energy & Economic Development Authority v. Printy, 351 N.W.2d, 319, 338 (Minn. 1984). Moreover, legislative determinations of public purpose, while not binding on the courts, are entitled to great weight. In fact, the Minnesota Supreme Court has held that "a reviewing court should overrule a legislative determination that a particular expenditure is made for a public purpose only if that determination is manifestly arbitrary and capricious." R.E. Short Co. v. City of Minneapolis, 269 N.W.2d, 331, 337 (Minn. 1978).

In making its determination, the court need not consider "extraneous factors such as the mode of financing", for such factors "have no bearing on the issue of public purpose." Lifteau v. Metropolitan Sports Facilities Commission, 270 N.W.2d 749, 754 n.6. (Minn. 1978) Instead, the court must focus on whether the expenditures will benefit the community as a whole and are related to the functions of government. Visina v. Freeman, 252 Minn. 177, 184-85, 89 N.W.2d 635, 643 (1958).

#### B. "But for" Finding

In addition to finding a public purpose for a project or program, it will be necessary to determine that the proposed project would not go forward within the city "but for" the assistance to be provided by the EDA. In other words, the city and/or the Authority must demonstrate the need for public assistance to the private entity and must make specific findings supporting that need.

The public purpose and "but for" determinations will have to be made on a case by case basis, looking at the particular facts of a proposed project or program.

#### C. Loan of Credit

Article XI, §2 of the Minnesota Constitution provides that,

The credit of the state shall not be given or loaned in aid of any individual, association or corporation . . .

The Minnesota Supreme Court has consistently held that this provision applies only to the state, and not to its political subdivisions. Visina v. Freeman, 89 N.W.2d at 649; Davidson v. County Commissioners of Ramsey County, 18 Minn. 482. Accordingly, an Authority need not be concerned that a given project or program will be considered an impermissible loan of the City's or Authority's credit.

#### IV. Availability and Appropriate Utilization of Revenue Sources

An EDA has several options for funding its activities. These include use of excess tax increments, general fund moneys of the city, proceeds of bonds, proceeds from the levy of taxes and others. Crucial to the use of any of these revenue sources is that the Authority be able to find that "but for" such use, the economic development project the Authority is thereby trying to facilitate would not have occurred.

A. Tax Increments. A city may use excess tax increments to fund its Economic Development Authority. However, the use of such tax increments carries with it limitations that make it somewhat less useful than other sources of funds.

1. Adoption or Revision of Plan. First, revenues derived from tax increments may be used only in accordance with a tax increment financing plan. This means, at a minimum, that existing development programs and tax increment financing plans may have to be revised, or, in the case of a tax increment district to be formed, a new development program and tax increment financing plan will have to be adopted, to provide for use of tax increment by an Authority for the purposes contemplated by the Authority.

2. Limitation on Use of Tax Increment. Further, revenues derived from such tax increments may only be used by an economic development authority to finance or otherwise pay costs specifically listed in §469.176, subd. 4, which include:

a. The "capital and administrative costs" for projects undertaken in a "development district" created pursuant to the City Development District law. Tax increments derived from any existing or new tax increment districts created by the city

would be subject to such a limitation. Limitation of the use of tax increments to the payment of "capital costs" would permit use of tax increments to acquire a limited partnership ("equity") interest in a company only if the money paid for the partnership interest were spent on a "capital cost" of the project. Hence, the tax increments could not be used to fund working capital loans, whether or not funded directly or through an "equity" investment.

b. The "cost of redevelopment" for projects undertaken in an "economic development district" pursuant to the EDA law. The EDA law defines "cost of redevelopment" to mean acquiring property, demolishing or removing structures on acquired property, correcting soil deficiencies on acquired property, construction or installing public improvements, providing relocation benefits to occupants of acquired properties, planning, engineering, legal and other services necessary to carry out the above, and the allocated administrative expenses of the authority for the project. Clearly such costs do not include working capital loans, nor, for that matter, the cost of constructing or equipping a building. Furthermore, such costs must be incurred in an economic development district which in turn must satisfy the stringent "redevelopment district" requirements of the Tax Increment Financing Act.

c. The "public costs of redevelopment" for projects undertaken pursuant to the HRA law in a "project redevelopment area". Unlike the cost restrictions on other projects discussed above, the HRA restriction does not limit the use of tax increments to capital costs. Thus, if the projects were undertaken pursuant to the HRA laws in a project redevelopment area and were qualified as "any work or undertaking to provide housing for persons of moderate income and their families" or an "undertaking . . . for the elimination or for the prevention of the development or spread of slums or blighted or deteriorating areas" and if any underlying land to be acquired as part of the public costs of redevelopment is either a "blighted area" or satisfies the conditions set forth in Minnesota Statutes, Section 469.028, Subdivisions 3 or 4, then

there is little statutory restraint on how tax increments could be used to aid such projects so long as appropriate hearings are held and findings as to need are made by the City Council and the EDA.

d. The cost of financing or otherwise paying premiums for insurance or other security guaranteeing the payment when due of debt service on housing revenue bonds issued under Chapter 462C or industrial or commercial development revenue bonds issued under the Municipal Industrial Development Act or to fund and maintain a debt reserve for such bonds (not to exceed after five years from date of issuance 20% of the outstanding principal amount of such bonds).

3. Transfer of Projects. In order to allow the EDA to use tax increments and other revenues derived from any development districts created under the City Development District law or from projects undertaken by any city or HRA, a city may elect, by resolution of the city council, to transfer control of such projects and any underlying tax increment financing districts to the EDA. After the transfer, the EDA may exercise all powers the city or HRA had with respect to the project. The EDA must covenant and pledge to perform the terms, conditions and covenants of the bond indenture or other agreements executed for the security of any bonds issued by the city with respect to the program, and the EDA will become obligated on the bonds when the program is transferred. Such transfer, however, will not relieve the city of its full faith and credit pledge and tax levying responsibilities with respect to the bonds issued by the city. If the city should decide to retain jurisdiction over any development district, the city council could still transfer the tax increments to the EDA pursuant to the annual budget so long as the tax increments are used in a manner consistent with the development district plan and tax increment financing plan adopted by the city.

**B. General Fund Moneys of City.** The Authority is required to send its budget to the city council with an estimate of the amount of money the Authority expects to need from the city to do Authority business during the next fiscal year. This is the procedure under which the city may give to the Authority money from the city's general fund for the Authority to use. (Separate authority is also provided in Section §469.041(1) for cities to contribute general fund

monies in aid of "redevelopment projects.") The benefit of using city general fund moneys lies in the fact that such moneys are not as limited in use as moneys from other sources. In short, general fund moneys may be contributed by the city to the Authority and used for any economic development purpose, so long as appropriate findings are made and safeguards are imposed to show that such use will be made to promote economic development within the city. Such use includes write-downs, grants or loans (including working capital loans) to companies to induce them to locate or expand in the city and the purchase of limited partnership interests.

C. Bonds. An Authority may use the proceeds of various types of bonds to fund its activities.

1. Tax Supported General Obligation Non-Tax Increment Bonds of the City. The city could issue tax supported general obligation ("G.O.") bonds which are not secured by tax increments and give the Authority the proceeds of its G.O. bonds to use in connection with development activity. The bonds would be subject to approval pursuant to an election. The bond proceeds could be used for any purpose for which the City's general fund moneys may be used except the payment of any current expenses of the Authority or the project.

2. Tax Supported General Obligation Bonds Issued by the Authority. An Authority could issue G.O. bonds which pledge the full faith and credit of the city, but only if approved by an ordinance adopted by the city council. While those bonds would also be subject to the election requirement, the proceeds could be used for any purpose for which the city's general fund moneys may be used, including payment of current expenses, provided that if the money is advanced for purposes of development or redevelopment, then the advances must be repaid at an interest rate at least equal to the average interest rate on the bonds.

3. Revenue Bonds of the Authority. The Authority could issue revenue bonds and use those funds for any purpose for which the city's general fund moneys may be used, without requirement for reimbursement. The revenues of the projects financed (and other revenues of the Authority) would be pledged to the repayment of the bonds. The Authority may also secure payment of the bonds by either a mortgage on certain Authority properties or a pledge of the Authority's, but not the

City's, full faith and credit, or both. The Authority could also issue revenue bonds under the Municipal Industrial Development Act or housing revenue bonds under Chapter 462C and use tax increments to pay for any security guaranteeing payment of the bonds or to fund or maintain a reserve therefor. See paragraph 4.3. above.

4. Tax Increment Bonds. Either a city or its Authority could issue either G.O. bonds or tax increment revenue bonds secured by a pledge of tax increments without an election. Use of the proceeds of tax increment bonds would be subject to the same limitations as tax increment funds. (The Authority could also secure payment of the bonds in the same fashion allowed for revenue bonds discussed above.)

5. Using Credit of Sister Authority. Under the Joint Powers Act, the Authority could enter into a joint powers agreement with some other authority having substantially common power (e.g., the St. Paul Port Authority) under which the other authority could issue bonds and thereby lend its credit to finance a project in the city.

D. Tax Levy. An Authority may have its city levy a tax of .75 mill times the assessed valuation of taxable property in the city for the benefit of the Authority. The city may increase this levy by following the "reverse referendum" procedure specified in the statute. The money obtained from the levy could be used for any purpose for which the city's general fund moneys could be used. In addition, the EDA could exercise its HRA powers and levy a tax of one third of one mill times the assessed valuation of taxable property in the city for the benefit of the Authority. This levy also requires city council approval. This money could only be spent on redevelopment projects undertaken pursuant to the HRA laws.

E. Reimbursement Tax Increment Money. Even if excess tax increments are restricted as to use, that restriction is removed once the tax increments are used to reimburse the city for general fund expenditures (including administrative costs) which could have been paid from tax increments.

F. Utility Taxes. We are unaware of any authority under which the city may impose any "utility tax" as a surcharge on rates and charges imposed for sewer and water to help finance economic development projects. Rates and charges may be

increased, however, or a surcharge used, to raise the money required to expand the sewer and water system to accommodate economic development. On the other hand there is at least some authority for including a reasonable profit relating to the city's utility system. This "profit" could be transferred to the city's general fund and in turn used in the same manner as other general fund monies. Similarly, any franchise fee charged for the granting of a franchise to an investor owned utility (e.g., NSP) could be contributed in the same manner as other general fund moneys could be used.

G. Miscellaneous Sources of Revenue. The city could use developer payments in lieu of taxes or developer loan repayments for any purpose for which the city's general fund moneys could be used.

Despite the broad interpretation given the public purpose doctrine, it remains crucial to demonstrate that public funds will be used for a public purpose. Public benefits such as the addition of jobs, the retention of jobs, the addition or retention of tax base, or the prevention or cure of blight will demonstrate that a project has the requisite public purpose. In any given project, providing for penalties if certain job or tax base criteria are not met will bolster a public purpose argument.

**CHAPTER 2**  
**DEVELOPMENT CORPORATION**



## CHAPTER 2

# DEVELOPMENT CORPORATION

The economic development organization does not have to be a legal entity. If a legal entity is considered advantageous, however, there is a provision in Minnesota State Statutes, Chapter 301 for forming a local development corporation (LDC). Specific information and assistance regarding incorporation is best provided by an attorney.

This summary information has been adapted from the statutes and is provided as a general guideline. The laws and regulations governing corporations do change over time. Legal advice on incorporating should be obtained from an attorney.

### **Incorporators**

Three or more natural persons who are residents of the state may form a development corporation.

### **Corporate Certificate**

The corporate certificate contains:

- The name, the general nature of corporate business, the principal place of transacting its business and should contain the words "Development Corporation";
- The period of its duration, which may be limited or perpetual;
- The name and residence of each incorporator;
- The names and addresses of those composing the board until the first election; and
- The highest amount of indebtedness or liability to which the corporation shall be subject.

There is a legal requirement for filing the corporate certificate with the secretary of state and publishing in a prescribed manner.

### **Purpose**

In general, the intended purpose of development corporations is to:

- Develop and advance business prosperity;
- Encourage and assist in the location of new business;
- Rehabilitate (revitalize) existing business and industry;
- Stimulate business expansion;
- Cooperate with other organizations to promote industrial, commercial, agricultural and recreational development; and
- Furnish money and credit to approved and deserving applicants, thereby establishing a source of credit not otherwise readily available.

### **General Powers**

Development corporations have the same general powers as other corporations including the power to:

- Have succession by its corporate name for the time stated in its certificate of incorporation;
- Sue and be sued in any court;
- Have and use a common seal and alter the same at pleasure;
- Acquire, improve, lease, encumber, and convey all real and personal property necessary to the purposes of its organization;
- Elect or appoint all necessary or proper officers, boards, and committees, to fix their compensation, and to define their powers and duties;
- Make and amend bylaws providing for the management of its affairs; and
- Wind up and liquidate its business in the manner provided by law.

### **Additional Powers**

In addition to the general powers, development corporations may:

- Borrow money and otherwise incur indebtedness for any of the purposes of the corporation;
- Lend money to, and guarantee, endorse, or act as surety on the bonds, notes, contracts or other obligations of, or otherwise assist financially, any person, firm, corporation or association;
- Purchase, receive, hold, lease, or otherwise acquire, and sell, convey, mortgage, lease, pledge, or otherwise dispose of, upon such terms and conditions as the board of directors may deem advisable, real and personal property;
- Acquire, by purchase or otherwise, the goodwill, business, rights, real and personal property and other assets of such persons, corporations, associations or trusts as may be in furtherance of the corporate purposes, and acquire improved or unimproved real estate for the purpose of constructing industrial plants or other business establishments;
- Acquire, subscribe for, own, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the stock, shares, bonds, debentures, notes or other securities; and
- Cooperate with and avail itself of the facilities of state economic development officials; and cooperate with and assist local organizations in the various communities of the state to promote, assist, and develop the business prosperity and economic welfare of such communities and of the state.

### **Directors**

There are legal requirements that prescribe the minimum number of directors, residency requirements, method of election and method of filling vacancies. Again, legal advice on current requirements should be obtained from an attorney.

### **Bylaws**

It is a responsibility of the development corporation directors to adopt bylaws that remain effective until amended or repealed by action of a subsequent board.

### **Advantages and Disadvantages of Incorporating**

The principal advantage of incorporating is to make available corporate powers that might not be otherwise available. The corporate ability to raise capital, buy and sell real property, lend money, and acquire various types of investments are powers that facilitate economic development.

The principal disadvantage is the complexity of maintaining a legal entity. Corporations have certain legal requirements and obligations. Administering a corporation requires technical, legal and financial resources as well as time. Some smaller communities may find that resources are better utilized in a less formal organizational structure.

## **ARTICLES OF INCORPORATION OF LOCAL IMPROVEMENT ASSOCIATION**

We the undersigned, in order to form a corporation under and pursuant to the provisions of Chapter 550, Laws of Minnesota, 1951, as amended, known as the Minnesota Nonprofit Corporation Act, for the purposes hereinafter set forth, do hereby associate ourselves as a body corporate and adopt the following Articles of Incorporation.

I

This corporation shall be named:  
LOCAL IMPROVEMENT ASSOCIATION

II

The purposes for which this corporation is organized are exclusively for the promotion of civic purposes, community welfare, general welfare, and social welfare, and shall include but not be limited to the following:

To increase employment and alleviate unemployment in and around Local, Minnesota, by encouraging the location of business entities in that area which will employ local residents.

To cooperate with and aid other corporations, societies, and associations organized and operated for the promotion of civic purposes, community welfare, general welfare, and social welfare by increasing employment opportunity and alleviating unemployment in and around Local, Minnesota, and by any other means whatsoever.

In general, to do all things and perform all activities necessary, incidental, or convenient to accomplish, carry out and promote the aforesaid purposes.

III

This corporation shall not afford pecuniary gain, incidentally or otherwise, to its members, and no part of the net income or net earnings of this corporation shall inure to the benefit of any member, private stockholder, or individual and no substantial part of its activities shall consist of carrying on propaganda, or otherwise attempting to influence legislation. This corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office. Amounts shall not be accumulated out of income of this corporation which are unreasonable in amount or duration in order to carry out its purposes and functions.

IV

This corporation may be dissolved in accordance with the laws of the State of Minnesota. Upon dissolution of this corporation any surplus property remaining after the payment of its debts shall be disposed of by transfer to one or more corporations, associations, institutions, trusts, community chests, funds, or foundations organized and operated exclusively for one or more of the purposes of this corporation in such proportions as the Board of Directors of this corporation (or if there is then no such board, as the majority of the Justices of the Supreme Court of the State of Minnesota) shall determine.

V

The period of duration of this corporation shall be perpetual.

VI

The registered office of this corporation shall be located in the community of Local, State of Minnesota.

VII

The name and address of each of the incorporators are as follows:

<u>Name</u>	<u>Address</u>
_____	_____
_____	_____
_____	_____

VIII

The members of this corporation shall be the members of the Board of Directors thereof and, in addition, any individual to whom this corporation issues its debenture shall be a member of this corporation for such period of time as he or she shall be registered as the owner of this corporation's debenture upon this corporation's books, but a person shall not become a member of this corporation unless such debenture is issued to him by this corporation. Each member of this corporation shall be entitled to one vote on all matters on which the members of this corporation are entitled to vote regardless of the number of face amount of debentures of this corporation owed by such members.

IX

The affairs of this corporation shall be managed and governed by a Board of Directors which shall consist of not less than three (3) nor more than seven (7) individuals. The number of directors constituting the first Board of Directors shall be three (3) and the tenure in the office of each member of the first Board of Directors shall be until the next annual meeting of the members of this corporation and until his successor has been elected and qualified. The Board of Directors of this corporation, with the exception of the first Board of Directors thereof, shall be elected at the annual meeting of the members of this corporation each year.

The name and address of each member of this first Board of Directors of this corporation are:

_____	<u>Local, Minnesota</u>
_____	<u>Local, Minnesota</u>
_____	<u>Local, Minnesota</u>

The annual meeting of the members of this corporation shall be held each year during the month of March at such time and place as may be designated by the bylaws of this corporation or by its Board of Directors.

X

No member of this corporation shall be personally liable for any obligation or liability of this corporation of any nature whatsoever, nor shall any of the property of any of the members be subject to the payment of the obligations or liabilities of this corporation to any extent whatsoever.

XI

This corporation shall have no capital stock.

XII

The officers of this corporation shall be a President, one or more Vice Presidents, a Treasurer, one or more Assistant Treasurers, a Secretary, and one or more Assistant Secretaries. All of such officers shall be elected by the Board of Directors of this corporation at its annual meeting immediately following the annual meeting of the members of this corporation and shall hold their offices until their successors are elected and qualified. The Board of Directors may appoint such other officers as it deems advisable. The officers of this corporation shall have such powers and duties as may be fixed by the bylaws of this corporation. Any two of said officers, except any two of the following, may be held by the same person: President, Vice President, Secretary or Assistant Secretary.

XIII

The within Articles of Incorporation may be amended from time to time in the manner specified by the applicable statutes of the State of Minnesota.

IN WITNESS WHEREOF, we have executed these Articles of Incorporation on this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
(TYPED NAME)

\_\_\_\_\_  
(TYPED NAME)

\_\_\_\_\_  
(TYPED NAME)

STATE OF MINNESOTA)

)Ss.

COUNTY OF HENNEPIN)

On this \_\_\_th day of September, 19\_\_\_, personally appeared before me, a notary in and for said county, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, to me known to be the persons described in and who executed the foregoing Articles of Incorporation, and each acknowledged that he was a person of full age and that he executed the same for the uses and purposes therein expressed.

LAW OFFICES  
**BRIGGS AND MORGAN**  
PROFESSIONAL ASSOCIATION

2200 FIRST NATIONAL BANK BUILDING  
SAINT PAUL, MINNESOTA 55101

TELEPHONE (612) 291-1215

TELECOPIER (612) 222-4071

INCLUDING THE FORMER FIRM OF  
LEVITT, PALMER, BOWEN, ROTMAN & SHARE

**ECONOMIC DEVELOPMENT AND  
TAX INCREMENT FINANCING FOR COUNTIES**

ECONOMIC DEVELOPMENT AND TAX INCREMENT FINANCING FOR COUNTIES

Much of the publicly sponsored development and redevelopment activity in Minnesota has occurred at the city level of government, usually through the establishment of municipal development districts or through the creation by cities of separate development entities, such as housing and redevelopment authorities, port authorities, and economic development authorities. In each of these cases, the development agency is in turn empowered to help finance its qualifying activities through the Tax Increment Financing Act (Minnesota Statutes, Sections 469.174 to 469.179), including not only the ability to use tax increments directly but also to pledge them to the payment of general obligation bonds sold by the host city for these purposes.

Two important elements of a successful governmental economic development program are (1) that the agency have sufficient statutory authority to engage in a variety of development and redevelopment activities and (2) that the agency has available to it or can raise cost effective funding to defray the cost of those activities.

In the case of cities, the basic statutes which contain substantive economic development powers, being the Municipal Development District Act, the Housing and Redevelopment Authority Act, the Economic Development Authority Act, and the Port Authority Act (all of which are now codified in Chapter 469 of Minnesota Statutes), share the common characteristic that they grant fairly broad powers in appropriate circumstances to acquire and improve real and personal property and to provide other forms of assistance for development purposes. There are, of course, differences between these statutes, but the desired end result, being the infusion of the appropriate amount of public assistance to what is usually a private housing, commercial, or industrial project, almost always can be achieved, albeit by different means depending upon the statutory authority involved. However, all of these public development entities also have available to them a very powerful tool for raising the needed funds - the Tax Increment Financing Act.

Given their larger size and differences in purpose, counties have not as a group been as actively involved in economic development as have cities. There are, of course, exceptions, and a number of counties, including most of the metropolitan area counties, have by way of special legislation created active HRA's or other development entities. A number of non-metropolitan counties have utilized the general statutory authority to create a county HRA, but in some cases these HRA's have chosen to restrict their activities primarily to the sponsorship and management of housing projects.

County Housing and Redevelopment Authorities

All non-metropolitan area Minnesota counties are authorized to activate county HRA's which can exercise within their area of operation all of the powers of the Housing and Redevelopment Authority Act, Minnesota Statutes, Sections 469.001 to 469.047. The area of operation of a county HRA is generally the unincorporated portions of the county, except that the county HRA may operate in a city within the county if the governing body of the city (and the governing body of the city's HRA, if it has one) find that there is a need to do so.

While many of the statutory powers that an HRA, whether city or county, may exercise within its area are focused on the provision of low and/or moderate income housing and upon the redevelopment of "blighted" areas, the HRA statute has been amended a number of times over the years and now contains several broader powers which are useful in economic development projects which are not purely redevelopment, housing, or urban renewal projects.

HRA's have the power, for example, to acquire real or personal property, if necessary through the exercise of the power of eminent domain in many cases; to demolish, remove, rehabilitate, or reconstruct existing buildings on that property; to construct new buildings on such property; and more generally to own, hold, and improve such real or personal property. In short, the powers exist for a county HRA to be active in a number of housing, industrial, manufacturing, and commercial development areas.

In addition, all HRA's have access to potentially powerful financing resources. Most public development entities, including HRA's, have the power to issue bonds which are either pure revenue bonds (and not general obligations or any other obligation of the city or county) or bonds which are simply general obligation bonds of the agency itself. Often this power can be illusory because those bonds either cannot be sold for lack of sufficient security or, if they can be marketed, the rates of interest to be paid on those bonds, given the risks to the bondholders, are prohibitively expensive. However, HRA's can receive a wide range of assistance from "state public bodies" (which includes cities and counties) and which may be in the form of direct grants or loans or the contribution of various public facilities or other resources.



## BRIGGS AND MORGAN

HRA's also have full status under the Tax Increment Financing Act with respect to their projects and activities. This means in financial terms that they can generate tax increment revenue for themselves and that they can request their host city or county to issue general obligation (and thus presumably more marketable and cost effective) bonds for their purposes. Finally, HRA's are authorized to make a small annual ad valorem tax levy for their purposes.

### County Rural Development Finance Authorities

Counties are also empowered to establish Rural Development Financing Authorities (RDFA's) pursuant to Minnesota Statutes, Sections 469.142 to 469.151. RDFA's enjoy an extensive area of operation (being anywhere within or outside of the State of Minnesota) and they also enjoy full authority under the Tax Increment Financing Act. Unfortunately, for general economic development purposes they suffer considerably because their sphere of activity is limited essentially to agricultural projects.

RDFA's are empowered to acquire, construct, improve, and equip projects comprising real and personal property which is used or useful in producing, storing, processing, distributing, or selling products of agriculture, including forestry and timber production. They may also promote agricultural, industrial, and scientific research; provide financial or other assistance to rail users for the purpose of making capital investment loans for rail line rehabilitation; participate in agricultural resource loan projects and guarantees undertaken by the State pursuant to Minnesota Statutes, Sections 41A.01 to 41A.06; and issue pure revenue bonds and notes, but such bonds and notes cannot be a debt of the State of Minnesota or of any county or political subdivision.

### County Local Redevelopment Agencies

Counties are also authorized to establish Local Redevelopment Agencies (LRA's) pursuant to Minnesota Statutes, Sections 469.109 to 469.123. LRA's are the opposite of RDFA's in the sense that they do possess a wide range of economic development powers but they are not authorized to use tax increment financing powers.

BRIGGS AND MORGAN

They may build, lease, sell, or otherwise provide plants and facilities for industrial, manufacturing, recreational, or commercial redevelopment of rural areas and of depressed or underdeveloped areas; and they may establish redevelopment areas where unemployment, underemployment, economic depression, depletion of natural resources, or widespread reliance on public assistance are found to exist.

The difficulty in using the LRA vehicle for economic development involves the severe limitations which LRA's face in raising needed funds for their activities. As mentioned above, they may not use the Tax Increment Financing Act and they may also not levy any taxes or assessments for their purposes. Finally, their principal means of raising monies is through bonding, but here again the bonding is pure revenue bonding which may often not be marketable for lack of sufficient security.

Industrial Development Revenue Bonds

Counties are authorized to issue industrial development revenue bonds (IDB's) pursuant to the Minnesota Municipal Industrial Development Act, now codified in Minnesota Statutes, Sections 469.152 to 469.1651. A county may issue such bonds only for projects which are not located in a city or in certain "urban" towns, as defined in Minnesota Statutes, Section 368.01. IDB's are "revenue" bonds in the sense that they are payable primarily from the revenues pledged or other security provided by the actual borrowing company. They are not and cannot be an obligation of any kind of the issuing county, except that the county may use the Tax Increment Financing Act on these projects to help establish or fund a debt service reserve account for such bonds or to purchase other forms of security, such as a bond insurance contract, to help bring down the borrowing cost to the private company. Whether or not the interest on such bonds is tax-exempt depends upon the nature of the project and the costs which are being financed through the bond issue. As a general rule, commercial projects can no longer be financed on a tax-exempt basis under federal law, and while the federal rules have become much more restrictive in the wake of the Tax Reform Act of 1986, manufacturing projects, certain "non-profit" projects, and certain low or moderate income housing projects, among others, can still be financed on a tax-exempt basis.

Conclusion

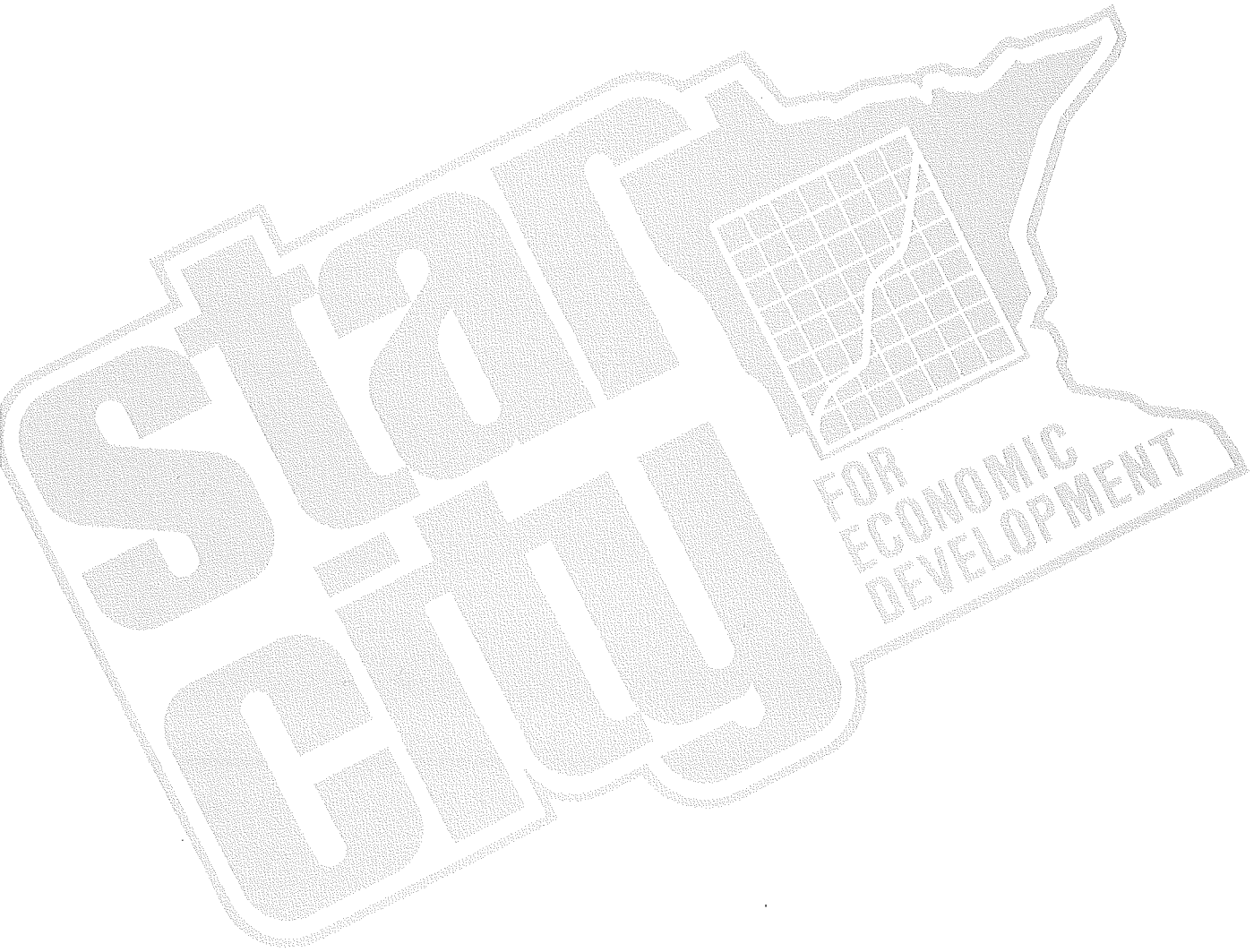
At present, the county HRA is the best vehicle for a county which wishes to be active on an ongoing basis in the economic development of the county. HRA powers are relatively broad, and the county can use the Tax Increment Financing Act to pay its public redevelopment costs associated with its activities.

County Rural Development Finance Authorities and Local Redevelopment Agencies are not as attractive for these purposes either because those entities lack sufficiently broad economic development powers or they lack the ability to pay for their activities through tax increment financing.

A number of counties are supporting an effort in the current legislative session to authorize counties to establish Economic Development Authorities (EDA's) pursuant to Minnesota Statutes, Sections 469.090 to 469.108, and a bill has in fact been introduced in the Minnesota Legislature to allow this.

The legal authority to set up EDA's is recent and has so far been available only to cities. An EDA is, however, a very desirable vehicle to use for economic development purposes because EDA's have very broad powers, including HRA powers, Municipal Development District powers, tax increment financing powers, and the ability in certain cases to issue general obligation debt for their activities. In addition, the host city is also authorized to provide grants or loans to its EDA for these development purposes.

If the Legislature should grant counties the ability to set up EDA's, that would be the vehicle of choice. If not, the county HRA is probably the best alternative.



## **Unit One: Background on Star City**

---

### **Objectives**

After completing this unit, the reader will be able to:

- Discuss the historical background that led to the development of the Star City Program;
- List the outcomes for communities with an organized economic development initiative; and
- Identify specific objectives of the Star City Program.

### **Historical Background**

The Star City Program began in Minnesota in 1981. The program was implemented to alleviate the problems of inadequate local economic development capacity and planning. Prior to 1981, local governments had not given priority to economic development as a local force which could cause positive change in communities. In the past, economic development had been haphazard or loosely organized. Many local governments had a difficult time transforming economic development from the abstract to actual program implementation and did not have a common denominator, such as job creation or tax base, for evaluating the results.

Communities were also finding it difficult to follow through with a business prospect who requested information or proposals from them. Communities had no system in place to deal with the information needs and various requirements of the prospect.

In 1981, an assessment was done of the Minnesota economy, and from this it was realized that state and local governments were not approaching job creation and business retention in a coordinated manner. The assessment found that there was no form of organized communication between the state, local government, and business for job creation.

### **Star City Program**

The Star City program emerged as a response to these findings. It would be a tool, crafted as a systematic and professional approach to economic development. The program would also be a tool to be used at the local level. It would help build and maintain an economic development effort in the community and would be designed to meet the unique needs of each community. The Star City program would assist in developing better communication among Minnesota cities, businesses, and the state. The goals, as originally defined, included:

- Organizing and developing local leadership;
- Providing or strengthening local and state services to business and industry;
- Developing an effective model for marketing local communities; and
- Providing a model to develop the knowledge and skills in communities necessary to successfully retain and attract business and employment.

### **Outcomes for the Communities**

This program was created for communities without an organized economic development initiative. It was directed to communities with populations ranging from 1,500 to 20,000. The program would specifically help communities to:

- Retain and create jobs;
- Prepare community leadership to respond effectively to business and community economic development needs;
- Retain and increase capital investment in the community; and
- Formalize a community-wide, coordinated commitment to a long-term economic development strategy.

To help produce the desired results, the Department of Trade and Economic Development provided technical assistance to implement the program. It made available training opportunities to community representatives. The Department also

facilitated communication between and among communities involved in economic development.

### **An Innovative Initiative**

The Minnesota Star City program was a truly innovative initiative to improve distressed economies. When it began, the intent was to recognize local efforts and build capacity in economic development. Since its beginning, the program has grown and evolved, and the framework has strengthened.

Today, the program is a coordinated effort to develop a professional standard for economic development capacity at the local level. It is a model adaptable to cities of various sizes, neighborhoods, and counties. The program is still an innovative initiative, adapting and responding to changing needs (see figure 1 for a listing of Star Cities).

### **The Current Star City Program**

The Star City Program is managed by the Minnesota Department of Trade and Economic Development. (To simplify future references, it will be referred to as the "Department" in the remaining text.) The Department has a professional staff available to provide technical assistance to communities implementing the Star City process. Additional tools and resources have been developed to better serve the needs of communities. Some of these tools are described in other units in this manual. Others will be described in the handbook for designated Star Cities.

### **Benefits of the Star City Program**

The Star City Program is an active approach to economic development. It helps communities prepare and implement a strategic economic plan and develop the capacity to professionally respond to an economic development opportunity. It takes the community from the stage of wanting to do something to improve the economic vitality of the community to the level of being able to confidently move forward in a planned and professional manner.

The Star City Program helps the community become organized in its efforts. Being organized is a major benefit resulting from implementation of the program. With organization, the community can better respond to the needs and concerns of existing or prospective businesses. The community will be able to take advantage

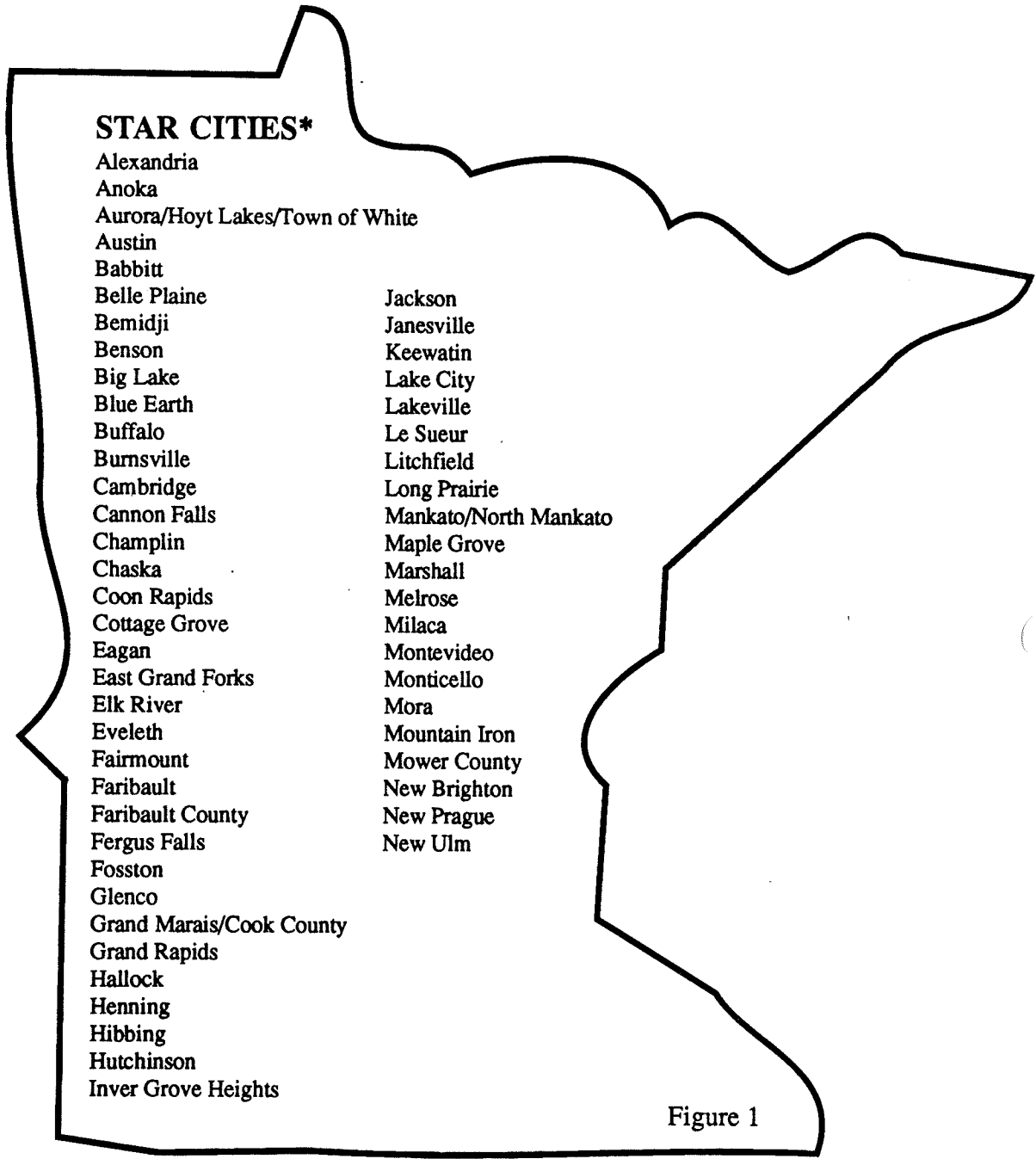
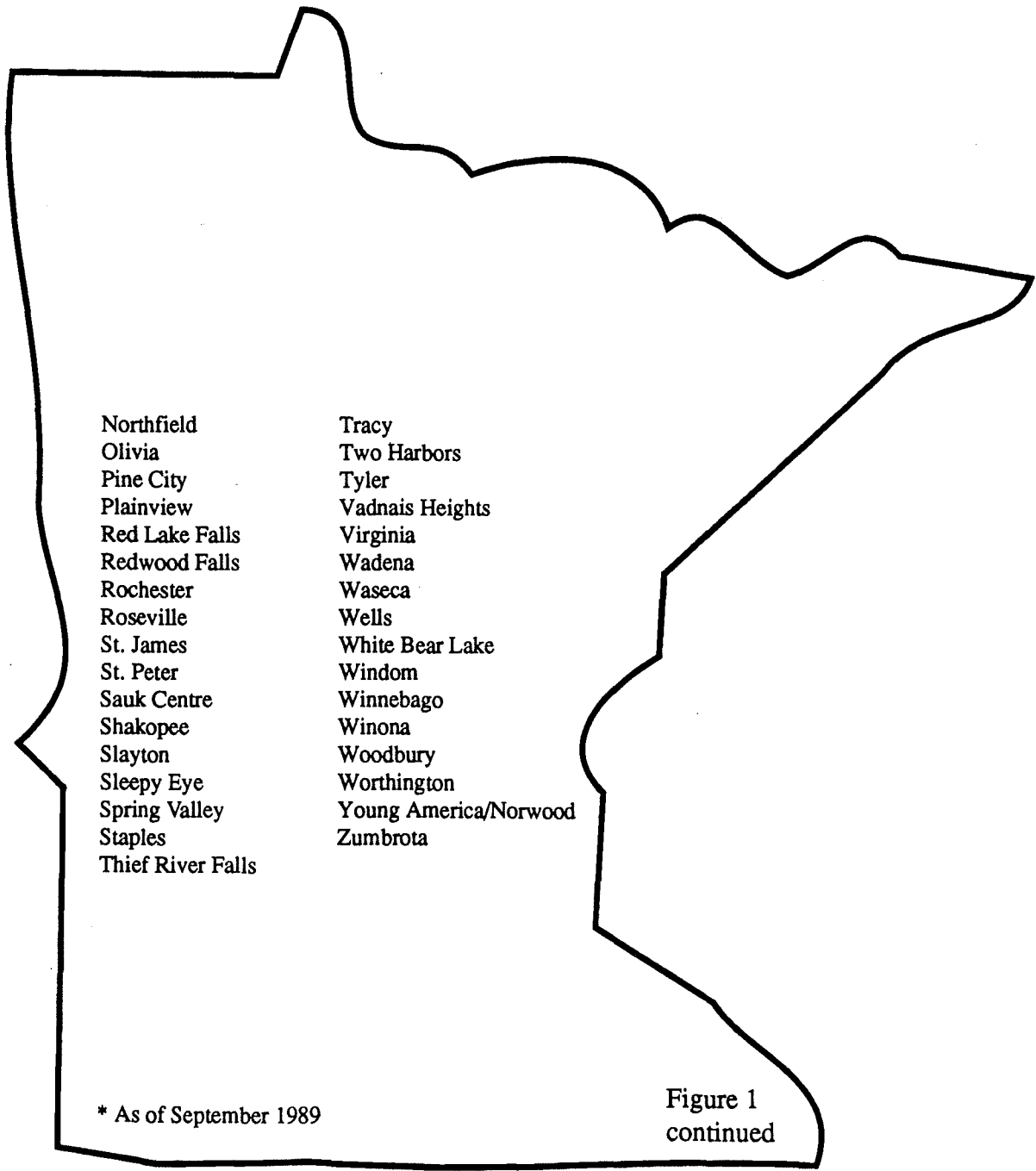


Figure 1





\* As of September 1989

Figure 1  
continued

of the tools, resources, and programs that offer assistance with economic development. The community can also take an active part in designing its future. Another advantage is the outside recognition the community will get from being organized. Other communities and businesses will take note of the systematic way the community handles economic issues. Being organized gives the community a polished look and has long-term positive effects.

The following list of benefits were generated by one community as reasons for becoming a Star City:

- Centralize and focus economic development operations.
- Strengthen existing businesses.
- Facilitate the development process for new companies.
- Select quality developers.
- Reduce development surprises.
- Assist in business relocations.
- Increase recognition and visibility.

Figures 2a and b list additional benefits quoted from Star City officials.

### **Star City Program Statistics**

In 1988, Star Cities participated in a survey and were asked about the benefits and/or impacts of becoming a Star City. Some of these results are shown in figures 3a and b.

### **Benefits the Department Provides**

Star Cities receive other benefits provided by the Department. Quarterly meetings are held to disseminate current information, encourage discussion on economic development issues, and to maintain and build individual skill levels in economic development. These one-day meetings are open only to Star Cities. A monthly memo is published to highlight activities in Star Cities and to serve as a forum for sharing information. There is a discount for Star Cities on training and continuing education made available through the Department.

The Department's technical assistance staff is available to assist communities in carrying out specific economic development initiatives at the local level. The intent

in providing this assistance is to build local capacity. In many communities there is no professional staff working on economic development. Even when staff is present, outside technical assistance can be helpful. In order for the individuals working on this development to be successful, they need to acquire skills in organizational development, community assessment, strategic planning, marketing, and finance. On-site consulting and training to aid the community in reaching its goals are provided. Staff are assigned regionally (see figure 4) but also work in specialty subject areas. This assistance may be provided via telephone or in-person. For example, a community may have questions regarding the five-year plan and how to start the planning process. The Department staff could give information via the telephone or arrange to travel to the community to facilitate the planning meetings. Technical assistance has been provided in organizational development, marketing, data collection, and revolving loan funds.

**Being designated a Star City does not mean that the Department provides or guarantees business leads to the community.**

### **The Star County Program**

The Star City Program has been very successful in assisting communities with implementing an economic development program. Based on this success, and because many smaller communities do not have the resources or need to complete the entire program on their own, a Star County program was initiated by the Department. Communities under 2,000 population found the eleven elements difficult to complete. A county designation spreads the work load over a larger volunteer base and affords the area more efficient use of hired staff and costly marketing materials.

The Star County program is an adaptation of the Star City program. The same eleven steps which comprise the economic development capacity focus of the Star City program are implemented on a county-wide basis. The program is a framework for counties to use to develop a sound economic development plan. Communities and organized townships within the county participate in the development of this plan and completion of other requirements.

The Star City concept was used on a county-wide basis in 1987. Specific information on pursuing Star County designation has been included within the remaining units of this manual.

## BENEFITS OF BEING A STAR CITY

**The Star City program is like a college of economic development.**



**This recertification process helps to insure dialogue is maintained among various entities in the community.**



**A Star City is a city that has its act together.**



**The Star City program ... guided us to where we wanted to go.**



**By participating in the Star City program, communities learn the skills necessary for attracting new businesses and retaining existing businesses.**



**It helps cities identify the recipe for success.**



Figure 2a

## BENEFITS OF BEING A STAR CITY



Figure 2b

# Star City Program Impact

## Results \*

- Star Cities and job creation 1988
  - Jobs created from new businesses: 2000+
  - Jobs created through expansion: 1724
  - Total jobs: 3724
- Annual Star City conference - increase in attendance
  - 1981 attendance      57 people      57 cities
  - 1988 attendance      230 people      135 cities
- Quarterly training workshops established
- 1000 local volunteers participated statewide
- 50 Labor Market surveys completed
- 500+ hours of direct in-service training delivered by Dept. staff
- 75+ cities implementing the Business Retention and Expansion Program
- 2000 formal business visitations

\* These results were tabulated from a survey of Star Cities done with the assistance of the Urban Institute in October, 1988.

Figure 3a

## **Star City Program Impact**

### **Unexpected Results**

- 1985 legislative appropriation added 3 professional staff
- 32% metropolitan participation
- Nodal impact (adjacent cities attaining designation)
- Establishment of Star County and joint community programs
- Each city which has been designated for a year has had a new business locate or expand with a direct increase in jobs
- 200+ economic development professionals trained since 1984

Figure 3b

### Technical Assistance by Region

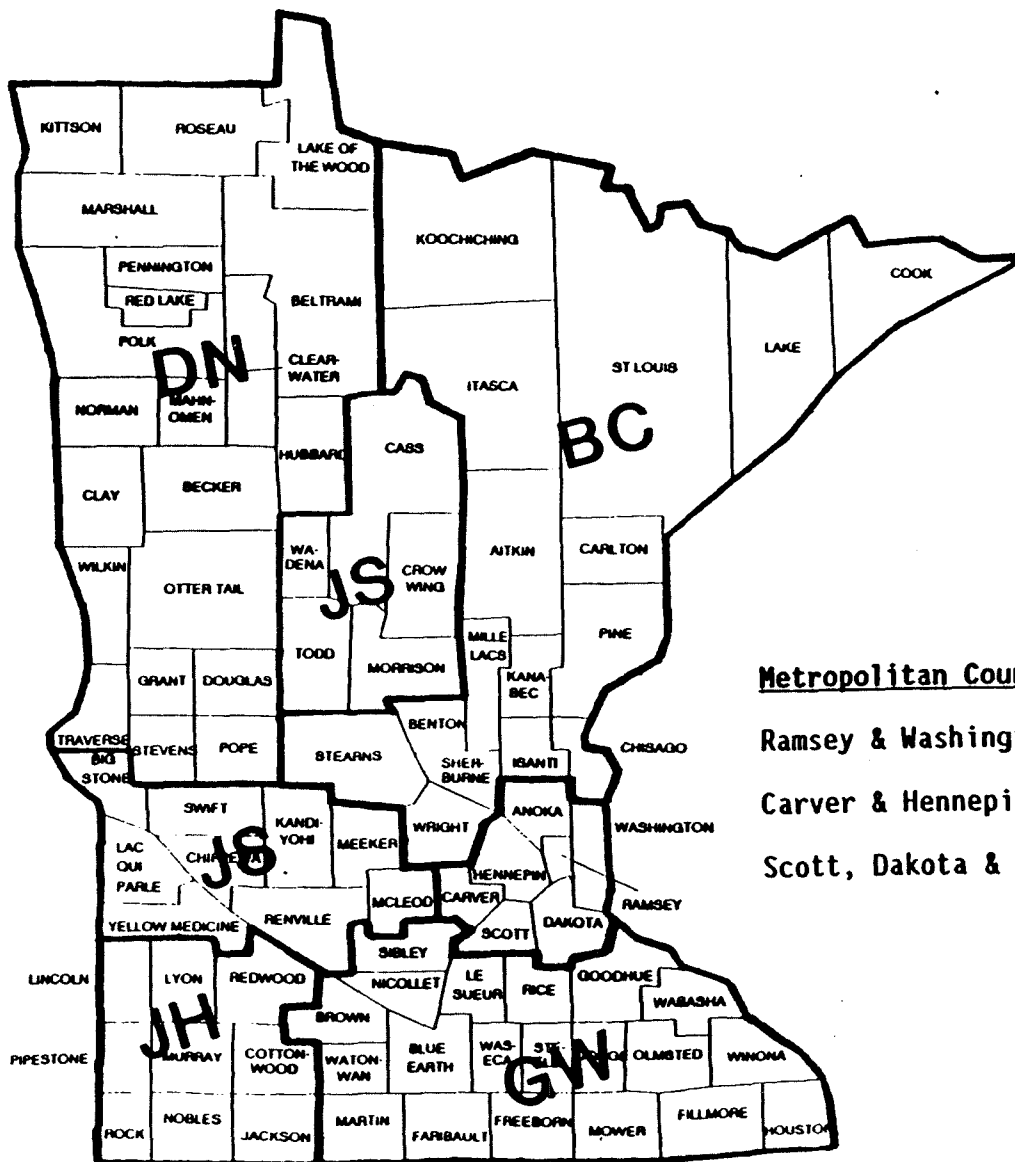
DN = David Nelson  
612/296-3950

BC = Bill Coleman  
612/297-1169

JS = Joyce Simon  
612/297-1168

JH = Jill Hanson  
612/297-1164

GW = Gerald Wenner  
612/297-1844



#### Metropolitan County Assignments

Ramsey & Washington - Hanson

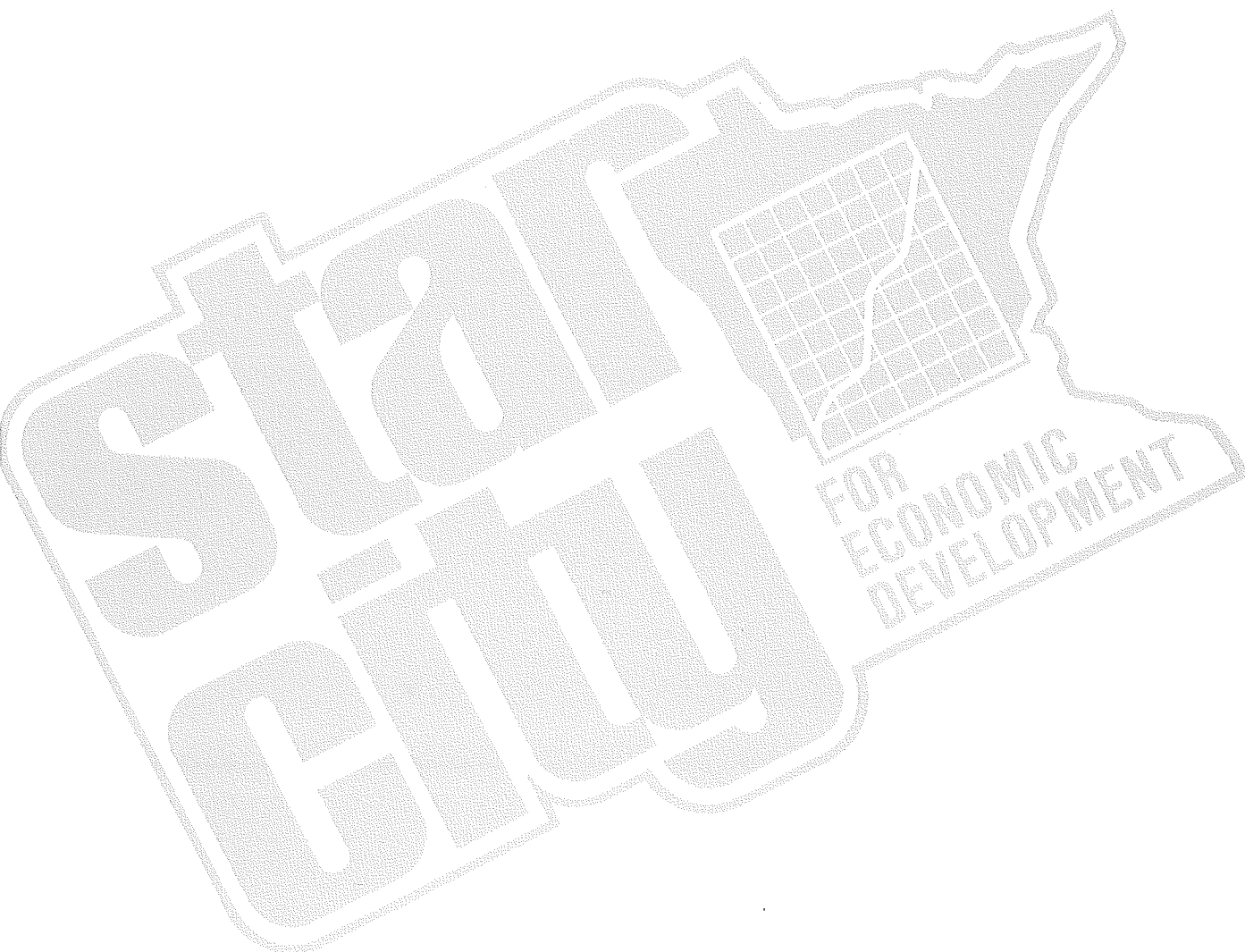
Carver & Hennepin - Simon

Scott, Dakota & Anoka - Nelson

1-12

Figure 4 8/'89





## **Unit Two: Overview of the Star City Process**

---

### **Objectives**

After completing this unit, the reader will be able to:

- Identify the eleven steps in the Star City application process;
- Explain how the eleven steps are grouped into four phases; and
- Discuss the importance of understanding the process.

### **Overview**

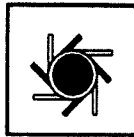
Although it is referred to as the Star City program, it would be more accurate to call it a Star City process. It is a process the community must complete in order to receive Star City designation. The process consists of eleven basic requirements that are designed to lead a community through the development of an organization, gathering of important information, development of a plan, and marketing of the community to its own and outside business prospects. This unit will give an overview of the process, and the following units will look at the individual steps of the process in detail. Becoming a Star City is a beginning, not an ending, to the economic development process.

### **Four Phases of the Application Process**

The Star City application process can be divided into four phases: 1) organizing the effort, 2) gathering information, 3) planning, and 4) marketing. By breaking the process into phases, it is easier to understand where you are in the process, and it can make the process easier to manage. Further, these phases include steps that are

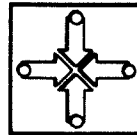
required for application for Star City status. Figure 5 shows how each step of the application process fits into the four primary phases of the Star City framework. This figure can be used as a quick reference as or a handout when explaining the program.

***Organizing Phase***



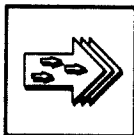
The organizing phase begins with the City Council designating a committee or organization as the Star City steering committee. The committee could be an existing organization or be newly created. This committee should include a broad representation from the community. The members of the committee may delegate steps of the process to other groups or individuals, but this body will provide the organizational framework for the completion of the application. The committee serves as the coordinating center. A Star City committee continues its work after the community receives designation. Its job then is to maintain the efforts initiated, meet recertification requirements annually, and remain a focal point for economic development efforts.

***Information Gathering Phase***



The information gathering phase is important because sound information is necessary to do effective planning and marketing. This phase includes obtaining information about the area labor force, existing businesses, and the community. There are many different sources of information and resources for gathering the information. This phase requires the committee to organize the effort of obtaining information so that it is efficient and thorough. Summarizing the information is the endpoint of this phase.

***Planning Phase***



The planning phase is the heart of the Star City program. The information gathered is analyzed and sorted by assets and constraints. Issues emerge and are judged on their importance to economic development. Goals are then established to address those issues, building on the community's strengths and mitigating weaknesses. This statement of goals is the five-year or long-range plan for the community. A one-year action plan is developed that outlines the strategies and tasks—the individual steps that will be implemented in order to achieve the goals. This process is the means by which local residents create change in their communities.

# Star City Application Process

## ORGANIZING PHASE

-Designation by Local Government



## MARKETING PHASE

-Community Brochure

-Community Fact Booklet

-Community Video

-Marketing Presentation



## INFORMATION GATHERING PHASE

-Community Information Gathered

-BRE Survey

-Labor Market Analysis

-Capital Improvement Plan

-Community Profile



## PLANNING PHASE

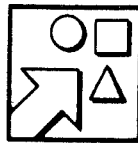
-Information Analyzed

-Five-Year Plan

-One-Year Action Plan



## ***Marketing Phase***



The marketing phase has two parts: the creation of several marketing products and the development of a marketing presentation. Communities must develop a fact booklet that contains detailed information about the community that could be useful to an existing or a prospective business. Many communities also develop a brochure that is a companion piece to the much larger fact booklet.

A community must also develop a video or slide show to be used as an image piece about the community and its economic development effort.

Creation of these marketing materials is usually the most expensive component of the Star City process. Communities have been very resourceful in raising the funds and tapping local skills to produce excellent products.

When this part of the marketing phase is completed along with the other phases, all supporting materials for the community's request to become a Star City are submitted to the Department. When the Department has determined that the materials are complete, it will schedule the final step of the process: the marketing exam.

Following on-site training provided by the Department, the community will be asked to market itself to an industrial prospect. The "prospect" in this case is a person chosen by the Department to play the role of a company representative interested in locating a business in the community. The Department also participates in the marketing exam.

When the community successfully completes the marketing exam, it will be designated a Minnesota Star City.

## **Star County**

The Star County adaption incorporates the same phases as the Star City program. Special emphasis, and therefore additional time, will probably be spent in organizing and information gathering. It may be more difficult to organize on a county-wide basis. It is also more difficult to gather information when numerous school districts, townships, and cities are involved.

## **Which Phase Comes First?**

There is no set order for completion of the steps, but to be efficient and thorough there are some steps that should be completed before others. The Star City committee should be designated prior to beginning the other phases. It is important to do the information gathering phase early so that the information can be used in the planning and marketing phases. If a five-year plan is completed before the information is gathered, the plan may not adequately address the community's needs. The information gathering and planning phases are the core phases in this process (see figure 6). These two phases must be completed in as thorough and efficient a manner as possible. Marketing of the community needs to be based on the planning the community has done. A strong marketing campaign requires that the community knows the direction it wants to pursue and to have the resources and commitment necessary for implementation. Thus, the marketing phase usually comes late in the process.

However, some of these activities can be done simultaneously. For example, while information is being gathered, research can be done on the cost of materials and labor for the fact booklet. Some steps are complex, and preliminary work can be started early to stay on schedule. Also, some work on the steps within the phase may already be completed. An inventory of materials containing required information should be conducted early in the process to avoid unnecessary duplication of effort.

# Star City Application Process

## ORGANIZING PHASE



-Designation by Local Government

## MARKETING PHASE

-Community Brochure

-Community Fact Booklet

-Community Video

-Marketing Presentation



## INFORMATION GATHERING PHASE

-Community Information Gathered

-BRE Survey

-Labor Market Analysis

-Capital Improvement Plan

-Community Profile



## PLANNING PHASE

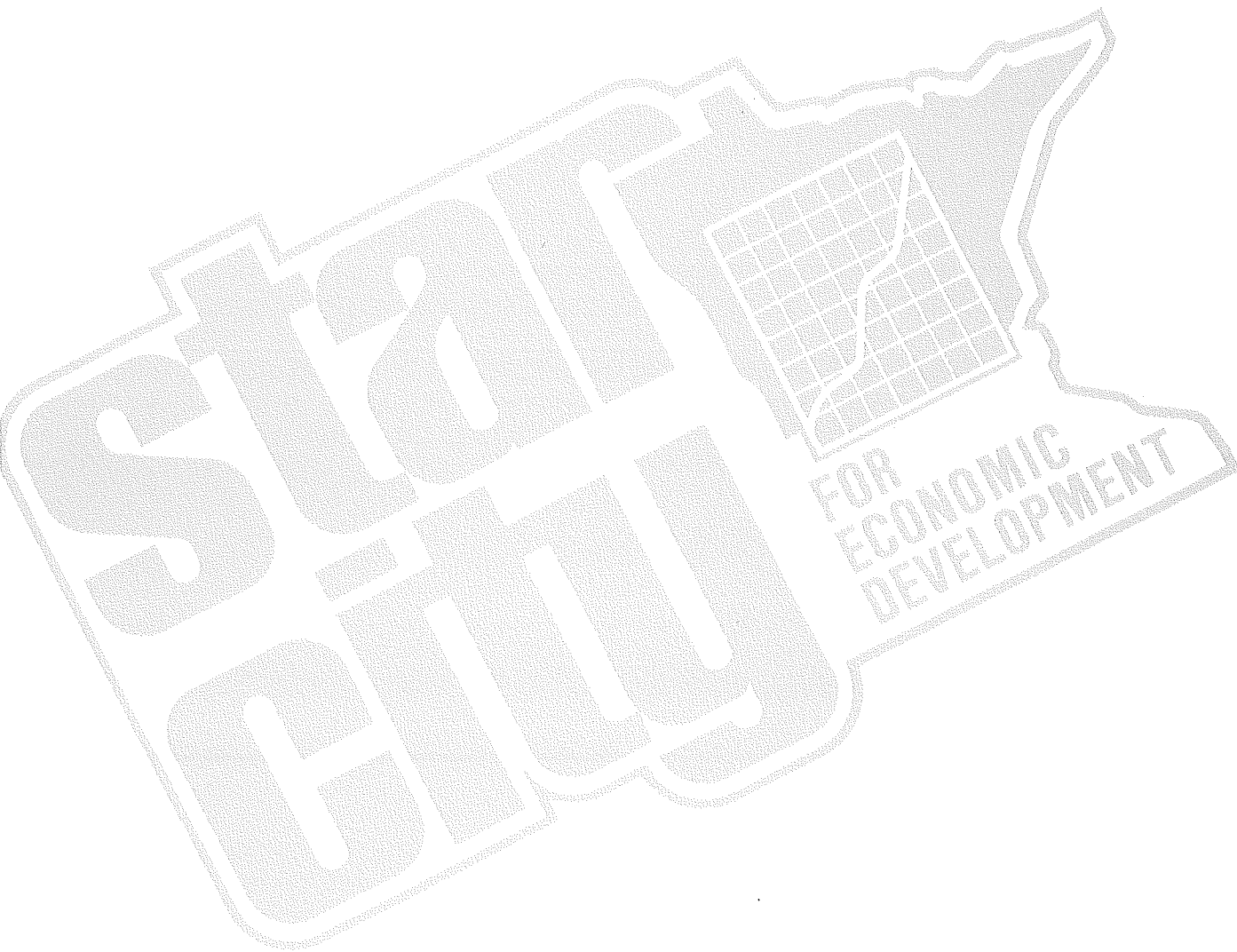
-Information Analyzed

-Five-Year Plan

-One-Year Action Plan



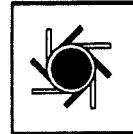
Figure 6





## Unit Three: The Organizing Phase

---



### Objectives

After completing this unit, the reader will be able to:

- List the steps involved in the organizing phase;
- Discuss the importance of local government designating a steering committee;
- Explain the importance of this initial organizing phase; and
- Discuss how the Department can offer assistance with this phase.

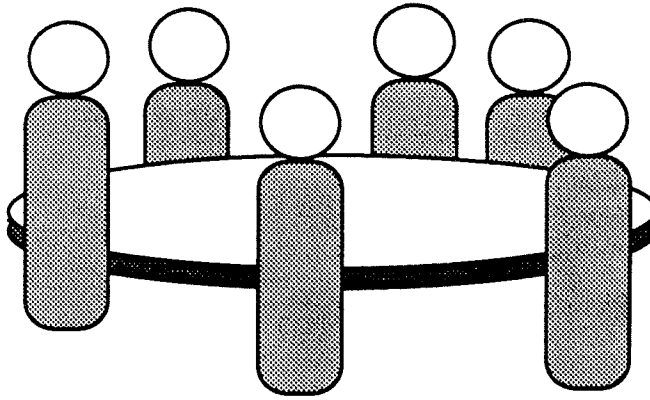
### Overview

In order for a community to reach its economic goals, it is important that it be organized. The Star City Program requires that a committee or organization be designated as the Star City steering committee. This committee is responsible for completing the Star City application process and will provide the overall coordination that is needed to keep the economic development process moving forward. This body will be the focal point through which information will flow. It will help organize the process so that it can be completed in an efficient manner (see figure 7).

### Procedure for Designation of a Committee

Designation of a Star City steering committee is the initial step in becoming a Star City. This designation must come from the local government and may be done by resolution or ordinance. (A sample ordinance is included in the appendix.)

## Star City Steering Committee



### **The Star City Steering Committee:**

- Provides organization structure to the Star City economic development effort
- Provides overall coordination
- Collects and filters information
- Is responsible for completion and submission of the Star City application
- Provides long-term commitment

Figure 7

Designation by the local government empowers the steering committee and says to the community that this is an important task that is being undertaken.

### ***Create a Representative Body***

The city government can select an existing organization or create a new committee to be the Star City steering committee. In either case, the organization acting as the Star City committee is a public body. Barriers to membership on the committee such as dues, fees, or other restrictions are not permitted. It is important that the committee be representative of the community. A sound economic development program will have broad-based community support, and that support should begin in this first step of designating a steering committee. The committee should include members representing labor, professional services, the financial community, education, business, and industry. To fully reflect the community, there should be a balance of women and men, and there should be representatives of minority groups and civic associations such as the League of Women Voters and Jaycees. Since young people play an important role in the future of a community, some communities have included representatives of youth organizations such as Junior Achievement or 4-H on their committees. The steering committee should also allow input and assistance from non-committee members.

The steering committee also needs to consider how it fits into the organization of the community. An organizational chart or diagram is useful to show relationships among various agencies and committees. The appendix contains several sample organizational charts.

### ***Determine Size***

Size of the steering committee depends on several factors. These factors include the organization's structure, number of interest groups to be represented, and the resources available. A large committee has the advantage of a broad base of support, an adequate sounding board of community opinion, and the ability to accommodate all special interest groups. However, a large steering committee often moves more slowly in its decision making. A smaller committee has the advantage of being more effective in making decisions and being able to act on short notice, but may not adequately reflect all interest groups.

An ideal number for Star City steering committees is seven to twelve members so that effective decision making can take place. If a broader base of support is desired, it can be achieved through advisory boards, sub-committees, or

membership categories. If a larger steering committee is selected, an executive committee with specific powers should be formed.

### ***Send a Letter of Intent***

The city should send the Department a letter reflecting its intent to seek Star City status. It should include a copy of the official action taken and a roster of the committee members and their affiliations. This will help the Department better assist the community as it pursues designation.

### **Star County Committee**

A Star County steering committee must be designated by the county board. This Star County organization is an adviser to the county board regarding economic development concerns and initiatives within the county. Members of this committee are appointed by the county board and must be representative of a cross section of the county. The committee could include members of the county board, city councils, township boards, utilities commission, school board, soil conservation boards, financial institutions, Chambers of Commerce, civic groups, and the general public.

The Star County steering committee is usually made up of seven to eleven appointed members. A fundamental requirement of the Star County organization is to have a mechanism in place to provide direct communication between the Star County steering committee and communities and townships throughout the county. This mechanism also functions in reverse to assure clear communication from communities to the Star County organization. Names, addresses, affiliations, and phone numbers of key contact people around the county should be compiled. Meeting notices, copies of minutes, and agendas should be forwarded to this contact group.

### **Effective Committee Strategies**

Once the steering committee is selected, it is important that the members work well together and operate as a team. There are some strategies the committee can use to ensure that they will be an effective group.

### ***Create a Mission Statement***

The first task of the committee is to make sure that all members understand the goals of the committee. Some steering committees have drafted mission statements. These help focus the group's activities, and they serve as reminders throughout the process of the purpose of the committee. The mission statement may be published locally to build community awareness and support.

### ***Use a Project Calendar***

A project calendar should be created which lists the program goals, objectives, and tasks, along with a suggested time line. A calendar not only keeps all members informed about what needs to be done and when, but also acts as a motivator to keep the process moving. Setting deadlines for specific tasks encourages timely completion which in turn lends credence to the committee.

### ***Set Specific Meeting Times***

The steering committee should also set specific meeting times. Committee members will be more efficient about completing tasks if there are set meeting times. Also, it is easier for committee members to attend meetings if dates are established ahead of time. Setting specific meeting times also helps the committee be more organized, and it presents a positive image to the community. Consistent internal communication is essential to a successful program.

### ***Involve the Community***

The committee needs to establish an effective way of involving the community in its activities. A successful economic development program is not conducted *for* the community but *by* it. Whenever tasks are being assigned, and at each stage of the process, it is important to discuss how the community could be involved. However, there will be some tasks that will be more effectively done by one person and some tasks better done by the steering committee.

### ***Utilize Subcommittees/Task Forces***

The steering committee can establish subcommittees or task forces to work on a specific step. This will make the committee more effective, and it is a way to involve the community. Some steering committees have established a task force for creating the video product, for data gathering, or for updating the plan.

### ***Keep Records***

It is important to keep a record of what happens during the committee meetings. The steering committee should designate a recording secretary. Minutes, handouts, and other written materials should be kept in a three-ring notebook in chronological order. Minutes of the meetings should be written and given to the committee members. The minutes can be brief but should detail the decisions that were made. The minutes should be approved at the beginning of the next meeting of the committee. These minutes can also be published in the local newspaper, if appropriate. This becomes another tool to measure progress and to track the history of an action taken and the intent of the committee.

### ***Elect a Leader***

The steering committee should have one person who acts as the chairperson or coordinator of the committee. The chairperson is the contact person for the group and would be the liaison with the local government, other community groups, and the Department.

### ***Amend Organizational Structure***

Communities sometimes amend their organizational structure as they proceed through the Star City program, particularly as they near or reach designation. Committee structures that have been organized around completing the requirements of the program may no longer be appropriate or effective in implementing the one-year action plan. Communities and their economic development organizations need to reconsider the roles and activities of the various economic development players, over time, to best accomplish the goals of the community.

Figure 8 contains a suggested checklist for the organizing phase. Figure 9 contains a list of questions that are commonly asked during the organizing phase.

## Suggested Checklist for Organizing Phase



- Local government designation of Star City steering committee
- Chairperson selected
- Mission statement created
- Project calendar established
- Specific meeting times set
- Record keeper/recording format designated
- Letter to Department indicating intention (with required attachments) submitted
- Committee representative of community

Figure 8

## Commonly Asked Questions During Organizing Phase

*How long does it take to become a Star City?*

On the average it takes from 12 to 24 months to become a Star City. It is not unusual for the process to take longer. Many communities start and stop and restart the process over several years.

*How much will it cost to become a Star City?*

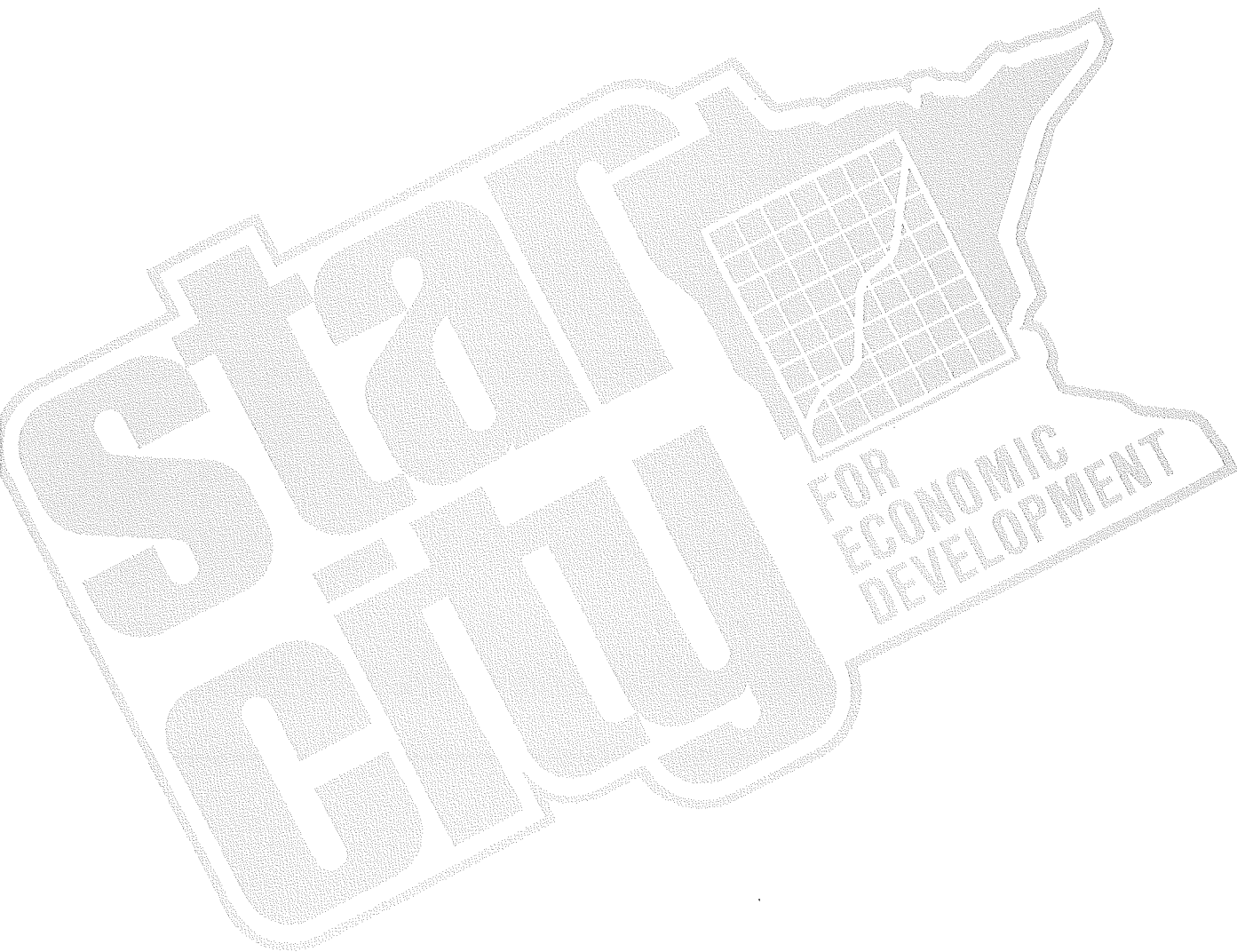
This varies greatly depending on the desires of the community. Will paid staff be used or consultants hired? Will local services and skills be offered to print minutes and send meeting notices? Will professionals be hired to prepare the fact booklet and video? The committee should establish an operational budget along with its project calendar.

*What kind of organization should be formed or designated as the Star City steering committee?*

It is not necessary to create a new organization if there is a representative body that is willing and able to carry out the requirements of the program. Some communities create Economic Development Authorities (EDA) or use city commissions. The steering committee may not be the appropriate group to implement the work activities of the action plan. Another permanent organization may be created to carry out these economic development activities. Information on economic development structures may be obtained from the Department.

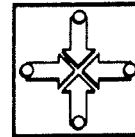
Figure 9





## Unit Four: The Information Gathering Phase

---



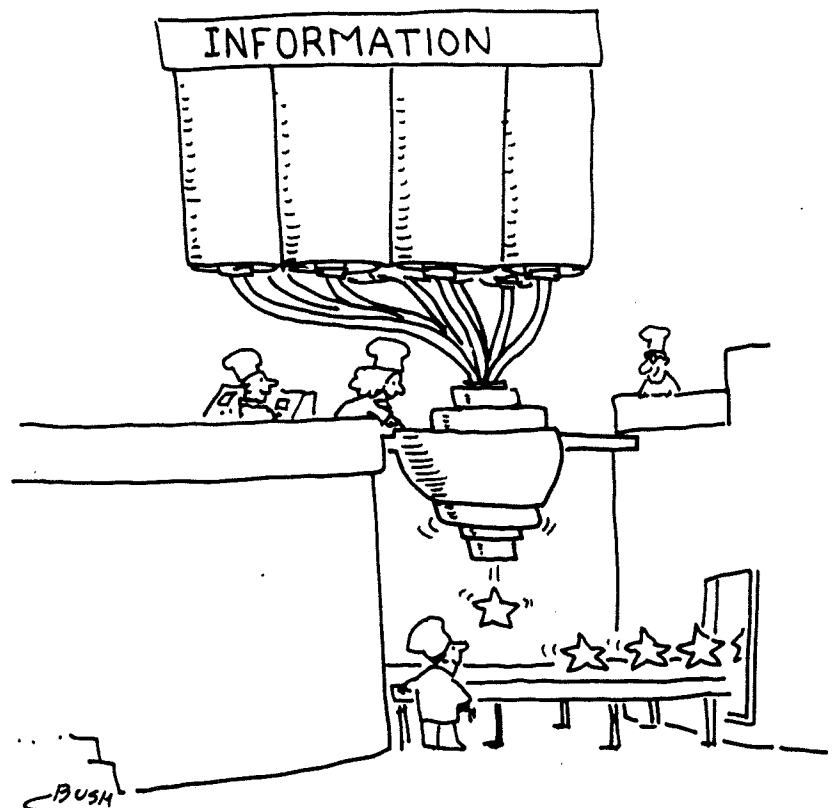
### Objectives

After completing this unit, the reader will be able to:

- List the steps included in the information gathering phase;
- Discuss the reasons information is gathered at this stage of the process;
- Explain how the information gathered can benefit the community;
- List resources that can provide information to the community;
- Relate the Business Retention and Expansion (BRE) survey to the information gathering step; and
- Relate the labor force information requirements to this step.

### Overview

The information gathering phase is essential to the application process. The information that is gathered is used for the planning and marketing phases of the local Star City effort. The information that needs to be gathered is specific information about the various aspects of the community and labor market data. The quality of the information is critical. The effectiveness of the planning and marketing phases are influenced by the quality of information gathered in this phase. There are two types of information gathered: primary and secondary. Primary information is gathered directly by the community at the time it is needed. Secondary information has already been collected, is ready to use, and can be obtained by referencing specific resources, e.g., census reports. Primary information is more current and accurate (if collected properly), but secondary



information is used when gathering the information firsthand could not be done efficiently and accurately.

For some communities this phase has, at times, seemed overwhelming. By breaking the phase down into steps and assigning tasks to specific individuals, this phase becomes more manageable.

An inventory of information that has already been gathered needs to be completed before beginning active information gathering. School districts, utility companies, and real estate companies may have information available. It is important to tap community resources during this phase. Librarians are knowledgeable about information resources. Some educators and businesspeople may also have skills in this area. City and county governments, regional development commissions, and state agencies are also good resources.

## **Gather General Community Information**

Community information is important to create a complete picture of the community. A common view and understanding of the community emerges with the analysis of this information. Collecting this information provides an inventory of the community. The Department suggests that the following subjects be included:

- Community demographics
- Existing employers and industry mix
- Labor pool
- Development sites/buildings
- Energy and utilities
- Transportation
- Environmental/permit issues
- Education
- Community quality of life
- Housing

Ask questions such as what would a prospective business want to know about the community. The Community Information Exhibit, in the appendix, is a list of factors/questions to research when gathering information about the community. It is a guide to use to help identify and gather the appropriate information. This may seem like a large amount of information to gather, but to give a complete picture of the community, this information needs to be provided. A community should include any other factors it thinks are important. See figure 10 for types of information and information sources.

Organizing the data collection is important so that the information can be collected in an efficient and thorough manner. The Community Information Exhibit, described in the appendix, can be modified to fit the needs of the community.

For each area of information to be gathered, the steering committee can designate a task force or specific individual. Deadlines can then be set for having the information gathered. Some of the needed information can be gathered in person; some can be gathered via a telephone call or written survey.

## Information Gathering

SUBJECT AREA	INFORMATION	POSSIBLE SOURCES
Community Demographics	Population Characteristics	Data Net Census Reports Local Surveys
Existing Employers/ Industry Mix	Union/Non Union Skilled/Unskilled Types of Industry	Chamber of Commerce MN Directory of Manufacturers
Labor Pool	Wage Rates Unemployment Persons Available Skills	Local, Regional, or State Labor Survey Jobs and Training Offices Census CEP Reps Union locals
Development Sites/ Buildings	Available Land and Buildings Size, Location, Cost Maps	Planning and Zoning Office Insurance Agencies Local Development Corp Real Estate Agencies
Energy and Utilities	Rate Schedules Available Services Level of Service Incentives Infrastructure Limitations	Local Utility Companies City Hall
Transportation	Highway, Rail, Air Access Container Shipping Road Capacity Distances to Major Markets	Local Businesses Maps City/County Engineers Transportation/Shipping Businesses

Figure 10

## Information Gathering

Environment	Hazardous Sites Air Quality Waste Disposal Soil Characteristics Water Quality	County Offices Pollution Control Agency Agricultural Stabilization and Conservation Services
Education	Graduation Rates Post Secondary Rates Flexibility, Availability of Adult Training Programs	Public School System Private School System Technical Colleges Other Post Secondary Institutions
Quality of Life	Parks, Clubs Service Organizations Recreation Opportunities Lakes/Rivers Sports, Cultural Activities Proximity to Activities History of Community	Chamber of Commerce Parks Department Historical Society Local Directories Yellow Pages
Housing	Types Available Range of Costs Rental Building Lots	Real Estate Office Local Building Official City Offices School District County Tax Roles

Figure 10 continued

In addition to facts and figures, information about attitudes is collected. Knowing and understanding community attitudes is useful in developing the community's plan. Residents could be surveyed about their likes and dislikes about the community. They could be asked what they are proud of and what they would show out-of-town visitors. They could be asked about their shopping and entertainment patterns. Residents could indicate their level of satisfaction with city services, the educational system, and recreational opportunities.

This information can be gathered in several ways. Some communities have used town meetings, small group sessions, written surveys, or personal interviews. All residents or a representative group could be involved. Survey formats used by other communities are available from the Department.

### **Conduct Business Retention and Expansion Survey**

The retention and expansion of existing local businesses has become the primary focus of most successful economic development organizations. The reasons for this are many. Most new jobs are created by existing local firms. The failure rate of new firms is high. The cost of attracting new firms, both in terms of the time and energy of economic development organizations and in the cost of marketing and providing public and private incentives, is high. Communities benefit from a systematic and strategic approach to their retention and expansion activities. Business retention and expansion activities need to have a long-term orientation and be ongoing in nature.

An effective retention and expansion program will achieve these three goals:

- Identify strengths within the community that can be capitalized upon to encourage the retention and expansion of existing industry and perhaps new industries;
- Discover industrial problems or potential problems with the community and help to provide the necessary information or action to solve them; and
- Identify specific opportunities for assisting local businesses to expand and create new jobs within the community.

In order to carry out a successful retention and expansion program, an organization must commit resources to implement a comprehensive year-round effort. This effort must include:

- Personal and ongoing communication,
- Identification and followup on issues and opportunities,

- Long-term planning based on information, and
- Business appreciation events.

Each of these elements is needed to establish and maintain a sense of trust and confidence between the business community and the local government and the economic development organization.

The Department has created the Business Retention and Expansion (BRE) Program, which is designed to help communities increase employment, maintain a stable tax base, and attract industry and other businesses. The program facilitates coordination between local government and the business community. The program is a partnership between the community and the state. The Department provides the survey, instructions on how to conduct the survey, analysis of the survey and an in-depth customized report. The community must organize a task force, obtain support, conduct the survey, analyze the data, and take necessary actions to respond to identified needs.

Minnesota Star Cities are required to annually conduct the Business Retention and Expansion survey. Communities should contact the Department to obtain the BRE information packet. This packet includes instructional videotapes on how to train volunteers to conduct the survey and a detailed training manual explaining the survey and how to administer it. The Department can also provide technical assistance.

The survey is designed to obtain information in a consistent manner that will provide insight into the needs of a particular business, as well as the general business climate of the area. All manufacturing firms and other major employers in the community are surveyed. The information gathered is vital in developing a successful economic development plan.

**A note of caution:** This element of the Star City program is considered an information gathering element. However, it goes beyond a passive collection of data. The Star City committee must be prepared to respond to issues identified in the survey. Therefore, the Business Retention and Expansion survey should not be conducted unless the committee is prepared to field questions and issues raised during the survey. Not responding could result in a negative attitude from the businesses toward the community's efforts. It could deplete the momentum and support of the Star City program.



## **Star County: Survey**

Star County applicants must survey all manufacturers in the county as well as any labor-intensive businesses (businesses which employ more than twenty-five people) located in the county. This is the same survey used by cities.

### ***Structure of the Survey***

The survey consists of two sections. Part One is mailed to the business for completion by an appropriate person with access to the information. It deals with employment levels, salaries, major products/services, etc. Part Two is conducted through personal interviews with the highest possible company official, preferably the owner, CEO, or plant manager. The survey questions the company about its perceptions on location, community services, and future business plans.

The Department provides data entry and processing services for the program and generates a customized community report. The report provides information comparing a community's results to that of its region and the state as a whole. Breakdowns by business type (manufacturing vs. retail) are also provided.

### ***Administering the Survey***

The Star City committee can conduct this survey or designate a special task force to complete it. The responsibilities of the Star City committee or designated task force are to:

- Obtain the support of local officials;
- Identify all businesses to be surveyed and their chief executive officer or owner;
- Devise a strategy for reaching smaller service/retailing businesses, perhaps by group meetings;
- Recruit and train volunteers to conduct interviews of the selected firms;
- Gather information through the interview process; and
- Analyze and utilize the information.

### ***Utilizing the Survey Results***

When the survey is conducted, the committee must be ready to deal with any "red flag" issues that may be uncovered. It is imperative that the information gathered through the survey be thoroughly examined and utilized. Red flag issues and

opportunities are those items that should be addressed upon completion of the Business Retention and Expansion survey. Issues such as possible plant closure, labor shortages, and city service shortfalls deserve immediate followup attention. Red flag issues often require identifying and obtaining resources from outside the city government or local economic development organization. Examples of these resources include: management assistance from a Small Business Development Center; export assistance from the Minnesota Trade Office; and financing assistance through the Small Business Administration, Department of Trade and Economic Development, or a regional loan fund. A local mechanism must be in place that can respond to these issues in an efficient and responsible manner.

Survey results are tabulated and reported annually by the Department. In order for a community to be included in the report, the information must be received by the Department by the deadline established. Communities planning to conduct the BRE survey should contact the Department for that year's schedule. Calling will also assure that the community is using the most current version of the survey.

### **Conduct a Labor Market Data Analysis**

A labor market is loosely defined as a geographic area from which a prospective employer can expect to draw employees. This area varies by type of employer and by classification of employee. An employer that pays high wages for specialized skills may draw from a much larger area than an employer who pays minimum wage to unskilled workers.

The community first needs to define the labor market area that serves it. Then it must collect relevant information about the labor force available within that area. Wage and benefit data are collected from local employers when the BRE survey is conducted. Benefits include paid holidays, vacation, insurance plans, and fringe benefit costs. Census reports and local Job Service offices are good resources for information about the local work force. They can provide information on population, cost of labor, applicants/openings, covered employment, and unemployment levels. Regional development commissions may be able to help with the collection of this data.

A survey of the labor force may be done to get current local information. Information collected will include acceptable salary levels, commuting distances, and work availability. This data may be very important to prospective businesses or expanding existing businesses and should be easily accessible. It will also help the community in developing an appropriate economic development plan. Survey

models are available from the Department. The Department can also provide technical assistance on implementation and analysis. At the time of publication of this manual, the Department was exploring with other state agencies the possibility of doing a state-wide labor survey valid to the county level.

### **Star County: Labor Market Analysis**

The Star County program requires the same type of labor market information as the Star City program; however, it must be done on a countywide basis.

### **Complete a Community Profile**

Completing a community profile is another necessary step in the Star City process. The community profile is a data summary document that can be produced as a by-product of the information gathering. The Department has assembled a standard form that can be used by all cities. Many cities that are not Star Cities complete the community profile to remain competitive. When this form has been completed, the community is well on its way to completing the information gathering phase. An example is included in the appendix. The completed form is returned to the Department for publication. This allows for uniform profile information and presentation. These profiles are made available to business entities considering expansion or location in Minnesota. Real estate companies, libraries, and other agencies also ask for these profiles. Communities are supplied with 150 copies for their use.

The major components of the profile include:

- Population
- Industry
- Employment
- Transportation
- Commercial/industrial taxes payable
- Government
- Utilities
- Community services
- Education
- Climate

- Industrial sites
- Location services

The Department can provide assistance with the community profile and suggest sources for obtaining information. The community profile is updated each year in February.

### **Star County Profile**

The Star County process also requires that a profile be completed annually. The county profile includes statistical and demographic data about the county, including total population, existing industries, education systems, geographic characteristics, gross agricultural production, tax base, tax rates, labor information, county contact persons, and organization and area industrial sites.

A county profile form is included in the appendix.

### **Obtain the Capital Improvement Plan**

The Capital Improvement Plan (CIP) is developed by the city government. The steering committee needs to obtain a copy of the plan. If the city does not have one, the steering committee needs to request that the city prepare one. Capital improvements result from expenditures made for the purpose of acquiring long-lived assets and includes such things as land acquisition, site development, road construction, and utility construction. Capital improvements usually require large amounts of financial resources, and the expenditures for a single project may span several years. Planning is essential because of the large investment and the time required for implementation. A Capital Improvement Plan is a guide to needed improvements that are based on community goals and objectives. Most communities develop a long-range and a one-year CIP.

This information will be very important in the community analysis (see Unit Five). The city's direction in capital investment will need to parallel the recommended economic development plan prepared by the committee.

## **Star County: Capital Improvement Plan**

For the Star County process, the county as a whole and individual city plans would be reviewed and considered.

Additional information about the CIP is included in the appendix.

### **Summary**

This phase of the program requires the collection of many types of data on many subjects. There may be additional areas of concern, and the community should add these to its research list. Together, all of the information should paint a clear picture of the current status of the community. Before the community can plan for its future, it needs to know where it is at the present time.

This information becomes the collective wisdom of the community. There is documentation to support the description of the status quo. All members of the committee and community will start from the same place in analyzing the community and in making plans. The information will be the basis for the marketing fact booklet. It is very important that all of the information be stored, summarized, and easily available. Because the information is so important, a final reminder is necessary: The committee needs to be sure that the information is the most current and accurate available.

Figure 11 includes a Suggested Checklist for the information gathering phase. A list of commonly asked questions during the information gathering phase is included in figure 12.

## **Suggested Checklist for Information Gathering Phase**



- General community information gathered
- The BRE survey completed
- Labor market data gathered
- Capital Improvement Plan from local government
- A summary written from the results
- A community profile completed

Figure 11

## Commonly Asked Questions During Information Gathering Phase

*What advantages are there to using the Department's BRE survey?*

The information collected will be in the same format as other Minnesota cities. It can be tabulated and summarized by the Department. A standard report generated from the data will be prepared. The city will then be able to compare its results to others in the region and the state.

*When is the BRE survey usually conducted?*

The Department recommends conducting the survey in the fall in order for the information to be processed by the Department and included in the state report. Communities should check with the Department each year to find out what the deadlines are for that year. All Star Cities and previous participants will receive the new materials automatically.

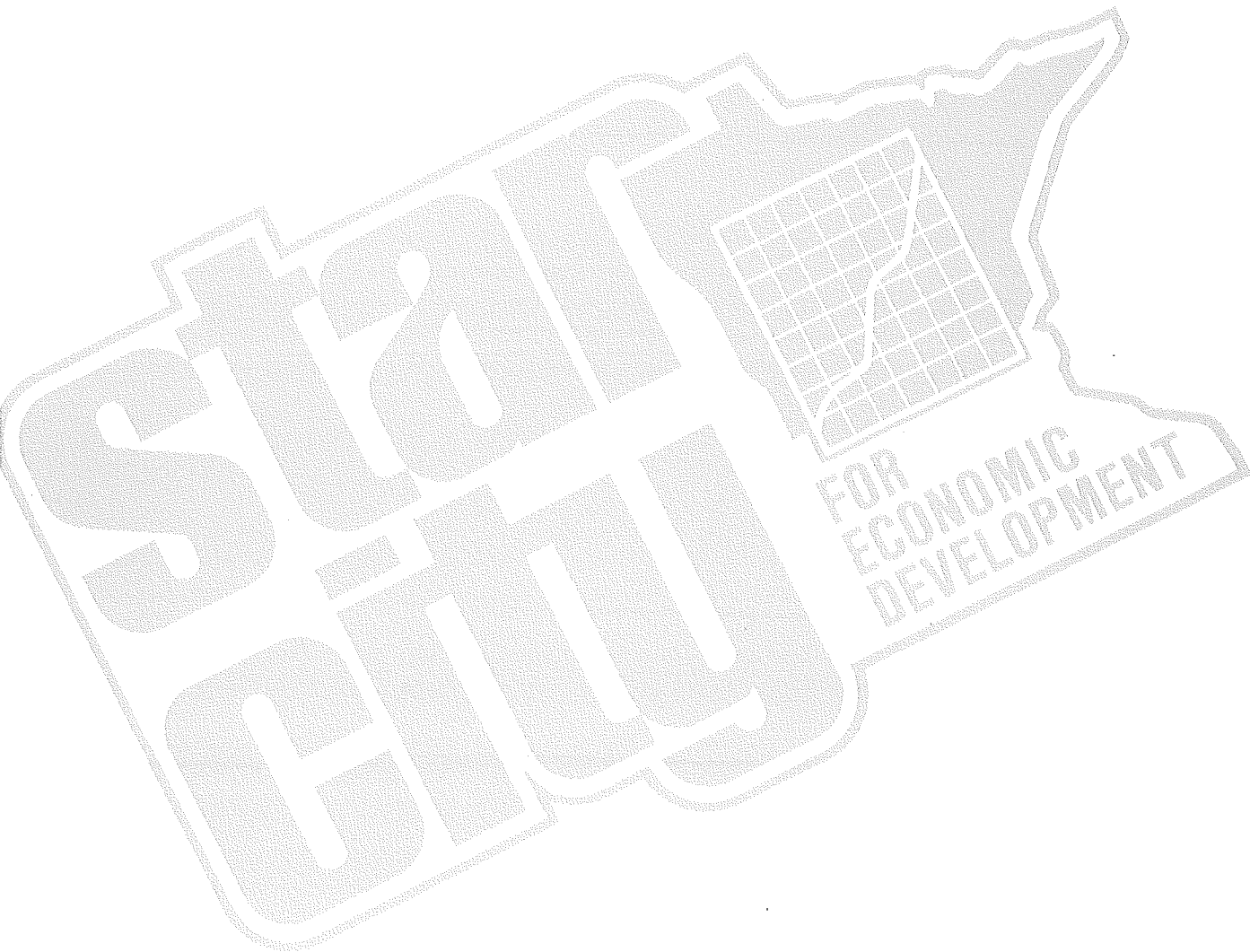
*Can we participate in the BRE if we are not pursuing Star City designation?*

Yes.

*When are community/county profiles completed?*

Previous participants receive information in January about that year's update. Usually, information must be received by February in order to be included in the update. Communities that have not participated in the past may call the Department for information on completing the profile.

Figure 12





## Unit Five: The Planning Phase

---



### Objectives

After completing this unit, the reader will be able to:

- Identify the steps included in the planning phase;
- Describe the community analysis process and explain its importance;
- Outline the process used in developing a five-year plan;
- Explain the importance of the five-year plan;
- Relate the one-year action plan to the five-year goals; and
- Identify how the Department can assist with this phase.

### Overview

Communities are presented with some difficult challenges today. Planning is an important step for the community in meeting the challenges it is facing. It also represents a commitment to the community. In fact, the planning process can generate commitment to the community's future. It can also build teamwork and help form alliances and relationships that will be beneficial to the community.

### The Importance of Planning

Planning is important because it allows a community to be positive rather than be reactive. It uses a process that visualizes the future, and it allows the community to help shape its future. Planning establishes priorities and develops effective strategies. When a community plans for its future, the community can have control

or impact over the results. Good strategic planning identifies and builds on the strengths of the community and mitigates the weaknesses. Planning also provides a framework for economic development decision making.

In order for the planning process to be effective, the Star City committee (and its designee if planning is being prepared by a subcommittee or task force) needs to understand the process and be able to use it. Members of the committee may need some education about the purpose and expected outcomes of the planning process.

Members of the task force need to know that there is a specific need for this planning. In other words, they need to know the “why” behind the planning. Someone on the Star City committee or a community leader may need to present the reasons for the planning to the task force. Understanding why something needs to be done gives clarity and direction to a task and can also generate commitment.

As with any committee, it is important that specific meeting times be set, deadlines be established for meeting goals, and sub-committees be used if necessary.

### **Conduct a Community Analysis**

After all the information has been gathered, it is necessary to do a community analysis to sort the information. Community analysis is a determination based on the data of how the community is perceived and on the geographical constraints, demographics, and economic climate of the community. A community analysis is important to do so that the Star City steering committee knows what types of resources it has. The analysis helps the community to determine which things are working well and which things need to be changed. It identifies trends within the community such as population shifts, economic trends, and leadership trends. The community analysis, as shown in figure 13, is the bridge between gathering the information and the planning phase of the Star City process.

### ***Completing a Community Analysis***

The analysis is begun by assessing the information that has been gathered about economic activity, income levels, employment, taxes, housing, physical environment, health services, transportation, utilities, community services, education, and industrial and commercial sites. The community’s Capital Improvement Plan also needs to be reviewed. Then a list (such as those shown in figures 14 and 15) of assets, liabilities, opportunities, and challenges is generated. This is done by answering the following questions:

# Strategic Planning

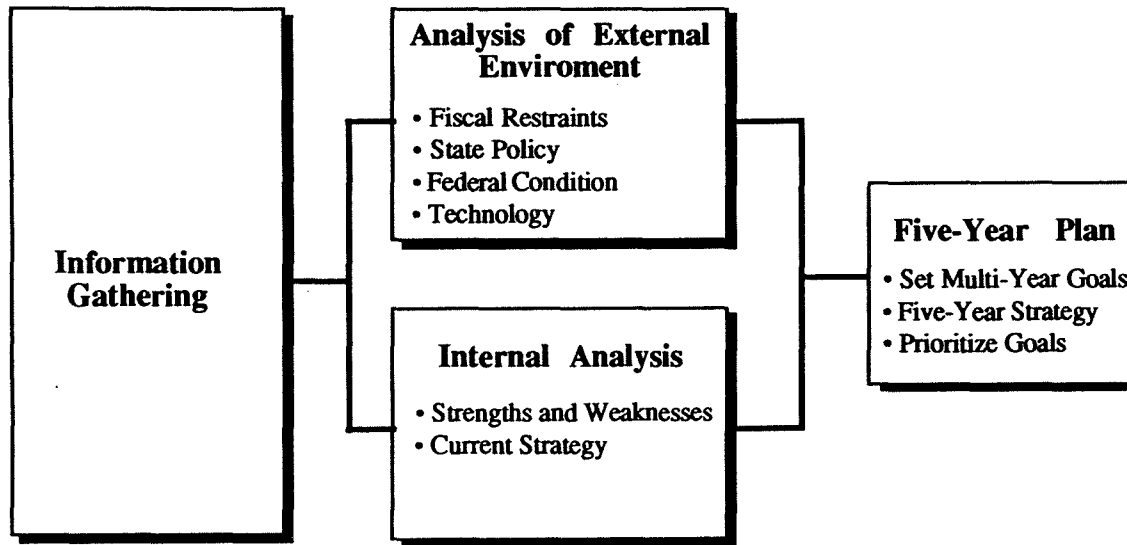


Figure 13



# An Outline for External Community Analysis

**Opportunities**

**Challenges**

Federal Laws

State Laws

Weather

Interstate Freeways

Technology

Economic Conditions

Locational Criteria

Figure 15

- What major external opportunities are present?
- What major external challenges do we face?
- What are our major internal assets?
- What are our major internal liabilities?

These questions should be addressed as specifically as possible within each category of information collected. They could also be categorized as short-range and long-range.

Once these lists of assets, liabilities, opportunities, and challenges are developed, the information needs to be summarized, highlighting the points that are of most importance to the community. There should be consensus of the results in order for it to be a solid foundation for the development of the plan.

The analysis of the external environment requires the committee to look at challenges and opportunities beyond the control of the community or its local government. These could include federal and state laws, weather, interstate freeways, technology, economic conditions, locational criteria, and demand for services of a particular industry.

### **Utilize Strategic Planning**

Planning is a straightforward, yet difficult step. Having completed the community analysis, the committee will have a thorough understanding of the city's strengths, weaknesses, its citizens' outlooks, and what it wants to become. Now this information is organized into a written plan.

The purpose of a written plan is to chart the individual steps necessary to be successful in reaching the selected outcome. A well-written document is a visible sign to the community of its commitment and vision for the future. It is an instrument used to measure and evaluate progress and one from which future plans of action will emerge. The written plan is a stand-alone document that local citizens, business prospects, state officials, and newspaper reporters can read and understand.

Two types of plans are required: a five-year plan and a one-year action plan. A five-year, or long-range, plan outlines the goals for the community. The goals are statements of the vision of the community: the desired changes, positions, and circumstances of the community. A one-year action, or short-range, plan outlines in

detail the individual steps that will be taken during the year. Its final form should be a document of actions to be taken. The one-year plan answers questions about *how* the goals will be achieved. It links the goals to reality.

When beginning to plan, careful thought should be given to the options and actions necessary to reaching the selected outcome. Implications resulting from this phase need to be considered. The community goes beyond simply making a list of things to do and considers the impact of each proposed action. This is a complicated task and distinguishes this type of planning as "strategic planning."

Because this is not the simple process that it first appears to be, the Star City committee may want to use a facilitator to work through the definition of goals and the creation of an action plan. A facilitator is a neutral person to keep the group on track, to guide it toward completion of the task.

There are several books and articles available on the subject of strategic planning. Various tools and models can assist the committee in moving through the process. A bibliography of resource material is included in the appendix.

An adequate amount of time should be allotted to this task. Four or five evening sessions or a one- to two-day retreat have worked well for some Star City communities.

## **Star County Planning**

The Star County program requires both a five-year and one-year action plan. The process that is used is the same as the Star City program. Individual communities may want to customize the county plan by adding items specific to their communities.

### **The Five-Year Plan**

The five-year plan is the community's statement of its vision for the future.

#### ***Define the Vision***

The first step in defining the vision is generating ideas. To set the stage for this, participants are asked some questions:

- What makes this community unique and distinctive?
- What are this community's core values?
- What are this community's social and political needs and wants?
- How do we anticipate and respond to these social/political needs?

The community analysis is reviewed. Participants are then asked, "What do we want for this community?" And finally, more specifically, "Which of these relate to the economic development and the economic health of this community?" Many ideas should be generated.

### ***Generate Multi-Year Goals***

The next step is to use those ideas to generate goal statements. The goal statements are not specific to any particular year. They may be grouped by subject and rated on importance. The goals, adopted by the Star City steering committee, must be in writing. This document should be widely circulated in the community to build understanding and support for the work to be undertaken. If the community has been involved sufficiently, the goal statements should not come as a surprise or be controversial.

### ***Prioritize Goals***

It is important for the community to remember that it will not be able to accomplish everything that is desired, so the goals that are selected should be of greatest importance at the time. This statement of goals, once adopted, does not become a static document. It is a flexible reminder of the direction in the community wants to go.

### ***Review the Plan Annually***

This five-year plan should be reviewed every year. One year's objectives may alter the plan. Every three to four years the plan should be rewritten.

### **One-Year Action Plan**

The next step in the planning phase is to create a one-year action plan. The one-year action plan is a written document that states the objectives for the year; it is the critical blueprint for the economic development of the community. Developing a



one-year action plan involves establishing objectives, assigning tasks, and determining time lines (see figure 16).

### ***Establish Objectives***

Objectives are measurable and attainable desired outcomes. They define important changes that will occur because of the community's action and intervention. Using each goal as a springboard, objectives are developed that address what, in the next year, will be done to attempt to reach that goal. For example, if the goal is to increase tourism, the objective may be to increase by 500 the number of visitors stopping at the Chamber of Commerce information center in the next year. Some goals may have more than one objective (see figure 17).

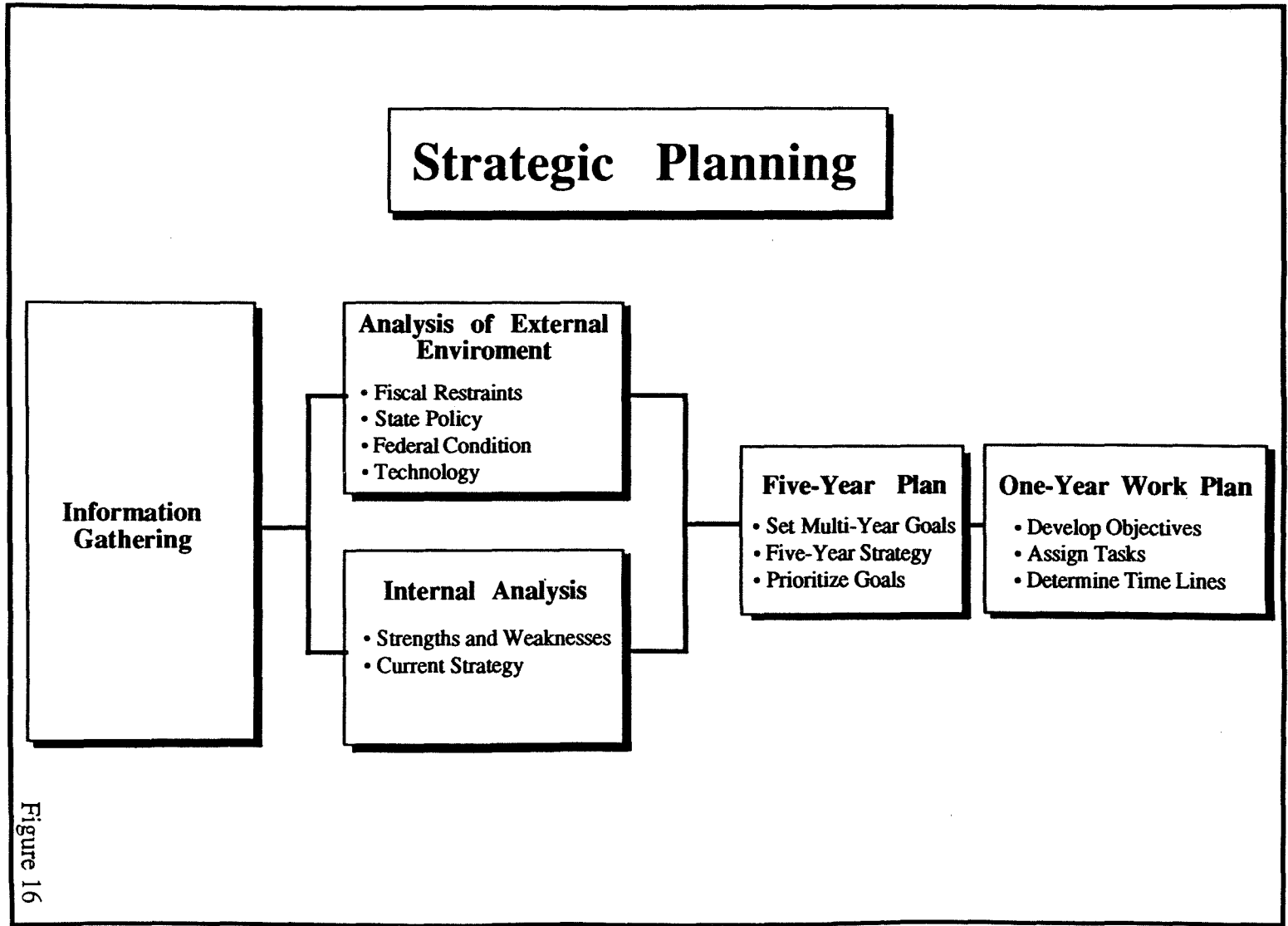
The community's objectives for the year must go beyond meeting the Star City requirements. They must specifically address the overall needs of the community. They must address deficiencies or issues identified in the Capital Improvement Plan, the BRE survey, and the labor market information. Each community must address its objectives in the areas of job retention and/or expansion and tax base improvements. Also, the one-year action plan must clearly relate to the five-year plan and the community analysis.

### ***Assign Tasks and Determine Timelines***

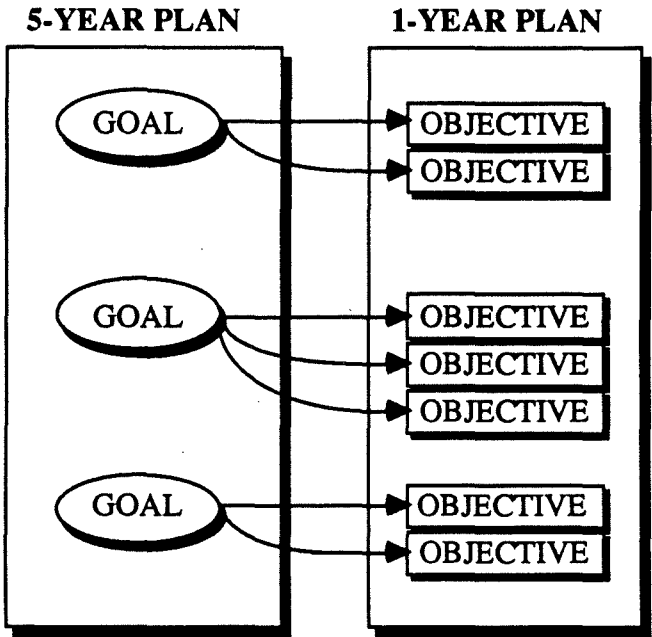
Next, each objective needs to be broken down into specific strategies or tasks (see figure 18). For each of these tasks, an organization or person is assigned to be responsible for its completion. Each task should have a beginning and ending date to help keep the tasks on track. The *who*, *what*, *when*, *where*, and *how* questions are answered. Using the tourism example again, one task that might be done to get those 500 additional tourists would be to increase the number of directional signs to the office. The tasks to accomplish might include: allocating funding, selecting where signs should be located, and identifying obstacles to putting them in the desired locations.

### ***Estimate Implementation Costs***

The cost of implementation must be included in the planning. The cost must be estimated and the source of funds identified. If the source is outside the Star City committee, the source should be committed prior to inclusion in the plan. Or a task should be included to locate a source of funds to complete the activity.



# Goals, Objectives

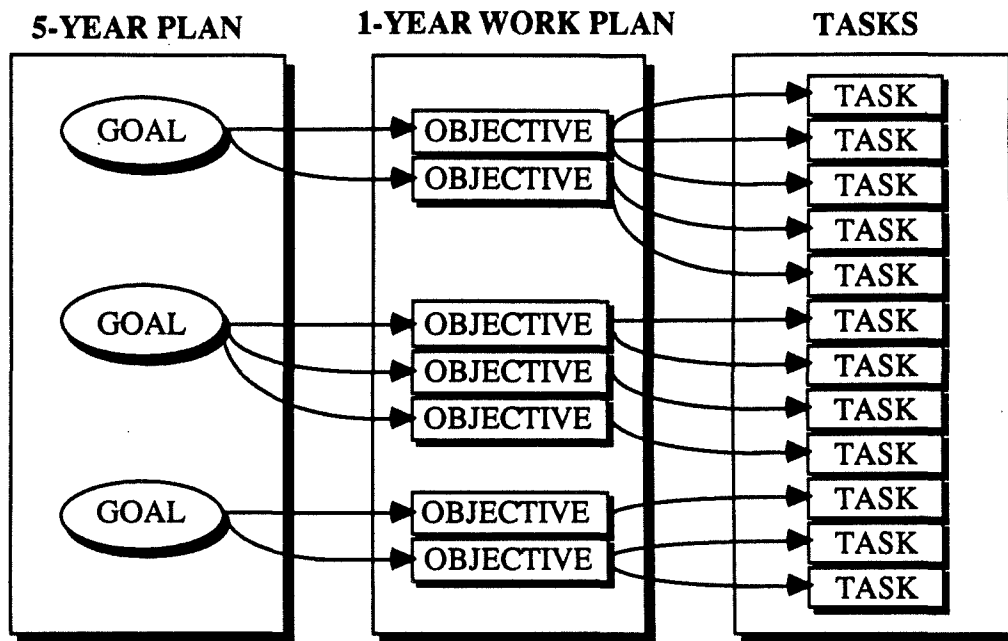


**Goals:** Statements of the vision of the community: the desired changes, positions and circumstances of the community.

**Objectives:** Measurable and attainable desired outcomes.

Figure 17

# Goals, Objectives and Tasks



**Goals:** Statements of the vision of the community: the desired changes, positions and circumstances of the community.

**Objectives:** Measurable and attainable desired outcomes.

**Tasks:** Individual activities or strategies to carry out objectives.

Figure 18

### ***Adopt the Plan***

To assure commitment and support for the one-year action plan, the City Council (or County Board) as well as the Star City committee must adopt the plan. Organizations assigned responsibility to implement specific tasks should also formally endorse the plan. See figures 19a, b, c, and d for a one-year action plan format and examples. A suggested checklist for the planning phase is included in figure 20. Figure 21 is a list of commonly asked questions during the planning phase.

# Action Plan for 19\_\_

**Objective:** \_\_\_\_\_  
\_\_\_\_\_

**Related Goal(s):** \_\_\_\_\_

Strategy/Task	Begin/End	Status	Organization	Person

**Status Codes: In Progress-I, Completed-C, Waiting-W**

**Additional Comments:**

Figure 19a

## Sample Item from Action Plan

Objective #2: Visit all local manufacturing firms and other major employers and conduct the Business Retention and Expansion program.

Related Goals: #5      Keep all existing businesses and help them to succeed.

Strategy/Task	Begin/End	Status	Organization	Person
1. Recruit and train volunteers	8/1-8/30		Chamber of Commerce	Chamber Manager
2. Develop business list	8/1-8/15		Development Corporation	Chair-BRE subcom
3. Mail surveys	9/1-9/8		Chamber of Commerce	Chamber Manager
4. Visit businesses	9/15-10/15		Development Corporation	Chair-BRE subcom
5. Review & respond to red flag issues	9/30-10/30		Dev Corp./Star City Commission	Chair-BRE subcom
6. Submit surveys to DTED	11/1		Star City Commission	Star City Chair
7. Review BRE report for long-range plan	1/15		Star City Commission	Star City Chair

Figure 19b

## Sample Item from Action Plan

Objective #3: Attract one new industry to our community.

Related Goals #3: Develop and increase the local tax base.

Strategy/Task	Begin/End	Status	Organization	Person
1. Attend TOOLS training and become knowledgeable with its application	1/30-2/15	C	Star City Commission	Bill C.
2. Evaluate community's strengths and industrial opportunities	2/15-3/15	C	Star City Commission	Bill C.
3. Using TOOLS, identify growth industries that best match local resources	3/15-4/15	C	Star City Marketing Committee	Dave N.
4. Structure marketing efforts to appropriate industries, using the TOOLS marketing component	4/15-6/15	C	Star City Marketing Committee	Dave N.

Figure 19c



## Sample Item from Action Plan

5. Obtain address labels from selected industry and geographic areas	6/16-7/15	I	Devel. Corp.	Jill H.
6. Mail marketing literature following up with phone call one week later	7/15-9/15	I	Star City Marketing Committee	Dave N.
7. Make marketing presentation of benefits and financial assistance available to prospects	7/30-9/30	I	Star City Marketing Committee	Dave N.
8. Evaluate results of marketing campaign and industry selections	9/15-10/15	I	Star City Commission	Bill C.

Figure 19d

## Suggested Checklist for Planning Phase



Community analysis completed

- review general information gathered
- review CIP
- review BRE survey
- review labor market information
- conduct an internal and external analysis of assets and constraints
- summarize results

Five-year plan developed

- does it relate to community analysis?

One-year action plan developed

- does it relate to 5-year plan?
- does it address job retention and/or creation?
- are tasks assigned with completion dates?
- will completion of one-year plan bring community closer to long-range goals?

Five-year and one-year action plan adopted by steering committee, city council, or county board

Is it current with at least 6 months time projected?

Figure 20

## Commonly Asked Questions During Planning Phase

### *How will goals and objectives be reached?*

This question is often used during the staff review of a community's application for designation. The plan must be able to clearly answer this question. There must be sufficient specificity in the objectives to explain what will be done and in the tasks/strategies to explain the individual steps necessary to achieve the objective. The plan should be self-explanatory.

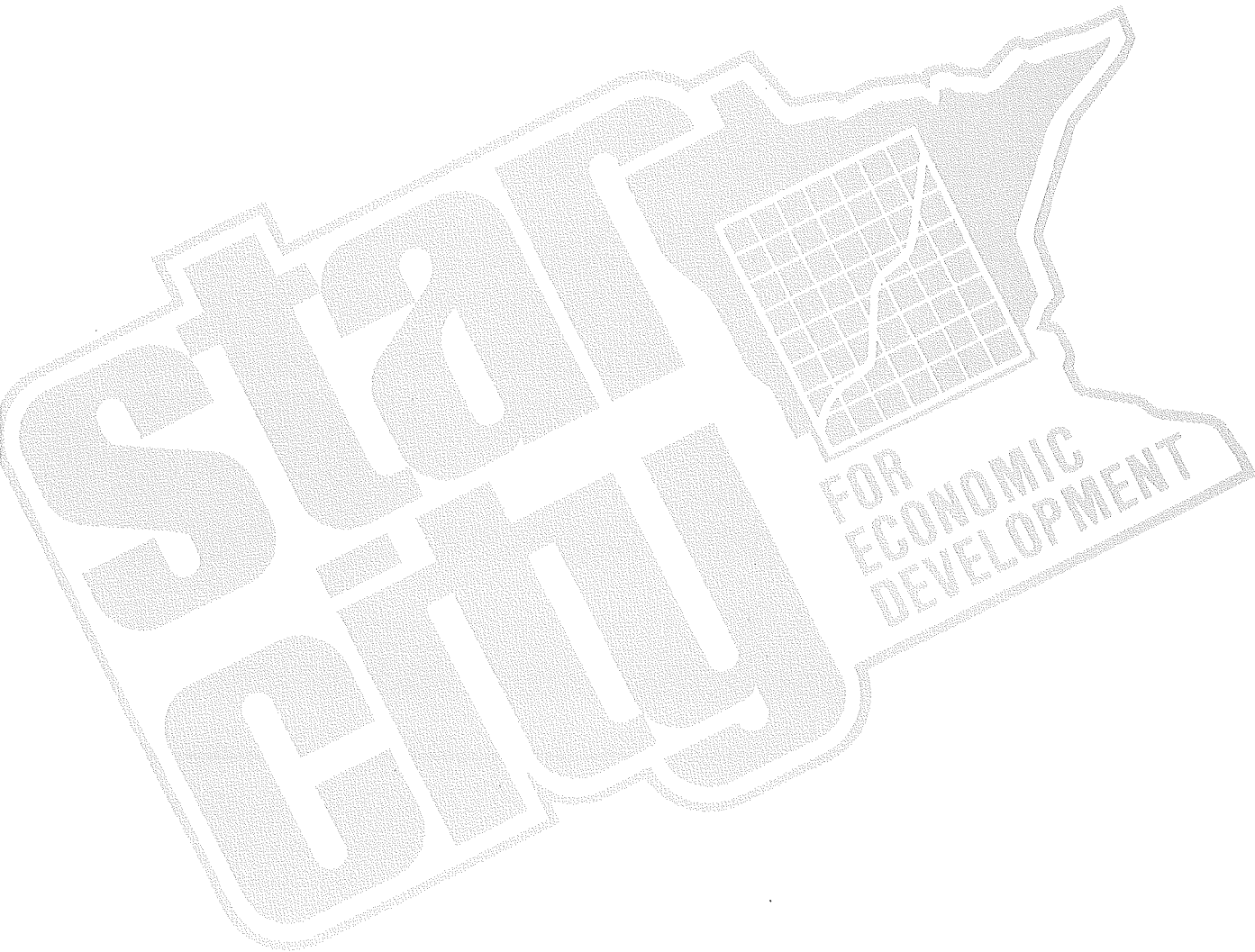
### *Why do we have to do this plan?*

Though the committee may believe it understands what needs to be done, there is great benefit in having a well-written document. It eliminates confusion and misinterpretation of what will be done or who was supposed to do it. It can also be used as a marketing piece within the community, to communicate the expected activities and results in the economic development program. It is as essential to the community, specifically the Star City steering committee and other economic development groups, as a blueprint is to the construction manager of a highrise.

### *When will we have to do another one-year plan?*

A Star City must complete a one-year action plan each year as part of its annual recertification. It is usually due in February, and should reflect that calendar year's work. If, when submitting the community's application for designation, the one-year action plan does not have at least 6 months left, the community will be asked to prepare a new action plan that extends through the next calendar year.

Figure 21



## Unit Six: The Marketing Phase

---



### Objectives

After completing this unit, the reader will be able to:

- Discuss the importance of the marketing phase and how it can benefit the community;
- Identify the steps in the marketing phase;
- Outline the process used in creating a community brochure;
- Outline the process used in creating a fact booklet; and
- Outline the process used in creating a video.

### Overview

One of the outcomes of the Star City program is an enhanced ability to market the community to potential businesses. Marketing is a process of matching community benefits with the needs of a prospective business that is new, expanding, or relocating. In order to successfully market a community, the community must formulate a marketing strategy, develop marketing tools, and organize a group that will do marketing presentations for the community.



### **Target Businesses**

Based on the information obtained during the planning phase, a marketing strategy is developed that targets specific businesses offering the greatest potential to the community. This strategy reflects the specific decision-making criteria that each type of business would require in order to make a decision to locate or expand in the community. The strategy identifies actions that will provide information to answer key questions, give insight, and motivate the business to make a positive decision. Marketing tools and marketing presentations give life to the strategy.

### **Develop Marketing Tools**

To help the community organize the marketing effort, the Star City program requires a fact booklet and video product. Many communities also develop a community brochure or a subject specific brochure. Community profiles, described in Unit Four, are also used as marketing tools. These marketing tools can be powerful aids in bringing the economic promise of the community to the businesses that can aid in its economic development.

In order to be effective as marketing tools, these products must be prepared using professional standards. How these marketing tools look in terms of their professionalism is just as important as the message they contain. The perceived professionalism and care that goes into each product gives a positive statement to the prospective business about the community's commitment to economic development.

These marketing tools do require an investment of time and dollars to design, develop, and produce. Before starting, careful consideration should be given to how each tool will be used. The Star City steering committee or its designee should determine who the audience is for the tool, how it will be used, and what the desired outcome is from using the tool. Expenditures will then be most efficiently used.

Planning and creativity are key to the effective implementation of these tools. Sources of assistance for the planning and writing of print materials can come from such individuals as community teachers, librarians, or newspaper writers/editors. Production assistance can come from the local newspaper or a regional print shop. Locally based professionals may be willing to contribute their services. It is important to assess where the skill levels are of the team members developing these tools. It is recommended that a meeting be held with a professional first (to outline the tasks required and determine what tasks should be done by whom and by when) in order to work within a suggested budget. When there is some idea of what is wanted, interviews with several professional graphic designers and/or writers should be conducted.

The videotape or slide show will also require the assistance of those who have professional or experiential skills in this medium. Whether a slide format or video format is chosen will be determined by the content, budget, and resources available. No matter which format is chosen, this is a large dollar investment. Within the community there may be resources that can help keep the cost of the effort in check. Photographers from the local newspaper or school might be able to assist. Regional cable or network stations also can often provide low cost assistance. Many vocational-technical institutes also have media programs that might provide services.

Remember, for all of these tools, quality is the goal. Communities should not cut corners or accept mediocre work from hired or volunteer consultants.

## ***Community Brochure***

The community brochure is presented to the potential business as an introduction. This may be a one- to four-color multi-folded single page or an 8 1/2 x 11 multi-paged piece that is printed on a quality paper stock fitting into a standard-sized mailing envelope. The brochure usually is designed around a theme that captures the essence of the community and demonstrates to the prospect that the community wants and welcomes new business and industry.

The brochure contains information that is factual and straightforward and answers a prospect's initial questions regarding basic criteria for doing business in the community. Overview information is given on resources and quality of life. The content is derived from the information in the information gathering stage.

In determining the style and contents of the brochure, communities may wish to review the brochures of other communities. It is helpful to know the competition and what has been successful. The brochure will be in the marketplace with many brochures from other communities that are also hoping to attract business prospects. The people working on this component may not have had technical training in the field. Reviewing other brochures allows them to decide what style is desired. Quality of work can be evaluated and a determination made as to what pieces were engaging and why. This analysis is helpful when meeting with designers of the proposed brochure. Knowing the cost of printing the different types of brochures will aid in setting a realistic budget for the project.

To enhance the presentation of information, photographs can be used to illustrate and add to the information.

Care should be taken not to include information that is outdated quickly. That type of information can be included in the fact booklet which can be updated more easily. (See the following text.)

The brochure must create interest, leave a positive first impression, and encourage the prospective business to follow up by taking some additional action such as sending for more information or making a telephone call.

A list of the usual tasks required in designing, writing, and printing a brochure is given in the checklist in figure 22.



## Community Brochure Development



- Obtain other community brochures; assess for style, content, theme, format
- Estimate budget that is available (know quantity of brochures desired)
- Determine format (size)
- Determine theme of brochure (relate to other proposed marketing tools)
- Determine message—when prospects read the brochure, what will they know
- Determine life span of brochure
- Outline content points
- Use a skilled individual (professional or committee volunteer) to write promotion copy, edit copy
- Use a skilled production resource to assist with layout, photography, and preparation of print masters
- Proof the copy
- Duplicate
- Distribute to prospects
- Follow up with prospects

Figure 22

### ***Community Fact Booklet***

The fact booklet is a detailed, factual inventory of data on the community. Its purpose is to give an overview of the community's potential using a clear, concise presentation of the facts. This overview must be based on an honest and balanced picture of the community. The presentation should emphasize the community's strong points and be detailed and specific. Negative facts that need to be included should be presented in the best possible light. The information that the fact book should include is in figure 23.

Many communities use a two-pocket folder to hold their fact information. Inside one pocket, using colored paper in a staircase format, statistics are included about the community. In the other pocket, in a similar staircase format, information is contained about attitudes or quality of life and specific selling points that showcase the community. Using this format may be less expensive than a binding. Other communities have used bound booklets or even looseleaf notebooks with custom covers and graphic design. Tabbed dividers are very useful in these formats. It is helpful if the graphic design is in keeping with other marketing materials. This reinforces the community's image and effort. The community must choose what formats and designs work best for its budget, resources, and expected use. Whatever format is used, it must allow for updating and customizing to fit specific business prospects. Again, it can be very useful to review examples of what other communities have used.

Pictures, graphs, charts, and other visuals can be used to enhance or clarify information. Maps are particularly helpful in describing location and distance statistics and in evaluating transportation facilities and specific sites.

Testimonials from respected authorities such as business publications, bankers, or management consultants can add credibility and color to the content.

### ***Community Video***

Another requirement of the Star City program is for each community to develop a multimedia presentation as a marketing tool in its economic development program. This multimedia presentation can be either a videotape or slide/audiotape presentation. (Because the most common format is video, the term video will be used throughout the remainder of this section.)

## **Fact Book Content Considerations**

The majority of these items will be included by most communities. Some communities may have additional items. Review the material from the information gathering phase.

- Banking
- Churches
- City Services
- Climate
- Cultural Activities
- Educational Facilities
- Environmental Facilities
- Financing
- Government
- Hospital and Medical Facilities
- Hotels and Motels
- Housing
- Labor
- Local Industries
- Location
- Maps
- Markets
- Media
- Mileage to Other Cities
- Population
- Public safety
- Recreation and Sports
- Raw Materials
- Retail Information and Outlets
- Size of City
- Sites and Buildings Available
- Taxes
- Transportation
- Utilities

Figure 23

The video presentation, taken together with the community brochure and fact booklet, is a powerful aid in informing the local and prospective businesses of the community's strengths, benefits, and personality. While the print media can present the facts about a community, the video can capture the true feel of the community. Through using the potential of this medium, the community can come alive, bringing the community to the viewer.

As with the printed materials, it is very helpful to review the work done by other communities. It will become clear very quickly what is an effective presentation. An instructional videotape on the "how-to's" of developing a community video is available from the Department. Additional written material regarding videos is found in the appendix. After reviewing the tapes, the committee should be ready to talk with a professional in order to understand the steps required to plan, scriptwrite, and produce an audiovisual product. That professional can assist in outlining the steps and helping decide where community volunteers can be used and where professional assistance can best be utilized. Further, that professional can help determine the needed budget and timeframes for the product desired.

Careful review of the individual's or organization's (hired or volunteer) work is important to determine the abilities of each. Quality of the final product cannot be compromised. Interview several vendors before deciding who will produce the video.

One way to justify the development of a quality production is to keep in mind that the video can have multipurpose uses. In addition to its use during the marketing presentation, the production can be used by real estate agents, Chambers of Commerce, community organizations, governmental bodies, tourism offices, schools, and cable television stations.

Communities are encouraged to discuss their plans and share their scripts in draft form with Department staff as the project progresses.

A checklist for the design, development, and production of the video is presented in figure 24. Evaluation criteria for all the marketing tools are presented in figures 25a, b, and c.

## Video Development



- Review Department's "how to" video, review other community videos
- Visit with a professional and/or read about multimedia production to determine process and establish a budget guideline. Determine when to use hired help and when to use volunteers\*
- Determine the objectives for use of the video and the audience needs
- Collect data
- Organize the data/develop concept
- Determine most important information to highlight in video
- It should coordinate with and be reinforced by the brochure and fact booklet
- Develop script and visual storyboard
- Review script and concept with the Department
- Produce/edit
- Finalize for use; make copies

\*It is recommended that professionals be used to script, help organize, shoot video or photos, and edit. Volunteers can be used to concept, gather information, and coordinate.

Figure 24

# Marketing Tools Effectiveness Evaluation

## Community Brochure



- Consistent theme and elements
- Visual theme and elements
- Effective teaser
- Content well organized and well written
- Proper use of headings
- State advantages and relate to audience
- Copy supports headline
- Geographic location on map
- Provide reason to act

Figure 25a

# Marketing Tools Effectiveness Evaluation

## Fact Booklet



- Objectives clear
- Well-organized use of table of contents and tabs or heading
- Easily revised and updated
- Good use of informational statistics
- Date of publication given
- Identifies followup contacts: name, address, and phone
- Promotes advantages, mitigates weaknesses

Figure 25b

## Marketing Tools Effectiveness Evaluation



### Video

- Maximum length 10 minutes
- Clear city identification
- Map
- Title, subtitles, copyright
- Theme is consistent with the print theme
- Well-organized information (opening, body, summary)
- Easy to follow, definite flow, smooth transitions verbally and visually
- Wise use of technology
- Visually interesting
- Objectives clear, met audience needs, attained objectives
- Clear identification and location of speakers
- Cassettes and packaging clearly identified

Figure 25c



## **Star County Marketing Tools**

The Star County program requires that a fact booklet and video product be produced. Communities within the county may want to obtain a limited number of videos for their own use. They can insert a film leader or trailer which will highlight the opportunities of their communities.

### **Evaluation of Materials—A Stop Point in the Application Process**

*When all steps, except for the marketing presentation, have been completed, the application is sent to the Department for review and evaluation. This evaluation is not part of the marketing phase. Therefore, information about this evaluation appears in Unit Seven. However, the next step in the marketing phase, demonstrating marketing skills through the practice marketing presentation, cannot occur until the evaluation of materials for application is complete and all materials have been approved by the Department.*

### **Demonstrating Marketing Skills**

After all materials for application have been approved by the Department, the community is ready to demonstrate its marketing skills. As part of the Star City program, the community must be able to conduct a marketing presentation to a prospective industry. The Department conducts a training session in the community and then sends out information about this prospective "client." A time for the marketing presentation is set. The community then prepares its marketing presentation, and the Department evaluates the presentation. This presentation is the *final* step in the process; some communities refer to it as the "final exam." The Star County program also requires that a marketing presentation be done.

The evaluation team consists of staff members from the Department and a person selected to be the "business prospect." The marketing demonstration is an opportunity for the community to practice its marketing skills. Evaluators provide feedback and constructive criticism on all aspects of the presentation. Successful completion of this step demonstrates the community's economic development capacity and readiness to deal with prospects and issues.

The purpose of the marketing presentation is to utilize the knowledge that has been gathered along with the marketing tools to "make the sale"—that is, to get the

prospective business to increase its interest in doing business as part of the community and make a “yes” decision. The marketing presentation transfers the information from the community about itself and its plans to the business prospect.

A good presentation is organized, coherent, and presents the information that is pertinent to the prospect. The community needs to have a presentation team that works well together. Many communities select team members from several fields, including finance, legal, city government, utilities, education, the retail sector, and an existing manufacturer. The team must work well and present a polished image.

The Department will send out information about the prospective business, and the team needs to review the information. After reading the information, the team needs to plan out its presentation strategy to address the information needs of the prospect. The presentation should take from 1 1/2 to 2 hours to complete. The presentation should contain information about:

- Transportation,
- Utilities,
- Municipal/community services,
- Education,
- Recreation,
- Labor and human resources,
- Housing, and
- Quality of life.

The proposal to the prospect should include an overview, site data, building data/design, and a financial proposal. A suggested guide for the presentation is given in figure 26.

# Community Marketing Presentation Guide

## **I. Introduction (10 minutes)**

- A. Introduce marketing teams and company representatives
- B. Provide name tags
- C. Distribute agendas, include presenter names

## **II. Presentation of Marketing Materials (15 minutes)**

- A. Fact booklet and brochure
- B. Presentation materials
- C. Video/slide presentation

## **III. Community Presentation (20 minutes)**

- A. Introduction
- B. Transportation (include rate information)
  - 1. Air
  - 2. Motor freight
  - 3. Rail
- C. Utilities (include rate information)
  - 1. Natural gas
  - 2. Electric
  - 3. Water
  - 4. Waste water treatment
  - 5. Telephone/communications service

Figure 26 continued

# Community Marketing Presentation Guide

- D. Municipal/Community services
  - 1. Government organization
  - 2. Facilities/fire-police protection
  - 3. Tax structure/effect on project
  
- E. Education
  - 1. Local K-12
  - 2. Access to higher education
  
- F. Recreation
  - 1. Local
  - 2. State/regional
  
- G. Labor and human resources
  - 1. Unemployment statistics
  - 2. Job training programs
  - 3. Local industry experience
  - 4. Job service services
  
- H. Housing
  - 1. Inventory of available housing
  - 2. Cost of housing

Figure 26 continued

# Community Marketing Presentation Guide

- IV. Project Proposal (30 minutes)**
  - A. Overview
  - B. Site data
    - 1. Location
    - 2. Site access
    - 3. Utilities
  - C. Building data/design
    - 1. Floor plan
    - 2. Site plan
    - 3. Elevation
    - 4. Artist's rendering
  - D. Financial proposal, including sources and uses of funds
    - 1. Lease
    - 2. Lease with option to buy
    - 3. Purchase
- V. Questions and Answers (10 minutes)**
- VI. Site Inspection/Tour of Community (30 minutes) [optional]**
  - A. Site and building staked out
  - B. Community highlights
- VII. Wrap-up (5 minutes)**

Figure 26 continued

Figure 27 includes a suggested checklist for the marketing phase. A list of commonly asked questions in the marketing phase is included in figure 28.

### Star City/Star County Designation

Within two weeks of completing the marketing presentation, the community will be informed about its Star City designation by telephone and letter. The community then works with the Department to make arrangements for presentation of the plaque. This presentation should be a celebration of the commitment and hard work the community has done. The community should be reminded that the process has just begun. The presentation highlights the commitment to continued economic development planning for the community.



## **Suggested Checklist for Marketing Phase**



- Community brochure developed
- Community fact booklet printed
- Video/slide show created
- The marketing "demonstration" presentation conducted

Figure 27

## Commonly Asked Questions During Marketing Phase

*How much will a video cost?*

A professionally scripted and produced video can run as much as \$10,000. Many communities have reduced this cost by volunteers in the community with professional skills such as voice talent, script writers, or videographers and film makers. Slide shows may cost less and can be transferred to video for ease in distribution.

*Do we have to do a brochure?*

No. It is not required by the Star City program. Many communities find it a useful tool. Some communities have incorporated the brochure concept into its fact booklet.

*How "glossy" does the fact book need to be?*

That depends on how the community will use the material. At a minimum, the content should be clearly typed and duplicated. Office copiers often are not adequate for the task. A professional print shop should be used in most cases. Paper quality, the use of graphics, and photographs should be considered carefully. A budget should be established and the best quality for the money achieved.

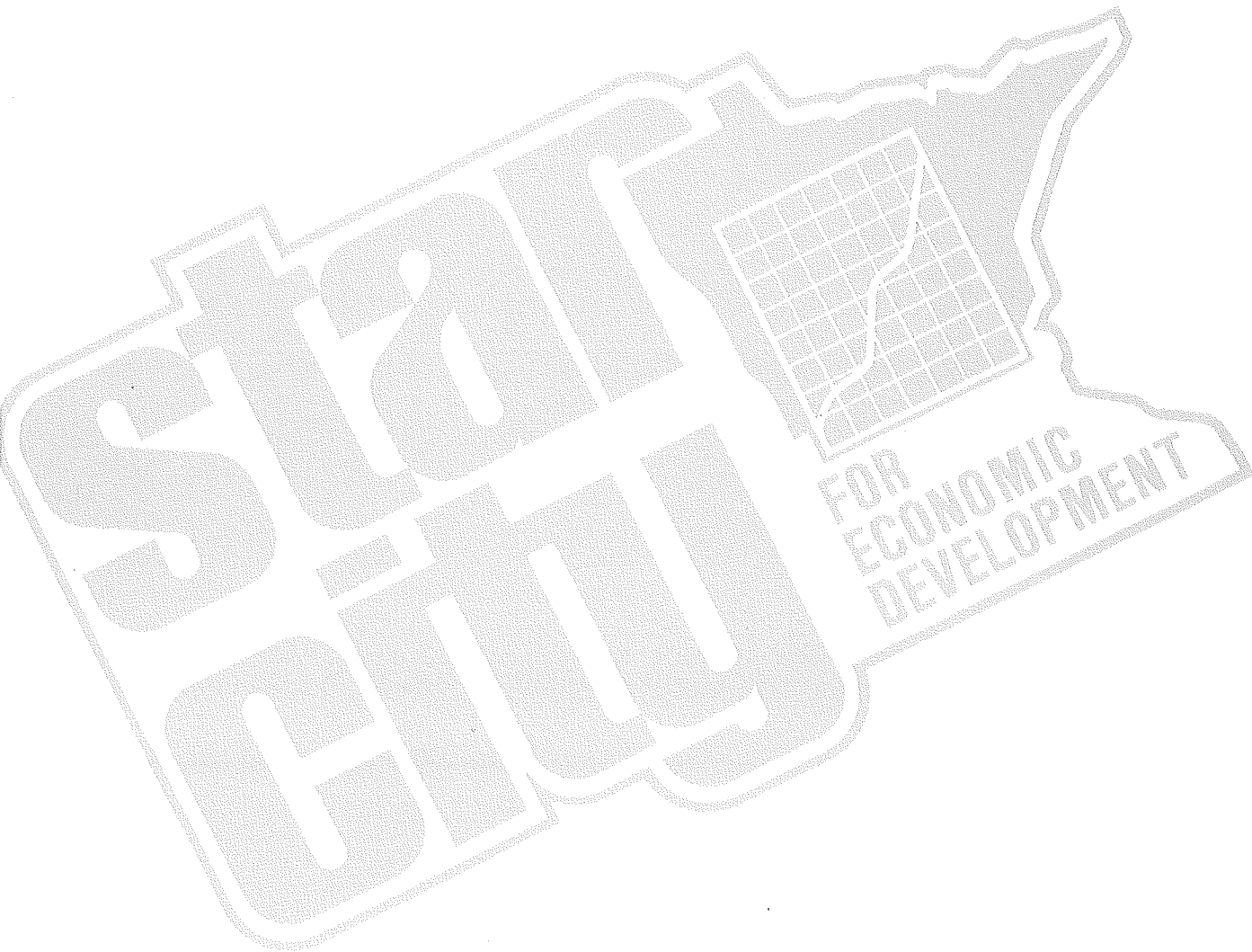
*How many copies do we need?*

**The fact booklet:** Because this is a document that should be easily updated, make only enough copies to use in the next 6 to 12 months. Content and style can be adjusted without a stockpile of outdated booklets.

**The video:** Make enough copies to distribute or circulate to community groups and send to outside businesses according to the plan established.

Figure 28





## Unit Seven: The Evaluation

---

### Objectives

After completing this unit, the reader will be able to:

- Identify where in the application process evaluation occurs; and
- Utilize a checklist for reviewing, gathering, and submitting of materials for application.

### Overview

Evaluation provides skilled feedback about the quality and completeness of the materials presented for application.

### Evaluation of Materials

When all the steps, except for the marketing presentation, have been completed, the application is sent to the Department for review and evaluation. The community submits to the Department two complete copies of the information contained in a three-ring Star City notebook. Organization and appearance are important. A notebook that is neatly prepared, well written, and has easy-to-find material will be reviewed more readily. The community should be able to determine, prior to submission, that all materials are included, easy to find, and understandable. This self-review should identify any shortcomings before being submitted. An outline of the Department's review is included in figure 29. Material should be assembled in the same order as presented in the outline.

The notebook will be reviewed by staff within three weeks following submission. Findings, questions, and deficiencies will be communicated to the Star City coordinator by telephone and in writing. It is very common for the Department to request additional information or clarifications. These issues must be satisfactorily addressed before the city can participate in the marketing exam (see Unit Six).

Following submission of the application, but before approval of the materials, the Department will schedule a meeting with the committee to review the application. This can be very helpful for both the community and the Department in understanding program requirements and the work and needs of the community. After the submitted information is approved, the community is ready for the final step in becoming a Star City: the marketing exam.

# Application Review

1. Local government designation
  - a. copy of resolution or ordinance making designation
  - b. description of structure or type of organization designated
  - c. organizational chart explaining relationship of this organization to city or county and other local economic development groups
  - d. list of members, their affiliations, and position on committee
  - e. description of subcommittees and others involved in Star City process
  - f. minutes of last three committee meetings
  - g. regular meeting time described and if it has been used; plans for continued meetings or delegation of responsibility
2. Community/county profile
  - a. include a copy of current profile
  - b. profile is up to date
3. Information gathering
  - a. information collected is thorough and documented (description of how this was done, where information is kept)
  - b. information has been reviewed and summarized (information in its raw form should not be submitted)
4. Community analysis
  - a. constraints
  - b. assets
  - c. internal
  - d. external
  - e. description of process used
  - f. summary of findings

Figure 29

## **Application Review**

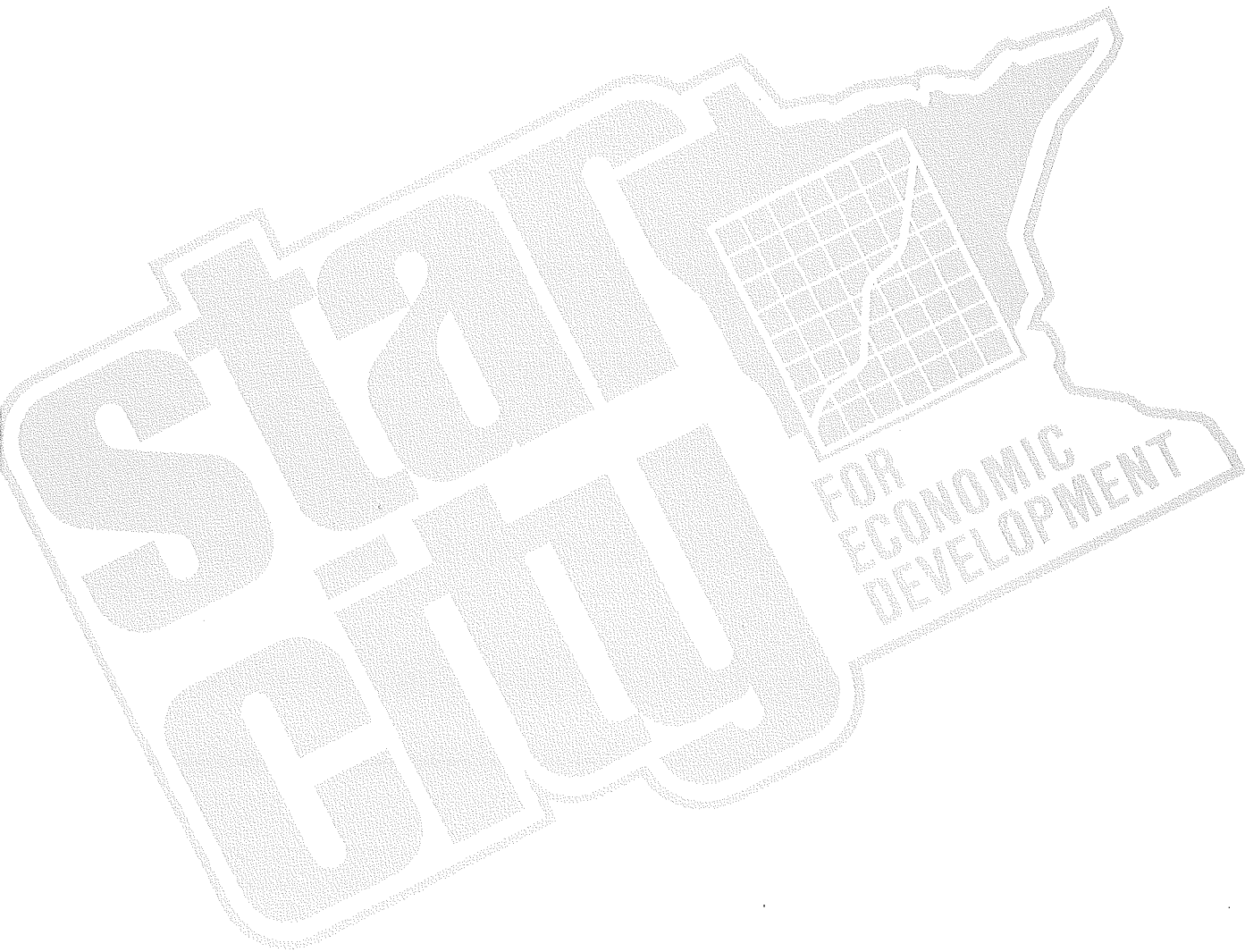
5. **Capital Improvement Plan**
  - a. city has adopted plan
  - b. plan addresses economic development needs
  - c. plan has been reviewed by the committee and incorporated into community analysis
6. **Labor Market Analysis**
  - a. wage and benefit data is collected
  - b. census, job service, and other information has been collected and reviewed
  - c. labor survey material if completed
  - d. analysis of findings
  - e. evidence that findings were considered in community analysis
7. **Business Retention and Expansion Program**
  - a. survey was conducted
  - b. red flag issues were addressed
  - c. written summary of findings in addition to state report
  - d. findings were included in community analysis and planning
8. **Five-Year Plan**
  - a. five-year goals list
  - b. description of process used and people involved in five-year plan
  - c. relationship of five-year plan to community analysis including labor market information, capital improvements plan, and BRE survey

Figure 29 continued

## Application Review

9. One-Year Action Plan
  - a. objectives are clearly stated
  - b. each objective is related to at least one goal
  - c. each objective has tasks and strategies
  - d. each task or strategy is assigned, has a time line
  - e. items requiring financial support are identified; support described
  - f. job retention and/or creation are included in the objectives
  - g. labor market issues addressed if issue was identified
  - h. capital improvement plan addressed if changes needed
  - i. evidence of committee and city council/county board adoption
10. Fact Booklet
  - a. material is presented clearly
  - b. adequate information is included
  - c. description of plan to use fact booklet
11. Video/slide tape show
  - a. length is less than 10 minutes
  - b. quality of images high
  - c. quality or essence of community is captured
  - d. adequate information and focus are used
  - e. presentation is smooth, not choppy or redundant
  - f. sound is clear and pleasing
  - g. description of plan to use product

Figure 29 continued



# APPENDIX

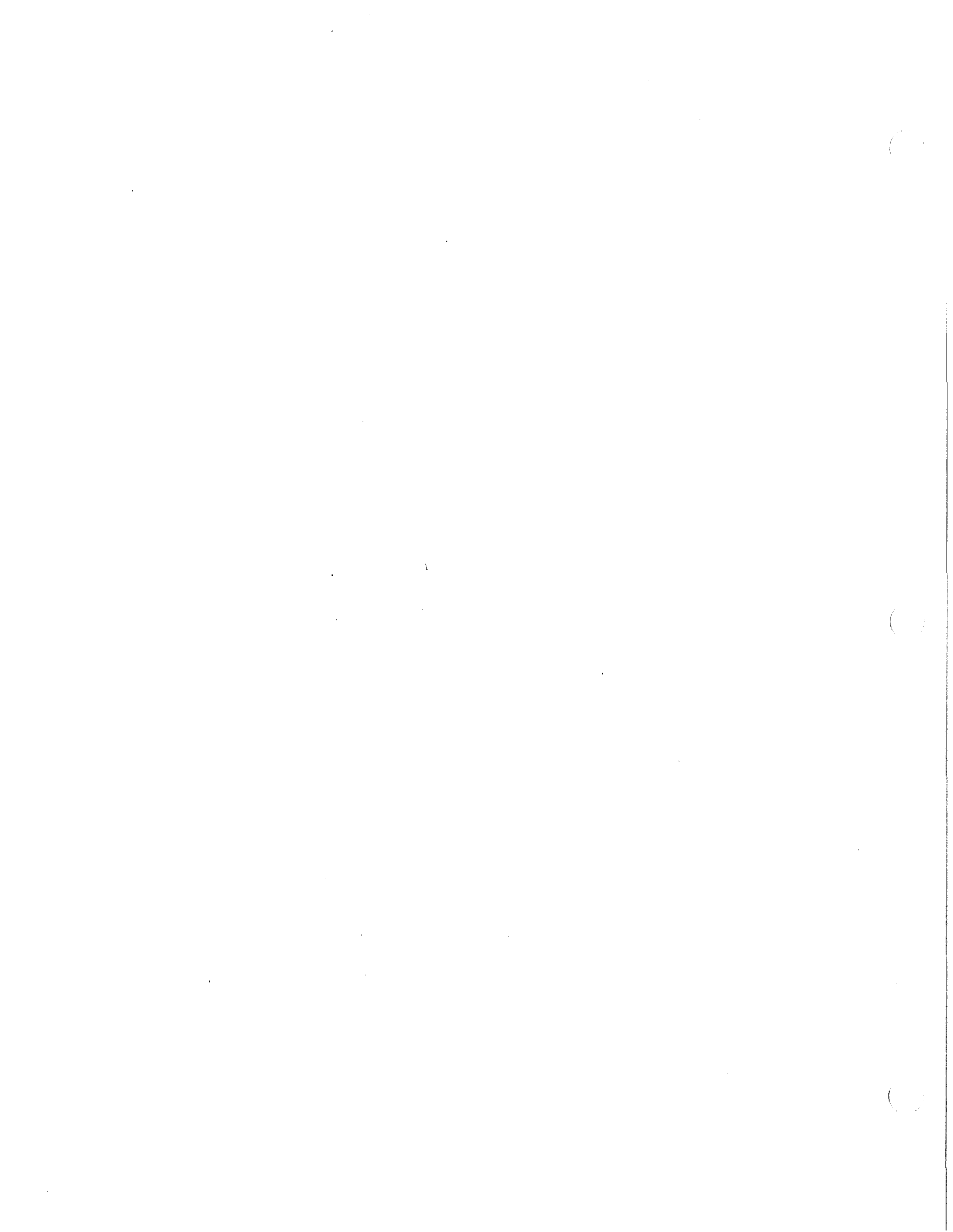




## **Contents of Appendices**

---

- I. Star City Commission Ordinance A-5
- II. Organizational Charts A-13
- III. Community Information Worksheet A-17
- IV. Capital Improvement Plan A-33
- V. Community/County Profile A-37
- VI. Bibliography of Resources for Strategic Planning A-39
- VII. Guidelines for Video Production A-41
- VIII. Economic Development Handbook A-



## **Appendix I**

---

### **Star City Commission Ordinance**

The following is a sample ordinance which designates a Star City commission. It is not necessary for communities to have as complex an ordinance as the sample.

**Model Ordinance:**

**ORDINANCE NO. 176**

**AN ORDINANCE ADDING A NEW CHAPTER 15  
TO THE CITY MUNICIPAL CODE ENTITLED  
“STAR CITY COMMISSION”**

1. The City Council of the City of \_\_\_\_\_ does ordain that: there shall be added to the Municipal Code of the City of \_\_\_\_\_ a chapter numbered 15 which shall read as follows:

15.01 *Short Title.* This ordinance shall be known and may be cited as the “\_\_\_\_\_ Star City Commission Ordinance.”

15.02 *Definitions.* For the purpose of this ordinance, the following words and their derivations shall have the meanings as set out herein:

- a. “Commission” is the Star City Commission of the City as created by this ordinance.
- b. “Chairman” is the Chairman of the Star City Commission as provided hereunder.
- c. “Vice-Chairman” is the Vice Chairman of the Star City Commission as provided hereunder.
- d. “Secretary” is the Secretary of the Star City Commission as provided hereunder.
- e. “Planning Commission” is the City Planning Commission of the City of \_\_\_\_\_.

15.03 *Establishment.* A Star City Commission is hereby established to be advisory to the Council and Planning Commission, which Star City Commission shall have the powers and duties hereinafter set forth.

- 15.04 *Terms of Office.* Of the members of the Commission first appointed, three shall be appointed for terms expiring in January of 1984, and two shall be appointed for terms expiring in January of 1985. Upon expiration of said initial terms, future appointees shall serve three-year terms expiring in January of the appropriate year provided, however, that members shall continue their terms until new appointments or reappointments are made by the City Council. The City Council shall make appointments to the Commission at its second official meeting in January of each year or as soon thereafter as it desires. Vacancies during the term shall be filled by the City Council for the unexpired portion of the term.
- 15.05 *Qualifications.* The Commission shall consist of the following: One City Council member; one Utilities Commission member; and five members of the community representing, but not limited to, the Chamber of Commerce, the Improvement Association, Independent School district Board, Area Board of Realtors, and the general public; also one representative of the \_\_\_\_\_ County Ministerial Association; and one County Commissioner from either District #2 or District #3. The City Administrator, director of the State of Minnesota Job Service Office, and the director of the Job Training Center shall serve as ex-officio members of the commission.
- 15.06 *Removal of Members.* The Council by a four-fifths vote of its members shall have the authority to remove any member of the Commission from office whenever, in its discretion, the best interest of the City shall be served thereby.
- 15.07 *Meetings, Officers.* The Commission will name its own officers to serve at its pleasure from the membership of the Commission.
- a. *Regular Meetings.* The Commission shall meet publicly in regular session at least once each month at a time and place selected by a majority of its members.
  - b. *Special Meetings.* The Chairman or any three (3) members of the Commission shall have the authority to call a special meeting of the Commission. Written notice of special meetings shall be given to all members at least twenty-four (24) hours prior to the time of the meeting unless the time and place for the special meetings is set at a regular meeting.

- 15.08 *Commission Staff.* The Commission shall receive the staff services of the City Administrator and approved by the City Council within the means provided by an appropriations made therefore by the City Council.
- 15.09 *Rules and Procedures.* The Commission shall adopt a set of rules to govern its own meetings and procedures. The rules may be amended from time to time, but only upon notice to all members that the said proposed amendments shall be acted upon at a specified meeting. A majority vote of the Commission shall be required for the approval of the proposed amendment.
- 15.10 *Absence of Members.* Absence from three consecutive regular meetings without the formal consent of the Commission shall be deemed to constitute a resignation of a member; and the vacancy thus created shall be filled thereafter by appointment of the City Council for the remainder of the term of the member so deemed to have resigned.
- 15.11 *Powers and Duties.* The Commission shall have the following powers and duties:
- a. To confer with and advise the Council and Planning Commission on all matters concerning the industrial and commercial development of the City.
  - b. To publicize, with the consent of the Council, the industrial and commercial advantages and opportunities of the City.
  - c. To collect data and information as to the type of industries and commerce best suited to the City.
  - d. To periodically survey the overall condition of the City from the standpoint of determining whether the City has a community climate for industry and to determine the general receptiveness of the City of particular types of industry.
  - e. To publicize information as to the general advantages of industrial and commercial development in a community.
  - f. To cooperate with all industries and businesses in the city and in the solution of any community problems which they may have, and to

encourage the expansion, development, and management of such industries and business so as to promote the general welfare of the City.

- g. To cooperate with the Regional Development Commission in the undertaking of necessary surveys and studies in the furtherance of commercial and industrial development.
- h. To aid the Council and Planning Commission in the proper zoning and orderly development of areas suitable for industrial and commercial development.
- i. To develop, compile, coordinate, and publicize information such as, but not limited to, the following:
  - 1. Existing industrial and commercial concerns with the City, their addresses, type of business, number of employees, and whether each serves local, regional, or national markets.
  - 2. Available industrial and commercial sites, including number of acres, approximate price, existing zoning, and proximity to trackage and highways.
  - 3. Available buildings for industrial and commercial operations, including type of building, number of square feet, existing zoning, and proximity to trackage and highways. (Minn. State Dept. Form.)
  - 4. Transportation facilities, including railroads, motor carriers, water transportation, air transportation, and highway facilities.
  - 5. Electric power available.
  - 6. Fuels available for industrial and commercial use.
  - 7. Sewage disposal facilities.
  - 8. Water supply facilities.
  - 9. Community facilities such as fire, police, and educational.



10. Recreational facilities.
  11. Going wage rate in the City for the trades, skilled, semi-skilled, and white-collar workers.
  12. Availability of labor.
  13. General community attitude toward industrial and commercial expansion, development, and attraction.
  14. Experience and program of surrounding suburban communities in regard to industrial and commercial expansion, development, and attraction.
- j. To recommend to the Council and Planning Commission policies and particular actions in regard to industrial and commercial expansion development and attraction.
  - k. To cooperate with and use the facilities of the Minnesota Department of Trade and Economic Development's Star Cities Program.
  - l. To cooperate and coordinate with the \_\_\_\_\_ Improvement Association, the \_\_\_\_\_ Area Board of Realtors, and local lending institutions in defining available property and assembling financing packages, for commercial and industrial prospects.
  - m. The Commission shall have the power to appoint subcommittees of a size and nature it may deem necessary and may enlist the aid of persons and/or organizations who are not members of the Commission. The Commission shall have no power to make contracts, levy taxes, borrow money, or condemn property, but shall have the full power and responsibility to investigate the necessity and recommend the taking of these and any other actions related to the industrial and commercial development by the Council and all other officers of the City responsible to formulate the terms of and the procedure for taking such action.
- 15.12 *Annual Report.* The Commission shall make a report to the City Council of its activities in December of each year.

15.13 *Severability*. The various sections and provisions of this chapter are severable, in the event any one or more of its sections or provisions shall be found to be invalid or otherwise defective by a Court of competent jurisdiction, such invalidity or defect shall not operate to render other sections or provisions invalid.

2. This Ordinance shall become effective upon publication.

Adopted by the City Council of \_\_\_\_\_, Minnesota, this 2nd day of February, 1982.

Published in the \_\_\_\_\_ County Times on February 25, 1982.

\_\_\_\_\_  
Mayor

Attest: \_\_\_\_\_  
City Clerk-Treasurer



## Appendix II

---

### Organizational Charts

Figures 30 and 31 illustrate two different ways in which communities are organized. Some communities have more complex organizing structures than others.

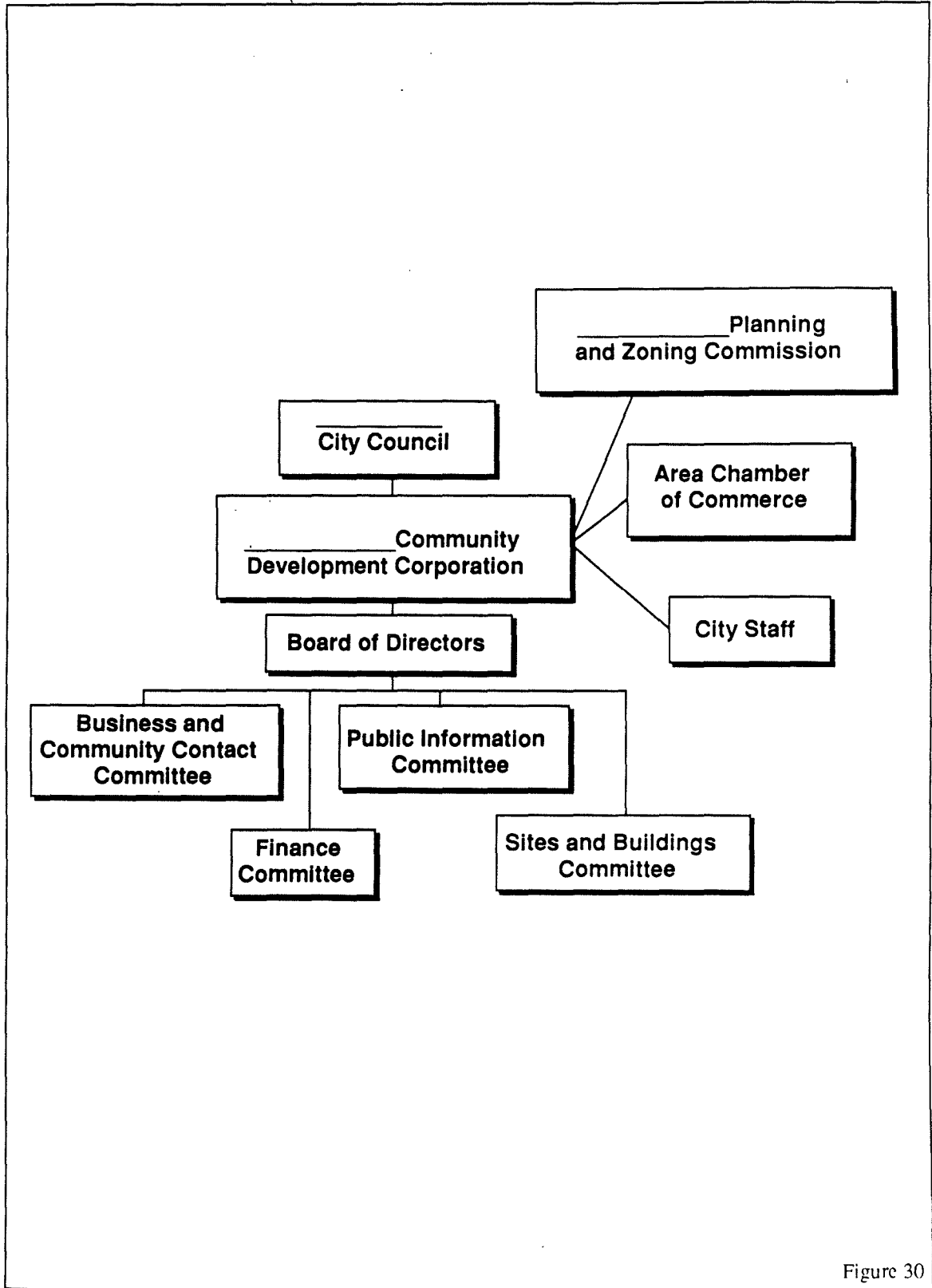


Figure 30

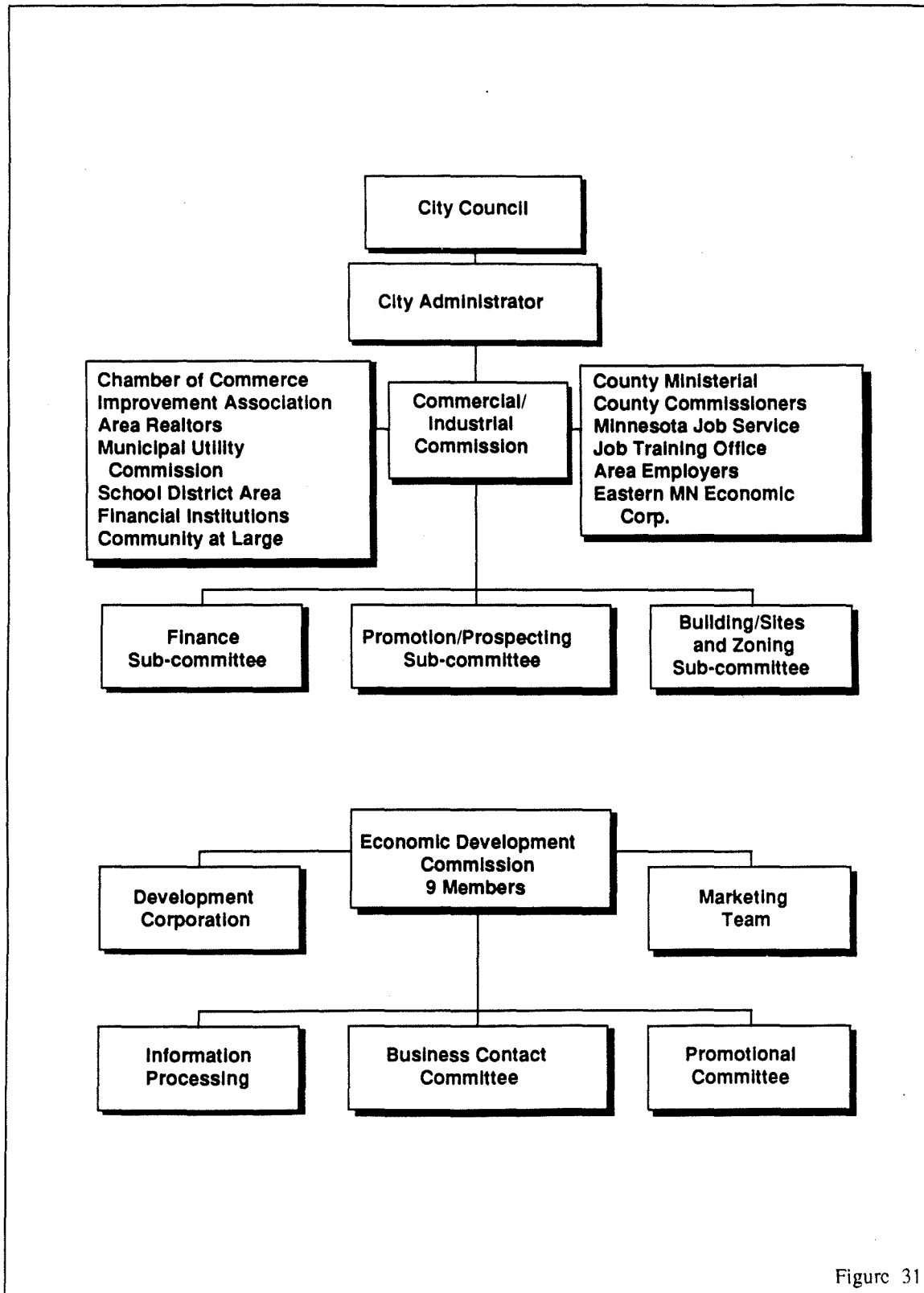


Figure 31



## **Appendix III**

---

### **Community Information Worksheet**

The community information worksheet can be used as a tool for information gathering and summarizing.



## **COMMUNITY INFORMATION**

### **Community Demographics**

How large is the community?

Population  
Size (sq. mile)

Describe the location of the community in proximity to other communities, major resources (where purchases are made), major markets (where products are sold), and major industries.

If the community serves as a service/trade center for other areas, list the geographic areas and the services/products provided.

If other areas serve as a service/trade center for the community, list the geographic areas and the services/products purchased.

Describe the downtown-retail community and its state of economic health. What businesses exist? Which have recently closed? Consider signage, sidewalks, parking, etc.

What are the population trends for the community in the various age groups?

<i>Age Group</i>	<i>1970 Census</i>	<i>1980 Census</i>	<i>Percent Change</i>
------------------	------------------------	------------------------	---------------------------

What is the average income of the community's residents?

What are the adult education levels of the community's population?

- Eight years or less completed
- Twelve years or less completed
- Vocational training completed
- Two years college completed
- Four years college completed
- Some postgraduate work completed
- Masters or Doctorate completed

### **Existing Employers and Industry Mix**

List the major employers in the community (public and private) and their major products/services.

<i>Employer</i>	<i>Number of Employees</i>	<i>Major Product/Services</i>
-----------------	----------------------------	-------------------------------

What are the numbers of people in key skill categories/occupations employed at the major employers in the community? The area?

<i>Key Skill Category/Occupation</i>	<i>Number Employed</i>	
	<i>In Community</i>	<i>In Area</i>

List the smaller employers in the community (public and private) and their major products/services.

<i>Employer</i>	<i>Number of Employees</i>	<i>Major Product/Services</i>
-----------------	----------------------------	-------------------------------

What are the numbers of people in key skill categories/occupations employed at the smaller employers in the community? The area?

<i>Key Skill Category/Occupation</i>	<i>Number Employed</i>	
	<i>In Community</i>	<i>In Area</i>

What products/services (feeder industries) are necessary for the above mentioned employers to produce their products/services?

What raw materials/natural resources do existing businesses utilize and from where are the raw materials/natural resources obtained?

<i>Raw material/natural resource</i>	<i>Obtained from (list area)</i>
--------------------------------------	----------------------------------

What transportation systems serve the community and its major employers?

Highways	Waterways
Major Freeways	Airports
Railroads	Others

Utilizing available transportation systems, what is the distance to various markets required by the community's businesses?

What benefits do the community's major employers provide? Compare these benefits to those of major employers in other nearby areas.

*Community Employers' Benefits*

*Area Employers' Benefits*

## **Labor Pool**

Define the community's local labor market and maximum commuting range.

What have been the overall employment trends?

Using the chart provided on the next page, respond to the following questions:

- What key skill categories/occupations are available within the local labor market?
- What key skill categories/occupations are not available within the local labor market? How far is the recruiting/commuting range for these key skill categories/occupations?
- What numbers of persons are available within each key skill category/occupation within the local labor market? In the metropolitan area or other neighboring labor markets?
- What numbers of persons are currently employed within the labor market in each skill category/occupation?
- What is the cost of labor within each key skill category/occupation? (Consider average direct wages and fringe benefits.)
- How does the cost of labor within each skill category/occupation compare to the costs in metropolitan and neighboring labor market areas? (Consider average direct wages and fringe benefits.)
- What is the extent of union activity within the labor market area and what key skill categories/occupations are most frequently unionized?

Major skill areas include: Unskilled, Semi-skilled, Skilled, Clerical Technical, Professional, Managerial. Actual occupations should be used where appropriate.

## Key

Max Comm Zone = Maximum Commuting Zone  
# in LLF = Number of Persons Available in Local Labor Force  
# out LLF = Number of Persons Available Outside the Local Labor Force  
# Empl = Number of Persons Employed in that skill category  
Cost of LLF = Cost of Labor (average direct wages + fringe benefits) in Local Labor Force  
Cost out LLF = Cost of Labor Outside Local Labor Force (metropolitan area or neighboring local labor force)

<i>Key</i>	<i>Max</i>	<i>#</i>	<i>#</i>		<i>Cost</i>	<i>Cost</i>	
<i>Category/</i>	<i>Comm</i>	<i>In</i>	<i>Out</i>	<i>#</i>	<i>in</i>	<i>out</i>	<i>Union</i>
<i>Occupation</i>	<i>Zone</i>	<i>LLF</i>	<i>LLF</i>	<i>Empl</i>	<i>LLF</i>	<i>LLF</i>	<i>Activity</i>

### **Development Sites/Buildings**

List any available undeveloped sites zoned for industrial or commercial uses in the community.

<i>Site</i>	<i>Size</i>	<i>Service Available</i>	<i>Owner</i>
-------------	-------------	--------------------------	--------------

Are there vacant industrial or commercial buildings available in the community? If so, what are the characteristics of the buildings?

<i>Building</i>	<i>Size</i>	<i>Special Features</i>	<i>Owners</i>
-----------------	-------------	-------------------------	---------------

List any necessary improvements planned and budgeted for by the owners of the above mentioned sites/buildings planned.

<i>Site/Building</i>	<i>Improvements Planned/Budgeted For</i>
----------------------	--

What other improvements may be necessary? What steps are required to accomplish these improvements?

<i>Improvements</i>	<i>Required Steps</i>
---------------------	-----------------------



## Energy and Utilities

What types of energy and utilities are available in the community? What are the costs and available capacities? What are the costs in nearby communities?

<i>Utility</i>	<i>Local Cost/Unit</i>	<i>Available Capacity</i>	<i>Nearby Community's Cost</i>
Electricity			
Natural Gas			
LP			
Fuel Oil			
Telecomm			
Water			
Sewer			
Garbage			
Other			

What is the extent of express mail or delivery services available?

Can the existing utility capacities meet the needs of industries being considered for expansion/attraction?

<i>Utility</i>	<i>Industry</i>	<i>Estimated Cost</i>
----------------	-----------------	-----------------------

## Transportation

What transporters/transportation systems serve the community and its major employers? Are they available in the needed capacity? What is the distance to some of these systems? Are there any limitations that may impact a specific industry? What are the costs of some of these systems?

<i>Forms of Transport</i>	<i>Enough Capacity</i>	<i>Distance</i>	<i>Limitations</i>	<i>Cost</i>
Highways				
Major Freeways				
Truck Routes				
Railroads				
Waterways				
Airports/Air Carriers				
Other				

What are the plans to upgrade or improve highway access, load limits, and safety?

List the transport systems needed by the specific industries under consideration for expansion/attraction. Comment on any advantages offered by the community or obstacles that will impact the industry.

<i>Industry</i>	<i>Transport System</i>	<i>Advantages/Obstacles</i>
-----------------	-------------------------	-----------------------------

## **Environmental/Permit Issues**

**What environmental issues exist regarding the industry under consideration for expansion/attraction? How do these issues relate to the values of the community?**

**What permits may be required prior to development?**

**What assistance is available to expedite the permit process?**

**What is the landfill capacity and distance to the nearest toxic or hazardous waste disposal facility?**

**What restrictions/requirements exist regarding the disposal/transportation of toxic or hazardous waste materials?**

**Have all potential development sites been screened for environmental contamination? What assistance is available to clean up any contaminated sites?**

## **Education**

What educational institutions are available in the local area? What are the distances to the institution?

	<i>Location</i>	<i>Distance</i>
Pre-school		
Elementary		
Jr/Sr High		
Community College		
4-year College		
Technical Institute		
Other		
Other		

What special educational programs are available at these institutions?

What training programs are currently available within the local area?

What vocational training programs are available?

What on-the-job training programs are available?

What is the history of local support for educational programs, e.g., school bonds, non-political fund raisers?

## **Community Quality of Life**

What is the quality, price, variety, and quantity of available housing?

<i>Type of Housing</i>	<i>Quality</i>	<i>Price</i>	<i>Quantity</i>
------------------------	----------------	--------------	-----------------

Are starter homes available? If so, what kinds?

What is the availability of rental housing? Do they allow children and/or pets?

<i>Type of Rental</i>	<i>Quality</i>	<i>Price</i>	<i>Quantity</i>	<i>Children</i>	<i>Pets</i>
-----------------------	----------------	--------------	-----------------	-----------------	-------------

What are the available medical and dental services?

What are the available fire, police, and emergency services?

Describe the available child care facilities and costs.

What indoor and outdoor recreational facilities are available?

What organized sports are available for youth? For adults?

*For Youth*

*For Adults*

What kinds of personal development/hobby classes and/or clubs are available for the residents of the community? (Consider dance, 4-H, scuba diving, etc.)

What theater, arts, folk and community events are available?



## **Appendix IV**

---

### **Capital Improvement Plan**

The Capital Improvement Plan is important for economic development planning. Most communities use a process for developing and approving their CIP. Figure 32 illustrates the approval steps. Figure 33 is a sample capital facilities inventory.



# Capital Improvement Program Approval Steps

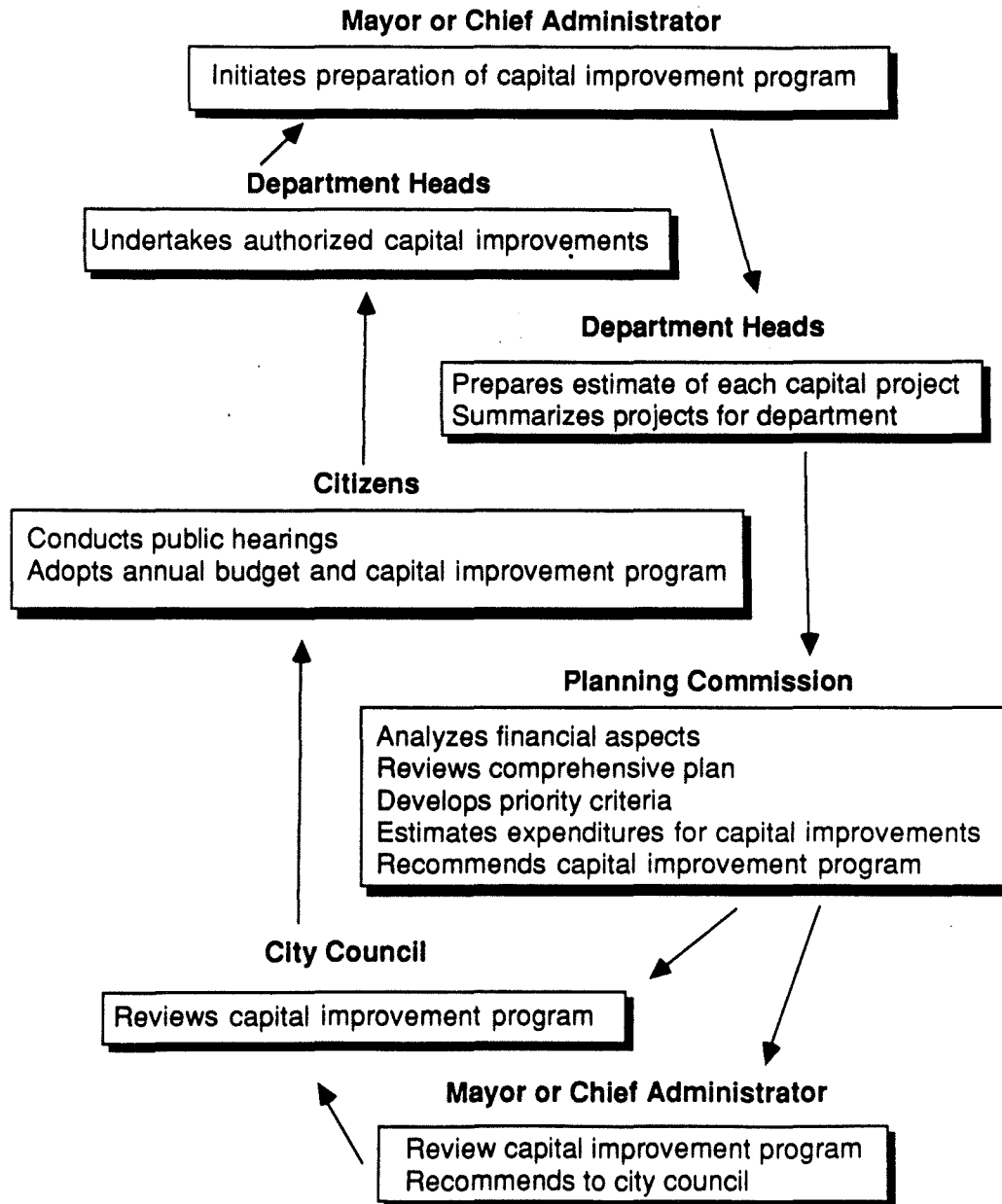


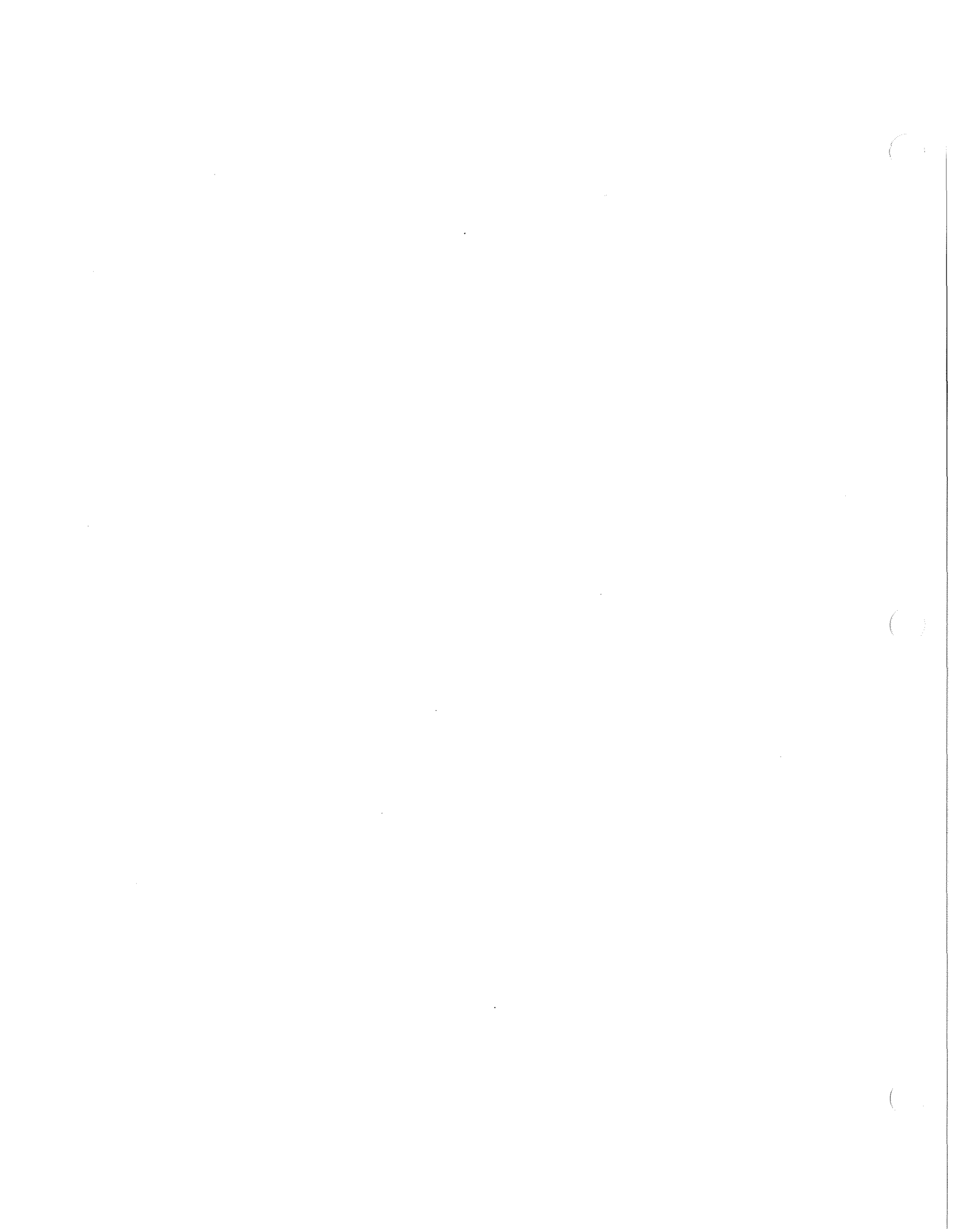
Figure 32

## Sample Capital Facilities Inventory

Facility	Year Built or Acquired	Latest Major Improvement	Condition	Extent of Use	Target Date: Rebuilding Expansion
Industrial Park	1952	-	Fair	Heavy (90%)	19X1
Fire Station	1952	-	Fair	Moderate	19X1
Airport	1971	1974	Excellent	Light	19X3
Northside Park	1965	-	Good	Heavy	19X5
Rail Spur	1967	-	Excellent	Heavy	19X2
Treatment Lagoons	1969	-	Fair	Heavy	19X1
Landfill	1973	-	Excellent	Heavy	19X4
Water Wells	1954	1964	Excellent	Moderate	19X6
Street (itemize)	1965	-	Good	Moderate	19X2

**SOURCE:** Adapted from *A Capital Improvement Programming Handbook*, Municipal Finance Officers Association.

Figure 33

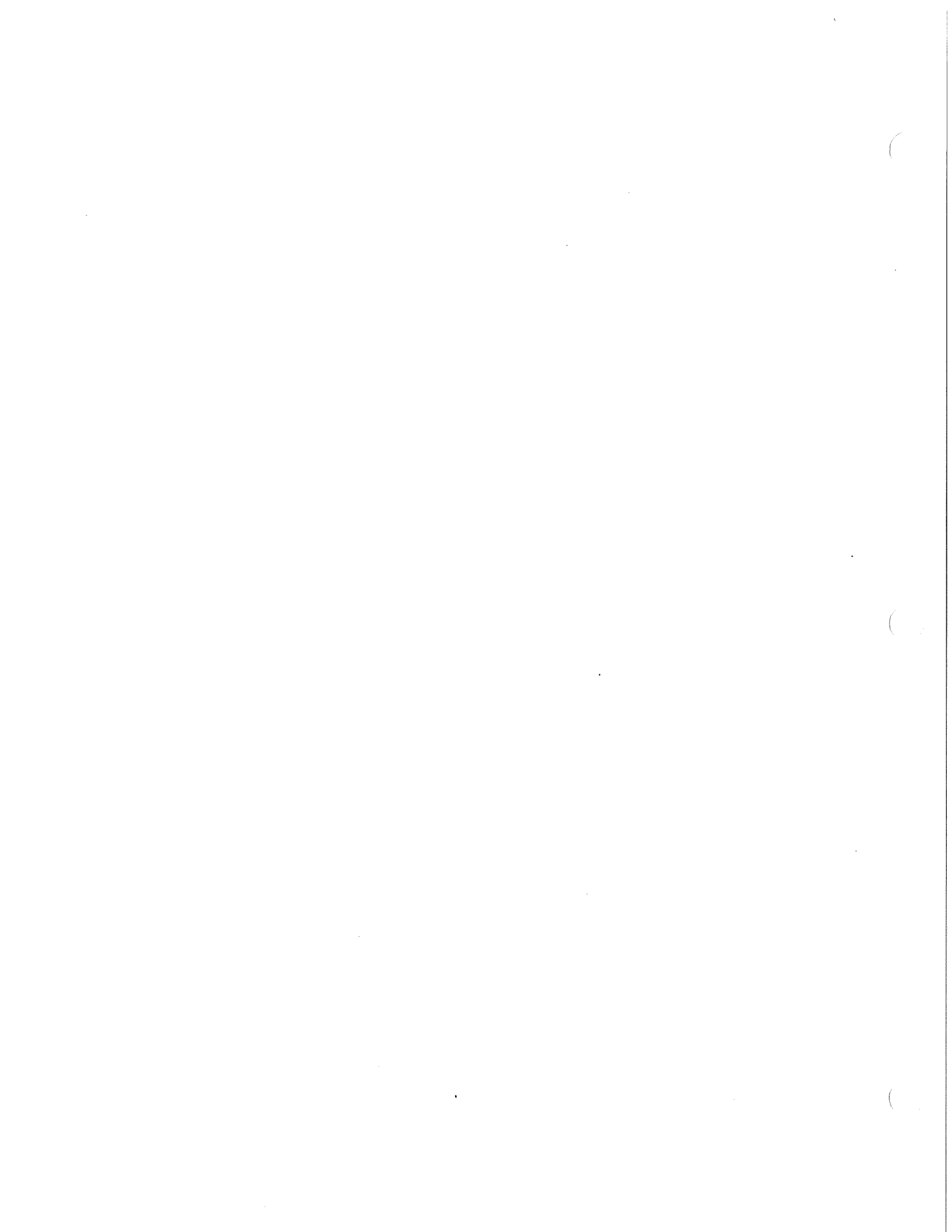


## **Appendix V**

---

### **Community/County Profile**

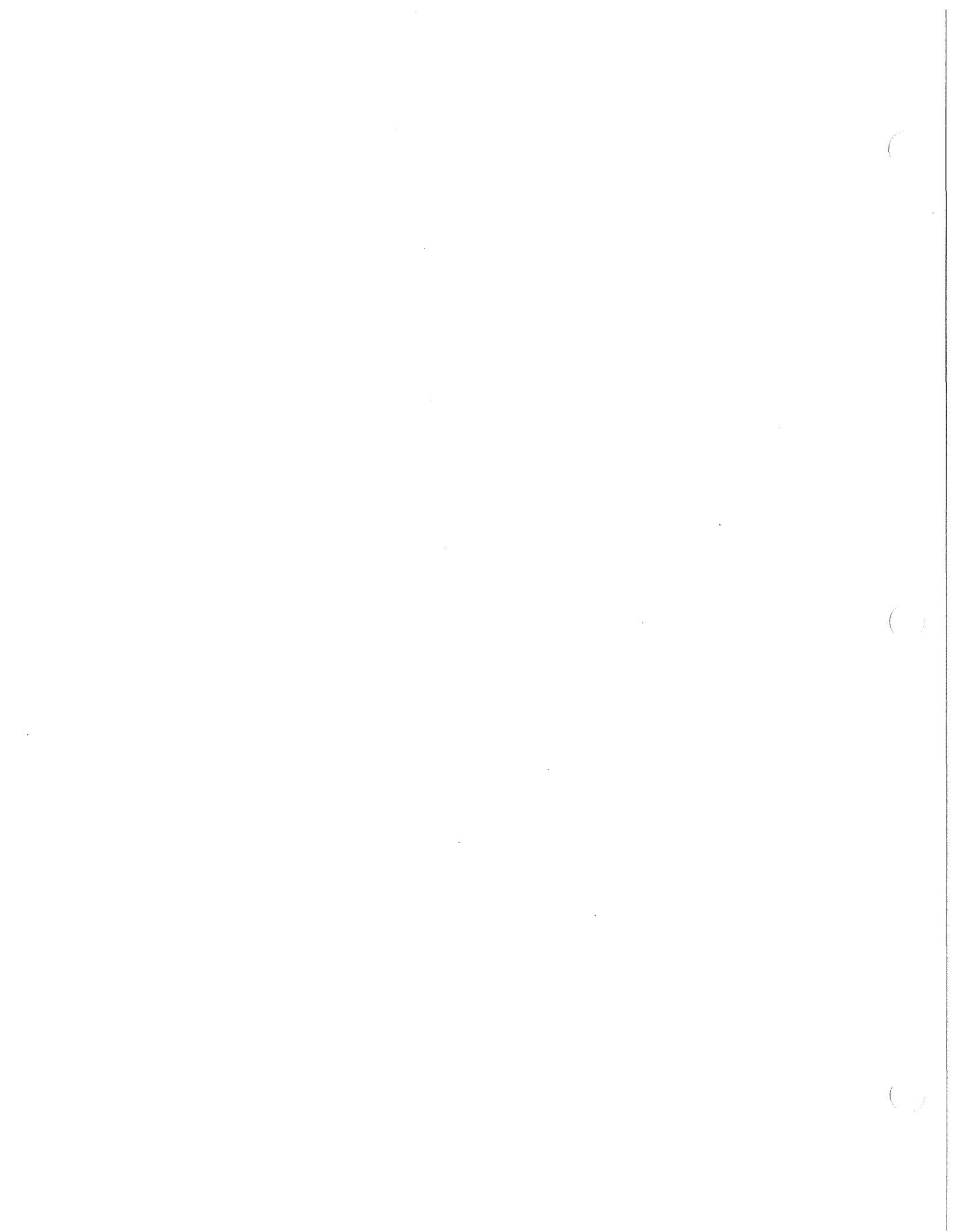
The following pages contain the format that is used for the community profile requirement. The community should contact the Department if it has not previously completed a community profile.



## **Appendix VI**

---

### **Bibliography of Resources for Strategic Planning**



## **Appendix VII**

---

### **Guidelines for Video Production**

It will, most likely, be necessary to utilize professionals to assist with the production of the video tool. On the following page is a suggested proposal outline to use when retaining the services of such an organization.



## **REQUEST FOR PROPOSAL OUTLINE\***

- I. Background of your Project
- II. About the Video
  - A. What it must accomplish
  - B. Length of finished program
  - C. What you expect from the contractor
  - D. What the contractor can expect from you
- III. Quality of Production
  - A. What format - shoot and edit
- IV. Expected Project Costs
  - A. Can be a range
- V. Project Start and Completion Data
  - A. Proposals sent to: \_\_\_\_\_
- VI. Proposal Content
  - Should include the following:
    - A. Detail cost and work plan
    - B. Background and experience of contractor and the individual persons assigned to the project
    - C. Three references/clients
- VII. Submission of Proposals,
  - A. How many copies
  - B. Exact time they are due
  - C. Signed by authorized member of the contracting firm
  - D. How long you expect the prices to remain valid
  - E. Any changes in personnel and price must be approved
- VIII. Evaluation
  - A. Expressed understanding of project
  - B. Reasonableness and scope of work plan
  - C. Project cost
  - D. Relevant qualifications of firm and personnel
  - E. Satisfaction of previous clients

\*Developed by Master Video, Inc., Minneapolis, MN.

Following are suggested questions that need to be asked in the content and visual strategies for the video marketing tool. This information is summarized from a workshop\* given at an annual conference.

*Why become a member of the Star City Program? What are your needs?*

- Expand leadership pool
- Learning tool for communities
- Jobs
- Tourism
- Status
- Enhance existing efforts
- Loss of job base
- Pride in community
- Organize information
- Improve quality
- Get Star City sign
- Increase number of residents
- Political issue
- Reduce costs

\*Workshop presented by Mark Youngquist, Youngquist & Co., Annual Conference, 1988.

*Who is potential viewing audience?*

- Department
- Prospective businesses
- Chamber of Commerce
- Governmental bodies
- Real estate companies
- Relocations
- Tourism
- Cable, closed-circuit TV
- Existing employer's spin-offs
- Service organizations
- Schools, youth organizations

*Put yourself in the audience position—why would you select a particular community?*

- Personality
- People
- Labor force
- Skilled labor
- Services: fire, police, hospital, retail
- Personal attention

- Quality of life
- Safety
- Friendliness
- Location
- Hotels
- Transportation
- Similar company's success
- Intangibles
- Schools
- Financing
- Aesthetics
- Job opportunities
- Emotion
- Unique presentation
- Taxes
- Recreation

*What techniques (based on budget) can be used to present your features and benefits?*

- Theme
- Cartoons

- Analogies
- Poetry
- Graphics
- Time limits
- Local heroes
- Documentaries

*How do you use a budget wisely?*

**Outside Costs:**

- Script writer
- Quality equipment
- Video photographer
- Editing

**Volunteer:**

- Coordinator
- Aerials
- Music
- Accommodations
- Go-fers

## **GLOSSARY OF VIDEO TERMS\***

Video production is a very technical field. It has its own jargon and specialized vocabulary. A glossary of video terms is provided to help in understanding those professionals who will be assisting in the production of the video marketing tool.

When doing a video for a marketing tool, consideration must be given to video formats. The main difference in tape formats is the size of the frame (actual physical tape size) and the speed at which the image is recorded on the tape. What that means is the quality of picture to the eye is affected. Also, the choice of format influences the quality of the copies that are made for the original "master" tape.

**A/B ROLLS.** An edit (usually a special effect) requiring the synchronization of two source VTRs and the record VTR. For example, to dissolve from one scene to the next, the two scenes are played from the separate "A" and "B" VTRs, and the final effect is recorded on a third VTR.

**AFTRA (AMERICAN FEDERATION OF TELEVISION AND RADIO ARTISTS).** The union of broadcast performers who are recorded on tape.

**BETACAM.** Not to be confused with consumer BETA, this format is quickly overtaking 3/4" as the industry standard. BetaCam is smaller than 3/4", but records at a very high speed, which more than compensates for its size. Picture quality is greatly improved over 3/4"—colors (especially red) are distinct, not bleeding; overall picture quality is very crisp. The tape stock is stronger and begins by being superior to 3/4". This means that it will stand up better each time it is dubbed to another generation. Thus, it can be edited and/or copied more times than 3/4" before it begins to show deterioration.

**BOOM.** An elevating cranelike support for either mike or camera that allows it to move in any direction.

**BOOM UP.** Movement of entire camera, on its boom either up or down.

**CAMERA REHEARSAL.** A rehearsal of the script that allows the director to block out camera movements.

\*Prepared by Master Video, Inc., Minneapolis, MN.

**CASTING.** Selection of on-camera and voice-over talent, either in person or by viewing or hearing tapes.

**CHARACTER GENERATOR.** A device which electronically displays letters or numerals on a TV screen.

**CHROMA KEY.** A method of electronically inserting a subject from one camera onto the background seen by another camera.

**CU (CLOSE-UP).** A closer-than-normal picture of subject as compared to other shots in the sequence. The subject occupies most of the screen.

**COLOR BARS.** A universal encoder test signal found in every TV station and edit suite. This test signal may be used to check the fidelity of system equipment. The color bars test signal contains all of the saturated primary and secondary colors, as well as gray, white, and encoder I signals, usually accompanied by 1,000 Hz audio reference tone.

**“CUT.”** Stop recording (as used during production).

**CUT.** In editing, a cut between scenes occur when one image is instantly replaced with another. Also called jump cut.

**CUT AWAY.** A videotape edit that briefly substitutes reactions or secondary activity for the main action of the scene for visual variety. May also be used to change the pace or cover a jump cut.

**CUTS-ONLY EDITING.** A basic mode of editing using only cuts to progress from scene to scene. (No special effects.)

**DIGITAL EFFECTS.** Special effects generated electronically and controlled by microprocessors.

**DIRECTOR.** The person responsible for directing crew and on-camera talent during taping. Responsible for transforming script into video and audio.

**DISSOLVE.** A type of edit in which one source of video or audio gradually fades out while at the same time another source fades in, with the two pictures overlapping briefly. Also called a “mix.”

**DOLLY IN/DOLLY OUT.** The movement of the entire camera toward or away from the televised object. (As opposed to zoom.)

**DROPOUT.** Loss of picture signal during tape playback, appearing as specks of snow or a narrow white line flashing across the monitor. Usually caused by scratches, pieces of contaminant on the tape, or aging of the tape, resulting in the oxide flaking off and leaving spots where no signal remains.

**DUB.** Record sound or visuals from one tape to another. Also used as dupe (duplicate).

**DUPE.** Short for taped duplicate of video program.

**EAR PROMPTER.** A system for prompting talent to deliver script without loss of eye contact. Script is recorded on a small tape recorder and replayed through a hearing-aid style ear insert. The performer listens to the recording while delivering the script.

**EARTH STATION (DISH).** A parabolic antenna and supporting electronics for receiving satellite signals.

**EDIT DECISION LIST.** A permanent record in the form of punched paper tape, floppy disk, or printed copy of all the edit decisions made for a video production. It contains information such as in-points, out-points, and effects and is used for later assembly of the selected portions of the original tapes into the final production or program.

**EDITING.** The process of executing a series of edits to reach the final form of a production or program. Not a physical assembly process, as in film editing, but a selective electronic transfer (duping) of video and/or audio sequences onto a new master videotape to achieve a desired effect, mood, plot development, program length, etc.

**EFP (ELECTRONIC FIELD PRODUCTION).** Location taping using one camera and carefully chosen techniques—like motion picture filming.

**EFX.** See Special Effects.

**ENG (ELECTRONIC NEWS GATHERING).** Location taping using one camera and carefully chosen production techniques—like motion picture filming.



**ESTABLISHING SHOT.** An opening shot for a scene, usually a wide shot, to show the overall area where the action takes place.

**ECU (EXTREME CLOSE-UP).** A tight, very close picture of a subject, as compared to other shots in the sequence.

**FADE.** (a) A gradual transition to or from color black (video). (b) A gradual transition to or from silence (audio). Not to be confused with a dissolve.

**FLASH FRAME.** A frame of extraneous or unmatched video, sometimes caused by old material on a tape not completely recorded over by new material.

**FLOOR DIRECTOR.** (Also floor manager.) Executes director's orders in a studio setting.

**FORMAT.** Tape size and recording tape, such as 1", 3/4", BetaCam, VHS, or 1/2" Beta 2.

**FRAME.** The total area occupied by a television picture, occurring in the NTSC system every 1/30 second and produced by an electron beam scanning all 525 lines of the raster area. In the PAL system a frame contains 625 lines and occurs every 1/25 second.

**FREEZE FRAME.** Arrested motion—perceived as a still shot.

**GAFFER.** Lighting specialist on production crew or chief set electrician.

**GENERATION.** The number of times a duplicate is removed from the original videotape. For example, the tape recorded during actual shooting is a "first generation" tape. An edited duplicate made from such an original is termed "second generation." A copy of that tape would be a "third generation." Without special processing, third generation is the recommended limit for video cassettes that will be shown to the end users. One-inch VTRs may, with care, produce reasonable quality copies to fifth or sixth generation.

**GLITCH.** Random picture noise or interference.

**GRIP.** Person on taping crew responsible for equipment.

**HAND HELD.** Recording without the camera on a tripod or dolly.

**HOME BETA.** Small format tape that moves relatively slowly across the recording heads (the devices that translate the picture onto the tape). There is less resolution (picture quality, crispness, sharpness) in this format than in any of the others. The picture may be grainy and the colors bleeding and indistinct.

Requires special editing equipment. To edit on 3/4" equipment, it must be "bumped up" to the larger 3/4" format. That is somewhat like blowing up a very small negative to a larger print—any graininess is exaggerated, colors are worse, etc. This format was not meant for professional editing or duplicating.

**HOME VHS.** Small format tape that moves relatively slowly across the recording heads (the devices that translate the picture onto the tape). There is less resolution (picture quality, crispness, sharpness) in this format than in any of the others. The picture may be grainy and the colors bleeding and indistinct.

Requires special editing equipment. To edit on 3/4" equipment, it must be "bumped up" to the larger 3/4" format. That is somewhat like blowing up a very small negative to a larger print—any graininess is exaggerated, colors are worse, etc. This format was not meant for professional editing or duplicating.

**INSERT EDIT.** An edit is new video or video/audio material such as a cut-away, close-up, or reaction shot that is inserted into previously recorded material, over the existing control track, or into black on the master tape.

**JUMP CUT.** The quick motion or jumping of the television picture from two different takes or segments. See also Cut.

**KEY.** A special effect accomplished by electronically "cutting a hole" in the video and inserting another picture or color into the area. The "hole" can be established in any size or shape by signals from a video camera or a character generator, which generates black and white levels of video for the pattern desired. The result is similar to a superimposition, but cleaner and brighter, and is especially effective for titles.

**KEYLIGHT.** The spotlight or main light on a scene that emphasizes the important objects in that scene.

**LAP EDIT.** See Split Edit.

**LASER DISC.** A random-access storage device that uses optical, rather than magnetic or mechanical (stylus), reading technology. Commonly used for interactive video disc.

**LAV (LAVALIERE).** Tiny microphone worn around the neck.

**LOCATION.** Any shooting site not in a studio.

**LOG.** Recorded listing of the day's tape recording.

**LOGO.** Identifying symbol

**LS (LONG SHOT).** A wider than average picture of a subject. The subject occupies a small area on the screen and the shot reveals some of the surroundings.

**MASTER.** The original videotape recording of a finished production.

**MATCH-FRAME EDIT.** An invisible edit made by selecting an in-edit point that exactly matches a previously recorded frame. Usually used to extend the edit, often to prepare for a special effect.

**MS (MEDIUM SHOT).** An image of the subject from moderate distance—about average.

**MIX.** Blending of audio sources to create certain sound qualities. See also Dissolve.

**MONITOR.** Television set used for direct playback from a video signal.

**MONTAGE.** A series of related scenes, sequentially edited and/or viewed to create a single impression.

**NARROWCASTING.** Providing special interest programming for small target audiences via a variety of cable TV channels.

**NAB (NATIONAL ASSOCIATION OF BROADCASTERS).** The television industry's self-regulating body.

**NOISE.** The word "noise" is a carryover from audio practice. It refers to random spurts of electrical energy or interference that may produce a "salt-and-pepper" pattern over the picture. Heavy noise sometimes is called "snow."

**NTSC (NATIONAL TELEVISION STANDARDS COMMITTEE).** A broadcast engineering advisory group. NTSC also refers to the established 525-line 60-field system for color television broadcasting that is standard in the USA. (See PAL System for outside the USA.)

**OFF-LINE EDITING.** Editing of videotapes to produce an edit decision list that is used later to edit the final master tape via computer.

**ON-LINE EDITING.** Computer-assisted editing of original tapes to directly produce the edited master.

**OUTTAKES.** Taped or filmed scenes not used in the final master.

**OVERSCAN.** TV picture beyond area of normal screen size.

**PAL (PHASE ALTERNATE LINE).** The 625-line 50-field system used in the United Kingdom, Western Europe, Scandinavia, Australia, South Africa, and other regions. A complete sequence consists of eight fields as opposed to four fields in NTSC.

**PAN.** (Left or right) Pivoting the camera sideways.

**PLAYBACK.** Reviewing scenes that have already been recorded.

**POV (POINT OF VIEW).** A taping style in which the camera takes the position of one of the characters from the script. The viewer sees the action just as that character would see it.

**POST PRODUCTION.** Usually refers to editing or processing that takes place after (post) original production.

**PREROLL.** The tape time, in seconds, that the VTR will roll back from an in-edit point to the cue point before an edit. It provides time on the forward roll for VTR speed stabilization.

**PREVIEW.** A rehearsal of an edit to observe the results of a selected sequence of events without actually recording the signals on the record VTR.

**PRODUCER.** The person who assembles and coordinates the elements that make up a show or program, including budget, scripts, talent, props, sites, etc.

**PRODUCTION ASSISTANT.** Assists producer in coordinating production details.

**PROMO.** On-air announcements promoting an upcoming program or personality.

**PROP.** Abbreviation for property; any portable article on the set.

**PULL BACK.** Dollying the entire camera back from a subject as opposed to zooming back.

**PULL FOCUS.** To intentionally go from soft focus to sharp focus or vice versa.

**RACK FOCUS.** Changing the point in a scene that is in focus, to shift attention to a different area or action.

**ROUGH CUT/EDIT.** A preliminary, rapid assembly of the different sequences of a program or production in the order of their appearance. It provides an approximate idea of the final program but is neither a finished master tape nor a clean edit list. Typically without titles, music, or special effects.

**SAFE AREA.** Ninety percent of the TV screen, from the center of the screen; that area of the display screen (and therefore of the camera scanning area) that will reproduce on every TV screen, no matter how it is adjusted.

**SECAM (SEQUENTIAL COULEUR A MEMOIRE).** Sequential color and memory. A color TV system developed by the French that differs greatly from both the NTSC and PAL color systems. Used in France, USSR, and Eastern Europe. 625 lines 50 fields. See also NTSC and PAL.

**SECOND GENERATION.** A tape copy of the master tape.

**SFX.** Abbreviation for sound effects, the sounds and music in a video program to inject a mood or a sense of reality.

**SHOT.** The actual picture being picked up by the television camera.

**SHOOT.** The actual production.

**SNOW.** Heavy random noise. See also Noise.

**SPECIAL EFFECTS (EFX).** Manipulation of the image to create a unique impact, such as a wipe or split screen.

**SPLIT EDIT.** An edit in which the audio and video edit points are selected independently from one another. New audio can begin either before or after the new video material is recorded. Also called a "lap edit."

**SPLIT SCREEN.** A television screen electronically divided to show two or more pictures at one time.

**STILL FRAME.** A single frame from the videotape held as a "still" and often used as a background for titles, credits, or other graphic materials.

**STOP MOTION.** Freezing a single frame of action into a still picture for as long as desired.

**STORYBOARD.** Artwork that shows the sequence of a television commercial or promotional presentation with all its major visual and copy changes, scene by scene.

**SUPER.** The superimposing of copy (type) on the TV screen image.

**SWITCHING.** Choosing a single picture from between two or more cameras.

**TAKE.** A continuous recording of a scene without stopping. Takes may be very short or consist of several takes, from which the best are selected for the edited master.

**TALENT.** Collective term for performers who appear before a camera or who narrate in a voice-over. Most professionals belong to a union.

**TELECONFERENCE (VIDEO-CONFERENCE).** A live, closed-circuit production using videocameras, microphones and video projection systems to bring together audiences situated in various locations worldwide.

**TELEPROMPTER.** A device that rolls a printed script across a magnified screen in front of the camera so the performer can read it without losing much eye contact.

**TILT.** (Up or down) A vertical camera lens movement.

**TBC (TIME-BASE CORRECTER).** An electronic unit for improving the stability of video signals by correcting the timing flaws inherent in videotape playbacks. TBCs are required for all A/B roll editing. Both digital and analog TBCs are available.

**TIME CODE.** A frame numbering system developed to aid the editing process by assigning a number to each frame of video. Time code is divided into hours, minutes, seconds, and frames. Example: 02:23:35:26 (2 hours, 23 minutes, 35 seconds, 26 frames). It is used primarily in video computer or time code editing.

**TRACK.** Right or left sideways movement of the entire camera on dolly, often to follow moving talent.

**TRANSPONDER.** That portion of a satellite feeding a specific signal used for reception and transmission of a single channel.

**TRANSPORTABLE EARTH STATION.** An earth station capable of being moved from one location to another.

**TV STORYBOARD.** Sheets of paper with blank TV screens on them, used for roughing out the action of a program.

**U-MATIC.** Sony trademark for its line of 3/4" videotape cassette recorders.

**UPLINK.** The transmit portion of a through satellite channel that involves the transmit capability of an earth station and may also include microwave or cable channels to the earth station.

**VDU (VECTOR DISPLAY UNIT).** See Vectorscope.

**VECTORSCOPE.** A trademark name that has become the generic description for a vector display unit or VDU. This test device allows checking of all the color aspects of a video signal. It is normally found in master control rooms and edit suites. Without a vector display unit, it is impossible to determine the quality of a video signal.

**VIDEOCASSETTE RECORDER (VCR).** Equipment that records or play back videocassettes. Also known as videotape recorder (VTC).

**VIDEODISC.** Similar in appearance to a record, it stores a video program for playback on a videodisc player.

**VIDEODISC PLAYER.** Instrument that plays the videodisc, via a stylus or laser beam. It cannot record or erase.

**VIDEOTEX.** A generic term for systems that provide easy-to-use, computer-based services via communications facilities. A synonym for viewdata, it embraces related technologies like teletex. Also spelled videotext.

**VO (VOICE-OVER).** The voice of a person heard but not seen.

**WAVEFORM MONITOR.** A device used to examine the video signal and synchronizing pulses. These devices are normally found in master control rooms and edit suites.

**WIPE.** A special effect in which one video signal replaces a previous signal on the television screen in some predetermined pattern, as when one picture comes on-screen from the left and seems to wipe the previous picture off-screen to the right.

**ZOOM.** A camera action that makes the subject appear to move closer to, or farther from, the camera by moving elements in the lens (as opposed to "dolly").

**3/4".** Still called broadcast quality, the 3/4" format has been the standard for many years. Larger than Home VHS and Beta, 3/4" records the images at a faster rate. Picture resolution and color definition are much improved over VHS.

The 3/4" tape physically wears down, or deteriorates, with each successive generation. A 3/4" camera is connected by a thick cable to a separate recording deck, making it rather clumsy at times. The deck does offer the advantage of playback. Often the cable will send the signal of the tape being played into the viewfinder of the camera, allowing the videographer to watch what has been shot without removing the tape from the camera.

**1".** The 1" format records at a faster rate. It degenerates less than any of the other formats. Shooting with 1" is not very practical in the field because of the size of the recording equipment. For example, 1" is a large reel as opposed to the cassettes used in all other formats. The picture quality holds up even better than BetaCam. You might think of this as having a large negative and making a large print (the same size as the negative). It's beautiful: no graininess, bleeding of colors, etc.





## **Appendix VIII**

---

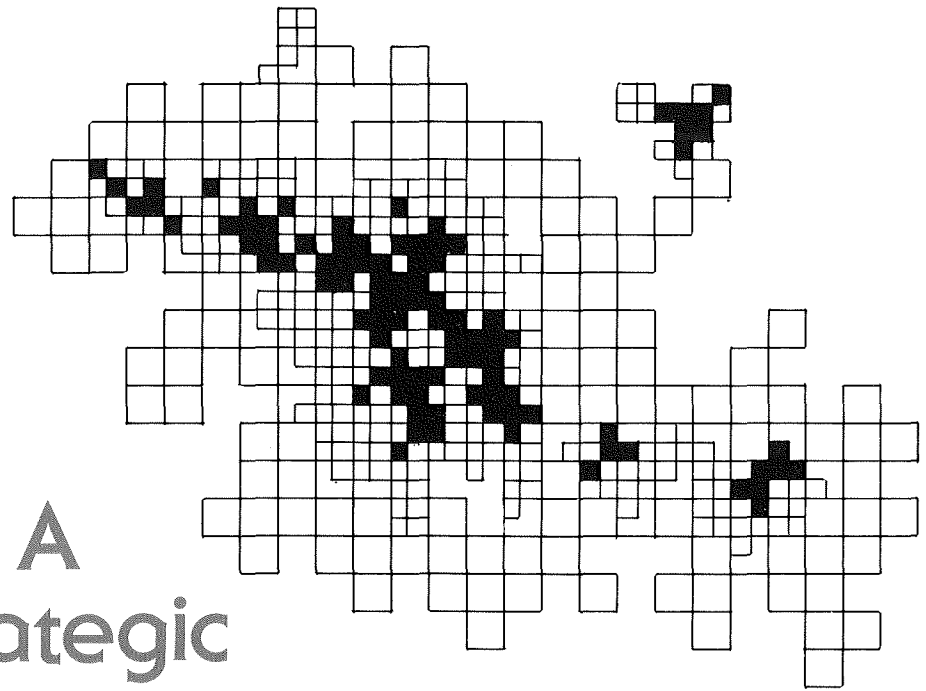
### **Economic Development Handbook**

Communities may find this handbook to be a good source of information on economic development.

**HANDBOOK**

**Second Edition**

**Local  
Economic  
Development:**



**A  
Strategic  
Approach**

# Preface

*Local Economic Development: A Strategic Approach* is a revised and updated edition of a training course that was first published in April, 1981. Development of the first edition was supported, in part, by a grant from the Economic Development Administration, U.S. Department of Commerce (Grant No. 99-06-07024-1).

The second edition of this training package is part of the ICMA Training Institute's continuing efforts to provide useful information and guidelines to managers, administrators, and department heads in local governments throughout the country. ICMA acknowledges the contributions of Stuart S. Hershey and Cheryl A. Farr who managed the original project that examined this issue, Philip Favero, Community Resource Development Specialist, University of Maryland, Cooperative Extension Service who coordinated the revision of this complete training package and the Maryland Cooperative Extension Service for giving Dr. Favero the opportunity to undertake this project. □

The International City Management Association is the professional and educational association for chief appointed management executives in local government. Founded in 1914, ICMA offers a wide variety of programs designed to improve the professional competence of local government administrators.

Since 1934, ICMA has provided correspondence courses based on the Municipal Management Series textbooks through the Institute for Training in Municipal Administration. Today, the ICMA Training Institute continues to offer correspondence programs along with a significantly expanded program of workshops, seminars, and self-administered courses and packages, all designed to meet the changing needs of today's local government managers.

Copyright © 1984 by the International City Management Association, 1120 G Street N.W., Washington, D.C. 20005. All rights reserved, including the rights of reproduction and use in any form or by any means, including the making of copies by a photographic process or by any electronic or mechanical device, printed or written, or oral, or recording for sound or visual reproductions, or for use in any knowledge retrieval system or device, unless permission in writing is obtained from the copyright owner.

Printed in the United States of America.

# Local Economic Development: A Strategic Approach

Second Edition

This handbook was written by Cheryl A. Farr,  
Senior Staff Associate,  
International City Management Association, and  
Philip Favero, Community Resource Development Specialist,  
University of Maryland, Cooperative  
Extension Service

# Contents

Introduction .....	1
<b>Chapter 1:</b> An Overview of Local Economic Development ...	3
<b>Chapter 2:</b> How Does Economic Development Occur? .....	6
<b>Chapter 3:</b> Critical Environmental Factors .....	8
<b>Chapter 4:</b> Assessing Resources and Policy Options .....	10
<b>Chapter 5:</b> Formulating Goals, Objectives, and Strategies .....	13
<b>Chapter 6:</b> Writing and Implementing an Action Plan .....	16
Appendix .....	22

# Introduction

You are a member of a local committee or team examining local economic development in your community. You have lots of ideas. You have lots of questions too. And, you want to work effectively with other members of the team to design and implement a sound economic development strategy for the community. That's why you're involved in this effort. And, that's why you're reading this handbook. It is a guide to help you and your team begin with a common base of knowledge about economic development, in general, and about the specific issues your community is facing. The handbook offers a framework you can use to explore important issues. It can serve as a jumping off point as you explore issues, options, attributes, needs, and opportunities for the future. Think of it as a workbook in which you can jot down ideas, concerns, questions, and disagreements as you read that you can share with the team. If everybody on the team does the homework, you'll have interesting, exciting, and productive work sessions.

## What the Handbook Covers

The handbook has six major sections plus the introduction and an appendix. The major sections cover these important economic development issues:

*An Overview of Local Economic Development.* This chapter introduces the various concepts of economic development, examines key issues, and discusses how megatrends may affect local economic development.

*How Does Economic Development Occur?* This section introduces the idea that both the private sector and the public sector (including local governments) have essential roles to play in the economic development process. The section also examines some key local government actions which serve to promote economic growth.

*Critical Environmental Factors.* This chapter identifies and examines, from a business perspective, five factors in the local climate that influence economic growth. The chapter emphasizes the importance of making comparisons with other communities to judge the quality of the local environment for development.

*Assessing Resources and Policy Options.* This section reexamines the five environmental factors, this time from a governmental perspective, and identifies policy resources local governments can use to influence the factors.

*Formulating Goals, Objectives, and Strategies.* Goals, objectives, and strategies are defined in this sec-

tion and illustrated through a case example. Criteria for prioritizing and selecting strategies are also offered.

*Writing and Implementing an Action Plan.* This chapter offers some suggestions on how to write, implement, and evaluate an effective action plan for economic development.

*Appendix.* The appendix presents some guidelines for critically examining written and verbal information you will be considering during the group process.

The handbook doesn't tell you how to handle specific questions in technical detail. And, it doesn't offer a formula for selecting the "right" approach to economic development. Only you and your team can make those decisions—with some help from this package.

## The Action Process

This training package is designed to help you and a carefully selected team make important decisions about your community's economic future. The package is built around eight important steps that will guide you through the difficult process of analyzing economic issues and designing an appropriate strategy. The steps are:

*Developing a Mission Statement.* Every group of participants using these materials will include individuals with a unique combination of backgrounds, interests, experiences, and, above all, goals for their effort. Thus, an important first step is to identify a set of participant goals which will underlie a mission statement for the group. The group should, for example, make an initial decision about whether it prefers to act purely in an advisory role to the local government or whether it wants to undertake projects in a more active way.

*Defining Issues.* Once you have a common mission you can begin identifying the key economic development issues in your community. Issues contain conflicts between what is and what could or should be. Issues may involve either problems, opportunities, or both. Because it's important to anticipate *future* issues as they evolve over time, it's useful also to consider emerging economic megatrends. Megatrends are broad economic forces likely to affect your community's development issues in the future.

*Assessing Environmental Factors.* Each team will be considering economic development policies which operate within the context of the economic, social, and political environment of the community. It's important, therefore, to identify emerging trends in the environment of your community. By comparing trends in your home

community with trends in comparable and in competitive communities, you can assess the significance of various environmental factors and relate them to the issues you've already identified.

*Identifying Resources.* Your community has resources for solving key economic issues. It's important to assess those resources and to consider how they relate to your development issues.

*Formulating Goals, Objectives, and Strategies.* With a common mission and knowledge base about key issues, environmental factors, and resources, you're in a position to formulate policy goals, objectives, and strategies. A *goal* is an end or result to be achieved. An *objective* is a specific accomplishment which will help you meet a goal. A *strategy* is the policy action you'll undertake to reach an objective.

*Developing an Action Plan.* The process of developing a policy strategy to resolve an economic development issue is important in and of itself. New shared understanding and, perhaps, greater political consensus are likely outcomes of that process. But, actual implementation of a strategy is necessary to resolve an issue.

*Reexamining Issues and Policies.* Because issues

evolve over time, reconsideration of previous economic development policies is needed in light of new ideas and information about emerging issues. It's valuable to reassess the strategies you've adopted to make sure you're moving in the appropriate direction. Reexamining issues and strategies is an ongoing process once you've finished a first set of meetings. You should also expect, in time, to recognize the need to initiate another planning process. □

## **Summary of the Economic Development Action Process**

---

- Step 1:* Developing a Mission Statement
  - Step 2:* Defining Issues
  - Step 3:* Assessing Environmental Factors
  - Step 4:* Identifying Resources
  - Step 5:* Formulating Goals, Objectives, and Strategies
  - Step 6:* Developing an Action Plan
  - Step 7:* Reexamining Issues and Policies
-



# Chapter 1

# An Overview of Local Economic Development

Local economic development can be defined as an improvement in the material well-being of people residing in a local area. Various dimensions of economic development have been emphasized by different observers. Most commonly, economic development is related to economic growth—an increase in personal income. Other observers have related economic development to the *re-distribution* of incomes in favor of poorer people in a community. Some students of economic development have emphasized the protection and enhancement of natural resources as a key aspect. Still others have noted the relationship of political and economic influences on material well-being and have argued that economic development necessarily involves an increase in the political influence of less privileged people.

It's important at the outset to realize that an economic development policy can involve one or more of these dimensions. Because of the popular concern for economic growth, the major focus of this handbook and training package is the growth dimension. But, it's also important to recognize that the consequences of any economic development policy will often involve trade-offs among different dimensions and will cause some undesired (but hopefully not unexpected) consequences.

Consider, for example, the dimension of economic growth as seen from both the local government and local business community perspectives.

## **Economic Growth: The Local Government Perspective**

Local governments are interested in the efficient and equitable distribution of public services and programs. A stable tax base is important because property taxes are a major local government revenue source. Since businesses usually produce more in tax revenue than they demand in public services, a healthy business sector contributes heavily to a stable tax base. Consequently, local governments are interested in attracting new businesses as well as retaining and encouraging the expansion of existing ones. Business growth also means jobs for people—and jobs provide incomes which allow residents to purchase both private and public goods and services. Increased earnings can lead to more citizen support for tax increases to cover public services and facility costs. In addition, increased earnings can reduce local government costs in areas like unemployment compensation and police services.

Economic growth may sound like a perfect cure for

local social and financial ills, but it also has “side effects.” Some possible side effects of local economic growth are:

- Increases in commercial or commuter traffic, air or noise pollution, the demand for and cost of housing, and the demand for public services;
- A negative tax impact on the local government budget (at least over the short term) because of tax breaks or other financial incentives used to encourage businesses to locate in the community;
- Expenses to the local government for recruiting industries without a direct or commensurate increase in benefits to the community when economic growth takes place (the government puts more into the economic growth program than it eventually gets out of it);
- An influx of new workers to fill new jobs either from out of town or transfers from other local businesses without any reduction in local unemployment or poverty;
- A mismatch between new jobs created by the economic growth program and the existing job force or fewer jobs than had originally been expected to meet the unemployment needs of the community.

## **Economic Growth: The Business Perspective**

Although terms like “business community” or “private sector” are useful labels, it's important to remember that the private sector is a group with diverse interests and concerns. One *common* factor is that private sector activities are motivated by profit. Profit is more than cash flow after debt service, operating expenses, and taxes. The amount of profit made in relation to the equity investment in a business is called the *rate of return*. A business is attracted to a location when the owner feels the company's operations can achieve a reasonable rate of return at that location.

For the moment, let's think about why current business owners would be interested in local economic growth strategies. Some possible reasons are:

- Businesses are linked together and can gain from one another's gain. For example, having a large department store locate downtown can increase sales at nearby stores by increasing the number of shoppers in the commercial area. Similarly, a loan to a widget manufacturing company to buy new machinery and reduce

the cost of producing widgets can lower parts costs for another local business which uses widgets for its own products.

- Local government decisions about economic growth can affect the investments of local businesses. For example, a local government decision to repair and upgrade the streets, sewers, and utilities in specific neighborhoods may influence a business' decision to lease a building or build on a specific site. Or, a community development program to rehabilitate housing and streets in a neighborhood may influence a bank's decision to lend money to a neighborhood store. Knowing when and where public funds will be spent can help businesses make personal investment decisions and can influence local financial institutions' willingness to make loans to homeowners and businesses in riskier areas.
- Businesses like good public relations. Some corporations may contribute to local projects to strengthen their image as civic-minded businesses. Or, more simply, many business owners are genuinely proud of and concerned about their community and contribute heavily to efforts to improve it.
- Because economic growth is an activity influenced by both business and local government actions, an effective program depends on businesses letting the local government know how it can be most helpful. For example, a local government-sponsored job training program works best with input from businesses about the kinds of labor they need and can't get.

There is also another side to economic growth from the business perspective. Some of the adverse impacts businesses see are:

- Some forms of new growth may threaten existing businesses by increasing the competition for laborers with specialized skills and driving up the wages businesses must offer.
- Some programs may appear attractive in the abstract, but become oppressive when imposed on an owner. For example, a sign design regulation in commercial districts may seem like a good idea until a company's flashing neon sign is cited as unattractive.
- Business owners involved in developing a project may get angry if they perceive other businesses will benefit more than their own will from the project. For example, a parking lot behind a commercial district sounds fine, but choosing a specific site can cause bitter arguments.
- An economic development program geared to attracting new businesses can cause existing businesses to feel slighted if their needs aren't also addressed.

In summary, economic development involves various dimensions, all of which can be considered by a local development task force. Any particular strategy which

the group promotes, however, will mean giving up achieving some dimensions, at least in part, to achieve others. Moreover, any development policy will have its negative impacts—at least as perceived by some members of the community. An effective economic development program involves defining a realistic policy, recognizing trade-offs, anticipating negative as well as positive consequences, and achieving an effective political consensus which satisfies the concerns of merchants, residents, environmentalists, and other groups. A successful economic development approach depends heavily on regular private sector activities and commitments while recognizing that some public goals (like employment of unskilled laborers) may not be addressed by business because alternative choices (like automation) are more profitable. It also recognizes that there may be profitable opportunities for business growth in the community of which the private sector is not aware.

## Megatrends

For local economic planning efforts, megatrends of interest include regional, national, or even international trends which influence the local economy. It's useful at the outset to distinguish between cyclical and structural trends. Cyclical trends are associated with the pattern of growth-recession-growth which characterizes our nation's macroeconomy. Structural trends are all other trends, often brought about by changes in technologies or in market relationships.

Unemployment provides an example for distinguishing between cyclical and structural trends. A portion of unemployment can often be explained by current macroeconomic conditions and thus is cyclical. During a recession, cyclical unemployment rises and as growth is reestablished, it falls. But, another portion of unemployment is structural, caused by factors such as the introduction of new technologies or products which make some work skills less marketable. Even at the recession's end, structural unemployment will continue to exist even if cyclical unemployment has been eliminated.

*Cyclical Trends.* While an individual local government cannot influence cyclical trends, local policies can reduce the risk that macroeconomic conditions will have adverse impacts on the local economy. Local governments can lower the risk of such adverse impacts by promoting a diversified local economy, an economy not overly dependent on a single large employer, especially an employer whose product sales swing with the national economy. A scan of current cyclical trends is possible by consulting a selection of the various macroeconomic outlook statements issued periodically by public and private organizations. Such statements provide at best, however, reliable insights for only the next several months or a year.

*Structural Trends.* A scan of structural trends by a local economic planning team could involve a selection of topics such as:

- What do state and national analysts predict as a relative growth rate for your state? Can your economic development efforts catch the coat tails of a rapidly expanding state economy or do you face more difficult conditions?
- How well positioned are you to take advantage of the trend away from employment in manufacturing and toward the service sectors of the economy? The steady growth in the share of employment in services related to manufacturing reflects both technological change and some loss of competitiveness in manufacturing. Some manufacturing firms will revive their market competitiveness through the introduction of new technologies such as robots. But, such automation itself may further reduce employment in some manufacturing sectors. The structural shift in the economy toward services and high technology manufacturing suggests for local governments the importance of providing a good environment for firms which use or manufacture new technologies or hardware—firms which may be interested in a well-trained, adaptive local labor pool. Some service sectors such as tourism may also have good growth potential.
- How strongly does your community support small businesses? Small firms are likely to continue to provide most of the new jobs in the economy. But, small firms have high failure rates. Common weaknesses in small firms include difficulties in finding money, ineffective management, and relatively high transactions

costs for expenses such as legal, accounting, and printing services and for compliance with official permits and regulations.

- How adaptable is your local economy to rapidly changing environmental forces? Local economies are increasingly more open, more affected by outside forces, and more integrated into national and international markets. More open local economies increase the importance of a flexible local labor force and place a higher priority on good local communications and travel facilities such as modern airports.

*Adjusting to Megatrends.* Each community can create certain local conditions to cope with and take advantage of emerging megatrends. Some common ideal conditions include:

- Flexible natural resource use regulations based on informed citizen support and the recognition that not all manufacturing facilities are inherently unattractive;
- A high quality local labor pool with good work attitudes and a local ability to adapt training and skills to new labor demands;
- Skillful entrepreneurs;
- A community that supports commerce and ongoing efforts to reduce risks, barriers to capital, and transactions costs;
- A clean, enjoyable, and attractive environment. □

# Chapter 2

## How Does Economic Development Occur?

The United States has a *mixed* economy in that both the public and private sectors have a hand in providing for material welfare. An understanding of the roles of both sectors and how those roles translate into activities at the community level establishes a framework for local economic development planning.

### Role of the Private Sector

Participation in a market economy means making investments and selling products. Individual laborers, for example, invest time and treasure in their own skills and abilities. Then they sell their productive efforts to employers. Businesses undertake the risk of investing in their productive capacities. Then they sell their goods and services to consumers or other businesses.

The sale of products in a market system involves a transaction by which both buyer and seller can gain. A market system affords individuals and business firms the opportunity to specialize their productive efforts according to their own comparative advantage, then to sell the fruits of those efforts to obtain the products of others.

### Role of the Public Sector

In a mixed economy, government plays several roles. First, government establishes and protects social order upon which market transactions depend. Government creates and protects property rights, thereby establishing certainty in market transactions.

Government also makes investments and provides services which society values, but which entrepreneurs are unlikely to provide in the quantity which society desires. Some examples of such investments and services are public education, roads and bridges, public research, police protection, and military defense. Government also has a regulatory role in reducing undesired consequences of market activities such as through food, drug, and environmental regulations. Finally, government in a mixed economy redistributes income by assisting those least able to function in a market system. Such assistance reflects a sense of social fairness and encourages the continued social participation of the disadvantaged.

### Activities to Promote Economic Growth: Encouraging Entrepreneurs

The most important local activity in promoting economic growth is to create an environment which encourages

entrepreneurs to engage in business activities. A number of environmental factors are critical to that activity and these will be discussed in the next chapter. Those critical factors include enhancing local market characteristics and the quality of life, and providing the necessary land, labor, and capital inputs needed for local business production.

Encouraging entrepreneurs involves both attracting new businesses and assisting existing businesses. Four types of local programs are frequently used.

*Industrial Attraction.* There are two underlying reasons for industrial attraction programs—there are businesses which would be interested in the community if they knew more about it, and attracting these industries to the community would increase the tax base and/or provide needed jobs without significant negative consequences. Some of the specific activities undertaken in an industrial attraction program include:

- Providing information on available sites, labor, and community characteristics;
- Marketing sites to industries that would be complementary to existing industries or would enhance the economic base through diversification;
- Offering tax breaks, low-cost land, revenue bonds, or other incentives to encourage industry to locate in the community;
- Streamlining permit processes to reduce the risk associated with development proposals in the community.

*Industrial Retention.* The underlying assumptions for retention programs are that most of the growth in the local economic base will come from *existing* industries and helping current businesses is the best way to attract new business (in addition to the additional jobs and tax base the expansion may provide). Some of the activities associated with retention programs include:

- Helping businesses learn about potential sites for expansion and offering tax breaks, low-cost land, revenue bonds, and other incentives to the expanding industry;
- Providing a local government ombudsman to serve as a contact point for all business questions and needs, and to provide assistance in complying with local, state, and federal regulations;
- Giving business areas efficient, reliable public services

such as snow removal, road repair, police protection, garbage pickup;

- Soliciting information and ideas from business leaders regarding labor needs, local development problems, etc.

*Commercial Redevelopment.* The underlying assumption for these programs is that a commercial area isn't capturing its full share of the available market for its goods and services. Some of the approaches that local governments have used in commercial redevelopment include:

- Providing management skill building courses for new entrepreneurs;
- Providing new utilities, streets and sidewalks, parking areas, plantings, and/or street furniture to give the area a new look and to attract more shoppers;
- Providing grants, partial grants, or subsidized loans to encourage local business owners to renovate building facades;
- Encouraging the creation of a business association to handle joint advertising, common store hours, and other mutual services;
- Identifying market gaps (e.g., the need for restaurants) and actively soliciting the prospective businesses to fill those gaps.

*Commercial Development.* The underlying assumption in commercial development programs is that an untapped market exists for consumer goods and services. Local government involvement includes:

- Creating or modifying zoning and land use regulations to encourage development;
- Analyzing circulation and parking systems and providing municipal lots or garages;

- Offering publicly-owned land or buildings for sale or lease at a low cost to commercial developers or entrepreneurs through a competition for the best proposal for the building's design and use.

## Two Important Activities

Two local activities fit within the overall idea of encouragement for entrepreneurs that are worth emphasizing on their own. They are: investing in knowledge and establishing complementary businesses.

*Investing in Knowledge.* Investments in human knowledge are made by individuals, governments, and private firms. Economists have come to realize that in an environment which encourages entrepreneurs, knowledge is the key input for economic growth. Knowledge involves skilled workers, capable managers, and the adoption of new technology. As the national economy has become more integrated into the world economy, it has become apparent that much of the United States' comparative advantage for trade lies in high skill, high technology industries. The implication for local economic development planners is not only that high technology businesses are often growing concerns, but also that public and private efforts to promote greater labor and managerial knowledge within the community are increasingly important.

*Establishing Complementary Businesses.* Establishing complementary businesses occurs through public and private action. Economic growth "takes-off" when complementary businesses are formed to buy and sell products among themselves. Mostly, the establishment of complementary businesses occurs because businesses seize opportunities to make profits. Yet, local development planners can play an important role in identifying voids in complementary business activities and in supporting public and private efforts to fill those voids. □

# Chapter 3 Critical Environmental Factors

Strategies for local economic development occur within the social and physical environment of a community. This chapter identifies five environmental factors that are critical because they underpin a community's ability to encourage entrepreneurs *and* can be influenced by local government policies. In this chapter, each of the environmental factors is viewed from a *business* perspective. As you read the chapter, think about the nature of each of the five factors—market characteristics, quality of life, labor, land, and capital—in your community. Begin thinking, too, about the critical factors as they exist in communities of similar size and quality and in communities with which you compete for jobs and income. How do you stack up against those other communities? What are your comparative strengths and weaknesses?

## Market Characteristics

A location's attractiveness for a new or existing manufacturing business is determined by the cost and availability of the materials, power, labor, and transportation needed to bring together raw materials, produce goods, and ship the goods to their final destination at a total cost that will allow them to be sold profitably. Retail businesses are similarly influenced by the cost and availability of goods and the operating costs of their facilities. Not *all* private sector activity is influenced by these factors in the same way. Service sector corporations which rely heavily on telecommunications are more "footloose." Their location decision isn't constrained by the need to be near a raw material or the market for their operations, although the desirability of face-to-face contact with clients often encourages such businesses to locate near major clients.

Many business activities tend to establish complementary relationships and cluster in certain regions of the country. As a result, competitiveness for business development is linked to regional attributes and the community's location within that region. State and federal expenditures on transportation systems and the natural characteristics (topography, access to ports, etc.) of the community are also important. Some of these factors are "givens" which a community must live with or which can only be changed through interjurisdictional cooperation or over a long period of time. For example, getting a major state road built to increase access to a community or developing new energy sources to reduce operating costs usually requires close cooperation among several jurisdictions. As a result of these non-local influences,

some communities are less likely than others to be attractive homes for businesses.

## Quality of Life

Quality of life means something different to everyone. Some quality of life factors are regional rather than local in character, like climate and natural features (mountains and lakes) which provide recreational opportunities. However, some quality of life factors do have a local scope. Most of the major ones for businesses are the same as those which attract residents because business owners are seeking an environment they and their guests will enjoy. Some important quality of life factors include:

**Schools.** The number and quality of local schools is important, including not only public schools, but also private and parochial schools, pre-schools, vocational schools, colleges, and continuing education programs. Depending on the business labor force needs, diverse educational facilities can be particularly important.

**Housing.** The current and long-range availability of housing in a variety of price ranges, styles, and neighborhoods to meet the needs of both labor and management is especially important for large companies. Three variables help to determine the future availability of housing—the availability and zoning of vacant parcels; the community's infrastructure expansion plans; and the availability of builders, contractors, and lenders to construct and finance units.

**Health Care Facilities.** This variable includes both local private practices and hospital facilities (the number of and specializations of affiliated doctors and the available services).

**Local Social and Recreational Amenities.** Amenities are an attraction to many businesses, including both public and private parks, playgrounds, open space, golf courses, beaches, swimming pools, libraries, theaters, museums, marinas, civic organizations, and religious facilities. Businesses are also interested in hotel and restaurant facilities for meetings and out-of-town guests. Another plus for a community is an attractive and convenient retail area for employees.

**Local Attitudes.** The local attitude toward business development is a concern for business. For example, are regulatory restrictions unusually strong or permit processes lengthy because of neighborhood protests against nearby business development? Or do local officials give lip service to business development without following through when problems arise? Are businesses treated

well—provided with public services and listened to about gripes—once they are members of the community?

## Labor

The costs of labor—direct wages, as well as fringe benefits—represent a significant proportion of the operating costs of most businesses. Businesses are also concerned about:

*The Quality of the Labor Force.* Businesses seek locations where the local labor force is known for high productivity, low absenteeism, and commitment to an employer. Quality of labor is becoming increasingly important.

*The Quantity of Labor Available to Meet Their Job Specifications.* A surplus of workers with skills needed by businesses helps to hold down wages and benefits to affordable levels. A business which can't hire employees with necessary skills locally must either provide on-the-job training or recruit from other areas—often at a greater expense and not always successfully.

## Land

Once a business has identified an area as a potential location for its operations, the process of choosing a specific site begins, and as a result, not all the considerations listed below will apply. Some important site considerations are:

- Availability and cost of utilities in sufficient and reliable quantities;
- Restrictions or requirements on site development, parking areas, and site or building design;

- Access to transportation facilities such as roads, airports, rail sidings, etc.;
- Site visibility in a way that will produce a positive corporate image;
- Site proximity to frequently used services like printers or to important clients;
- Site accessibility and attractiveness for the labor force;
- Estimated tax costs and public services provided;
- Availability of builders and construction financing;
- Estimate of cost, time, and risk involved in local and state permit processes.

These aren't the only considerations, but they are major ones. Depending on the business owner, some factors will be seen as more important than others. Don't discount the unforeseeable. The final choice may be made based on the proximity of the site to the owner's home.

## Capital

Businesses need money for *working* capital to pay for operating expenses and *debt* capital to pay for high-cost, long-term expenditures like the purchase of new machinery and buildings. Businesses also borrow to finance the construction of new facilities. Businesses are concerned about both the amount of cash needed and the borrowing terms (the term of the loan and the interest rate charged). Capital is generally borrowed from banks, but other sources include investors who participate in company profits and insurance companies which finance large long-term debts. For many small businesses, access to debt capital is a major stumbling block to expansion. □

# Chapter 4 Assessing Resources and Policy Options

Now that you've considered some critical environmental factors and thought about how your community compares with others, what can you do about it? You can reconsider each of those factors and relate them to resources at your community's disposal and to an array of policy options to help you build on your strengths and reduce your weaknesses. This chapter examines the same five critical environmental factors from the perspective of local government.

## Market Characteristics

Resources for enhancing market characteristics include the local government's ability to gather and disseminate information and financial resources for providing assistance, and incentives to attract new firms or to maintain existing ones. It's important when considering your local government's ability to influence the market characteristics factor to evaluate how your community relates to its region and how the region relates to the national economy. Your team can, through such an evaluation, get a feel for how successful a particular strategy might be. This doesn't mean you should avoid innovative strategies. But, if you're in a small community with limited funds to spend on economic development, it's helpful to separate the long shots from the safe bets. Understanding the local and regional economic base is the first step in doing this.

A local government's market-related policy options include:

- Seeking ways to diversify and strengthen the existing market by providing information or incentives to other complementary types of business;
- Collecting data which identifies unmet market needs and encourages the development of new businesses or a change in the practices of existing businesses to capture the available market;
- Using the needs of the local government itself for office space and services to influence the development of private sector activity (e.g., leasing space in a new office building or using the local government's influence as a large bank customer to encourage the bank to offer loans to new, worthwhile businesses).

## Quality of Life

A large business sector can help a local government pay for the public services and facilities that contribute to the

quality of life without causing excessive residential tax burdens. But, a large business community can also interfere with the quality of life because of noise, traffic, congestion, or unattractive facilities. From the local government's perspective, a primary issue will be how to maximize the benefits and minimize the problems associated with the growth of businesses *and* the residential growth that both attracts it and is attracted by it. Careful attention to the types of businesses allowed and the design and location of business areas through the use of reasonable local regulations can minimize adverse impacts.

Resources available to local governments to influence their community's quality of life include:

- The base knowledge about the demands of present and potential residents for quality of life factors;
- Revenue gathering and spending powers;
- Abilities to obtain state and federal monies;
- Management skills to provide local programs and services;
- Influence over local attitudes toward business development.

Some local policy options to promote a quality of life more conducive to business include:

- Reordering the mix of public services;
- Changing the size or incidence of the local tax burden;
- Employing underutilized sources of revenue such as user fees to improve one or more quality of life factors;
- Making businesses more aware of existing qualities of life.

## Land

There are a number of resources which local governments can use to affect the availability and cost of land for business development. One of the keys to any development program is being able to supply interested parties with information about public and privately-owned land and buildings for development or purchase. This data should include as much information as possible about available utilities, zoning restrictions that apply to all or part of the land, the size of the parcel, rail, water, air, and road access, and a sales price, if one is known. Data sheets on individual sites are most useful. This information should be made available to area realtors of business property and local staff. A suggested format for collecting this information is included in the survey packet



that accompanies this training package. Some of the common policies local governments can pursue to influence the attractiveness of the local sites are:

**Zoning Changes.** Local government's most common influence on site attractiveness is through zoning regulations and procedures. Changing the zoning to allow for industrial or commercial uses won't guarantee an influx of businesses. But, if there is a demand for business space and accessible, attractive parcels with utilities available are zoned for business uses, development is more likely to occur.

Many developers feel that one of the best ways smaller communities can encourage development is to reduce the risks involved with land development by simplifying and clarifying regulations and permit processes. Local governments can use an expediter to provide a single contact person for all business development activities. This "one-stop" permit process helps developers prepare applications that will address the questions and concerns likely to be raised by permit agencies or boards. This approach can also reduce direct costs of holding an option on land by compressing the time frame for obtaining necessary permits. It also may give the applicant a clearer view of the likelihood of approval from the outset which helps the business owner or developer assess the risk of a particular project.

**Providing Infrastructure.** Local governments frequently encourage land development by providing the infrastructure needed to make a site useable. The costs of developing a site will be significantly lower if roads, utilities, and sewer and water lines reach to the edge of the parcel. But, there are risks involved if the local government invests in this infrastructure without having firm commitments from businesses to buy the parcels. Land may remain unsold for several years with little tax revenue to offset the cost of the infrastructure development and maintenance.

**Community Industrial Parks.** Some local governments become directly involved in the development of municipally-owned sites for industrial parks. The land is divided into parcels, with infrastructure provided, and is then sold to industries. Because grants or low-interest federal loans are frequently used to provide the infrastructure, the cost of this land can be quite competitive when compared with similar parcels for sale from developers. However, many of these parks have suffered from lack of market demand for the space.

**Land Assembly.** In well-developed communities, there may be few parcels which are large enough or at an appropriate location to attract interest. To deal with this problem, local governments can assemble several parcels and sell them at below market value. In areas with little open land or high per acre costs, land assembly can make the community much more attractive for development. "Eminent domain" proceedings are often used in these projects, or land may be seized for non-payment of taxes. The assembled land must be considered blighted to use eminent domain proceedings legally. There are also risks in this approach. For example, some com-

munities have overestimated the market interest in assembled property, leaving the local government with cleared sites but no private development interest.

**Land Leasings.** Local governments can also lease public land for development. This reduces need for upfront money to purchase land and provides a potential tax deduction (rental costs may be tax deductible). The local government receives lease income as well as property improvement taxes and other business development benefits.

**Land Swaps.** Land swaps represent another opportunity to use publicly-owned sites to encourage development. For example, in *Mercer Island, Washington*, the city manager was informed that a large corporate employer planned to leave a local office park because the site wasn't large enough for a necessary expansion. The manager met with corporate executives and proposed that the town and the corporation exchange two parcels—a large municipally-owned site near downtown in exchange for the corporation's land and building in the office park. The corporation was able to write off its gift of the building to the town and earn more profits through the use of tax losses than it would have made through the sale of the building after payment of capital gains. The corporation constructed a new building on the downtown site and the city ended up with a prime 37,000 square foot office building which could be used in several different ways or could be sold to raise money for special programs.

## Labor

Issues involving the labor force are sometimes at the heart of local interest in economic development. The local government may want to provide jobs for unemployed, unskilled workers, provide job skill building and training to improve labor force skills, or provide jobs that will encourage immigration (or prevent outmigration) of the labor force. Local governments recognize that the private sector won't necessarily address these issues because it may not be profitable. Labor force incentive approaches range from local or federal subsidies for on-the-job training to the encouragement of new development to provide needed jobs.

As resources, local governments have at their disposal funds for educational programs, information gathering abilities, and their capacity to bring opposing parties together. Here are a few policy options:

**Job Skill-Building Programs.** Local governments commonly provide job-related skill development for residents through high school vocational programs and adult education classes. To be useful, these educational programs must focus on the kinds of skills local industries require. Therefore, local employers should have input into the content of local vocational programs. Federal funds may be available for some job skill-building programs.

**Information Collection.** Companies that are interested in a community will have many questions about

how equipped the local labor force is to meet their needs. They will want to know if there are enough workers to fill available positions and what kind of competition there will be for those workers. They may also want data on standard paid holidays and vacations, standard work weeks, and a breakdown of average wage rates (by race and sex) for skilled, semi-skilled, and unskilled labor. Local governments can gather this information through employer surveys or from the state employment division.

*Labor/Management Programs.* When the local labor/management climate has a history of strikes and slow-downs, local government officials sometimes serve as mediators between labor and management. This has occurred in communities with highly unionized firms whose employees are antagonistic to the management practices of the firm or plant. By providing a forum for management and labor leaders to talk, the local government may ease tensions which create a negative business climate. Local officials in *Jamestown, New York*, intervened in this area after several businesses left the community because of labor problems. Joint business-labor teams were developed on a plant-by-plant basis to seek ways of improving conditions within specific plants. The results were improved working conditions, fewer strikes, increased worker productivity, and a changed perception of Jamestown as a place for business.

## Capital

Local governments can use, as a resource, their access to capital to encourage the development or expansion of businesses. Or, the government can reduce capital costs for businesses. Some of the actions local governments take in this area were listed earlier under the factor *land*. Some other possibilities include:

*Tax Abatement.* One tool local governments have used to encourage development is to offer tax abatements for a given number of years. However, most businesses say tax abatements don't directly affect their location decisions. Tax issues are most important at the federal level, where treatment of corporate profits and losses can drastically affect profitability. Although local property and sales taxes do vary, businesses are more concerned about the long-term stability of the tax rate and the relationship between taxes and services across communities rather than the tax level itself. Taxes constitute a small percentage of total costs for businesses, so getting value for the tax dollar is generally more important than the absolute cost. In addition, tax abatements don't always net a profit for the local government in the long run. Following a ten-year abatement, a business can shut down, leaving people out of work because the business owner had depreciated the assets quickly and taken the tax losses in the closing of the business. The local government is left with ten years of foregone tax revenues, unemployment problems, and an empty building. As a result of these concerns, local government should approach tax abatements cautiously.

*Tax Increment Financing.* Tax increment financing is a technique which local governments use to finance public infrastructure costs for specific private development projects. The technique uses the increase in tax revenue produced by the rise in assessed value of the property after development to finance related public investments. For example, a local government might float bonds to cover the costs of clearing the land and preparing it for private development. After the property is improved, the difference between the pre-redevelopment assessed value and the new assessed value is used to repay the debt on the local government bonds. This approach can only be used when specifically allowed by state law.

*Federal Programs to Cut Private Capital Requirements.* Local governments also use federal funding from programs like the Community Development Block Grant (CDBG) program to provide capital to businesses for the expansion or location of facilities or the purchase of machinery. This can be done through direct loans and through bank loans where part of the interest cost is paid by the local government. Similarly, federal funds can be used to provide infrastructure, parking, and other public facilities.

*Public Investment.* Local governments can use the impact of proposed public investments to encourage private development. For example, a local government might agree to rent part of the space in a new building for its own use or to develop amenities near businesses which have made substantial private investments.

*Industrial Development Revenue Bonds.* Industrial revenue bonds are another resource local governments use to finance business development and expansion. States regulate their use and limit the dollar amount of the bond issue. Because the interest rate on these bonds is tax exempt, the subsidy costs represent lost revenues for the federal government. Industrial revenue bonds typically provide a cheaper source of long-term capital than conventional lenders.

*Local Development Corporations.* A local government can encourage (or participate in) the formation of a Local Development Corporation (LDC) certified by the Small Business Administration (SBA). LDC's can be either for-profit or non-profit. They are created to help small businesses gain access to debt capital for buildings and machinery through SBA direct loans or loan guarantees.

*Management Expertise Assistance.* Some small business entrepreneurs need technical assistance to learn how to put together workable loan packages, to develop information on their business plans that will encourage investors to provide them with financing, or to manage cash flow effectively. A federal program providing this service is the SBA Service Corps of Retired Executives (SCORE) program in which retired executives offer their expertise to less experienced businessmen. Some local governments or LDC's have hired staff to provide this expertise to local entrepreneurs. □

# Chapter 5 Formulating Goals, Objectives, and Strategies

The first four chapters of this handbook were designed to help you understand the factors influencing your community's local economy. Through this process, a number of issues and opportunities facing your community have undoubtedly surfaced. Within your team, and most certainly within your community, you won't find complete agreement on which issues are most critical or which opportunities are most appropriate for action. This disagreement may stem from the desire to attain goals which are sometimes in conflict. Growth of the business sector may be an important goal to your community, but maintaining the quality of life may be equally important. In some cases, those two goals will conflict. New development, for example, can bring heavier traffic, additional residents, and a host of other impacts which may be undesirable. This chapter will highlight some of the issues to be addressed in choosing priorities among problems and opportunities facing your community.

As your team moves through the process of creating economic development strategies, you should be moving from general ideas to specific steps you will take. It's important to look at your problems and opportunities in ways which can be implemented. To help explain the process of going from a general concept to a specific step this chapter provides a case study, using three key concepts: a *goal*, an *objective*, and a *strategy*. In the context of the case study, a *goal* is an end state or result to be achieved. "Revitalizing downtown" or "bringing industry to our community" are examples of economic development goals. An *objective* is one aspect of a plan that will help the community reach its goal, such as improving access to and circulation through the downtown. A *strategy* is what must be done to implement an objective, like "rerouting through traffic on Main Street to Highway 5" or "creating 45 additional parking spaces at the corner of Park and Maple." Objectives should be related to specific, measurable strategies. For example, the parking lot with 45 spaces was built, or four companies which could not get loans through conventional sources were given the capital they needed to build new plants or expand their current facilities.

## Case Study—Towncenter

Towncenter was downright shabby. Neon signs jutted out from many of the buildings. Shop facades weren't what they had once been. Lowered sales volume had discouraged many shop owners from maintaining or upgrading their buildings. Streets and sidewalks were ad-

equated from a public safety standpoint, but the asphalt paving was unattractive. The *goals* of the Towncenter Planning Committee (TPC) were to bring customers back to the downtown and to make it a place that local residents viewed positively. The committees' *objectives* were: to make the area more attractive to customers; to make shopping more convenient; and to create public spaces and a mix of uses to create a town center feeling. Under each of these *objectives*, the TPC listed these strategies:

### *Make the Area More Attractive to Customers.*

- Add street amenities (new sidewalks, benches, fountains, planters);
- Bring in new stores, primarily restaurants and specialty shops, to increase the market draw of Towncenter;
- Clean up the cluttered appearance of buildings by encouraging (and requiring where possible) facade and sign improvements.

### *Make Shopping More Convenient.*

- Provide more short-term on-street parking for quick stops;
- Add parking at the north end of the commercial area to encourage more pedestrian traffic;
- Provide lights and wall murals in alleys to connect the parking at the back of stores to Main Street and to make those parking areas feel safer.

### *Give the Area a Town Center Feeling.*

- Make a focal point of the town library by renovating it and providing a fountain and seating space in front;
- Encourage non-retail uses (offices, banks, insurance companies) to locate in the downtown area;
- Schedule town events such as parades in the town center area.

The TPC decided to focus on visual changes that would show public and private commitment as a first priority. The city offered to provide street furniture and sidewalk improvements in front of any business which paid for its own facade renovation. An architectural firm was hired to sketch several alternative renovation schemes for each of the buildings in the six block area. Members of the TPC then went from store to store to encourage owners and merchants to participate in the program. After a few owners agreed to the proposal and implemented modest design plans, others began to do the same. At the same time, the TPC began working on a sign law governing the type of signs that could be put up in the

future. In this example, the economic development team gave priority to getting a visible example of commitment from both the city and businesses to the town center area, without spending a lot of money.

## Learning from Towncenter

There are several points to consider in reviewing the issues facing your community and identifying alternative strategies. Some important things to think about are:

**Knowledge Base.** What strategies are suggested by previous discussions of megatrends, critical environmental factors, and resources? Some programs may be too far beyond your financial capacity to be realistic. If a strategy is beyond your ability to fund, try to find more economical versions of the same program that will fit your budget.

**Linkage.** In identifying strategies, you should consider the effect actions will have on overall goals and objectives your team plans in the future. For example, the Towncenter decision to focus on facade renovations and street improvements in its first phase hinged on the TPC's belief that a physically more attractive center would encourage new businesses to open in Towncenter.

**Measurable Success.** An effective economic development program requires visible or measurable successes that can be used by funding agencies, businesses, and others to justify support or involvement. If visible successes are achieved early enough in the process, they can be used to leverage additional support—financial, political, and otherwise—for future activities.

**Visible Commitment to the Project.** Cost effectiveness alone should not determine the strategies you choose. For example, if fear of crime has discouraged shoppers from an area, a walking patrol may be an effective action step to deal with the problem. Although a walking patrol may not actually be as effective in crime prevention as a squad car, the visibility of the program can have a strong positive effect on shoppers and merchants.

**Realistic Expectations.** Any strategy will be based upon some expectations of how people will behave. The TPC, for example, realistically expected that new street furniture and sidewalk improvements would prompt merchants to pay for facade renovations. A key question to ask in evaluating any proposed strategy is: "what's in it for the people we want to influence?"

**Leverage.** The main focus of a local economic development strategy should be to increase or enhance private sector activities. Therefore, in setting priorities, your team should look for options that use public sector funding, or activities that maximize or encourage private investments.

## Selecting Strategies

In looking at alternative strategies, there are two major fiscal questions to consider. They are:

- How much will the proposed program cost in *actual dollars*?
- What are the relative *costs* and *benefits* of the various options?

These questions need to be raised and analyzed as your team begins to identify priorities so that you'll have a *realistic* assessment of probable costs from the outset. The following sections examine the issues you should think about for each question and some specific methods for conducting the necessary analysis.

In looking at the *absolute costs* of a program, the following elements are important:

**Staff Costs.** Costs to be considered here are staff time spent on the project multiplied by the cost of wages. To develop a true cost, you should also include fringe benefits.

**Building and Materials Costs.** These costs often aren't calculated as program costs when the program operates out of local government offices since they're minimal on a program-by-program basis and aren't easily separated out of the total budget. Building and material costs usually include staff space, utility charges, expenses for materials and supplies, and transportation costs.

**Program or Project Costs.** Program or project costs are usually estimated by the average cost per job, building, or square foot of building space for specific program elements. For example, suppose a facade renovation program for the downtown is planned, and the local government has agreed to contribute 50 percent of the renovation costs. If the estimate of the average building's renovation costs are \$2,000, and local officials estimate that two-thirds of the sixty building owners will participate, then the local government's estimated direct program costs will be \$40,000.

**Opportunity Costs.** Some direct program costs are simply changes in where the money will be spent first rather than additions to the budget. For example, trees may be planted downtown rather than in a residential area or in a local park. These costs aren't always thought of as true costs, but the opportunity costs (the loss of beautification to other areas in this case) should be considered. Staff costs are sometimes left out of program costs in this way as well, and communities should take into consideration the projects that staff might be working on if they weren't working on the particular project being considered in the analysis.

In choosing among alternatives, local decision makers will want to consider more than just how much a project will cost in direct dollars. The evaluation will seek to weigh how effective different alternatives will be in addressing local economic development goals. An economic analysis of this sort, known as *cost-benefit analysis*, places dollar values on social concerns so that a useful comparison of projects can be made.

Cost-benefit analysis is most useful to decision makers when alternative strategy options are well defined. In many cases, a detailed analysis of the costs and benefits of particular strategy elements will be impossible to carry

out, but thinking through this process will help to identify categories of costs and benefits, clarify the expectations of decision makers, and clarify the trade-offs implicit in different choices. Here are the basic steps to follow in doing cost-benefit analysis:

1. *List the program options and identify the effects of the options.* This means that for each option or strategy, you should try to assess what will happen if the strategy is implemented and if it isn't.
2. *Classify the effects as costs or benefits of the program.* Many attractive options have negative side effects. These "costs" should be considered as you look at options.
3. *Place dollar values on the costs and benefits of the program.* This is done, for example, by translating the cost to local residents of sitting in heavy traffic during rush hour as a result of new development that has taken place. Such costs are frequently estimated based on hourly wage rates.
4. *Think about when the costs and benefits will occur during the project and discount their dollar values accordingly.* Benefits which will occur five years from now are worth less than benefits which occur today, assuming that both benefits have the same dollar value. Money, in hand, can be invested and earn interest during the course of the next five years. Costs occurring in the later years of a project are generally treated similarly. In other words, current costs are more expensive than future costs.
5. *Account for risk or uncertainty in program costs and benefits.* At this point in the analysis, it's important to consider how likely it is that the costs and benefits you have identified will occur. Presenting a worst and best case is probably the simplest way of accounting for uncertainty. Calculate all the figures assuming that

everything goes as you hope it will. Then, calculate them again assuming that everything that can go wrong will—that the benefits will be as low as possible and the costs will be as high as possible. This will give you a good idea of the range of actual benefits and costs.

6. *Assess how the various costs and benefits might affect different groups.* In most local governments, decision makers will want to know how various costs and benefits of proposed programs will affect special interest groups—such as minorities, handicapped workers, unskilled vs. skilled workers. You need to stop for a minute to think about who stands to gain or lose the most from the various options you're considering. If, for example, a project strongly benefits unskilled and minority workers and providing jobs for unskilled and minority workers is a high priority in your community, the project may carry more weight with decision makers—even if it costs more in real dollars. In this part of the analysis, you may be making various value judgments on costs and benefits of proposed options.
7. *Compare the alternatives.* A cost-benefit analysis provides data on different aspects of various options to help you decide what makes the most sense. Once you've looked at all the costs and benefits of each proposal, you have to compare what the data says about each option and what it tells you about how to proceed. It is useful to develop a matrix to compare *all* the costs and benefits of each option at the same time. Remember—a cost-benefit analysis is one tool to help you assess the possibilities. It won't give you THE answer. But, it will provide useful, comparative data on *relative* costs and benefits of each option you're considering. □

# Chapter 6

## Writing and Implementing an Action Plan

Once your team has come to agreement on the priority strategies, you need to make several decisions. Among these are who will be implementing which steps and in what order activities will occur. There must be give and take between setting priorities and implementing strategies because, as you start thinking in concrete terms about your implementation resources (the organizations and people who can carry things out), you may view some strategies differently than you did before. In planning your program, your team may find it helpful to play out several different scenarios for implementation. There are a number of issues to consider as you do this. A hypothetical community is discussed below as an example of the kinds of issues that must be considered—and the stumbling blocks you may run up against.

### Case Study—Carlton, New Jersey

The suburban town of *Carlton, New Jersey*, had begun to grow when rail was the most efficient means of travel. Carlton was on the rail lines and had been a stopover point for trains to New York City. Many railroad employees lived in Carlton and its access to rail had also enhanced its growth by making it a central point for many of the local farms transporting their goods to urban markets. Commercial businesses were drawn to the bustling town and the community's five-block commercial district had thrived. Several small industrial plants had also located in the community, relying on the railroad for bringing in raw materials and shipping out finished goods. Carlton became a prosperous community of 10,000, serving a regional commercial market of nearly 40,000.

As rail shipment began to lose its competitive edge, the number of trains stopping daily in Carlton dwindled. No one thought much about it though because the commercial center was still thriving and the effect seemed minimal. Gradually, a number of the small industrial plants went out of business, but new factories opened in nearby communities and there was little local unemployment to be concerned about. It was when the state highways were built that Carlton city officials became concerned. Two major east-west routes were built near Carlton which had a profound effect on the economic picture there. One ran from metropolitan New York across the Pennsylvania Turnpike—just twenty miles north of Carlton. The other crossed from the central part of New Jersey to the Pennsylvania border—just eighteen miles south of Carlton.

*Carlton: Action Now.* Gradually commercial de-

velopment grew along the new highways. A shopping mall opened near the highway north of Carlton and some of Carlton's businesses moved there. When the vacancy rate in downtown stores reached nearly twenty percent, city officials became alarmed. At the request of the city council, the Chamber of Commerce began promoting economic development in the community. The chamber director called together a group of the city's most influential business owners, a bank president, and the council member who was most concerned about business development. The city council agreed to give the group, known as "Carlton: Action Now" (CAN), \$12,000 for a study of the downtown problem.

A year and one-half later CAN's proposal was ready. At a well-attended public meeting, the committee revealed its plans which proposed razing several old buildings to make way for new development and a large parking area on the central block of town. This new development, combined with the parking, would bring more customers into downtown.

As the committee chairman thanked the consultant who had presented the plans, a long line began to form at the microphone on the floor. Several questions were asked about program costs and schedules. Committee members discussed the availability of federal funding for this project and showed projections of increased taxes from the new development, as well as revenues from the parking meters. It was clear, they said, that this project would bring in new revenues that could offset the need for a tax increase. The meeting seemed to be going quite well. Then John Richards, a retired teacher and local historian came to the microphone. He stood silent, glaring at the assembled committee for what seemed like a very long time. Finally he spoke, in a slow and deliberate tone.

"Are you aware, gentlemen, that you're proposing to destroy two of our community's most important pieces of history? One of those buildings happens to be one of the finest examples of federalist period architecture in this state. And, another building was the hotel where George Washington stayed on his way through the state. Future generations have a right to their history, gentlemen, and you. . . ." Richards stopped and pointed at the committee members one by one. ". . . You have *no* right to destroy it. I intend to see that you don't get away with this." A small crowd of people clapped and shouted agreement as he returned to his seat.

The CAN committee chairman hammered the podium with his gavel. "Ladies and gentlemen! This com-

mittee is aware of the historical heritage of this community, but it is also aware of two other concerns. First is the *future* of our community and that future depends on providing jobs for our residents. We believe that bringing downtown Carlton back to life is the first step we must take to make our community attractive to new businesses. The second problem is the physical appearance of the Carlton Hotel and the other buildings we have targeted for razing. They are structurally weak and simply won't remain standing for future generations without major renovations. Believe me, this committee has considered all the options and is presenting to you the opportunity to give Carlton a future as rich as its past!"

The meeting room buzzed with angry voices arguing about the past and future of downtown Carlton. After several attempts to call the crowd to order, the chairman adjourned the meeting.

The lead story in the *Carlton Weekly* described the angry meeting that had taken place. The paper had also published a front page editorial on the downtown proposal. Entitled "CAN Can't Do It," the editorial described the committee's actions as heavy-handed and not in the best interests of the community. At a council meeting later that month, the CAN committee recommendation to use federal money to tear down the buildings was discussed. The council voted five-to-two against the recommendation and decided to use the money to build a new fire station instead.

Although the proposal didn't die overnight, the anger it had generated caused many supporters to withdraw. Eventually, the CAN committee was disbanded. Its plans ended up on a shelf in a city storage room.

*A New Perspective.* For eight years, nothing was done to try to reduce the vacancy rate in downtown buildings. Some local money was spent on road repairs and sidewalk improvements, but city officials felt they shouldn't get involved in trying to help the business community help themselves. Then, Jim Reed decided to run for mayor.

Reed had grown up in Carlton and was living in another state during CAN's attempt to revitalize downtown Carlton. He had opened a convenience store in his college town after graduating. Starting with that one shop, he built a chain that had more than 80 stores and its own distribution network. At age 55, he had turned over the management responsibility to his two sons and returned to Carlton for what he called semi-retirement. During the two years he had been back in town, he was unhappy about the dilapidated state of the downtown area and the apparent lack of interest in doing anything about it. With a little prodding, Reed decided to run for mayor on a platform of breathing new life into the community. He had heard about CAN's problems and didn't plan to repeat them. He stated that, if elected, he would involve the citizens in making Carlton a modern community. He won.

At the first meeting of the new council, Reed and the other elected officials began discussing the problems in the downtown area. After a few minutes it became obvious that the council didn't have a clear understanding

of the current local economy. They turned to the city manager, Dick Vera. "Dick," asked Reed, "do we have any information on the types of businesses in Carlton today and the ones that have been leaving town?"

"Not up-to-date information, to my knowledge," Vera responded, "but I can get my assistant working on it and have some preliminary information for you at your next meeting, if you like."

"Fine. See what you can pull together. Also, I think it would be useful if we looked at ways of gathering more information. Nothing fancy. Also, we need to involve as many people as possible in any decision making process we use." Reed looked around the table. "From what I gather, and those of you who were here at the time correct me if I'm wrong, the last time business revitalization was tried, the group that worked on the project played their cards a little too close to the chest. I think we've got some positive momentum going after the election and I want to make sure it stays like that. I want everyone in town who chooses to get involved in this project to be able to get involved. Now, obviously, there have to be decision makers. Let's all think about this, and at our next meeting try to come up with some kind of process that has potential. In the meantime, I think it will be helpful if we start things off with the press on the right foot. Unless there are objections, I'd like there to be just two official sources of information on this project. Dick, since he's in city hall full time and will be closely involved with us and any committee we put together, ought to be able to speak on behalf of the city staff. I think I ought to be the second source. Okay with you?"

The four men and two women at the table looked at each other uncomfortably. "Now, I don't want you to think I'm going to hog all the credit for anything we do. I just think we need to have regular communications with the *Carlton Weekly* and that what we say should be consistent. That's easier when fewer people give statements. On issues other than this one, we'll choose someone else to talk to the press. Okay?" The council members agreed.

*Getting Started.* At the next meeting, the manager used a series of graphics to report on his findings. He showed the council overlays of the downtown and industrial areas which identified vacant land and buildings. He also highlighted information on the labor force and unemployment in Carlton. The picture looked gloomy. The city didn't have a problem with unemployment, but the figures did show that most Carlton residents worked in nearby communities. The figures also showed business property had dropped as a percentage of taxable property from 40 to 25 percent of the total. Part of that change was attributed to residential growth, but part was also attributed to loss of businesses, both industrial and commercial. The downtown maps showed a large number of vacant buildings, some of them in serious disrepair. The industrial maps also showed vacancies, but the buildings appeared to be in fairly good shape.

Mayor Reed summed up the information this way. "Carlton's population has grown in the past ten years, but it has grown at a slower rate than most of the nearby

towns around here. We've had a net loss of businesses over the last decade, while other towns have held steady or even gained. Most of the commercial growth has gone to the county where the state highways intersect.

"Now, it's my feeling that we've been concentrating so hard on making Carlton like it used to be that we've lost track of the market for businesses in our area. We once were a commercial center, but we've lost some of the reasons for that with these two highways bypassing us. Maybe we can't be a regional commercial center any more. So, we need to start thinking about other alternatives—something different. Anybody got any ideas on how we can put together a task force to look at this problem?"

The seven members of the council discussed a number of options and finally came to agreement. A *Committee on Carlton Tomorrow* would be formed. Each of the council members would submit three nominees from which the mayor would choose a committee of eight. The mayor and one council member would represent the elected officials. The city manager would also be a member. The other eight would include at least two commercial business owners, one industrial representative, a banker, a realtor, and two local residents. This committee would be responsible for finding out what residents, employees, employers, and others thought about Carlton. They would also be responsible for opening communication channels to help the community find out what it thought about itself, what resources were available, and what problems it faced.

*Carlton Tomorrow Plans.* After a year and a half, the *Committee on Carlton Tomorrow* made a general report at a public meeting to discuss their findings and proposed actions. The committee had identified three major issues in Carlton through informal surveys, data collection, and meetings. Each issue contained both a problem and an opportunity. They were:

## Issues in Carlton

<i>Problems</i>	<i>Opportunities</i>
<ul style="list-style-type: none"> <li>● An oversized downtown area, given the size of the commercial market;</li> <li>● Vacant industrial land and obsolete industrial buildings;</li> <li>● Local unhappiness with the downtown appearance and a poor local self-image.</li> </ul>	<ul style="list-style-type: none"> <li>● Untapped local need for a farmer's market;</li> <li>● Available buildings and land for new growth or expansion;</li> <li>● City plans to build a new city hall and library complex and the availability of funds to renovate an old hotel.</li> </ul>

The committee then stated that, as a result of these findings, the city had decided to pursue the following strategies:

- Evaluate the possibility of building the city hall and library complex on a downtown site which had been taken by the city five years earlier for non-payment of taxes. This complex would include municipal parking which would increase the availability of parking in the downtown. The local historical preservation society had reviewed the proposal and agreed that the buildings in question were of no historical significance.
- Provide seed money to a Local Development Corporation (LDC), if formed by twenty-five local residents and chartered under Small Business Administration regulations, to help purchase land or renovate buildings and to market them to potential industries. The seed money would come from the city's Community Development Block Grant (CDBG) funds under an agreement worked out with the city. The city agreed to match \$1.00 raised by the LDC with \$2.00 of CDBG funding, up to \$8,000. The city would be represented by two members of the LDC's board, chosen by the city council.
- Lease out the old railway station (for which the city had negotiated a 99-year lease from the railroad) at a minimal fee for use as a farmer's market. The market would be run by a manager who would be paid by the city for two years and then would be expected to cover salary and expenses out of the profits from the market. The mayor's committee had asked the community development department to analyze the market potential for this venture. It looked promising.
- Recommend that the city planning board rethink the current zoning plan to allow for multifamily residences in the downtown area and/or to compress the central commercial area to encourage more concentrated retail activity.
- Encourage the formation of a *Downtown Carlton Corporation* to coordinate advertising and store hours, to provide management assistance and advice, and to give the business owners a policy voice. The mayor had found six retired businessmen who were willing to spend ten hours each month providing management counseling to small business owners and entrepreneurs on the condition that the corporation was formed and that at least sixty percent of the downtown businesses joined and paid a minimal fee to the organization to allow it to hire a part-time staff.

The committee had worked closely with the city staff, through the city manager, in formulating these plans. City officials hoped to show that they were serious about downtown revitalization by placing a new city hall and library complex in the downtown area rather than a wooded site in another part of town. This major investment, along with the additional parking, would generate new life in the downtown area. At the same time, city staff had been



working with a businessman who wanted to renovate the old downtown hotel for use as a restaurant and office complex, provided the city would okay a zoning change and could help him get reasonable financing. The developer had an option on the building and anticipated a grant for renovation of the building. The combination of the two major investments, along with encouragement of additional zoning changes, held the promise of new life for the downtown. Formation of the *Downtown Carlton Corporation*, which would be a private sector activity, was important because this would be a commitment on the part of individual merchants to help themselves.

The farmer's market concept had been proposed by city staff and researched carefully. Negotiations with the railroad company had gone well and the project seemed a sure winner. Industrial growth, through the local development corporation, would require private sector initiative. The promise of matching funds would encourage local business owners to get involved.

*Success and Reevaluation.* Six months after the public meeting, the *Committee on Carlton Tomorrow* met again to review progress. Progress had been made in all areas with one exception—the Local Development Corporation (LDC) hadn't gotten enough support to make it a viable organization. The committee voted to recommend that the city council rescind the seed money offer and provide money instead to the *Downtown Carlton Corporation*, which was seeking low-cost loans to business owners who wished to improve their facades and/or expand their operations. The recommendation stated that, if the city provided funds, the loans would be made under restrictions set by the community development department.

As this case study has shown, selecting strategies and choosing implementation mechanisms go hand in hand. One of the goals of Carlton's programs was to make sure there would be private sector commitment to the program. The decision to require private sector support was a strategy that affected implementation decisions. Several issues regarding implementation of programs have been brought out in this case study. The next section highlights these issues.

## Implementation Issues

*Involving the Movers and Shakers.* One of the first implementation steps is to decide who to involve in the implementation of the strategy. Clearly, people (and, through people, institutions) who control the resources needed to implement your activities should be involved. There may also be individual or institutional expertise, which you'll want to draw on, for example, in setting up a loan packaging program. Some of the people you may want to involve are industrial/commercial realtors, bank and loan executives, industrial leaders, commercial leaders, union leaders, local and state elected officials, community group leaders, lawyers, and the local government staff involved in the development process.

You may choose to involve different individuals in different ways. Some may be participants in a project. Others may be members of an advisory committee or policy group. And, others may be kept involved through being regularly updated on your activities. In the Carlton case, key actors were involved in a policy group that drew on the expertise of city staff and the ideas of residents to create a workable program.

*Management.* The most successful programs and projects have strong leadership. In economic development, entrepreneurial skills are important for success. The program manager must be willing to take risks and must have the power to make commitments to the private sector. The manager must have the skills or be able to hire staff with the skills necessary to meet the needs of the community. If providing capital for small businesses is an objective, the organization must be capable of providing loan packaging and management counseling for businesses or know where to get help. Good management will take the responsibility for being businesslike in meeting business needs and providing effective assistance without wasting resources.

Carlton's overall program had a strong management figure in the mayor. He was able to draw on other's expertise, and was the key to fashioning a program that drew on the available community resources.

*Accountability.* If local funds or other resources are used for an economic development strategy, it's important that the organization be accountable to local elected officials, citizens, and the business community. This doesn't mean every decision must be cleared through these groups, but suggestions and ideas should at least be considered and major program modifications made public. In the Carlton program, this was done by the representation requirement for the LDC board and by loan requirements for facade renovation funds.

*Tasks.* Be sure the organization responsible for program implementation understands its role and how that role relates to other individuals, task forces, and groups. In some cases, several organizations will be used to implement a strategy. If responsibilities are being assumed by an established department or organization, a clear understanding of new tasks is important to avoid confusion and to allow the organization to hire new staff (if necessary) to perform new duties. When several organizations are involved in a program, don't create artificial divisions of responsibility among groups working on related issues. Some task reorganization may be necessary as the program elements get underway.

In Carlton, different responsibilities were given to different groups. The city planned to maintain some control over various aspects of the private sector programs which would use city funding, but would also rely whenever possible on private sector funding and organizations to carry out activities.

The organizational placement of program staff can affect its ability to function. The size of a staff, as well as backgrounds and abilities, will also affect the success

of different approaches. In small and mid-sized communities, it isn't always clear when different staffing options are most appropriate for different economic development strategies. Here are some general staffing options to think about:

- Placing the program and staff in the chief administrator's office: This option affords the most program control and provides high visibility. Managers who exercise this option must be willing to devote a substantial amount of time to development activities.
- Placing the program and staff in an existing department or agency: This option can be useful in coordinating the program with related activities. Logical choices are the community development department, urban renewal agency, or planning department. The dangers are that the new program will be subject to any existing department shortcomings and that staff will encounter resistance from other departments in coordinating development activities. For example, the building inspector or public works staff may not respond to requests for action from the planning department because the priorities of the departments are different and the departments are at the same level on the organizational ladder.
- Contracting program management to a private organization: The Chamber of Commerce is a frequent choice for programs implemented outside the local offices. While such arrangements can enhance public/private cooperation, it may mean less program control for the local government.
- Initiating or participating in a quasi-public or development organization: This may be, for example, an economic development corporation or local development corporation. Such corporations offer flexibility in the tools that can be used and can provide capital to businesses under specific conditions. However, there is generally less direct accountability to the local government.

*Media.* Media coverage can have an important influence on how your economic development project is perceived by potential investors and by the community. A spokesperson for the project should be designated, if possible, so that everyone gets the same message about the program. In Carlton, the mayor used two spokespersons and regular communications to facilitate good relations with the press.

*Citizen Involvement.* Because the development or redevelopment is of concern to all residents and can alter the character of a community, it's important to involve citizens representing different community interests. Public meetings, surveys, media coverage, and notices or displays in local stores are some ways of letting everyone know about your activities. In Carlton, the first CAN committee, didn't involve anyone until their plans were completed. This proved to be a disastrous decision.

*Sources of Capital.* A critical issue for any local development program is getting the funds to carry out the strategy. The priorities you set will be influenced by the total available budget as well as restrictions imposed by the funding source. There are three basic sources of funding for both organizational and program elements:

- Local revenues. Local revenue is used in economic development activities through in-kind services, staff support to advisory committees, or direct staff involvement in running programs. Local revenues are also used through public investments in infrastructure and facilities either alone, as in the repair of roads, or a leverage for private investment, as in the development of a municipal parking lot adjacent to a new hotel.
- Private investment: Private investment in local economic development usually takes the form of voluntary contributions or investment for personal gain. Private contributions may be made mandatory where public investments primarily benefit specific landowners. For example, when street improvements are made in a commercial district the owners of properties benefit directly and, therefore, should be assessed a portion of the public costs involved.
- Intergovernmental transfers: Grants and loans from state, county, regional, or federal programs are frequently used to support local economic development activities. These funding sources are competitive and may have strings attached. It's important to develop program elements first and then look for appropriate funding sources rather than tailor your program plans to known funding sources. For detailed information about federal funding opportunities, see the *Guide to Federal Resources and Economic Development* (Northeast-Midwest Institute, 3588 House Annex 2, Washington, D.C. 20515).

## Reevaluation

Here's a final thought on an important task. Don't forget to conduct periodic reevaluations of your action plan. If implementation isn't occurring on schedule, you may need to reconsider your strategies and action steps. Were the strategies and action steps you chose feasible and how important are they to the overall plan? You may decide an alternative strategy and/or action step is appropriate.

In addition, you should consider reinitiating a complete strategic planning cycle, beginning with a reconsideration of community economic issues in light of unanticipated changes that have occurred as a result of or in spite of your plan's success to date. How often this should be done will depend on your program plans, funding cycle, and personal inclinations. Generally, however, you should do some partial reevaluation at least once a year and consider at that time when to reinitiate a complete planning cycle. □



# Appendix

## Guidelines for Examining Information

Your team will be using a variety of types of information while developing economic strategies. Some information will come from local written documents such as your community's comprehensive plan. Other information will come from local or outside experts invited to make presentations to the team. This appendix contains suggestions to help you interpret the information you receive.

## Overall Issues

In general, there are four issues to keep in mind when reviewing information. They are:

*The Underlying Assumptions of the Data.* The assumptions that were made by the study group that developed the plan should be believable if you are to accept the "facts" or "results" of a study. For example, if the 1990 population of the community is projected to be 63,000 based on an assumption that the population will continue to grow at the same rate that it grew from 1960–1970, you might question the validity of the estimate if the growth rate has changed significantly.

*The Source of Information.* Is there any reason to suspect that the source didn't consider all sides of the issue? Who funded the study? Did the source of information expect to be involved in the implementation of the plan? For example, a study paid for by the planning board may suggest a reorganization of duties which enhances the powers of that board.

*The Relationship Between Two or More Issues.* Carefully consider the relationship between projects, issues, or results when a causal link between two issues (that if "a" happens, "b" will happen or that "b" happened because "a" occurred first) is suggested. For example, rezoning one hundred

acres of land for industrial uses won't necessarily result in five new businesses if there is no market demand for industrial land.

*The Certainty of Conclusions.* Are some of the important conclusions reached without convincing arguments? Can you use the information provided to come up with an equally justifiable, but contrary, conclusion? For example, if a study shows there is high unemployment of unskilled labor because there are no jobs, it may be equally plausible that there are no jobs because plants interested in the community need a skilled labor force.

## Survey Data

You may be presented with survey data during your planning effort or your team may find it necessary to conduct a survey in order to close a critical information gap. In either case, here are some important questions to ask yourself about information provided by a survey:

*How Representative Was the Survey?* Does the survey represent the *total* population or group in question? Be aware, for example, that a survey using a Chamber of Commerce membership list will generally not provide data representative of the entire business sector.

*How Valid Were the Questions* Are the questions used in the survey open to different interpretations? Could the questions have been confusing or did they require sensitive answers that respondents may have avoided? Do the questions really provide the information they were purported to provide?

*How Reliable Is the Survey?* If the survey were to be conducted again, would the same answers be found? Were there unusual circumstances when the survey was taken? For example, a consumer survey on a major sale weekend may not accurately reflect the market draw of shoppers to a commercial district. □

# The ICMA Training Institute

## Correspondence Courses

Effective Communication: Getting the Message Across (1983)

Local Government Personnel Management (1983)

The Effective Local Government Manager (1983)

Housing and Local Government (1982)

Local Government Police Management (1982)

Urban Public Works Administration (1981)

Management Policies in Local Government Finance (1981)

The Practice of Local Government Planning (1980)

Managing Fire Services (1979)

---

## Group Training Courses and Packages

Excellence in Local Government Management (1984)

Local Economic Development: A Strategic Approach (1984)

Volunteers: Managing Volunteer Personnel in Local Government (1983)

Assessing Employee Potential: Using Assessment Centers in Local Government (1982)

Local Government Productivity Improvement (1982)

Employee Motivation (1981)

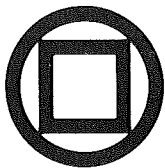
Shared Administration in Local Government (1981)

Employee/Employer Relations for Supervisors (1980)

So Now You're A Trainer: A Practical Guide for Practical Trainers (1979)

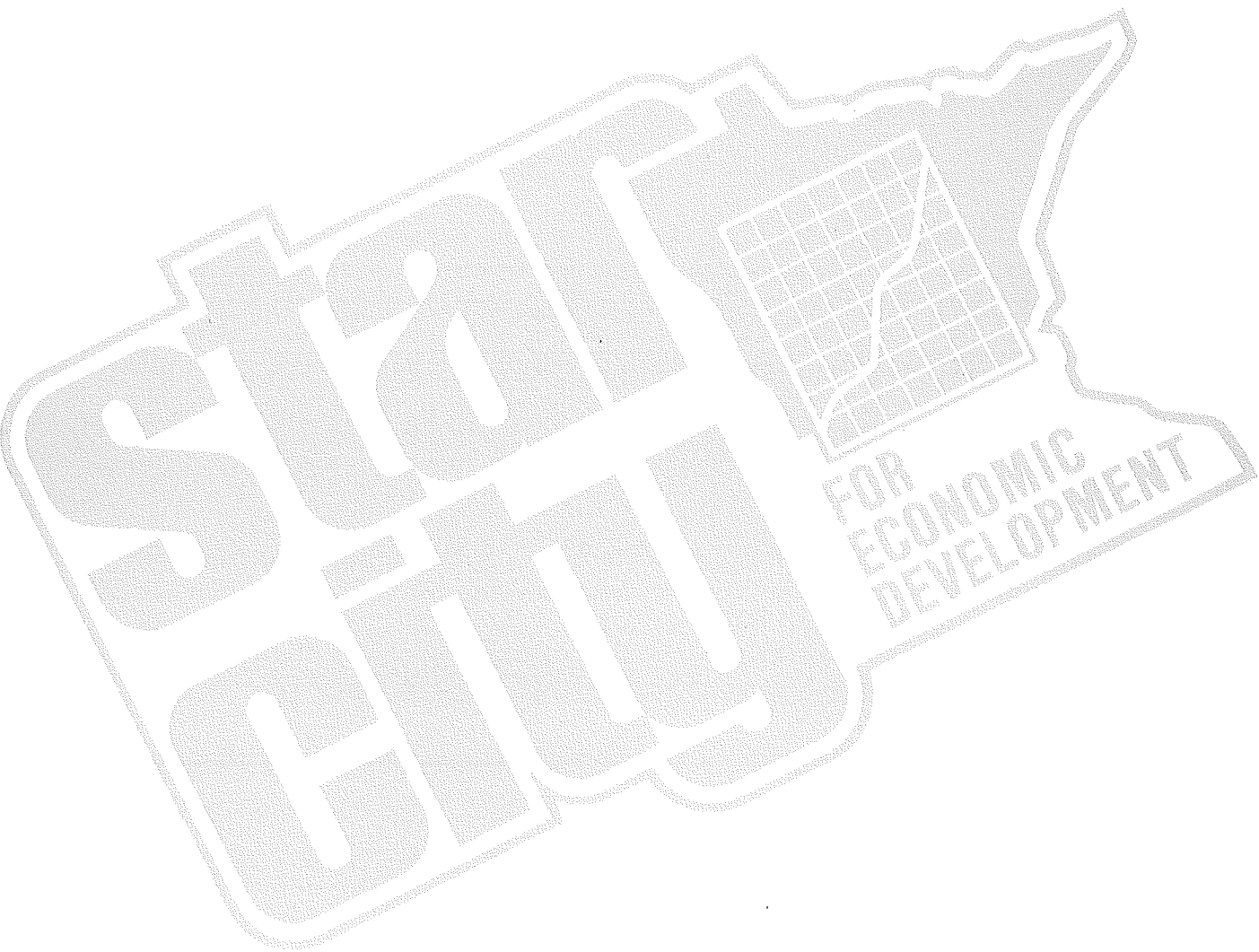
Effective Supervisory Practices (1984)

ICMA, the professional association  
of appointed administrators  
serving cities, counties, regional councils,  
and other local governments



**ICMA**

1120 G Street, NW  
Washington, DC 20005



# INDEX



## A

Action Plan	5-8
Analysis, Internal	4-9
Analysis, External	4-9
Application Process -four phases	2-1, 2, 3 4

## B

Benefits, general	1-3
Benefits, list	1-6
Benefits, state provided	1-6
BRE	4-7, 9; 5-9
Brochure, community	6-4
Business Retention and Expansion Survey	4-6; 5-9
Business Retention and Expansion Program (BRE)	4-6

## C

Capital Improvement Plan	4-11, 12; 5-2, 9
Community Analysis	4-7; 5-2
Community Information	4-3
Community Information Exhibit	Appendix
Community Profile	4-10
Community Profile, sample	Appendix
Consulting, on-site	1-6

## D

	<b>E</b>	
Evaluation Process		6-13; 7-1
Evaluation Criteria		7-1

	<b>F</b>	
Fact Booklet		6-6
Five-Year Plan		2-2; 5-6, 7

	<b>G</b>	
Goal Setting		5-8

	<b>H</b>	
Historical Background		1-1

	<b>I</b>	
Information Gathering, checklist		
Information Gathering Phase		4-1
Information Gathering, sources		4-2, 3, 4, 5, 9
Information, labor market		4-8, 9, 10

	<b>J</b>	
	<b>K</b>	
	<b>L</b>	
<b>Labor Market Analysis</b>		4-8, 9, 10
<b>Labor Market, defined</b>		4-8, 9
<b>Labor Market</b>		4-8, 9
	<b>M</b>	
<b>Marketing Phase</b>		6-1
<b>Marketing Presentation</b>		6-13
<b>Marketing Project, proposal</b>		6-14, 15, 16, 17
<b>Marketing Tools</b>		6-2, 3, 13
<b>Multi-media Presentation</b>		6-6
	<b>N</b>	
	<b>O</b>	
<b>Objectives, establishing</b>		5-9
<b>One-Year Work Plan</b>		2-2; 5-8
<b>One-Year Work Plan, defined</b>		5-8
<b>One-Year Work Plan, sample</b>		5-14
<b>Ordinance, Star City</b>		Appendix
<b>Organizational Charts</b>		Appendix
<b>Organizing Phase</b>		3-1, 6
<b>Outcomes for Communities</b>		1-2

	<b>P</b>	
Plan, five-year		5-7
Plan, one-year		5-8
Planning, importance		5-1
Planning Phase		5-1
Planning Process		5-1
Planning, strategic		5-6
Project Calendar		3-5
Process, Star City		2-1
Process, Star City, graphic		2-2, 4

	<b>Q</b>	
Quarterly Meetings		1-6

	<b>R</b>	
Rating of Cities		1-4, 5
Record Keeping		3-6

	<b>S</b>	
Secondary Information		4-1
Star City		
benefits		1-3, 7, 8
historical background		1-1
process		2-1
program		1-2
steering committee		3-1
Star County Profile		4-11
Star County Program		1-7

Steering Committee  
 Steering Committee, designation  
 Steering Committee, size  
 Steering Committee, strategies

3-1  
 3-1, 3  
 3-3, 4  
 3-4; 4-3

Technical Assistance  
 Training

2-1  
 2-2  
 2-1  
 2-1  
 2-1  
 2-0  
 2-0  
 2-0

T

1-6, 7  
 1-6

U

V

Video, development  
 Video, format  
 Video, product  
 Video, proposal  
 Video, terms

6-6, 8  
 Appendix  
 8  
 Appendix  
 Appendix

W

X

Y

Z

Plan, five year  
 Plan, one-year  
 Planning importance  
 Planning Phase  
 Planning process  
 Planning strategy  
 Project plan  
 Process, Star City  
 Process, Star City

Quality Measure

Rating of Cities  
 Record Keeping

Secondary Information  
 Star City

benefits  
 historical background  
 process  
 program

teaching strategy  
 Star County Profile  
 Star County Program