Chapter Two
Strategic Economic Development Planning

Chapter Goals

1. Recognize the role of economic development planning and its importance in the ultimate success of a region’s efforts to create wealth
2. Understand the distinction between economic development strategies and tactics
3. Be prepared to discuss how industry cluster strategy is a starting point for economic development planning and not an end point
4. Be able to identify the various economic development theories and argue which one fits the twenty-first century

Strategic Planning and Economic Development

Successful economic development starts with a good plan and strong local leadership. The plan could be based upon a company launching a new product, or service or public and private sector community leaders working to promote their region or state as a world-class economic destination. A strategic economic development plan recognizes the assets a region begins with and that the key players in economic development are the public and private sector partners at the local and state levels. To be successful, strategic economic development planning should be based upon a range of economic theories. Strategic economic development planning sets priorities through consensus on economic goals, objectives, strategies, and specific tactics.

Portland’s (Oregon) use of an economic development plan illustrates how a thoughtful strategy built a strong regional economy. Oregon for decades was growing, but the state fell behind as the tech boom hit California and Washington. From 1997 to 2009, Portland was nearly last in new, private sector job creation compared to other Western regions.¹ This region, which constitutes the thirty-sixth largest city in the United States, adopted a strategic economic development plan in 2009 to be the world’s leading sustainable economy.² Portland developed three core economic development strategies to generate job growth; to produce and sell products and services for existing, emerging, and relocating businesses;
maintain leadership in sustainability through an innovative urban setting; and promote economic growth throughout the city. Portland also developed an industry cluster strategy for clean tech, software, athletic and outdoor, research and development, and advanced manufacturing industries. Portland’s economic development plan is implemented by a Portland Economic Cabinet. This group includes public and private sector leaders, and the status of implementing the strategic plan is noted every year. Portland’s economic development plan is succeeding. Portland reports gaining or retaining nearly 5,000 jobs from 2009 to 2012 and gaining nearly $800,000,000 in capital investment related to this job growth.

Policy Arguments for Strategic Economic Development Planning

A smart strategic planning drives successful economic development. Cities implementing effective economic development strategies lower their unemployment rates. Effective strategic economic development planning involves public policy issues as well as traditional economic development tactics such as retention and attraction campaigns. Local, state, and federal policies, regulations, and budget priorities impact the success or failure of a region, state, and nation’s economic development. Public policy issues such as taxes, labor, trade, infrastructure, technology creation, and protection impact economic development planning. However, public policy solutions alone are not the total basis for effective strategic economic development planning. Region’s economic development plans start with the assets of the region, identify the policy solutions to build success, and then outline those traditional tactics that will move the region in the right direction.

Strategic Planning as an Economic Development Tool

Strategic economic development planning is not only about public policy but includes real estate development issues. In simple terms, economic development cannot happen unless sites are ready for development. Few companies want to tackle complex issues related to contaminated sites, angry neighbors, or politicians with a list of requests related to a simple zoning change. Strategic economic development planning is also about quality. Also, economic victory is not just about housing. Strategic economic development planning needs to focus on wealth creation and not just economic growth. High-wage jobs are the goal.

Strategic economic development planning develops the quality of place. Quality of place creates world-class neighborhoods through good schools, safe streets, and decent housing. Strategic economic development planning involves the power of government. This power ranges from the power of the purse to spend taxpayer dollars on tax incentives, infrastructure, and other government programs to the regulation of land use all the way to the government actually seizing private property to enable development. Economic development success lies not with one program or project but a broad initiative that creates a quality place where people want to live, work, and raise a family.