



# INDIANA UNIVERSITY PUBLIC POLICY INSTITUTE

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## REIMAGINING ECONOMIC DEVELOPMENT INVESTMENT (2021) Policy Implementation

### INTRODUCTION

The policy landscape for economic development is evolving, but more change is needed to improve outcomes for communities most in need of sustainable, good paying jobs. Place-based economic development policies emphasize the unique economic strengths and needs of communities to stimulate business investment and job creation. When it comes to stimulating business growth, incomes, and jobs, these policies typically rely on state and local governments—often in partnership with nonprofits—to determine how public, private, and nonprofit resources are invested in economic development projects. These policies are usually complemented by recruitment and retention programs that provide publicly funded incentives to private firms. These public-private incentive programs seem intuitive because firms often request and receive public funding as a condition for establishing or growing targeted businesses.

Unfortunately, these government-led projects have an underwhelming track record in many undervalued neighborhoods. Successful projects may create new jobs, but not necessarily for those groups most in need of opportunities. As noted in two previous economic development briefs from the IU Public Policy Institute,<sup>1,2</sup> traditional public sector-led projects track job creation but not who benefits from those opportunities.

Instead, PPI researchers are evaluating a new approach that may yield better results. This alternative allows private businesses to lead economic development projects, while partnering with community members and being supported by the nonprofit and public sectors.

In Indianapolis, Indiana, a new business development project is demonstrating that it may be possible to develop

### KEY TAKEAWAYS

- Most public sector-led projects do not measure who benefits from economic development projects, potentially leaving critical socioeconomic inequities and exclusions unresolved.
- Place-based programming may improve when community development is led by a responsible private business that partners with community members and is supported by the nonprofit and public sectors.
- Private businesses may be able to effectively remove silos by facilitating and financially supporting timely collaboration between public and private agencies to address complex individual capacity-building needs.
- Ongoing community engagement can create sustained economic impact because neighborhood residents and local advocacy groups are included in decision-making processes, thereby increasing community members' control and ownership of their communities' futures.

a sustainable pool of skilled workers in undervalued communities and connect them to economic opportunity.

### BACKGROUND

In 2015, the U.S. Economic Development Administration altered its definition of economic development, creating one that was radically different from the traditional transaction-based approach.

"Economic development creates the conditions for economic growth and improved quality of life by expanding the capacity of individuals, firms, and communities to maximize the use of their talents and skills to support innovation, lower transaction costs, and responsibly produce and trade valuable goods and services.

"Economic development requires effective, collaborative institutions focused on advancing mutual gain for the public and the private sector. Economic development is essential to ensuring our economic future."<sup>A</sup>

Rather than focusing on transferring public resources to increase private employment and the tax base, EDA's new definition created a paradigm shift that has changed economic development from transactional relationships to capacity-building relationships that benefit both the business and the public interest. The update also emphasized elements that contribute to the long-term success of firms—good infrastructure, building assets, and, most importantly, developing skilled and trainable employees.

When the EDA created its new definition, place-based policies had already taken hold. In fact, this type of development has increased at all levels of government in the past decade. Implementing a place-based approach recognizes differences in geographical context and considers potential social, cultural, and institutional effects on development outcomes.<sup>3</sup>

Yet even with a focus on the unique needs of workers and firms alike, the question remains about who actually benefits from place-based economic development. Successful policies have increased employment and incomes,<sup>B</sup> but data does not show which specific populations benefit from those changes. If a community reports an overall increase in economic growth, public leaders celebrate. Yet there is no assurance low-income residents are any better off because of the changes nor that critical socioeconomic inequities and exclusions have been reduced in the process.

Often, when public- and private-sector organizations invest in low-income neighborhoods, gentrification follows. As a result, the people who already live in the area may be physically and culturally displaced. When this happens, it serves as evidence that disadvantaged residents did not benefit from the newly created jobs.<sup>4</sup> These changes lead to a significant disconnect between economic development policy objectives and programming results.<sup>5</sup>

Improving the economic performance of disadvantaged communities requires development projects to focus on helping people in multiple ways so they can achieve their full economic potential. For groups that have experienced long-term disparities and lack of investment, simply providing a job is not enough. They need the education, training, and support to become economically secure, physically healthy, and socially adjusted.

## IMPROVING IMPLEMENTATION

Improving how this new concept of economic development is implemented is likely easier said than done. But one project in a Northeast Indianapolis neighborhood is showing promise. This development—known as the 38th and Sheridan project<sup>C</sup>—aims to show it can be possible for place-based programming to have a great impact on the surrounding community and those who live there.

The project—led by Cook Medical of Bloomington, Indiana—looks to address the shortcomings in traditional economic development approaches that often overlook people who may need a good job coupled with other resources to succeed economically. Cook plans to do all of this without seeking public incentives.

The 38th and Sheridan development focuses on engaging community members who can benefit the most from business investment and equitable access to quality education, skills training, nutritious food, accessible health care, affordable child care, neighborhood security, and social capital. Cook Medical's plan demonstrates two

A This definition was synthesized from Feldman, M. P. (2013). *Economic Development: A Definition and Model for Investment*, prepared under a cooperative agreement with the U.S. Economic Development Administration.

B For example, the Economic Development Administration reports on the success of its program investments in statutorily-required Government Performance and Results Act (GPRA) measures as part of its annual budget process.

C Cook Medical has hired the IU Public Policy Institute (PPI) to conduct economic and qualitative impact analyses on investments being made in Northeast Indianapolis through the 38th and Sheridan project

important possibilities for how place-based programs could improve without having to create new public systems. The first improvement comes from removing silos that prevent timely collaboration between public and private agencies in addressing the individual needs of workers who face many possible barriers to becoming and staying employed. Cook is using a community-first approach to accomplish this goal.

They are working to build trusting relationships with the community in which they are building their new facility. Doing so will allow them to more quickly identify the community's needs beyond the manufacturing jobs the project will create as well as the resources available to address those needs. By using their own resources and working with nonprofit, philanthropic, and public agencies, Cook Medical acts in its own economic interest by quickly facilitating access to affordable health care, healthy food, transportation, quality housing, social inclusion, and education and training. The company knows that workers who have these critical supports are more reliable and more productive.

The second improvement would be a sustained economic impact for the area around the development. By engaging neighborhood residents and local advocacy organizations in the decision-making processes before breaking ground in the spring of 2021, Cook sought to build trust and better understand the future needs, expectations, and aspirations of people in the area. This approach also gives residents more control and ownership over their community's future.

By collaborating with specialty private, public, and nonprofit organizations, Cook and its partners can work together with a singular focus that creates a cautious optimism about the future. As the project lead, Cook also is motivated to rapidly identify development challenges, eliminate threats, and capture opportunities for their business. They can quickly seek out and identify clear roles for responsible partners and help find resources to keep development moving forward.

When private firms act with an entrepreneurial spirit, they can significantly transform places and even regions. Research has shown these companies are often left out of economic development policy process, yet they can be

highly attuned to their operating environment and serve as effective advocates for resources.<sup>6</sup>

In addition, these private-sector organizations know best what productive, income-producing jobs look like, what skills those jobs require, and how they contribute to the economy. These companies can use that knowledge to inform nonprofit and government partners about what additional capacity-building resources their partners can provide to maximize employee productivity, well-being, community pride, and engagement. Economists have noted firms that look beyond maximizing profits and recognize a genuine interest in the well-being of their communities and society can be more profitable and sustainable in the long run.<sup>7</sup>

Finally, to reinforce and validate a new model of economic development implementation, public leaders and economic development organizations need to consider new performance measures. In addition to quantitative measures—such as income earnings and increased property values—measures should track the physical and cultural displacement of existing residents. Further, qualitative measures of employee and community well-being, aspirational achievement, and community engagement should be included as well. These measures collectively can be summarized as development without the displacement of residents who have experienced unemployment, underemployment, and socioeconomic disparities.

## CONCLUSION

Publicly supported place-based policies and programs present challenges in identifying and addressing who has truly been helped in places targeted for business investment and job growth. Solving this challenge requires a new way of thinking and perhaps reimagining implementation to be better at understanding the needs, expectations, and aspirations of residents in undervalued places. Policy makers and program managers must consider how their programs could incentivize their agencies and nonprofit partners to be better followers and collaborators when a more community-engaged firm is ready to take the lead in economic development.

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