



Critical Condition

Infrastructure for Economic Development

EXECUTIVE SUMMARY



ECONOMIC DEVELOPMENT
RESEARCH PARTNERS



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

International Economic Development Council

The International Economic Development Council (IEDC) is a non-profit, non-partisan membership organization serving economic developers. With more than 4,700 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban and local to international, IEDC's members are engaged in the full range of economic development experience. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public-private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions.

Barry Matherly, CECD, FM

President and CEO
Greater Richmond
Partnership, Inc
Chair of the Board

JoAnn Crary, CECD, HLM

President
Saginaw Future Inc.
Immediate Past Chair of the Board

Jeffrey A. Finkle, CECD

President and CEO
International Economic Development Council

© Copyright 2016 International Economic Development Council





Economic Development Research Partners

The Economic Development Research Partners (EDRP) Program is the “think tank” component of IEDC, designed to help economic development professionals weather the challenges and grab opportunities from economic changes affecting our communities. EDRP members are leaders in the field of economic development, working through this program to improve the knowledge and practice of the profession. IEDC would like to thank the EDRP program for providing the impetus and resources for this project.

Bill Allen

President and CEO
Los Angeles County Economic
Development Corporation

Larry Burkhardt, CEcD

Economic Development
Director
City of Sacramento

Andra Cornelius, CEcD

Senior Vice President,
Business and Workforce
Development
CareerSource Florida, Inc.

Darrell Auterson, CEcD, EDFP

President and CEO
York County Economic Alliance

Chris Camacho

President and CEO
Greater Phoenix Economic
Council

JoAnn Crary, CEcD, HLM

President
Saginaw Future, Inc.

Dee Baird, PhD

President and CEO
Cedar Rapids Metro Economic
Alliance

Cathy Chambers

Senior Vice President, Strategy
and Business Development
JAXUSA Partnership

Rodney Crim, EDFP

President
Saint Louis Economic
Development Partnership

David Bossemeyer

Vice President, Business
Development
Greater Wichita Economic
Development Coalition

Tim Chase, CEcD, FM

President
Greater Wichita Economic
Development Coalition

Colby Tanner

Assistant Vice President,
Economic Development
BNSF Railway Company

Dyan Brasington, CEcD, FM, HLM

Vice President, Innovation and
Applied Research
Towson University

Kurt Chilcott, CEcD, FM, HLM

President and CEO
CDC Small Business Finance
Corporation

Jim Damicis

Senior Vice President
Camoin Associates

Cliff Brumfield

Executive Director
Lincoln Economic
Development Association

Becky Church

Vice President, Operations
Midland Tomorrow

Bryan Daniels, CEcD

President and CEO
Blount Partnerships

Ronnie Bryant, CEcD, FM

President and CEO
Charlotte Regional Partnership

Amy Clickner, CEcD

CEO
Lake Superior Community
Partnership

Marcos Delgado

Executive Vice President,
Operations and Business
Development
The Borderplex Alliance

**Brett Doney, CEcD**

President and CEO
Great Falls Development
Authority, Inc.

Julie Engel, CEcD

President and CEO
Greater Yuma Economic
Development Corporation

Kurt Foreman

Executive Vice President
Greater Oklahoma City
Chamber

Jim Fram, CEcD, FM

Senior Vice President,
Economic Development
Tulsa Metro Chamber

Jim Gandy, CEcD, CCIM

President
Frisco Economic Development
Corporation

Steven Grissom

Secretary
Louisiana Department of
Economic Development

Daniel Gundersen, FM

Chief Operating Officer
Virginia Economic
Development Partnership

David Hartnett

Senior Vice President,
Economic Development
Division
Metro Atlanta Chamber

Michael Henderson

Business Development and
Research Director
Choose New Jersey

Mark James, CEcD

Vice President, Economic and
Business Development
American Electric Power

Kevin Johns, AICP

Director
City of Austin, Economic
Growth and Redevelopment
Services Office

SeonAh Kendall

Economic Policy and Project
Manager
City of Fort Collins

Mike Kirchhoff, CEcD

President and CEO
Clinton Regional Development
Corporation

Ronald Kitchens

President and CEO
Southwest Michigan First

Eloisa Klementich, CEcD, PhD

Director, Business
Development
Invest Atlanta

Birgit Klohs

President and CEO
The Right Place, Inc.

Paul Krutko, FM

President and CEO
Ann Arbor SPARK

Tom Kucharski, CEcD

President and CEO
Buffalo Niagara Enterprise

Michael Langley

President and CEO
Greater MSP

David Maahs

Executive Vice President,
Economic Development
Greater Des Moines
Partnership

Barry Matherly, CEcD, FM

President and CEO
Greater Richmond
Partnership, Inc

Tracye McDaniel

President and CEO
Texas Economic Development

Kenny McDonald, CEcD

Chief Economic Officer
Columbus 2020!

Kevin McKinnon

Executive Director
Minnesota Department of
Employment and Economic
Development

Michael Meek, CEcD

President
Greater New Braunfels
Chamber of Commerce

**Jay Moon, CEcD, FM**

President and CEO
Mississippi Manufacturers
Association

Michael Neal

President and CEO
Tulsa Regional Chamber

Christine Nelson

Vice President, Regional
Business Development
Team NEO

John Osborne

President and CEO
Lubbock Economic
Development Alliance

Bob Pertierra

Senior Vice President and
Chief Economic Development
Officer
Greater Houston Partnership

Lyneir Richardson

Executive Director, Center for
Urban Entrepreneurship and
Economic Development
Rutgers Business School

Courtney Ross

Chief Economic Development
Officer
Nashville Area Chamber of
Commerce

John Shemo

Vice President and Director of
Economic Development
MetroHartford Alliance

Scott Smathers, CEcD

Vice President, Economic
Development
GO Topeka Economic
Partnership

Joseph A. Snell

President and CEO
Sun Corridor, Inc.

Irene Spanos

Director, Economic
Development
Oakland County Executive
Office

William Sproull, FM

President and CEO
Richardson Economic
Development Partnership

Bob Swindell

President and CEO
Greater Fort Lauderdale
Alliance

**Allison Thompson, CEcD,
EDFP**

Executive Director
Cedar Hill Economic
Development Corporation

Scott Thompson

Senior Partner, Partnership
Development and Marketing
JumpStart Inc.

Matt Waldo

Manager, Research and
Information
JobsOhio

Rick Weddle, FM, HLM

President and CEO
Metro Orlando Economic
Development Commission

Charles Wood, CEcD

Vice President, Economic
Development Chattanooga
Area Chamber of Commerce



Primary Authors

Emily J. Brown

Joshua Hurwitz

Additional Contributors

Louise Anderson

Lynn Knight, CEcD

Serge Zelezeck

Reviewers

Eli Dile

January 29, 2016

International Economic Development Council

734 15th Street NW, Suite 900

Washington, DC 20005

202.223.7800

<http://www.iedconline.org>



Acknowledgements

IEDC would like to thank the members of the EDRP program for providing the impetus and resources for this research.

In particular, we would like to acknowledge the Infrastructure Task Force for their guidance in the paper's development; Chistine Nelson, chair, and members Mark James, David Maahs, Kevin McKinnon, and Scott Smathers. This paper would not be possible without their contributions and expertise.

We would also like to acknowledge the Transportation Research Board's Transportation and Economic Development Committee for their gracious sharing of examples and case studies.

Finally, we would like to thank Jeffrey A. Finkle, President and CEO of IEDC, for his oversight of this project.

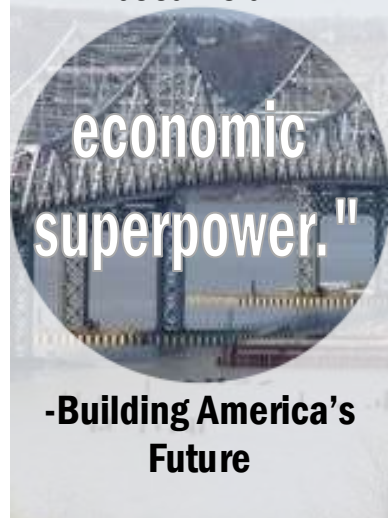


Infrastructure is a Critical Condition for Economic Development

“Economic infrastructure is defined as infrastructure that promotes economic activity, such as roads, highways, railroads, airports, sea ports, electricity, telecommunications, water supply and sanitation.”¹

Previous generations of Americans endowed the country with one of the most advanced economic infrastructure networks in the world. The Erie Canal, the Transcontinental Railroad, and the interstate highway system are testaments to how the nation has benefited from visionary investments that have contributed to broad prosperity.

“Our infrastructure is a key reason America became an



-Building America's Future

Infrastructure spurs economic development by:

- Attracting and retaining companies;
- Supporting essential business functions, from getting deliveries to accessing labor to powering machinery;
- Creating jobs;
- Increasing disposable income; and
- Creating a cycle of investment and economic growth.

Today, a tenth of U.S. workers--more than 14 million people--are employed in constructing and operating the country's infrastructure assets.² In some states, infrastructure plays an even greater role in directly supporting jobs and economic activity. In Tennessee, the freight industry accounts for 40 percent of state gross domestic product; in Maryland, port activities remit \$204 million in revenues to state coffers.³

11 Crucial Challenges and Opportunities for American Infrastructure

For the United States to maintain a healthy and robust economy, it needs high-quality infrastructure is needed more than ever. Yet the present system suffers 11 profound challenges that are already hurting economic growth and unnecessarily raising expenses for American companies. These strains are:

1. American demographics and cultural values are changing, creating financing pressures and planning challenges;
2. Modern business processes have changed, altering demand patterns;
3. New infrastructure technologies are disrupting traditional systems;
4. Financing mechanisms are obsolete or malfunctioning;
5. Project planning does not adequately consider economic development outcomes;

¹ Jeffrey E. Fulmer, "[What in the World is Infrastructure](#)," *PEI Infrastructure Investor*, July/August, 2009, pp. 30-32.

² Joseph Kane and Robert Puentes, "As Summer Construction Winds Down, Transportation Jobs Challenge Still Looms Large," *Brookings Metropolitan Infrastructure Initiative 157*, 2015.

³ Coalition for America's Gateways and Trade Corridors, [Investment in Freight is...](#), (Washington, DC: CAGTC), 2015.

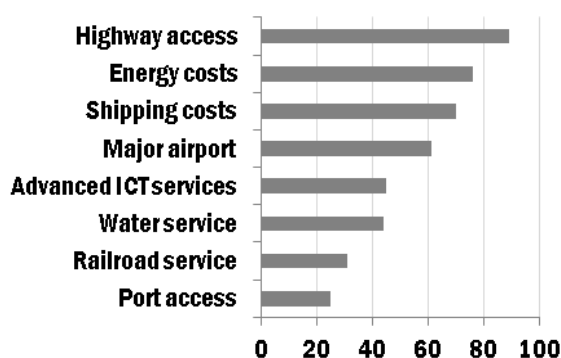


6. Systems are becoming increasingly congested, costing the economy billions in waste;
7. Many assets are not adequately maintained;
8. System design is contributing to ecological distress;
9. Patterns of infrastructure deployment are contributing to inequality;
10. Security is threatened by human and natural disasters; and
11. Funding is falling behind that of other countries, putting U.S. regions and companies at a competitive disadvantage.

The Infrastructure Planning Process

Infrastructure planning in the United States takes place on multiple levels, including:

- Local governments with their comprehensive plans,
- Special districts,
- Metropolitan planning organizations,
- Rural planning organizations,
- Councils of government,
- State planning entities.



Economic developers must understand the infrastructure planning functions at each level in order to get involved and advocate for economic development-focused infrastructure investment.

Percent of corporate executives agreeing that factor is somewhat or very important for location decisions.⁴

New Frontiers of Financing Infrastructure

The federal government remains an important player in infrastructure finance. In 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, providing \$305 billion in funding for road, bridge, and transit projects, as well as safety initiatives and technology research, across the United States until 2020. The Act amounts to an increase in federal funding of 11 percent.⁵ The federal government also operates several additional grant and loan programs that can finance infrastructure improvements, including:

- Transportation Investment Generating Economic Recovery (TIGER) grants,
- Transportation Infrastructure Finance and Innovation (TIFIA) loans,
- New Starts for transit,

⁴ Area Development, "[29th Annual Survey of Corporate Executives: A Realignment of Location Priorities](#)," 2015.

⁵ Federal Highway Administration, "[Fixing America's Surface Transportation Act or 'FAST Act'](#)." Retrieved January 18, 2016; U.S. Department of Transportation, "[The Fixing America's Surface Transportation Act or 'FAST Act'](#)." Retrieved January 18, 2016.



- StrongPorts program,
- Economic Development Administration Public Works program, and
- Private Activity Bonds.

States and localities are also beginning to explore public private partnerships (PPPs), which have allowed communities around the world to more efficiently develop port, road, and utility facilities. Under a PPP, a government contracts with a private firm to finance, construct, and maintain an infrastructure asset on behalf of the public sector.⁶ There are many advantages to this system—the most important of which is that governments transfers risks, such as cost overruns and revenue shortfalls, to private sector partners.⁷ PPPs can potentially save taxpayer money and deliver higher quality, more reliable services.



There are a variety of federal programs that can be accessed to fund infrastructure improvements.

While PPPs can help close funding gaps, other financing tools are also emerging that draw in institutional investors, depoliticize project selection through the use of objective funding criteria, and capitalize on the value created by infrastructure improvement, including:

- Infrastructure exchanges,
- Infrastructure banks,
- Revolving funds, and
- Value capture techniques.

What Economic Developers Can do Today to Ensure Infrastructure Needs are Met

Infrastructure is essential to business function, and thus, economic development. Changes in business processes, technology, deferred maintenance, new legislation, security threats, and a host of other challenges are all affecting infrastructure performance and economic development potential across the country. Economic development professionals must work to address the challenges confronting infrastructure, challenges that ultimately jeopardize community well-being. Economic developers can take the followed approaches to promote efficient, business-ready infrastructure.

Research and analyze how national challenges will manifest themselves in local communities

Every region of the country has a particular history, political framework, and economic structure, and so national challenges to infrastructure manifest themselves differently in each city and county. As liaisons between business and government, economic developers are well placed to collect the information needed

⁶ Treasury, [Innovative Financing](#).

⁷ Ryan Holeywell, [“Public-Private Partnerships Are Popular, But Are They Practical?”](#) *Governing*, November 2013.



to identify acute local infrastructure challenges and their effects on business performance. The Golden Triangle Development LINK EDO in Mississippi has worked to ensure Tennessee-Tombigee Waterway Development Authority to ensure that inland ports and waterways are an opportunity for regional economic development.

Educate the community on the importance of infrastructure to competitiveness

Community decision makers and even some businesspeople may not recognize the economic costs of ignoring infrastructure challenges. For example, congestion may be treated as a nuisance rather than a business cost. By educating policymakers on the potential to retain and attract jobs, residents, and tax revenue, economic developers can gain support for investment, streamlined planning, and legislation enabling PPPs. Economic developers can use the information contained in this paper, as well as the results of their analyses of local infrastructure challenges, to form a persuasive case for immediate, innovative, and concerted efforts to build efficient, modern infrastructure.

Convene business and policy decisionmakers to discuss solutions

Economic developers can also convene local business leaders and lawmakers for a discussion of the importance of infrastructure to long-term economic success. Such forums are excellent places to determine political support for planning and financing solutions, such as taxes, levies, bonds, or private financing, and to advocate for the legislation that would allow the adoption of some of these solutions. By conversing with legislators, economic developers and business representatives stay informed about impending legislation and new sources of financing.



States with legislation enabling PPPs for transportation infrastructure.⁸

Participate in infrastructure planning processes

In order for infrastructure to be deployed in a way that best supports the current and future needs of business, the voice of the economic developer must be heard in the planning process. Economic developers can contribute by speaking for the business community, providing analyses of existing business needs and challenges—a perspective which is unlikely to otherwise be heard. At minimum, economic developers should keep abreast of planning developments and make comment in public hearings. Ideally, economic developers should aim to sit on planning boards and committees, at least in an advisory capacity. For instance, the Economic Development Coalition of Southwest Indiana, has taken on the responsibilities of a Metropolitan Planning Organization, and also leads the region's Comprehensive Economic Development Strategy process.

⁸ Adapted from Federal Highway Administration, "[State PPP Legislation](#)." Retrieved January 19, 2016.

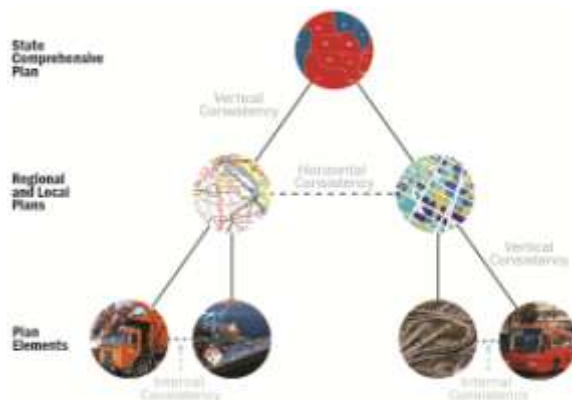


Get directly involved in infrastructure construction and maintenance

As representatives and servants to both the private and public sector, and with experience creating partnerships between many parties, economic developers can find themselves in the role of brokering or administering local, regional, or state infrastructure funding, by:

- Accessing federal, state, and local infrastructure financing pools to directly undertake projects;
- Serving as a conduit through which the private sector accesses funding;
- Brokering or administering infrastructure exchanges, revolving loan funds, and PPPs.

The Arlington County Office of Economic Development in Virginia, for instance, is building a high-speed broadband network in order to attract technology companies, research institutions, and government laboratories. The Minnesota Department of Economic Development has partnered with the state's Department of Transportation to build industrial park access roads, interchange improvements, and multimodal hubs--projects now credited with preserving or creating 7,000 jobs.



Vertical, horizontal, and internal consistency between plans and plan elements is the ideal of comprehensive infrastructure planning.⁹

⁹ Adopted from Elmer and Leigland, [Infrastructure Planning and Finance](#).

