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.

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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.

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President and CEO
Los Angeles County Economic Development Corporation

Larry Burkhardt, CEd
Economic Development Director
City of Sacramento

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

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JAXUSA Partnership

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Saint Louis Economic Development Partnership

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Tim Chase, CEd, FM
President
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Brett Doney, CEcD
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Steven Grissom
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Daniel Gundersen, FM
Chief Operating Officer
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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
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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

Traceye 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
<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Organization</th>
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<tr>
<td>Jay Moon, CEcD, FM</td>
<td>President and CEO Mississippi Manufacturers Association</td>
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<tr>
<td>Michael Neal</td>
<td>President and CEO Tulsa Regional Chamber</td>
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<tr>
<td>Christine Nelson</td>
<td>Vice President, Regional Business Development Team NEO</td>
</tr>
<tr>
<td>John Osborne</td>
<td>President and CEO Lubbock Economic Development Alliance</td>
</tr>
<tr>
<td>Bob Pertierra</td>
<td>Senior Vice President and Chief Economic Development Officer Greater Houston Partnership</td>
</tr>
<tr>
<td>Lyneir Richardson</td>
<td>Executive Director, Center for Urban Entrepreneurship and Economic Development Rutgers Business School</td>
</tr>
<tr>
<td>Courtney Ross</td>
<td>Chief Economic Development Officer Nashville Area Chamber of Commerce</td>
</tr>
<tr>
<td>John Shemo</td>
<td>Vice President and Director of Economic Development MetroHartford Alliance</td>
</tr>
<tr>
<td>Scott Smathers, CEcD</td>
<td>Vice President, Economic Development GO Topeka Economic Partnership</td>
</tr>
<tr>
<td>Joseph A. Snell</td>
<td>President and CEO Sun Corridor, Inc.</td>
</tr>
<tr>
<td>Irene Spanos</td>
<td>Director, Economic Development Oakland County Executive Office</td>
</tr>
<tr>
<td>William Sproull, FM</td>
<td>President and CEO Richardson Economic Development Partnership</td>
</tr>
<tr>
<td>Bob Swindell</td>
<td>President and CEO Greater Fort Lauderdale Alliance</td>
</tr>
<tr>
<td>Allison Thompson, CEcD, EDFP</td>
<td>Executive Director Cedar Hill Economic Development Corporation</td>
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<tr>
<td>Scott Thompson</td>
<td>Senior Partner, Partnership Development and Marketing JumpStart Inc.</td>
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<tr>
<td>Matt Waldo</td>
<td>Manager, Research and Information JobsOhio</td>
</tr>
<tr>
<td>Rick Weddle, FM, HLM</td>
<td>President and CEO Metro Orlando Economic Development Commission</td>
</tr>
<tr>
<td>Charles Wood, CEcD</td>
<td>Vice President, Economic Development Chattanooga Area Chamber of Commerce</td>
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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.”  

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.

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. 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.

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;

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1 Jeffrey E. Fulmer, "What in the World is Infrastructure," PEI Infrastructure Investor, July/August, 2009, pp. 30-32.
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.

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. 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,

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• 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. 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. PPPs can potentially save taxpayer money and deliver higher quality, more reliable services.

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

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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 success 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.

**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.

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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

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9 Adopted from Elmer and Leigland, *Infrastructure Planning and Finance*. 