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When Three Equals One

By Janet Hammer, PhD

TRIPLE BOTTOM LINE ECONOMIC DEVELOPMENT


Economic development succeeds at the interface of people, place, and prosperity. Sometimes referred to as the triple bottom line, this concept recognizes the interconnections between economic, environmental, and social factors and provides an important framework for engaging in economic development. This article introduces the concept of triple bottom line economic development, discusses its centrality to the profession, and provides examples of what it might look like in practice.

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when three equals one

By Janet Hammer, PhD

The “triple bottom line” refers to the economic, environmental, and social value of an investment. The term was coined by business consultant John Elkington to describe important investment value that accrues outside a firm’s financial bottom line. The concept is increasingly salient in the worlds of business, investment, development, and governance and is sometimes referred to as “people, planet, profit” or sustainability. In this article, we introduce the triple bottom line concept and its relevance to economic development, and explore what it might look like in practice.

THE TRIPLE BOTTOM LINE CONCEPT

Traditionally, if a cost or benefit did not appear as a financial transaction it did not appear on the books and, thus, was not accounted for. Over time, however, there has been a growing realization that important investment value may not appear in the financial bottom line yet should be accounted for. These extra-financial returns may be economic, social, or environmental and are referred to as the triple bottom line or TBL.

This realization has prompted organizations in public, private, and non-profit settings to seek ways to consider triple bottom line performance of investments (see Sidebar One). For example, businesses may report on environment, society, and governance using the Global Reporting Initiative framework or may become a certified B corporation. Infrastructure investments may use the Envi-

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sion framework to consider sustainability impacts. In real estate, developments may look to LEED, EcoDistricts, or other standards to improve and communicate environmental or triple bottom line performance. Cities may use the STAR Community Rating System to identify areas for improvement and document achievement.

Motivations for addressing triple bottom line performance vary depending upon context. In some settings the driver might be demands for better accountability and transparency, stronger investment performance, or alignment with organizational and stakeholder goals. In others, it may be an interest in brand or reputation management, cost savings, competitive advantage, innovation opportunity, or risk minimization. Whatever the driver, the concept has arrived. Conversations that centered on “is this important” have given way to “how can we best address this?” For example, in the corporate world, the number of S&P 500 Index companies publishing corporate sustainability reports grew from under 20 percent in 2011 to 75 percent in 2014.

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TRIPLE BOTTOM LINE ECONOMIC DEVELOPMENT

Economic development succeeds at the interface of people, place, and prosperity. Sometimes referred to as the triple bottom line, this concept recognizes the interconnections between economic, environmental, and social factors and provides an important framework for engaging in economic development. This article introduces the concept of triple bottom line economic development, discusses its centrality to the profession, and provides examples of what it might look like in practice.

THE TRIPLE BOTTOM LINE CONCEPT AND ECONOMIC DEVELOPMENT

The triple bottom line concept is central to economic development. Most communities have visions and goals that include economic prosperity, environmental quality, healthy people and livability. Not only should economic development be conducted in ways that take us toward rather than away from those goals, it turns out that those very factors are important for fostering economic development. That is, economic development succeeds at the interface of people, place, and prosperity:

- **People** are at the heart of economic and community development. People provide the talent and labor that enables economies to thrive, and they are the main reason we engage in economic development and cultivate prosperity.

- **Place** is where development happens, even in the context of an interconnected world. Placemaking helps attract and retain workers and visitors, and stewardship of place maintains the resource base upon which life and economies depend.
- **Prosperity** contributes to well-being and quality of life. New accounting metrics provide a more complete picture of investment value so that business and community ledgers balance in the short term and the long term.

Together, these 3Ps – the triple bottom line of people, place, and prosperity – are both the ingredients and outcomes to successful economic development.

Let's consider the following thought experiment to see some of the concepts in play. Imagine there are two scenarios for a mixed-use development project:

SIDEBAR ONE APPLYING TBL TOOLS TO ED

As the triple bottom line and sustainability have grown in importance, a profusion of tools and terms have been created to bring the concept to life. They have been developed for a range of scales or foci including business, built environment, infrastructure, and investment. The following highlights some of the most important of these terms and tools and then discusses their relevance to economic developers.

Business and Investment – Corporate social responsibility (CSR) is a term that refers to how a business conducts itself, particularly with respect to environment, society, and governance issues (ESG) or sustainability. An increasing number of companies issue CSR reports to communicate how they are addressing ESG or sustainability factors. For example:

- The Global Reporting Initiative (GRI) is an international organization that has developed standards for CSR reporting. GRI does not certify reports, companies, or performance; GRI helps organizations know what to report.
- The Sustainability Accounting Standards Board (SASB) is developing standards for the disclosure of material sustainability information for more than 80 industries in 10 sectors for mandatory SEC filings such as the Form 10-K and 20-F. As with GRI, SASB provides guidance on what to report but does not certify or endorse performance.
- Businesses may register as a benefit corporation (B Corp) in a state that provides such legal recognition¹ and/or become a certified B corporation – a status available to businesses in all 50 states and around the world that achieve a verified minimum score on the B Impact Assessment third party standard governed by the non-profit B Lab. Companies that have completed the B Impact Assessment may choose to participate in the Global Impact Investment Rating System (GIIRS) that provides investors a rating of a company's social and environmental impact.

Built Environment and Municipal Sustainability – There are a number of tools that provide information about the TBL or sustainability performance in the built environment. Major programs that focus on the building, neighborhood or district level include LEED, Green Globes, Living Building Challenge, and EcoDistricts. Sustainable Sites considers the landscape context for building and Envision considers infrastructure. The STAR Community Rating System provides a framework and certification for local jurisdictions to document and improve social, economic, and environmental performance.

Relevance and Application – Economic development professionals can make use of these standards and certifications in a number of ways.

- First, economic developers can help businesses learn about and adopt reporting and certification initiatives that can help the business improve performance, increase competitiveness, or attract capital.

- Second, economic developers can encourage or incentivize applicants for funding or approval to participate in reporting or certification programs. This helps raise the bar and shift practice toward stronger TBL performance.
- Third, economic developers can encourage officials to prioritize purchases from triple bottom line businesses and to consider whether the organization's investments are in funds or community development financial institutions with strong reporting or certification.

Together, these strategies support businesses that are striving to achieve positive social and environmental impact along with financial returns and stimulate demand for other businesses to do so. Economic developers can also work with their community to employ sustainability indicators such as STAR Community Index in order to identify opportunities for improvement and to market the community's sustainability commitment to prospective businesses and residents.

Focus of Assessment

Example

Business

Global Impact Investment Rating System (GIIRS)

Building

Leadership In Energy & Environmental Design (LEED)

Infrastructure

Envision Sustainable Infrastructure Rating System

Neighborhood

LEED For Neighborhood Development

City

Sustainability Tools For Assessing & Rating Communities (STARS)

Investment Opportunity

The Triple Bottom Line Tool (TBL Tool)

* Note that investment opportunity may include infrastructure, business, real estate development, etc.

Scenario One: Profit of \$1.3 m

Existing residents are displaced and now face higher rents, longer commutes, and loss of community ties. A grove of trees that holds symbolic value to the community is removed. The majority of jobs created are low wage with little opportunity for advancement, and building practices that cut costs in the short term yield higher energy use over the life of the building and lower environmental quality for occupants – resulting in more illness such as asthma and lower worker satisfaction and productivity.

Scenario Two: Profit of \$1 m

Existing residents are provided with opportunities for affordable homeownership and rental. The grove is incorporated into the design, providing enjoyment to residents and attracting customers. “Green” building technologies save energy and keep dollars flowing in the local economy while also improving occupant satisfaction and productivity. Project construction included career development opportunities for under-represented populations, and commercial tenants provide wage and benefit packages that support families and enhance the community through better tax revenues and reduced need for community services.

When considering the financial bottom line, Project One appears to be the winner; evaluating the triple bottom line, Project Two comes out on top. The triple bottom line approach more fully captures the value of an investment, helping ensure that resources are used as efficiently and effectively as possible.

TBL ECONOMIC DEVELOPMENT IN PRACTICE

A core function of the economic developer is to understand the economic development opportunities of the community – the strengths to build upon and weaknesses to shore up – and to work with appropriate partners to address these strengths and weaknesses. Triple bottom line economic development does this in ways that contribute to people, place and prosperity.

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How would you do this? Just like there is no singular way to do economic development, there is not one way to do triple bottom line economic development. Whether you are engaged in development of infrastructure and amenities, workforce development, business assistance, cluster development, or access to land and buildings – the main thing is to see economic development, resource stewardship, and human well-being as interconnected issues and to address them systemically and collaboratively.

There are two primary ways that development investment can yield triple bottom line impact. It may be that one specific action simultaneously affects all three bottom lines. For example, a “green” approach to building can benefit the *environmental* bottom line (reduce energy use and non-toxic materials), the *social* bottom line (increase health and occupant satisfaction) and the *economic* bottom line (reduce energy bills and potentially yield higher building value and better employee productivity and retention). On the other hand, it may be that a group of actions together bring triple bottom line results. For example, a TBL approach to a road investment might include green design features that reduce flooding, protect habitat, and reduce heat effects; multi-modal features that expand options for environmentally-friendly and active transportation choices; and job access and advancement opportunities that provide career pathways for marginalized populations. Together, these actions yield a number of economic, environmental, and social benefits. Whichever the approach – a singular action that achieves triple impact or combined actions that add value – the point is to consider whether and how economic development supports economic, environmental, and social performance.

As part of a project for the US Economic Development Administration (EDA), examples of TBL approaches to economic development were sought in order to see what that might look like in practice and identify lessons learned. We examined 18 cases in rural, urban, and suburban communities across the US and found that communities have woven social, environmental, and economic elements into their economic development efforts in various ways.² For example:

- A mixed-use development in Iowa incorporated environmental remediation and restoration while bringing jobs and vitality to a distressed area and providing cultural amenities and recreation opportunities.
- A rural economic development effort in Appalachia preserved unique regional assets by focusing on networks, innovation, and systems approaches to developing a cluster of food, artisan, and tourism businesses.
- A city in Texas maximized community benefit of incentives by articulating triple bottom line performance objectives and conditioning incentive payment on achievement of goals.

- Economic development plans in rural and urban communities across the US incorporated resource protection, livability, and pathways to opportunity.
- A building retrofit program in Oregon saves energy and dollars while creating living wage jobs and career opportunities for traditionally underserved populations.
- A maritime center in Washington catalyzed marine and tourism business, while protecting natural resources, preserving tradition, and creating a treasured community space.
- An employee-owned business cooperative in Ohio creates living wages jobs and equity ownership while saving natural resources and keeping dollars in the local economy.
- A resident-driven development in California reclaimed a distressed area with green features, cultural conservation, youth development, and job opportunities.

The projects we reviewed represent diverse types of communities and diverse types of economic development. They range from manufacturing to tourism, mixed-use development, energy retrofits, business development, and CEDS (see Sidebar Two for a more in depth look at one case). While each case is unique, key themes and lessons learned emerged.

Lessons learned from these cases include:

- Environmental aspects were woven into most of the projects demonstrating that it is financially feasible and even profitable to incorporate natural resource stewardship into development efforts.
- Inclusive engagement strategies responded to community priorities, and effective engagement was viewed as a strategy that yields better results not as a checkbox to be completed or hoop to jump through.
- Well-designed and executed programs helped ensure that development benefits accrued to diverse community members, including traditionally marginalized populations.
- Accountability mechanisms helped ensure that triple bottom line goals were met and that promises made were delivered upon. Accountability systems weren't punitive; rather, the process was structured to meet diverse interests and accommodate changing conditions.
- Targeted diversification – from funding sources to project or tenant portfolios – was important for managing uncertainty and promoting resilience. This strategy was seen in cases ranging from tourism to business assistance to mixed-use development.
- Whole system approaches increased project efficiency and effectiveness and reduced costs in the long run. This approach aims to more fully account for costs and benefits across the project life cycle, address the range of factors that influence project success, and support community priorities.

Triple bottom line economic development is different than economic growth. TBL economic development creates jobs and wealth in a community in ways that contribute to resource stewardship, economic vitality, and community well-being. It considers how investments contribute to quality of life, good governance, access to opportunity, environmental quality, healthy people, resilience and livability.

- The public sector played a vital role in creating the conditions necessary for private investment to flourish and for triple bottom line results to be achieved. Strategies included cost sharing, incentivizing preferred practice, education and training partnership, stakeholder convening, infrastructure investment, and regulation to protect health and safety.
- A TBL approach may require new trails to be blazed. This can be accomplished by taking reasonable risks while exercising caution, and bridging innovation with proven paths.

Along with the Casebook, a framework was created for the EDA initiative that helps organizations consider whether and how a project is configured for triple bottom line performance. The framework includes performance areas and measures for each of the three goals of economic vitality, natural resource stewardship, and community well-being (see sidebar). This Practitioner's Guide is available at http://tbltool.org/files/tbl_framework_practitioners_guide.pdf.

MOVING FORWARD

Fundamentally, the purpose of economic development is to improve well-being in a community by facilitating the creation and retention of jobs and wealth. Typically, we do this by cultivating conditions that are favorable for recruiting, starting, and growing businesses. As we do so, it is important to keep in mind the distinction between economic growth and economic development. Growth is an increase, development is an improvement. Growth in measures such as GDP can occur alongside increased poverty and may include goods and services associated with negative impacts (e.g., pollution remediation, crime enforcement, and cancer treatment appear as increases in GDP). Sometimes growth and development go together and sometimes they do not.

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SIDEBAR TWO

A CASE OF TBL ECONOMIC DEVELOPMENT IN PRACTICE

While every case is unique, this example from an historic Victorian coastal community on the Olympic Peninsula helps illustrate triple bottom economic development in practice. The story takes place in Port Townsend, Washington, and begins with an underutilized beachfront property. Interest in preserving and enhancing the area's working marina had been perking for some time, but no action had been taken...until a site was slated for residential or hotel development that was out of character for the area and would have privatized beach access. That catalyzed a coalition of individuals and organizations and in 1987 the non-profit Northwest Maritime Center was created to bring an alternative to fruition.

The Northwest Maritime Center is a vibrant 27,000 square foot multi-purpose facility that supports the community's marine and tourism business by providing space for boat building and storage, meetings and conferences, research and education, offices, retail, and community gatherings. Ground-breaking for the project took place in 2008, with portions of the facility completed and in use in 2009 and the grand opening held in Spring 2010. Triple bottom line aspects of the project include the following.

- **Economic Vitality:** The project is having direct and indirect economic impact. Directly, the project accounts for approximately 16 FTE including staff of the Northwest Maritime Center, chandlery, and café, and approximately 30 summer staff. A commitment to local businesses has



The Northwest Maritime Center in Port Townsend, Washington.

Photos courtesy of the Northwest Maritime Center.

carried through from contracts with local woodworkers, artisans, and builders in the design and construction phase, to utilizing a local vendor that features local products in the café and to stocking locally made products in the chandlery – the West coast's foremost resource for "all things wooden boat." The Center is having indirect economic benefit as well. For example, events at the Center help maritime related businesses make sales and also contribute to the community's important tourism industry. "Off season" events have been added in order to increase impact, and courses are offered to youth and adults to open doors to maritime careers.

- **Natural Resource Stewardship:** Environmental restoration and protection was an important component of the project. Site clean-up was required to remedy contamination from its former use as a fuel storage terminal. When the new pier was constructed to accommodate larger historic vessels and public events, the award-winning design incorporated measures to protect important eelgrass habitat and minimize shadow effects that negatively impact migrating fish. Students from the community helped restore 3,000 square feet of eelgrass beds. The Center earned LEED Gold certification and purchases 100 percent of its power from Puget Sound Energy's "green power" program. Also, operating costs have been reduced by employing the latest technology in energy efficiency.
- **Community Well-Being:** Port Townsend's downtown waterfront district has Historic Landmark designation and the



The Northwest Maritime Center helps conserve important historic and economic traditions in the region, including wooden boat building.

city is one of only three Victorian seaports in the nation. The community's historic and cultural resources are preserved and enhanced by both the Center's design and programming. Its location is easily accessible by multiple modes of travel including boat, foot, bicycle, bus, and automobile. The site includes public pier and beach access, as well as a public plaza. Public access is guaranteed in perpetuity. Traditional craft is on display both through the completed boats on site, as well as spaces to view boats being made. Community engagement was a priority, with multiple phases of focus groups and outreach to various stakeholders. Facility spaces are made available at a discounted rate to community and non-profit organizations. The Maritime Center partners with a number of organizations to deliver formal and non-formal educational programming from sailing to boat-making. For youth, abstract concepts come to life as teachers incorporate aspects of boating culture into classes – from the mathematics of navigation to physical education classes that expose children to the cultural landscape. The Puget Sound Explorer Discovery program brings every 7th grader in the city and county school districts out on the water.



The Center's festivals, workshops, and events contribute to a robust maritime and tourism economy.


There is not one way to do triple bottom line economic development, no magic formula. There are, however, strategies that support achievement of desired outcomes. Foremost among these is a systems approach that identifies synergies and accounts for true costs across the life cycle of a project. That and the need for effective partnership and collaboration were strong themes in the cases discussed above. Of course, collaboration is not new to economic development, however, there is a sense that the approach may be changing – for example, with new skills and attitudes regarding network development, stakeholder engagement, and multi-disciplinary teams. Moving forward, expect and plan for continuous improvement. Know that sometimes you have to go slow to go far. Go upstream, early and inclusively, to identify options and configure projects for strongest performance.

While “the bottom line” is used to refer to financial profit or loss, the phrase is also used to refer to the main point, the essence, the core. As in, “get to the bottom line.” In economic development the triple bottom line is the bottom line. To succeed, economic development needs all three – people, place, and prosperity. Economic development exists in relation to people and planet. For economic development to succeed, triple bottom line performance is required.

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ENDNOTES

- ¹ Twenty-seven states and DC as of March 2015, with 14 additional states working on enabling legislation: <https://www.bcorporation.net/what-are-b-corps/legislation>.
- ² The Casebook can be accessed at: http://tbltool.org/files/CUPA_Casebook.pdf.



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