Economic Development in North Texas:

An Overview of Current Practices and Challenges for the Region's Future

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INTRODUCTION

Since the 1990's, state and local governments have taken significant steps to address land use, transportation, and environmental issues at the regional level. Economic development, however, has been largely overlooked as a component of regional planning. The purpose of this report is to raise awareness of the importance of economic development planning at the regional level and, in this regard, to specifically highlight the potential impacts of existing economic development practice in North Texas. By examining the scope and motivations of existing economic development activity, the report seeks to shed light on how economic development affects the long-term sustainability and quality of life in North Texas communities.

Greater attention to economic development at the regional level is important for three reasons. First, employment and business activity extend across municipal boundaries and, therefore, impact regional development patterns and the location of future growth. Uncoordinated approaches to economic development can intensify uneven investment in neighborhoods, encourage the creation of major job centers far from affordable housing, and contribute to traffic congestion, loss of open space, and other environmental problems. Second, firms and talent in high growth industries are increasingly mobile and the target of intense competition among cities around the globe. Many of these sectors rely on a high level of knowledge and human capital and often do not respond to conventional economic development strategies that focus on reducing the cost of doing business. Research shows that employers often seek an educated and skilled workforce over tax abatements and individuals frequently seek out places based on quality of life amenities over job prospects.[1] The ability to develop human capital and improve the quality of life is greatly enhanced through regional efforts. Third, local economic development is typically not prepared to confront these realities. Current economic development practice in most places is localized, competitive, and reactive. In other words, individual municipalities within a region compete for investment primarily by advertising a "good business climate" and offering cost reduction incentives on a firm-by-firm basis. Such an approach tends to favor short-term goals over comprehensive planning, a loosening of regulations on the private sector, and inattention to distributional issues. Further, not only does competition reduce the value of incentive packages, pitting cities at the mercy of business, evidence suggests that these efforts often fail to produce the intended benefits.[2] The conventional approach to economic development is detrimental to regional competitiveness in a global economy and can have harmful implications for sustainable regional planning and development.

As this report shows, economic development in North Texas largely fits this profile. Below, we briefly summarize the report findings and provide a description of the study area and methodology. The following chapter provides insight into the organizations, resources, and factors that shape existing regional economic development. The next chapter provides an overview of existing local economic development programs and focuses on three key types of activity: targeted industry strategies, human capital strategies, and place-based development initiatives. The final chapter offers conclusions and recommendations for enhancing regional economic development initiatives in North Texas.

Findings

The most important findings of this report are:

- Economic development activity in North Texas is largely conducted by cities independently and is geared toward the provision of information and cost-based incentives to individual firms or developers. This approach fosters often harmful competition between cities within the region for economic development dollars and investment.

- Although the competitive, incentive-driven approach to economic development likely contributes to some degree to overall job and tax revenue growth, this practice harms the region's important economic development assets related to quality of life and human capital, creates social and environmental costs that are not sustainable, and results in missed opportunities.
- Given the available tools and resources and the structure of economic development practice, economic developers are powerless to affect many of these issues on their own and are rarely involved in addressing them.
- The current approach to economic development is influenced in part by available state and local tools and resources (such as the 4A/B economic development sales tax) and a lack of coordinated economic development planning at the local and regional levels.
- There is a great need for further research that quantifies the environmental and social impacts of economic development activity in North Texas.

Study Area and Report Methodology

The study area encompasses 7 of 16 counties in the Vision North Texas area (Collin, Denton, Dallas, Ellis, Johnson, Rockwall, and Tarrant Counties). We focus on these counties because they have been identified by VNT and the North Central Texas Council of Governments (NCTCOG) as those with the highest concentration of future population and employment growth.[3] Collin, Dallas, and Tarrant counties alone contain 92% of all employment in the study area[4] and, along with Denton County, contain 86% of the current population in the region and 81% of the 2007 regional population growth.[5]

Within these counties we selected a range of 15 cities to study based on Vision North Texas' community form types: core, inner-tier, outer-tier and separate communities (Table 1). As outlined by Vision North Texas (2006, p. 7), this classification is based on four factors:

- level of urbanization;
- average age of housing stock or primary development period;
- ability to annex adjacent land; and
- proximity to the Dallas or Fort Worth cores

The core areas consist of the region's center cities, Dallas and Fort Worth, which were developed mainly before 1950. Inner-tier cities are adjacent to the center cities, largely developed after World War II and, for the most part, can not grow by annexation. Outer-tier cities are further from the core and have the ability to grow by annexation. Most have experienced significant development since 1980. Finally, separate communities are small cities and towns within the boundaries of the Dallas-Fort Worth metropolitan area that are outside the urbanized portion of the region. Examining cities that vary by location, history, population, size, and dominant employment and industries provides a representative base to review economic development in the region.

Table 1. Typology of Cities

Core	Inner Tier	Outer Tier	Separate Communities
Dallas	Arlington	Burleson	Denton
Fort Worth	Garland	Cedar Hill	Waxahachie
	Irving	Frisco	
	Plano	McKinney	
	Richardson	Rockwall	
		Southlake	

The study methodology consists primarily of in-depth interviews with representatives of the lead economic development entity in each city and a detailed documentary analysis of the economic development programs and activities in each city and at the county, state and federal levels. We conducted interviews in October 2008 with the directors and staff of economic development agencies, economic development corporations, and chambers of commerce across the Dallas-Fort Worth metropolitan area (interview questionnaire in Appendix). Both the core cities and separate communities in the study possess public economic development agencies while the inner and outer-tier cities vary in terms of where the economic development function is housed.

Although we were unable to obtain complete and accurate information on agency budgets and expenditures for each of the cities, there are indications that resources available specifically for economic development vary greatly by municipality. For instance, whereas the core cities each contain over 30 employees in their economic development agency, the remaining cities possess fewer than ten. Additionally, sales tax revenues in the study cities range from $6.3 million to $178 million. This is significant because about half of the study cities rely on 4A/B economic development sales tax revenue to fund their activities and two others that are not eligible have allocated a percentage of sales tax revenue towards economic development.[6]

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[1] Florida, 2002.
[2] Peters and Fisher, 2004.
[3] North Central Texas Council of Governments, 2003.
[4] US Census, 2006.
[5] North Central Texas Council of Governments, 2008.
[6] The 4A economic development sales tax program allows the dedication of a percentage of sales tax received by a city in a county with a population of 500,000 or less for a variety of purposes related to economic development. The 4B tax may be adopted by any city. In each case, the combined local sales tax rate cannot exceed 2 percent.

THE REGIONAL ECONOMIC DEVELOPMENT FRAMEWORK

This chapter describes the existing framework and activities that characterize regional economic development in North Texas. We look at how economic development professionals working in the various cities define the purpose of economic development and describe the strengths and challenges of economic development in their city and the region. The section also details the activities of organizations that contribute to regional competition and collaboration. Overall, while North Texas cities currently engage little in the way of collaborative regional economic development and possess a weak organizational framework for such activity, there exists a network of entities on which to build future programs.

The Purpose of Economic Development

Conventional definitions of economic development emphasize a quantitative increase in jobs and tax revenue for the general benefit of a municipality. For example, the International Economic Development Council defines economic development as "a program, group of policies, or activity that seeks to improve the economic well-being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base."[1] Economic development professionals in Dallas-Fort Worth widely think of economic development in this way-- virtually all respondents define the purpose of economic development as the attraction and retention of businesses and investment to expand their tax base and provide employment. As discussed below, the cities' economic development entities attempt to accomplish this primarily by marketing attributes of the city and region and cost-reduction incentives targeted at individual firms, which they feel create a "pro-business environment."

Based on this definition, economic developers assume that greater tax revenue ultimately benefits all. While this at times may be the case, this view overlooks issues related to social equity and environmental sustainability.[2] In fact, in only one instance did a respondent state that economic development should focus on correcting uneven development by encouraging jobs for economically marginalized communities and none mentioned mitigating the environmental costs of unregulated growth as a component of economic development. Rather, the primary focus is on attracting a return on investment. As one respondent stated, "usually everything we consider is above the median salary for the area, that's important. We make sure that we'll get a return on our investment so we're going to look for the growth in tax base that the city provides." This mindset, which concentrates on economic growth above consideration of social and environmental implications, is one factor that helps shape the way many cities approach economic development with potentially harmful effects on the region's environment and quality of life.

Strengths and Challenges

The vast majority of cities emphasized three key strengths with regards to their economic development potential: human capital, quality of life, and location/transportation networks. First, virtually all of the cities stressed that the educated workforce is the most important asset for economic development in North Texas. Most respondents agreed that "businesses locate where they are because of their need for employment." Some attribute the region's higher educational institutions such as Texas Christian University, University of North Texas, University of Texas at Arlington, and University of Texas at Dallas as a contributing factor. Alternatively, as one respondent noted, the lack of a Tier I research university may hinder job and industry growth in some areas. In regards to education and workforce, we compared the Dallas-Fort Worth region to Atlanta, Austin, Phoenix, and Seattle-- metropolitan statistical areas identified by the respondents as competitors-- according to the proportion of the population holding a professional/graduate degree and the percentage of employees in management, professional and related occupations (Table 2). In terms of employment, Dallas-Fort Worth possesses a similar share as Atlanta and Phoenix, but lags behind Austin and Seattle. In terms of education, Dallas-Fort Worth is in fact quite similar to other metros with the exception of Austin. However, each of the comparison regions possesses a Tier I school. As such, while Dallas-Fort Worth contains a highly skilled and educated population, this is not necessarily a competitive advantage and, as discussed below, is an area that the economic development agencies largely ignore or take for granted.

Region	% of employment in management, professional and related occupations	% of population with professional or graduate degree
Dallas-Fort Worth	35.2	9.3
Atlanta	37.5	11.5
Austin	41.5	13.5
Phoenix	33.7	9.2
Seattle	41.2	9.2

Source: 2007 US Census.

Second, many cities cited quality of life as an important asset. This includes references to low crime rates, recreational opportunities, natural beauty, and climate. Some outer-tier cities specifically mentioned their school district as an asset, while the core cities and some inner-tier cities mentioned the affordable cost of living and doing business in the region. In fact, the area displays a lower cost of living than the comparative regions above.[3] However, as scholars from a range of viewpoints emphasize, cities are less able to compete based on cost minimization alone.[4] Third, a majority of cities identified the combination of a central location nationally and well-established air transportation and road networks as key strengths. In a few instances, respondents mentioned place-specific strengths as well: one outer community referred to its available land for development and an inner-tier city noted its concentration of entertainment infrastructure. Two outer tier cities and one inner-tier city considered their proximity to Dallas as a key strength.

The challenges identified by respondents were more varied. Notably, these included some features identified as strengths by other cities. For instance, a significant minority of respondents identified ageing and insufficient infrastructure and the lack of public transit as key challenges. Other cities are concerned about accommodating new growth and point to traffic congestion and air quality as potential threats to the quality of life and, therefore, economic development potential. Similar to the concern with the region's lack of a premier research university, a few respondents noted a shortage of skilled labor, especially in manufacturing sectors and engineering occupations. Although there were few clear cut differences between types of cities, some larger, inner-tier cities and one of the core cities identified their ineligibility to receive Section 4A/B tax funds as hindering their ability to compete with smaller, outer-tier cities in the region because the smaller cities have "access to money which effectively allows them to create larger incentive packages to recruit companies." We address this important situation below. Surprisingly, none of the respondents pointed to the global economic crisis as a challenge.

Competition and Collaboration

All respondents emphasize that collaboration within the economic development community of North Texas is supported by a regional network of contacts among economic development entities. However, collaborative activities rarely extend beyond marketing efforts and there are no institutions that exist to truly extend regional economic development activity beyond this level. Typically, once a prospect has identified the region as its location of choice, collaboration dissolves into localized, incentive-based competition for development. This condition is in part promoted by economic development programs sponsored by county, state, and federal government, which are largely geared toward individual cities, rather than region-wide efforts. This type of regional interaction is problematic because it fosters further competition and project-based activity, which in turn contributes to poorly coordinated economic development activity and can result in environmental and quality of life issues including traffic congestion and urban sprawl.

In terms of regional economic development planning and collaboration, a significant majority of respondents pointed to joint efforts between economic development agencies and chambers of commerce focused on marketing the region at trade shows, through websites, and to corporate location scouts. For example, the cities of Allen, McKinney, Plano and Frisco market Collin County as a business location through a website that advertises a “pro-business climate brimming with incentives.” As one respondent stated, this level of cooperation is logical because “if you are a decision maker in Europe or Asia and you look at a map of North Texas, you can’t tell where the borders are between Plano and Richardson or Dallas and Fort Worth for that matter.”

Regional marketing activity is also conducted by the Dallas Regional Chamber of Commerce through the DFW Marketing Team and the North Texas Commission (NTC). The efforts of both groups largely revolve around the organization of networking opportunities through meetings and events, the provision of statistical data on the region, and serving as a liaison between the public and private sectors. However, although these activities are regional in scope, they are available to members only and, as such, economic development entities with smaller budgets (often smaller cities) do not participate or directly benefit. Beyond directly marketing the region, these groups have also begun to advocate for attention to environmental and transportation issues. In particular, they have organized other economic development entities in reaction to the region's classification by the Environmental Protection Agency as a "serious nonattainment" area for ozone levels standards by forming the North Texas Clean Air Coalition (NTCAC). Recognizing the negative affects on economic development of this designation, including the imposition of limits on industrial growth and the loss of transportation funds from the federal government, NTCAC engages in marketing and public education around air quality issues and encourages the private sector to take voluntary actions to improve air quality through activities such as carpools and telecommuting. These organizations, however, do not actually lobby for new legislation that require the private sector to change behavior or focus on initiatives to attract and retain "green" businesses or job training programs.

Beyond direct marketing, the North Central Texas Council of Governments provides statistical data (largely demographic information and transportation studies), GIS mapping services, and website assistance to some economic development entities, but it does not directly assist with regional economic development initiatives. Smaller outer-tier and separate communities in particular emphasized the importance of NCTCOG for their research activity. However, these cities actually use the data less for economic analysis than as a marketing tool for business attraction. Despite their research assistance, there is a strong consensus, even among some of the smaller cities, that NCTCOG overlooks the importance of economic development in regional planning. Economic development entities seem to be looking to NCTCOG for more involvement and leadership in strategic planning at the regional level directly related to economic development. As one respondent admitted, "I know COG is out there and there is an impact. I just don't see the direct impact."

Other institutions that may foster regional economic development exist, but are largely overlooked. For example, in addition to marketing and research, regional level economic development activity occurs through workforce programs. However, despite the emphasis on human capital as a crucial asset, local economic development entities rarely engage directly in workforce training or similar programs to provide upwardly mobile jobs and human capital development. Rather, most economic development entities defer to the county or regional counterpart responsible for this such as Tarrant County Workforce Solutions or area community colleges. Similarly, although the region's universities were often recognized as critically important, particularly in industries such as aerospace engineering or biotechnology, the economic development entities have little in-depth interaction with institutions of higher education.

Beyond recognition of workforce activities, county governments themselves were rarely mentioned as a partner in local economic development projects. To the extent that counties are engaged in cooperative economic development, this typically consists of abatements on taxes and infrastructure improvements for specific firms targeted by a city. Similarly, key state programs are firm-based and foster competition in that they are geared toward individual cities rather than regional activity such as the Texas Enterprise Fund, which the State describes as a "deal closing fund…to attract new business to the state or assist with the substantial expansion of an existing business."[5] The State has also legislated the Section 4A/B economic development sales tax provision, which is perhaps the most detrimental source of competition with potentially serious consequences for future development in North Texas.

However, the state has recently initiated projects that point toward a recognition of regional planning and development. In 2003, the state identified and is focusing activity on six industry clusters (advanced technology and manufacturing, aerospace, biotechnology, information and computer technology, petroleum refining and chemical products, and energy). Although efforts largely consist of the promotion and direct subsidies to firms, some effort has been made to direct funding and attention to occupational development and education within the individual clusters. In 2005, the state established the $275 million Emerging Technology Fund to assist technology start-ups through matching funds for the development and commercialization of new products and support state universities in the recruitment of "high profile" researchers. This activity is organized by eight regional agents including the North Texas Regional Center of Innovation and Commercialization (RCIC).[6]

In short, rather than a robust collaborative framework at the regional level, cities by and large compete for economic development. In fact, all of the respondents identified other cities in the region as their primary rivals, although the core cities also look to larger cities in the US like Atlanta, Chicago, Denver, and Phoenix as competitors. While the source of competition depends on the type of industry or project, the respondents in general noted that neighboring cities are the greatest source of competition due to their similar economic base and amenities. As one respondent noted, "if we do not compete with those cities, they will just take everything we have." As noted above, some inner-tier cities and one core city point to outer-tier cities that receive 4A/B tax money from the State as severe competition. Further, these cities themselves cite their comparatively low cost and availability of developable land as an asset that they market in firm attraction from both inside and outside the region, a situation that is particularly detrimental to the environmental issues described above.

While regional activity does not extend to more substantive areas like workforce development and training, a regional network of contacts among economic development entities nonetheless exists and may serve as a potential foundation for future initiatives under appropriate leadership. In fact, respondents in some inner-tier cities and one of the separate communities emphasized a need to better coordinate work force development, training, education efforts at the regional level given that sectors share common needs for certain types of labor. Other cities further stressed the looming issue of poorly integrated public transit and the effect on air quality and non-attainment status as a regional economic development issue but one that requires more coordinated comprehensive planning. Indeed, larger issues that affect regional economic development may often be out of the hands of economic development agencies as they are currently structured and due to the types of resources at their disposal.

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[1] International Economic Development Council. http://www.iedconline.org/?p=FAQS. Accessed 10 November 2008.
[2] Fitzgerald and Green Leigh (2002).
[3] ACCRA Cost of Living Index, 2007.
[4] Florida, 2002; Markusen, 2004; Porter, 2000
[5] Texas Governors Office. governor.state.tx.us/priorities/economy/investing_for_growth/texas_enterprise_fund/. Accessed 1 February 2009.
[6] Texas Workforce Commission. Engines of the Texas Economy. http://www.twc.state.tx.us/news/ticluster.html. Accessed 1 February 2009.

ECONOMIC DEVELOPMENT IN NORTH TEXAS CITIES

This section provides an overview of the common approach to economic development in North Texas cities. We divide this activity into three areas: targeted industry strategies, human capital strategies, and place-based development strategies. Overall, North Texas cities rely on a virtually identical set of economic development tools and work independently to target individual firms and places for development rather than coordinating their actions within a comprehensive planning framework at the local and regional levels. Paradoxically, this competitive and reactive approach contributes to many of the issues that are identified by economic developers as having a negative effect on their work and that are widely considered detrimental to the region's environment and quality of life. We begin this section with an introduction to one of the key funding mechanisms for each of the three types of economic development areas: the Section 4A/B economic development sales tax.

Section 4A/B Economic Development Sales Tax

We highlight the Section 4A/B economic development sales tax separately here because the provision is such a significant factor in normalizing the competitive firm-based incentive approach to economic development and has potentially considerable negative consequences for the region's future. The 4A/B economic development sales tax evolved out of the Development Corporation Act of 1979, which permits cities to form nonprofit development corporations-- guided by boards of directors distinct and separate from the municipality-- to promote local economic development.[1] Section 4A enables funding for these corporations through local sales tax upon voter approval. The tax revenue is used primarily to finance infrastructure, facilities, and other business expenditures in industrial and manufacturing activities that create "primary jobs" as well as primary job training centers and classes.[2] The Section 4A tax is available to cities in a county containing less than 500,000 people and enables them to devote up to ½ cent sales tax to economic development. The Section 4B tax permits these cities to pursue a wider range of activities. In addition to 4A activities, 4B tax may fund "community development initiatives" including sports and entertainment facilities, parks, and affordable housing. In addition to the population restriction, cities must have room within the local sales tax cap of 2% to dedicate the 4A/B funds. Those cities that dedicate 1% of the local sales tax to Dallas Area Rapid Transit (DART) are typically ineligible to receive the economic development tax revenues due to the 2% cap.

Although initially intended to help support economic development in smaller cities and rural areas, the primary beneficiaries of 4A/B in North Texas are the outer-tier cities due to their relatively close proximity to the labor, industries, and infrastructure concentrated in the core cities. The 4A/B tax, coupled with cheaper land on the region's fringe, enables them to provide a larger incentive package to attract firms than other cities. As a result, for three reasons, the 4A/B tax intensifies-- and is potentially a major source of-- urban sprawl. First, 4A/B encourages reactive deal-making over economic development planning by providing an incentive for cities to engage in a bidding process for firms and development. Enabling some cities to create larger incentive packages encourages others to match these incentives or simply disadvantages other, inner-tier cities: "other communities are tripling and quadrupling the incentives that we put out there on projects." Second, 4A/B incentivizes sprawl due to the location of those cities in counties with lower population densities that may utilize the tax subsidy. 4A/B functions as a factor in pulling development to the edge of the region and continues the process of leapfrog development. As one respondent observes: "Plano benefited very early on when they got that 4A from taking companies out of Dallas and now Frisco is taking companies out of Plano. The new takes from the old and it is a never ending cycle…[of cities] cannibalizing on each other." Finally, given the local sales tax cap, 4A/B cities tend to opt out of devoting a portion of their sales tax to DART as the core and many inner-tier cities do. Therefore, by not applying sales tax funds to public transit, they by default do not contribute to the amelioration of potential environmental impacts of leapfrog development, higher vehicle miles travelled, and uncoordinated land uses. One respondent sums up this combination of issues this way:

> "unfortunately [4A/B tax] turns into a race for deals within the region. Cities with a lot of economic development funds basically say they'll write a check to bring a business to them. In the past, we have been hit really hard with that. Many of our neighboring cities are in a 4A/B…So now you have a stadium going to a place [with] no mass transit. So you have a stadium over here and mass transit over here and enormous synergies and opportunities lost"

Targeted Industry Strategies

The attraction and retention of targeted industries is a primary focus of local economic development in North Texas as it is in most US regions. According to our interviews, given the available tools and resources-- and a guiding belief in the success of these tools-- economic development entities predominately concentrate on the attraction and retention of specific firms rather than attempting to create conditions that are attractive to broader clusters of related economic activity.[3] In conjunction, they spend very little time and resources to "homegrow" firms, encourage local entrepreneurship, or develop the existing labor force. Although there is no rigid division, cash-strapped inner-tier cities tend to focus more on retention, while fast growing outer-tier cities (typically drawing on 4A/B money) are able to devote more attention to the attraction of out-of-state firms. In either case, the cities focus the bulk of their activity on three areas, which they feel will create an attractive environment for business-- marketing, information provision, and cost-reduction incentives-- and seem to apply a standardized approach regardless of the type of firm or industry target. Rarely do they work on programs that require cooperative behavior or pool their limited resources for programs that may have wider regional benefit.

Most economic development entities are heavily involved in information provision and marketing because these are highly visible activities that can be accomplished with limited resources. In terms of business retention, economic development entities frequently make personal visits to establish and maintain contact with existing businesses to demonstrate their support for the local business community. In terms of attraction, work typically consists of distributing materials that describe the existing industries, demographics, and workforce in the city, and explain how the entity can assist in relocation. This material is typically provided on request and at tradeshows. Surprisingly little detail, however, is available on many economic development websites and, in most instances, cities provide only a generic packet of information rather than gearing their marketing materials toward specific firms and industries. Site assistance, the identification of potential land and buildings for prospective firms, is also a common activity. This may range from access to on-line mapping tools that identify vacant property to personal tours of properties by the economic development office or real estate brokers.

Economic development entities also provide financial subsidies and other incentives to attract firms including abatements on property and business taxes, business loans, site-specific infrastructure extension, fee waivers (e.g. reduced impact fees, permit and administration fee waivers), and other grants and loans authorized under Chapter 380 of the Local Government Code.[4] Eligible cities also rely on the 4A/B economic development sales tax funds, which are available primarily to finance transportation improvements and infrastructure assistance. In rare instances, cities ineligible for 4A/B funds relied on the Chapter 380 provision to establish an economic development fund from a portion of the municipal property tax. Additionally, a number of cities that have not privatized electricity in their jurisdiction attempt to attract large energy generating businesses with discounted electric rate contracts. Although in some instances cities target financial incentives specifically to firms willing to locate in established business parks or industrial districts, most activity is geared toward the location decisions of the firms and not coordinated along industry lines let alone in consideration of impacts such as increased traffic and commute times for potential employees. Further, many State programs for industry attraction and retention, such as the 4A/B tax, reinforce the emphasis on municipal subsidies aimed at individual firms.

While the method for identifying target industries or industry clusters is influenced in part by the economic development entity's available resources, all cities seem to be guided by a preference for instinct over analysis. Only a handful of the agencies possess a current economic development plan that identifies targeted industry clusters based on an analysis of the industry and occupational characteristics of the region or interviews with those involved in and knowledgeable about specific sectors of the regional economy. Most cities in fact do not conduct such an analysis, which may reveal previously overlooked connections between firms within and between regional industry clusters or identify a previously unknown labor gap. Rather, according to respondents, they target existing business activity or look to industries that are growing nationally that they identify through trade publications, internet research, or word of mouth. Given the limited staff and resources of the smaller economic development entities, many consider technical analysis a lower priority. At the same time, a number of respondents expressed their view that a formal cluster strategy is unnecessary. One respondent explained that:

> "we've done cluster analysis before, and it ends up being that you just look at the kinds of businesses you have and you try to look at what will complement them. Everyone wants high tech…so we're out there looking at that. But because we have the airport and because we're close to DFW and Alliance, aviation was sort of a natural."

In fact, even the larger agencies that can afford more in-depth analysis are guided at some level by intuition:

> "We do the typical economic development procedures of target industry analysis, cluster analysis…and see what we have a competitive advantage in relative to other sites, but we also look at other areas which are not so technically derived…Studies really don't show where you need to spend much of your time."

Perhaps, as a result, many cities target largely the same industries or clusters-- aerospace, distribution and logistics, financial services, healthcare, high technology, and manufacturing. In addition, outer-tier cities tend to focus on developing retail, hospitality, and recreation. Although many of these industries and clusters are in line with those identified by the state's Targeted Industry Cluster Initiative, the most common approach tends to be a reactive business recruitment strategy in which cities wait for a firm to express interest and then package incentives for them rather than providing more comprehensive attention to "workforce, a competitive education system, and an effective commercialization process for products and technology supported by a highly efficient supply chain."[5] Indeed, cities tend to look broadly at an industry or cluster rather than specifically identifying sectors that cut across multiple industries (e.g. manufacturing medical equipment), targeting specific components that may compliment an existing area of competitive advantage, or growing deficient support activity. Only a small minority of respondents, for example, discussed issues such as the need to co-locate suppliers with existing manufacturing activity in around research or business parks and few are pursuing emerging growth areas such as the manufacture of solar panels, sustainable building materials, and other "green" industry sectors. Rather, most cities seem to target industries simply as a way of directing their marketing and incentive packages.

The emphasis on marketing and incentivizing the attraction and retention of specific firms and the poorly defined industry targets is problematic for a number of reasons. Foremost, because the emphasis is on firms rather than place-specific or employee needs, the current approach may result in uncoordinated land use development and an inequitable distribution of employment opportunities within and between cities and neighborhoods.

Second, this situation is further exacerbated because the firm-based approach fosters a competitive position, pitting cities in the region against each other. As a result, cities become locked into an incentive-driven "arms race" as one respondent put it. As another admitted, "incentives by themselves, I personally don't believe help, because what I can offer is not going to be very different from what [another city in the region] can offer…but right now, yes, incentives will be front and center." In fact, as a recent *Dallas Morning News* article documents, even as many cities struggle to cope with declining sales tax base, foreclosures and other problems associated with the current economic crisis, the use of incentives continues.[6]

Third, attention to individual firms on a case-by-case basis causes cities to pay less attention to the overall context for economic development. Cities that concentrate primarily on reducing costs for individual firms may overlook opportunities for supporting and encouraging the growth of related industry clusters-- including complementary firms, related services, suppliers, trade associations, and human capital needs that are shared among industry sectors.

Fourth, and related to this, the current approach causes practitioners to overlook attention to the development of particular occupations and strengthening segments of the regional workforce. Frequently, skills and knowledge are transferable across different types of industries, yet the focus on assisting single firms does not improve opportunities for training and job networks nor does it directly consider the existing skills of the regional population. Economic development entities are not equipped to encourage the direct creation of jobs and retain human capital, which could attract industries that rely on skilled labor. The omission of attention to occupations is especially problematic given the aforementioned emphasis on the importance of human capital for the region.

Finally, cities devote much less attention to providing assistance with the formation of new firms and entrepreneurial development. Because existing incentive programs are largely geared toward infrastructure investment, site development, and tax abatements, they are more suitable for firms with large expenditures and less helpful for small start-ups and entrepreneurs that need venture capital financing, marketing, patenting, and other types of legal assistance. As one of the respondents explained, the type of incentives that cities offer are "too risky and not a wise investment" because "the chance of [start-up ventures] turning into viable companies is fairly slim." A few economic development entities do, however, oversee small business centers that assist with business and marketing plans and obtaining financing, but many defer to the federal Small Business Administration and/or Texas Small Business Assistance program, and thus are often not directly related to the economic development agency. A small number of cities also have business incubators for technology related activity (e.g. StarTech Early Ventures and the North Texas Enterprise Center for Medical Technology). While relatively new State programs are in place to finance such ventures, most North Texas cities have not pursued or been able to take advantage of them actively.

Human Capital and Workforce Development

As described in the preceding section, economic development practitioners in North Texas are keenly aware of the importance of an appropriately skilled and educated workforce. In fact, many respondents believe this is an asset they that they can count on to attract development in the future: "an educated, trained workforce is probably one of the most important factors, particularly as DFW continues to grow, and we have a younger population than most other metropolitan areas." Surprisingly, then, economic development entities themselves rarely tailor programs intended to support occupational development in their industry targets, let alone those that nurture human capital in emerging industries. Instead, economic development entities rely on state and county workforce organizations and educational institutions to plan, organize and implement workforce development activities like specialized training, internships, counseling, and job referrals. Concern for workforce issues primarily came from those respondents in cities with sizeable employment in manufacturing and distribution that are faced with growing retirement or a dearth of trained managers. Only one respondent expressed concern over the shrinking pool of engineers in the region and the ability of the region's educational institutions to train to meet employer needs. While most respondents note that their organization is aware of or partners with workforce entities, there is no clear engagement of economic development staff with these entities nor do they directly fund such workforce activity in the manner that they do firm-based incentives and marketing programs. This oversight underscores the dominance of the reactive approach to economic development and the fact that a firm-based, incentive-oriented strategy may come at the expense of broader economic development needs.

An additional issue is that most existing workforce programs are geared toward the needs of existing businesses and do not address the employment needs of specific communities or emerging industry clusters. For example, the Texas Workforce Commission oversees one-stop centers and administers the Skills Development Fund, which provide funding, services and training opportunities based on the needs of employers. While employer involvement is important to ensure appropriate training where jobs are available, cities and states also need to look at ways to prepare the existing workforce for the future.

Related to occupational development is the importance of quality of life in attracting and retaining a workforce. While quality of life issues are another strength identified by economic development practitioners, recreational amenities or safe communities, for instance, are far more difficult to control than workforce concerns. Still, economic development decisions do affect the quality of life. The types of firms or industries that cities seek to attract, the location decisions of these firms, the level of tax abatements, and targeted place-based strategies, discussed below, may all influence issues like traffic congestion, air and water quality, and the location of amenities.

Place-Based Strategies

Economic development entities are often one agency among others-- planning, community development, or downtown district offices, for example-- involved in activities intended to influence the level and type of development in specific places. Place-based activities are intended to support new commercial development, create jobs, and generate tax revenues largely through the provision or financing of public infrastructure and cost-reduction incentives targeted in designated areas including downtowns, commercial corridors, industrial parks, and large-scale business districts like Las Colinas in Irving. Place-based development can have a positive affect on the quality of life in the region by steering the location of employment and services near populations and thereby reducing travel times and air pollution and bringing services to underserved areas. However, without regional management, haphazard and uncoordinated development can result. Cities may target areas on their boundaries to capture sales tax dollars from adjacent communities or exclusively pursue high-end development to capture high-value consumer spending at the expense of less productive activity (e.g. open space, affordable housing). Further, place-based development may result in the proliferation of similar types of developments targeted at the same market in relatively close proximity.

Tax increment financing (TIF) is the most widely applied place-based strategy in the study cities. TIF money typically subsidizes site assembly and preparation and the provision of public infrastructure by retaining the annual increase in property tax in the district. Enterprise zones, which enable cities to collect state funds to provide tax abatements, fee waivers and other incentives in areas with a poverty rate at or above 20%, are most common in core and inner-tier cities.

Although common in other large regions throughout the US, only a handful of North Texas cities are engaged in brownfield redevelopment projects and these tend to be instigated by an outside source rather than the city itself. For instance, one respondent explained that their city engaged in its first brownfield redevelopment project only after the EPA approached the city to finance the purchase and remediation of a site. The city opted to redevelop the site into a new parking lot near the downtown. As another respondent explained, in terms of brownfields, “we are reactive…It is not something that we are proactively pursuing but by the very nature of our being here we are approached to facilitate and help and we are trying to do that, we don’t turn them away.” Despite the lack on involvement, redevelopment of contaminated and potentially contaminated sites are likely to garner more attention in core and inner-tier cities as older manufacturers continue to receive incentives to move to outer-tier cities or locations outside North Texas as is currently the case. Presently, however, there is no coordinated effort to overcome the many hurdles associated with brownfield remediation nor is there a planning process in most cities that considers the environmental impact of future brownfield land uses as the parking lot example suggests.

While the respondents indicated a lack of engagement in brownfield projects, they did express enthusiasm for another type of development perceived to have a positive environmental and social impact-- mixed-use development. These projects occur in existing downtowns, infill projects, and newly planned town centers located on greenfield sites and typically consist of specialty retail, restaurant, and entertainment uses with market-rate residential units. Some are located in close proximity to public transit. While mixed-use many projects provide many benefits, they may be qualified due to four issues. First, respondents in all types of cities noted a strong tendency to develop mixed-use projects aimed at the wealthy: “We don’t just focus on number of jobs; we really take an interest in salary level. Usually everything we consider is above the median salary for the area, that’s important.” Similarly, cities target young professionals and the “creative class.” Core cities want to offer an “urban alternative to suburban living” and outer-tier cities seek to capture “young people [that] are coming back. They want to live in town, in this town, but they want mixed-use, urban developments.” Second, the bias toward a specific demographic not only skews mixed-use developments toward the upwardly-mobile, but also may create a surplus of similar projects increasing the likelihood of failure for some, particularly in economic recession when consumption of specialty goods declines. As a result, some mixed-use projects may become the dead malls of the future. Third, and extending from this as well, few projects incorporate everyday commercial activities with housing in a compact, mixed-use environment. Finally, although mixed-use development implies that the projects are in fact pedestrian-oriented, this is not always the case. We identified a number of redevelopment projects considered mixed-use that contain big box stores and large surface parking lots (more than one in the study cities includes a Super Target, for instance).

As such, depending on the type of development and location, mixed-use projects may actually contribute to regional environmental and quality of life problems. If retail employees must drive further from their communities to upscale mixed-use shopping areas and if these destinations primarily provide entertainment and shopping activities rather than everyday needs, mixed-use development will continue to encourage auto-dependency and urban sprawl. We found no instances in which mixed-use or any (re)development projects are coordinated through comprehensive planning efforts at the regional level (though some are developed along light rail routes).[7] Thus cities are likely to continue to compete for retail sales tax dollars through place-based strategies, which can exacerbate the environmental and social problems they are meant to ameliorate.

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[1] Section 4A/B cities in the study include Burleson, Cedar Hill, Frisco, McKinney, Rockwall (4A), Southlake, Waxahachie (4B) (Abbott, 2008).

[2] Primary jobs include NAICS sectors in agriculture, manufacturing, transportation and warehousing, information, research and development, and specialty items including telephone call centers, correctional institutions, and national security (Abbott, 2008).

[3] An economic or industry cluster consists of interconnected industries and support activity.

[4] Most economic development entities did not make exact dollar amounts available so it is difficult to truly compare the reliance on financial subsidies and incentives.

[5] Texas Workforce Commission. Engines of the Texas Economy. http://www.twc.state.tx.us/news/ticluster.html. Accessed 1 February 2009.

[6] Kim, 2009

[7] In relation to this, place-based activity may be handled by multiple departments, which further makes coordinated development difficult. This is particularly the case with brownfields, which are handled by planning departments in many cities, though they have a clear economic development role. Often downtown redevelopment areas have separate staff and departments while city planning departments may create overlay districts for commercial areas or highway corridors to promote design standards, preserve historic structures, and provide density allowances outside of the typical zoning requirements, all of which may effect economic development activity.

CONCLUSION:
REVISIONING ECONOMIC DEVELOPMENT

Current economic development practice may contribute to the growth of employment and tax revenues, steer investment to struggling urban areas, and play a role in the creation of new projects that provide important services and improve the quality of life for North Texas communities. Economic developers attempt to accomplish these objectives primarily through a regional network of economic development entities that market the region to the private sector and through the provision of information and cost-reduction incentives-- typically for individual firms or projects-- provided by cities independently of each other. As such, beyond marketing, there is little collaboration between the economic development entities. Further, there is little interaction with either regional or state agencies that influence economic development (e.g. county governments, workforce boards, NCTCOG, etc) or municipal agencies that affect economic development (e.g. community development, planning, housing, or public works).

This arrangement promotes competition between cities within the region for economic development dollars and actually limits the role of economic development agencies in meeting their designated objectives. Perhaps more importantly, these practices are associated with potentially significant social and environmental costs. For example, incentives provided through 4A/B sales tax funds may encourage leap frog development as industry and new development projects move to outer-tier suburban cities and leave behind or avoid inner-city redevelopment sites. Similarly, though cities champion mixed-use developments, many such projects are located in affluent areas that lack a range of housing options and contain poor public transit. This forces employees to travel longer distances to work, which contributes to problems as diverse as air pollution and minimized time with families. Indeed, regional competition for jobs and investment encourages a focus on growth without attention to the associated impact on land use, environment, transportation, and social issues. As such, current economic development practice may harm the region's quality of life and, therefore, its ability to attract a skilled workforce--both key economic development assets identified in our interviews. Of course, economic development entities can not be expected to solve these issues on their own, but neither are they equipped to initiate strategies that avoid many of the current problems. In short, uncoordinated and fragmented economic development efforts are likely to perpetuate this situation and result in missed development opportunities that may benefit the entire region.

Therefore, for economic development in North Texas to be more environmentally sustainable, socially equitable, and foster economic competitiveness, there needs to be enhanced attention to at least three issues. First, state and local programs that encourage the competitive, cost-driven approach to economic development need revision. Most notably, although a more in-depth study is necessary, research in this report indicates that the 4A/B economic development sales tax program needs to be restructured. Redirecting the use of funds toward 1) infrastructure that benefits industry clusters rather than individual firms and 2) workforce initiatives that concentrate on emerging industries and meet the needs of the existing population may prove a more useful application of this resource.

Second, cities can build on the existing network of economic development entities to tackle common challenges and pool their resources to address regional issues. Key issues in regard to industry and human capital strategies include targeted workforce and occupational development (rather than targeting firms and industries alone) and small business incubation. In terms of both these and place-based strategies, incentives can be focused on rewarding economic development projects that do not have a harmful effect on the region's environment and quality of life.

Finally, the region needs an office that both oversees, coordinates, and encourages regional economic development initiatives and incorporates economic development into the consideration of regional level land use, transportation, and environmental issues. One potential opportunity is for the Council of Governments to expand its economic development role. Economic development entities need the resources and incentives to more closely work with educational institutions, trade associations, and related organizations that may help incubate new businesses or job training programs in “green” and other emerging industries. Smaller cities and agencies with limited resources need research services and other assistance to identify their niche and envision where they fit into and can benefit from a regional framework. Above all, a central organizing agency can identify opportunities for economic development to collaborate on other regional planning activities and identify directions that reduce the environmental and social impacts of development activity.

APPENDIX:
Regional Economic Development Interview Questionnaire

The School of Urban and Public Affairs at the University of Texas at Arlington is developing a report on local and regional economic development activity in the Dallas-Fort Worth region to support the Vision North Texas partnership. The purpose of the report is to 1) document the scope and extent of existing economic development practice at the local and regional levels, 2) better understand the economic strengths and needs of different types of DFW cities, and 3) identify areas for coordinated regional economic development initiatives. We are interested in learning more about economic development in your city and how you relate to other cities in the region. The results will be used as part of Vision North Texas policy discussions in late 2008 and 2009 and will help VNT identify the economic development tools that will be most valuable to our region as it continues to grow.

All answers are voluntary. I would like to record our conversation, is that OK? Let's begin.

1. In your opinion, what is the purpose of economic development?

2. What are the primary objectives of your economic development program?

3. What industries, firms, or groups do you consider important in the regional economy? (probe for general and specific responses- auto manufacturing, computer technology and/or GM, TI)

4. What industries and/or occupations are you currently targeting? How would you describe these (e.g. economic drivers, emerging industries, consumption-based, etc)?

5. How did you identify them (e.g. type of statistical analysis, focus groups, contract studies, etc)?

6. How do you market to these industries (e.g. national/international tradeshows, advertising, recruitment trips)?

7. Do you focus on assisting local start-ups, retaining existing firms, and/or those from outside the region?

8. Why do you target these industries and/or occupations?

9. How do you attract or retain them (e.g. provide info, assist with site selection & permitting, property tax abatements, Section 380 grants, infrastructure cost participation, small business loans, worker training, R&D funds, venture capital funds, other)?

10. How important is the COG, County and State's participation to industry targeting and/or occupational development? How and to what extent would you like to see more involvement?

11. Describe any new industry or occupation-related programs you are considering.

12. In terms of (re)development, what type of activities are you involved in? (e.g. building reuse, brownfields, mixed use projects, industrial parks, office space, arts and entertainment, etc)?

13. What objectives are you trying to achieve in developing these areas (e.g job, wage, or sales tax growth; sustainable development; property improvement; enhanced quality of life, higher densities, walkability, diversity)?

14. How do/did you support or promote these areas (e.g. TIF, EZ, etc)?

15. Describe any new redevelopment programs or projects you are considering.

16. What cities in the region and outside the region do you consider as competitors?

17. Why and how do you compete with these cities?

18. In terms of economic development, what do you consider to be your city's primary strengths and challenges today? Five years from now?

19. How would you describe the type of interaction your office has with:
a) targeted firms or industries
b) other public agencies
c) educational institutions and other research centers
d) trade associations
e) community organizations
f) other economic development offices
g) other

20. Are there aspects of economic development that you feel cities in the region can collaborate on for mutual benefit (e.g. worker training, education, R&D, business development)?

21. What resources do you feel would be necessary to enhance collaboration in this regard (e.g. type financial resources, information)?

22. Can you help me obtain: planning/program documents, structure and budget statements, recent evaluation studies (project and economy), public private incentive guidelines and criteria conducted by your office?

23. Is there anything you would like to add that you feel is important for the purposes of this report?

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