Inclusive Approach to Economic Development

Why it Matters
As state leaders take action to help their communities recover from pandemic-induced economic devastation, they must look for new ways to create jobs and spur growth. Traditional approaches to economic development, which rely on attracting outside capital and talent, often fail to account for the needs of local residents. The result is economic growth without economic equity. Left behind are low-income people, Black, Latinx, and Indigenous populations, and communities with the greatest need for good jobs, increased wages, and wealth building opportunities.

Traditional economic development strategies are also increasingly expensive for states and communities that are competing with other states and communities to attract and retain businesses. Such growth strategies have left many states and localities empty-handed, and their residents struggling to stay afloat amid tepid economic growth and a lack of opportunity.

Inclusive economic development is responsive to local needs and ensures that everyone has the opportunity to contribute to and benefit from prosperity gained. Taking an inclusive approach does not pit business interests against community interests and can bring gains in economic growth and equity. When community residents can access affordable housing, quality training opportunities, and living-wage jobs, they will buy more goods and services and pay more in taxes. Greater diversity and broader participation in the workforce also leads to innovation and stimulates new-business creation.

Current Challenges
- One-third of U.S. economic growth comes from just 31 counties that either include or are near a large city. Lack of growth in other regions has worsened because of the pandemic.
- Resident engagement has historically been a plus for place-based initiatives. Without community engagement, projects either fail because they are ill suited to the region's needs, or they displace the region's original inhabitants.
- From 2010 to 2015, only a handful of cities achieved inclusive growth or even measured their efforts. Traditional metrics, such as jobs created or businesses that relocated to the area, do not accurately measure economic outcomes for individuals and obscure the disproportionate impacts on underserved communities.

DEFINITION
Inclusive Regional Economic Development
Growth strategies that build resilience and shared prosperity in communities.
What’s Needed
To build diversified and resilient regional economies, states need to establish inclusive approaches to economic development that are specifically designed to benefit vulnerable, disadvantaged communities. Strategies should include leveraging a region’s distinct assets; investing in local businesses and talent; aligning education and workforce development to quality, in-demand jobs; attracting employers committed to job quality; addressing place-based circumstances, such as environmental conditions, the accessibility of affordable housing and the quality housing, food scarcity, access to transportation, and concentration of jobs; and coordinating with civic leaders to build community buy-in.

What State Policymakers Can Do

**Foundational Steps**
- Establish equitable and inclusive metrics to assess the performance and impact of state-funded or state-authorized economic development projects that are disaggregated by race, gender, and socioeconomic status.
- Support community engagement and empowerment in regional economic development strategies by requiring a diverse representation of the community on economic development boards and projects.

**Advanced Steps**
- Focus economic development investments and projects on distressed areas and ensure that projects avoid displacing local residents. These efforts should support local residents through critical job-generating investments. States should be keen on bolstering their investment strategies by establishing opportunity zones and leaning on venture capital funds and community development financial institutions that are owned by and support Black and Indigenous people and other people of color. That approach will increase access to capital for local entrepreneurs and minority-owned businesses. States should also support the creation of education and training programs that address equity gaps for populations facing disproportionate economic outcomes.

**Transformational Steps**
- Create community investment and financing authorities managed by state governments that will set clear, equitable funding targets for the redistribution of tax revenue to fund community-centric development and infrastructure projects.
Local and Regional Spotlights

**Austin, Texas**
City of Austin Economic Development Guiding Principles:
Since 2013, Austin, Texas, has required businesses to embrace inclusive growth in order to access public subsidies. According to research by PolicyLink, the city’s economic development department uses 11 criteria—ranging from jobs created to contracting opportunities—to weigh the costs and benefits of providing businesses with public money. The city provides support only after pre-established goals are met. It restricts access to public funds if businesses fail to meet their targets. Companies receiving public subsidies are also required to integrate diversity and inclusion targets into their business plans. The city posts the details of all economic development agreements online for the public to review.

**Baltimore, Maryland**
Baltimore Development Corporation (BDC) has led the city of Baltimore’s push to use its 42 designated opportunity zones as tools for inclusive economic development. BDC has recently invested in a plan to transform historic Penn Station into a modern transit and mixed-use hub and in a mixed-use development project that aims to revitalize a property known as Yard 56 in an underserved area.

**Inland Economic Growth & Opportunity**
Inland Economic Growth & Opportunity (IEGO) is an organization that, according to its website, “unites a diverse set of community leaders” from California’s Riverside and San Bernardino Counties. Home to 4.5 million people, the region is also known as the Inland Empire. IEGO takes a cluster-based approach to economic development, investing in industries that have the potential to create quality jobs, support environmental sustainability, and foster inclusive growth. The IEGO website reports that officials have launched “a strategic agenda for advancing inclusive growth and opportunity that will benefit residents of both counties and put the region on the path to a more prosperous and secure future.”