



COMMUNITY BENEFITS AND ECONOMIC DEVELOPMENT: EVOLUTION OR REVOLUTION?

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The practice of publicly funding economic development has its roots in the early years of the republic. Some of the earliest projects emphasized the expansion of the nation's transportation infrastructure in the development of roads and canals. For example, the Erie Canal was funded primarily by the State of New York, completed in 1825 and provided for the transportation of goods between the Atlantic coast cities and the Midwest and the Great Lakes[1].

Over the past two centuries “economic development” has been the “common battle cry” of almost every elected local, state and federal official. It has been estimated that the federal government alone has approximately 130 economic development programs administered by over 20 federal agencies[2] ranging from road construction to tax policy, workforce training to direct subsidies of private businesses to adopt innovative technologies. State and local governments in competition for high paying jobs also contribute to this growth in publicly supported economic development programs.

While our communities have created and supported a vast number of publicly financed economic development programs the scale and scope of the nation's economy is principally driven by private sector businesses making private decisions about what is best for their private enterprises survival and growth. In 2023, the annualized GDP of the U.S. was estimated to be \$26.5 trillion. Eighty-eight percent of this (or \$23.5 trillion) comes from private industries and approximately \$3 trillion is government spending at the federal, state, and local levels[3].

Overwhelmingly, our economy is a private sector economy ruled by private sector entrepreneurial decisions. Given the overwhelming nature of our “private” economy it seems reasonable to ask then, what is the public's role in supporting economic development? In general, publicly funded economic development seeks to assist with private sector growth and development by providing among other supports, infrastructure investments, land acquisition, workforce development, tax abatements, and direct financial investment/incentives, with the frequently stated public purposes of attracting/creating/retaining businesses and jobs in a community. Economic development professionals have historically assisted developers and private businesses in securing these publicly funded economic development resources. This is the way economic development has generally been practiced in the U.S.

In recent years the effectiveness of traditional economic development practices has been challenged in creating equitable development outcomes for distressed communities and underserved/unemployed persons.

The basic policy question that is raised by some community development advocates is “given the investment of these public resources (either direct subsidies or indirect investments like infrastructure investments) what benefits are accrued to historically underserved people and places?” Additionally, are the jobs promised in development deals created and improving opportunities for those currently out of the workforce? Essentially, what is the measurable and enforceable public benefit that a community realizes from these economic development investments?

It is in this climate of questioning the public's identifiable benefits from large scale traditional economic development investment practices that the “Community Benefit Agreement” movement has arisen.

[1]<https://courses.lumenlearning.com/suny-ushistory1ay/chapter/early-republic-economic-development/>

[2] <https://crsreports.congress.gov/product/pdf/R/R46683>

[3]<https://www.visualcapitalist.com/visualizing-u-s-gdp-by-industry-in-2023/>

A Community Benefits Agreement (CBA) is “a private contract between a land use developer and a coalition of community-based organizations, regarding a proposed development project”[4] Negotiated community benefits have been initiated in a variety of different forms including, but not limited to, mutual benefits-sharing agreements, Impact and Benefit Agreements, community workforce agreements, project labor agreements, Native American tribal agreements, and good neighbor agreements [5].[6]

So, what does this emerging and expanding phenomenon mean for the practice of economic development and economic developers? *Business attraction and deal-making may no longer be sufficient skill sets for successful economic development professionals!* A 21st century publicly supported economic developer will be expected to be able to negotiate BOTH an economic development agreement with a private business AND support a community engagement process that helps the community they serve develop and negotiate an effective and enforceable community benefit agreement. Greater public accountability of the investment and increasingly limited public resources in support of private business development for some of the economic development community will be a welcome addition to their professional roles, for others this may be more difficult. *Evolution or revolution* - the profession is in transition and must continue to evolve if it is to survive and thrive in response to growing community expectations and demands in the 21st century.

CONGRATULATIONS TO THE NEW NATIVE AMERICAN INSTITUTE DIRECTOR

Kevin Leonard, Ph.D., Director of the Native American Institute

Kevin Leonard, Ph.D., who has helped renew relationships with Michigan’s Tribal communities as interim director of MSU’s Native American Institute (NAI), has been named the Institute’s permanent director effective August 1, 2024. He was appointed interim director in October of 2022 by then MSU Provost Teresa Woodruff, who recognized his background, expertise, and forward-thinking commitment as integral to the success of NAI.

As interim director, Leonard led NAI’s transition from the College of Agriculture and Natural Resources to the Office of University Outreach and Engagement, where he began conducting listening sessions with Michigan’s 12 federally recognized Tribes and partners across the state. As a member of the Sault Ste. Marie Tribe of Chippewa Indians, Leonard’s extensive knowledge has contributed to better understanding Native communities and what they want from NAI and MSU as a partner.



[4]United States Department of Energy. (2022, June 27). Community Benefits Agreements (CBA) 101. YouTube. <https://www.youtube.com/watch?v=Njg-YWjpnkE>
https://www.energy.gov/sites/default/files/2023-07/Community_Benefits_Plan_Webinar.pdf

[5] Ibid

[6] For a more complete review of community benefits refer to the soon to be released “Community Benefit Planning and Agreements A Summary Overview” Fall 2024 at <https://ced.msu.edu/>