

# Economic Development

"A thing is right when it supports the stability, integrity and beauty of the community of life."

*Aldo Leopold*

## Introduction

Economic development has become a critical topic of

concern for the City of Asheville. It was listed as one of the four priority areas of focus for the development of this comprehensive plan by the City Plan Advisory Committee. The Asheville-Buncombe VISION undertook economic development as its strategic area of focus for 2001/2002. The City retained an economic development consultant in 1999 to develop, with extensive public input, a Sustainable Economic Development Strategic Plan for the City.

Factors that have contributed to economic development becoming such a critical issue in our area include:

- Transition of mountain area industrial base away from "smokestack" and traditional industries.
- Loss of land suitable for industrial purposes to other uses, primarily retail and low density residential development (see Map 16, illustrating available industrial land in the City's jurisdiction, page 190).

- Moderate-to-rapid population growth that has had a consequent effect on increased demand for services, property values, and housing prices.
- A growing realization that wages in Western North Carolina are lagging behind local increases in the cost of living.
- A recognition that the City has many physical constraints to development and that much of the City's existing commercial development is underutilized (see Map 5, page 65 illustrating development constraints and underutilized properties).

At the public forums on **City Plan 2025**, considerable emphasis was placed on the attraction of new industry (especially "high tech" industry), small business attraction and retention, attraction and retention of a highly skilled work force, and leveraging quality of life as an economic development opportunity. These comments, along with information from the Sustainable Economic Development Strategic Plan and the work of The Asheville-Buncombe VISION, are reflective of national and global trends in economic development.



## Sustainable Economic Development Strategic Plan

The Sustainable Economic Development Strategic Plan (2000) offers significant additional insight into the realities of economic development in our City and region. This plan was developed by a citizen task force assisted by an economic development consultant (Lockwood Greene Consulting, Inc.). Four priority issues were identified by this task force and these issues formed the basic focus areas of the Strategic Plan. The four issues, broadly defined, are:

Real Estate - Addressing the shortage of industrial sites/buildings and developing a more efficient and sustainable urban land use pattern within the City.

The Development Process - Making the development review process as business-friendly as possible while addressing other community issues.

Workforce Education/Training - Preparing the labor force to compete in a knowledge-based economy.

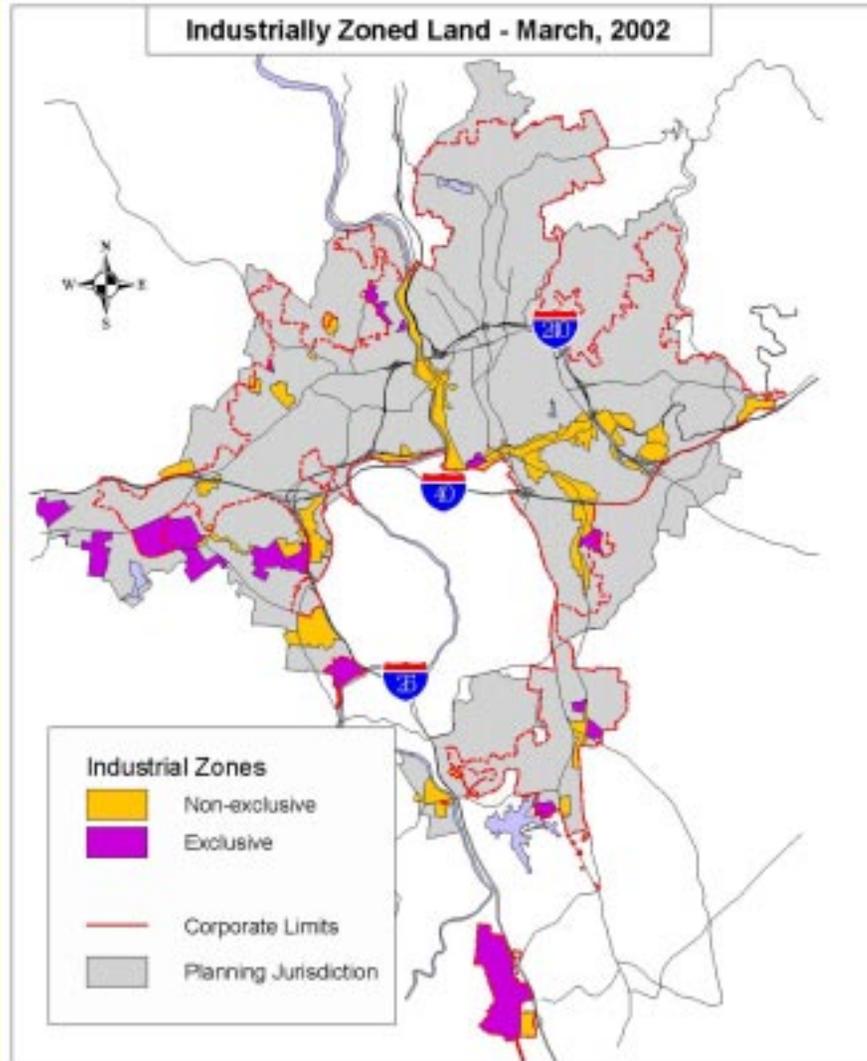
## Staff Commentary – Sustainable Economic Development

Successful economic development requires a vision of the desired economic future and a commitment to achieve that vision. In today's economy, communities generally get what they ask for. If a community's vision is one of minimal development regulation and virtually no "interference" with the private sector, that community is usually rewarded with lowest common denominator development, such as mobile home parks and used car sales lots. This type of development requires minimal investment on the part of the property owner while maximizing short-term return on that investment. It represents an economic model that maximizes short-term profits for the individual at the expense of long-term public good.

Every vision has consequences. The consequences of a minimal development regulation approach are increased social costs and reduced long-term community value creation. For instance, mobile home parks limit what adjoining property owners are able to develop on their land, places the most vulnerable members of society in a home equity depreciation situation and in locations that are typically far from their employment or any social services that they may need, and requires dispersed public infrastructure to serve the development. By accepting a minimal development regulation approach, the community is also accepting lower property valuations and increased social and infrastructure costs.

The City of Asheville has a different vision. This vision incorporates a comprehensive approach that focuses on identifying and attracting "industries of the mind," balancing higher development standards with increased development intensity and flexibility, promoting affordable housing options which result in increasing homeowner equity, identifying and providing infrastructure improvements that promote a Smart Growth development pattern, concentrating on quality of life and community appearance objectives that support residents' and tourists' visions of a clean, prosperous city, promoting a diversity in population that provides economic and cultural vitality to the community, and seeking appropriate regional cooperation to maximize the potential for economic success. The City refers to this as sustainable economic development.

Map 16



Riverfront - Revitalizing this unique feature of the City's physical environment as an asset for both enhancing quality of life and attracting economic activity.

Lockwood Greene Consulting, Inc. analyzed the local industrial site situation and made the following key findings:

- Asheville and Buncombe County have the smallest total inventory and most limited mix of developed industrial sites and parks of all the metropolitan areas that the firm has examined in recent years.
- Speculative industrial buildings are needed to provide critical space to industrial prospects.
- Additional land should be acquired by either local government or by the private sector to support future development needs.

The Sustainable Economic Development Strategic Plan identified twelve economic development priorities. These priorities are listed below in order of priority.

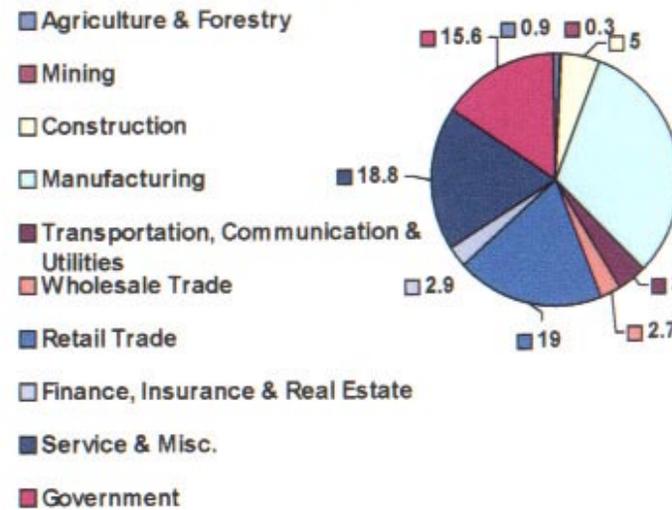
1. Shortage of diverse and affordable housing within the City, including rental units.
2. Lack of developable sites.

3. Tight labor supply with a shortage of skilled workers.
4. Lack of local agreement about the type business and industry the City should try to attract.
5. The water supply is inadequate and high cost.
6. Lack of prestigious research institutions and technical graduate programs.
7. Problems with the planning, zoning, and permitting process.
8. Lack of cooperation between City and County governments.
9. Need to revitalize the riverfront.
10. High underemployment.
11. Lack of available buildings for manufacturing and distribution.
12. City's economic development role needs to be more clearly defined.

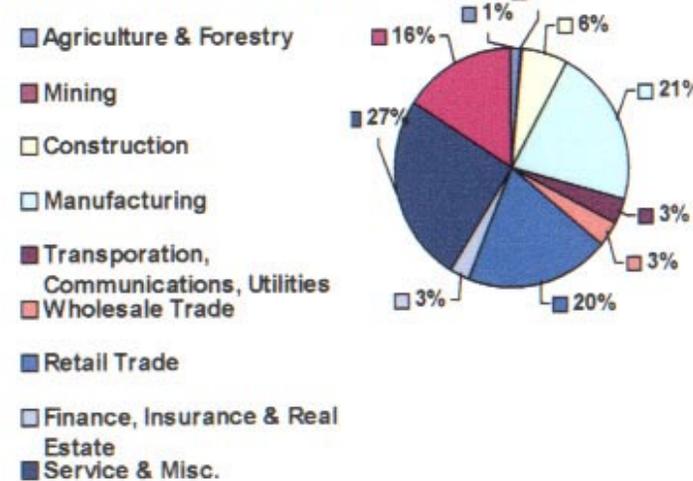
### Key Economic Development Trends by Sector

The following trend analysis by general economic sector is provided in order to put these economic development concepts and ideas into perspective.

WNC Work Force - 1990



WNC Work Force - 2000



## Asheville-Buncombe VISION – Economic Development

The Asheville-Buncombe VISION is a citizen-driven nonprofit organization of community members and leaders whose goal is to make Asheville and Buncombe County a better place for work, recreation, retirement, and family life. The Asheville-Buncombe VISION initiated the Community Dialogues program in 1999 as the next step in its process of obtaining citizen input on vital community issues. The Community Dialogues are designed to initiate discussions about specific topics of importance among people of diverse backgrounds with different interests, values, and traditions. In 2001, the Community Dialogues topic was **Jobs and Wages**.

The overall VISION Benchmark in Economic Development is: Improve Buncombe County's ranking compared to North Carolina Counties for average wage per job.

“Capitalism always operates where there is the rule of law, including a court system to keep a record of contracts and enforce them. It operates even better if government creates a transportation system, a clean water supply, and other basic public goods.”

*Alex Marshall, How Cities Work*

### **General Employment**

- Flexibility in work hours and adaptability to new work circumstances will be

critical due to trends toward contract employment, “just-in-time” inventory delivery, and Internet technology. People will change jobs frequently and work a wider range of hours. This will affect such things as child care, leisure time activities, shopping habits, and educational and job-training needs. Residential patterns will also be affected, with more people wanting to reside in immediate proximity to their workplace, thereby making above-shop residential and live-work loft apartments increasingly attractive residential options.

- Advances in videoconferencing and inconveniences associated with airline travel will result in less “face-to-face” meetings with clients and vendors.
- Telecommuting will become increasingly popular, as will home occupations. These changes will alter vehicular travel demands so that the “peak hour” traffic pattern

associated with employment travel may become less intense than it might have given a more traditional 8:00 AM to 5:00 PM employment model.

- Technological proficiency will become increasingly essential. Persons having in-demand specialty skills in the technology field will benefit greatly due to competition for their services.
- An increasingly affluent society, particularly retirees, will demand an increased amount and variety of personal services, travel opportunities, and entertainment options, making these growth fields for employment.
- People will be able to live and work in areas that appeal to them. There will be an increasing trend to provide intrinsic job benefits to attract employees.

### **Job Growth**

- According to U.S. Bureau of Labor Statistics projections (*Occupational Employment Projections to 2010*; Daniel E. Hecker), computer technology and health-care jobs will account for 27 of the 30 fastest growing jobs through 2010.
- According to the same report, most growth among the self-employed is projected to be

in two areas:

- Arts, design, entertainment, sports, and media occupations; and
- Computer and mathematical occupations.
- Also from the same report, occupations requiring a postsecondary vocational award or academic degree will generate 42 percent of all job growth.
- These trends indicate that Asheville's focus on high-tech and medical professions is in keeping with national trends. This reflects a continuing need to concentrate local efforts in these fields, including "lifelong learning" and "education while employed" programs.

### **Manufacturing**

- The trend toward greater automation requires less space but a more sophisticated building, with adaptable utility and technology infrastructure within the building and a heating and cooling system that can be adjusted to different demands associated with that infrastructure.
- Automation trends will continue to reduce the need for a large employment base with particular manufacturing skills. Specialty skills will still be needed, just not in large numbers of employees.

- The trend toward "just-in-time" inventory delivery requires less storage space and a work force that can be readily contracted or expanded depending upon current orders.
- Automation, reduced storage demand, and domestic trends towards healthcare and "high tech" manufacturing will result in greater compatibility of manufacturing uses with other land uses. This will allow manufacturing to coexist with retail, office, and even residential development. Consequently, there will be an increased tendency to

### **The Importance of Place in Attracting Human Capital**

In remarks given at the Harvard University Conference on Entrepreneurship and Public Policy on April 10 2001, Richard Florida, Director of the Software Industry Center, listed three things that he had identified that would attract "human capital" to a place:

- **Thick labor markets** — "Thick labor markets" refers to a location with a large number of desirable jobs. Highly trained and educated people entering the workforce today recognize they will work for and with many companies during their lifetime and want to locate in an area where an opportunity exists for them to change companies without changing communities.
- **Diversity** – Knowledge-based workers desire cultural and social diversity because it reflects an openness that is important for their creative outlet.
- **Quality of place** — Human capital is attracted to places with strong neighborhoods, good physical design, social and cultural energy, active entertainment and active outdoor recreation.

"To prosper in the global economy of 2015, governments will have to invest more in technology, in public education, and in broader participation in government to include increasingly influential nonstate actors. The extent to which governments around the world are doing these things today gives some indication of where they will be in 2015."

*Global Trends 2015: A Dialogue About the Future with Nongovernment Experts; National Intelligence Council; December 2000*

assimilate manufacturing uses into shopping centers, malls, office complexes, mixed-use developments and other higher prestige locations.

Underutilized shopping centers or

abandoned "big box" sites may prove to be good locations for light manufacturing uses.

- If transportation costs continue to remain constant or decline, manufacturing uses will continue to decentralize and will not be dependent upon locating near raw materials, vendors, or customers.

### **Office**

- The trends toward outsourcing and Internet technology will result in increased demand for smaller office spaces and a greater reliance on telecommuting employees, whether they are full-time or contract employees.
- As with the manufacturing sector, a more sophisticated office building will be needed, with adaptable utility and technology infrastructure within the building and a heating

and cooling system that can be adjusted to different demands associated with that infrastructure.

### **Retail/restaurant/entertainment**

- Concentrations of employees will offer an opportunity for retailers and those involved in the entertainment service industry. Restaurants, movie theaters, and retail shops will locate near employment centers in order to cater to employees before and after the workday and during the lunch hour. Flexible work hours will extend shopping and dining opportunities. There will be a trend to convert space within large shopping centers and malls to office and light manufacturing uses in order to create a "built-in" customer base.
- Destination retail/restaurant/entertainment centers will become increasingly popular and larger in size.
- "Big box" retailers will become more diverse in order to capture a wider range of consumers and keep them shopping longer at the same location. They will become more sensitive to the aesthetic appearance of their buildings and sites for the same reason.
- Downtowns that can overcome building



obsolescence problems and that can provide a substantial amount of housing will be ideally positioned to take advantage of these trends.

### **Tourism**

- An affluent society will travel recreationally. This will be especially true of affluent retirees who have large amounts of leisure time. People are retiring earlier in life and are expecting a more active tourism experience. The tourism industry will need to concentrate on creating and marketing “destination” travel opportunities to attract these travelers.
- Quality of the tourism “experience package” will become increasingly important - there will need to be a seamless continuum of quality associated with destination tourism. It will not be enough to provide a high-quality experience at the hotel or on the resort; the entire experience within the community must be of a consistently high quality. Communities will need to pay particular attention to aesthetic appearance and environmental quality issues in order to provide this expected level of service.
- There will be an increased tendency toward

### **Sustainable Economic Development Strategic Plan**

The citizen task force that developed the Sustainable Economic Development Strategic Plan identified the following strengths and weaknesses of the City of Asheville:

#### **Top strengths of the City**

- Availability of adequate health care
- Level of cultural/recreational activity and facilities
- Quality of the climate and attractiveness of the physical environment
- Quality telephone service
- Public safety ( law enforcement)
- Impact of the tourism industry and the City
- Availability of adequate lodging facilities and quality restaurants
- Adequacy of retail shopping
- Availability of the community college and adult continuing education
- Presence of major highways serving the City
- Downtown Asheville
- Programs for senior citizens

#### **Top Weaknesses of the City**

- Availability of housing for low income families
- Cleanliness of the community
- State and local permitting and regulation process for business
- Availability of fully served and suitable industrial sites and buildings
- Cost of housing
- Cost of water and sewer service
- Adequacy of local streets and local traffic problems
- Availability of quality jobs
- Adequacy of local environmental protection
- Adequacy of local newspaper for promotion of the City's business activity
- Level of wages and salaries paid locally

## Sustainable Economic Development Strategic Plan

Lockwood Greene Consulting, Inc. identified the following locational advantages and disadvantages of the City of Asheville.

### Locational advantages

- Quality of life
- Health-care
- Availability of community college/technical training
- Highway transportation/access
- Small-business development and entrepreneurial spirit
- Vibrant downtown
- Development of the French Broad and Swannanoa rivers
- Low labor cost
- Education/schools
- Tourism's economic impact
- Telecommunications infrastructure
- Higher education resources

### Locational disadvantages

- Lack of industrial sites, office space, and cost of real estate
- Housing availability and general cost of living
- City relations with business and industry
- Lack of graduate education and university research in the sides and engineering disciplines

offering a wider variety of recreational and retail options at particular tourist sites, especially resorts, in order to keep tourists - and their dollars - “on campus.”

- Family-oriented tourism has been identified as a local need.
- These trends will create an opportunity for hoteliers to partner with local craftspeople, personal service providers, restaurateurs, outfitters, and similar businesspeople to create a “destination” environment. Local government will be called upon to augment the available things for tourists to

do by supporting sports venues, festivals, concerts, museums, local heritage and culture activities, and other entertainment activities.

### Energy

- Absent some currently-unknown new advance in energy technologies, the world energy situation will continue to be dominated by petrochemical fuel sources with their attendant problems of supply and pollution for the foreseeable future.
- While 80 percent of the world's total oil reserves and 95 percent of the world's total natural gas reserves are still in the ground, the political instability of many oil producing states and concerns about the environmental effects of extraction technologies create concerns about the future availability and pricing of these critical energy resources.
- New and compelling information about the effects of locally produced pollution in the Asheville mountain basin also warrant caution concerning development patterns based upon continued oil-based fuel availability at low prices.

## Technology

- “Fifteen years ago, few predicted the profound impact of the revolution in information technology. Looking ahead another 15 years, the world will encounter more quantum leaps in information technology (IT) and in other areas of science and technology. The continuing diffusion of information technology and new applications of biotechnology will be at the crest of the wave. IT will be the major building block for international commerce and for empowering nonstate actors. Most experts agree that the IT revolution represents the most significant global transformation since the Industrial Revolution . . .
- The integration — or fusion — of continuing revolutions in information technology, biotechnology, materials science, and nanotechnology will generate a dramatic increase in investment and technology, which will further stimulate innovation within the more advanced countries. . .
- Biotechnology will drive medical breakthroughs that will enable the wealthiest people to improve their health and increased their longevity dramatically. . .
- Breakthroughs in materials technology will

generate widely available products that are multifunctional, environmentally safe, longer lasting, and easily adapted to particular consumer requirements.”

*Global Trends 2015: A Dialogue About the Future With Nongovernment Experts*; National Intelligence Council; December, 2000

## Existing Economic Development Incentives

Current economic development policies and incentives include local, state and federal opportunities for business and industrial assistance. In addition to those listed below, the City of Asheville offers fiscal restraint and development review streamlining as part of its standard operating practice. Businesses are encouraged to bring forward concerns or issues for City consideration as part of Asheville’s commitment to a strong economic climate.

**City of Asheville Programs.** The City offers both an incentive grant program and an infrastructure grant program. Both programs reimburse businesses and industries a portion of the added property-tax receipts that result from their investment in the City.

There are two types of incentive grants currently offered by the City. The first is an industrial development grant that applies to large projects with a minimum investment of \$1.5 million. There are four grant levels offering between 75% and 90% property tax reimbursement for up to a five-year period. The small business development grant is geared toward businesses investment of \$250,000 or greater; this is a single level program that allows a 75% property tax reimbursement for up to a three-year period.

The infrastructure grant program is set up in a similar fashion as the incentive grant program, except its purpose is to provide assistance with the installation of street and utility infrastructure. It offers up to a 90% property tax reimbursement for up to a five-year period.

The City has an interdepartmental team exploring other possible opportunities for promoting economic development using City resources. Ideas being discussed and developed include:

- Utilizing the City capital improvement program as a mechanism for providing incentives for economic development activities.

- Where possible, expanding both the range of incentives and the amount of funding offered by the City for economic development.
- Pursuing user-supported funding sources to provide quality of life infrastructure, particularly room tax and prepared food and beverage tax options, for funding improvements to such major capital facilities as the Civic Center.
- Seeking public-private partnerships for the provision of infrastructure.

**State and Federal Programs.** The state currently offers a variety of economic development incentives through its Development Zone program. These primarily include machinery and job creation investment tax credits. In addition, historic preservation tax credits are available through both state and federal sources. More historic preservation tax credit funds have been allocated to Asheville than to all the other cities in North Carolina combined. Other economic development incentives need to be authorized by the state, including tax increment financing and transfer of development rights.



## Quality of Life As An Economic Development Incentive

Cities in North Carolina are hampered by the tax structure dictated by the General Assembly. The State has relatively few incentives and programs available at either the state or local government level to promote economic development. This puts us at a competitive disadvantage relative to neighboring states which are able to offer a wider range of state and local incentives.

Fortunately, the economic development landscape is changing to make these traditional types of incentives less of a factor. Most state and local government incentives are not especially well tailored to business needs in the new economy. For the high tech, media, communications, research and development, and medical businesses and industries that make up our primary target industrial category, traditional economic development incentives are not as important as a highly skilled labor force. Skilled labor is highly mobile and is attracted to areas where there is a high quality of life. Asheville is able to offer the amenities that create a high quality of life that attracts

this labor force:

- A wide variety of cultural and recreational opportunities
- A scenic location with a mild climate
- A vibrant and exciting Downtown
- A community-wide appreciation of the entrepreneurial spirit and a tolerance for cultural and lifestyle diversity

“Imagine two communities in the Rocky Mountain region in the late 1860s. One is located along the transcontinental railroad; the other is 100 miles to the south. Which community would come to dominate the region by the turn-of-the-century? Counterintuitively, the latter community did. There, aggressive entrepreneurs and community leaders orchestrated the completion of a spur linking the town to the railroad and then commenced a promotional campaign on the community’s behalf. Over time, that town, Denver, flourished, while the other, Cheyenne, did not. Denver leaders did not rely on chance. Instead they mobilized public resources to pursue their vision of Denver as a major city . . . {successful} public economic development is the result of purposive political decisions. . . .”

*Imagining Cityscapes: The Politics of Urban Development* by Ann Bowman and Michael Pagano; *Landlines*, Lincoln Institute of Public Policy; March, 1986

“Beyond the weather, the most important factor driving the success of a city is its human capital base. Cities with skilled workers or high median incomes grew; cities with high levels of poverty shrank. This suggests city leaders who want to encourage growth need to think about whether their policies are encouraging skilled workers to live there.”

City Growth and the 2000 Census: Which Places Grew and Why; *The Brookings Institution*

## Economic Development Goals and Strategies

### Goal I. Implement the six key goals of the Sustainable Economic Development Strategic Plan:

- Insure that Asheville’s urban planning, zoning, and permitting processes, as created and administered by the City, facilitate sustained and positive development.
- The availability of suitable sites within the City will meet its business needs into the future.
- The City’s future development will balance economic objectives, social goals, and its natural resources to the benefit of present and future generations.
- The institutions of higher education and training in the Asheville area will meet the skill needs of the businesses and industries in the community.
- The local workforce will have the basic education, life skills, and technical skills to meet the demands of Asheville workplace in the future.

- Asheville’s “total” riverfront (inclusive of the French Broad and Swannanoa rivers) will be redeveloped to maximize both its full potential as a quality of life amenity as well as for commercial opportunities.

**Goal II. Ensure that the comprehensive plan, building and zoning codes, local economic development incentives, capital improvement program, and other City development regulations and incentives are regularly reviewed and modified to meet the technological and social changes of the local economic development situation.**

### Strategies

1. Continue to use the implementation team process developed by the Sustainable Economic Development Task Force to regularly review and propose changes to key City documents.
2. The economic development director and planning and development director shall jointly prepare a report to City Council on economic development trends, indicating any necessary changes to key City docu-



ments to put the City in a better position to respond to these trends. This report shall be presented at least once every two years. Other department directors shall contribute to this report on an as-needed basis.

**Goal III. Actively pursue regional, state, and federal partnerships and seek new legislation and economic development incentives that put Asheville at the forefront of business recruitment and retention.**

Strategies

1. Lobby for state and federal legislation that increases the number of economic development “tools” available to the City, including tax increment financing, land value taxation, transfer of development rights, design review and other key fiscal incentives and growth management tools.
2. Partner with other local governments, regional agencies and organizations, and state and federal agencies to combine individual strengths and mitigate individual weaknesses for the betterment of Western North Carolina’s business and industrial

environment.

3. Lobby for state and federal legislation that increases the number of economic development “tools” available to the City, including project development financing, land value taxation, transfer of development rights, design review and other key fiscal incentives and growth management tools.

**Goal IV. Insure compatibility between the local infrastructure and regulatory environment and the needs of business and industry.**

Strategies

1. Complete key transportation projects on time and in a manner that supports the economic development of the community, including the I-26 Connector, the Riverside Parkway, and the Merrimon/Broadway interchange.
2. Identify and remove institutional barriers that hinder the smooth delivery of public utility services to business and industry, particularly the revision of the water agree-

ments to reflect a sound business model and the development of comprehensive and fiscally-responsible water and sewer extension policies and plans.

3. Implement a comprehensive Smart Growth development pattern, a comprehensive and effective affordable housing program, streamlined development review and inspection processes, and other growth management incentives that promote a business-supportive regulatory environment.
4. Invest in cultural and heritage events and “social infrastructure” such as the Civic Center, Bele Chere, the Urban Trail, , Goombay, YMI, First Night, Shindig on the Green, and Pack Square.
5. Preserve the scenic, historic, and environmental character of the community through such actions as sound land use planning, effective design review, strong environmental policies and programs, and effective application of tax credits and other incentives, while lobbying for regional and state reduction of key pollutants at their sources.

6. Insure that City codes and regulations adequately provide for the increased role that home occupations, arts and crafts production, and telecommuting will have on our economy.

7. Seek opportunities to partner with major tourism destinations (e.g., Grove Arcade, Grove Park Inn, Biltmore House, N. C. Arboretum, Blue Ridge Parkway, etc.) to enhance gateways, improve visual appearance of surrounding properties, preserve historic resources, and take other similar actions intended to promote an enhanced visitor experience for these key tourist destinations.

8. Seek opprotunities to promote an enhanced family tourist experience by promoting family-oriented festivals and events, youth sports activities, family-oriented recreation and entertainment venues, and similar activities.

**Goal V. Effectively market the economic development strengths of Asheville by promoting the quality of life of the Asheville area using both general and tar-**



**geted promotional methods in cooperation with other economic development actors.**

**Goal VI. Work toward increasing City-controlled funding sources for economic development incentives and promotional efforts.**

Strategies

1. Utilize the City capital improvement program as a mechanism for providing incentives for economic development activities.
2. Continue existing City economic development incentives and, where possible, expand both the range of incentives and the amount of funding available for economic development.
3. Pursue user-supported funding sources to provide quality of life infrastructure; in particular, pursue the room tax and prepared food and beverage tax options for funding improvements to such major capital facilities as the Civic Center.
4. Seek out opportunities for public-private

partnerships in the provision of infrastructure.

**Goal VII. Explore opportunities for increasing entrepreneurship training to targeted population groups and for the targeted business categories (e.g., high tech research and production, medical research, software development, etc.).**

**Goal VIII. Create an inventory of property suitable for development or redevelopment for targeted industrial and commercial uses and implement a program to encourage development or conversion to these uses.**