

# Infrastructure and Economic Development

## Water and Sewer Projects Provide Foundation for Community Growth

By **Mark Kemp-Rye** • *On Tap* Editor

Photos and Layout by **Chris Metzgar** • Graphic Designer

Everyone is interested in economic development, it seems. Universities and institutes study the subject, politicians of all stripes promise it during campaigns, and citizens hope development schemes work so that their children and grandchildren can remain in the community.

Like building a lasting structure, economic development must have a solid foundation. Though too often overlooked, an integral part of any economic growth plan is the water and sewer infrastructure that will support such plans.

“Water and sewer service is a fundamental building block of the physical infrastructure of a community,” says Louis Segesvary, public affairs director with the Appalachian Regional Commission (ARC). “Water and sewer projects have clearly helped retain business and attract new development. The quality of life a community will experience is dependent on it.” In fact, a prominent goal in the ARC’s strategic plan is that communities will have adequate infrastructure for economic development.

Access to utilities isn’t just a concern in the Appalachian region, it’s a priority almost everywhere. “The National Association of Development Organization (NADO) Research Foundation’s 2000 survey of regional development organizations revealed that water infrastructure is one of the top economic

development needs,” reports Joseph Dunn, NADO legislative representative, “accounting for 123 responses or 42 percent of the regional development organizations surveyed.”

Various studies and anecdotal evidence show that adequate water and wastewater systems must be in place before embarking on any grand development scheme.

### **Averting Tragedy in Alabama**

If five major employers in a rural county closed within a two-year period, it would be an insurmountable setback for most places. Rather than roll over and die, though, local leaders in DeKalb County, Alabama, decided to attract new industry to replace the closed textile plants.

Leaders from the towns of Rainsville and Section, in the northeastern part of the state, focused their efforts on the Rainsville Industrial Park. By improving the park’s water and sewer capacity, they were able to construct a \$10 million facility and attract a company that makes parts for a Honda car assembly plant in nearby Lincoln. The new company—Rainsville Technology, Inc. a subsidiary of Moriroku Company Limited of Japan—created more than 120 new jobs.

According to the ARC report *Best Practices in Water and Wastewater Infrastructure Development*, “The new plant would not have been possible



without the cooperation of two municipal governments—the town of Section, which owned the water system, and the city of Rainsville, which ran the sewer system. Although some municipal governments can be territorial about their water and sewer services, these two

municipalities agreed to work together to develop the new plant. As a result, both communities are now enjoying

the benefits of that cooperation.” (For more information about regionalization, see the articles “Regionalization: Forced, Voluntary, and Somewhere in Between” and “Regional Water Authority Helps Western New York” on the NESC Web site at [www.nesc.wvu.edu](http://www.nesc.wvu.edu).)



### Research Supports Investment

As with the DeKalb County, Alabama, story, creating jobs (or preserving existing ones) is a key goal for most economic development strategies. However, not all economic development leads to more jobs.

“Whether rural employment rises or falls with productivity-enhancing infrastructure depends on whether infrastructure and labor are complements or substitutes in the production process,” note William R. Fox and Sanela Porca in “Investing in Rural Infrastructure,” published in the June 2002 *Economic Development Digest*.

“If businesses hire more workers as the infrastructure is improved,” Fox and Porca explain, “infrastructure and labor are complements; and if they hire fewer workers, they are substitutes.

Infrastructure can indirectly stimulate employment as it attracts entrepreneurs, a quality labor force, and investment capital into rural areas.”

Despite the reality that some improvements can result in labor substitution, most development schemes are tuned into the need for jobs and are geared toward making a positive impact in the community—and most do just that.

A 2002 U.S. Department of Agriculture (USDA) study of 87 water and sewer projects titled *Economic Impact of Water/Sewer Facilities on Rural and Urban Communities* found that businesses involved in these upgrades “saved, on average, 212 permanent jobs, created 402 new permanent jobs, made private investments of \$17.8 million, leveraged \$2.1 million of public funds, and added \$17 million to the local property tax base. Indirect beneficiaries saved, on average, 31 permanent jobs, created 172 new permanent jobs, attracted \$3.34 million in private-sector investment, leveraged \$905,000 of public funds, and added \$3 million to the local property tax base. This enlarged property tax base, at a mere one percent tax rate, would yield \$200,000 in annual property tax to the community.”

“Every dollar spent in constructing an average water or sewer project generated almost \$15 of private investment, leveraged \$2 of public funds, and added \$14 to the local property tax base,” says Fagir S. Bagi, an economist with USDA’s Economic Research Service and author of the study.

## One Small Town, Two Industrial Parks

Federsburg, Maryland, is a small community east of the Chesapeake Bay within a few miles of the Delaware state line and seemingly miles from the hustle and bustle of D.C. and Baltimore. But looks can be deceiving. This quiet town of 3,000 is home to not one but two thriving industrial parks.

“The first park—the Federsburg Industrial Park—was built more than 20 years ago,” says Steve Dyott, Federsburg’s public works director, “and the Caroline Industrial Park was built about 10 years ago. A new section of the older park opened two years ago.”

Initially funded by grants from the state economic development agency, the two parks have an occupancy rate of more than 95 percent. A 1994 water and wastewater upgrade resulted in a 750,000 gallons per day system capacity. Currently, both parks are using about half that amount, meaning that businesses can expand production if needed.

“Large businesses use a lot of water and discharge a lot of wastewater,” Dyott observes. “Most of them don’t want to operate their own treatment systems. Having these services in place is a huge benefit in attracting companies to the parks.”

Federsburg’s two industrial parks are home to a variety of light industrial and service-sector businesses, including Solo Cup and Maryland Plastics (both of whom employ more than 300 workers), Yale Sportswear, and Jack and Jill Ice Cream. Most of the employees of these companies live in the area.

Dyott attributes much of the success of the two industrial parks to a good business climate and an excellent quality of

life. “The local economic development board has worked hard to fill the parks,” he says, “and the town has a lot to offer the people who work there.”

What are some of the factors small communities should consider when planning economic development activities? “Do your homework,” Dyott recommends. “Figure out what the community needs in terms of businesses and don’t upset the balance. If, for example, you have a big company come in but don’t have the workforce, then the employees have to come from somewhere else and that doesn’t really

## Which Development Is Right for Your Community?

Economic development is not a one-size-fits-all proposition. What works in one place will not necessarily work in others.

Keenan Patrick Jarboe of the Athena Alliance, a nonprofit organization dedicated to public education and research on the emerging global information economy, encourages communities to explore the things that make them unique. What is there in your town that makes it special? What combination of local talent, geography, leadership, alliances, reputations (and a score of other intangible things) can you build on for economic development?

In the Rural Community Assistance Partnership magazine *Rural Matters* (Summer 2004), Jarboe cites several examples: “The Appalachian Center for Economic Networks in Athens, Ohio, has created a local economic cluster centered on the specialty food products industry,” he writes. “Other examples are film-making around Wilmington, North Carolina; windsurfing-related sporting goods and apparel in Hood River, Oregon; fishing gear in Woodland, Washington; snowmobile manufacturing in northern Minnesota; and houseboat manufacturing in Kentucky.”

The best people to decide what will work in a community are those who live and work there.



## Inflatable Boats in Western Maryland

How can someone who loves whitewater rafting make a decent living from what most consider a hobby? If you're Dave Demaree, you turn your passion into a business manufacturing the very rafts you used to ride.

Founded in 1982, Demaree Inflatable Boats is based in an old school building (shown below) in Friendsville, Maryland, not far from three of the

East's best whitewater rivers. "The school had been abandoned for 12 years or so when we got it," says Demaree. "The town and the county worked to make it happen and we've been here ever since."

From its start making whitewater rafts, Demaree now supplies inflatable craft for operations ranging from rescue to industry to the U.S. military. The company employs two dozen workers.

help the town. Similarly, if you don't have the quality of life factors—such as schools, restaurants, cultural amenities, recreation—people won't want to stay in the area." (See the sidebar on the facing page for more about discovering what type of economic development is right for your community.)

A community's quality of life and other supporting institutions are extraordinarily important for economic development to succeed. "Infrastructure is essential to accommodating growth," write Fox and Porca, "but it is unlikely to stimulate self-sustaining growth that would not otherwise occur. In other words, infrastructure is a



## Community Development First

In the rush to implement grand economic development schemes, leaders can sometimes overlook a community's greatest asset: its people. A highly regarded community development scheme based on lessons learned in Tupelo, Mississippi, (now known as "The Tupelo Model") posits that, without a significant investment in a region's people, even the best economic plans are hard to sustain.

### The Tupelo Model is based on 12 guiding principals:

1. Local people must address local problems.
2. Each person should be treated as a resource, so the community development process begins with the development of people.
3. The goal of community development is to help people help themselves.
4. Meet the needs of the whole community by starting with its poorest members, not just as targets for top-down efforts, but as full partners in helping design those efforts.
5. Community development must help create jobs.
6. Expenditures for community development are an investment—not a subsidy—and will return gains to the investors. So people with money have both the responsibility and an interest in investing in the development of their own community.
7. Community development must be done both locally and regionally if the full benefits are to be achieved.
8. Start with a few tangible goals and measure the progress in meeting them.
9. Build teams and use a team approach.
10. Leadership is a prime ingredient, but community development cannot be achieved without organizations and structure.
11. Never turn the community development process over to any agency that does not involve the people of the community.
12. Persistence is essential and programs must be continually updated.

Source: The Aspen Institute, Rural Economic Policy Program

necessary, but not sufficient, condition for growth. An inadequate infrastructure can inhibit growth, but its availability does not overcome other limitations that may exist in rural communities." (See the sidebar at the left for more information about community development.)

That said, the importance of good infrastructure should not be overlooked. "I strongly encourage communities who are thinking about developing an industrial park to have adequate water and wastewater systems," Dyott says. "If you don't have adequate capacity in place, you'll be behind the 8-ball from the start. You don't want to continually have to upgrade these facilities to accommodate each new customer. Federalsburg is very fortunate that the economic development people two decades ago had the vision to develop the capacity we now have."

The success of Federalsburg's development planning is testament to foresight and the benefit of good planning.

### More Than Money

Economic development is usually measured in terms of money generated and jobs created. In fact, the International Economic Development Council defines these activities as "the process of creating wealth through the mobilization of human, financial, capital, physical, and natural resources to generate marketable goods and services."

Certainly wealth creation is a compelling reason to engage in development efforts. But there are other, non-monetary benefits derived from these projects.

"Rural and urban water and sewer projects both generate much greater economic benefits than their total construction cost," Bagi says. "In addition, water and sewer projects help teach communities to plan, prepare applications, obtain grants, manage construction projects, work with government agencies at every level, and negotiate with existing and relocating businesses." These lessons serve to make the community stronger and often produce more opportunity.

Whether your community is trying to expand upon local business success or attract new development to the area, keep in mind that economic

## Federal Funds for Infrastructure and Development

The Economic Development Administration (EDA) has a program called Grants for Public Works and Development Facilities. Aimed at economically distressed areas, these grants are for public works projects such as water and wastewater infrastructure development. Projects must promote economic development, create long-term jobs, and benefit low-income residents. These grants cover up to 50 percent of project costs with as much as 80 percent available for severely distressed communities. For more information, call EDA at (202) 482-3081 or visit their Web site at [www.doc.gov/eda/](http://www.doc.gov/eda/).

The Community Development Block Grant (CDBG) program administered through the U.S. Department of Housing and Urban Development (HUD) offers grants directly to states, which then provide funds to small cities and non-urban counties. The program requires 70 percent of CDBG funds be used to help low- and moderate-income people. On average, these grants cover 50 percent of project costs. For more information, contact your state or local HUD office or you may call HUD headquarters at (202) 708-1322. HUD's Office of Community Planning and Development Web site is located at [www.hud.gov/offices/cpd/](http://www.hud.gov/offices/cpd/).

development is a never-ending process. And don't forget that having good water and sewer systems in place is a vital first step.

### For More Information

The National Center for Small Communities (NCSC) recently published *Economic Development for Small Communities: A Handbook for Economic Development Practitioners and Community Leaders*. This 100-page overview is available from NCSC for \$24.50 and may be ordered by calling (202) 624-3551 or through their Web site [www.smallcommunities.org](http://www.smallcommunities.org).

The National Association of Development Organizations (NADO) provides training, information, and representation for regional development organizations serving small metropolitan and rural America. Learn more about NADO by visiting their Web site [www.nado.org](http://www.nado.org).

Other Web sites devoted to rural economic development may be found in the Web Resources section on pages 10 and 12 of this magazine.

### References

Appalachian Regional Commission. "Best Practices in Water and Wastewater Infrastructure Development." Online at [www.arc.gov/index.do?nodeId=639](http://www.arc.gov/index.do?nodeId=639), accessed on January 29, 2005.

Aspen Institute. Date unknown. "Hand in Hand: Community and Economic Development in Tupelo." Washington, DC: The Aspen Institute Rural Economic Policy Program.

Bagi, Faqir S. 2002. "Economic Impact of Water/Sewer Facilities on Rural and Urban Communities." *Rural America*. (Winter). Washington, DC: U.S. Department of Agriculture.

Dunn, Joseph. 2001. "Water and Wastewater Infrastructure." *Economic Development Digest*. (February/March). Washington, DC: National Association of Development Organizations.

Fox, William F. and Sanela Porca. 2000. "Investing in Rural Infrastructure." *Economic Development Digest*. (June). Washington, DC: National Association of Development Organizations.

Jarboe, Kenan Patrick. 2004. "Building on Local Information Assets." *Rural Matters*. (Summer). Washington, DC: Rural Community Assistance Partnership.

Shively, Robert W. 2004. *Economic Development for Small Communities*. Washington, DC: National Center for Small Communities.

On Tap Editor **Mark Kemp-Rye** has lived in West Virginia most of his life and has witnessed the importance of infrastructure in community development projects.

