

Walla Walla 2020

White Paper On Economic Development

A vital, thriving economy is a key element in the quality of life we all seek in the Walla Walla area. There are many ingredients to a continuing prosperity, some of which are public and some private.

Since we all have a stake in our economic success, all sectors of the public should be involved in economic development activities and planning, rather than leaving these matters solely to those in the commercial sector. Therefore, it is critical that we as a community:

- (1) understand the nature and dynamics of economic development, and
- (2) attempt to come to a consensus on development goals and on strategies for achieving them.

The overall purpose of our economic development efforts should be sustainable, long-term prosperity. We should not undertake initiatives that deplete important natural resources such as water and topsoil for the sake of short-term profits, since they cannot be sustained. Similarly, we do not enhance the stability of our economy by the pursuit of large, non-locally owned companies dependent on fluctuating national and international markets and willing to move whenever conditions are more favorable elsewhere.

The majority of jobs created nationwide in the last 20 years have been by small, local businesses, including farms. Small, local businesses not only create most jobs, they also have greater allegiance to the local community. In addition, their diversity contributes to a stable economy, since the inevitable failure of some small businesses does not greatly affect the economy as a whole.

If local businesses produce goods or services for the local market that were previously imported from the outside, their impact is magnified. Money, which had been lost to other regions, is instead re-circulated several times within the community. The profits of locally owned companies are also re-circulated in the local economy, unlike the profits of externally owned companies.

A systematic program to decrease the local dollars lost from purchasing products and services from outside the community, called “import substitution” or “plugging the leaks” in the local economy, is the most powerful economic development tool available. This can be accomplished by developing local suppliers for products and services needed by area businesses. For example, the Eugene “Oregon Marketplace” program links local suppliers with local buyers. In its first year the program generated \$2.5 million in new contracts and 100 new jobs.

Plugging the leaks can also be accomplished by conservation programs, in which reducing waste of imported products, such as energy, directly increases the wealth of the local economy. Such a program

in Osage, Iowa, for instance, has resulted in savings of \$900 per year per family which stays in Osage, recirculating in their economy.

By supporting the prosperity and expansion of existing businesses in the Walla Walla area, by encouraging local entrepreneurship and new local businesses, and by conserving imported and local resources, this area can gain greater self-sufficiency, increased jobs, more opportunities for young people, and ongoing economic stability.

This was the experience in Napoleon, Ohio, where the city government and Chamber of Commerce created a business retention and expansion program at the request of local business leaders, which added an average of 35 new jobs a year over a 6 year period. The business incubator initiated by the Bennington, Vermont Industrial Council created 250 new jobs in the first eight years of operation, with only one of the 50 companies started going bankrupt.

In the Walla Walla area, important resources for support of such development include

- the management skills and worker training programs of Walla Walla Community College
- the general education and vocational programs of the public schools
- the farmers market being developed by the Downtown Walla Walla Foundation
- the small business center operated by WWCC in cooperation with the Port of Walla Walla
- the sustainable farming programs of the Natural Resources Conservation Service and WSU Cooperative Extension Service, and
- new business development and retention efforts of the Port of Walla Walla

Conspicuously lacking in our community, however, are systematic import substitution and strong community-wide conservation programs. An analysis of the availability of adequate capital for local business should also be undertaken to ascertain whether a local development credit fund for the Walla Walla area should be established.

The first goal of economic development, therefore, should be to support the founding, survival, and expansion of local small businesses. The means to achieving this should include:

- (1) support for general education, management skills, and worker training programs,
- (2) support for the small business center and business incubators,
- (3) development of systematic import substitution and conservation programs, including the important agricultural sector,
- (4) support for natural resources conservation programs, including commercially productive farm and timber lands, and
- (5) exploration of the need for a local development credit fund.

The second goal of economic development should be to protect and improve the quality of public resources and services. In addition to its local businesses, entrepreneurship, labor force, and productive natural resources, the other primary economic asset of the community is its public resources and services.

These resources serve businesses directly to some extent, but also serve all of the citizens of the area, and are largely responsible for why people want to live here. Included in this category are the schools, colleges, transportation systems, water and sewer systems, police and fire services, libraries, parks, and recreational facilities, as well as clean air, natural beauty, freedom from congestion and blight, security from crime, friendly neighborhoods, and the richness of the cultural activities available.

The importance of these public resources to the economic well being of the community is sometimes overlooked. As well as their direct relevance to productivity, they are the quality of life factors businesses seek when they decide where to locate.

In addition, they are the factors that attract or repel others such as retirees, who are free to live where they wish, and whose expenditures and investments have a large impact on the community they choose to settle in. Forty to fifty percent of all personal income flowing into communities is other than wages, salaries, or profits, and includes income on investments, pensions, and transfer payments.

Along with its agricultural lands, the Walla Walla area's most significant economic asset is the quality of its public resources, including its rich cultural offerings, parks, beautiful streets lined with tall trees and historic homes, clean air, small-town sense of community and security, and lack of congestion.

The sustained ability to attract and hold a stable population over the decades, together with the wide diversity of businesses and employers, which have been relatively unaffected by national highs and lows, demonstrates the basic health of the area economy. The net influx of new residents to the area in the last several years unconnected with any major new job offerings is further testimony to the attractiveness of the community as a place to live.

While incoming residents bring new resources and can be the source of new businesses, they also necessitate new or expanded public services. In general, the effect of a growth in population, from whatever source, is that public expenditures increase per capita, requiring higher taxes to pay for expensive new facilities.

A growth in population also means more congestion, degraded air quality, and related urban problems. Newcomers from areas with higher costs of living and generally increased demand drive housing costs out of reach for some existing residents, and most will find the qualities that attracted them to the community degraded. In the end, in an area as wealthy in culture and amenities as ours, we believe that growth will tend to impoverish rather than enrich us.

Because of such difficulties, the provisions of the Growth Management Act require our cities and county to squarely face the costs of growth, and to condition new land development on community plans to deal with the problems growth brings. Planning under the Growth Management Act will allow many of these concerns to be addressed.

While we don't have much control over the unsought type of growth this area has experienced over the past several years, some types of growth can be influenced by public policy, including economic development programs. We as a community can choose how we pursue economic development, whether by encouraging the establishment, survival, and expansion of local businesses built around the needs and characteristics of the local community and workforce, or by encouraging outside businesses to relocate their personnel and facilities to Walla Walla.

The attempt to convince outside companies and their employees to move here, rather than to one of the thousands of other communities which are courting them, can worsen our population pressures. Such campaigns are also expensive to run, and often involve further community expense in the form of a package of tax, environmental, and other concessions or giveaways to the prospective outside company, that degrade the community's public resources--in our case, our greatest asset.

The most fruitful and cost-effective approach to economic development is to invest our development funds in strengthening our primary economic assets, namely our public resources and our local businesses. By doing so, we are improving the health of our economy, creating jobs, and keeping our destiny in our own hands. At the same time, we are protecting and enhancing our quality of life, which is the essential reason we live here. Such an approach directly enriches us.

To renew our economy and to protect its stability and our high quality of life, we need a commitment by all elements of the community to consensus building and cooperation toward a community economic development plan. Walla Walla 2020 is committed to participating in such a process.