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**Strengthening The Downtown  
Economy Through Strategic Planning\***

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## STRENGTHENING THE DOWNTOWN ECONOMY THROUGH STRATEGIC PLANNING

Strategic planning is an approach to identifying, analyzing and implementing solutions to community economic problems. The primary aim of strategic planning is to enable communities to make better-informed choices in selecting a set of development activities that will result in a high degree of achievement of their objectives.

A common thread which ties the papers presented at this symposium together is application of the strategic planning model to extension education programs on economic development. An application of the model to downtown development issues is the subject of this paper. Some background information helpful in understanding why downtown development has become a particularly important issue in rural communities is discussed briefly. An experimental educational and research program designed to help rural communities in the Northeast strengthen their downtown economies is outlined. In addition, some thoughts are offered about the challenges and opportunities for extension educators in applying the strategic planning model to economic development issues in general and downtown development issues in particular.

### Background

Rural communities developed primarily as trade centers for families employed in agricultural and extraction industries. As technological innovations, resource depletion and macro economic shifts have reduced the demand for labor in these traditional basic industries, many retail firms ceased to operate in rural communities.

During the last two decades, however, many manufacturing firms located in rural communities, recreation and retirement became important rural industries, and many people migrated to small towns and rural areas. Partly due to these developments, there has been a resurgence of retail and service activities in rural towns. For example, the number of persons employed by the trade sector in nonmetropolitan counties of the Northeast increased 31 percent between 1970 and 1980. This growth rate is three times the retail employment growth rate in metropolitan counties of the region. Service sector employment in the Northeast has also grown more rapidly in rural areas than in metropolitan areas.

While opportunities for starting and expanding retail businesses in rural areas have increased dramatically in recent years, the basic physical, social and economic environment of the downtown in many communities has not changed to accommodate these opportunities. Consequently, increased local demand for goods and services does not always mean new stores will open or existing ones will expand. Instead one of two scenarios often occurs. First, community members travel to surrounding communities for shopping, while local merchants complain the community won't support their businesses. Second, any increase in retail and service activities bypasses the downtown area and becomes concentrated on the fringes.

There are both equity and efficiency reasons for maintaining the downtown economies of those rural communities where the potential local demand for goods and services is adequate to support a downtown business sector. The continued decline of rural downtowns even in those areas where population and income have increased substantially

in recent years is testimony to the reality that adequate local demand is a necessary but not a sufficient condition for maintaining a strong local business sector. Factors such as noncompetitive pricing, inappropriate or inadequate advertising, poor customer service, an inconvenient or inhospitable shopper environment often cause local residents to shop elsewhere. Presumably, communities successful in dealing with these downtown problems will be able to capture a larger share of the local demand for goods and services.

An experimental educational and research program designed to help communities strengthen their downtown economies was begun in Pennsylvania about one year ago. The program was funded by the Pennsylvania State University, College of Agriculture and initial implementation has been confined to two communities. The goal of the program is to assist community members in identifying and analyzing community problems adversely affecting the downtown economy and to educate citizens to enable them to make better-informed choices in implementing solutions to downtown problems. Key elements of the program include:

- 1) Encouraging a coalition of local leaders to form a strategy committee
- 2) Obtaining the community's perception of downtown economic problems
- 3) Development of factual evidence to support or refute perceived problems
- 4) Establishing appropriate downtown development objectives
- 5) Exploring alternative methods to achieve objectives
- 6) Formulating a final downtown development strategy



The remainder of this paper will describe each component of the program in more detail.

### **Encouraging Local Leaders To Form A Strategy Committee**

A necessary although not sufficient condition for a successful downtown development effort is the existence of a local leadership group which is effective in overseeing the planning and implementation of a downtown initiative. Throughout this paper, the nomenclature "strategy committee" will be used to describe a local group organized for this function. One contribution extension educators can make to a downtown development effort is to encourage the formation of a strategy committee if one does not already exist and to teach that group economic development skills applicable to their individual situation.

The appropriate composition and organizational structure of the committee will vary from community to community. As a general rule, the group should be composed of citizens who represent a wide variety of community interests and needs -- merchant associations, service clubs, school board members, municipal and county planners, bankers, real estate brokers, homeowners, clergy, local government officials and other citizens. It is particularly important that representatives of organizations likely to be involved with the implementation of a downtown development strategy be involved during the initial stages of the planning process.

Another issue is the appropriate organizational structure for a strategy committee. Experience in several states suggests that leadership coalitions organized for the specific purpose of overseeing

the planning and implementation of a downtown economic development strategy are the most effective. Particularly in smaller communities, it is usually not necessary to formally incorporate the group during the initial stages of the planning process. However, in those states where legislation permits, it is advantageous to establish a quasi-public development corporation for the purpose of implementing the development strategy. Such entities typically enjoy administrative autonomy combined with some degree of political accountability and have access to important development powers typically limited to municipalities, such as eminent domain and bonding. These powers may be needed for implementing the strategy.

Newly formed development organizations (strategy committees) need substantial technical assistance to successfully plan and implement a downtown development initiative. This suggests important teaching opportunities for extension, including the opportunity to help development organizations clarify problems, identify alternative solutions to problems and analyze consequences of each alternative.

#### **Obtaining The Community's Perception Of Problems**

The nature of a problem determines the strategy appropriate for dealing with it. Consequently, the first step in planning a strategy to strengthen the downtown economy is to identify community problems which adversely affect the downtown economy.

Problems are not necessarily objective conditions of the real world. Rather they are subjective constructions -- what Boulding has called "images" of the real world. What is a critical problem for one person may appear unimportant, or not a problem at all, to another person. The implication for extension educators working with



downtown economic development organizations is the need to assist them in obtaining information on the community's perception of downtown economic problems.

In Pennsylvania, surveys have provided an effective mechanism to gain understanding of the community's perception of problems adversely affecting the downtown economy. The strategy committee is asked to form two working committees. One committee is charged with the task of developing and implementing a survey of business people and the other with the task of developing and implementing a general citizen's (shopper's) survey. Extension educators serve as a technical advisor to both working groups.

The first job of each working committee is to decide on the objectives for the survey and what questions to include. The critical point is that the survey content needs to be customized to address those issues of special importance to the individual community. Examples of downtown development issues (potential problems) common to most communities are the availability of parking, adequacy of streets, adequacy and availability of commercial buildings, price and quality of local merchandise and the impact of various municipal ordinances. Clearly many more issues could be added to the list.

Once each committee is satisfied with the content and wording of their surveys the next major decision is how to distribute them. In general, the response rate can be increased if surveys are hand delivered and picked-up by community members. Randomness can be achieved by dividing the community into blocks and setting up an appropriate sampling procedure. We have found high school service clubs to be willing and able to carry out this task. Using local resources to hand deliver and pick-up surveys is inexpensive, efficient and provides

additional opportunity for community involvement in the planning process.

In Pennsylvania, as a service to the community, we have made available university computing facilities for tabulating survey results. After responses are tabulated, a meeting is held with the strategy committee. The objective of that meeting is to summarize the survey results by developing a list on a blackboard of the community's perception of problems adversely affecting the downtown economy. Common community concerns are issues such as inadequate downtown parking, high prices relative to surrounding shopping centers and poor customer service. Merchants usually share these concerns, but also express concerns about issues such as high taxes, labor problems or declining local markets. At this phase of the planning process, problems identified through survey are listed without comment or analysis. The list becomes the basis for later working sessions.

#### Development Of Factual Evidence

The next step of the planning process is to develop factual evidence to either support or refute perceived community problems. This has important implications for ultimate solutions. Suppose, for example, that community members believe prices locally are higher than in surrounding communities. A market basket could be developed and prices compared. If prices are not actually higher, the problem is one of perception. Possible solutions include such things as consumer education or improved advertising. If local prices are substantially higher a training session on product pricing or examining ways to lower business costs would be made appropriate solutions. Alternatively, it might be concluded that higher prices in a given community are an economic fact of life

and it might be better to concentrate community resources on solving a different problem. Such analysis is the basis for a strategy session discussed in the next section of this paper.

The issue of local prices relative to other areas is just one example. After the list of community concerns is developed, the strategy committee with the help of local and university resource people, identifies those problems on the list that lend themselves to factual analysis. Specific individuals are asked to take responsibility for developing that information and reporting back to the group. Ideally, local people would do the majority of this research. However, particularly when working with smaller communities, the extension educator must take major initiative in developing factual information due to the required expertise and more convenient access to published data.

#### **Establishing Downtown Development Objectives**

Perhaps the most important phase of the planning process is the establishment of appropriate development objectives. The key word here is appropriate. Appropriate objectives have two characteristics: (1) they reflect the community's priorities and (2) they can realistically be achieved within the community's social, economic and political environment.

We ask the strategy committee to organize a public meeting for the purpose of establishing downtown development objectives. Chart 1 is a sample agenda.

The town meeting is divided into seven components. The session is opened with a presentation of local economic trends. This sets the stage by explaining how changes in the community's demographic

Chart 1 - Sample Agenda For Public Meeting to Review Community Problems  
and Establish Downtown Development Objectives

- I. Review of Local Economic Trends with Emphasis on the Downtown Economy (45 minute presentation followed by 15 minute discussion)
- II. Overview of Downtown Development Planning Process (20 minutes)
- III. Presentation of Survey Results and Summary of the Community's Perception of Downtown problems (45 minute presentation followed by 30 minute discussion)
- IV. Discussion of Factual Evidence (60 minutes)
- V. Analysis of the Potential Local Market for Downtown Goods and Services (45 minute presentation followed by 15 minute discussion)
- VI. Identification of Problems with Realistic Solutions - Suggestions by Outside Resource People (60 minutes)
- VII. Establishment of Downtown Development Objectives (60 minutes)

structure and the macro economy affect downtown businesses. Reviewing local economic trends also helps the community members understand the reasons why the community is involved with a downtown development effort.

A member of the local strategy committee is asked to provide an overview of the downtown development planning process they have been following. This is followed by a presentation and discussion of the survey results. The list of perceived community problems developed at an earlier date by the strategy committee is shared with community members at this time. Community members are given an opportunity to augment the existing list with additional problems if they wish.

The factual evidence developed to support or refute perceived community problems is then presented by the strategy committee members and university resource people responsible for gathering the data. The evidence is discussed to determine which perceived community problems are supported by the facts. Community problems for which additional data needs to be garnered are also noted.

A special time slot is set aside for the presentation and discussion of an analysis of the local market for downtown goods and services. Emphasis is given to the identification of market gaps and opportunities for starting new businesses and expanding existing ones. In Pennsylvania, university resource people are assigned the responsibility of conducting and presenting this analysis.

After the problems and as many facts as possible have been laid out, there is a need to decide which problems have realistic solutions. To do this, we rely on help from resource people who have expertise

in key areas such as business management, landscape architecture, economic development, land use planning, local government and development finance. Most of the needed expertise can be found within the university system. State government, USDA, local/regional planning agencies and the private sector are also potential sources of development expertise. The panel of "experts" is asked to review the list of problems and factual evidence presented earlier to determine which problems have realistic solutions. Also at this time, some broad suggestions concerning possible solutions are offered.

After a list of problems which appear to have realistic solutions has been prepared, the final task of the day is to set priorities among those problems. Community members are asked to rank community problems according to their priorities. Hopefully some consensus can be reached through group discussion. The outside resource people present at the meeting may contribute to the process by offering insight into the interrelationship between problems on the list and some thoughts about which problems are most critical for the downtown economy. Provided some consensus among community members is reached, a list of development objectives can be formulated. Examples of several possible development objectives include:

- 1) expand the market base for downtown goods and services
- 2) help local merchants establish more competitive prices
- 3) increase the availability of parking spaces between 1st and 5th streets

### Explore Alternative Methods To Achieve Development Objectives

Usually there is more than one way to achieve a given development objective. For example, if the objective is to expand the market base for downtown goods and services the alternatives include development activities such as:

- 1) attracting additional customers from outside the community through tourist promotion activities
- 2) attracting new residents by establishing a retirement industry
- 3) encouraging in-migrants and in-commuters through expanding basic sector employment activities
- 4) encouraging existing residents to shop more locally through better marketing and improving the downtown environment.

Clearly, each alternative method has different implications for the community in terms of resources required, political and economic feasibility, and degree of effectiveness in achieving a given objective. Also, certain development activities may achieve several objectives simultaneously while others may achieve one objective at the detriment of another. Consequently, the community is well advised to think carefully about the implications of the alternatives before undertaking a downtown development action program.

Because these issues are complex, the strategy committee will likely need help in thinking through these alternatives. Extension educators can be effective in analyzing the implications of the various development alternatives and educating the strategy committee to enable them to make better-informed (and hopefully more appropriate) choices, in selecting a set of downtown development activities.



### Formulating A Final Strategy

The process of strategic planning provides as output a set of development activities for the community that will result in a high degree of achievement of its objective. Written documentation of that strategy should be prepared as a reference for future implementation and evaluation of the strategy. At a minimum, the document should contain the following:

- 1) summary of community members' perception of downtown problems
- 2) outline of factual evidence either supporting or refuting perceived problems
- 3) list of community problems with realistic solutions and the community's priorities among those problems
- 4) statement of downtown development objectives
- 5) detailed description of planned economic development activities leading to achievement of development objectives
- 6) plans for implementation including identification of specific individuals or organizations responsible, time schedule, resources required and where those resources will come from.

Clearly the majority of this information will have been developed during earlier phases of the planning process.

### Challenges and Opportunities

To summarize, the recent increased demand for goods and services in rural areas signals new opportunities for extension educators to become involved with education and research programs to help strengthen the downtown economy. The strategic planning model offers promise

as a approach for extension downtown development programs. Specifically, educators can be effective in helping communities to clarify problems adversely affecting the downtown economy, identify alternative solutions and analyze consequences of each alternative.

There are, however, challenges in applying the strategic planning model to extension education programs. Among the more important challenges is the demand on resources and time due to the intensity of the process. This significantly limits the number of communities that can be helped by the program. Existing resources must be used efficiently and new resources must be found if the program is to be carried-out on a large scale. Use of video-tape lectures and cooperative development of resource materials among states are two ways to extend limited resources. We also must be looking for ways to cooperate with state and federal agencies currently involved with assisting communities on downtown development efforts. These agencies also face limited resources.

A second set of challenges relates to availability and utilization of extension personnel. The strategic planning process requires the educator to be familiar with the community's institutional environment and to have the confidence of the community's leadership. Consequently, the Community Development agents are the critical link between the university and the community. The nationwide trend of reduced funding for community resource agents threatens the viability of the strategic planning process as an extension model. Community Development agents must be trained and given adequate resources to operate effectively in the process.

Another set of challenges is in the area of research. To be effective, the educator must have access to a substantial amount of

analytical, descriptive and technical information which pertains specifically to the community's economy. Examples of crucial information needed include: examination of a community's potential to maintain existing industry and support additional basic sector activity; measurement of the proportion of potential local demand for goods and services accruing to downtown businesses; identification of factors positively associated with successful starts and expansions of local businesses; identification of specific businesses and industries with a high probability of starting or expanding in the community; and innovative ideas about ways to finance development activities. Key information such as this is generally not available and must be developed through research. Complicating factors include the lack of appropriate data and the need to customize research to an individual community's situation.

