Long Term Growth: Issue Brief

Why Communities Compete for Economic Development

Summary

Cities are competing to attract new development because it helps establish long term growth and economic prosperity. Research has shown that new development swells productivity, local wages, and even the value of local housing. Nonresident workers, as well as locals who reside in the county that wins a major new development experience financial benefits. Businesses in the same industry and even businesses in different industries than a new development notice increased productivity, new job opportunities, and higher wages. Ultimately, cities and counties are competing because studies have proven that attracting a new development helps set up the local area for long term success far after the initial investment.

Background

When it comes to attracting new development and employers, cities are more competitive than ever. Today, globalization, digital connectivity, and climate changes have made innovation and adaptability more critical than ever. A city can no longer be competitive with just basic infrastructure because in today's fast paced environment, it doesn't matter if a city has more roads or railway connections. Instead, cities are competing for new development like never before. In fact, in 2026, 31% of mayors stated during their state of the city that economic development was the top priority (State). This is because new development has more benefits than the direct job opportunities it creates; it brings about investment in community support for existing businesses, creates additional local jobs, raises earnings and property values, and these benefits ultimately contribute to a city's sustaining growth, even long after the original investment.

Economic Benefits

One of the strongest benefits new development brings to a city is the varied economic benefits. This includes higher productivity for counties that win major developments, strengthening the local business ecosystem, long term economic investments that persist long after the original investment ends, and an increase in labor earnings in the local region.

In a study comparing counties that won large manufacturing plants with counties that were finalists but narrowly lost, the economic gains for the "winning" counties were undeniable. The counties that attracted development had 12% higher total factor productivity five years after the major plant opened than the surrounding counties that did not land the development. That 12% jump would be equivalent to moving a county from the 10th percentile to the 27th percentile in county manufacturing-productivity. Additionally, that productivity translated into approximately $430 million in additional manufacturing output five years after the new plant opened. In the counties that won development, total manufacturing output increased by 14.5% and skill-adjusted wages increased by about 2.7%, an increase of about $151 million. Businesses in the same industry as the new plant experienced a 17% increase in productivity, while local businesses in other areas experienced a 3.3% increase in productivity (Greenstone). These increases are among a few of the positive economic effects that last far after the original investment ends (Kline).

In addition to increasing productivity and wages, attracting a new plant is also associated with a 1.5% positive trend break in labor earnings in that new plant's industry compared to counties who do not attract that development. That number represents an approximate $16.8 million in additional annual wage-bill growth in the new plant's industry. Increased earnings were also found in the same industry in businesses from neighboring counties, so the economic benefits are not just confined to the county containing the plant. There has also been no evidence to show that winning a plant deteriorates the financial position of local government. In fact, attracting new development has been shown to increase spending on local services including public education (Greenstone).

Additional Employment

One of the strongest benefits new development brings to a city is the varied In addition to sustainable economic growth reaching far beyond the county lines that attract new development, employment also increases. The only jobs typically discussed in relation to a new development are the opportunities available directly on that site. However, research has shown that employment swells in other industries and businesses located around new development. A new employer commonly creates additional employment throughout the local economy. In fact, in the United States, it is estimated that each new manufacturing job, 1.59 additional jobs are created. In other words, if a county experiences a 10% increase in manufacturing employment, local goods and services will see an approximate 3.3% increase in employment. This estimate changes slightly based on the type of job created by new development. While each manufacturing job creates about 1.59 additional jobs, every high-technology job created by new development creates 4.9 additional jobs. The industries that typically experience the most growth for each job created by new development are restaurants, retail, construction, health services, real estate, professional services, and other locally consumed goods and services (Moretti).

Benefits for Residents

When a city attracts new development, the local area experiences an increase in economic growth and new job opportunities, but local residents also benefit. In a study, it was found that neighborhoods near new developments experienced 12-21% increases in total employment, which is quite substantial compared to other counties that lost out on development. Additionally, weekly wages for residents near the new development increased 8-13%. In one specific town, the 38,000 residents near the development had about $800 million in payroll, which was about a 13.3% increase, approximately $109 million in additional earnings because of the new development.

Even residents who lived near the development but worked in a different county had an estimated 3.6% increase in wages, representing $118 million annually. Similarly, nonresidents working near the new development had an estimated 0.5% wage effect, which is equivalent to about $69.9 million each year. All together, these numbers show that the local area experienced an increase in local worker earnings of about $296 million each year.

Benefits for Residents Cont.

Local workers also experienced an increase of at least 3.4% in disposable income after rent. Owner-occupied housing values also increased 28.1%, which equates to about $1.35 billion in additional housing wealth. In other words, this study found that new development increased employment, wages, and disposable income for existing residents (Moretti).

It's no wonder that communities are competing so strongly to attract new development. New development brings a new employer and new investment to a community. The economic benefits go far beyond just the city that wins a major development, creating positive, long-lasting effects and fostering sustainable economic growth for the county and residents alike. Businesses in and outside of the same industry as a new development thrive, while employment opportunities, wages, and other benefits are enjoyed by nonresident and resident workers and homeowners alike.

Works Cited

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