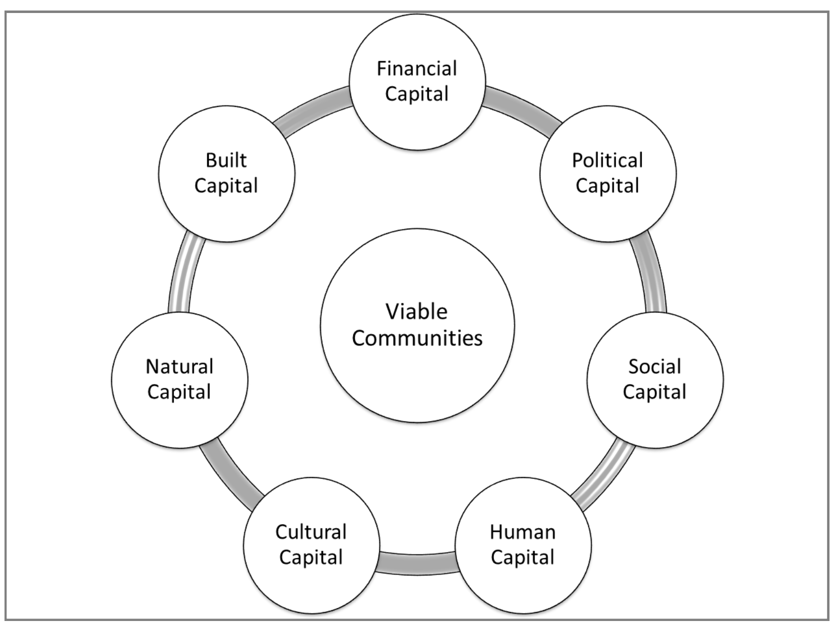
Community Economic Development

The Floras' Community Capitals: Built Capital

One of the fundamental problems with a systems thinking approach to community economic development is the difficulty in being able to "get one's head around the whole thing". Thinking holistically by viewing the community as a system may result in one too many balls in the air increasing the odds of one being dropped. To help community scholars and practitioners better understand the puzzle comprising the community system Jan and Nel Flora and their colleagues offered the "Community Capitals" framework. There are seven capitals, or pieces to the puzzle: human, social, political, financial, **built**, natural and cultural capitals.

Built capital can be thought of as both private and public infrastructure that supports economic activity. Private capitals are buildings, machinery and equipment that are owned by businesses and people. Public capitals are composed of the infrastructure that supports the community industrial parks, main streets, water and sewer systems, roads, among others. As noted by the Floras built capital is often a focus of community development efforts. This can range from upgrading sections of roads, expanding on the community's industrial or business park, or entering a streetscaping program to make certain commercial districts more visually attractive.

Increasingly, research is suggesting that "quality of life" matters significantly in the attractiveness of a community for community economic development. Not only do people, but also businesses, often make location decisions based on the quality of life within the community. A firm may have narrowed down a site selection decision to a small handful of communities that are all equally attractive from a pure profit maximizing perspective. The final decision is often based on which community offers a better quality of life for the managers of the business. Which community offers the best schools for their children? Which commu-



nity offers the most recreational opportunities? Which community offers a more diverse set of restaurants?

This means that communities must think about their built capital in a slightly different light. Should limited public resources be put into making the business park more visually attractive or should those resources be placed into improving the communities network of parks? Should the community invest in a public swimming pool? Should the community purchase and operate the local privately owned golf course if it comes up for sale? If they community does purchase the golf course (a type of built public capital) should it be self-sufficient or is the community willing to subsidize it with general revenues? If so to what extent? Should the facilities on the community golf course be open to public gatherings and community meetings?

A central question that is at the heart of built public capital is the means for paying for them. Generally, investing in built public capital requires the community to impose taxes upon itself. While there are often grant opportunities to help off-set initial investments, local tax dollars will be required to sustain and improve upon the initial investments in public capital. Herein the debate occurs, taxes versus public services. While local citizens will generally agree on the need to raise taxes to pay for fundamental built public capitals (e.g., roads, sewer and water systems, etc.), significant debate occurs when the discussion moves toward quality of life built capitals.

The literature seeking to better understand the interplay between taxes, public services (capitals) and community economic development is vast, complex and mixed. Three generalizations can be drawn from the large literature. "Productive" public goods such as transportation infrastructure, sewer and water treatment, protective services and education, have a strong positive impact on economic growth and development. "Unproductive" public services, including many social programs and transfer payments, do not appear to influence economic growth and development. The research on "quality of life" public capitals such as libraries and recreational related services is less clear but generally suggests that these services are growing in importance. Somewhat expected, taxes, particularly taxes associated with "unproductive" public capitals, are a drain on community economic development. The challenge is the proper balance between productive public services (capitals) and taxes. This literature is best summarized as: if people think that they are "getting their money's worth" in terms of taxes and services, then there is no over-taxation problem. If people think that their taxes are being inefficiently spent, then a problem exists. It is clear, however, that generalizations about taxes being bad for community economic growth and development are generally wrong. The question is the quality of services for the taxes being paid.

In the end, built capitals including public capitals, are an important piece of the community economic development puzzle. But as with all puzzles, how this particular piece fits is complex and varies across communities.

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