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## Place and Prosperity: Quality of Place as an Economic Driver

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# Place and Prosperity: Quality of Place as an Economic Driver

by Catherine J. Reilly and Henry Renski



*A recent report from the Brookings Institution commissioned by GrowSmart Maine concluded that achieving long-term economic health for Maine depends on preserving and investing in the state's "quality of place." In this article, based on a report they did for the Governor's Council on Maine's Quality of Place, Catherine Reilly and Henry Renski examine whether quality of place is indeed a viable driver of community economic development. They note that Maine has a comparative advantage in quality of place, but that quality-of-place initiatives need to be regional, strategic, and multidimensional, and to involve public, private, and non-profit sectors. *

## INTRODUCTION<sup>1</sup>

**M**aine residents know the world is changing. We have felt it directly. New technologies and equipment have reduced the number of jobs in manufacturing; falling transportation costs and more liberal trade policies have increased competition from faraway, low-cost countries; and demand for new goods and services like specialized medical care, Internet access, and green technology have created entirely new economic opportunities.

To thrive in today's economy, many Maine workers have acquired new skills, switched occupations, and even relocated. Maine businesses have adopted new technologies, developed new products, and searched for new customers. Maine's economic development strategy must evolve also. Many of our current initiatives aim to lower business costs. This made sense years ago, when scholars and industrial recruiters viewed businesses' location decisions as exercises in cost-minimization. Businesses sought to minimize the cost of transporting raw materials, shipping goods to market, taxes, labor, and energy.

Maine's efforts to reduce or subsidize business costs have undoubtedly kept some companies in-state and mitigated job losses at others. But today's high-growth industries are not based on low-cost manufacturing; they are based on knowledge, skills, and innovation. If we want to grow, we need to focus some of our energy and resources on those industries. The time is right to reshape Maine's economic development strategy in a way that targets resources to those initiatives that are well-suited to today's economic realities. This does not mean abandoning traditional approaches completely. It means broadening our thinking about economic development and updating our tool box.

In 2006, GrowSmart Maine commissioned the Brookings Institution to report on how Maine has changed both physically and economically in recent decades and to suggest strategies to ensure sustainable prosperity for the future. One of Brookings' main findings was that the quality and character of Maine's communities and landscape are a distinctive economic asset and that preserving and investing in our "quality of place" is essential for the state's long-term economic health (Brookings Institution 2006). In short, quality


of place could be a promising foundation for Maine's economic development strategy. A strategy based on quality of place would seek to protect, enhance, and market the state's distinctive natural, cultural, and historical resources, which Brookings asserts have become valuable economic commodities in today's market.

Many people instinctively agreed with the Brookings' finding, but neither its grounding in economic research nor its implications for specific economic development policies were immediately obvious. This article begins to answer two questions: "based on the academic literature, is quality of place a viable strategic driver of community and economic development?" and if so, "what must Maine do to realize a quality-of-place strategy?" To answer these questions, we review the economic and planning literature that describes, measures, and evaluates quality of place and its empirical connection to economic prosperity.

## WHAT IS "QUALITY OF PLACE?"

**T**he Brookings Institution (2006: 6) notes that, "Maine possesses a globally known 'brand' built on images of livable communities, stunning scenery, and great recreational opportunities." This brand, Brookings asserts, has increased in economic value as "the search for quality places grows in importance." In this regard, "Maine is surprisingly well-positioned for the future." Some aspects of Maine's quality of place are easy to identify. They are the postcard images of loons, lobsters, and lighthouses. Other aspects are harder to pinpoint, such as the reputation for quality and honesty leveraged by companies such as L.L. Bean and Stonewall Kitchen.

To determine whether quality of place is a viable development strategy, we must first gain a clearer understanding of the term. According to Richard Barringer, chairman of Governor John E. Baldacci's Council on Maine's Quality of Place, quality of place



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consists of those characteristics of a community or region that make it *distinctive* from other places and *attractive* as an area to reside, work, and/or visit. Quality of place encompasses a community's environment, civic traditions, cultural amenities, and recreational opportunities. In Maine, quality-of-place initiatives embrace landscape protection, downtown revitalization, historic preservation, the creative economy, outdoor recreation, nature- and heritage-based tourism, and regional planning initiatives (R. Barringer personal communication, May 22, 2007).

Maine's quality of place influences our economy from multiple angles. It helps to retain and attract talented entrepreneurs, workers, and retirees, and supports our large tourism industry.

Quality of place is multidimensional and includes both tangible and intangible factors. That makes measuring it inherently difficult. This is unlike traditional economic factors such as tax rates and workforce size, which can be assigned numeric values, are often uniformly specified and documented, and can be more readily compared from one place to another. Some data relate very closely to quality-of-place factors, but fail to capture important subtleties. For instance, we can quantify the amount of forestland in a given county, but we cannot quantify the difference between the brilliant colors of an autumn forest in Maine versus Georgia or Tennessee. Likewise, we can report the miles of coastline in Maine and New Jersey, but we cannot quantify the aesthetic difference between Maine's rock bound coast and New Jersey's long sand beaches. Yet there is growing interest in the connection between quality of place and economic prosperity, and a growing number of researchers are taking on the measurement challenge. Here is what they have found.

### *Quality of Place is Multidimensional*

Some researchers combine indicators of several factors of quality of place into a single index. A well-

known example is Richard Florida's creativity index, which combines information on a city's labor force, industry mix, innovative activity, and cultural tolerance into one measure of "creativity." Other studies isolate one aspect of quality of place. These fall loosely into four categories: the natural environment, the built environment, culture and recreation, and civic traditions.

### **Natural Environment**

Climate may be measured by average temperature, humidity, and rainfall at different times of year. Topography measures the variety of landscapes in an area such as mountains, valleys, and plains. Water amenities are often described by the number and size of lakes, rivers, or coastline, and the presence of marinas and water access points.

### **Built Environment**

A place's physical structures (e.g., residential, commercial, industrial, religious, and civic buildings) often define its character. Their appearance and layout may strengthen or detract from its appeal to residents and visitors.

### **Culture and Recreation**

Cultural and recreational amenities describe the range of leisure activities available to residents and visitors. Cultural amenities include museums, theaters, restaurants, galleries, festivals, historic sites, and the diversity of the local population. Recreational activities may include facilities such as tennis clubs and bowling alleys. Nature-based recreational infrastructure includes hiking trails, campgrounds, parks and public lands, golf courses, and ski resorts.

### **Civic Traditions**

Civic traditions include the strength and extent of a community's social networks, the level of social capital (mutual trust and reciprocity), and civic engagement and effectiveness.

### *Quality of Place Is Regional*

Researchers have found that quality of place is a regional attribute. People live, work, and recreate within regions of multiple communities. Their perception of quality of place reflects the entire region.

Furthermore, many businesses see quality of place as a regional attribute that appeals to workers. Although, most businesses do not care about locating within immediate proximity of residential amenities, they do care about the availability of amenities in nearby communities where workers will live. Therefore, each community's quality-of-place choices—where it locates new development, how well it maintains historic sites and buildings—affect its neighbors. The best efforts of one community may fail to retain residents, or attract new ones, if it sits within a region that is perceived to be unattractive. For these reasons, researchers advocate a coordinated regional strategy toward quality-of-place improvements (Myers 1987; Gottlieb 1994, 1995).

### *Quality of Place Is an Economic Good of Real Value*

Places with distinct and attractive quality of place are scarce. Scarce commodities have economic value that influences, and is revealed by, people's financial decisions. For instance, numerous studies have found a price premium for properties near open space and conserved land (Weicher and Zerbst 1973; Mahan, Polasky and Adams 2000; Irwin 2002; Thorsnes 2002). Maine's tourism industry is another testament to the economic value of the state's natural and cultural heritage. Each summer, millions of visitors crowd Maine's coastal towns and inland destinations such as Baxter State Park and Moosehead Lake. In the winter, snowmobilers and skiers flock to northern and western Maine. They spend billions of dollars and precious vacation time for the opportunity to experience Maine's quality of place.

### *Quality of Place Is a Public Good*

Quality of place has the classic characteristics of a "public good." The collective decisions of a region's residents, businesses, and governing bodies contribute to it and all residents and businesses can experience it at once. Moreover, there is no way to preclude someone from enjoying an area's attractiveness even if their personal decisions detract from it. If someone cuts down all of the trees surrounding their mountaintop home, they may enhance their own experience of a region's quality of place by gaining outstanding views. But their actions may detract from other people's experience by marring the landscape. For these reasons,

there is generally little incentive for any single individual or organization to assume responsibility for enhancing and protecting quality of place. Historically, societies use the public sector as the vehicle to protect and enhance public goods like quality of place.

### *Maine's Quality of Place*

Maine's quality of place is strongly associated with the natural environment and livable communities: "Accessible wild places and tranquil country farms, human-scaled Main Streets and working waterfronts: These are what differentiate Maine from other places and in many respects drive its economy" (Brookings 2006: 99). According to surveys commissioned by Maine's Office of Tourism, the percentage of tourists who identified the main purpose of their trip as outdoor recreation, skiing, and "touring" exceeds national averages. More than half (60 percent) of tourists from outside the northeastern U.S. reported "touring" the state, indicating that Maine's quality of place, and its associated attractions, draw more tourists than any individual site or activity. The percentage of visitors who come for beaches and "country resorts" roughly equaled national rates. Few tourists are drawn to Maine's cities, special events (concerts, festivals), casinos, and theme parks.

### **QUALITY OF PLACE IN TODAY'S ECONOMY**

Maine's quality of place influences our economy from multiple angles. It helps to retain and attract talented entrepreneurs, workers, and retirees, and supports our large tourism industry.

### *Quality of Place and Technology*

Today, location has at the same time more and less economic significance. Changes in technology and international trade have decreased the limitations that physical distance once posed to businesses. Falling transportation costs and international trade barriers have given businesses more freedom to locate in low-cost countries, transport goods to customers thousands of miles away, and still make a profit.

This geographic freedom has not spread economic activity evenly across the U.S., however. Instead, it is increasingly concentrated in a relatively small number



of high-performing regional economies (Porter 1990). These high-performing regions typically have concentrations of the most critical asset in today's knowledge-intensive economy: highly educated and skilled people (Florida 2002). Some scholars believe that these workers, and the businesses they generate and attract, are beginning to locate based on historically non-economic factors such as climate, recreational opportunities, access to nature, and cultural amenities. In this case, a region's unique quality of place becomes a tool for attracting workers and businesses. As today's technology sector and professional services grow, demand for highly educated workers rises. Regions with dense concentrations of those workers have a comparative advantage.

Many see telecommuting opening new doors for the economic activity of rural communities. They surmise that by leveraging natural amenities and low housing costs, rural places can successfully attract "lone-eagle" electronic commuters who work for employers and clients around the globe (Blakely 2001). There is, as yet, little hard evidence that telecommuting will become the driving force behind a modern day rural renaissance. The primary effect of information technology has been to lengthen commutes, not eliminate them altogether (Handy and Mokhtarian 1995; Mokhtarian, Collantes and Gertz 2004).

Increasingly, businesses in high-growth industries are thriving in regions with highly skilled workers. Access to these workers is becoming as important as taxes and transportation for the growing knowledge-intensive drivers of the domestic economy. As scarce assets, these workers have a new ability to generate and attract, rather than chase, economic opportunities. They have greater control over where they live than ever before. By and large, they are choosing places with distinct and attractive quality of place. Thus, despite new technologies that allow businesses to grow and locate wherever they choose, there are still significant variations in growth across regional economies. In today's economy, regions that retain and attract a skilled workforce are experiencing more growth.

### *Quality of Place and Business Attraction*

Historically, public economic development efforts have focused on attracting new business and investment

by aggressive marketing, tax abatements, interest-free development bonds, site development, and other cost-reducing incentives. In recent years, competition between states has intensified, with states offering larger and larger concessions. Most empirical research indicates that fiscal incentives are relatively ineffective in altering where businesses locate (Blair and Premus 1987; Fisher and Peters 1998). At times, they may even drain scarce resources that could better be spent on long-term development strategies such as upgrading infrastructure, improving access to education, and developing local amenities.

In contrast, strategies based on improving a region's quality of place funnel investment directly to improving the welfare of residents, which is the ultimate goal of all economic development initiatives. Most economists believe that quality of place influences business location decisions indirectly, namely through the preferences of workers. Workers prefer places where they expect to enjoy a high quality of life. In turn, businesses seek locations that enable them to retain and attract valued workers. However, there is evidence that knowledge and technology-driven businesses are so labor dependent that they factor residential preferences directly into their site choices (Gottlieb 1994, 1995).

It is important to note that most firms view quality-of-place attributes as second-tier location considerations, preferable but not necessarily "must-haves." Quality of place usually becomes important when other production costs are similar across two or more competing locations (Ritter 1990). Labor factors such as wage rates, the availability of qualified workers, productivity, and labor climate typically score near the top of most studies of business location (Schmenner 1982; Goldstein 1985; Blair and Premus 1987; Love and Crompton 1999; Gambale 2006). Market accessibility factors such as highway access, proximity to customers, and transportation connections are also commonly listed among the top 10.

The relative importance of different quality-of-place factors varies by industry and corporate function. Retail and personal-service businesses locate to maximize sales revenue (Cohen 2000), preferring locations near residential development, particularly affluent households with high disposable income. Manufacturers are the most sensitive to traditional location costs such as

wage rates, proximity to markets or raw materials, transportation costs, and utilities; quality-of-life factors are generally less important (Hekman and Greenstein 1985). There is some evidence that higher value-added forms of manufacturing are more attracted to high-amenity urban locations (Granger and Blomquist 1999). Corporate headquarters prefer cities with excellent airline connections, an abundance of professional support services, and a variety of cultural amenities that appeal to company managers (Cohen 2000).

The one group that consistently lists quality of place as a “must-have” is technology- and knowledge-intensive businesses (Myers 1987, 1988). Technology firms are less tied to traditional factors such as transportation costs, proximity to raw materials, and cheap labor (Blair and Premus 1987). Research and development (R&D) facilities are particularly sensitive to the availability of highly educated workers and quality-of-place amenities (Harding 1989; Ritter 1990). They often locate near major research universities to recruit graduates, provide up-to-date employee training, and even collaborate in direct research with university faculty (Harding 1989; Malecki and Bradbury 1992). Universities also provide cultural and recreational opportunities that appeal to knowledge workers and are otherwise unavailable outside of large urban areas.

The growth of technology and information firms is expected to outpace other industries in the U.S. (Berman 2005). As the economy becomes increasingly knowledge and technology intensive, we can reasonably expect that quality of place will become more important. At the same time, traditional cost and market factors such as infrastructure, highway and airport access, labor costs, education, and taxes will continue to be important and should not be ignored.

### *Quality of Place and Tourism*

Tourism is the industry for which quality of place is the most direct determinant of growth and sustainability. The tourism market is highly competitive; each region's unique quality of place is a competitive asset for attracting tourists. Although there are some concerns about the quality of tourism jobs and tourism's impact on housing prices, the environment, and community cohesiveness, tourism is an increasingly popular development strategy both nationally and internationally.

Most studies find that places with relatively more economic activity related to recreation have experienced more growth in recent decades. Johnson and Beale (2002) find that during the 1980s, when the nation's rural counties as a whole were experiencing net out-migration, the populations of rural recreation counties continued to grow. When rural areas resumed growth in the 1990s, recreation counties grew even faster than other counties. Population in recreation counties increased 20.2 percent from 1990 to 2000, compared to 10.3 percent for all rural counties (Johnson and Beale 2002). Most growth came from the migration of new residents into recreation counties, rather than natural increase. Reeder and Brown (2005) confirm these results and find that employment growth in recreation counties more than doubled growth in non-recreation counties.



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Skeptics and opponents of tourism development cite the inferior nature of many tourism jobs. “In reality,” David Marcouiller (2007: 29) states, “tourism tends to generate high levels of seasonal, part-time employment opportunities primarily geared to first-time workers and young people with little work experience.... On the other hand, for certain types of tourism jobs, lucrative career ladders exist.”

Reeder and Brown (2005) find that in 1999, earnings per job were slightly lower in the nation's recreation counties; however, earnings per worker were higher. Since tourism generates many part-time and seasonal employment opportunities, this may reflect some workers having multiple jobs. Measures of total income (which includes sources other than job earnings) were also higher in recreation counties. In 1999,

per capita income and median household income in recreation counties were 10 percent higher than in other counties (Reeder and Brown 2005). Recreation counties have significantly lower poverty rates. Indeed, despite worries about the quality of tourism jobs, there is little evidence that tourism alone exacerbates income inequality among residents within a region (English, Marcouiller and Cordell 2000; Marcouiller, Kim and Deller 2005).

A quality-of-place economic development strategy recognizes that a healthy, attractive natural environment helps to retain talented residents and attract employers and that employment opportunities are important to the well-being of residents.

It is important to recognize that the experiences of counties rich with natural and/or recreational amenities vary across the country. The mere presence of a recreational resource is not enough to attract tourists. Marcouiller and Prey (2005) describe three ingredients to a recreational experience: resource, infrastructure, and businesses. The resource is what people come to do or see. Infrastructure allows them to do or see it. Businesses provide the goods and services that make their trip possible. For instance, Mt. Katahdin is a resource. The roads to it and trails up it are infrastructure. The nearby hotels, campgrounds, restaurants, and stores provide the goods and services that hikers need and desire. Only the combination of these can attract the people who climb Mt. Katahdin each year.

Places that attract tourists also appeal to people looking for recreational or seasonal homes. As of the 2000 Census, 15.6 percent of Maine dwellings were owned for “seasonal, recreational, or occasional use,” either by out-of-state or Maine residents. That was the highest percentage of any state. Like tourists, seasonal residents increase demand for local goods and services,

especially those related to construction and recreation (Marcouiller et al. 1996). Construction demand highlights their principal difference from tourists: seasonal residents increase demand for housing. This may broaden the variety of job opportunities within a recreation-dependent community. However, the overall impact of second-home ownership to local economic well-being is unclear. Increased housing demand can inflate the cost of homes and rental units in tourism-dependent areas (English, Marcouiller and Cordell 2000; Reeder and Brown 2005). Since these areas are often in attractive natural settings, it may be impossible to distinguish price increases caused by seasonal residents and increases from demand for natural amenities.

In some recreation destinations, higher earnings opportunities may overshadow the increased cost of housing. Reeder and Brown (2005) found that in 2000 the additional income of households in recreation counties nationwide exceeded the average additional cost of housing. These aggregate findings, however, may mask the experiences of some low-income households.

In addition to bringing new wealth and demand into a region, seasonal residents may also bring new values and ideas. In many areas, seasonal residents have higher incomes than permanent residents, higher average education levels, and more commonly have white-collar occupations (e.g., Marcouiller et al. 1996; Richert 2007). In their case study of seasonal communities in the Upper Great Lakes, Marcouiller et al. (1996) found that seasonal residents were more likely to value peace and quiet and high environmental standards. They were also less likely to place high priority on local economic development than local residents.

Interestingly, quality-of-place strategies have the potential to help communities with seasonal and year-round residents reconcile the “business versus environment” debate. A quality-of-place economic development strategy recognizes that a healthy, attractive natural environment helps to retain talented residents and attract employers and that employment opportunities are important to the well-being of residents.

### *Quality of Place and Retirement*

As the nation’s 78 million baby boomers near retirement, many states and regions hope to attract them as permanent residents. Retirees are appealing



migrants because many bring stable incomes and accumulated wealth. They increase demand for local goods and services. Family and friends follow as visitors, generating additional economic impact (Mason and Pettit 2001). Also, many retirees continue to work after they arrive and are active volunteers and community members (Mason and Pettit 2001).

The 2000 Census revealed that 23 percent of people age 65 and older had moved in the last five years, but only five percent crossed state lines. According to a report by the American Association of Retired Persons (AARP), “One of the persistent myths is that Americans move when they retire” (Prisuta, Barrett and Evans 2006: 2). According to an article in *USA Today*, “In many cases, of course, retirees can’t afford to move. But even for those who have the means to move to areas that cater to retirees, the desire to age in place near family and friends runs deep” (Edelman 2007). It is unknown how closely the choices of baby boomer retirees will mirror those of their predecessors.

Between 1995 and 2000, Maine experienced the highest net gain of residents age 65 and older in New England (1,650). New Hampshire gained less than half that amount, Vermont broke even, and Massachusetts, Connecticut, and Rhode Island all lost older residents. However, Maine’s gain was negligible compared to Florida’s gain of 150,000 retirees and Arizona’s gain of more than 50,000. In states such as Florida, Arizona, Nevada, and North Carolina, the recent, massive influx of retirees has created entirely new communities, constructed, maintained, and provisioned by local residents and businesses.

There is unquestionably a connection between retirees’ decisions of where to move and quality of place. Presumably freed from the need to base relocation decisions on employment, quality of place may be the most important factor. It often is defined in terms of temperature, however, which leaves Maine at a disadvantage. In a survey of recent retirees, Prisuta, Barrett and Evans (2006) find that climate is the top reason older people move (31 percent), followed by the desire to be closer to family and friends (19 percent). Natural amenities, however, are certainly part of the equation. In fact, there is a high degree of overlap between rural places with higher than average recreation economies and rural places

with higher than average in-migration of retirees (Reeder and Brown 2005).

### *Quality of Place and Youth Retention/Attraction*

By nearly any measure, Maine is one of the nation’s oldest states. According to the U.S. Census Bureau’s 2006 American Community Survey, Maine has the nation’s highest median age and the lowest percentage of residents under age 18. Much of this is due to decades of declining birth rates and the gradual replacement of larger age cohorts with smaller ones. In 2006, Maine had 70,000 fewer residents age 20 to 40 than it did in 1990, a decline of nearly 20 percent. According to the Maine Department of Education, enrollment in Maine’s K-12 public schools has declined by 50,000 students since the 1970s.

Maine’s aging and slow-growing population affects our ability to support long-term economic growth. Young residents become the owners, operators, employees, and patrons of future businesses. Furthermore, businesses deciding where to locate favor places where they can find an ample supply of skilled workers. Many Maine businesses already report difficulty finding qualified applicants for existing openings. As baby boomers retire, these problems will only grow worse.

A small portion of Maine’s population decline is due to the loss of young people who leave home for educational, professional, and social opportunities in other states. Exact numbers are not available, but information from the U.S. Department of Education on the migration of recent high school graduates illuminates the trend. In 2004, the last year for which data exist, roughly 3,000 graduates left Maine to attend college out-of-state. By comparison, that year about 2,000 graduates from other states enrolled in Maine colleges and universities.

On behalf of the Finance Authority of Maine, researchers at the University of Southern Maine surveyed Maine natives who had graduated college and were now living out-of-state (Silvernail and Woodward 2006). The most common reasons for remaining out of Maine were career related. Respondents felt that opportunities for professional advancement, pay, and benefits were better outside Maine. However, many also cited Maine’s lack of cultural and social opportunities as a

negative factor. According to Silvernail and Woodward, “both those that choose to leave the State to live and work, as well as those that stay, value cultural and social opportunities. Many respondents indicated that Maine’s lack of cultural opportunities and diversity played a role in their decision to leave the State to live and work” (Silvernail and Woodward 2006: 20).

### QUALITY OF PLACE AND REGIONAL ECONOMIC PROSPERITY

The previous section showed the effect of quality of place on specific sources of economic growth and development. Here we look at the bigger picture: how quality of place influences a region’s overall economic prosperity, as measured by employment, population, and income growth. Over the long run we should see areas with higher quality-of-place measures having higher economic growth if, in fact, the two are positively related (Calzonetti and Walker 1991). Most studies find that areas with high levels of quality-of-place factors also have higher rates of population and employment growth.

#### *Rural Quality of Place*

Rural quality of place is largely associated with natural amenities such as climate, topographical variation, and proximity to lakes, rivers, and coastline. McGranahan (1999) argues that changing residential preferences favoring areas with natural amenities is among the most important contributors to the growth of rural areas in recent decades. He finds that rural counties scoring higher on a natural amenity index typically had faster rates of population and employment growth than those lacking such natural advantages. The connection is stronger for population growth, which coincides with findings that rural amenities are a strong magnet for migrating residents (Knapp and Graves 1989; Beale and Johnson 1998; Rudzitis 1999). Some of the relationship between McGranahan’s natural amenities index, which favors warm and dry climates, may also be explained by long-term population shifts from the Northeast and Midwest to the South and Southwest.

In places where natural resources have long been sources of extracted wealth, some residents worry that

conservation and economic development are opposing goals. Historically, it has been the extraction of natural resources that generates population and economic growth. However, today there is no strong evidence that land conservation adversely affects regional economies. Most studies have found a positive or neutral relationship between the amount of conserved land within a region and population, employment, and wage growth (Duffy-Deno 1998; Lewis 2001; Lewis, Hunt and Plantinga 2002, 2003; Lorah and Southwick 2003). This suggests that protecting and enhancing an area’s natural amenities need not come at the expense of economic opportunity. In fact, successfully leveraging them as quality-of-place assets may attract more sustainable economic opportunities than industries that compete in global commodity markets (Power 1996).

The power of quality of place to attract new residents must be kept in perspective, however. According to Census Bureau surveys, the most common reasons for moving are family related (e.g., change in marital status), work related (e.g., new job or retirement), or housing related (e.g., buying a new home) (Schachter 2001). Less than one percent of movers named “change of climate” as the main reason for their move, and just four to five percent cited “better neighborhood/less crime.” These responses suggest that the desire for quality of place may not compel people to move. However, it may determine where they go if they decide to move for another reason.

The value of natural resources in the context of quality of place rests in part on recreational access. Merely knowing that areas rich in natural amenities outperform less endowed places has somewhat limited policy value. There is little a region can do in the short run to increase its stock of natural amenities, beyond efforts to preserve them. More relevant is a place’s capacity to develop the supporting infrastructure and services that allow it to capitalize upon its natural advantages. To this end, Deller et al. (2001) developed an extensive database that measures an area’s natural assets (climate, water bodies, undeveloped land) along with its recreation infrastructure (golf courses, tennis courts, historical and cultural attractions). They found that recreational infrastructure is strongly associated with employment, population, and per capita income growth in rural counties. Places with a dry, warm

climate tend to have positive population growth. The land resources index is positively associated with both population and employment growth, but not income, perhaps reflecting the expansion of tourist economies around public lands and the rather low-paying jobs they produce. It may also represent a willingness to accept lower wages to live in these areas.


The issue for many rural areas is how to leverage their distinctive natural and recreational assets without diminishing the character of the resource itself: for instance, how to maximize the economic impact of an outstanding waterfront without detracting from its appeal as an authentic and undeveloped area. Successful tourism development requires the right balance between increasing the accessibility of recreation sites and maintaining their integrity (Marcouiller and Prey 2005).

Some people ask whether an economic development strategy based on quality of place would necessarily discourage commercial and residential development in favor of land conservation. The answer is “no.” That is because both rural and urban places can have distinct and attractive qualities of place. A quality-of-place strategy would simply advocate for growth that supports and enhances an area’s distinct character, whatever it may be. In areas with distinct rural character, a quality-of-place strategy would favor growth in and near existing development over growth in new areas that degrades the natural setting.

### *Urban Quality of Place*

The past 20 years have witnessed a dramatic turnaround for many large- and medium-sized cities around the country, in somewhat stark contrast to widespread exodus of the preceding half-century. This modern renaissance is, by and large, the consequence of increasing demand for social interaction, changes in lifestyle preferences favoring urban amenities, and notable reductions in crime that had previously deterred people from enjoying such amenities (Clark et al. 2002; Glaeser and Gottlieb 2006). Because lifestyle preferences for urban amenities tend to rise with income and education, areas with high quality of place also have an advantage in attracting patrons with higher disposable incomes and knowledge- and innovation-intensive businesses (Shapiro 2006).

Like its rural counterpart, urban quality of place focuses on residential amenities as a gateway for both residential and business development. They differ in the specific types of amenities valued by residents who choose to settle in urban areas. Urban quality of place focuses on lifestyle amenities such as the availability of cultural and entertainment offerings, along with characteristics of the built environment and related development policies such as historical preservation, downtown revitalization, housing availability/affordability, and the use of traffic calming and other means of improving urban livability. Natural features, such as proximity to water and green space, certainly play an important role in promoting a sense of urban livability. However, the issue for cities with such assets is how to leverage these advantages to attract investment, such as in the case of waterfront development, without diminishing the valued character of the resource itself.



Most studies find that areas with high levels of quality-of-place factors also have higher rates of population and employment growth.

Urban areas with favorable quality of place have several key advantages. In his book, *The Rise of the Creative Class*, Richard Florida outlines a select cadre of scientists, artists, musicians, designers, educators, and others who together constitute a “creative class” that helps to attract other knowledge workers and businesses in growing knowledge-related sectors. Florida argues that the creative class is a primary driver of regional economic growth. These workers are also highly mobile and have a well-defined sense of their lifestyle preferences—namely, for areas with an abundance of cultural diversity, arts and entertainment, and outdoor recreational opportunities. It follows that successful regional economies are those most capable of attracting and retaining creative workers, through public support for the arts, and providing the amenities and progressive social policies favored by creative class workers.

Florida’s work has been highly influential within policy circles, but hotly contested among scholars. Few

deny the legitimacy of the background story of *The Rise of the Creative Class*: that the U.S. economy is increasingly driven by innovation and that human capital embodied in highly educated professionals are a major factor driving entrepreneurship and economic growth. The academic debate focuses on whether Florida's conclusion, that a narrowly defined group of creative workers is a *dominant driver* of regional economic growth, is truly supported by the evidence and whether the trends described by Florida could be explained by other factors, such as human capital and industry mix (Glaeser, Kolko and Saiz 2001; Gabe 2006; Donegan et al. in review).

Successful quality-of-place initiatives are likely to be regional, strategic, multidimensional, and involve public, private, and non-profit sectors.

## CONCLUSION

In all, quality of place is an attractive framework for economic development. It funnels resources to enhancing the welfare of local residents, which is the ultimate goal of economic development. Yet, despite growing attention among policymakers, empirical evidence of the success of strategies to protect, enhance, and market a region's quality of place is only beginning to emerge. Many studies have documented a positive connection between the presence of natural and cultural amenities within a region and economic growth. Questions remain about how areas can leverage those assets without damaging them and in a way that creates well-paying employment opportunities. There is also ample room for research on how large numbers of seasonal residents may affect income inequality and perceptions about quality of place and economic development.

Nevertheless, initial evidence suggests that quality of place aids economic growth, which makes it an important consideration for Maine. It is an area in which Maine has a comparative advantage. The state's

natural setting and livable communities have attracted visitors and residents for decades; its internationally recognized brand centers on these features. This makes quality of place an attractive framework for Maine's community and economic development initiatives. Scholarly research and the experiences of other states provide insight on what such initiatives might look in action. Successful quality-of-place initiatives are likely to be regional, strategic, multidimensional, and involve public, private, and non-profit sectors.

### Regional

Both people and businesses assess quality of place at a regional level. Residents' perceptions of quality of place come from the collection of communities in which they live, work, shop, and recreate on a daily basis. Likewise, businesses may not care about the amenities of a specific worksite; they assess quality of place within the region of communities where employees will live and from which they will commute. Many tourists and retirees also begin their destination selection regionally. Therefore, quality-of-place initiatives must be pursued regionally.

### Strategic

Different people—retirees, tourists, telecommuters, entrepreneurs, business executives—assess quality of place differently. The choice of whom to target should be grounded in a realistic assessment of a region's strategic assets and understanding of the benefits and drawbacks of each target market. For example, historic sites tend to be more appealing to older people than campgrounds; rock climbing and more rugged outdoor sports appeal more to younger people.

### Multidimensional

Quality of place involves a myriad of tangible and intangible elements. It arises from the sum of thousands of decisions made over decades regarding road construction, land use, the design of residential and commercial development, funding for art and recreation, and many other variables. Therefore, an economic development strategy based on quality of place must acknowledge, and coordinate with, decisions made in each of these areas. Furthermore, research tells us that quality of place mainly influences the location decisions



of businesses and individuals when other factors are equal, meaning that traditional economic factors such as workforce skills, transportation costs, taxes, and telecommunication infrastructure are still important. When those factors are in place, individuals will be free to choose Maine's quality of place over other locations that rank similarly by traditional economic measures but lower in lifestyle amenities.

### *Public, Private, and Non-Profit Involvement*

Successful quality-of-place initiatives in other states have been the result of strong coordination and sustained commitment by non-profit organizations, private businesses, and public institutions. By combining and coordinating resources, the three sectors are able to achieve greater results than any one could do alone. Furthermore, like-mindedness among leaders in all sectors ensures the longevity of the initiative. Quality of place arises over decades, so for a strategy to be effective it must last beyond one administration, one legislative session, one grant-making round, or one business cycle. It must be sustained.

### *"A New and Needed Investment Strategy"*

As Maine people and businesses adapt to a changing economy, so must our economic development strategy. The Governor's Council on Maine's Quality of Place aptly titled its May 2008 report "Quality of Place and Job Growth: A New and Needed Investment Strategy." In it, the council proposes 10 actions needed to implement this new strategy. These recommendations, now being pursued by the executive branch, are the next step in realizing what began as a rather abstract idea: that Maine's economic future lies not in our ability to become more like the rest of the world, but our ability to protect and enhance what makes us unique. 🐟

### ENDNOTE

1. This article is based on a report done for Governor John E. Baldacci's Council on Maine's Quality of Place in 2007. The full report is available online at [www.state.me.us/spo/specialprojects/qualityofplace/index.htm](http://www.state.me.us/spo/specialprojects/qualityofplace/index.htm).



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