What is the Value of Municipal WiFi to Economic Development?

By Louise Anderson

It seems that every week, there is a headline about another city’s plans to build a municipal wireless Internet (WiFi) network. According to Fast Company magazine, nearly 200 municipalities already have wireless networks in place, in progress, or planned, as of July of this year.

Yet those headlines always seem to be accompanied by others that detail problems with WiFi deployment – delays in building the network, debates over ownership or business model, and networks built for the general consumer that aren’t getting enough subscribers.

Expectations are out of line with the impact that municipal WiFi can deliver, according to consultant Craig Settles, who recently surveyed IEDC members about the contribution of public WiFi to economic development. His findings are now available in a PDF report, “The Economic Development Impact of Municipal Wireless.”

“Yes, there is value to economic development, but it is generally not in the same area that elected officials have been pushing,” said Settles. “What you will hear mayors and city council say is, ‘If we built this we will get tourists, conventions and business.’ If the expectations are wrong, people will be disappointed with the results they get.”

Economic developers’ assessment

There is no question that at a minimum, wired broadband access is crucial for most businesses, no matter the size or kind. But what’s behind the claims that public wireless access will make a city more attractive to young professionals and tourists, and retain and attract businesses?

The survey had 318 respondents from cities and counties of all sizes. Most of those who currently have muni WiFi networks in place (14) assess the economic development impacts as being more minimal than the expectations of those who plan to build them.

Of respondents who have a public WiFi network already in place, 9 percent believe it has a direct impact on business attraction, and 6.8 percent say it has a direct impact on business retention (indirect impacts are cited at 9 percent and 18 percent, respectively). Two percent or less believe it attracts tourists, special events or recent college grads to town. The biggest impact this group believed muni WiFi had was making “local companies more competitive, profitable,” at 13.3 percent. Between 70 and 90 percent of respondents answered each question with “too soon to tell,” “no impact” or “difficult to measure.”
Among those who don’t have municipal networks but plan to build them, the expected benefits are much higher: 33 percent believe that a wireless network will have a direct impact on attracting new businesses; 27 percent believe it will directly help retain businesses; 39 percent say it will increase local companies’ competitiveness; 16 percent believe it will draw more tourists; and 20 percent say it will attract events and young, college-educated workers.

That optimism may hinge on a number of factors: The communities that are planning such networks may be smaller, they may have no high-speed access at all, or access may be expensive – or, they may just be wishful thinkers.

So where is the economic development benefit?

To date, wired broadband access is of more value to businesses and economic development than wireless, for reasons of speed, reliability, security, and simply the nature of most businesses. But there are circumstances in which the economic development benefits of muni WiFi are clearer.

Settles’ survey included qualitative interviews with economic developers in five communities. One of those is Chris Roberson, the assistant county manager for rural Greene County, N.C., whose economy has been struggling with the decline of the tobacco industry. Greene County decided to make broadband access a priority, so it bought network infrastructure and found a provider to lease it and manage the service.

According to Roberson, the network’s biggest benefit is in providing better educational opportunities for the county’s future workforce. Roberson says that three years into the project (in which they also provide laptops to a majority of students), there has been a marked decrease in the high school dropout rate. It’s also providing retraining opportunities for the county’s adult workforce, and Roberson says the network also has helped the county recruit six new businesses.

Indeed, when no high-speed Internet access is available, the economic development impact of municipal service can be significant. In two examples from the report, Scottsburg, Ind., and Fredericton, New Brunswick, Canada, both started municipal networks to retain businesses that threatened to move due to lack of broadband or expense of access.

In what other ways can muni WiFi have economic development impact? The survey contains an interview with David Keyes, community technology program manager for the city of Seattle. Seattle has had a pilot project going for over two years now in two business districts, besides the downtown and public parks. Its goals are to “enhance business revenues and district economic viability” by “attracting more customers and increasing purchases” and “using the online portal to market local products and services.”
In terms of results, businesses in the hotspots reported in a survey that WiFi has made “no revenue difference” for 54 percent; 23 percent didn’t know; and 23 percent said it increased revenues. That may seem pretty minimal, but depending on the district, between 67 and 90 percent of customers reported that WiFi access was a contributing factor to use of the business district and specific businesses.

Moving from the observable to the hypothetical, more respondents answered affirmatively than not to Settles’ question of whether a municipal high-speed network could influence entrepreneurship among low-income, elderly or rural residents (but only the most cynical among us would answer “no” to that question).

Finally, another interviewee cited muni WiFi as another amenity to add its package when it recruits companies. But in terms of measurable return on investment, it appears that cities may need to look for justification outside of economic development, at least for now.

The skeptic’s viewpoint

“I’ve always thought the economic development argument for WiFi is the weakest,” said Christopher Swope, an associate editor at Governing magazine who has covered the issue. “Any business that really needs Internet access has already found it or died.”

Swope wrote an article in the May 2007 edition of Governing on Corpus Christi, one of the first cities to deploy wireless technology on a truly metro scale – 147 square miles. Swope’s observations of Corpus Christi, and reports from other cities, point to muni WiFi’s primary value as a tool for improving local government efficiency – from meter reading to building inspection to use by police, firefighters and EMTs. It also proved crucial to communication in New Orleans after Hurricane Katrina.

As Swope notes in the article, the possible applications for muni WiFi may be far greater in the future, as technology and the economy change. Municipalities are literally inventing a new industry with the rollout of public WiFi.

But for now, “the best case that cities can make is when they get involved in this is when they do it for their own purposes first,” said Swope. “If they can then accrue some benefit to citizens and businesses, then so much the better.”

The significance of ownership models

Survey respondents were asked to choose among ownership models that they thought would have the biggest impact on economic development in their area. Choices ranged from government ownership and operation to various combinations of government, vendor and local business ownership and operation. Roughly 50 percent of respondents admitted to
being uncertain about the value of each option. The model that got the most votes as a good idea – 26 percent – was “government has financial stake along with vendor.”

Settles agrees that when economic development is considered as a goal of a WiFi network from the outset, the municipality needs to have “skin in the game” as an owner, part owner or anchor tenant – otherwise, it has no leverage if its economic development goals don’t match the service provider’s profit strategy.

Swope has noticed a shift over the past couple of years in the way networks are set up. Eighteen months ago, he said, the emphasis was on free consumer access that would be supported by advertising, in which no financial commitment was required from the city. But “that seems not to be where the bulk of the conversation is any more,” Swope said. Wireless vendors increasingly are viewing the participation of cities as anchor tenants as key to making networks economically viable.

Key takeaways

The main conclusion Settles reaches is that expectations of a wireless network’s benefits need to be better managed. To think that it will revitalize depressed neighborhoods or attract hordes of young people and tourists to a city are unrealistic. And wireless networks that are sold to the public on the basis of free access and convenience for consumers don’t seem to represent a workable business model.

“The problem is the focus on the general consumer,” said Settles. “Cities are now going live with these for consumers, and if the subscribers don’t show up, it’s bad news for the vendor and the city,” said Settles.

When it comes to providing economic development justification for muni WiFi, Settles emphasizes the importance of talking to existing businesses about their needs or expectations from a muni broadband network. Are they potential subscribers, anchor tenants, resources for building fiber networks, or sources of advertising?

While wireless access is less important to economic development than wired access, Settles concludes that WiFi will have more impact on recruiting and retaining businesses in smaller towns. He also emphasizes that cities must accept the fact that several of muni broadband’s expected economic benefits will decrease in value as more cities get networks. “When hundreds of cities have a network, it becomes similar to schools, highways and other infrastructure features,” he notes.
Prescott: Balancing History with Vision for the Future

By Jane A. Bristol, CEcD, Economic Development Director, City of Prescott

Prescott, Arizona – pronounced “Preskitt” – is a town of many titles. “Arizona’s First Territorial Capital,” “Everybody’s Hometown,” and “Where History Lives On” have all been used to describe this mile-high city, located just 90 miles north of Phoenix.

Prescott’s laid back, resort-town feeling and relatively small population belie the regional economic powerhouse it has become. Prescott is the county seat for Yavapai County, the fastest growing rural county in Arizona. At 8,125 square miles, Yavapai County is as large as the state of New Jersey, and its current population is estimated at 208,000, with 130,000 located within a 20-mile radius of Prescott.

People say Prescott’s charm and appearance bring to mind other towns they’ve loved. Some compare Prescott with villages in New England, and many find that its quaint downtown has the feel of those throughout America’s heartland. Prescott’s forested mountains and Victorian houses will make many a Yankee feel right at home, and its distinctive Western ambience and reverence for history nearly match Santa Fe’s. Prescott is a Preserve America community and has been named to the National Trust for Historic Preservation’s list of a Dozen Distinctive Destinations, one of many lists the city has made in recent years – including “25 Hottest Small Cities” and third on “Boomtowns ’07,” (Inc.); one of the top five Best Places to Retire (Money), and Best Small Places for Business and Careers (Forbes).

For decades, Prescott’s economy centered on mining and agriculture, and has since expanded into tourism, retail and vacation home markets. However, times were tough through the early to mid-20th century, and the city took some strategic action to bring more amenities and employment to this mountain oasis. The Prescott Chamber of Commerce began annual tourism events that continue to attract crowds in the hot summer months. Hundreds of tourists eventually became residents, some established businesses here, and Prescott and the neighboring towns of Prescott Valley and Chino Valley experienced solid growth from the mid-20th century to today.

The City of Prescott added its first economic development department in the 1980s and started a small industrial park near the municipal airport, about eight miles north of downtown. The airport was already home to a Sturm-Ruger firearms manufacturing plant, and the new airpark quickly filled with tenants. The city then partnered with private property owners to offer more industrial land.

Today, the airport industrial areas have created more than 4,000 jobs, most paying higher than the average county wage. Companies such as Allied Signal, Wulfsberg Electronics (avionics), Lockheed-Martin, Ace Hardware Distribution Center, Midway Industries (automobile after-market), Pure Wafer (silicon wafer reclaim), Ester-C (vitamin C
manufacturer), and Blue Line Equipment (carpet cleaning equipment manufacturer) have located and prospered in the Prescott region.

In the planning stages for Prescott are a new four-star hotel and conference center, a new airport terminal, and a Business and Technology Park at the Embry-Riddle Aeronautical University campus. In Prescott, the old and new come together to create a strong vision for the future.

Learn more about Prescott at www.cityofprescott.net, www.prescott.org, and www.visitprescott.com. Better yet, take a tour of Prescott on Saturday, September 15, prior to the IEDC Annual Conference in Phoenix. Tour participants will be entered automatically into a raffle for a very special sculpture by a local artist. Register today!

National Economic Development Marketing Benchmarking Survey

You can better understand economic development marketing in a changing marketplace by taking the National Economic Development Marketing Benchmarking Survey. The results of this survey can help you learn how your organization compares to the marketing efforts of other organizations like yours around the United States. If the link does not work when clicked, please visit: www.surveymonkey.com/s.aspx?sm=QyRNUQKWDC4mfMxu_2fYlwrg_3d_3d

Federal Update

Congress Makes Final Push Before Recess

Before Congress left town for the August recess, both houses advanced legislation that would impact a number of federal economic development programs and agencies. Considerable work remains on appropriations bills upon Congress’s return, but before their departure the following actions were approved.

- Competitiveness legislation signed

Numerous pieces of legislation aimed at ensuring America remains competitive in the global environment were wrapped into one measure and signed by the president, according to CQ Today. The goal of the legislation is to boost federal funding for math and science education and research. Though the president was skeptical of the funding levels included in the bill, he championed the initiative. Notably, the bill:
- Reauthorizes the National Science Foundation at $22 billion
- Authorizes the National Institute of Standards and Technology at $2.7 billion
- Establishes the Technology Innovation Program (designed to turn research into commercially viable products) at $372 million
- Authorizes $17 billion for the Department of Energy

• **Disaster loan bill advances**

The Senate passed a bill seeking to improve the disaster loan program within the Small Business Administration (SBA). The program came under scrutiny after the delayed response in administering loans after hurricanes struck the Gulf Coast in 2005. The Senate-approved legislation would create an expedited loan program for businesses waiting on assistance.

• **Appalachian Regional Commission closer to reauthorization**

The Senate passed legislation on August 3 authorizing a total of $511 million for the Appalachian Regional Commission through fiscal 2011. The commission runs programs that address economic and social issues in all of West Virginia and parts of 12 other states. The House passed a similar reauthorization measure in July.

**Economic Development News**

**Analysis & Impacts**

"**Lower Cost Domestic Sourcing: A Niche Opportunity for the U.S.**"
Information Technology Association of America, July 2007 (pdf, 6 pp.)

This report examines offshoring in the information technology sector and proposes ways to trim that activity down a bit. The writers recommend outsourcing to smaller U.S. communities with universities; addressing workforce issues and branding; and providing better broadband access.

**Report tallies federal programs for small manufacturers**

The GAO has taken a look at the various programs Uncle Sam offers to fledgling manufacturers. The report cites five programs that specifically target small manufacturers, and another 15 that support manufacturers of any size. Included are details on all those programs, who they target and what each program focuses on.
A new way of making ED decisions?
MEAPA, August 2007 (pdf, 6 pp.)

Consultant Michael Edmondson thinks economic developers have it all wrong when deciding how to tackle a challenge. Instead of laying out the goals and the way they should be achieved in a Request for Proposals, they should simply outline the goals and ask for ideas on reaching them.

Business Attraction & Marketing

‘Brand Oregon’ doesn’t stick
Portland Oregonian, July 29

Oregon Gov. Ted Kulongowski has been fighting for a marketing campaign he calls “Brand Oregon,” highlighting the state’s fish, produce and other products. But legislators have balked at the $1.6 million price tag, and lack of measurable results after three years appears to have killed it.

TexasOne: Smart ED strategy or slush fund?
Dallas Morning News, Aug. 13 (registration required)

The TexasOne fund, set up in recent years as a “deal closer” fund to bring in major companies, draws dubious looks from critics. Boosters say it’s needed in order for the state to remain competitive, but others charge it only allows corporations to buy face time with the governor.

Post-Katrina New Orleans an ‘entrepreneurial bohemia’
New Orleans Times-Picayune, Aug. 5

Young entrepreneurs are heading to New Orleans, seeing it as a place of opportunity. Naturally, city leaders are working to foster this movement.

Business Retention & Expansion

Will slots save Maryland’s racing industry?
Washington Post, Aug. 15 (registration required)

A report by an aide to Governor O’Malley says that Maryland loses $150 million a year when its residents travel to Delaware and West Virginia to play slot machines. He and the
governor would like to get approval for slots at Maryland tracks, saying it will bolster the state’s horseracing industry.

**How San Antonio kept Rackspace from moving**  
San Antonio Express-News, Aug. 8 (opinion)

When homegrown tech firm Rackspace Managed Hosting began looking for a new home, area leaders in and around San Antonio worked together to keep the company local. A suburb offered a closed shopping mall for a new location, and other officials cooked up a smorgasbord of incentives. Creative cooperation kept the company, this editorial says.

**Street improvements hit D.C., restaurants hard**  
Washington Post, Aug. 8 (registration required)

Washington, D.C., is working to improve and beautify P Street NW, home to many popular restaurants. But the lane closures, reduced parking and narrowed sidewalks are keeping customers away, and owners want some kind of help or compensation.

**Finance**

**Study calls for new SBIR rules**  
South Florida Business Journal, Aug. 13

A new study says the federal government should offer higher amounts to companies competing for contracts under the Small Business Innovation Research (SBIR) program. Through SBIR, federal agencies with large outside research and development budgets must set aside 2.5 percent of that money for small businesses. Legislation introduced Aug. 1 by Sen. Evan Bayh, D-Ind., would increase that share to 5 percent.

**North Carolina funnels more funds into university research**  
Raleigh News & Observer, Aug. 5

The North Carolina legislature is committing big bucks to research at the state’s universities. UNC- Chapel Hill will see $25 million just for the coming year to fund a cancer research center. Other monies are spread among the rest of the state’s universities, including privately run Wake Forest. All told, the state will spend more than $120 million on research during the next two years, not including money for science buildings.
Will voters approve tax hike for port expansion?
Portland Oregonian, Aug. 15

The port of Vancouver, Wash., needs to expand and add rail facilities. Officials want to increase property taxes to pay for the improvements, but environmentalists are balking, and there’s the matter of getting voters to agree to the tax hike.

Incentives

Kansas City looking anew at TIF
Kansas City Star, Aug. 5 (opinion)

The head of Kansas City’s Tax Increment Financing Commission is resigning. An editorial recommends that local leaders find a replacement who will be more careful to focus those incentives on distressed areas, and make other changes as well.

North Carolina offers sweet deal to keep Goodyear
Raleigh News & Observer, Aug. 4

Goodyear could receive up to $40 million over 10 years, even if it lays off workers, under a deal proposed by North Carolina legislators. The company would have to invest at least $200 million in its factory in return. Rival Bridgestone/Firestone is not happy, but leaders there are hoping Goodyear takes the bait.

Profit share? What profit share?
Baltimore Sun, Aug. 10

The city of Baltimore has been offering tax breaks and other sweeteners in order to attract major projects downtown. In exchange, the city is supposed to receive a cut of the company’s profits after a certain point. But so far, no profit shares have been collected, and the city says that’s fine.

Real Estate

Town debates rezoning waterfront
Boston Globe, Aug. 12

Danvers, Mass., is debating the future of its waterfront, where a chemical plant exploded in November. Many want it more available for retail and entertainment, but some worry about precluding industrial uses.
Banking on land preservation in Georgia
USA Today, July 30

The transfer of development rights (TDR) is nothing new in the United States, but the technique hasn’t been used much in the South. Now a program near Atlanta, in what’s called the Chattahoochee Hill Country, is using TDR to preserve land in the rapidly growing region.

New Orleans ponders future of closing base site
New Orleans Times-Picayune, Aug. 6

The Naval Support Activity-East Bank has been around in one form or another since 1919. But its current tenants are slated to move out by 2010 or 2011. The city is trying to decide what the property should become – a park, an office park, or something else?

Toronto area factory buildings find sporty new uses
Toronto Star, Aug. 12

Aging factory buildings around Toronto are finding new uses – not as loft apartments or nightclubs, but as practice venues for sports such as fencing and basketball, personal-growth academies, pet kennels and makeshift churches.

Rural Development

A small farmer critiques federal agriculture bill
The Salt Lake Tribune, Aug. 14

A small farm owner is not impressed with the latest farm bill approved by the U.S. House of Representatives. The writer views the bill as a giveaway to large corporate farms, bypassing the opportunity to strengthen small farms and rural areas.

Technology-Led Economic Development

Evaluating the impact of Indiana’s biotech incubators
Indianapolis Star, Aug. 7

State agencies such as Indiana Economic Development Corp. and university groups such as the Purdue Research Foundation and Indiana University Research and Technology Corp. have been working to build the state’s network of tech parks. The parks appear to be thriving – expanding both square footage and employment each year.
Silicon Valley re-boots its economy
Reuters, Aug. 9

Silicon Valley slumped in the early years of the 21st century, losing a fifth of its jobs between 2001 and 2004. Now, however, the region is gradually coming back, with professional service people making up the bulk of new hires. But that means more demand for lower-end jobs too, such as food service workers and shop clerks.

Tourism

Washington county hopes for Olympic gold
Seattle Times, Aug. 8

The 2010 Winter Olympics will be up the road a bit in Vancouver, British Columbia, but leaders in Snohomish County, Wash., are hoping a bit of gold will spill over into their coffers as a result. In fact, 50 organizations have come together in a committee to plan how to capitalize on the event.

Study: Tourism better for the western U.S. economy than mining, logging
Salt Lake Tribune, Aug. 8

Though many in the West have assumed that the big money was in extracting natural resources, a new study by the Sierra Club disagrees. It says that more jobs can be created by promoting natural beauty than by mining, logging or otherwise exploiting nature.

Critics think Oregon’s park plan sounds a bit fishy
Portland Oregonian, Aug. 8

Oregon wants to build a campground along a tributary of the Nehalem River, where a natural salmon hatchery has long been at work. The state says the plans will protect the fish, but some residents doubt it.

Trade, Globalization & International Economic Development

Vietnam, the next Asian tiger
San Jose Mercury News, Aug. 6

Vietnam has the second fastest-growing economy in Asia, after China. Young Vietnamese-Americans are hoping to cash in on new opportunities in Vietnam the way Indian, Chinese and Taiwanese immigrants and descendents have done in their respective homelands,
Texas needs to do more business with Mexico
Dallas Morning News, Aug. 8 (opinion)

An editorial says Texas needs to take better advantage of its long border with Mexico. It notes that New Mexico has figured out how to work proximity to its advantage, and the Lone Star State needs to learn from its neighbor’s example.

India’s merchants fight Wal-Mart
Associated Press, Aug. 9

Wal-Mart plans to partner with an Indian retailer, and the country’s small shop owners are not pleased. Critics say it is a backdoor attempt by Wal-Mart to gain entry to the Indian retail market, which remains off-limits to foreign competition. Corporate-scale retail could transform parts of the economy that provide a livelihood for hundreds of millions of people.

Africa an emerging investment target
Toronto Star, Aug. 10

Most African countries have seen little outside investment, yet many also have abundant natural resources, growing businesses and new markets waiting to be tapped. That’s why some investors are seeing Africa as a logical place to put their money.

India: The Empire strikes back
Reuters, Aug. 10

India’s capitalist kingpins are on a global buying spree, from snapping up Scottish whisky distillers to eyeing the purchase from Ford of the luxury Jaguar car brand. In some ways, however, the country’s economy may still be hobbled by independence-era idealism.

Workforce Development

Louisiana finds new ways to keep workers working
New Orleans Times-Picayune, Aug. 5

The Big Easy and its neighbors have big workforce needs: shipbuilders, healthcare workers, manufacturing employees and others. To fix that shortage, GNO Inc. has begun The Paycheck Project, which will train new workers in needed skills and find them work with local employers. Some 2,400 people have called the hotline since May for information on training and job opportunities.
A passing grade for U.S. community colleges?
Federal Reserve Bank of Chicago, September 2007

Community colleges juggle a number of roles: preparing students for four-year colleges; working under contract with specific companies to train their workers; and enhancing the knowledge of everyday people. A new essay critiques the colleges’ efforts and offers some suggestions.

Member Update

Tom Tucker is the new Economic Development Director for the City of Goodlettsville, Tenn.

Brian T. Hamilton, CEcD, has taken the position of Economic Development Manager for the City of Austin, Texas.

The Georgia Economic Developers Association is pleased to announce the hiring of Mike Pennington as its new Executive Director.

Harold Gutzwiller has resigned as Executive Director of the Hendricks County (Ind.) Economic Development Partnership and accepted a new position as Senior Economic Development Coordinator for Hoosier Energy.

The City of Salinas (Calif.) has hired Jeffrey Weir as its new Economic Development Director.

Cuyahoga Community College announces that Dr. Craig T. Follins will become the Executive Vice President of its Workforce and Economic Development Division.

After serving as Interim Executive Director for six months, Ramon Flores has been named as the new permanent Director for San Antonio’s Westside Development Corp.

The Arkansas Economic Development Commission has named Mark Goodman as Director of its Business Retention and Expansion Division.

Aaron Akers has resigned from his position as Associate Director of the North Mississippi Industrial Development Association.

Donna Addkison has resigned from her position as Chief Development Officer for the City of New Orleans Office of Planning and Development.
Dr. David Kolzow recently resigned from his position as Executive Director of the Tennessee Leadership Center in Nashville. He is back at work in his private consulting practice, Team Kolzow, Inc., in Franklin, Tenn.

Job Center

August 20

- Authority Director (Albany, GA)
- Business Development Manager (Prince William County, VA)
- Business Retention Manager (Leesburg, VA)
- Community and Economic Development Unit Educator (Aledo, IL)
- Community and Economic Development Unit Educator (Kewanee, IL)
- Economic Development Administrator (Dublin, OH)
- Economic Development Manager (St. Charles, IL)
- Economic Development Project Manager (Knoxville, TN)
- Executive Director (Berkeley County, WV)
- Executive Director (Rowan County, NC)
- Senior Marketing Director (Pittsburgh, PA)

August 6

- Director Urban Development (Trenton, NJ)
- Economic Development Director (Winter Garden, FL)
- Economic Development Executive Director (Madison County, IN)
- Economic Development Manager (Fredericksburg, VA)
- Economic Development Research Specialist (Little Rock, AR)
- Executive Director (Warrick County, IN)
- Senior Vice President, Customer Solutions (Trenton, NJ)
- Transit Station Area Development Coordinator (Charlotte, NC)
- Vice President (Rocky Mount, NC)

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