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Partnership Builds a Knowledge Economy in Ponca City, Oklahoma

By David Myers, CEcD

RURAL COMMUNITY CONNECTS WITH CORPORATION AND UNIVERSITY TO REINVENT ITS ECONOMY

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KNOWLEDGE ECONOMY IN PONCA CITY, OKLAHOMA

By David Myers, CEcD

Located in the heart of the Great Plains 100 miles from three different metropolitan areas, Ponca City, Oklahoma, is what some might call strategically remote. Others, noting that the economy was built upon natural resources, would call the town of 25,000 rural, while others might simply say it is the epitome of small town America. For anyone familiar with Ponca City, however, there is total agreement that for most of its 100-year history, it was the classic company town.

HOME TO CONOCO OIL COMPANY

Founded following the Cherokee Land Rush of 1893, Ponca City became the home to the Conoco Oil Company. At its pinnacle in the mid 80's, the company employed over 5,000 people in Ponca City

Conoco operated three oil refineries in Ponca City, numerous office buildings, several state of the art research labs, oil transportation facilities, and more. Conoco employees enjoyed such onsite amenities as restaurants, full service gyms, a swimming pool that would make most five star hotels blush and, until recently, the community's only Starbucks.

In 2002, however, Conoco merged with Phillips Petroleum Company and shifted a number of employees to Houston while others were laid off. The refineries, the research labs, the oil transportation center, and other business functions remained but most were reduced. In short, the former Conoco campus became a shell of its former self.

The ConocoPhillips Ponca City campus and the University Multispectral Laboratory (UML). The UML can be seen to the right of the two towers.

Employment at the now ConocoPhillips site in Ponca City dropped to 1,500 employees in 2003, a level that is still generally consistent with today.

The impact on the community was considerable and it is not the subject of this article. The economic and psychological upheaval, however, was profound. It is a story told in many other rural communities hit hard by a global economy that takes no prisoners.

After the merger took effect, the community took a very hard and honest look at the economic

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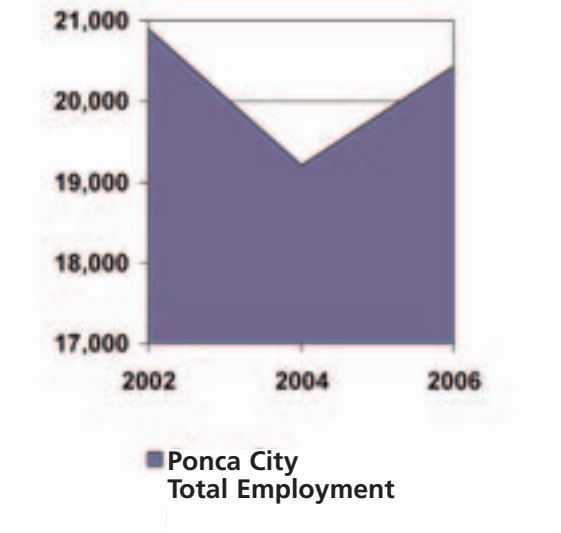
Many rural communities have been forced to reinvent themselves as a result of global economic changes. Ponca City, Oklahoma, was a company town for Conoco Oil for almost a century until a corporate merger in 2002 created significant economic upheaval. Seeking to diversify and develop a new economy based upon knowledge jobs, Ponca City aggressively sought to build economic ties with universities, businesses, and government agencies that were located outside the community. The result was the December, 2006 announcement of the University Multispectral Lab, a joint project of Oklahoma State University, ConocoPhillips, and the Ponca City Development Authority. The project received the 2007 IEDC Partnership Award for areas with a population of less than 50,000.

situation. With what was arguably a community consensus, community leaders made several difficult structural changes to the way the community approached economic development. These changes, described below, were designed to make Ponca City more aggressive and agile in the now imperative task of diversifying the economy.

One of the most contentious issues was the goal of pursuing knowledge-based jobs. Many in the community felt that a rural area could not be successful in this area, arguing that the lack of a university and an urban environment would make such an effort futile. They urged a strategy focused on the attraction of a large durable goods manufacturer in spite of the lack of an available workforce. Another vocal minority simply wanted a return to the past, although the methodology to achieve this goal was never fully defined.

Several key elected officials and business people, however, noted that the facilities left vacant by the merger included buildings that could be adapted to technical and scientific work. In addition, many of the newly unemployed energy industry workers were endowed with technical training. The combination provided the community with an excellent foundation upon which to build a new economy.

In July, 2003, the Ponca City Development Authority (PCDA) was formed by the city of Ponca City, separating most economic development functions from the chamber of commerce. The city commission appointed a seven-member board of trustees comprised of business people and a search was conducted for an executive director. PCDA was charged by city leaders with focusing on economic base jobs in a very streamlined manner while the chamber concentrated its work on retail and the important task of chamber business.



The 2002 merger between Conoco Oil and Phillips Petroleum had a significant impact on employment. Recent job growth has almost made up for jobs lost earlier this decade.

The Conoco Museum, located directly across the street from the UML, marks Ponca City's past as the birthplace and former home of a global corporation. The UML, local leaders believe, is building the foundation for the next century of economic growth.

The change also provided PCDA with the proceeds from the city's one-half cent sales tax dedicated to economic development. This tax, first approved by the voters in 1994, had already been successful in attracting a food processing plant and a call center. PCDA was now tasked with taking this resource and developing economic base jobs that could potentially replace the high wages paid by the mostly now departed Conoco management.

One obstacle facing the community, however, was that the sales tax was set to expire in October of 2003. The mayor and city leaders put their credibility on the line, promoting a vision of an economy that was knowledge based and not completely reliant on natural resources. Voters accepted the vision and approved a five-year extension of the tax by a margin of four to one.

BUILDING A PARTNERSHIP WITH A UNIVERSITY

In order to tackle the challenge of building a knowledge-based economy in a rural area, PCDA looked south 45 miles to Stillwater, home to Oklahoma State University (OSU). OSU was one of the state's two public comprehensive universities with a strong research base and, more importantly, a desire to aggressively grow that base.

PCDA consciously made a partnership with OSU a strategic objective. This began with developing relationships at the highest levels of the university administration through both PCDA staff and community leaders, even though a specific objective had not yet been identified.

The goal of establishing these relationships was based upon the assumption that connectivity to a research university was important, even if that university was not in town. Indeed, the lack of a university in the community made the need to connect to one even more vital in order to truly be successful in building knowledge-based jobs. Lacking a university did not mean we could not compete for knowledge-based jobs, it simply meant we had to work harder to do so.

As PCDA and the community were busy building bridges to the university, OSU researchers, separate and

Even though Oklahoma State University is not located in Ponca City, its mission as a land grant institution encourages the university to work with communities from across the state.

apart from the PCDA initiative, had begun to identify a potential niche for the university in the growing area of sensor research. Sensors are an almost $10 billion and growing annual industry in the United States. OSU had a strong history of participation in this field and wished to capitalize on its expertise to become a leader in the field.

The field of sensor research was growing, but the testing and evaluation of sensors was not keeping pace. University and commercial scientists developing sensors had limited opportunities to validate their work through a neutral third party. There was, OSU scientists discovered, no universally recognized "trusted agent" that could tell the market place that the sensor worked as advertised.

This was a particularly acute problem for the military. Sensors are vital parts of many mission critical components used by the armed forces. Testing a sensor in the field or "in theater," to use military jargon, is problematic at best.

Current sensor testing is done on an ad hoc basis. Many companies do their own, improvising tests and facilities and hoping the customer will accept their data. Others take it to independent labs that may be able to do some degree of testing and provide a third party validation. Such testing, however, is generally limited to one field, (i.e. chemistry) and is typically quite expensive.

ESTABLISHING A NATIONAL SENSOR TESTING CENTER

A national sensor test and evaluation center with the ability to test sensors in a wide spectrum of disciplines would allow military, commercial, and university researchers to have this work performed in a facility that is dedicated exclusively to this task, not as a sideline. The center would, in effect, give the customer confidence that the sensor did exactly what it said it would.

With its experience, expertise, and international reputation, OSU decided that it was well positioned to develop such a facility. But since it also participated in sensor research, the university recognized that a facility run by Oklahoma State on the OSU campus could defeat the important goal of being a "trusted agent." Another location was needed.

Meanwhile, back in Ponca City, the merger that created ConocoPhillips also created redundant facilities as the two companies became one. One facility no longer needed by the merged company was a 70,000-square-foot wet/dry lab on the Ponca City ConocoPhillips campus known as "Research East." The building, a three-story structure with the entire physical infrastructure required by a 1960's era lab, was suggested to OSU as a candidate site.

The university toured the facility and decided that it could potentially accommodate the proposed national sensor testing center. Several challenges were identified, however, including the age of the facility, the ownership of the building, the logistics of separating the lab from the ConocoPhillips campus, and more. Community acceptance was also an issue as many citizens of Ponca City did not understand what a sensor test and evaluation center was. Others resisted any changes they felt might discourage ConocoPhillips from returning any of the lost oil related jobs to the community.

For its part, ConocoPhillips was open to discussing the idea of using the vacant lab for the project. Its local leadership was, after all, comprised of Ponca City residents and they were acutely aware of the impacts to the community resulting from global economic changes. They were also business people and very sensitive to the business dynamics involved.

The UML also has a small facility in Stillwater where it connects directly to the campus of Oklahoma State and tests experiments that cannot be performed at the facility in Ponca City.

With an annual growth rate of 16%, and over 5,000 new sensors being developed each year, the international sensor market is a $6-$10 million (U.S.) industry.

Source: Oklahoma State University

The community was quite anxious to promote the facility as the new home for the national sensor test lab. After significant discussions with the university and the company, which involved numerous community leaders and the state of Oklahoma, a plan was developed.

DEVELOPING A PLAN TO MOVE FORWARD

At the strong urging of the Ponca City delegation to the state legislature, the state appropriated $125,000 for a feasibility study on the project. This was matched by an investment of $80,000 from PCDA. The study was bid and the contract awarded to AMTI, a consulting firm with expertise in the field.

The feasibility study concluded that the center would fill a national need; that there was potential funding available; the building had the physical characteristics desirable for a national sensor testing center; and the environmental, political, and financial risks were manageable. In short, the feasibility study green lighted the project.

From the perspective of Ponca City, this was welcome news. The study was not, however, an entirely optimistic appraisal. While the market and the timing were good, taking advantage of the opportunity would require a world class facility with top researchers and state of the art equipment. According to the feasibility study, funding was in place for operational support, but not for renovating the building or equipping the lab.

There was enough good news in the study to encourage the university to agree to fund a business plan for the center. Discussions began at the same time among the community, the company, the university, and the state about identifying the resources to turn Research East into a modern world class test and evaluation center.

Within three months, the business plan was completed and a copy was given to PCDA. The results, from the perspective of the creation of economic base jobs, were impressive. A total gain of 80 knowledge workers with 63 additional positions, a total annual payroll of over $7.5 million, and a capital investment of $27.5 million at build out was projected. Using PCDA's economic impact software, it was estimated that the project would create a positive economic impact of $140 million over the next ten years.

The completed business plan, and the opportunities it uncovered, accelerated the discussions among all parties. The university knew, from the studies, that it could financially operate the center. PCDA knew that it would be a major economic benefit to the community, bringing highly coveted knowledge-based jobs to a rural community, no small feat today. ConocoPhillips saw the opportunity to turn a stranded asset into a community resource benefiting a major supplier of workforce, (OSU) and one of its heritage communities.

UNIVERSITY MULTISPECTRAL LAB

On February 6, 2006 at City Hall in Ponca City, OSU, ConocoPhillips and PCDA jointly announced an agreement that would create the new University Multispectral Lab, (UML). The community, through PCDA, would invest $2 million in facility improvements. That community investment would be matched dollar for dollar by ConocoPhillips. The company would also donate the building to the university and provide a ground lease to the company for one dollar per year. The university would contract with AMTI (recently changed to Triton, LLC) to operate the facility, investing millions in university research resources to develop a truly world class center.

The funding from PCDA and ConocoPhillips, worked out between the two partners, calls for the funding to be spread out over four years with separate triggers required before the next round of funding can be provided. These triggers are intended to make the economic development incentives performance based and insure that the center is actually developed. They include specific operational benchmarks, job counts, community representation, and more. The triggers also restrict the funding to Ponca City to insure that it is not co-mingled with the university's sizeable regular budget.

This was not even the end of the beginning. The $4 million economic development incentive would be a good start towards the development of the physical plant, but more was needed. Ponca City's state delegation went back to work, securing capital improvement funding in both the fiscal 2006 and 2007 funding cycles.

The new University Multispectral Laboratory in Ponca City is housed in a 70,000-square-foot building that used to house Conoco oil research prior to the merger with Phillips Petroleum.

There was also a considerable amount of work to be done on completing the actual operational agreements for the facility. These issues included security and fence line questions, the issue of potential access for UML employees to ConocoPhillips facilities, the separation of utilities from the ConocoPhillips campus, first response issues, and many more. In addition, the UML was already actively seeking business and needed a place to operate until Research East was physically ready to become the new home to the center.

Fortunately, the partnership established at the beginning of the project created a sense of mission that allowed the partners to find solutions to these potential problems. "Can we do it" was replaced with "how do we do it?"

All of the issues were resolved one at a time throughout the remainder of 2006. On December 13th, the cer-

emonial keys to the door and the first checks from PCDA and ConocoPhillips were turned over to the university.

Less than one year later, the UML has landed its first major multi-million dollar contract for test and evaluation work. More significantly from the perspective of the community, there are 15 employees already on the job in Ponca City, working out of temporary quarters elsewhere on the ConocoPhillips campus until the phase one of the renovation is completed, scheduled for the end of 2007. As of this writing, the UML has already met the second year job creation requirements of 15 employees and had also satisfied the organizational benchmark of forming a separate 501(c)(3) corporation with community representation on the board of directors. Achieving these two milestones allows the UML to receive phase-two funding from PCDA and ConocoPhillips.

To fully maximize the potential of the center including spin-offs into the community, the partnership is expanding to include Pioneer Technology Center, Ponca City's public vocational technical training facility. Talks are under way with the local school district as well to develop alignment between the potential career paths of the future and the education of today.

CHALLENGE

The challenge of attracting knowledge workers to a rural community does not stop with job creation. As noted by many others, this breed of creative worker has many options and does not just follow the work.

In May of 2007, the voters of Ponca City approved a bond measure to develop a community wide recreation center, similar to those found in urban areas. Cultural centers in the community have been established and new housing options are in the planning stages. Targeted retailers are breaking ground and regional and national events are being recruited to provide a wide variety of options for residents new and old.

The impact of the UML on Ponca City will clearly go well beyond the economic impacts originally projected. Through the development of the partnerships mentioned earlier, Ponca City now has the soft infrastructure to grow an innovative economy in a rural area.

Most significantly, Ponca City has a new mission and a bright future. The UML accomplished something almost unimaginable five years ago. It has reinvigorated a community that once thought itself left behind by the global economy.