

Does Place Matter Anymore?... Yes, But!

By *Don Holbrook, CEcD, FM*

COMMUNITIES LEARN TO SURVIVE AND THRIVE IN THE CHAOTIC GLOBAL ECONOMY

Today, many experts agree that world-class communities are not determined by their geographic location, their population size or their natural resources as it was in the past. **What matters most in setting them apart from their competitors in economic development is determined by the quality and mind-set of their local leadership.** The more proactive and visionary leaders are in locales today in creating competitive advantages, the more valuable a tangible geographic place is to inflows of investments from abroad and within.

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does place matter

ANYMORE?... YES, BUT!

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In the era of globalization, borderless economies, monetized political systems, and corporate governance of everything, just how important is the concept of place anyways? Well it may matter more than most believe possible but not in the traditional sense of geography.

World-class communities are not determined today by geographic location, population, and natural resources. Today, they are determined by the quality and mind-set of their local leadership. The more proactive and visionary leaders are in locales today in creating competitive advantages, the more valuable a tangible geographic place is to inflows of investments from abroad and within.

Today, communities have to put their money where their mouths are in reality. You can't just claim to be a great place to live, work, play, and visit-- you have to "Prove It." Communities must produce quantifiable results and outcomes that demonstrate their mantras, not just create hollow, intangible advertorial-infomercials and marketing pitches.

MEGA TRENDS

There are six major or "Mega Trends," according to the IBM Institute for Business Value, that will shape the economy leading up to 2020. As published in the Spring 2008 issue of EDA America, these trends are as follows.

Globalization – Capital flows surpassed \$6 trillion in 2005 and transnational companies quietly crept past 70,000 firms. Guess what? Many of them are small and medium-sized companies, not just the fortune 500 anymore. Small business has found trade to be lucrative.



Part of the EarthQuest project planned for the greater Houston region, the EarthQuest Education & Research Center is a green applied science technology pavilion and incubator for demonstrating how our individual decisions and daily choices can positively impact the planet.

Global Labor Force – People are still flocking to cities for the infrastructure, lifestyle amenities, and economic opportunities. More people live in cities today than don't, for the first time in history. But there are interesting micro-trends such as some of the super elite and upwardly mobile executives are also seeking smaller rural and micropolitan communities at the same time. This indicates place does still matter, especially to those seeking a certain quality of life. But it is increasingly a two-way street as remote locations have closed the last mile of communications interconnectivity.

New Technologies – Internet usage and the new Internet speed of development of new technologies continue to speed up annually. Today, world Internet usage surpassed 1.2 billion people and will double again by 2010. We simply don't know what we don't know yet, but we are all about constantly creating those new ideas.

Don Holbrook, CEcD, FM, is a private practitioner (Partner in the Vercitas Group) involved in the major elements of site location analysis for major private sector investment projects. He specializes in Place Based Destination Development projects. He has authored two books, "The Little Black Book of Economic Development" and "Who Moved My Smokestack?". He can be reached at don.holbrook@economicdeveloper.com or visit his website at www.economicdeveloper.com

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Today, many experts agree that world-class communities are not determined by their geographic location, their population size or their natural resources as it was in the past. What matters most in setting them apart from their competitors in economic development is determined by the quality and mind-set of their local leadership. The more proactive and visionary leaders are in locales today in creating competitive advantages, the more valuable a tangible geographic place is to inflows of investments from abroad and within.

New Consumers – Technology has opened the world to America's passion for consumer consumption and now goods and services are flowing worldwide. In new emerging countries, workers with recently acquired wealth are seeking to spend their earnings more and more on lifestyle improvements.

Corporate Social Responsibility – The movement to create “Green Developments” is sweeping the corporate landscape and it is not just a public relations move. There is great profit linked to it. I wish I could tell you that their corporate conscience had kicked in but it is about creating solutions consumers feel are valuable. The cost savings are nominal but the increased market share of the new “Green Bubble of Rational Exuberance” creates new increased profits within old market sectors as the rush to switch to smaller carbon footprints exponentially rages like a California wild fire across the consumer markets.

Unpredictable Risks – There are so many political, economic, and energy risks in the markets, they are forcing companies to reconsider where they make things and how they will distribute them. The Japanese were the first to make their products closer to their core markets instead of shipping the products there from cheap labor havens. This will only increase as energy rises above \$200 per barrel and politically unstable countries unravel under new global environmental pressures. Add terrorism and intellectual rights to the foray and you have a real reversal of fortunes shaping up in the manufacturing sector. That does not mean outsourcing and offshoring is dead. It is quite the contrary, as expanding small and medium-sized companies will want to set up shop in other places to sell in those markets. Global expansion is not just for the big corporations anymore.

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Considering these Mega Trends to be the core driving force of what is shaping decisions that will either negatively or positively shape the landscape of economic development in this century, we could find that economic development has some catching up to do in our locales' current mind-sets.

Economic development has been slow to respond to these new economic threats and thus capitalize on such mega trend opportunities. Economic developers' vision and knowledge of mitigating such issues in the past is not only legendary but also necessary if we are to succeed in building a collaborative economic development landscape in this global era. Recently, Ronnie Bryant, the former chair of the

International Economic Development Council, stated that he intended to lead the charge to put the International into the “I” in IEDC. If he and his cohorts succeed, it couldn't come at a better time in our history.

According to Samuel Palmisano, whose article was cited in the recently released IEDC *Roadmap to Globalization Primer*, “Sustainable competitive advantage has never come only from productivity or inventiveness. Today more than ever, the premium comes from the fusion of invention and insight into how to transform how things are done. Real innovation is about more than the simple creation and launching of new products. It is also about how services are delivered, how business processes are integrated, how companies and institutions are managed, how knowledge is transferred, how public policies are formulated – and how enterprises, communities and societies participate in and benefit from it all.”

KEY ATTRIBUTES TO SUCCEED

Communities that want to succeed in this new world-class global era have to understand some key attributes that they need in order to succeed.

Communities must first realize that they have to invest in themselves and not wait for other investors such as the state or federal government or the urban myth of the “Free Market Economy” to cure all their locales' economic ills. Those communities that invest in cutting edge new technologies, infrastructure, human capital, recreational and lifestyle amenities, and hybrid capitalization to leverage truly public-private partnerships in sharing in the frontend risks of new emerging inward investments in their locales, will benefit from “Thrival.” Thrival is the art of thriving on the opportunities created by a changing economic landscape filled

with risks. This is accomplished by investing in competitive projects that increase communities' abilities to survive in this environment... hence, *Thrival*.



Learning to find pearls of opportunity in times of chaos as to where the economy will experience growth next is imperative.

All this leads to local leaders who embrace change as an opportunity for progress and don't wait for normalcy to return to their communities and their own comfort zones. It won't ever return. Instead, these leaders evolve and adapt to these challenges by seeing what may come next and creating opportunities to benefit from those trends. This style of leadership is something I refer to as "Fearless Leadership."

The competition from abroad is going to be tremendous. The so-called *BRICE* nations are our strongest competitors for business investments. *BRICE* stands for Brazil, Russia, India, China, and Europe. These nations collectively have huge competitive economies and currently garner about 40 percent or more of Foreign Direct Investments (FDI), according to the Council on Competitiveness.

The competition is evolving as well. Today, we have a new hybrid economic structure called China's form of

When you think of how to be competitive, you have to think like a major league sports team. It is all about your draft picks and the quality of your team. Immigration is the key to developing a robust infrastructure of human capital. Today, the US accounts for the top 50 percent of global immigration, "The Top Draft Choices" and 20 percent of the total flow of immigration. This seems to be a key factor in their continued success as this equates to 25 percent of the patents over the past 15 years are from legal immigrants living in the US. Another key factor is that 25 percent of venture-backed companies were started and headed by legal immigrants to the US. Immigration is the great conundrum, without it the US would lose its global competitive posture.

Today, locales need to make sure they are creating the type of community environment that is not only attractive to those who live there now but responds to new diversity challenges presented by the need to attract skilled workers and immigrants.

An African proverb states, "For tomorrow belongs to the people who prepare for it today." This along with the infamous quote by Sir Francis Bacon, "Knowledge Is Power," creates the backdrop for our final conclusions.

The state of Texas has recently been involved in a regional and local economic development public-private partnership



US faces considerable global competition for investment, talent and resources.

"Commulism," a strange paradox of communism linked to some major market forces of capitalism, at least on paper. So far, their version has worked. Whether it stands the test of time will be the key, but for now their competition for labor, resources, and energy is formidable.

The next major competitive force is "Petrolism." This is the new economics of politically endorsed corruption of trade for fossil fuel based products. This competitive force is not based on realistic elasticity but rather the greed of oil producing nations and the hugely powerful corporate cartel of energy companies. Energy touches everything and this "Petrolism" strategy is raising costs on everything in our lives from food to transportation. It seems to be a race now to create alternatives to fossil fuels just to return some sense of order to economic growth. But this oil Ponzi scheme has created some of the largest investment funds in the world in the Middle East. The Middle East's appetite for inward and outward investments rivals those of the Japanese in the 1980's.

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that has done a great job of creating a new brand and destination ID for its locale. The East Montgomery County Improvement District (EMCID), as part of its role in the Greater Houston Partnership, has responded to market forces such as those identified in the Mega Trends by looking at its market through the eyes of investors, with no particular knowledge or affinity for its region.

By following the five steps described next, EMCID not only responded to recent economic setbacks such as the loss of its own Astro-World Six Flags Theme Park but

also capitalized on its strengths of being one of the world's leading energy centers. EMCID's support for the EarthQuest project has given it an entirely new approach to recreating the brand of defining the greater Houston economy for residents, employees, and visitors.

"We expect that EarthQuest will uniquely fill a need in the US for green housing and commercial space. When you consider it alongside other, more high profile efforts such as MASDAR in the UAE and Dong Tan in China, EarthQuest will differ in that it will be a practical, cost effective example of how to utilize green technologies to reduce carbon footprints and also be an economically viable multi use master planned diverse community. If we play our cards right, it could become a standard for responsible, practical development in this new green economy as well as an economic development engine for new technology research and development."

Dr. Matt Gardner, Chief Scientific Officer
The EarthQuest Institute, New Caney, Texas

Frank McCrady, president of EMCID, says "the EarthQuest project evolved and has been successful because we agreed early on that it would be necessary to step outside the box of known realities and take calculated risks with private sector partners to define a new reality that will deliver a future that will be full of new opportunities for us and our region and recognized by the private sector as a sound investment."

FIVE STEP PROCESS

In order to create a process for addressing such new out-of-the-box ideas, communities need to follow some type of blueprint for evolving their current economic development mind-sets to these new potential ideals. A quick reflection on your locale's innovation and knowledge in this environment is the first action to getting your global act together. Here is a five step process that I feel works well in getting a community and/or region started on this track, using the EarthQuest project as an example.

1. Does your economic development leadership understand what the key factors are that make your location attractive to inward investments or not? What makes your location and economy unique and can you

quantify that with data, especially as compared to current niche market trends?

In the case of EarthQuest, the EMCID board commissioned a third party study by experts on this subject and then sought additional expertise to review the findings of the first conclusive report of findings and recommendations. This set the tone for further actions.

2. Does your economic development strategy understand which niche markets and industries hold a truly competitive advantage within and what makes it so? The knowledge of this can be honed and expanded to garner even more investment synergies.

EMCID created a consultant driven strategy for how to fund the gaps in the financial conditions that would need to be addressed to attract investor support to drive a public-private partnership. This became the crux of its foundation for incentives to close the deal, once terms could be agreed upon that met economic development goals and attracted an investor to support the capitalization of the project.

3. What benchmarks are being used to monitor progress and make adjustments to the competitive business climate? Making evolutionary progress and understanding what is working and what is not is critical to success.

Again, EMCID and its new private investment partner created an MOU of agreed upon deliverables, investments, and key milestones that would be supported by expert advice on how to execute a planned project and bring it to fruition by the timeline in the MOU.

4. It is vital to understand your primary competitors not just within your country and region but globally, and have a competitive, market-based incentive matrix to offset any disadvantages your locale has. This will create a sense of "Deal Equilibrium" in investment decisions that could tip the scale to your locale's favor. This is part of the strategy of what site selection consultant Bob Ady refers to as, a new shared sense of public-private partnerships where economic develop-



The art of the deal today is about process driven public private partnerships in creating opportunities.



The EarthQuest Entertainment Resort & Theme Park is the first green designed, eco-tourism Disney-type family destination project in the world. It combines fun with leading edge green technology, resource conservation, and alternative energy strategies in a full scale living experiment of practical green implementation at the commercial level.

ers encourage their locales to share in the frontend risks of new investment ventures and thus reduce the risks to investors and increase the investor return on investment so that such deals can be sustained and competitive against global competitors.

Once you understand how you must compete with the remainder of the world, your state, and your region, you can create a comprehensive investor grade economic development project that will meet the market needs of the global investment culture. EarthQuest built its investor package by leveraging the relationships of the locale, region, and state and then attracting outside capitalization with expertise in executing these types of projects.

5. It is essential to forge collaborative partnerships with key market forces such as site location consultants; Wall Street analysts; university academics; and research & development firms, especially those studying competitive policies, trends, and measurable criteria. This is part of the “putting their money where their mouth is strategy” of today’s site selection consultants. These consultants say simply “prove what you say” and support it with impartial third party expert data and research, so my client will feel comfortable making this investment and then stand behind your promises with the right customized incentives that make our business globally competitive. Today, there is no room for cookie cutter economic development policies. More firms are asking site selection consultants to ask for and

require special rules or legislation that can be custom fit to their specific business model needs... all aimed at driving competitiveness.

In the end, the EarthQuest project created a new state legislatively supported Economic Zone to enable the special environment to exist in East Montgomery County to allow the EarthQuest project to come to fruition. It required a comprehensive mesh of state, regional, and local partnerships along with the private sector to create an overall project that was global in scope and sensitive to local needs.

In conjunction with a 1600-acre green master planned community and a green-theme park which will be the largest destination attraction in the country next to Disney World, this project will have a huge economic impact on the Houston region. It will play a key role in

“Communities need to be proactive in their development of investment opportunities. With the continued shrinkage of the planet through transportation and communication technology, it is easier than ever to attract investment from around the globe. The key is to focus on the assets of the community and to develop a project that utilizes as many of these as possible. This creates a unique business opportunity that belongs in the community, not one that happened to find a home there. By custom developing this product and utilizing conservative and independent feasibility experts, these projects will meet the investment community's requirements by design rather than hope or coincidence.”

Christopher G. Brown, P.E. President
Contour Entertainment, Inc.

the process of transforming Houston into the renewable energy capital of the world. The overall EarthQuest project has both 501(c)(3) elements and a multi-billion dollar private sector element that work in tandem to give uniqueness to the overall EarthQuest project. The project will have residential, retail, hospitality, entertainment, commercial/office, research, education, and manufacturing elements comprehensively balanced throughout the 1600-acre economic zone.

CONCLUSION

In conclusion, one of my favorite mottos has come back with greater meaning today. The Knights Templar Order had a motto, "Veritas vos Liberabit," simply translated from Latin to mean, "The truth will set you free." Today, understanding realistic market forces and facing the realities of how to respond and exploit such knowledge is the critical factor in 21st century economic development and what does in fact make places matter or not in the quest for new economic growth and sustainable local economies. 

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