EDJ

The IEDC Economic Development Journal

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Ten Years after the Merger
A Celebration of IEDC and Its Forerunners

Economic Development in the Post Crisis Era
Globalization's Evolving Opportunities, Challenges & Tensions

Incentives 2.0
Rewarding Sustainable Development and Social Accountability

Large-Scale Redevelopment in Challenging Times
Jacksonville, Florida, Engages a Private Master Developer to Realize the Community's Economic Development Vision

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The International Economic Development Council (IEDC) is the premier international association dedicated to leadership and excellence in economic development. IEDC can equip you with the tools and resources that are helping to shape economic development throughout the country and around the world. Our services include:

- *ED Now*, a twice-monthly newsletter
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- Improved access to resources and information
- Enhanced educational choices
- Stronger advocacy and access at the Federal level
- Expanded networks and alliances
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- Expanded research and technical assistance
- An international presence

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Economic Development Journal

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President & CEO: Jeffrey A. Finkle, CEcD
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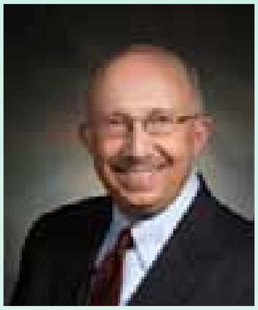

Dennis G. Coleman, CEcD, FM
IEDC Chair

LETTER FROM THE CHAIR

dear colleague

IEDC celebrates its tenth anniversary this year as the profession's leading economic development organization in the world. This year also marks the 85th anniversary of the American Economic Development Council (AEDC) as well as the 44th anniversary of the Council for Urban Economic Development (CUED). These organizations merged in 2001 to form IEDC. In addition, it has been 25 years since Jeff Finkle, IEDC's President and CEO, was hired as President of CUED.

To commemorate these anniversaries, staff interviewed former AEDC, CUED, and IEDC leaders to document the history of the economic development profession. The article on "Ten Years after the Merger: A Celebration of IEDC and Its Forerunners" appears in this issue of *Economic Development Journal* to coincide with the project. Staff have conducted almost 60 interviews, reflecting leadership which spans six decades. These transcripts will be compiled with audio clips and over 3,500 images to be available on the IEDC website.

It has been especially rewarding this year to assist IEDC with its mission of providing leadership and excellence in economic development for our communities, members, and partners. In fact, leadership development in economic development has been the focus of my tenure as chair this year. Along these lines, we are working with a task force of our members and a consulting firm to develop leadership competency models for executives as well as professional staff of economic development organizations. These models will help future economic development leaders to assess the skills and experience they need to develop in order to grow professionally within our industry. The final models will be released to the IEDC membership at the 2012 Leadership Summit in San Antonio.

IEDC is also leading the way in producing resources that equip economic developers to be leaders in growth areas such as entrepreneurship, clean energy, and advanced manufacturing. IEDC's Economic Development Research Partners (EDRP) program is an exclusive membership level which supports practice-oriented research in such areas as successfully competing in the global economy, accelerating community prosperity, and empowering organizations and individuals. Recent EDRP publications include *Unlocking Entrepreneurship: A Handbook for Economic Developers; High Performing Economic Development Organizations;* and *Jobs in the Making*, a report on the future of manufacturing to be released at the Annual Conference.

IEDC also recently produced *Powering Up: State Assets and Barriers to Renewable Energy Growth,* funded by the Energy Foundation, which highlights strategies, supply chain issues, and best practices in funding mechanisms for developing renewable energy sectors.

In addition, the organization has launched a new web portal, RestoreYourEconomy.com, with funding from the U.S. Economic Development Administration. This website serves as a one-stop shop of disaster preparedness and post disaster economic recovery resources, tools, event announcements as well as opportunities to connect with peers through social media groups.

I look forward to seeing many of you at IEDC's Annual Conference in Charlotte. Themed "Connect Locally, Succeed Globally," we'll be discussing how economic developers are adapting to the new normal economy and rewriting the rules for economic development. It's the premier educational and networking event for members of the economic development community.

Dennis G. Coleman, CEcD, FM
IEDC Chair

The IEDC
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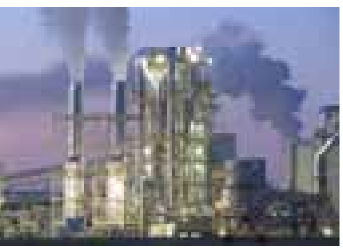

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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

ten years after the merger

By Frankie Clogston

In 2001, the International Economic Development Council (IEDC) was formed through a merger of the American Economic Development Council (AEDC) and the Council for Urban Economic Development (CUED). These two organizations, which had almost 130 years of combined history in the field of economic development, were largely responsible for shaping the profession over its first decades.

During that time, economic development evolved from its early industrial roots in "big-game hunting" and "smokestack chasing" to more modern focuses on entrepreneurship, innovation, and global competitiveness. Throughout the economic transformations of the 20th and 21st centuries, economic developers have held the torch to help communities grow and prosper. IEDC, now celebrating its tenth anniversary, continues to lead the way.

While the profession has evolved to meet new challenges, many core competencies and tools remain. Paradoxically, in a world of globalizing trends, many in the profession express the sentiment that it is the local-level deal that still matters most. CUED and AEDC board member Mark Smith recalls Tip O'Neill's adage: "All politics is local." Economic developers continue to "grease the wheels" and facilitate the transactions that are necessary for local growth and prosperity. They utilize political capital they have built up through establishing strong personal relationships. April Young (CUED chair, 1996-98) says, "As economic development professionals we make adjustments at the margin; but, you can't do that without well-crafted constituency cooperation."

Kurt Chilcott and Jim Griffin, with board members behind, toasting to the formation of IEDC in 2001 after signing the merger documents.

At the same time, they must also have an economic development skill set that has become increasingly sophisticated and specialized. As Judie Scalise (AEDC chair, 1993-94) says, "Community leaders recognize that in order to be successful you need to leverage your assets and improve the foundations that support economic development. The skill set that economic development practitioners need to do their jobs has expanded." IEDC serves the essential role of keeping its members educated and proficient in state-of-the-art economic development. Amidst the challenges of global competition and the deepest economic downturn since the Great Depression, the role of economic developers has never been more important to local communities than it is now.

As Jim Devine (AEDC chair, 1999-2000) says, economic developers are a diaspora. While they share specific traits and expertise, they are spread throughout the world. IEDC brings together these dispersed practitioners to share their knowledge

Frankie Clogston is a journalist – who has worked for ABC News, NBC News and Reuters – and an economic consultant. She first interned with CUED in 1992 and has done multiple consulting assignments for CUED and IEDC since. (jfclogston@gmail.com)

A CELEBRATION OF IEDC AND ITS FORERUNNERS

Ten years ago, the American Economic Development Council (AEDC) and the Council for Urban Economic Development (CUED) merged to form the world's preeminent organization of economic developers: the International Economic Development Council (IEDC). On the occasion of IEDC's tenth anniversary, this article celebrates the evolution of the economic development profession, the contributions of these organizations, and the story of the merger. It relies on research from historical archives and recent interviews with 59 leaders whose experience spans across six decades. In addition to IEDC's tenth anniversary, 2011 marks 85 years since AEDC was founded, 44 years since CUED was established, and 25 years since Jeff Finkle (IEDC president/CEO) was hired as president of CUED.

and experiences, teach and learn from one another, and build a stronger profession. This thereby enables them to build stronger communities back home.

Jack Corrigan, a former regional director of the U.S. Economic Development Administration (EDA), says IEDC and its forerunners defined economic development. "The profession…hardly existed back in the 1960s. I think that [these organizations] have basically created a whole profession. That may be one of the great achievements of IEDC today."

Ed deLuca, first Chair of the Helping Urban Business (HUB) Council (1966-1970) - Predecessor to the Council for Urban Economic Development (CUED)

Ken Patton (CUED Chair 1973-1975)

AEDC AND CUED – EARLY ROOTS

Both AEDC and CUED formed as a result of efforts by businessmen and civic leaders, and both had roots in the "Charm City" of Baltimore, Maryland. The founders came from the railroads, utilities, and both the public and private sectors. They were leaders who had pioneered, or would pioneer, economic development in places around the country, including: Ed deLuca (the first director of economic development in Baltimore), Ken Patton (the first deputy mayor of economic development for New York City in 1968), Jim Hankla (who launched economic development organizations in the city of Long Beach and Los Angeles County, California), and Melvin Roebuck (who established the Department of Economic Development in Cleveland).

They had diverse backgrounds, educations, and professional training experiences. But they all shared a common passion to develop their cities and communities into vibrant places to live and do business.

AIDC: INDUSTRIAL DEVELOPMENT FOR WARTIME AND PEACETIME

The American Industrial Development Council (AIDC), which later changed its name to the American Economic Development Council (AEDC), traces its roots to June 1926 when the first conference of the industrial bureau managers of chambers of commerce was held in Washington D.C. This was organized by the U.S. Chamber of Commerce in recognition of the growing importance of economic and industrial strategy to the growth of the nation. F. Scott Fitzpatrick (of the U.S. Chamber of Commerce) led the committee and enlisted the help of Findlay French (of the Baltimore Association of Commerce's Industrial Bureau) to assemble leaders of local industrial bureaus for a conference in Washington, D.C.

This conference became an annual event, and AIDC was officially formed in 1930 at the fifth annual conference. George C. Smith of the Canton Railroad Company of Baltimore was elected the first chairman, a board of directors was assembled, and annual dues were fixed at $10 per person. Membership was initially capped at 125 and was comprised of male industrial bureau managers, railroad and utility representatives, industrial engineers, industrial finance representatives, and local and national chamber of commerce members. Women were first permitted to join the organization on March 31, 1953 after the Board of Directors passed a resolution.

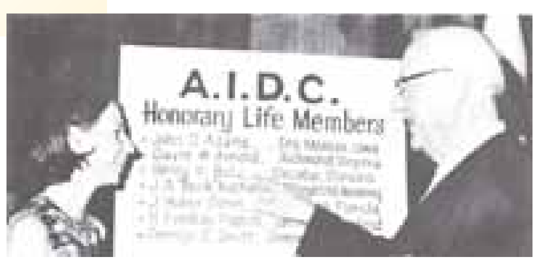
When AIDC was founded, the U.S. was between World Wars and continuing to establish itself as a preeminent industrial power. Development was centered on improving infrastructure and expanding heavy industry. Some of AIDC's early conferences included topics like *Industrial Surveys, Industrial Prospects,* and *Community Advertising Campaigns and Their Relation to Industrial Development.* Indeed, these topics sound akin to today's business retention and expansion strategies in many ways.

Early conferences were also organized around specific international trends and events. This orientation is reflected in the headline

Definition of Industrial Development: "Industrial development mobilizes the mental attitudes of a community for the attraction, reception and cultivation of new and expanded industry to bring about the balance of residential and industrial activities desired for a steady community growth."

(AIDC, 1961)

The American Industrial Development Council (AIDC), which later changed its name to the American Economic Development Council (AEDC), traces its roots to June 1926 when the first conference of the industrial bureau managers of chambers of commerce was held in Washington D.C..



AIDC Honorary Life Members in 1966.

themes, including: *The Industrial Policy of the Soviet Union* (1929) and *The National Recovery Administration* (1931). In 1942, the War Production Board called upon AIDC to assist in planning, plant site-location, conversion, and other phases of the war program.

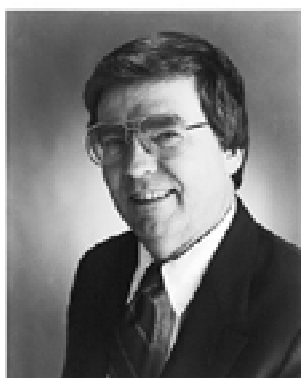
AIDC held annual meetings in Washington, D.C. until 1933 when it moved the conference to Chicago. Over the years, AIDC held conferences in locations around the U.S. and Canada, including Montreal in 1950 and Quebec City in 1993. AIDC also had several headquarters, including Newark, Boston, Kansas City and, starting in 1981, Chicago.

The organization had a high representation of members from the American South and a healthy contingent of Canadian members. Its focus was on serving rural communities. Furthermore, AIDC historically concentrated on forging ties with the private sector. Government programs played a secondary role. This was especially the case after federal funding for local projects shifted to the cities in the 1980s due to policy changes like the restrictions on the widely used Industrial Revenue Bond (IRB) program in 1986. Don Dunshee (AEDC chair, 1988-89) says the severe limitations on the tax-exempt use of IRBs marked a major transition in economic development, and public funding shifted even more towards urban projects.

CHANGING TIMES, CHANGING NAME: AIDC BECOMES AEDC

AIDC changed its name to AEDC in 1980 to reflect the growing diversification of its members and the notion that economic development was an "umbrella term" that included industrial development. According to then-President Bill Shelton (AEDC chair, 1979-80), the name change was controversial among many of the old guard. As Frank Birkhead (AEDC chair, 1982-83) relayed, it initially made sense to be known as the AIDC. "We were industrial retailers. I did not, for example, bring JC Penney to a town…We were bringing in tire manufacturers [and] we were bringing in people who made auto parts."

However, as Harry F. Foden (AEDC chair, 1990-1991) recalled, times were changing. It became clear there was a "need to be concerned with the overall economic conditions in addition to just attracting industry to a location." This included providing good education, quality of life, planning, and zoning. As the late Dr. Bob Koepke said, the economic development field adjusted to incorporate this



Frank Birkhead (AEDC Chair 1982-1983)

AIDC renamed the American Economic Development Council (AEDC) in 1980.

University of Oklahoma's Economic Development Institute (EDI) in 1966.

"huge, complex thing called *livability*" that affects a company's decisions to locate, stay and expand. It requires economic developers to consider an ever-expanding pool of players for partnerships including those in workforce development, the fine arts, parks and recreation, education, transportation, and infrastructure.

AIDC/AEDC PIONEERS EDUCATION AND CERTIFICATION FOR ECONOMIC DEVELOPERS

One of the crowning achievements of AIDC/AEDC was its national education and training programs. In 1965, AIDC partnered with the University of Oklahoma's Economic Development Institute (EDI). The institute had been previously established by the Southern Industrial Development Council (now SEDC) in 1962 in order to advance the skills of economic development leaders. AIDC took responsibility for sponsoring the program after it was decided that the program should become more nationally focused. AIDC drew on its network of accomplished economic developers, elected officials, and other leaders in the field to hire instructors. Demand for the education programs was so high in the ensuing decades that courses expanded to an increasing number of universities around the country in cities like Indianapolis, San Diego, and Kansas City.

AEDC's educational programs now form the core of IEDC's certification effort. Today, there is still a three-year curriculum at EDI. In addition, ten Basic Economic Development Courses (BEDCs) are held every year at major American universities. Moreover, the Economic Development Resource Center at the Midwest Research Institute in Kansas City serves as a clearinghouse for resources and hosts hundreds of theses from EDI graduates. Among the beneficiaries of the training have been individuals from rural communities around the U.S., Canada, and Native American reservations.

In 1996, AEDC started the Accredited Economic Development Organization (AEDO) program. Initiated as a way to ensure that economic development

Robert Cassell discusses education at an AEDC conference in 1984.

organizations were meeting important professional standards, the program was also intended to publicly reward outstanding economic development groups. Today, the AEDO program has become a main feature of IEDC's work.

AEDC's education initiatives developed professionalism in the field, fostered the sharing of best practices among economic developers, and cultivated an expertise among those in the profession. As Jim Covell (AEDC chair, 1989-90) says, "Economic development has evolved from being a 'seat-of-the-pants-type thing' to a much more professional occupation." Ross Boyle (AEDC chair, 1992-93) says the educational programs often helped communities achieve self-reliant solutions that did not require public-sector aid.

Through the 30 years of its certification program, AIDC/AEDC accredited over 1,000 men and women as Certified Industrial/Economic Developers (CID/CED). In addition, there are currently 30 organizations that hold the AEDO designation.

AEDC – EDUCATING GLOBALLY

AEDC held annual conferences in different locales around the U.S. and Canada, and its members offered their services around the world. AEDC also sponsored the first transatlantic economic development conference in Frankfurt am Main, Germany. In the 1980s, the organization conducted groundbreaking economic development work in the Soviet Union after it agreed to train the country's economic developers. John Morand, (AEDC chair, 1991-92), was one of the instructors who went to St. Petersburg and taught 40 Soviet economic developers the tools of the trade. By the time of the merger in 2001, the membership of AEDC had reached 2,300.

CUED – BORN FROM AN URBAN CRISIS

The founding of CUED followed the 1965 Watts Riots in Los Angeles and civil disturbances in other cities like Detroit, Newark, and Washington, D.C. The urban disorder further weakened the position of many urban economies, as manufacturing and commercial businesses began moving increasingly to the suburbs and outer transportation corridors.

Responding to the crisis, Ed deLuca, Baltimore's director of economic development, decided to take action. He had been a professor and engineer before becoming an economic consultant to over 40 foreign nations. In that role, he advised them on how to rebuild their economies in the decades after World War II. Therefore, he brought considerable expertise on how to help economies restore and improve on the prosperity they once enjoyed.

deLuca wrote a letter calling 20 mayors and economic development leaders from the nation's largest cities to a meeting in Baltimore in 1966. The meeting resulted in the establishment of the Helping Urban Business (HUB) Council, a loosely federated group of city development leaders who were concerned with the flight of businesses from urban areas and the overall economic health and vitality of cities.

The HUB Council was formally incorporated on April 20, 1967 with its bylaws stating that the primary objective was to "develop an urban policy for economic development." In keeping with its focus on large cities, membership was initially restricted to cities with populations over 250,000. However, that requirement was reduced to 100,000 by 1969. In the first year, representatives from 15 cities joined.

THE HUB COUNCIL, CUED, AND THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)

Both the HUB Council and CUED had a close relationship with the U.S. Economic Development Administration (EDA). The EDA was formed by the *Public Works and Economic Development Act of 1965*, and its original mission was to target federal funds to economically distressed rural areas. However, its mission soon broadened to states and cities. In 1968, EDA awarded the HUB Council with its first major funding: a two-year grant of $151,530 to support "technical assistance, information, and research." The grant included a $1,200 local-matching funds requirement (a new concept at the time), and deLuca was forced to ask members to pay their dues early. All went well, however, and by 1972 the organization had secured a second $60,000 grant from EDA.

Ed deLuca and company (1970).

The HUB Council was renamed the Council for Urban Economic Development (CUED) on December 16, 1971. Shortly after, CUED moved its headquarters from Baltimore to Washington, D.C. The organization originally borrowed office space provided by the National League of Cities.

With funding from EDA, the organization held annual conferences and provided newsletters to its members. Under the chairmanship of John Claypool (1994-96), CUED began moving its conferences to venues outside of Washington, D.C. Claypool says, "We came to understand [Washington, D.C.] wasn't the epicenter of all economic development thinking," and that some members "did not have agendas tied entirely to government financing streams."

Not long after the establishment of CUED, its main funding source was threatened. In 1972, President Nixon called for the termination of EDA. This did not come to fruition, but the Nixon Administration did curb funding for urban renewal programs that had been used for almost 25 years. In 1974, President Ford established the Community Development Block Grant (CDBG) program to provide funds for community development activities, including real estate acquisition and rehabilitation, infrastructure development, and economic development and job creation activities.

Jeff Finkle (CUED / IEDC President/CEO 1986-Present)

Furthermore, urban development programs received strong support during the Carter Administration. During this time, CUED had a large impact on federal funding and policies. In 1977, the federal government initiated the Urban Development Action Grant (UDAG) program to complement the CDBG program. The UDAG program gave distressed communities funds for residential or nonresidential use and was designed to stimulate meaningful public-private partnerships. The UDAG program became the nation's primary urban aid program for the next decade.

CUED DEVELOPS ITS PORTFOLIO OF SERVICES

From its early days, CUED established itself as a go-to organization for research and technical assistance on federal programs like CDBG and UDAG. In addition, the organization provided leading economic development, adjustment, and recovery strategies. In the mid-1970s, CUED conducted its first major research study on the need to integrate CDBG with employment and training programs. And, in 1978 CUED published its seminal book, *Coordinated Urban Economic Development,* with funding from the U.S. Department of Housing and Urban Development (HUD).

During this era, the organization also provided technical assistance to over 20 communities – including Detroit; St. Louis; and Allentown, Pennsylvania; – that had been impacted by an exodus of manufacturing and industry-related jobs. It also advised communities impacted by national disasters, like Xenia, Ohio, which had been devastated by a tornado in 1974.

1980s – TIMES OF CHANGE

In the 1980s, CUED's relationship with the federal government changed. President Reagan took up a campaign to downsize the government and began a White House tradition of submitting budgets to Congress with no official EDA funding. There was relentless politicking to get bipartisan Congressional support for EDA. As Jack Corrigan says, CUED and EDA had intertwined struggles at times. "We were actually, for many years, in a life-or-death struggle [over] whether we were going to continue."

However, while many urban development practitioners were bemoaning the federal government's withdrawal from direct economic development funding, Congress passed the *Economic Recovery Tax Act of 1981* and provided communities with a major economic development tool in the form of tax credits for historical properties. This allowed communities to engage in public-private projects to restore and improve landmark railroad stations, hotels, office buildings, and other structures while also creating new urban spaces for retail, entertainment, and other uses. CUED consulted communities on the application of this tool.

In the 1980s, the organization also conducted important research regarding how state governments use incentives. Incentives quickly transformed the economic development field.

The survival of EDA, and federal funding for urban development, continued to hang in the balance in the 1980s. CUED worked with various Congressional committees, and members testified in support of EDA's continued funding. It was amidst this fiscal uncertainty that the organization decided to shift its financial base away from dependence on government funding and towards a business model that was more self-reliant on membership dues and contributions. This coincided with the arrival of Jeff Finkle.

Jeff Finkle was an official at HUD for five years in the Reagan Administration. In addition to his institutional knowledge of the public sector, including the UDAG and CDBG programs, he had a strong private-sector marketing background. Tom Blanchard (CUED chair, 1986-88) says, "Probably the best thing I ever did for CUED was recommend that the Board hire Jeff Finkle."

Finkle transitioned CUED to a more sustainable business model. Conferences became an important revenue source, and the organization operated with several months of financial reserves on hand. Richard Ward (CUED/IEDC Board, 1990-2010) says Finkle runs IEDC "as good as any CEO of a for-profit business."

Additionally, CUED began its own certification program under the leadership of April Young. The organization offered its first course in economic development in 1996 and the first EcD accreditation was awarded in 1998. Young says that the certification program did two important things: "It solidified a sense of what we were as a profession [and] it provided an income stream" that helped keep the organization financially strong.

As a result of good organizational management, CUED and IEDC have not just sustained, but they have grown. This is no small feat for a nonprofit membership organization with a restriction against lobbying for contracts.

Under the Clinton Administration, CUED again played a strong role in economic development policy. Following the administration's establishment of a new Empowerment/Enterprise Community program in 1993, CUED worked with government officials to raise awareness of the program and facilitate the subscription process for interested cities. The organization also offered technical assistance and conducted research on regional export development programs following the 1994 passage of the North American Free Trade Agreement in collaboration with the utility company association Edison Electric Institute. From its modest beginnings as the HUB Council, CUED grew to include 2,700 members by 2001.

COURTSHIPS BEFORE THE MERGER

The merger of AEDC and CUED was a long time coming; yet, it was very hard to achieve. As Jim Covell says, "It didn't make much sense to have two national organizations," as most economic developers only joined one of the organizations. CUED and IEDC Board member Bob Ady noted, "There was a finite market, and we split it, so nobody had much of the market at the end of the day."

Yet, many members identified strong differences between the organizations at the time of the merger. Each organization's focus and membership differed. CUED was urban, while AEDC was more regional and rural. CUED was more focused in the Northeastern U.S., while AEDC had a strong foothold in the Southern U.S. and Canada. And, CUED's membership was more public-sector oriented, while AEDC's was more private-sector focused. The two organizational

(1989) Dr. David Birch giving presentation at AEDC conference.

CUED was urban, while AEDC was more regional and rural. CUED was more focused in the Northeastern U.S., while AEDC had a strong foothold in the Southern U.S. and Canada. And, CUED's membership was more public-sector oriented, while AEDC's was more private-sector focused.

Future AEDC Chairs Jim Devine (1999-2000) and Jim Roberson (1985-1986) at a conference in 1984.

New AEDC logo introduced in 1985.

American Economic Development Council

structures also differed. AEDC had a salaried president, while CUED had a salaried staff director. Finally, CUED was headquartered in Washington, D.C., while AEDC was in Chicago.

Bridging these differences entailed substantial compromises on both sides. As John Shirey, executive director of the California Association for Local Economic Development, says, "There is nothing more painful than merging two organizations where both have to give up their long-term identity in order to form a new organization."

But, by the mid-1980s most leaders of CUED and AEDC found themselves actively considering a merger. David Sweet (AEDC chair, 1983-84) recalled meeting his counterpart, Gary Conley (CUED chair, 1984-86), and having conversations about the possibility of the two organizations coming together. Both men happened to hold economic development positions in Cleveland. Following those discussions, three rounds of serious merger talks took place before an agreement was reached. These attempts failed owing to old perceptions, prejudices, and bad timing.

First, Ross Boyle (AEDC chair, 1992-1993) oversaw merger discussions in the late 1980s at the Mayflower Hotel in Washington, D.C. By this time, there were many members who belonged to both organizations, and Boyle was among them. This contributed to his belief that a merger would be beneficial for both organizations and their members. But, Boyle understood well that many AEDC members had historically been critical of CUED and its ties to the federal government, viewing it as a "captive of the federal grants" and the burdensome restrictions that accompanied them. On the other side, CUED Chair Ron Kysiak

(1980-1982) recalled, “In the 1970s and the 1980s, the AEDC folks were trying to pull companies out of our cities while we were trying to hold them in.”

Jim Covell was involved in the second attempt to merge the organizations in 1990. But the merger failed because of a disagreement on the headquarters location, board representation, dues structures, and other cultural differences. As Covell says, “Nobody could seem to resolve how it would become a marriage of equals.” Many former chairs and negotiators mentioned that accomplishing a merger that felt like a partnership, and not a takeover, was a major challenge.

The third merger discussion happened throughout 1996 and 1997 when Wayne Sterling was chair of AEDC. Sterling noted that the talks did make progress, but they just couldn’t get the issues ironed out. However, it was clear by this time that the organizations were coming closer together in mission and in membership. Cities were reaching out further into the rural areas, and rural areas were becoming more urbanized. Many members belonged, or were interested in belonging, to both organizations. There were many signs that an eventual merger was inevitable. In each case, it was AEDC that initiated merger talks. During the final round of talks in 2000, Jim Griffin (AEDC chair, 2000-01) called Kurt Chilcott (CUED chair, 2000-01) and initiated merger discussions. Now, the timing was ripe. The merger was driven by both philosophy and pragmatism. There was a growing belief that the different membership bases faced increasingly common challenges in the economic development realm. And, a merger would allow members of both organizations access to more resources. In addition, the two organizations would benefit from an economy of scale.

AT THE TABLE – DETERMINED TO MAKE THE DEAL

From start to finish, the merger took about six months. A Merger Design Team with ten members was formed. It was comprised of four members each from CUED and AEDC in addition to the respective presidents of the organizations. They met several times to work through a myriad of issues including governance, legalities, taxes, staffing, and the certification program.

Jim Griffin, first IEDC Co-Chair 2001 and AEDC Chair 2000-01

Kurt Chilcott, first IEDC Co-Chair 2001-2002 and last CUED Chair 2000-01

TIMELINE

1926 – First conference of the industrial bureau managers of the U.S. Chamber of Commerce is held in Washington, D.C. ***Themes:*** *Industrial Surveys, Industrial Prospects,* and *Community Advertising Campaigns and Their Relation to Industrial Development*

1930 – American Industrial Development Council is officially established.

1942 – The U.S. War Production Board passes a resolution to employ AIDC in plant location, conversion, and other war program activities.

1962 – The Southern Industrial Development Council founds the Industrial Development Institute (later EDI) at the University of Oklahoma.

1965 – AIDC becomes EDI’s professional sponsor.

1965 – The U.S. Economic Development Administration (EDA) is formed by the Public Works and Economic Development Act of 1965.

1966 – Ed deLuca, Baltimore’s director of economic development, calls mayors of the largest American cities to meet amidst civil unrest and faltering urban economies; HUB Council formed.

1967 – deLuca’s group meets and is formally incorporated as the Helping Urban Business (HUB) Council.

1967 – AIDC offers its first accredited Basic Economic Development Course at Texas A&M.

1968 – EDA gives the HUB Council its first grant of $151,530 for technical assistance, information, and research in economic development.

1971 – AIDC establishes a certification program.

1971 – HUB Council changes its name to the Council for Urban Economic Development (CUED).

1973 – CUED holds its first annual conference in Washington, D.C. and provides a forum for key federal economic development policy-makers to convene.

1980 – AIDC changes its name to American Economic Development Council (AEDC).

1986 – CUED hires Jeff Finkle as president and CEO.

1980s –AEDC and CUED leaders begin to discuss the possibility of a merger and the first round of talks take place.

1990 – Second round of merger talks.

1996 – Third round of merger talks.

1996 – CUED teaches its first economic development course.

1998 – CUED certifies its first student.

2000 – Merger talks begin again.

2001 – Merger talks are successful! On April 26, AEDC and CUED leaders sign a resolution to create the International Economic Development Council (IEDC).

2002 – IEDC’s first Annual Conference in Oakland, California. ***Theme:*** *Innovation, Investment and Initiatives.*

2011 – IEDC’s tenth Annual Conference in Charlotte, North Carolina. ***Theme:*** *Connect Locally, Succeed Globally.*

Michele "Mike" Keller was on the design team representing AEDC. She observed that members felt conflicted about the deal. While they could see the benefits, they also feared a loss of individuality. "Some people are happier in smaller groups than in larger groups," Keller notes.

AEDC Chair Jim Griffin brought a guidebook to non-profit mergers to help chart the course at the negotiating table. The imperative was addressing the deal-breakers, Chilcott recalls. Combining the education and certification programs of the organizations was a sticking point. AEDC's program dated back almost four decades, while CUED had recently invested significantly in its program.

Rick Weddle (IEDC chair, 2002-04) recalls one breakthrough moment. "We were sitting there at a lunch meeting when Ed Nelson took out a napkin where he had written down 'CED' and 'ECD.' He was the one who put the two together. He says, 'What if we just combine them so we have 'CEcD?'" Indeed the credit for the merger belongs to the many people who worked hard to make it happen. Unfortunately, there is insufficient space here to name all the people who were mentioned as being instrumental in the merger process.

Other issues were also addressed. Griffin led the discussion regarding the location of the new headquarters, and the

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

AEDC and CUED merge to form the International Economic Development Council in 2001.

In April, the boards of AEDC and CUED met separately in St. Louis. There, each board unanimously voted for the merger. At a joint meeting on April 26, 2001, AEDC and CUED leaders signed a resolution to create the International Economic Development Council and formally unify the two organizations.

Jim Griffin (AEDC/IEDC Chair 2000-2001) and Kurt Chilcott (CUED/IEDC Chair 2000-2002) signing merger documents to form IEDC in 2001.

The decision to name the organization "IEDC" was rooted in a common desire to reflect the international membership and mission of the organization.

Ian Bromley (IEDC Chair 2009)

Merger Design Team agreed that IEDC's office would be in Washington, D.C. It was also agreed that Jeff Finkle would be the leader of the new organization and that the new name would be IEDC. Luckily, the name had been previously registered by AEDC.

MERGER AT LAST

In April, the boards of AEDC and CUED met separately in St. Louis. There, each board unanimously voted for the merger. At a joint meeting on April 26, 2001, AEDC and CUED leaders signed a resolution to create the International Economic Development Council and formally unify the two organizations. The boards were merged, and Kurt Chilcott and Jim Griffin became the first co-chairs of IEDC. CUED had 45 board members and AEDC had 35 board members, so it was agreed that the initial IEDC board would include all 80 combined members.

Shortly after the merger, an IEDC publication likened the unification to the completion of the first transcontinental railroad in 1869, which was a six-year project that joined the Union Pacific and Central Pacific railroads (ED Now, May 31, 2001). This comparison may be hyperbole, but at least it is one based on concepts of infrastructure development – one of the shared goals of the two organizations.

The decision to name the organization "IEDC" was rooted in a common desire to reflect the international membership and mission of the organization. Ian Bromley, from Canada, (IEDC chair, 2009) and Greg Clarke, from the United Kingdom, were strong lobbyists for the international designation. "Greg and I pushed for the council to take on the name International Economic Development Council. [This meant it would be] open to the idea of not only having an international element, but an international mission as well…and international aspirations," Bromley says.

Members like Ed Nelson (CUED chair, 1998-2000), who has worked with the European Association of Development Agencies (EURADA) and economic developers in South Africa, agreed. "I think the international market is somewhere we can grow and prosper," says Nelson, who found that both American and international economic developers have much to learn from each other.

MEMORABLE ENDINGS, PROMISING BEGINNINGS

In the autumn 2001 issue of *Economic Development Commentary,* co-chairs Kurt Chilcott and Jay A. Garner say the new organization would be "stronger, more effective and dynamic, as the shared values and capabilities of both groups provide a natural platform and focus." IEDC's new Certified Economic Developer (CEcD) program went into effect July 1, 2002. Those who had previously earned certification through CUED or AEDC were transitioned to the new CEcD designation.

Each organization held its final conference as a separate entity in 2001, because the planning of these events preceded the merger. In CUED's case, the tragedies of 9/11 occurred during the final conference. Needless to say, it was a terribly unforgettable event. Members tried to make their way out of Philadelphia, but many who relied on air transportation were stranded for days. Yet, in many cases the extended time together allowed members to forge stronger ties. Despite this, CUED and AEDC treated their final conferences as celebrations of their respective organization's contributions to the field of economic development.

The different memberships contributed both overlapping and complementary constituencies to IEDC. While AEDC brought a chamber of commerce, business, and marketing background, CUED brought strong relationships and skills related to public-sector programs. "We became bigger, stronger, and we had more skills," Walt D'Alessio (CUED chair, 1978-80) says.

Ian Bromley mentioned that some differences and factions between the cultures of AEDC and CUED were revealed during the first three or four years of IEDC. "But it happens with any organization," Bromley says, adding "It's the classic 'form, storm, norm, and perform.' We're now somewhere between 'norm-ing' and 'performing.'" Jay Garner says that there was indeed some "buyer's remorse" during the first couple of years. This was also described by Joe Marinucci (IEDC chair, 2005-2006) as "bumps and bruises."

But former leaders of both AEDC and CUED say that the outcome has been positive, and members have grown to see the benefits of having a broader platform and more resources. As Garner says, "It took some time, as most mergers do, but I think it's working effectively now."

Since the merger, membership has grown by 10 percent and currently stands at 4,400. This total reached a high-water mark of 4,670 in 2007; but, the recession caused a dip. However, membership began growing once again in early 2011.

The different memberships contributed both overlapping and complementary constituencies to IEDC. While AEDC brought a chamber of commerce, business, and marketing background, CUED brought strong relationships and skills related to public-sector programs.

Walt D'Alessio (CUED Chair 1978-1980).

IEDC Dedicates Conference Room In Memory of Two Former Interns

IEDC has been significantly enhanced through the contributions of the many interns who have served the organization over the years. Each year, undergraduate and graduate students apply for one of IEDC's highly competitive internships. Those selected travel to Washington, D.C. to experience working alongside the organization's staff members. Yet, unlike many other internship programs, these students participate fully in IEDC's research and marketing efforts.

IEDC's longstanding internship program has spurred the intellectual growth of numerous professionals who still contribute to the organization today. Some, like IEDC Senior Associate Swati Ghosh, were even hired as permanent staff members. Others enter the workforce and gladly provide their expertise when called upon. Ultimately, however, all interns become part of the IEDC family.

Therefore, IEDC was particularly saddened to learn of the passing of two former interns: Ruth Hodges (1997) and James Unger (1990). In recognition of their hard work and significant contributions to the organization, IEDC dedicated its conference room to their memory in December 2005. Ruth and James served IEDC well, and their sacrifices continue to represent those of the many interns who support the organization's economic development efforts throughout the world.

Ruth-Ercile Letitia Hodges (1972-1997)

Ruth Hodges served IEDC as an intern from 1994-1995. She took a lead role in the 1995 Philadelphia Annual Conference and was known for her smile. A *magna cum laude* graduate of Spelman College, she earned a Masters degree in International Affairs from George Washington University. She went on to become a Foreign Service Officer and was initially posted to the Dominican Republic. She served until a tragic automobile accident outside of Washington, D.C.

James S. Unger (1962-1990)

James Unger served IEDC as a research intern and staff member from 1986-1989. He was a frequent contributor to the newsletter and journal, and he was known in the office for his sense of humor. A graduate of Jacksonville University, he earned a Masters degree from George Washington University. He went on to work as a Project Leader for the Development Bank of Southern Africa. He was scheduled to return home when he and his brother died in an automobile accident in Namibia.

The growth of the economic development profession corresponded with a period of expanding civil rights for women, African-Americans, and other minorities.

There are now more than 100 international members representing over 25 countries in Europe, Asia, the Mideast, and Africa. Looking forward, many IEDC members expressed the hope that this contingent will expand further.

Annual Conference attendance has also grown from 1,186 in 2002 to 1,444 in 2010. The 2006 Annual Conference was IEDC's largest with 1,619 attendees.

IEDC continues to offer a portfolio of services including both technical and annual conferences. Some recent Annual Conference themes have been *Connect Locally, Succeed Globally* (2011), *New Paradigms: The Practice of Economic Development in a Changed Landscape* (2010), and *Renewable Communities: Leveraging Your Competitive Resources* (2009). These themes have touched on topics like globalization, entrepreneurship, and competing in challenging economic times.

UNITY IN DIVERSITY

The growth of the economic development profession corresponded with a period of expanding civil rights for women, African-Americans, and other minorities. For a long time, as John Morand (AEDC chair, 1991-92) reflected, economic development was a club of "good ol' boys" and there were glass ceilings for women and minorities in economic development. Morand encouraged Judie Scalise, the first female AEDC chair, to take the helm in 1993. Marilyn Swartz-Lloyd became CUED's first female chair in 1988, and Ioanna Morfessis became the second in 1992. April Young subsequently served in 1996, and Robin Roberts-Krieger was elected to lead IEDC in 2008.

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life.

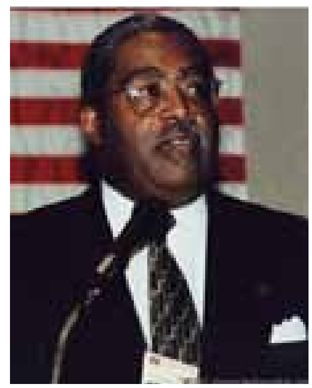
IEDC Economic Development Reference Guide (2011)

African-Americans also have held influential leadership positions. The first African-American to lead CUED was Ed Nelson, who became chair in 1998. Ronnie Bryant was a member of the Merger Design Team and became the first African-American chair of IEDC in 2007. Bill Best was elected to lead IEDC in 2010.

Many of the African-American members were pioneers in the field of minority business development. For instance, Herbert Bailey was active in minority business development in the 1960s in Philadelphia before moving into the economic development field. Bailey was the first African-American to be awarded the deLuca Award for Lifetime Achievement in Economic Development in 1994, and he played an essential role in recruiting minorities into the economic development profession. As of 2009, approximately 10 percent of IEDC members are minorities and 30 percent are women.

One key, unifying moment for IEDC occurred in the first year of the newly merged organization. The National Association for the Advancement of Colored People (NAACP) charged the Adam's Mark Hotel with discriminatory practices and instituted a boycott in late 2001. IEDC was contracted to hold a conference in 2002 at the Adam's Mark Hotel in St. Louis and stood to lose a substantial penalty if it cancelled the reservation. As Ed Nelson describes, African-American members met and decided that they would not attend the conference if it was held at the Adam's Mark. To their joyful surprise, the rest of IEDC followed suit. Nelson recollects: "Kurt [Chilcott] stood up, and I will never forget these words. He said, 'I've known Ed Nelson for a long time. Ed Nelson is my friend. If Ed won't cross that line, then I'm not crossing it either.'"

April Young
CUED Chair (1996-1998)



Ed Nelson – first African-American
CUED Chair (1998-2000)

As Bill Best says, the organization's decision to honor the boycott gave IEDC a "voice" that resonated "authenticity and validity" to its African-American members. This led Best to "become even more motivated to ascend into the organizational leadership" in order to "promote the voice of IEDC." He would later become IEDC chair in 2010.

IEDC's bylaws reflect a commitment to diversity on the Board of Directors. The Nominating Committee is required to draw from the membership so that the Board "assures geographic, ethnic, and gender diversity." The Board must also include at least one member from Canada and at least one from the European Union. Additionally, current IEDC Chair Denny Coleman commissioned the Board Diversity Task Force in 2011 to recruit more diverse members.

In the case of Ken Dobson, CUED did not have to look far to bring an African-American onto the Board. Originally recruited by Ed deLuca, Dobson was the only person who started out as CUED staff and worked his way onto the Board.

MOVING AHEAD

As economic development moves into the future, members have identified a number of challenges for the field. These issues included workforce development, entrepreneurship, globalization, and equity. The U.S. has an aging population, and much of the workforce is not trained for the jobs that fuel the knowledge-based economy. Economic developers must work with workforce development professionals to help retool them around new opportunities. Workforce is a key factor driving firms' locational decisions. This applies to knowledge-based firms as well as manufacturing firms. Both sectors will continue to remain an important component of the economy moving forward, but there will be a particular emphasis placed on advanced manufacturing and manufacturing related to growth industries. Among those growth industries, several members identified opportunities for "green jobs" in the energy sector.

In addition to workforce development, entrepreneurship is becoming key. Rather than trying to replace a company that moves with another established company, Joe Marinucci thinks economic developers should focus on creating a new one. He says, "If a company is lost to globalization, God bless them. Going forward, the key is, 'Can I create the type of environment that replaces a lost company with another entrepreneurial investor?'"

As economic development moves into the future, members have identified a number of challenges for the field. These issues included workforce development, entrepreneurship, globalization, and equity.

Trailblazers: The First Women Chairs

In 1988, **Marilyn Swartz-Lloyd** broke the glass ceiling and became the first woman to chair CUED. Then, in 1993, **Judie Scalise** took the helm of AEDC and became the first female to lead that organization. Several interviewees spoke of how the early decades of economic development were dominated by a good ol' boys network. The accomplishments of these two women helped change the field.

Marilyn Swartz-Lloyd became CUED's first female chair in 1988 while serving as the head of the Economic Development and Industrial Corporation (EDIC) in Boston. Her career in economic development has been wide-ranging and has included work in the public, private, and non-profit sectors.

Marilyn Swartz-Lloyd – first female CUED Chair 1988-1990.

Early in her career, Swartz-Lloyd worked as a policy analyst in Washington, D.C. and researched Great Society programs that focused on cities. Later, she worked for the Planning Office at the Massachusetts Institute of Technology (MIT) where, attentive to the needs of professional women, she oversaw the construction of a daycare center, started a family daycare program, and established a childcare office. She then worked 15 years for the city of Boston, including 11 years at EDIC, before moving on to work in the private sector as president of Beacon Management Company (a major commercial real estate developer) and as a housing executive for Lend Lease (a publicly traded company).

In regard to the challenges she faced, Swartz-Lloyd says, "Everything you've ever read about women breaking through the glass ceiling was absolutely true." Even though she believes it is easier for a woman to lead outside of the private sector, she recalls facing challenges from various men during her time at EDIC and CUED. But, in the end Swartz-Lloyd says, "Knowledge and hard work paid off." She adds, "Because there are so few women at the top, you really have to note the men who were helpful" along the way. She singled out Tom Kelly, Ron Kysiak, and Tom Blanchard as three of the CUED men who were supportive of her throughout her historic economic development leadership role. Swartz-Lloyd is currently president of MASCO (Medical Academic and Scientific Community Organization) in Boston.

Judie Scalise was elected to chair AEDC 67 years after the organization was founded and 40 years after it began admitting women members. Scalise's career in economic development was one of "busting down the barriers everywhere [she] went."

She started her career with the Arizona Office of Economic Planning and Development, where she was the only woman, and recalls the challenges of trying to earn professional respect and acknowledgement. "You put your nose to the grindstone…you work the hours…maybe you over-prepare…[but] you don't leave anything to chance. You are on top of your game all the time." That, according to Scalise, was her recipe for success. After working for the state of Arizona, she took a job as the vice president of industrial development at a major Arizona bank. Then, she served as deputy director and director of the Phoenix Economic Growth Corporation.

Scalise spent eight years on the Board of AEDC and held various positions, including: vice-chair of the Western Region, first vice-chair, and vice-chair before becoming chair in 1993. She currently owns and operates her own economic development consulting company.

Economic developers are tasked with finding successful ways to spur innovation and entrepreneurship in their communities through incubators, partnerships with universities and schools, and helping locate seed capital and venture capital to fund these enterprises. The goal is to effectively support target sectors and foster economic growth.

Issues of equity are also important. As Finkle says, cities need to better share wealth. The economic transformation that drove commercial and residential wealth out of cities starting in the 1960s left behind many blighted communities. Often, inner-city residents are no longer near places of employment or even decent retail stores. Herbert Bailey concurs that there is a place for economic developers to help provide opportunity in a country that still has "haves and have-nots." With businesses and residents starting to move back into urban areas, economic developers are challenged to craft strategies that lift economic development levels and improve livability for all residents.

Economic developers must face these issues at a time when public funding is decreasing. Both incentive money and private-sector investment are harder to come by in the tighter credit market that has resulted from the recent economic recession. Ioanna Morfessis takes a realistic view, reminding people that, "This is economic development…not economic miracles."

A recurring theme that leaders in the profession mention is the importance of having strong relationships with stakeholders. It comes back to communication; advocacy; and bridging the silos between investors, companies, and a community's other stakeholders.

STEPPING UP TO THE ECONOMIC CHALLENGES OF OUR TIME

Yet, although this is a challenging economic time, it is also an opportune moment for the profession to insert itself into the national dialogue. Victor Hausner, a former policy and research director at CUED, and director of economic development policy for President Jimmy Carter, believes IEDC should push its agenda further onto the national stage as CUED did in the 1970s when EDA and HUD were strong federal partners.

"Organizations like IEDC ought to be setting agendas that are going to have an impact on national and state administrations. There is no more important time. Our issues are now the government's issues. They are international issues. We ought to continue to push [for] economic development to be a major component; because, in the end, policies need to get implemented on the ground. That means they need development practitioners," Hausner says.

Jeff Finkle, IEDC's president and CEO, stresses the importance of having a national economic development strategy and says, "We are competing against countries that have national strategies, and the United States has no national strategy in economic development or industrial policy."

Moving ahead, Finkle says the U.S. must target growth industries in order to be competitive. "There are some who believe that we shouldn't pick winners or losers. I'm here to tell you that we need to pick winners and losers. We always have. We need to decide what types of companies are going to employ lots of people and be investments for this country's future. We need to put them in a cocoon to allow them to grow."

Yet, many members stressed that for all the change, today's demands share many of the same fundamentals. Jay Garner believes that while some financing tools and other tactics are new, organizations are still responsible for entrepreneurial development, existing industry support, and business development; and, these were the primary concerns 30 years ago.

BRIDGING SILOS: EFFECTIVE COMMUNICATION AND RELATIONSHIP-BUILDING

A recurring theme that leaders in the profession mention is the importance of having strong relationships with stakeholders. It comes back to communication; advocacy; and bridging the silos between investors, companies, and a community's other stakeholders. As Walt D'Alessio noted, knowing the players and the specifics associated with each project is key because projects are like "snowflakes." No two are the same.

Economic developers often are at the intersection of competing or conflicting interests, and this is inherently a place of friction. Marilyn Swartz-Lloyd remarks on the need to bridge between "mission-driven" and "bottom-line driven interests." As Ioanna Morfessis says, "The economic development executive is a change agent, and change often makes people very uncomfortable. So, it's critical to reach out, bring people together, and make sure that everyone is moving in general alignment." Successful economic developers have this talent.

Many members reflected on the technological changes that have enabled better communication. When Jeff Finkle arrived at CUED on August 1, 1986, the organization had one computer. Now, Earnestine Jones, IEDC's conference coordinator who began working at CUED in 1993, presides over an interactive online database. IEDC's technology enables "a quicker response to the needs and inquiries of our members," says Jones. Computing has indeed come a long way. Dorothy Collins recalled her role literally computerizing AEDC in the early 1980s. She wrote the Microsoft DOS code and trained the staff on software.

Beyond computing, other forms of technology have changed the way economic developers function. Don Dunshee reflects on the creative methods he would apply

Murray Elder (AIDC Chair 1965-1966) touring a Boeing facility in 1966.

to give him a competitive edge before the days of FedEx. He would go to the Minneapolis airport and find Northwest Airlines flight attendants who agreed to carry his financial paperwork to New York City. Once there, it could be mailed locally to firms based in the city. The documents were received so quickly that Dunshee's business partners would say, "How the devil did you get that here? We just talked about it yesterday!" Indeed, many members reflected on changes in technology: from Telex machines and phone calls to email and Blackberries.

Technological advances have had a direct impact on the economic development field. For example, there are fewer visits and other face-to-face meetings during the site-selection process. Today, the challenge is to maintain strong relationships in this environment. Indeed, technology facilitates transactions; however, the interpersonal dynamic has changed as a result. As Ronnie Bryant says, "Projects actually move faster now than they did years ago. The timeline, from conception to completion, is shorter. We have less human engagement."

THE PERSONAL CHALLENGES AND REWARDS OF THE PROFESSION

Many members spoke about the demands of the profession. Murray Elder (AIDC chair, 1965-66) recalls being based in Montreal and travelling extensively throughout Canada's Atlantic Provinces to deal with clients. Travel and relocation are mainstays in the profession. Jim Devine refers to these tolls as being part of "the dark side of economic development."

Through AIDC/AEDC member surveys in the 1980s and 1990s, Devine identified many of the issues that are challenges for economic development professionals, including: a high turnover rate, changing geographic locations, political cycles, and the whims of city management. Spouses and families often feel the effects of an economic developer's stress as well. Devine's career, for example, spanned locations including California, Rhode Island, Maryland, Colorado, Arizona, and Missouri. Jim Garver (AEDC chair, 1998-99) moved from Kansas to West Virginia to South Carolina to Maryland to Florida. And, Bill McDermott (AEDC chair, 1995-96) moved from Delaware to Indiana to Texas to Florida. McDermott joked that "economic developers are a lot like migrant workers…dressed up in a suit and tie."

Devine recalls administering a stress test to AEDC members around the country and finding a burnout factor. "You guys are as stressed as nurses and dentists!" he recalled saying. Many members reflected on the importance of conferences for relieving stress. In addition to broadening their knowledge of economic development, members are able to reconnect with old friends and discuss their trials and tribulations with a valuable network of peers.

So why do they do it?
It turns out economic developers reap tremendous professional rewards.

So why do they do it? It turns out economic developers reap tremendous professional rewards. Jack Corrigan reflected on the unique role of economic developers. "Your purpose is to help people create wealth in their own lives and in the lives of their community. You're really helping people advance. I think there are [only a] few other professions that offer the rewards of feeling that you are changing people's lives. And I think that's at the heart of it."

Ken Patton receiving the Edward deLuca Lifetime Achievement Award from former CUED Chairs Ron Kysiak (1980-82) and James Hankla (1982-84) during a CUED event in 1998.

Eighty-five years after AIDC began, and ten years after the merger of AEDC and CUED, the members of IEDC have never faced a larger challenge. However, they have also never had a better skill set to meet that challenge.

As Walt D'Alessio says, "We changed the face of cities…of some of our aging suburban communities…of some small towns across the country. That's pretty stimulating stuff, and that's what CUED facilitated." Jay Garner recalled that his fondest memories were making job growth announcements for a community "that gave hope and joy to people" who needed a job or a better career.

The economic development field still incorporates many of the same fundamentals and rewards. Meanwhile, the skill set has become more sophisticated and demanding as financing tools and incentive packages have become more complex. Additionally, the field has become more holistic, as it now requires economic developers to build partnerships to strengthen the workforce, improve services in the community, and provide an environment that delivers returns to investors and residents. The agility and acumen of economic developers are crucial to communities that are trying to compete in the global economy during the worst economic downturn since the Great Depression.

Eighty-five years after AIDC began, and ten years after the merger of AEDC and CUED, the members of IEDC have never faced a larger challenge. However, they have also never had a better skill set to meet that challenge. As Jim Griffin reflects, "The evolution of IEDC is tremendously satisfying, because my dream to see the two of them together did come true. Today, we look at it as the right thing to have done, and IEDC has evolved into a fantastic organization."

economic development
IN THE POST CRISIS ERA

By Ioanna Morfessis and Dan Malachuk

INTRODUCTION

Since Dr. Michael Porter first exhorted local leaders to "think globally, act locally" in the 1990s, thousands of American communities adopted his cluster-based theory as their platform for economic development and growth. Likewise, many American and international businesses integrated Porter's theories on competitiveness and clusters into their business growth and location strategies.

In the ensuing two decades, globalization has irrevocably changed the nature of world business and economic competition. Now, as the world embarks upon a full economic recovery from the Great Recession of 2007 and enters the second decade of this New Millennium, America's communities are confronted with a dramatically altered worldscape of opportunities and challenges.

From an economic development perspective, these next several years will determine how well our nation – and its states, counties, regions, and cities – will fare in the hypercompetitive, hyperfast environment of the world's economy.

Author David Korten suggests that 100 years hence, descendants will look back on this period as either the "Great Unraveling" or the "Great Turning." As an extremely vocal critic of globalization, Korten says that actions taken over this next decade will tell that story a century from now.[1]

As economic development progresses into the future, there is a strong temptation to hold onto those practices and theories that worked in the past. But, the question arises: will those principles and practices that drove American economic development strategies, policies, and actions in the last 20 years work effectively in today's world?

"Ninety years ago, GE established a product distribution center in Brazil, which at the time had almost no modern factories. Donkeys transported the new products. Today, GE is producing high tech products, such as the jet engines that are serviced in GE Celma's aviation plant in Petropolis, Brazil – a small town near Rio de Janeiro."

(Photo source: http://www.gereports.com/taking-a-look-at-ge-in-brazil-during-wef-latin-america/)

Emerging trends in this post-crisis era suggest that the accelerated integration of globalization across all continents requires a new examination of the very precepts upon which economic development practice has been built.

How is globalization impacting business strategy, formation and location choices today? How will these changes impact our existing businesses and those yet to come? What are the implications of globalization on economic development strategy and practice in the years ahead?

These questions – and the emergence of persuasive possibilities – should compel economic developers to examine the need to adapt and change in the years ahead. These perspectives are intended to provoke new ways of thinking and new

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GLOBALIZATION'S EVOLVING OPPORTUNITIES, CHALLENGES & TENSIONS

Today, America's communities are confronted with a dramatically altered worldscape of opportunities and challenges. Will those principles and practices that drove American economic development strategies, policies, and actions in the last 20 years work effectively in today's world? This article examines how recent trends in globalization, the world's burgeoning middle class, and other seminal factors are impacting business strategy, formation and location choices today, and how these changes will impact our existing businesses and those yet to come. Economic developers of the 21st century need to think beyond where they have been and aggressively adapt and pursue new approaches to assure better outcomes for their businesses and their communities.

approaches to ensure that American communities can successfully capitalize on emerging opportunities and flourish in the globalized world.

FROG IN THE POT: THE PAST DECADE HAS BROUGHT ABOUT SIGNIFICANT CHANGES IN THE WAY BUSINESS GETS DONE

The rise of multinational corporations was a dominant characteristic of economic affairs following World War II. But, the advent of globalization is tied by many to the fall of the Berlin Wall in 1989, signifying the removal of Cold War impediments to global business expansion. The political landscape had changed. And so had the enabling technologies, most importantly, the massive increase in the availability of communication transmission capacity and its ever-decreasing costs.

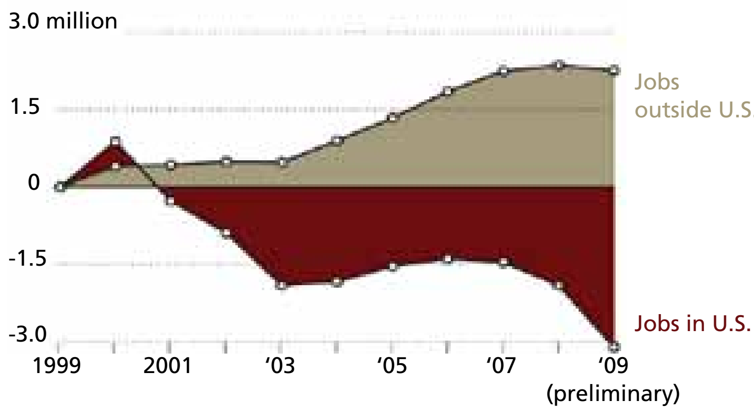
The result was that rather than approaching world markets as a multi-domestic enterprise, e.g., a company for each country, large companies instead began to think further about disaggregation of their business activities and became more intentional about what to do where. The NAFTA arrangements brought migration of U.S. production activity to Mexico. Labor rate arbitrage brought production to China and elsewhere in Asia as well as to Eastern Europe, and business services (call centers, back-office and administrative functions) were brought to places where labor costs were markedly less than in developed economies.

In the 1990s, data and anecdotal "evidence" suggested that for every job multinationals were creating abroad, they created twice as many more jobs at home. Of course, recent data indicate otherwise. Still, a study published in 2004 by Professor Matthew J. Slaughter at Dartmouth University found that outsourcing was actually a way of increasing the number of American jobs. He found that employment increased both for American firms involved in outsourcing but also for their affiliates in other countries. While employment in foreign affiliates rose by 2.8 million jobs, employment in the U.S. parent firms rose even more – by 5.5 million jobs. In

Microsoft officially opens its Shanghai Technology Park in March 2010. (Photo source: http://www.microsoft.com/china/CRD/en/newsrelease/press20100408.mspx)

WHERE THE JOBS ARE GOING

U.S.-based multinational companies added jobs overseas during the 2000s and cut them at home. Cumulative change since 1999.



Note: Data include multinationals other than banks. Sources: Commerce Department; companies

other words, for every one job outsourced, U.S. firms created nearly two jobs in the United States.[2]

The world was changing, that was known, but the implications were not immediately understood. Using the frog in the pot metaphor from late 19th century Germany, the unsuspecting frog gradually acclimates to the increasing temperature of boiling water until it's too hot and too late.[3] Is this the case for economic development in the post-crisis era? Are we acclimating to the dramatic changes of accelerated globalization without understanding their impacts on our communities? Recent releases of 2010 census data show that while the globalization trends of the 1990s might have been net positive, things were changing dramatically during the first decade of this century.

As the above chart indicates, taken as a group, U.S. multinational companies have been reducing employment at home and adding staff abroad – quite the contrast to Dr. Slaughter's study.[4]

U.S. Multinationals Adapt

As the recent recession created a sharper reduction in domestic employment, it also brought more awareness to how the employment patterns had changed: more people realized that the water in the pot had become uncomfortably hot. They began to re-examine these developments, and there are competing narratives for what has since transpired in the global business locations arena.

To be sure, off-shoring and disaggregation of business activities continued during the recession. Many multi-domestic firms are becoming globally integrated. Attracted by talent and growing market opportunities, disappointed with U.S. visa restrictions, and perhaps in consideration of the risks (now including terrorist-induced trauma), firms have created production, research, development, and technical support centers in a variety of global locations.

Compelling analyses also point to the relative size and rate of growth in what had been called emerging markets. Consider GE: in 2000, 30 percent of its business was outside the U.S.; now, that proportion has doubled to 60 percent. Similarly, in 2000, 46 percent of its employees were abroad; in 2010 it was 54 percent. And, that change in employment does not account for international workers making components or providing services that were once performed in-house.[5]

For the World Economic Forum held in Davos in January, 2011, PricewaterhouseCoopers' 14th Annual Global CEO Survey observed:

> *"CEOs plan to grow revenues in regions where recoveries are strong and the promise, stronger still. And those regions are not always close to home. For US-based CEOs, the regions where key operations are expected to grow are Asia, Latin America, and the Middle East."*[6]

As international markets become more vibrant and growth occurs at accelerated rates, many – or perhaps most – multinationals are creating more jobs abroad than in the U.S. Most now earn more money abroad, and most anticipate more international than domestic growth. And, in the recent recession, they cut more jobs in the U.S. than internationally, absolutely as well as proportionately.[7]

As these largest companies recast their global footprints and reallocate their workforce rosters, the Kauffman Foundation's studies irrefutably conclude that job growth in the U.S. has come principally from young companies.

> *"The study showed, so-called "gazelle" firms (ages three to five) comprise less than 1 percent of all companies, yet generate roughly 10 percent of new jobs in any given year. The "average" firm in the top 1 percent contributes 88 jobs per year, and most end up with between 20 and 249 employees."*[8]

But young companies, especially of the venture capital rather than lifestyle mode, are also founded with global expansion in mind. Some of those 249 employees may well be located in many places far from where the founders began their enterprises.

Finally, the recent past has begun to indicate that the cluster as a favored economic development solution is a pot that may have been progressing from a stimulating simmer to boiling over as well. In a recent article, *The Economist* found that the cluster approach may be a detriment to regional and local economic prosperity and to the businesses in those clusters. Reporting on the economy of Italy, long a prime example held forth to endorse the cluster-based economic development strategy, the authors found that globalization posed severe threats to several industries in Italy and directly contributed to the decline in textiles, jewelry, and other important clusters.[9]

Further evidence underscoring the relative weakness of cluster-based strategies is found in a recent study of 1,600 Norwegian firms. The Madrid Institute for Advanced Studies, working with Norway's Stavanger Centre for Innovation Research and the London School of Economics and Political Science, affirmed that economic clusters are not drivers of business growth and innovation, as had once been thought.[10] Instead, they found that "clusters are irrelevant for innovation." What does matter, they concluded, is transboundary cooperation throughout the world and "global pipelines" of information, data, technology, and talent.[11]

WHAT MATTERS TODAY AND TOMORROW: What Is Driving Intentional Investment Decisions about Where and How to Do What?

The emergence of economic growth globally is keenly reflected in the growth of the middle class and consumer consumption worldwide. To be sure, the world still has many nations and populations that are challenged with poverty, but as companies survey their opportunities, there are also many places on every continent that offer significant and growing markets. BMW sells a lot of cars in China!

In 2001, a Goldman Sachs economist coined the acronym BRIC (Brazil, Russia, India, and China) to identify four countries that he believed had the potential to outstrip the G-7 developed nations economically. In the 2011 *Forbes* magazine's annual count of billionaires, for the first time BRIC countries outdistanced European countries (301 to 300).[12]

As Jeff Immelt, the CEO of General Electric points out:

> *"We've globalized around markets, not cheap labor. The era of globalization around cheap labor is over ….Today we go to Brazil, we go to China, we go to India, because that's where the customers are."*[13]

Just as Goldman Sachs coined BRIC, their economists now point to the *Next Eleven*, as emerging economies of opportunity, each with caveats about what might accelerate or retard that progress. Many are rich in natural resources, so there is an opportunity to monetize and direct capital to enabling infrastructure as well as human resources. Some have large and growing populations, which may become growing consumer markets when (or if) wealth is created.[14] These "Next Eleven" are depicted in the chart below:

THE NEXT ELEVEN

Source: The Goldman Sachs Global Economics Group, BRIC and Beyond, April 2007. New York, NY.

Haier opened its American Haier Industrial Park in Camden, South Carolina, in 1999, with initial employment at 200. It has since made additional significant investments, boosting employment to 1,000.

(Photo source: http://www.haier.net/abouthaier/HaierWorldwide/Introduction_usa.asp)

Other analysts, without offering a clever label, point to these nations as well as an additional six countries as places with important potential opportunities, as sources of talent and natural resources as well as growing markets.[15] They are: South Africa, Saudi Arabia, Poland, Argentina, Colombia, and Thailand.

Impediments to Global Business

In pursuit of opportunities in these increasingly important places, business leaders confront considerable challenges. Even a cursory review of the emerging country opportunities will suggest that the path to global growth is not without difficulty. Companies incur added *costs* and *risks* as a result of inadequate infrastructure, intellectual property that might be pirated and *corruption* presenting its own unique challenges. A recent article in *FORTUNE* Magazine quotes Senior Editor Geoff Colvin on this topic:

> *"The problem is not just the petty palm greasing that's common worldwide, though that has its own corrosive effects. Developing-market corruption has reached staggering dimensions."*[16]

In addition, while the world has grown in terms of opportunity, it has also spawned *new competitors* – local competitors in the emerging markets, and some of these are themselves now launched into the developed economies. Consider Haier, one of China's industrial behemoths. By 1998 Haier had become the number one home appliance maker in China. Today, it markets products in 160 countries. Its PC ordering department is in Macedonia. It makes refrigerators in South Carolina.

Haier's expansion continues:

> *Honeywell, one of the world's largest building management companies, and Haier Group, China's largest home appliance brand, are joining forces. The two global giants announced a memorandum of understanding on Friday to collaborate on developing high energy-efficiency solutions for everything from homes to mass transit.*[17]

Some enterprises from emerging markets may be state-owned or state-financed – subsidized to the point of creating unique advantages. For example, a country's sovereign wealth fund "lends" cash at zero percent. In turn, these funds are used to finance a multitude of activities, including acquisition and predatory pricing to gain market share, among others.

Other competitors, particularly in the developed markets, are championed more subtly, through tax credits and indirect subsidies – e.g., energy savings credits, export financing, R&D contracts, etc. There are few (probably none) that are truly *laissez faire* locations.

In addition, many nations are aggressively recruiting business and industry, applying debt and equity funding as a part of their business attraction strategy.

One example is Singapore, which has used its "investment schemes" to help attract high growth firms and to seed or strengthen target industries. These foundational successes have led to their increased attractiveness to global companies seeking to fulfill their optimization strategies. Singapore's early bioscience investments may have contributed to attraction of multinationals such as the significant new research and product development center that Procter & Gamble has located in the Singapore Biopolis.[18]

January 27, 2011: Procter & Gamble executives break ground on its Singapore Innovation Center, the company's global state-of-the-art research facility in Singapore's Biopolis, which is slated to open in 2013.

(Photo source: www.pg.com)

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Another example is found in Russia's Skolkovo Science Park, which is a multi-billion dollar development outside of Moscow pointed at housing international as well as indigenous technology firms. It recently opened a branch "liaison office" in Silicon Valley, just down the road from the U.S.'s leading venture capital firms. Recruiting start-ups poised for growth cannot be far behind.[19]

BUSINESS RESPONDS TO CURRENT AND ANTICIPATED CONDITIONS: Business Model Evolves to Reflect the Premium Placed on Speed

Speed and the agility associated with the ability to rapidly create or respond to opportunities is a key characteristic of successful small, nimble companies. But the "gazelles" do not hold an exclusive on being agile. Successful large enterprises have sought and many are achieving their own capabilities to move at the turbo-speed of start-ups, enabling them to rapidly deploy resources, make investments, and move on a dime to capitalize on or create opportunities.

Options for Expansion

For the large company, seeking to grow and seeking to optimize, ALL expansion options are in play: greenfield vs. acquisition vs. outsource.

Economic development practitioners are well familiar with the *greenfield* option. Typically, companies work through an analysis of relevant financial and operating factors to develop a short list of places that they evaluate with care and finally make their location decision. In emerging markets, where data reliability may be challenged or the positive or negative experiences of other companies may be more connected to the company than to the place, the greenfield location selection process is seldom as straightforward as choosing among sites in North America. When substantial (and not very portable) capital investments are involved, the challenges are magnified. Nevertheless, for the past two decades, despite some down years, the world has seen a large amount of foreign direct investment (FDI) into developed as well as emerging markets. Looking ahead, given the global opportunities, continued growth in FDI is likely. And, with periodic tilts toward protectionism, operating within a market is often faster and more sustainable than trying to export to that market. Governments everywhere resort to duties, domestic content, and other incentives and penalties to create jobs at home.

The largest component of FDI, however, is not greenfield, but *acquisitions*. An acquisition may be driven by the attractiveness of acquiring products, facilities, or capabilities, or all or some of the above. It may be enabled by growth in retained earnings, perhaps particularly the earnings of U.S. companies "parked" abroad to avoid the tax penalty of repatriation. And, it is encouraged by an industry of investment bankers whose livelihood in part stems from their ability to put merger and acquisition deals together.

Not counted in the FDI numbers is the growth in *outsourcing* of products and services. Manufacturing supply chains can include a host of suppliers, each in turn optimizing its cost and effectiveness structures. More than a few companies are "asset light" and "staff light," relying on outsourced providers to design, produce, advertise and market as well as deliver their products and also to account for their finances and assure their legal and tax obligations are fulfilled. Interestingly, from a local economic development perspective, these outsource providers have themselves become an "industry."

Critical Changes for Global Business Success

This virtualization of business structures has also enabled young companies to establish and grow with less capital required. Cloud computing, outsourcing, and joint ventures between firms – even previously ferocious competitors – are enabling businesses to eschew major capital investments in the U.S. and abroad. And, for whatever capital might be required, small as well as large enterprises may find expansion capital (and other incentives) available with attractive terms in emerging markets, due to aggressive local economic development programs.

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Strategic speed is also reflected in "socialnomics" – the phenomenal growth of social and mobile media is increasingly harnessed by enterprises, large and small. Our world has shifted from *word of mouth* to *world of mouth*, powered by technology and the Internet.[20]

The sheer volume of information available today, literally in real time, has dramatically altered the balance of power between companies and consumers, and companies are working energetically to reposition themselves in the world of mouth reputation building or busting arena. Listening, reconnecting, and reinvigorating relationships with customers rank among the top priorities of CEOs – regardless of continent or economic sector.[21]

Finally, among the major drivers in how investment and expansion decisions are conceived and implemented, the political correctness of clean and green is universally acknowledged. Whether environmental mandates and concerns are based on faith or settled science, in this decade and beyond, corporate social responsibility has been re-cast: businesses throughout the world are striving to demonstrate how they are being gentler and kinder to the environment.

Companies understand that social impact directly impacts their reputation, and their "reputational economics" are far more important today than in years past. Their customers are demanding positive social impact. Their employees, especially their new professional recruits, want to work for enterprises with a positive environmental reputation.

Today's successful enterprises, regardless of age or current size, have become increasingly intentional about what to do where. They are tapping into the social media to inform their approaches to marketing, staffing, and mitigating headline risk. And, they have saluted the clean and green dogma as a way to show "they care" as a provider of goods and services and as an employer of choice.

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The drivers of intentional investment decisions seem clear. The job description in the C-suite includes:

- Gain access to growing markets to produce top-line growth.
- Optimize for both effectiveness and cost, addressing all core business functions – leadership, administration, finance, production and logistics, product development – to produce a competitive bottom-line return on investment.
- Consider how as well as where: outsourcing and acquisitions as well as greenfield expansion.

LOOKING AHEAD: Economic Development Factors of Success

Globalization has driven companies to be far more intentional about their approach to "where" and "how" they will invent, manage, produce, and sell because more than half of their profits are derived internationally. Businesses – large and established as well as young and emerging – are focused on the burgeoning buying power of both new economic superpowers and their growing middle-class consumer-oriented populations. Regardless of continent or scale, the principal driver of private sector growth and expansion is now based upon where and how firms can most successfully conduct their business and achieve their goals.

Nations throughout the world are providing options for American firms. Economic developers need to think locally and act globally to be successful in the 21st century economy.

Today, the landscape against which places are measured no longer is confined to neighboring states, regions or communities; places are cast against a global worldscape of provinces, metroplexes, and even villages across all continents as decision-makers consider their abundant options for growth. The mandate for successful economic development is clear: understanding the new global context in which businesses make investment, operational, and location decisions is fundamental to sustained economic success. Without this understanding, economic development entities will be ever more challenged to provide the human, financial, and knowledge capital; services; hard and soft infrastructure; and quality-of-life that the globally oriented enterprise needs for success.

Economic developers of the 21st century need to think beyond where they have been and aggressively adapt and pursue new approaches to assure better outcomes for their businesses and their communities. Simply put, to be successful and competitive in this new worldscape, economic developers must *think locally* and *act globally* by focusing on what they can do locally to support the success of their present and future businesses globally. This can be accomplished by delivering on a local, regional or state basis those factors of success that will enable existing firms and young enterprises to thrive in the global economy.

Achieving Competitive Advantage in the Global Context: Focus, Focus, Focus

How is this achieved? There are no silver bullets, but there are very practical measures that can be taken. Here are four basic building blocks for action.

1) Focus on competitive context: Is your economic development strategy global enough?

To think locally and act globally, the most fundamental building block is an understanding of the community's position in the global context. It is this knowledge that enables American locations to determine, define, and effectively address sustainable local conditions that will enable global business success.

Too often, the economic development apparatus of a community focuses on its perceived – and frequently self-proclaimed – competitive strengths without a comprehensive understanding of how those strengths will fare when pitted against other markets globally as well as regionally or nationally. For economic developers, competitive standing must be evaluated, justified, and articulated in a global context, even if their community, region or state is not competitive with other global locations that are enjoying economic success. Whether a small town, large city, multi-jurisdictional region, or state, all are faced with formidable competition, and therefore they must endeavor to strengthen their existing economic and community advantages, and develop new ones as well.

For American communities, a renewed commitment to business retention and expansion, while less glamorous than business recruitment, will yield far more economic benefits over the long term.

From a company's point of view, competitive advantage is understood in terms of how well the firm performs financially and is able to keep rivals at bay even in the most challenging and unpredictable economic environment. This success is measured in part by the value that the company generates for its shareholders but also in terms of creating barriers to entry and capturing greater market share.

For a community or state, competitive advantage is best understood in terms of distinctive attributes that enable businesses to outperform businesses in other places. This also means providing the basics well – best value for money – and not getting in the way of progress, so that a company can find what it needs when it needs it.

2) Focus on existing firms: Are you a value-added partner?

Despite the case for retaining existing businesses and fostering the growth of the young enterprise, today, many economic development policies and practices continue to focus on chasing new business locations. A 2010 Public Policy Institute of California study showed that from 1992-2006, only 1.9 percent of job gains and 2 percent of job losses in an average year in the Golden State came from business locations.[22] In contrast, nearly 42 percent of job gains were derived from business expansions and more than 56 percent came from new enterprises.[23]

Still, the traditional practices of "smoke stack chasing" are even stronger today, as states have enacted uber-incentive programs to attract large business operations. Business retention must become a critical area of focus for economic development in the 21st century. Why? Because there is an increasing likelihood that foreign countries are scouting for the opportunity to attract well-established existing firms as well as promising young enterprises from U.S. communities into their nations. They are advantaged by the largesse of their national treasuries and fewer restrictions on how they can use their funds.[24]

For American communities, a renewed commitment to business retention and expansion, while less glamorous than business recruitment, will yield far more economic benefits over the long term.

Today, American business is using a compelling set of data points for their dashboards in evaluating the efficacy of their operations. Company units are evaluated peer-to-peer among similar operations within their company. How managers are evaluated and many expansion, relocation or closure decisions are based on these performance metrics. Some of these factors could relate to workforce productivity, while others could pertain to cost factors. Regardless, understanding the 'DNA' of an operation is paramount to developing a winning strategy to help the company remain and grow in its current location. Especially in an environment of post merger and acquisition consolidation and rationalization of locations, places with winning metrics are more likely to retain and grow their existing business operations.

For starters, this new approach would include a new value-based partnership with existing firms – one that is characterized by a commitment to their success wherever they operate:

- Understand their DNA;
- Know their business plans and goals;
- Support the attainment of their growth agendas; and
- Ensure local capacity – talent, technology, and infrastructure – is not impeded

3) Focus on young companies – they produce new jobs

Another area of focus often under-rated, under-supported or under-valued is the growth of the young enterprise. Recent Kauffman Foundation studies have demonstrated that nearly all net new job creation from 1980-2005 in the U.S. was derived from firms less than five years old.[25] Even with the recession, nearly 60 percent of job creation came from young enterprises (1-5 years old; excludes start-ups).[26] New and young enterprises are the primary engine for economic growth – in good times and bad – and key to America's economic recovery.

There are encouraging signs that increasingly, American communities are focusing more of their economic development efforts and budgets on entrepreneurship and "economic gardening." Still, these efforts pale in comparison to what is being spent on business attraction. A renewed focus and sharply honed emphasis on young enterprises is a critical area for economic development. Why? Because the young enterprise – the firm that starts with the goal of wanting to be big and successful – is what has kept the American economy going for the past 25 years.[27] Additional statistical studies by Kauffman Foundation's experts found that:

> *"In any given year in the U.S. economy, new and young companies represent a plurality of all firms in the economy. That is, they make up the largest bloc of firms by age category, meaning their considerable job creation record is partly structural."*[28]

There has been some increase in awareness that much business innovation as well as new jobs come from young and growing companies. Kauffman Foundation research and analysis on entrepreneurial growth is well wrought. Many of its recommendations point to changes that may need to be made at a national level.[29] Nevertheless, there are important corollaries for state and local leaders as some of the Kauffman rules are applied. For example, Kauffman Foundation studies:

- Point to revision of immigration policy as a way to "import" entrepreneurial energy and technological expertise. While a state or community cannot implement new immigration policies, every community can aim to be receptive to this imported talent. These immigrants may be there initially for university schooling, or they may be seeking an ethnically friendly place to live if they have taken or are considering a position with a local employer. While the total numbers may be controlled nationally, locally, the market share can be increased.
- Point to the need for improvements in university technology transfer to business application. There are some "best practices" for achieving this. These could be emulated locally or statewide.
- Suggest reductions in income and capital gains taxation. States can consider this as well.
- Point to local zoning and land-use regulations and procedures that consume the entrepreneur's scarce time and resources. These can be fixed.

As a place becomes more business friendly for its young and growing companies, another set of opportunities can be opened: to recruit young and growing companies from places that have not made similar commitments to creating an environment for a young company's success.

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Some places have been good places to start a business, especially for serial entrepreneurs, angel investors, technological clusters and expertise, and relevant business services. But, some of these places may not be the best places for a business to grow – too costly, not business friendly, etc. Pursue, but recognize that these pursuits will require different approaches than traditional economic development attraction programs pointed at Fortune 500 divisions, departments, and plants.

4) Focus on building your brand globally, including in emerging markets

As BRIC-based companies, companies from the Next Eleven, and those yet to come consider their own global expansion, the U.S. market may be in their sights. What matters to these companies may not always be obvious, but much of what makes a community a good fit – for young companies as well as the divisions of large firms – will likely help the community show well.

Going Forward

Few would dispute that today, the U.S., its states, and its communities are poised at what may be one of the most critical crossroads in recent history. While some regions of the country are in economic recovery, others are still languishing. The effects of the Great Recession of 2007 may continue to be felt for years to come.

In one direction lies that path which is most familiar, marked by the traditional business and economic development activities that yielded desirable results in years past. In another direction lies a new path, one that is far less certain, but one that will traverse the uncharted territory of today's new world.

Economic developers have never shied away from the road less traveled, and embracing that ethos today is more important than ever.

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incentives 2.0

By Jason Jolley, Ph.D.; Patrick McHugh, Ph.D.; and Dianne Reid, CEcD

INTRODUCTION

Incentives are a dilemma for many state and local governments. Incentives were originally intended to create jobs by increasing return on investment, but many economic developers and economists have concluded that financial incentives rarely change where businesses invest. And yet, incentives have become an accepted part of the economic development landscape, part of the ante to the high-stakes game of business retention and attraction.

It is time to recalibrate how incentives are awarded. Many local incentive plans base eligibility only on the number of new jobs and/or level of capital investment. These criteria do address two critical issues for local governments, job creation and increased property tax revenues, but they do not fully capture a project's costs and benefits to the local community. Incentive policy should reward companies that treat their workers well, are good corporate citizens, and support long-term economic vitality.

Chatham County, North Carolina, recently adopted a new incentive policy designed to target sustainable development and reward social accountability. Just south of Chapel Hill and west of Raleigh, Chatham County has absorbed a huge amount of the housing and population boom that came as North Carolina's Research Triangle Park emerged. Like so many communities, the county has been reevaluating its economic development strategy and, along the way, developed a new approach to awarding incentives.

The article begins with a broad discussion of why many local incentive policies need to be rethought. The next several sections recount why Chatham County decided that its old policy needed to go, how it developed a new plan, and review the content of that new policy. It concludes with principles which can help other communities that want to revamp their incentive policies.

Photo credit: Uniboard

Uniboard USA LLC facility in Moncure, which received incentives under Chatham County's previous policy, where only total investment and raw number of jobs were identified as criteria.

PANDORA'S BOX IS OPEN

The overwhelming evidence is that, in most instances, financial incentives do not substantially change where businesses locate or expand operations (Peters & Fisher, 2004; Schwartz, Pelzman, & Keren, 2008; Gabe & Kraybill, 2002). A recent survey of incented and non-incented companies in North Carolina found that incentives ranked 12th and 13th respectively out of 19 priorities for business climate (Lane & Jolley, 2009). Businesses are more concerned about availability of skilled labor, state tax rates, local property tax rates, logistical assets, and availability of educational institutions.

So why should governments, at all levels, continue to offer incentives? Simply put, incentives are around to stay because everyone offers them. Many

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REWARDING SUSTAINABLE DEVELOPMENT AND SOCIAL ACCOUNTABILITY

This article discusses the need for more sensitive rubrics to guide economic development incentive awards. Many existing local incentive policies contain limited explicit criteria to be used in evaluating incentive eligibility, often resulting in incentive deals that do not support communities' long-term economic, social, and environmental vitality. The article describes why leaders in Chatham County, North Carolina, saw the need to revise the county's old incentive plan, the process that shaped a new approach to incentive awards, and new metrics that were included in the county's revised incentive policy.

Developing a strategic plan made it clear that the county's old incentive policy was not in line with the community's vision for sustainable economic development. Changes had to be made.

companies make the availability of incentives a requisite in the site selection process, eliminating communities that flatly refuse to negotiate incentive deals. When leaders in one city, county, state, or nation know that their counterparts are crafting incentive deals, they feel pressured to offer enticements of their own.

The strategic pressures for local governments to offer incentives are particularly strong. Research has shown that incentives can influence where businesses invest within the same metropolitan area (Bartik, 1991; Wassmer & Anderson, 2001), so local leaders are right to worry that refusing to offer incentives can be costly. Because incentives are a mainstay of economic development practice, localities need to adopt a more strategic approach to investing public funds. The next section reviews Chatham County's old incentive policy and why local leaders decided that it needed to be changed.

CHATHAM COUNTY'S OLD INCENTIVE POLICY: A Policy Similar to Many Existing Local Plans

Like many existing incentive policies, Chatham County's old plan provided very limited guidance about what projects merited investment of public resources. In the old plan, which is reviewed here, only total investment and raw number of jobs were identified as criteria. Table 1 shows the schedule of tax relief, in the form of grants, firms could secure for investing in the county.

In 2007-2008, Chatham County engaged upon a strategic planning process to generate sustainable economic development. This process surveyed local needs, targeted specific industry clusters for attraction and expansion, and clarified the values that anchor the community's economic development policy. Developing a strategic plan made it clear that the county's old incentive policy was not in line with the community's vision for sustainable economic development. Changes had to be made.

THE PATH TO SUSTAINABLE AND SOCIALLY RESPONSIBLE INCENTIVE POLICY

Chatham County's new incentives plan evolved through collaboration among community leaders, residents, and the University of North Carolina's Center for Competitive Economies. The Center for Competitive Economies was hired to create a strategic economic development plan for Chatham County, which served as the foundation for revising the county's incentive policy. This section highlights the critical elements of the process that led to adopting a more sustainable, socially conscious, and strategic incentive policy.

Community Engagement

Socially conscious sustainable development starts with community discussion. The Chatham County Economic Development Corporation knew that it was essential to gather local wisdom and to give community members an active role in charting the county's development strategy. Five town hall meetings were held where attendees were asked "what types of jobs and businesses would you most like to see in your community?" All responses were recorded and then everyone was asked to identify five goals they supported and one they opposed.

Four areas of broad agreement emerged:

1. County policy should support green business, both businesses that produce green products and firms that limit their environmental impact.
2. County policy should support buying local and sustainable agriculture.
3. County policy should encourage tourism, arts, and recreation.
4. The county should identify and cultivate promising industry clusters.

There was substantial disagreement over the need to expand retail options, particularly chain stores.

Next, interviews were held with community and business leaders. Business owners identified the need for improved water, sewer, and broadband infrastructure, echoing worries that emerged at the community meetings. Stakeholder representatives were also divided over the importance of expanding retail.

TABLE 1

Chatham County's Previous Incentive Policy

	Number of New Jobs			
New or Expansion Investment	Less than 40	40 but less than 75	75 but less than 100	100 and over
$500,000 but less than $2.5 million	50%*	55%	60%	65%
$2.5 millon but less than $7.5 million	55%	65%	70%	75%
$7.5 million and up	60%	70%	75%	80%

* Percent of county taxes granted back to approved companies for first five years after location or expansion.

Strengths, Weaknesses, Opportunities, and Threats Analysis

Sustainable development policy requires clear understanding of where a community stands, where danger looms, and where opportunities exist. As such, the Center for Competitive Economies analyzed the county's strengths, weaknesses, opportunities, and threats (SWOT) to form a baseline for sustainable development planning.

Photo credit: Jenny Tenny

An innovative existing biofuels company leads Chatham County's renewable energy targeted cluster.

Chatham County is located on the urban fringe of the Research Triangle region of North Carolina, which includes the growing Raleigh-Cary and Durham-Chapel Hill metropolitan regions. The area is home to three world class universities: Duke University, North Carolina State University, and the University of North Carolina at Chapel Hill and the famed Research Triangle Park, a major employer and driver of regional and state economic growth. While the county's population is expanding, economic growth in the county has been limited, creating a series of challenges for local governments.

The SWOT analysis identified several challenges that must be overcome to create sustainable growth in the county:

- Chatham County is in danger of becoming a bedroom community. It has the highest out-commute rate in the region and its commuters travel farther to work than any neighboring community.
- The county needs more good-paying jobs. Jobs within the county pay less than in neighboring communities and less than the state average. This income disparity holds true across nearly every business sector, with those residents commuting outside the county earning substantially more than residents working in the county.
- The county leaks retail business to neighboring counties. Retail leakage costs the county government tax revenue and decreases the employment multiplier attached to high-wage employment.
- Chatham County's infrastructure has been stretched by rapid development in recent decades. As the county's population has swelled, its roads, water facilities, and school system have struggled to keep pace. Unfettered residential development threatens to undermine the county's ability to maintain current levels of service.
- Historically, the county has not benefitted directly from the region's industry clusters.

As will be seen later, the specifics of the SWOT analysis shaped the incentive policy that was ultimately adopted.

Cluster Analysis

The purpose of cluster analysis is to identify groupings of businesses that have economic reasons to co-locate in a given community and have the potential to create good jobs for local residents. Industry clusters refocus economic development away from specific firms or single industry sectors toward a more holistic treatment of industry groups that can benefit from government actions such as regulatory relief, economic incentives, or worker training programs.

The purpose of cluster analysis is to identify groupings of businesses that have economic reasons to co-locate in a given community and have the potential to create good jobs for local residents.

The Center for Competitive Economies used the "national benchmark clusters" as defined by Professor Ed Feser, which have become the gold standard in cluster classification, in part because of the ability to replicate and track cluster changes over time using publicly available data (Feser 2004; Brun and Jolley 2011). The desirability of each cluster was evaluated based on the feasibility of creating the cluster and the expected benefits of employment in that cluster. This analysis identified seven industry clusters that are good bets for Chatham County. These clusters are not particularly well-represented in the county, but they are well represented by the region:

- Architectural and engineering services,
- Technical and research services,
- Basic health services,
- Pharmaceuticals,
- Information services,
- Higher education and hospitals, and
- Renewable energy (not a traditional cluster as defined by Feser).

Additionally, four industry clusters were identified for Chatham County's retention efforts. These clusters have lower wage rates but employ many local residents. Retention was important to ensure continuing employment for the county's less skilled and most vulnerable residents. These clusters are:

- Food processing,
- Wood products,
- Non-residential building products, and
- Concrete and brick-building products.

As shown in the next section, the new incentive policy in Chatham County rewards firms that fall within one of these industry clusters, connecting the long range strategic plan to the specifics of incentive policy.

Reviewing Best Practices in Local Incentive Policy

To start, the Center for Competitive Economies conducted telephone interviews with county economic developers throughout North Carolina. It quickly became clear that many economic developers in North Carolina feel that businesses have them over a barrel during incentive negotiations. There is a general sense that incentives do not determine most location decisions but also fear that not offering incentives could cost investment and jobs. Several economic developers said they were considering ways to improve their policy but offered few details as to how.

Next, surveys were sent to economic developers in all 100 North Carolina counties, yielding 46 responses. This survey was designed to capture the criteria used to determine incentive eligibility, to gauge the formality of existing incentives plans, and to determine how many counties were thinking about changing their incentive policy.

Finally, the Center for Competitive Economies collected all of the formalized county incentive policies in North Carolina. Most policies looked much like Chatham County's old plan. Number of new jobs and level of capital investment were common to all of the plans that provided a specified rubric for incentive eligibility, but few plans offered additional formal guidance for how incentive grants would be calculated. A few plans did base their incentive grants on wage rates and whether a company fit within a targeted industry cluster, but these were the exception to the norm.

Overall, this process underscored the need for a better incentive policy. Local economic developers are often unsatisfied with current policy, they know that incentives rarely attract businesses that had not already targeted their communities, and they know that existing policies often fail to capture projects' real benefits and costs. The next section reviews the new incentive policy adopted in the county, a plan that provides a blueprint for localities that want to revise their existing approach.

CHATHAM COUNTY'S NEW INCENTIVE POLICY

Sustainable, socially conscious development is all about improving quality of life, which requires more sensitive measurement than raw economic activity. "Quality of life" is a nuanced and often vague term. As any social scientist would tell you, composite measures are generally the best way to capture diffuse concepts like quality of life. Therefore, Chatham County dramatically expanded the list of measurable criteria that inform incentive awards. This section reviews the components of the county's new policy and the rationale behind each element of the new plan.

As discussed already, the county's old plan only stipulated two factors (number of new jobs and capital investment), the new plan has almost 20. The new incentive policy creates a 100-point rubric to measure a project's value to the local community.

Job Creation

The new policy maintains the importance of the original purpose of incentives, to create jobs. Table 2 reviews the points allocated for raw number of new jobs created.

TABLE 2

Number of New Jobs	Points
10 – 20	2
21 – 50	5
51 – 75	7
76 – 100	9
101 – 150	12
151 – 200	15
200+	20
Total Possible Points	20

Capital Investment

Also held over from the first generation of local incentive policy, the new policy rewards substantial capital investment. The county government needs to generate property tax revenue, so rewarding companies that increase the tax base through investment continues to make good sense. Table 3 shows the points allocated according to level of capital investment.

TABLE 3

Level of Capital Investment	Points
Under $500,000	1
$500,000 - $4,999,999	5
$5,000,000 - $14,999,999	10
$15,000,000 - $24,999,999	15
$25,000,000 and Above	20
Total Possible Points	20

Wage Level

Chatham County has a particular need for high paying jobs. The SWOT analysis showed that the county's average wage is well below the state average, in spite of having a highly educated population. The old policy treated a minimum wage job the same as a job carrying a six-figure salary, which clearly belies the relative benefits of each to the local community. Table 4 shows the criteria used to identify and reward high-paying jobs.

TABLE 4

Wage Level of Jobs	Points
Less than County Average	0
County Average	1
Greater than County Average/ Less than State Average	4
State Average	8
Above State Average	10
Total Possible Points	10

TABLE 5

Quality of Jobs	Points
Partial Employer Paid Health Insurance	1
Entire Employer Paid Health Insurance	3
Retirement Benefits	2
Profit Sharing	2
Employer Paid Vacation	2
Employer-Owned Company	3
Total Possible Points	**10**

Job Quality

The new incentive policy explicitly rewards companies that are accountable to the social wellbeing of their employees. As can be seen in Table 5, the county identified a list of job quality factors that deserved to be explicitly encouraged and rewarded in its new incentive plan.

Health benefits, retirement benefits, profit sharing, and paid vacation all indicate a firm's commitment to its employees' quality of life. In addition, employee-owned firms are less likely to move because the social bonds that make a place home for individuals also tie the company to the community. While not an exhaustive list, these job quality factors reward businesses that share the community's interest in building social capital and limiting social costs.

Hiring Local Residents

Chatham County's new plan rewards firms for hiring local residents[1] (see Table 6). Many communities have experienced a troubling phenomenon, whereby jobs are created, but do not benefit local workers. This pattern does little for struggling local residents and puts the government on the hook for servicing a swelling population. This is a classic example of how increased employment may actually decrease the local quality of life.

TABLE 6

Number of Existing County Residents Hired	Points
10-20	1
21-50	3
51-75	5
76-100	7
101-200	9
200+	10
Total Possible Points	**10**

Moreover, the SWOT analysis demonstrated that the county has a very high out-commute rate, particularly among highly educated and skilled workers. This fact causes Chatham County to leak retail and service activity, another challenge identified by the SWOT analysis. Keeping jobs close to home increases the multiplier effect of good paying jobs, increasing the benefits to the rest of the community.

Sustainable development is not just about appeasing environmentalists, it is essential to building a vibrant and durable economy. Therefore, the new incentive policy rewards businesses that are good stewards of the physical environment.

Environmental Sustainability

Sustainable development is not just about appeasing environmentalists, it is essential to building a vibrant and durable economy. Therefore, the new incentive policy rewards businesses that are good stewards of the physical environment. Table 7 reviews some of the business practices that are supported by the new incentive policy.

TABLE 7

Environmental Impact	Points
Reuse of Existing Building	4
Location in Downtown Area	3
Location in Existing Industrial Area	3
Location in Central Carolina Business Campus	5
Location in LEED Certified Building	4
Other Sustainable Features (recycling, water reuse, etc.)	4
Total Possible Points	**15**

Chatham County is growing rapidly, but unmitigated growth threatens to destroy what makes it a great place to work and live. The county's environmental quality is one of its main attractions, particularly to the highly educated and skilled workers that are increasingly essential to the local economy. In a globalizing labor market, one where ingenuity and training are essential for economic growth, communities must safeguard the environmental assets that skilled workers demand.

In many cases, green business practices directly offset costs that would otherwise fall on local governments. Sustainable companies put less pressure on public wastewater services by limiting water consumption, prolong the life of landfills by recycling, and alleviate the need to extend public infrastructure to previously undeveloped areas by locating in downtowns or existing industrial areas.

Green businesses are also better positioned to survive as the days of cheap energy come to an end. As the price of energy increases, businesses that do not limit their energy consumption are going to become less and less viable. This concern is not about emotional attachment to a clean natural environment, or about believing in global warming, it is about the fundamental economics of the next 50 years. Building a local economy around businesses that are not prepared for the future of energy is like building one's home on a cliff overlooking the ocean;

it's not a question of if the foundation will crumble, it's only a question of when.

Targeting Industry Clusters

Finally, Chatham County identified specific industry clusters that it wants to cultivate. When a group of firms benefit from close proximity, like producers and consumers within the same supply chain, attracting some of these firms makes it more likely that others will follow. Table 8 shows how the new incentive plan rewards companies that fit within the targeted industry sectors that anchor the county's long-range strategic growth vision.

TABLE 8

Industry Cluster/Business Type	Points
Presence in Identified Attraction Cluster	6
Presence in Identified Retention Cluster	3
Company Headquarters	6
Verified Supply-Chain Relationship with Existing Chatham County Supplier	3
Total Possible Points	**15**

Firms that fall within one of the identified attraction or retention clusters qualify for greater support under the new incentive policy. In addition, firms that establish a headquarters in Chatham County are also rewarded, with the expectation that headquarters are less likely to relocate and are more likely to invest in the local community than subsidiary facilities. Finally, firms that will augment active supply-chain relationships in the county, buying locally at the commercial level, are preferred.

Composite Schedule of Incentive Eligibility

Table 9 shows how all of the previous point allocations combine into a general rubric for incentive eligibility. The levels of incentive eligibility reflect increasingly valuable capital projects, with a project that earns 90 of the possible 100 points falling into the rightmost column. Moving from top to bottom, the percentages reflect the tax relief eligibility attached to each incentive level. In all cases, the largest incentives are granted in the first year, decrease in size through the fifth year, and phase out afterward.

TABLE 9

Potential Rebate Schedule

Year	Level 1	Level 2	Level 3	Level 4	Level 5
1	70%	75%	80%	90%	90%
2	60%	65%	70%	80%	80%
3	50%	55%	60%	70%	75%
4	40%	45%	50%	60%	75%
5	30%	35%	40%	50%	60%
Minimum Score	**50**	**60**	**70**	**80**	**90**

Note: Percentages reflect portion of local taxes granted back to approved companies for first five years after location or expansion.

Again, this schedule is not mandated, it is a starting point for incentive negotiations. There will always be benefits, costs, and circumstances that are unique to each incentive deal that cannot be anticipated by any formalized policy. The purpose is to identify a set of important measurable criteria to anchor incentive negotiations.

PRINCIPLES FOR SUSTAINABLE ECONOMIC DEVELOPMENT INCENTIVES

This section identifies several core principles that can help to design incentives that reward sustainability and social accountability. Different communities may have different priorities, but these are all important considerations to bear in mind when designing incentive policy.

Focus on Building Quality of Life over the Long-Term

Investment today will have consequences down the road, for good and ill, that should be measured as rigorously as possible. Rather than just focusing on number of jobs and capital investment, incentives should go to projects that actually make life better for local residents. Incentive plans should not be stand alone policies. The more incentive policies are coordinated with other economic development strategies, the better. Expanding the criteria used to evaluate incentive projects allows communities to complement their broader development strategy.

Consulting local residents helps to identify what makes the place home so that these assets can be protected. Engaging the business community can help local leaders to identify how they can get the most bang for their incentive bucks.

Engage the Community

Everyone has a stake in how incentives are granted. Revisiting incentive policy gives community stakeholders an opportunity to identify priorities and to negotiate the balance that should be struck among different considerations. Consulting local residents helps to identify what makes the place home so that these assets can be protected. Engaging the business community can help local leaders to identify how they can get the most bang for their incentive bucks. Finally, opening the incentive discussion can help to demystify the process and gives community members more ownership over their collective development vision.

Create Good Jobs

Broadening perspective does not mean losing touch with the original goal of incentives, to create jobs for local residents. However, not all positions are created equal. Only a few of the county incentive plans in North Carolina explicitly incorporate job quality in their calculation of incentive eligibility, but this is starting to change. More and more local economic developers are considering ways of including job quality in their incentive decisions.

Of course, what defines a good job varies by context. Sometimes almost any new employment would be helpful. Beyond raw number of positions, many other measurable qualities make for good jobs. Wage level, health insurance benefits, retirement benefits, profit sharing, paid vacation, and employee ownership all make jobs more fruitful, economically and socially.

Support Sustainable Business Models

Incentive policy should reward firms that are planning for the future. Incentive policy, from the federal to the local level, is increasingly focused on supporting green development. However, environmental impact is absent from most local incentive plans. Many local incentive policies are generalized rubrics that do not address the environmental consequences of development. Companies that limit their environmental footprint pass fewer costs along to society and local government. As the economic advantages of sustainable businesses increase, communities are wise to support businesses that are prepared to weather the transformations that are already underway.

Support Economic Diversification

When level of capital investment and raw number of jobs are the only factors used to determine incentive eligibility, many small businesses cannot qualify for even the lowest level of incentive support. Sustainable incentive policy does not leave small businesses out in the cold. By creating more extensive rubrics, incentive plans can provide support to smaller businesses that are often the bedrock of local economies.

Reward Social Accountability

The concept of social equity has been less developed and more often ignored in the pursuit of sustainable development. Benchmarking in this area lags behind the other components of sustainable development. The key social equity goals for Chatham County were to provide jobs to county residents and to create jobs with good benefits packages. Other social equity criteria could easily be added depending on a community's goals. Additional points could be awarded providing same-sex partner benefits, offering minority contracting or hiring programs, investing in areas that are chronically underdeveloped, or a host of other important goals.

Photo credit: Mari Howe

Downtown Siler City storefronts ready for renovation. The new policy encourages reuse of existing buildings.

Photo credit: Jennifer Nelson.

A former textile plant in Siler City available for redevelopment – a facility that would work well for a company qualifying for incentives under the new policy.

When level of capital investment and raw number of jobs are the only factors used to determine incentive eligibility, many small businesses cannot qualify for even the lowest level of incentive support. Sustainable incentive policy does not leave small businesses out in the cold.

Front-load Incentive Awards

There are two central reasons to front-load incentive deals. First, potential employers apply a significant discount rate to incentive offers; investors are usually more interested in substantial support now than incentives well down the road. Second, promising tax relief well into the future hinders communities' ability to react to changing circumstances. Promising tax relief into the distant future can lock in arrangements that will seem much more onerous down the road. Therefore, incentive plans should offer the most substantial support in the first few years, but scale back tax relief subsequently.

Balance Specificity with Flexibility and Clawbacks

While Chatham County's new plan lays out a rubric for evaluating incentive awards, it does not create an entitlement. Each project has unique costs and benefits that cannot be fully anticipated. The goal of incentive policy is to make the opening move in incentive negotiations, not to dictate an outcome. Each incentive policy should also include clawback provisions to refund economic development grants to the local governments when companies renege or fall short of their economic development commitments.

CONCLUSION

"Incentives" has become a dirty word in many circles, a synonym for governmental waste, or even corruption. Even within the economic development profession, incentives are less than universally popular. Some of this distrust is rooted in experience. Many incentive deals have failed to produce the lasting benefits that were intended. However, the pressure to offer incentives is, if anything, greater now than ever. Incentives are often the ante that gets communities into the attraction and retention game. In this context, it is often better to make smart bets than to take your chips off the table.

Local governments rarely have the resources to change where businesses locate, so incentive policy should aim to influence *how* companies do business as much as *where*. Chatham County's new model, and how it was developed, provides an example of how communities can reward business social responsibility, accountability, and sustainability. Instead of reacting to requests for tax relief, communities should use incentive policy to publicize their long-term development vision and start the incentive discussion on terms of their choosing.

ENDNOTE

1 The U.S. Constitution's "privileges and immunities clause" prohibits states from discriminating against residents of another state. This provision, along with the interstate commerce clause, may make it legally difficult to actually implement a "hiring local residents" measure as part of a local incentives agreement with a company. However, this policy goal is a clear statement of the community's preferences for hiring local residents and could likely be legally accomplished in practice through awarding points to companies willing to give some percentage of first source hiring through local job centers and/or local community colleges.

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Podcasts cover topics such as emerging trends in job creation and workforce development, small business trends, attracting quality jobs, and health care issues as they relate to economic development. Click here (http://www.frbatlanta.org/podcasts/economicdevelopment/) to listen to one of the podcasts.

AEDO PROGRAM ACCREDITS THREE NEW ORGANIZATIONS, REACCREDITS FOUR MORE

Congratulations to CenterPoint Energy of Houston, the AEDO program's first utility. IEDC is also pleased to announce the accreditation of the Greater Halifax Partnership, the first group in Canada to earn AEDO status, and the Research Triangle Regional Partnership. These organizations display the professionalism, commitment to economic development, and technical expertise deserving of the AEDO distinction. They join 29 other economic development organizations recognized nationwide for excellence in economic development.

Additionally, the following organizations earned reaccreditation throughout 2011: Tulare County Economic Development Corporation (CA), Coordinating and Development Corporation (LA), Tyler Economic Development Council, Inc. (TX), and Hampton Roads Economic Development Alliance (VA).

For more information on the AEDO program, contact Liz Thorstensen at ethorstensen@iedconline.org.

TRAINING COURSE IN ECONOMIC DEVELOPMENT FINANCE PROGRAMS COMING TO BALTIMORE

IEDC is offering its Economic Development Finance Programs training course from November 16-18 in Baltimore. As economic developers initiate programs and projects to improve the economic health of a community, it is essential to have a clear understanding of how these activities are financed.

The course covers a broad spectrum of finance programs, including small business development and real estate development. The goals and requirements of the programs will be discussed, and participants can work through case studies in order to solidify their knowledge of the programs.

Course highlights include: small business lending; community development financial institutions; revolving loan funds; new markets tax credit; real estate financing; historic preservation tax credit; and low income housing tax credit. Visit www.iedconline.org to register.

IEDC PROVIDES TECHNICAL ASSISTANCE TO STRENGTHEN TOURISM ASSETS ALONG TEXAS GULF COAST

IEDC sent a team of tourism experts for a site visit in the Houston-Galveston region to identify strategies for developing coastal tourism assets.

Funded by a disaster recovery grant by the U.S. Economic Development Administration (EDA), the IEDC team met and spoke with over 25 tourism stakeholders in the four coastal counties of Brazoria, Chambers, Galveston, and Matagorda. In these counties, the project explored common tourism assets and themes — coastal and natural amenities, historic and cultural opportunities, etc. — that could form the basis of a strategic regional tourism package.

A final report will be released in late summer, offering recommendations for near- and long-term regional tourism strategies.

EDRP RESEARCH ON MODERN SITE SELECTION INDUSTRY

IEDC is currently conducting research to explore current trends in site selection and provide practical guidance for economic development professionals so they can better serve their communities. Funded by the Economic Development Research Partners (EDRP) program, IEDC has interviewed over 40 individuals, including local, regional, and state economic developers and site selection consultants.

The report aims to provide economic developers with an understanding of the complex factors influencing modern site selection practices, as well as recommendations for working and negotiating with site selectors in light of these industry characteristics. The study is expected to be released in winter 2012.

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2012 Federal Forum
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Alexandria, VA

2012 Spring Conference
June 10-12
St. Louis, MO

2012 Annual Conference
Sept. 30-Oct. 3
Houston, TX

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October 6-7, 2011
Phoenix, AZ

Business Retention & Expansion
November 3-4, 2011
Sacramento, CA

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November 16-18, 2011
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Economic Development Credit Analysis
December 7-9, 2011
Atlanta, GA

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January 28-29, 2012
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(Appl. Deadline:
November 28, 2011)

March 17-18, 2012
Alexandria, VA
(Appl. Deadline:
January 17, 2012)

June 9-10, 2012
St. Louis, MO
(Appl. Deadline:
April 9, 2012)

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(Appl. Deadline:
July 30, 2012)

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A Feasibility Study Delivers
Clear and Early Answers

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Leveraging the Financial
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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

large-scale redevelopment
IN CHALLENGING TIMES

By Lindsey Ballas Kimball, CEcD

BACKGROUND

Jacksonville, Florida, has long been known as a "Navy Town," where economic developers and politicians alike extol the many benefits of military installations throughout the area. From the skilled labor force generated by military separations to the collection of defense-related contractors creating new opportunities, Jacksonville appreciates the economic impact generated. Which is why the community was so concerned when Cecil Field Naval Air Station (NAS), established in 1941, was identified for closure by the Base Realignment and Closure Commission (BRAC) in July 1993. The size of Cecil Field NAS was staggering – 17,000 acres or three percent of the land area in Duval County. (Note: Duval County and the city of Jacksonville are a consolidated government structure and the terms are often used interchangeably.)

While Jacksonville would still have a very significant military presence, the decommissioning of Cecil Field NAS meant the community would lose approximately 10,000 jobs and $700 million in economic impact annually. Jacksonville rallied to keep the Navy, but the federal government was resolute in its decision.

CECIL COMMERCE CENTER TAKES SHAPE

The former NAS Cecil Field began to be known throughout the community, in 1999, by its new name, Cecil Commerce Center (Cecil) and was to become a primarily industrial job haven providing thousands with employment. By September 2000, the Department of Defense had conveyed approximately 8,300 acres to the Jacksonville Economic Development Commission (JEDC) for economic development purposes, 2,200 acres to the city of Jacksonville Parks Department for recreational purposes, 6,000 acres to the Jacksonville Port Authority for aviation-related purposes, and 641 acres to Clay County for conservation purposes. (Note: Cecil Field NAS was so large that it dipped into Clay County to the south of Duval County.) Of the 8,300 acres conveyed to the JEDC, approximately 4,975 acres were available for economic development purposes and approximately 4,500 of these acres would become subject to the 2009 RFP for a master developer.

A new interchange with I-10 allows direct access to the Cecil Commerce Center site – a major infrastructure investment to spur development at the former Cecil Field Naval Air Station.

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JACKSONVILLE, FLORIDA, ENGAGES A PRIVATE MASTER DEVELOPER TO REALIZE THE COMMUNITY'S ECONOMIC DEVELOPMENT VISION

After the decommissioning of Cecil Field Naval Air Station, Jacksonville, Florida, developed a plan to transform the 17,000-acre site into an economic development driver once again. Through detailed site analysis, the Jacksonville Economic Development Commission (JEDC) laid the groundwork for success, though financial hardship and other challenges prompted the JEDC to issue an RFP for a master developer. This article describes the factors that led to issuing the RFP; negotiations with Hillwood, a global development and real estate investment company; major deal terms; how the JEDC and its partners rallied support for the deal's unanimous approval; and the lessons learned throughout the process.

Since the conveyance in 2000 up to the present time, federal, state, and local agencies invested more than $180 million in the site to realize its potential. The vast majority of this money was from federal sources, approximately $140 million, with state and local funds providing the remaining $40 million. During this time, the JEDC worked to prepare the site for development by completing activities such as wetland analysis, conceptual stormwater system permitting, surveying, parcelization plan, site development studies, demolition of obsolete structures, and environmental studies. Major infrastructure investments included:

- A water treatment facility;
- A major spine road and supporting roadways;
- Utility infrastructure along the new roadways;
- The first section of a new regional outer beltway, Cecil Commerce Center Parkway, which provided three direct access points to the property; and
- A direct interchange with I-10 via Cecil Commerce Center Parkway.

The infrastructure projects were chosen because they allowed access to thousands of acres of prime, highly visible property that otherwise would not be viable. They also provide industrial utilities that are a prerequisite for attracting quality end users.

The efforts to promote and prepare the site for development were impacted in 2005 when a campaign began to return Cecil Commerce Center to the Navy. It was organized primarily by businesspeople, living outside of Jacksonville, with a vested interest in receiving more Navy work.

The ensuing uncertainty surrounding Cecil significantly decreased the new prospect pipeline and halted any new investment by the city. Surprisingly, despite the uncertainty, progress continued at Cecil Commerce Center. During that period, Cecil Commerce Center had several successes including expansion of aviation-related industry along the flight line, development of a new Florida State College Jacksonville Westside campus, and completion of the one-million-square-foot, $44 million Bridgestone Americas regional distribution center.

Since the conveyance in 2000 up to the present time, federal, state, and local agencies invested more than $180 million in the site to realize its potential.

The one-million-square-foot, $44 million Bridgestone Americas regional distribution center at Cecil Commerce Center.

A 1,300-acre site at Cecil also obtained designation from McCallum Sweeney (a respected site selection company) and CSX as a Mega Site – the only one in Florida. This designation is given to large industrial sites qualified to support a major automotive manufacturing facility or similar activity, based on factors such as size, access to CSX rail service, adjacency to an interstate, utility infrastructure, and satisfactory environmental assessment.

Very vocal neighborhood and citizen action groups across the city rallied behind maintaining the community's vision of Cecil as a job center. The issue was not resolved until November 2006 when voters defeated, by a wide margin, a referendum to return the property to the Navy. Community groups were key to this victory. Certainly, the referendum gave future prospects and developers much more comfort that their proposed investments would not be at risk.

About Jacksonville, Florida

With approximately 810,000 residents, Jacksonville is the largest city by population in the northeast Florida region of 1.5 million people and the largest city in the contiguous United States by land area (851 square miles). Jacksonville became so large through consolidation of government structures in the late 1960s when Duval County and Jacksonville became one entity. Consolidation is credited with creating the more efficient government and the lowest tax rates of any major city in Florida.

Jacksonville is strategically located on the east coast of Florida, where the St. Johns River and the Atlantic Ocean meet. It is home to a confluence of interstates I-95, I-10, and I-295; three deepwater terminals; and is served by three major railroad companies. These factors contribute to the city being known as America's Logistics Center, a prime location for supply chain logistics dependent businesses. Jacksonville is also a leader in financial services, aviation and aerospace, life sciences, manufacturing and information technologies.

MASTER PLAN AND DETAILED DUE DILIGENCE

After the referendum removed any lingering uncertainty, the JEDC completed a comprehensive Master Plan for its property and worked on an implementation plan founded on specific site development data. The Master Plan was funded by the city of Jacksonville and took almost a year to complete. Working with its engineering and environmental consultants, the JEDC gained a clear picture of the land's development potential and cost to bring land to market.

Despite the amount of effort and capital being invested in Cecil, there was much more that needed to be done such as construction of stormwater systems, more access roads, and utilities; mitigation of wetlands; and developing pad-ready sites. Especially challenging was the amount of wetlands and the fact that they were not concentrated in any one area but found throughout, making it nearly impossible to find an "easy" development site.

The unprecedented budget crisis the city faced in 2007 due to state-imposed limits on local revenues from property tax, made it very difficult to cobble together the funds needed to maintain the site, not to mention implement further aspects of the master plan and incentivize economic development prospects. A new model for success needed to be developed. One where a private sector entity would embrace the long-term vision for Cecil, apply its expertise, and invest patient capital.

RFP DEVELOPMENT

The JEDC swiftly began the process of developing and vetting a master developer RFP. In addition to an RFP document, the JEDC wanted proposers to have as much technical information about the property as possible so they could develop the most comprehensive response possible. Some questioned why the JEDC would embark on this project during the worst economic time since the Great Depression. However, the downturn actually would provide a master developer the time to get a plan together and ramp up for success. The development of Cecil is not for the nearsighted. It is a long-term development play that requires proper preparation and the ability to keep a steady course through good times and bad.

The city's five goals with regard to the master developer effort were:

- To establish a business relationship with a master developer with sufficient experience and financial capacity to execute a long-term development vision for this property;
- To create favorable conditions for the master developer to recruit end users to Cecil Commerce Center, bringing with them as many higher wage jobs as possible in the manufacturing, supply chain logistics, and other industrial sectors;
- To create a world class commerce center to complement the multi-modal infrastructure indigenous to Jacksonville;
- To maximize the value of the property for the taxpayers through private capital investment; and
- To create a growing ad valorem (property tax) base for the city by privatizing the ownership and accelerating the development of the property.

Following approval by procurement, Mayor John Peyton approved the decision to select Hillwood as the top-ranked proposer and gave the JEDC the authority to begin negotiations.

HILLWOOD AND ITS ALLIANCE PROJECTS

Hillwood, a global development and real estate investment company owned by the Perot family, was selected as the top-ranked respondent based on its superior business proposal, its financial wherewithal, and its track record of success with complex, large-scale, long-term public-private projects.

Consistently ranked among the top developers in the country by national trade publications, Hillwood is a unique and visionary, international real estate investment and development company that has a track record of creating long-term value for its customers, partners, and communities. Hillwood's large-scale industrial development expertise and experience was particularly

Some questioned why the JEDC would embark on this project during the worst economic time since the Great Depression. However, the downturn actually would provide a master developer the time to get a plan together and ramp up for success.

About the Jacksonville Economic Development Commission (JEDC)

Operating within the office of the mayor, the JEDC serves as the public sector economic development and community redevelopment agency for the city of Jacksonville. Funded wholly by the city of Jacksonville general fund, the JEDC develops and executes policies that result in sustainable job growth, rising personal incomes, and a broader tax base for the community. Projects proposed by staff must be approved by the nine JEDC commissioners, who are appointed by the mayor and confirmed by City Council, and City Council. With a staff of 17, the organization oversees the administration of local and state incentives, the Film and Television Board, the Sports and Entertainment Board, and development of Cecil Commerce Center. It works to promote a vibrant downtown, serving as the one-stop shop for downtown development.

well-suited to Cecil. Hillwood is probably best known for its Alliance branded developments, which are large-scale, long-term, multimodal, public-private projects. AllianceTexas in Fort Worth, is a 17,000-acre greenfield development which has made a $36.4 billion economic impact on the local economy and where 28,000 jobs have been created. Similarly, AllianceCalifornia near San Bernardino, is a 2000-acre former BRAC property which has a $1.1 billion economic impact and is home to 4,000 new jobs.

AllianceFlorida at Cecil Commerce Center will be the next part of the "Alliance" franchise for Hillwood. The JEDC anticipates that the previous success can be duplicated in Jacksonville because of the many similarities between Cecil Commerce Center and Hillwood's past projects including the size of the site, outstanding infrastructure, and strategic geographical position.

Hillwood and the JEDC began negotiations by developing an outline of the principal business terms proposed by Hillwood in its RFP response. By condensing the proposal into bullet-point form, it was easier for both sides to ensure that they were clear as to the other's intent

DEVELOPMENT OF THE AGREEMENT

Hillwood and the JEDC began negotiations by developing an outline of the principal business terms proposed by Hillwood in its RFP response. By condensing the proposal into bullet-point form, it was easier for both sides to ensure that they were clear as to the other's intent. Once these terms were agreed to, after approximately five months, they became the basis for constructing the primary legal document, the Master Disposition and Development Agreement (MDDA). From this point, it took six months of negotiations to bring the MDDA to closure in April 2010 with the following major deal points:

Major Deal Points:

- **Term –** The initial term is 10 years with three additional five-year periods provided that performance benchmarks are met.
- **Phasing of Property –** There are three phases, each containing a mix of extremely challenged and less challenged property. Phasing the property ensures that land is not cherry-picked and development is spread evenly across all types of property. By meeting certain performance benchmarks, Hillwood unlocks the ability to develop in all areas.
- **Take Down of Property –** Hillwood will only purchase property when it is ready to (1) develop the property for a specific tenant or (2) build a spec building or (3) sell property to a company that wishes to build its own building.
- **Development Timetables –** Hillwood has 18 months from the time of purchasing property from the city to substantially complete the site work necessary for completion of the project proposed for the property or the city may exercise a repurchase right. This is to ensure that Hillwood does not engage in land-banking.
- **Net Proceeds Participation to City –** 10 percent of net proceeds from all industrial projects and 50 percent of net proceeds from all mixed use projects.
- **Performance Benchmarks –** The performance schedules set the minimum benchmarks for the first 20 years of the agreement.
- **Concurrency Rights –** Will be transferred by the city to Hillwood on an as-needed basis in the amount required for a specific development project.
- **Wetland Mitigation –** As Hillwood takes down property for development, a pro-rata portion of wetland credits will be allocated. There are not enough existing credits to accommodate all development and Hillwood will be responsible for the costs associated with these additional entitlements.
- **Operations and Maintenance Obligations –** Property management and operation expenses will be transitioned from the JEDC to Hillwood over the term of the agreement. The city currently spends more than $1.5 million a year maintaining the grounds and existing buildings at Cecil. As Hillwood purchases property, it will be responsible for

SAFT America's lithium-ion battery plant under construction (above) and completed $200 million facility (top) at Cecil Commerce Center.

its proportional share of maintenance and operation expenses. Eventually, as Hillwood accesses different phases of the property, all of the non-public portion of this burden will be transferred to Hillwood.

- **Infrastructure -** Hillwood will fund *100 percent* of all new public and private infrastructure necessary for its developments. An estimated $42.4 million in public infrastructure alone will be necessary to accomplish the full build out of the master development plan. The city will not be required to fund any public infrastructure.
- **Mega Site and Economic Development Opportunities –** Throughout the entire term of the agreement, the city retains the right to do competitive economic development projects that require free or reduced-cost land. The city also reserves the Mega Site property for large-scale economic development "mega projects." The Mega Site restriction will be in place until 70 percent of the portion of Cecil north of Normandy Boulevard is developed.
- **Third-Party Developers –** Consistent with Hillwood's practice at its other Alliance projects, Hillwood is willing to sell the property to third party developers that have a viable end user for the property consistent with the master development plan. Third party sales will be held to the same development requirements and timetables as Hillwood.

PRIVATE CAPITAL INVESTMENT BENEFITS

The capital investment required to develop Cecil is tremendous and will be borne by Hillwood. Most notably, all new public infrastructure will be funded by Hillwood, and the city has no obligation to fund any new infrastructure. In addition, Hillwood must fund the land development and vertical development costs. The table below illustrates the $1.3 billion that Hillwood would invest in Cecil to realize the master development plan.

Item	Amount Invested by Hillwood
Public Infrastructure	$ 42,420,474
Land Development	$ 190,335,174
Vertical Development	$1,071,778,325
Total*	**$1,304,533,973**

*Excludes land purchase price and finance costs

This investment will result in benefits to the city in terms of increased tax revenue and land-purchase payments. The increase in tax revenue alone is estimated to be between $50.3 million and $88.8 million over the term of the contract depending upon the pace of development.

TIMELINE OF CECIL COMMERCE CENTER DEVELOPMENT

June 1941	Cecil Field established by the US Navy
February 1943	Commissioned as a Cecil Field Naval Auxiliary Air Station (NAAS)
June 1952	Designated as a full Naval Air Station (NAS)
July 1993	BRAC identifies Cecil Field NAS for closure; Jacksonville lobbies to keep Navy
July 1995	BRAC identifies Cecil Field NAS for closure again; Jacksonville begins work on the Final Base Reuse Plan (FBRP)
April 1997	FBRP is approved by the Jacksonville City Council
May 1999	Navy issues its Record of Decision approving disposition of the property as contained in the FBRP; conveyances of property begin; Cecil Commerce Center is born
September 2000	Department of Defense completes land conveyances to the JEDC, city of Jacksonville Parks Department, Jacksonville Aviation Authority, and Clay County
June 2006	JEDC conveys 67 acres to Bridgestone Americas for developing a one-million-square-foot distribution center
November 2006	Referendum is soundly defeated to return Cecil Commerce Center to the Navy
December 2006	1,300 acres of Cecil Commerce Center are designated a Mega Site by CSX and McCallum Sweeney
January 2009	RFP is issued for a master developer; JEDC conveys 12 acres to SAFT America for developing a 235,000-square-foot lithium-ion battery manufacturing plant
May 2009	Hillwood selected as master developer by the RFP review committee and the mayor; JEDC staff negotiations begin with Hillwood on the Master Developer and Disposition Agreement (MDDA)
October 2009	Interchange with I-10 and Cecil Commerce Center Parkway completed
April 2010	MDDA negotiations between JEDC staff and Hillwood are complete; JEDC commissioners approve MDDA
June 2010	MDDA approved by City Council
September 2010	MDDA fully executed by all parties; Hillwood begins first year benchmark efforts and negotiating with JEDC for marketing and development center leased space
January 2011	Lease agreement is executed between JEDC and Hillwood for Hillwood's marketing and development center

OPPOSITION IN THE SUNSHINE

Development of the MDDA was complicated and time-consuming on its own, but this achievement was made exponentially more difficult by a very aggressive opposition that attempted to derail the deal. Self-interest and self-preservation are powerful motivators. Primarily consisting of local industrial developers who sought to avoid additional competition, the opposition was fueled by the economic downturn.

Public record laws created an additional challenge for the negotiators. Because the JEDC is a public entity, all of the negotiation documents were subject to Florida public record laws, known as the "Sunshine Laws." This meant that, on sometimes a daily basis, the opposition could request the latest version of the *draft* MDDA, staff emails, and any other items, and publicly critique them. Any document of this complexity undergoes some changes during an almost year-long negotiation. The opposition would take old drafts, which had subsequently been negotiated by the JEDC to the city's favor, then misrepresent that the old terms were current terms, creating mass confusion.

When BRAC decommissioned NAS Cecil Field, it did not deed Jacksonville a goldmine. It gave the city a challenged property with a high proportion of wetlands and lack of infrastructure that would require hundreds of millions of dollars to bring to a development ready state.

The opposition fixated its argument around the fact that the MDDA did not require a traditional appraisal of the city's property before each sale. This argument was simple for people to relate to – most people have to have their house appraised when they sell it don't they? – but it was disingenuous because it ignored that the city was going to use the income approach methodology to determining value. Through Hillwood's investment in infrastructure over time, the value of the property would increase, meaning that a standard appraisal at the time of conveyance to determine a sales price would not give Hillwood credit for the prior investment and value creation. In essence, Hillwood would be paying twice. This was a very effective tactic for the opposition because the average layperson had never heard of this method for appraisal and did not easily grasp the concept of value creation.

In order to get its message across, the opposition bought advertising in local papers, presented to any group it could, and lobbied City Council members. Easy sound bites like "over-their-head city employees," "back-room deal," and "leaving untold millions on the table" rounded out their rhetoric. As the time for a City Council vote neared, the opposition became increasingly emotional and attacks of the MDDA became personal attacks. Their theatrics eventually caused them to lose credibility.

ECONOMIC DEVELOPMENT DEAL, NOT A LAND TRANSACTION

Supporters of the MDDA with Hillwood worked to turn the focus of the discussion from a short-term land transaction to a long-term economic development deal that would realize the community's vision for Cecil. When BRAC decommissioned NAS Cecil Field, it did not deed Jacksonville a goldmine. It gave the city a challenged property with a high proportion of wetlands and lack of infrastructure that would require hundreds of millions of dollars to bring to a development ready state. Proponents had to find ways to explain the complexities of real estate development to non-subject matter experts and focus them on the economic development objectives.

The JEDC and Hillwood presented to community groups and business organizations, targeting those groups proximate to Cecil. This strategy helped gain the support of the surrounding district council members. JEDC and Hillwood also developed briefing sheets, talking points, and summaries to help community advocates tout the proposed deal.

Hillwood developed a "Cecil Development Agreement Facts" series and emailed it directly to City Council members in the weeks leading up to a vote. Each installment squarely addressed an objection or misrepresentation of the opposition. These issues included whether or not:

- The process to select Hillwood was fair;
- The city was receiving appropriate compensation for its property;
- The city was subsidizing Hillwood;
- The best sites would be cherry-picked;
- The city received any benefit from the agreement;
- The Jacksonville industrial market as a whole would be negatively impacted by Cecil; and
- Local companies would be barred from working at Cecil.

Through plainly stating the facts supporting each installment with a quote from a local business or community leader, Hillwood made great strides in educating officials.

In stark contrast to the opposition, the proponents stuck to the high ground and shifted the conversation from fear to excitement about what opportunities the development would bring. When the opposition was asked what would they do with the property, they responded "nothing – wait another 25 years." Doing nothing is not an economic development strategy nor does it demonstrate any belief in one's community to grow. Proponents rallied that, "if you believe in Jacksonville, you believe in the deal being a success."

"WHERE'S THE CHAMPAGNE?"

Personal endorsements from well-respected business leaders were extremely valuable to winning broad support. The unanimous approval of the MDDA by the JEDC commissioners was the first step in demonstrating business leader support. In fact, after the project was presented, many questions asked, and the vote taken, Christopher Corr, chief executive, EDAW Americas East and JEDC commissioner, proclaimed, "Where's the Champagne? This is a tremendous accomplishment."

Perhaps, the most powerful endorsement of the deal came from Peter Rummell, former CEO of St. Joe Company. In a letter to the editor, prompted by an opposition ad placed in the *Jacksonville Business Journal*, Mr. Rummell wrote, "I am dumbfounded by the half-page ad in the April 30 Business Journal criticizing the Hillwood deal at Cecil Field. It clearly cannot have been written by anyone who understands the real world of development economics or deal making, let alone the quality of the organization involved… The best chance Jacksonville has of making something happen at Cecil Field is making a deal with Hillwood, a world-class developer that brings skill and a world-class reputation to a very tough business. Playing the "local card" and fundamentally misrepresenting the deal is childish and nonproductive."

As the MDDA entered the City Council legislative process for final approval, JEDC staff continued to answer council members' questions and participated in additional community conversations. In June 2010, more than a year after issuing the RFP, the final MDDA with Hillwood was unanimously approved by the Jacksonville City Council. The JEDC then began the process of working with Hillwood to realize the property's full economic potential as AllianceFlorida at Cecil Commerce Center. First, Hillwood and the JEDC worked to negotiate a lease of an existing building at Cecil Commerce Center to serve as Hillwood's marketing and development center.

Hillwood has now established its marketing and development center and begun construction on large-scale entrance signage and the engineering and due diligence on the first site for a building of at least 400,000 SF, which is important because these are all first-year performance benchmarks. As the next chapter unfolds in the development of this community asset, the JEDC and Hillwood are eager to unlock the site's economic development potential through their unique public-private partnership.

PRACTICAL ADVICE AND LESSONS LEARNED

Throughout the process of finding, selecting, and negotiating with a private master developer, as well as seeking approval for the project, the JEDC staff gained much insight that can be useful to anyone considering or engaged in a public-private development partnership.

- Quantify the fiscal impacts of the proposed development – How much tax revenue would be generated in a worst case, pro forma, and best case scenario? Having this information is very powerful when helping elected officials understand the importance of the deal.

Hillwood has now established its marketing and development center and begun construction on large-scale entrance signage and the engineering and due diligence on the first site for a building of at least 400,000 SF, which is important because these are all first-year performance benchmarks. As the next chapter unfolds in the development of this community asset, the JEDC and Hillwood are eager to unlock the site's economic development potential through their unique public-private partnership.

- Make sure that performance measures are clearly stated and understood. This doesn't just mean that the parties to the deal understand the performance measures – it means that the general public and all stakeholders understand that performance measures exist and that they will protect the public investment.
- Create a public-private partnership agreement that "stands on its own" and requires no further political approvals. A private sector partner wants to eliminate as much uncertainty and risk as possible. Each one of the land transactions does not require a separate City Council approval.
- Make timelines and public approval processes clear. Again, this is about eliminating uncertainty as much as possible for your private sector partner.
- The reputation and track record of the private sector partner are priceless when seeking support for a project. It is easier for elected officials to find a comfort level with and support a well-heeled partner with a stellar reputation.
- Think about how obligation and risks can be transitioned over the course of an agreement, but make sure that the rewards to the private sector are commensurate with these additional expenses.

- Communicate the deal in terms that everyone can understand. Stakeholders, elected officials, and the general public need to understand the benefits of the proposed project to the community. It is the economic developer's job to make sure that this is done correctly and that the message is repeated consistently.
- During negotiation, simplify the complicated relationship into bulleted "deal points," similar in nature to a Letter of Intent (LOI) when negotiating a building lease. It is very important that what one party hears is what the other party really intended.
- Create an advocacy team for the project consisting of local business and community leaders to win public support for the project. By presenting to local citizen planning committees, rotary clubs, business associations, and the like, staff built community advocates who were able to repeat the benefits of the project to others.
- Meet early and often with internal decision makers. These are people who will be part of the approval process like commissioners, city council auditors, council members, general counsel's office, finance department, procurement department, public works department, equal business opportunities department, etc.
- Understand the private sector partner's needs and wants in order to get to a "win-win" for both parties. The public sector must be focused on meeting its goals for the project (job creation, increase in the tax base), but don't forget that the private sector is there to make money. Find ways to creatively structure the deal so that the private sector is rewarded for performing.
- Don't be naïve about the power of the opposition's personal interests. A critical mistake that was made during the MDDA process was that the JEDC misjudged the aggressiveness of the opposition. While staff was busy negotiating the best deal possible, the opposition got out in front of us with a negative ad campaign and presentations to local community and business groups. The team was then forced into a position of being reactive instead of proactive.
- Understand how public record laws will affect your negotiations.
- Start pitching the deal even before it is final. This is the JEDC recommendation to groups considering a public-private partnership that want to avoid the challenges faced by the JEDC. This allows the public sector to set the tone and explain the facts about the deal before they can be misrepresented by the opposition.

riding the waves

OF THE ECONOMIC STORM

By Jason Crawford

Between 2007 and 2009, the national economy lost 8.4 million jobs and more than 5.1 million homes faced foreclosure proceedings. Viewed by experts as the most severe economic climate since World War II, the Great Recession had an effect that reached far beyond the boardrooms of Wall Street, to every community.

While prudent fiscal planning by the city of Santa Clarita (CA) City Council lessened the effect of the global economic slowdown on our community, the city was not immune to the hardships of the current recession. Fourth quarter 2008 sales tax numbers were 15 percent below same quarter comparisons and among the lowest in the city's then 21-year history. In addition, the economic crisis had also affected many local businesses and residents. The office, retail, and industrial vacancy rates were near 30 percent, sales taxes were down almost 20 percent, and the unemployment rate had nearly tripled at a high of 8.2 percent.

To help combat the U.S. crisis, the federal government approved a $787 billion stimulus package in 2009, allocating $185 billion in spending to stimulate the economy and create an estimated one to two million jobs. The immediate effect that these programs would have on local communities was questionable. Even as the timeframe for the Great Recession technically ended, the after effects of the economic depression led to a "New Normal," as staggering long-term unemployment, falling home prices, and countless business closures became the norm.

The city of Santa Clarita cross-markets two valuable tax savings programs for businesses with its Enterprise Zone and Work-Source Center. Additional funding allocated in the 21-Point Business Plan for Progress allowed the city to create new ads, which appeared in local and regional papers and business journals.

The Santa Clarita City Council wanted to make sure the local small business owner was not forgotten. It was apparent that the city had to implement innovative, broad-reaching economic development programs to strengthen the local economy for both the short- and long-term. Even as the Great Reces-

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HOW ONE SOUTHERN CALIFORNIA CITY PULLED TOGETHER ITS RESOURCES TO BUILD A STRONG FOUNDATION FOR RECOVERY

Over the last few years cities and communities across the nation were faced with some of the most challenging times to date as a result of the Great Recession. Business owners were forced to close their doors and lay off employees, residents defaulted on mortgages at alarming rates, and services were strained as leaders looked at ways to help the people through these tough economic times. The city of Santa Clarita, in Los Angeles County, realized a new approach created by and targeted to the local level was critical to weathering the economic storm. This is Santa Clarita's story of trial, innovation, and ultimately – success.

sion took shape and the national economy continued to struggle, the city sought to weather the storm and position the community for a successful recovery.

Founded in 1987, Santa Clarita is Los Angeles County's largest geographic city at 54 square miles and one of the county's fastest growing communities in terms of population. It is home to more than 180,000 residents and 6,000 businesses and is conveniently located minutes from Burbank's Bob Hope Airport. Primary industries include aerospace, biomedical, manufacturing, and film/entertainment. These companies have come to appreciate the city's business friendly approach and non-bureaucratic government structure. The city's approach to doing business dictated the development of the 21-Point Business Plan for Progress. The program was created with businesses and the community at large in mind, and the entire city staff was committed to bringing about positive change in Santa Clarita.

THE 21-POINT BUSINESS PLAN FOR PROGRESS

In spring 2009, staff from various divisions met for an intense brainstorming session at an off-site corporate conference room to examine the issues facing local businesses and identify possible solutions. The group, which included the city manager, assistant city manager, all department heads, and the top-level staff from the Economic Development and Marketing Division, was charged with developing programming to support and renew economic prosperity and confidence in Santa Clarita.

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The day-long brainstorming was reminiscent of a private sector boardroom session behind closed doors with white boards, easels, paper, markers, and food. No idea or thought was off limits and every attendee was charged with sharing programmatic concepts, innovations, and ideas for improvement. Only 21 of the 100+ concepts and programs made it through a second and third round of executive-level evaluation. But these 21 programs, both new and existing but with modifications, were selected as the most effective in the city's efforts to enhance local business partnerships, encourage quality job creation, bolster retail spending, and attract external dollars to the community.

In the plan's initial stages, the city spent a significant amount of time identifying the needs of the local business community and researching opportunities to apply for state and federal grant funding. To stay competitive among Southern California business communities, Santa Clarita partnered with the Chamber of Commerce, College of the Canyons, and other local economic development-minded organizations to increase support of business programs and determine and define services for small business owners.

This comprehensive plan came to be known as the *21-Point Business Plan for Progress*, which included results-driven initiatives to stimulate the economy at the local level. The plan included an $18 million budget comprised of a combination of funding sources including city general fund dollars, state and federal grant programs, local specifically dedicated funding streams such as landscape maintenance districts, redevelopment dollars, and federal stimulus funds. It had an aggressive timeline of deliverable results within the first few months from roll-out.

The plan provided on-the-ground assistance for Santa Clarita businesses that combined tax savings, permit assistance, federal grants, small business training, and more to assist in the retention and attraction of a diversified economic tax base. The city also capitalized on its successes by further strengthening the momentum in existing programs such as film and tourism.

The plan addressed immediate critical issues and identified programs for future sustainability. By focusing on ***job creation*** and ***business development***, the economic stimulus the plan generated would in turn create the gainfully employed residents who are the consumers frequenting Santa Clarita's local retailers, restaurants, and auto dealers.

On April 28, 2009, the City Council unanimously approved the 21-Point Business Plan for Progress. The 21 different initiatives identified in the plan included both existing and new programs aimed at assisting local businesses during one of the toughest economic recessions in history. Many of the programs were not well known by the local business community while others were created to spur economic development in a time when it was most needed.

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The following is a detailed list of Santa Clarita's 21 initiatives, including highlights of the plan in action for some of the initiatives.

1. Increase Awareness of the Santa Clarita Enterprise Zone and Expand Program

The Enterprise Zone is a critical state-initiated tax savings program designed to stimulate the economy and return valuable dollars to local businesses. This campaign included increased marketing and direct outreach to local businesses as a way to help thousands of companies understand the potential tax savings available just by doing business in the city. Prior to the 21-Point Plan, less than five percent of eligible businesses took advantage of the hiring credits available through the Enterprise Zone. However, with a $50,000 increase in marketing funds for outreach and to generate awareness of the program and its benefits, the city expected this number to increase substantially.

The marketing campaign included everything from an updated web site, street pole banners, and printed materials to person-to-person outreach. Initially the Economic Development Division began with phone outreach, but after evaluation determined this was not the best way to get in front of local business owners.

The city adjusted its strategy, paired up teams comprised of city staff from different departments, and hit the streets for face-to-face meetings. These meetings were instrumental in helping the Economic Development Division address the concerns and needs of small, medium, and large businesses. As a result, the city and Los Angeles County teamed up to draft a joint application for a replacement Enterprise Zone that would include business parks and areas in unincorporated LA County, which were part of the Santa Clarita Valley. These business owners expressed the need for an expanded zone as a means of being able to keep business not only in the Santa Clarita area but also in California.

City-County Enterprise Zone Expansion Efforts

"The City of Santa Clarita's involvement in the Enterprise Zone program was a primary driver for our family's decision to move our business to Santa Clarita."

– Greg Waugh - president, Pacific Lock

The city, Los Angeles County, and Santa Clarita Valley Economic Development Corporation (which was formed as part of the 21-Point Business Plan for Progress and will be discussed later) partnered to expand the Santa Clarita Enterprise Zone beyond city borders to benefit the businesses in the unincorporated area of the community. The city provided staff, expertise, and experience to the partnership to ensure that the expansion application was successful. To date, the Santa Clarita Enterprise Zone has resulted in 562 people hired into new jobs, 3,135 people hired into existing jobs, and a savings of $117 million to more than 256 local companies within the city.

2. Promote the Recycling Market Development Zones (RMDZ) Among Businesses

The city is one of 40 Recycling Market Development Zones in California. The zones are designed to encourage the use of recycled materials in product manufacturing, while encouraging reduction of waste from manufacturing. Qualifying businesses are eligible for low interest loans, financial assistance referrals, and waste exchange. The plan proposed developing new marketing materials for outreach to eligible businesses and another program offered in Santa Clarita saving qualified businesses money.

3. Market Santa Clarita with the Think Santa Clarita Valley and Think Santa Clarita Programs

These programs were designed to promote "Thinking Santa Clarita First" on both the local and regional level. The "Think Santa Clarita Valley" campaign, which targeted the local consumer and Business2Business (companies serving other companies or doing business direct with other companies, versus consumers) audience, had a total budget of $50,000 and was developed to encourage people to think local when shopping, soliciting services, hiring employees, etc. The rationale behind the campaign was that keeping sales tax dollars and workforce dollars close to home was a reinvestment in the community.

The city's Think Santa Clarita bus wrap stopped traffic upon its debut in early 2010. The bus touted Santa Clarita's "Most Business Friendly City in Los Angeles County" title, as bestowed by the Los Angeles Economic Development Corporation. The "Think Santa Clarita" bus serves four commuter routes to business parks in Los Angeles and remains in use today, demonstrating the longevity of this marketing piece.

The "Think Santa Clarita" campaign, with a total budget of $200,000, focused on developing a business brand identity for Santa Clarita in the regional Los Angeles market as a way to attract external dollars to the area and encourage business relocation. The campaign consisted of targeted direct mail and cable TV ads, banners, commuter bus ads, and outreach to and through local businesses. The greater Los Angeles outreach promoted Santa Clarita as *the* place to shop, locate a business, and live as a way to import sales tax revenue and attract businesses that may not know of the city's low tax environment. The aim of the outreach also was to attract homebuyers with higher incomes who may not know of the excellent schools, parks, commuter services, quality of life, etc. readily available in the city.

Santa Clarita's Business Identity Reaches New Heights

The city launched a business attraction campaign designed to raise awareness about Santa Clarita as "LA County's Most Business Friendly City." As part of this campaign, the city secured a feature on Santa Clarita in the October 2010 issue of Southwest Airlines in-flight magazine, *Spirit Magazine*. The 16-page *"Meet Me in Santa Clarita"* feature was an overwhelming success, reaching more than 8.5 million business and leisure travelers. In addition, the city garnered visibility in the *Los Angeles Times, Los Angeles Business Journal, San Fernando Valley Business Journal,* and *PM Magazine*.

In addition to external media placement, the city created *The Santa Clarita Business Minute*, a video campaign designed to promote the city's business friendly practices to Los Angeles regional CEOs, CFOs, and other decision makers. The campaign extends the reach of business retention and attraction efforts by visually demonstrating why companies choose Santa Clarita as the place to do business through testimonials from successful local companies. Princess Cruises, Intertex, Advanced Bionics, and the hit television show "NCIS" have all been featured in the campaign.

4. Develop a Film Incentive Program to Promote Filming in Santa Clarita

This program, with a budget of $150,000, incentivized increased film production by subsidizing permit fees for productions that based in Santa Clarita and hired locally based crew, while providing staff with direction to explore opportunities to reduce costs of safety personnel, including fire and sheriff. The program also provided a rebate of half of the Transient Occupancy Tax generated from film-related hotel stays (or five percent) for up to $50,000 throughout the fiscal year. These benefits were available to productions based in Santa Clarita, creating a demand for additional stages and support businesses, while also increasing local jobs for industry workers and sales tax generation.

Further, this program sought to capitalize on the momentum created in increasing film activity and was ideally timed with the state's new tax incentive, designed to attract increased feature and television production.

Santa Clarita-based "Switched at Birth," an ABC Family television show, films on location at Newhall Park. The city's Film Incentive Program provided the show with a $3,300 film permit fee subsidization for filming in May and June 2011.

Film Incentive Program

"We felt that overall we could put a better show together in Santa Clarita than anywhere else. That took into account all aspects of the show, from casting and production to post production. Santa Clarita was the best location."

– *Bob Lemchen, senior VP of production on "The Riches," Fox Television Studios*

Already recognized as having the lowest film permit fee in the entertainment industry's "30-Mile Zone," the Film Incentive Program saved 21 productions a collective $150,000 in film permit fees. This helped bring nearly $20 million in economic benefit to Santa Clarita businesses as a result of location filming. Additionally, more than 20 California Film Incentive Program productions have filmed in the city.

Disney/ABC Studios @ The Ranch Project

Further strengthening Santa Clarita's position as the premier place to film in Southern California, Disney/ABC Studios announced a project titled Disney/ABC Studios at The Ranch. The multi-million dollar, multi-year project will bring a dozen soundstages and new production facilities, along with thousands of jobs and more than $500 million annually in economic benefit to the community. The project is set to break ground in early 2012 and the city is already actively speaking to businesses looking to expand or relocate as a result.

5. Offer Redevelopment Grants to Small Business - Newhall Redevelopment Small Business Grants

This program allocated $100,000 in redevelopment funds to provide 20 $5,000 micro-grants to small businesses in the redevelopment project area. Grants were contingent upon several factors, including the successful completion of workshops produced by the Small Business Development Center. The free workshops were designed to give business owners additional tools and resources to succeed in a challenging marketplace. So many small businesses were hurting as a result of the economic downturn and this presented an opportunity to help one of Santa Clarita's business segments that was most in need.

Business Improvement Grants

The city looked to further help local businesses with grant opportunities offered through the federal stimulus plan. Through this effort, the Newhall Small Business Grant, Energy Efficiency Grant, and others were developed to save businesses money and offer opportunities for business enhancements. To date, more than $675,000 in grant funding has been awarded to local businesses for business improvements.

Santa Clarita Councilmember Laurene Weste delivered a check for $5,000 to Mr. and Mrs. Rodriguez, owners of Bubbles Laundromat, who plan to use their small business grant check to help expand their business. The Newhall Redevelopment Small Business Grant Program, a competitive grant process, helped 20 small businesses in the Newhall redevelopment area with funds to grow their business.

6. Provide an Incentive for Retailers to Open in Santa Clarita

This program was developed in collaboration with area shopping centers including Westfield Valencia Town Center, Centre Pointe Business Park, and the Plaza at Golden Valley. The goal is to increase future sales tax generation by expediting and subsidizing tenant improvement permits for new tenants.

In the midst of the recession, the city's Westfield Valencia Town Center opened a new outdoor shopping concept titled "The Patios" in November 2010. The 200,000-square-foot project brought scores of new retailers to the area and hundreds of new jobs, which provided a large boost to the local economy.

Retail Expansion

"It is no accident that Santa Clarita is one of the #1 places to do business in the entire country."

– *Larry Green,*
senior vice president, Westfield

At a time when retailers in other parts of the state and across the nation have been closing locations, businesses are betting on the positive future of Santa Clarita. The Westfield Valencia Town Center welcomed 40 new retail stores with the *Shops at the Patios*, representing a $130 million investment in Santa Clarita and an additional 700 jobs, according to representatives from Westfield. The project's success did not depend on the retail expansion funds. In fact, the $100,000 allocated to this program was not spent, but rather re-allocated to the FY 10-11 budget for the Economic Development Division to continue with regional "Think Santa Clarita" marketing efforts for another year.

7. Streamline the City of Santa Clarita's Development Process for Businesses

The city recognized the need to make the development review process more business friendly. After all, once a company is interested in Santa Clarita, one of its first interactions with the city is with the permit process. Before developing a plan for this initiative, the city created a development process advisory group comprised of previous customers (developers, builders, planners, etc.) to provide input and perspective.

The goals identified by staff as a result of the advisory group meetings included:

- Streamlining Santa Clarita's development process;
- Implementing technology solutions to accept plans and permits electronically;
- Streamlining the permit processes;
- Deferring certain building fees for a year or longer to allow greater access to funds to build; and
- Formalizing a free, one-stop review for projects.

Specifically, the one-stop review provides for greater efficiency and cost savings for developers and makes Santa Clarita a more business-friendly city.

Streamlined Development Process

City staff incorporated feedback from business, development, and community leaders to implement a more streamlined development process. This includes technology solutions to accept plans and permits electronically, as well as a one-stop Permit Center where customers can meet in one location with all city departments included in the permit process. Since its inception, the Permit Center has serviced over 12,250 customers. The city's electronic plans and permits have expedited the planning process for corporate users such as Advanced Bionics and Quallion; medical users such as the local hospital expansion; and new restaurants such as McDonald's, Taco Bell, and Chick-fil-A, along with numerous other businesses. Over 750 permits have been processed electronically.

Companies Relocate to Santa Clarita

"Princess Cruises had very aggressive growth plans and chose to relocate its global headquarters to the City of Santa Clarita because it was a cost effective location with access to talented employees from surrounding areas."

– Jan Swartz, VP of sales, marketing and customer service, Princess Cruises

By listening to the needs of the business community and collaborating with business professionals and community partners, the city was able to create a comprehensive plan that has caught the attention of many businesses looking for a strong city in which to relocate. Santa Clarita is now home to Advanced Bionics, Quest Diagnostics, Ronan Engineering, and many other businesses that have since relocated here.

8. Create Incentives for Businesses Adding Jobs to the Local Economy

This program offered subsidized permit fees to attract new business or existing businesses that were expanding, thus increasing the number of quality jobs in the city.

9. Make It Affordable for a Company to Become an Event Sponsor

Lifestyle events are a key element in the community. It was important to continue encouraging event sponsorship while creating marketing value for local businesses. Tough times meant strategic thinking was imperative in order to keep existing event sponsors and solicit new partners. The solution included creating a multi-year sponsorship program that allowed immediately for minimal or zero spending by a sponsor with contracted future payments. For example, a local company could sponsor the summer concert series with a five-year agreement, paid only in the final four years of the agreement.

10. Re-Allocate Staff to Economic Development

Santa Clarita, like so many cities across the country, experienced a slowdown of business in some departments as a result of the economic crisis, while others were busier than ever. The city used this opportunity to strategically reallocate staff from other divisions with reduced workloads to the Economic Development Division to implement programs identified in the 21-Point Business Plan for Progress, as well as ongoing programs.

11. Focus the Santa Clarita WorkSource Center

Santa Clarita was long home to a WorkSource Center program, funded by the Workforce Investment Act. The national program was designed to connect job seekers and businesses to reduce unemployment while easing the workload of local employers. This program was part of the city's Community Services Program. However, as part of the 21-Point Plan, this function was moved to the Economic Development Division to perform a top-to-bottom makeover of the program and maximize its effects on the business community and unemployed residents. The program plan included alignment with the local college to create integrated job training and a job placement system, in addition to better promotion with the Enterprise Zone program.

Connecting Residents with Employment Resources

One of the most successful partnerships has been with the Santa Clarita WorkSource Center, which the city decided to physically relocate to the College of the Canyon's (COC) University Center to better maximize the partnership. Since moving to COC, the WorkSource Center has assisted more than 15,000 job seekers with free resources, including skill and empowerment workshops. Additionally, the Center has seen great success at recruitment events with local businesses such as Westfield Valencia Town Center and Valley Produce Market, both of which resulted in more than 40 candidates offered employment at the events alone.

12. Maximize the Benefits of Santa Clarita's Business District Improvements

Santa Clarita boasts several Landscape Maintenance Districts (special assessment areas where property owners have voted to approve paying additional fees that are dedicated to support maintenance and landscaping costs to enhance the area), which fund the median and landscaping of public areas throughout the community, but this program sought to maximize a project area that was funded by businesses, in an effort to make those businesses more successful.

The first phase of this project included way-finding median signage on major thoroughfares for the two largest sales tax generators – the Westfield Valencia Town Center mall and the Valencia Auto Center. The project also included streetscape beautification improvements to Auto Dealer Row to create a sense of place and encourage consumer visits. Future phases are scheduled to include other high-traffic business areas throughout the city.

Business Community Beautification

The city partnered with the business community to provide enhancements to medians and streetscapes for Valencia Town Center and Valencia Auto Center businesses to create a sense of place, provide directional signage along the street, as well as encourage consumer visits. Aesthetic enhancements included the installation of new cross walks, a new cobblestone center lane, and updated landscaping and signage directing patrons to the city's two most heavily trafficked retail destinations.

13. Expedite Spending of Stimulus Dollars – Infrastructure Projects Where Most Needed

This program was designed to maximize the economic development impact from city-led infrastructure projects and publicize the impact to the community. The plan aggressively pursued and expeditiously spent stimulus dollars to maximize economic and job creation impact while improving infrastructure. Projects in this area included highway infrastructure and transit capital assistance, including bridge rehabilitation, traffic circulation, and expansion of commuter parking facilities.

14. Expedite Spending of Stimulus Dollars – Non-Infrastructure Where Most Needed

The city used these special funds to support businesses. This included maximizing the amount of stimulus dollars to fund projects, including the Department of Justice (COBRA – Career Offenders Burglary Robbery Apprehension grant, which is a team of deputies and a sergeant who investigate crimes by juveniles, while also tracking gang activity and crimes), Community Development Block Grants, energy efficiency and conservation, and neighborhood stabilization. Specifically, the Economic Development Division developed a program to provide energy efficiency grants for a total of $300,000 in funding. The grants allowed the city to provide additional money to businesses interested in energy efficiency updates such as solar panels, requiring a matching contribution from the company.

15. Develop an Economic Development Corporation (EDC)

This initiative tasked the city with partnering with the local Chamber of Commerce, Valley Industrial Association, College of the Canyons, and other agencies to explore the formation of an economic development corporation with the responsibility and direction to promote business in the Santa Clarita Valley. The EDC would function as a public-private partnership and be able to perform in ways that the city could not.

16. Create an Incentive Structure for the City to Purchase Local

The city believes it must practice what it preaches and prioritize purchasing from local companies. At the same time, the city is mandated to be a good steward of public monies and go through a transparent bidding process for purchases, with the goal of accepting the lowest bid for products and services. It found a way to do both, by allowing any local company that comes within 10 percent of the lowest bid from a non-local company to match that non-local company's bid. This ensures the city is still getting the lowest possible price, while also incentivizing that the purchase will be awarded to a local company. The city then promoted this incentive among its large-scale employers, encouraging them to create similar programs to support and reinforce the Think Santa Clarita Valley local marketing and B2B program.

17. Develop a Hotel Business Improvement District (BID)

Tourism is one of Santa Clarita's major industries and as such, the city and local organizations and businesses have worked diligently to develop a tourism brand, attract tourism related events, and support local tour-

As a result of building awareness of Santa Clarita's business brand, the city secured a 16-page feature in the October 2010 issue of Southwest Airlines in-flight magazine, Spirit Magazine. The "Meet Me in Santa Clarita" piece was an overwhelming success, reaching more than 8.5 million affluent business and leisure travelers nationwide.

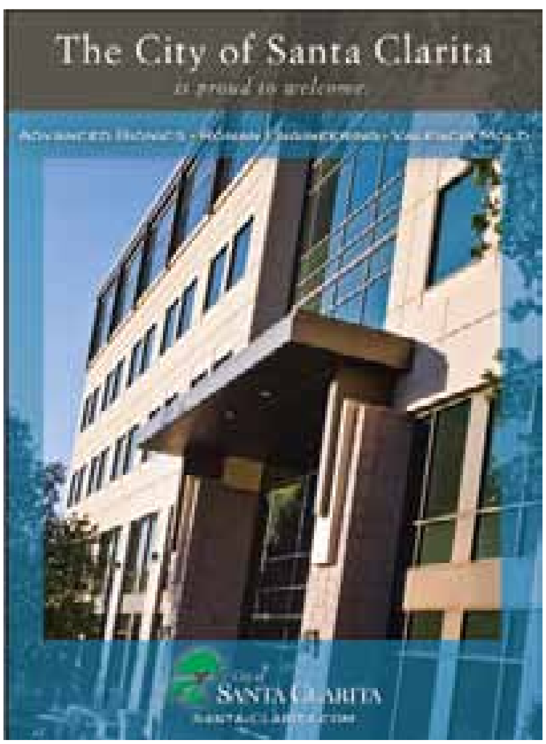
ism businesses. The city worked with local hotel business owners to add an additional tax assessment of two percent, thereby increasing funds for marketing tourism. The small increase would match the tax level currently in Los Angeles County. Funds would be used to attract tourists and events, supporting the city's efforts to attract high economic impact events such as sports and cultural tourism.

18. Old Town Newhall Façade Program

This initiative created a façade improvement program for businesses in the city's Old Town Newhall neighborhood, where redevelopment efforts are currently underway. Specifically, it provided financial assistance in the form of grants and loans to assist small businesses in Old Town Newhall to support attraction, retention, and potential expansion.

19. Expansion and Promotion of the City of Santa Clarita Use Tax Incentive for Business

This program was designed to incentivize business expansion and generate increased use tax revenue. This is accomplished by allowing any business that directs a use tax payment of more than $20,000 to the city to allocate one-half of that payment to be used towards permit fees or as a rebate to the business. The city's Use Tax Incentive Program *does not increase or create any new taxes*. Rather, it allows an alternate method of reporting use tax so that the local share is returned to the city.



The city is committed to fostering an environment where new and existing businesses thrive. As part of the 21-Point Business Plan for Progress, the Economic Development team worked to relocate several businesses (including Advanced Bionics which added more than 650 jobs) with expansion needs to the community. The featured ad ran in local and regional business journals, demonstrating the city's commitment to creating a business environment where companies are appreciated and welcome.

By participating in the Use Tax Incentive Program, the use tax a business already pays will be allocated locally to the community, creating funds for parks, roads, and fire and sheriffs, instead of being distributed to other communities. The incentive for businesses to participate is the eligibility to receive a portion of any new net use tax received by the city rebated back to businesses in one of two ways: cash or credit.

Businesses that choose the cash option are eligible to receive a payment of 30 percent of any new net use tax received by the city as a result of that business's use tax purchases and participation in the program. The credit option comes in the form of a business expansion credit, whereby businesses can use those funds to offset the cost of expanding for fees such as planning entitlements or building and safety permits for projects approved in the city.

Use Tax Incentives

"The Use Tax Incentive Program provided us the opportunity to save a significant amount of money in permit fees that we can then use to reinvest in our business and the community."

– Bill Barritt, chief financial officer, Aerospace Dynamics International

In addition to impacts on employment, the 21-Point Business Plan for Progress expanded the local tax base as a result of the creation of the Use Tax Incentive for Business Expansion Program. The credits generated to date for one local company are in excess of $200,000, split 50/50 between the city (new revenue) and the business (rebate program). The program is truly a win-win for the city and the business community.

20. Neighborhood Stabilization Program (NSP)

This program allows the city to help eliminate blight and reinvigorate and stabilize affected neighborhoods. The city aggressively went after additional NSP funds to be used to redevelop demolished, blighted, and vacant properties.

21. Development of the One Valley One Vision – Economic Development Element

The city has collaborated with Los Angeles County in an effort to create a development plan with common goals and initiatives to ensure continuity of development throughout the Santa Clarita Valley. This program tasked the Economic Development and Community Development Divisions with drafting an entirely separate stand-alone element focusing on economic development for the city's general growth plan, creating long-term sustainability for the quality of life and economic stability of Santa Clarita. The element specifically discusses the need for development of Class A office space, extends building height maximums, and encourages increased density in non-residential development. It provides clear direction to staff and future Planning Commissions and City Councils on the importance of creating a jobs-housing balance supporting the attraction of new, bigger companies to Santa Clarita.

THE POWER OF LOCAL GOVERNMENT AND PARTNERSHIPS

The 21-Point Business Plan for Progress is a testament to the power of local government and partnerships. Jobs were created, programs were enhanced, and businesses moved to Santa Clarita as a result of the programs. And in addition to tangible successes, so many in the community will attest to the fact that the plan was a critical part of Santa Clarita's weathering the economic crisis because it provided a central focus and vision for the entire business community. The message was clear: the city and its businesses will get through the recession and we will be in a better position for success later as a result of our efforts now.

Not every program was a home run, but so many exceeded expectations. And throughout the process, the city accepted feedback, made adjustments to programs where possible to ensure they were meeting the needs of the target market, and looked at ways to improve and enhance the overall business climate.

Since July 2009, the 21-Point Plan has positively impacted the local economy by:

- Attracting *650+ new jobs*;
- Generating more than *$117 million in tax savings for local businesses* through the Santa Clarita Enterprise Zone;
- Assisting more than *15,000 job seekers with free job-prep resources*, including skill and empowerment workshops at the Santa Clarita WorkSource Center;
- Awarding more than *$675,000 in grant funding* to local companies for business improvements;
- Streamlining the development process, resulting in *more efficient services*;
- Branding *Santa Clarita as a great place to do business* to the Los Angeles market; and
- Bringing nearly *$20 million in economic benefit* to Santa Clarita businesses as a result of location filming.

The 21-Point Business Plan for Progress highlights the significant impact that can be made on the economy by localized economic development. Implementing these programs now, while strengthening the economic base for the future, enables Santa Clarita to meet today's needs and positions the city to succeed as the economy recovers.

In retrospect, the city would implement the same strategy today. What this program demonstrated was that every community must develop programs and policies to support business and then take action. After all, the goal of any economic program, in good and challenging times, is to help companies of all sizes succeed. So take the time to speak with business owners and understand their challenges. Once you understand where they are at, you can create programs that address their needs. There is and will never be "one" ideal solution to economic recovery. However, the one universal principle the city of Santa Clarita can share is "action" speaks volumes to business owners, demonstrating a genuine investment in them and the community.