

## From Lone Rangers to Collaborative Communities

*Finding the Cutting Edge in Economic  
Development Practice*

## Fostering an Entrepreneurial Spirit

*Southwest Initiative Foundation Helps Keep  
Businesses Growing in Southwest Minnesota*

## Planning for Historic Preservation & New Job Creation

*The Dubuque/IBM Project*

## U.S.SourceLink

*Making the U.S. Entrepreneurial Ecosystem Visible*

## Workforce Development that Supports Economic Development

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## INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

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Dennis G. Coleman,  
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IEDC Chair

# dear colleague

I am excited and honored to become IEDC's newly elected chair. It is a distinct privilege to serve as chair of this great organization. My responsibilities will be simultaneously challenging and rewarding in helping to maintain the organization as the premier association for economic developers. I am especially enthusiastic about working with IEDC's outstanding staff and all of our Board members.

Our Governance Committee members will serve along with me as the organization's leadership team for 2011. The members are: *Jay C. Moon, CEcD, FM* (Vice Chair of the Board); *William E. Best, FM* (Immediate Past Chair); *Lynn Martin Haskin, Ph.D.* (External Member Relations); *Barry Matherly, CEcD* (Planning and Business Development); and *William C. Sproull* (Performance Oversight and Monitoring). *Paul Krutko, FM*, is the new Secretary/Treasurer. All of these individuals are providing their special strengths to the Board and guiding IEDC into the future.

This is a particularly challenging time. We're coming back from the deepest recession in our lifetime and nobody can say with certainty what the "new" normal is going to look like. Almost one in two economic development organizations will be revamping their strategic plans this year. Understanding that many organizations have fewer resources available, IEDC is here to support you as your organization creates its own blueprint for a new prosperity.

We will continue to provide the information you need. Through conferences, web seminars, professional development courses, newsletters, journals, reports, clearinghouse services, and other resources, it is my goal for IEDC to be the go-to organization to support you in today's difficult economy.

I am also determined for IEDC to be your organization to support and enhance your management and leadership capabilities, not only within your own organization but also within your community. We are currently participating in an initiative to identify and develop leadership talent competencies for our members, which include managing staff for optimum performance; working effectively with boards; being attuned to the political environment; improving listening skills; and reaching out to external expertise, as appropriate, to enhance performance.

For this project, interviews with EDO executives during the Leadership Summit addressed executive roles, critical success factors, derailers, culture, and work environments. Information and data collected from these interviews will be aggregated and analyzed to develop an Executive Competency Leadership Model, which will be available to members later this year.

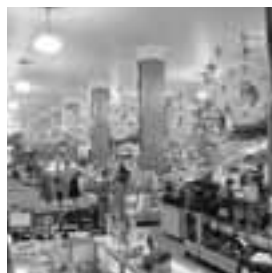
Throughout the year, IEDC will stay ahead of the curve on emerging issues in today's continually changing economy. I am committed to ensuring IEDC's strategic goals of entrepreneurship and innovation, globalization, and sustainability or green development are implemented and incorporated into organizational content and events.

I look forward this year to assisting IEDC with its mission of providing leadership and excellence in economic development for our communities, members, and partners. We will be working together to turn today's obstacles into tomorrow's opportunities.

Dennis G. Coleman, CEcD, FM  
IEDC Chair

# The IEDC Economic Development Journal

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INTERNATIONAL  
ECONOMIC DEVELOPMENT  
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# from lone rangers to COLLABORATIVE COMMUNITIES

By John Accordino, Ph.D., AICP, and Fabrizio Fasulo, Ph.D.

## INTRODUCTION

Economic development practice has come a long way since the days of Mississippi's Balance Agriculture with Industry program of the 1930s and successive generations of smokestack- and chip-plant-chasing. During that era, economic development was often pursued by lone individuals who ventured forth to hunt for new manufacturing businesses on behalf of their governments. Their work was largely unknown to the average citizen, except when newspaper headlines announced the opening of a new plant, and they were not always appreciated even by other government agencies, whose missions appeared to conflict with economic development goals.

In recent decades, the practice of economic development has gradually changed, as states and localities have begun to pay more attention to the development of competitive regional clusters, the retention and growth of existing businesses, the commercialization of research and new business creation, and the value-generating activities of skilled and creative workers. And even successful recruitment, we now know, relies on more than just access to materials, markets, and labor but also on quality-of-life factors and an entire complex of supportive local businesses and institutions. This broader notion of what constitutes local economic development has necessarily required states and localities to broaden their activities, link operational units of government, collaborate across local jurisdictional lines within regions, and develop a wide variety of public-private partnerships.



Virginia's Region 2000 has been successful in gaining community support for their objectives. Here, business, community, and government leaders come together to help Region 2000 staff members plan a comprehensive economic development strategy for the region.

It is one thing to understand the benefits of collaboration across institutional and jurisdictional boundaries, but it is quite another to be able to practice collaboration in the face of pressures that push in a different direction. And opposing pressures remain strong. Most of America's local economies – its metro areas – are still governed by many independent governments whose fiscal base remains rooted, to a large degree, in real property taxes and retail sales taxes, both of which push governments within the same metro area to compete with each other for business. To make matters worse, the general public still often does not understand the benefits of a regional economic development strategy, and this further encourages local politicians to support a narrow and sometimes self-destructive economic development policy.

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## FINDING THE CUTTING EDGE IN ECONOMIC DEVELOPMENT PRACTICE

*Economic development was traditionally practiced by lone individuals and single organizations that focused primarily on attracting new business investment. Although competitiveness in the global economy now requires regions to wield a much wider variety of tools, existing jurisdictional, institutional, and sector boundaries may limit a region's ability to organize all of its resources to optimize economic development performance. However, some regions are finding ways to overcome structural barriers through innovative, collaborative partnerships to design and implement region-wide cluster development strategies and provide creative business development services. This article profiles some of these collaborative initiatives and draws lessons for economic development practice.*



Related to metropolitan political fragmentation is the fragmentation among economic development functions that hampers some local efforts. In some cases, this may be due to the fact that a community's economic development approach has developed in stages over time, with new concerns – e.g., business retention and expansion, new business formation and development, infrastructure development, or knowledge creation and commercialization – being viewed as the mission of some other organization. In other cases, notably workforce development, federal government funding has required the development of separate entities that have traditionally been disconnected from economic development agencies.

For some time now, metropolitan government and tax-base sharing arrangements have been advocated as remedies for the problems of local political fragmentation. But these ideas remain political non-starters in most parts of the United States. So how can economic development practitioners best work within the parameters of existing local government political, fiscal, and institutional structures and still promote development effectively?

For some time now, metropolitan government and tax-base sharing arrangements have been advocated as remedies for the problems of local political fragmentation. But these ideas remain political non-starters in most parts of the United States.

A recent survey of “best-practice” economic development cases reveals a number of ways that regions can make great strides in economic development through skillfully organized collaboration across jurisdictional, institutional, and sector boundaries. These communities were identified by nationally known economic development professionals as exemplary practitioners of one or more of the traditional economic development tasks of business recruitment, retention/expansion, new business formation/development, and workforce/talent development.

A close analysis of these organizations revealed that they pursue these missions through innovative collaboration across jurisdictional and institutional lines, and they enlist a wide variety of partners and volunteers to participate in achieving their missions. Many have gone a considerable distance toward educating the public and making economic development a shared, community-wide endeavor, thereby creating a strong foundation upon which to build further efforts. (See methodological note.)

This article provides profiles of the collaborative aspects of a sub-set of these cases. It focuses first on a couple of exemplary practitioners of inter-jurisdictional or inter-institutional collaboration. The article then highlights a few innovative, collaborative partnerships and



*Virginia's Region 2000 Partnership works with local companies to identify opportunities for growth. Here, Bryan David, executive director, (right) discusses recent changes in manufacturing operations with RR Donnelley's plant manager, Bob Leveque.*

initiatives; some noteworthy peer-to-peer collaboration efforts (in which businesses advise each other through well-structured processes) and the creative use of volunteers in economic development; and finishes with an example of how an aggressive regional branding campaign can build support for economic development. The article concludes with a brief discussion of the lessons to be learned from these cases. No single cause seems to have brought these initiatives into being, but all are characterized by a willingness to think beyond traditional boundaries. Although quantitative analyses of the impacts of these efforts are beyond the scope of this article, it reports the results as related by program staff.

## INTER-JURISDICTIONAL AND INTER-ORGANIZATIONAL COLLABORATION

**Research Triangle Regional Partnership (RTRP, North Carolina)** is arguably the poster child of regional collaboration. It is a public-private partnership comprised of 13 counties, 34 chambers of commerce, 30 CEOs, six university presidents, and nine institutional partners, including the Raleigh Chamber of Commerce and the Small Business Development Council. It is governed by a 56-member Board of Directors with representatives from each of the 13 counties, and it works with the North Carolina Department of Commerce and a wide range of public and private partners. An Economic Development Advisory Committee comprised of economic developers from each of the 13 counties meets monthly to plan and implement strategic marketing efforts.

The primary reason why this far-flung organization exists is the Research Triangle Park itself, a powerhouse that has enjoyed strong leadership since its inception a half century ago and which lies near the geographic center of the RTRP region. The park exerts a unifying force on the region and fosters a strong norm among all private and public sector partners of “play nice or go home,” as a staff member put it, which keeps both urban and rural communities engaged.

RTRP's cluster development strategy, devised and implemented since 2001, illustrates how collaboration works in this region. The 2001-02 recession stimulated RTRP to take a recently completed cluster analysis of the Research Triangle region conducted by Michael Porter as part of a national study, and make it usable for local development purposes.

RTRP identified eight clusters (most in the science and technology fields, especially health care related) considered to hold the highest potential for boosting economic growth. This was followed by a process in which RTRP staff held over 100 meetings with numerous stakeholders throughout the region to discuss the technical results and their implications for the region. In this way, the RTRP leadership developed a shared understanding about what economic development really means and how it could be connected to a particular strategy – in this case, the cluster-based development strategy.



*TREO's Economic Blueprint was the result of an intensive process where community events like this one portrayed in these pictures played an important role.*

The RTRP leadership then met four times to consider clusters as the basis of a regional development strategy, and the specific clusters that had been identified. The leadership voted to pursue the cluster strategy. The results in terms of business development and job growth have been so satisfying that the RTRP has made cluster-based development the core of its approach.

Implementation of the RTRP cluster strategy entails a number of actions, including regular meetings of the CEOs of the cluster groups themselves and very close work with the universities that are key players in the clusters to link research and product development with production facilities in the region. Other informal groups have regular so-called “alignment” meetings. These include monthly informal meetings of foundation presidents, chamber of commerce representatives, and RTRP staff, where the region's big economic development issues are written on a white board and discussed.



RTRP identified eight clusters (most in the science and technology fields, especially health care related) considered to hold the highest potential for boosting economic growth. This was followed by a process in which RTRP staff held over 100 meetings with numerous stakeholders throughout the region to discuss the technical results and their implications for the region.

These processes build upon, and also enforce, the region's “culture of collaboration,” as one RTRP staff member called it. People are asked to come to meetings and to think about regional development opportunities in which their organizations can participate, and they do so.

**Tucson Regional Economic Opportunities, Inc. (TREO)** is the lead economic development agency that serves the Tucson MSA, which is comprised of Pima County and includes the city of Tucson. Established in 2005, it pursues an integrated, cluster-based approach that includes new business creation, business expansion and attraction, and workforce development and attraction. Its development and implementation of the Economic Blueprint, an economic development plan for the Tucson area, shows that the pursuit of a true cluster-based strategy requires not only strong technical analysis but also the active engagement of multiple institutions and stakeholders, which, in turn,

requires collaborative decision making, implementation, and monitoring of results.

TREO employed a collaborative model because it seemed to be the only way to make the economic strategy work. As one staff person stated: “If they [all stakeholders in the community] write it, they'll underwrite it.”

The Economic Blueprint development process included a strong technical component, in which consultants worked with four TREO staff members for several months to identify five key cluster areas. This technical process was embedded within a community-wide participatory process. The process involved not only the industries in the cluster groups but also over 6,000 persons and various public, private, and non-profit organizations through community presentations and meetings, focus

groups, interviews, and one-on-one meetings. Materials describing the development planning process were published in English and Spanish. The Blueprint Steering Committee – which TREO designed with advice from an external consultant – was comprised of 46 members representing public, private, and community leaders.

Using this carefully designed cluster-identification process, TREO developed what one staff person called a “shared conceptual framework of competitiveness.” This shared conceptual framework pays dividends, as TREO frequently refers to the Blueprint in its own messaging and in its encouragement of community and government action on education, transportation, and other elements that support economic development.

To implement the Economic Blueprint, TREO launched an Economic Blueprint Mobilization Strategy, a process of engaging stakeholders in more than 50 organizations to identify five major focus areas for inter-institutional collaboration (high-skilled/high-wage jobs, educational excellence, livable communities, urban renaissance, and collaborative governance). TREO then created an Economic Blueprint Mobilization Council tasked with forging strong ties among partner organizations and TREO to ensure that implementation of the Economic Blueprint occurs.

Finally, TREO commissioned the University of Arizona to develop a Community Report Card to assess annually the community’s progress in implementing the Economic Blueprint. The Report Card results have been very positive to date and the reports themselves have served to keep the subject of economic development and its importance for community well-being before the public.

**Region 2000 Partnership**, which serves the Lynchburg, VA MSA, a region comprised of 2,000 square miles and 250,000 residents, has developed an innovative approach to integrate all of its development-related functions to serve the six independent local jurisdictions in the MSA. In 2007, staff from all of the area’s regional development-related organizations – the Economic Development Partnership, Local Government Council, Technology Council, Workforce Investment Board, Young Professionals of Central Virginia, and the Center for Advanced Engineering and Research – became employees of the Planning District Commission (one of 22 regional transportation and development planning organizations in Virginia). As a result, about 20 staff were co-located in one building.

This ambitious experiment took shape when the community’s private and public sector leaders, who work well together despite the region’s economic challenges, decided that to further modernize the economy and combat structural unemployment in the region they would need to focus as many resources as possible on economic de-



*Seattle Jobs Initiative Office Occupations program graduates Dana Choe (far left) and Lesley Buchanan (back, second from left) with co-workers and supervisors at employer RGA Environmental in Seattle, Washington, 2011.*



*Virginia’s Region 2000 Partnership, with its six independent organizations, went through a re-branding process in 2009 to better communicate the organization’s unique structure. As part of the process, the organization selected a new logo to show the six organizations as one “umbrella unit”.*

velopment programs and minimize the overhead expenses of multiple offices.

The physical co-location is mirrored by functional integration as well. The boards of directors of all of the organizations are cross-populated and staff of the six entities hold regular meetings as a group. The Region 2000 Partnership has a coordinating council comprised of two members from each of the six consolidated organizations, which does strategic planning for the entire partnership, for the entire region. This ties together all of the strategic plans. Co-location enables staff of the various organizations to easily share information, which enhances the performance of each individual organization. In short, the consolidated physical and organizational structure has made possible both continuous in-

formal collaboration and better policy coordination.

Success with this level of collaboration has led to more initiatives, such as a new business park that is shared by two rural counties in the MSA and regional landfill consolidation. As of 2010, the partnership was discussing the possibility of consolidating all of the functions of the local (individual jurisdictions’) economic development offices at the regional level. The main quantifiable impact of the consolidation to date has been the significant reduction in overhead expenses. Also, job gains – the organization’s major metric – outpaced the state in one year, although they fell somewhat behind in the next. Still, the region’s overall performance has been much better than one would expect of a mature industrial-agricultural area that is transitioning to a more vibrant economy.

**Seattle Jobs Initiative (SJI)** is not an inter-jurisdictional collaboration, but it is an excellent example of how communication across institutional boundaries can help communities succeed at a notoriously challenging task – workforce development that takes disadvantaged



and structurally unemployed persons through training in marketable skills and into permanent jobs at middle wages. SJI was initiated in 1993 when Mayor Norm Rice, frustrated by the lack of connection between workforce training and economic development, moved the workforce development function into the city's Office of Economic Development.

Almost two decades later, SJI (which is now a private, non-profit organization) continues to succeed, partly because of its ongoing and thorough research of the Puget Sound job market but more so because of its tight linkages with community colleges and other education and training providers on the one hand, and with employers on the other. These linkages are nurtured through three groups that SJI has established:

- *Project Managers* serve as the liaison among students, the community college, community-based organizations (which provide other services), and SJI. Project Managers handle students' life-skills issues, connect with students' social-service case managers, organize pre-training orientation and job shadowing, develop peer mentoring arrangements, and help community colleges develop new programs to better meet students' needs.
- *Employer Brokers* work closely with employers to ensure that the training students get meets employers' needs. They work with community colleges and other trainers to make necessary curriculum adjustments, and they cultivate employers to hire students who have completed their training.
- *Employer Champion Group* is organized by SJI and consists of the human resource managers of employers who are seeking workers, as well as the community and technical colleges. It meets regularly to discuss workforce development issues and new training program ideas.

SJI boasts admirable results to date. According to staff persons, each year 70 percent to 80 percent of the people placed into courses complete them, and 57 percent to 80 percent of these graduates are subsequently placed into full-time jobs with benefits and a career track.

## COLLABORATIVE PARTNERSHIPS AND INITIATIVES

**Orlando Medical City** represents one of the most ambitious initiatives to come from multi-lateral regional collaboration among public and private organizations. It was organized principally by the Metro Orlando Economic Development Council, a private-public partnership that serves the Orlando region, as part of its effort to build a life-science and biotechnologies cluster. The idea for investment in biotech came from an initiative in 2003 by Governor Jeb Bush to diversify the economy. The state expended nearly \$1 billion to recruit biotech research institutes over the next five years.

The first major piece of the initiative was put in place when the University of Central Florida started a medical school, demonstrating to the business community its

commitment to make the life-science and biotechnology sector grow. The potential for bio-tech research growth became even more evident when the Metro Orlando EDC recruited the Burnham Institute for Medical Research to Orlando's Lake Nona. Soon after, the Metro Orlando EDC led the process of forming a life-science council. Over a period of 180 days, focus groups, personal interviews, extensive research, and travel to 12 life-science regions in North America occurred. The result of this collaborative work was the launch of the bioOrlando Council in July 2007.

One of the bioOrlando Council's most important accomplishments was the founding of Orlando Medical City as a location in which to concentrate the region's budding life-science and biotechnologies cluster.

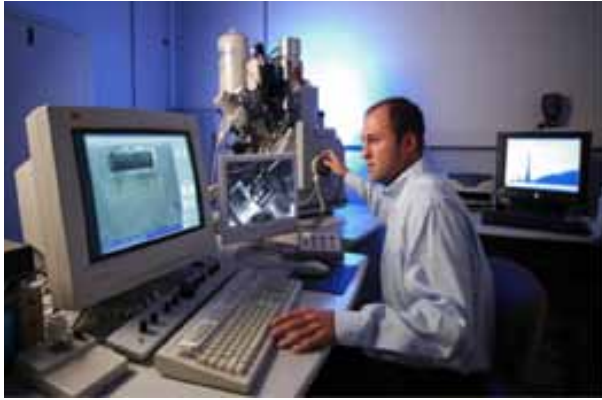


*Aerial views of Orlando Medical City under construction in Lake Nona.*

Photo Credits: MacBethPhoto.com - courtesy of Lake Nona

One of the bioOrlando Council's most important accomplishments was the founding of Orlando Medical City as a location in which to concentrate the region's budding life-science and biotechnologies cluster. To bring this about, Metro Orlando EDC coordinated a number of private and public stakeholders, including a large, private landowner; two universities; the Burnham Institute; the Orlando hospital system; and some of the local jurisdictions served by Metro Orlando EDC. The University of Central Florida decided to create a new biotech research capability and saw the opportunity to team with the Burnham Institute and other top medical and research entities. Both institutions decided to locate in a common site and to attract other business and research institutes to the site, understanding the economies-of-scale that could be captured there.

The location in the Southeast and good fortune clearly played a role in this case. However, without strong public and private sector leadership around a goal that was



*"All of the tools necessary to start a successful company are here. The KIZ and its various programs have been very beneficial to our company's growth. Their Technology Transfer grant enabled us to successfully compete for and win a large award from the National Institutes of Health to continue the development of our product."*  
 – William Van Geertruyden, co-owner, EMV Technologies

widely shared by partners throughout the region and without a history of strong partnerships in the area, it is unlikely that the Medical Center initiative could have become a reality. Metro Orlando EDC is tracking the economic impacts of the biotech cluster over time. In the meantime, construction is proceeding on schedule, with almost \$2 billion reportedly invested to date. In addition, the development of the biotech cluster has opened new possibilities for collaborative partnerships with other Orlando industries.

**Southside Bethlehem Keystone Innovation Zone (KIZ, Pennsylvania)** initiative shows how collaborative partnerships can tap the strengths of a major research university and community colleges to help drive an innovative business and talent development strategy. Pennsylvania initiated the KIZ program in 2004 for areas that are home to institutions of higher education, including community colleges and associate degree-granting technical schools. By gathering the combined resources of schools, private businesses, banks, and economic development agencies, partnerships are created that assist entrepreneurs and early-stage businesses and create a "knowledge neighborhood" that enhances the urban environment of innovation and entrepreneurship.

State funding is matched by local (public and private) funds, with the state portion to diminish each year. To date, Southside Bethlehem is reportedly the only KIZ to wean itself entirely of state support.

The Southside Bethlehem KIZ consists of 14 partner organizations (including a local bank, three hospitals, and seven economic development support organizations), selected for their strategic importance to the goal of the KIZ program. This goal is to foster the growth and cultivation of new ideas and new businesses that will drive regional economic growth and create new opportunities. It is administered by the Lehigh Valley Economic Development Corporation, a private, not-for-profit, full-service busi-

ness and economic development agency that promotes development in Lehigh and Northampton Counties.

The primary activity of the Southside Bethlehem KIZ is to provide seed funding to encourage collaboration among faculty, students, and companies within the designated zone, and also to enhance commercialization in specific areas. For Southside Bethlehem, these areas are information technology, life sciences, advanced materials, nanotechnology, optoelectronics, and financial services. These clusters were chosen because they match Lehigh University's strengths.

To date, the Southside Bethlehem KIZ has funded more than \$450,000 in Technology Transfer Grants to 24 new start-up companies, leveraging more than \$11 million in total investment. Most of the companies that have benefited from KIZ seed funding have been started by undergraduate students. Also, both undergraduate and graduate students are placed into paid internships in advanced-technology businesses in the region, and some

of these internships become full-time jobs. The program is rapidly expanding, and there is a plan to create a business incubator to better facilitate the start-up process.



*Tim Marks (foreground) and Pat Clasen (rear), as Lehigh University undergraduates, invented a novel propeller pump for high-end reef aquariums, the VorTech™ pump, thanks to the KIZ program. Clasen says, "My plan was never to stay here. But because of the programs and the facilities, this is a great place to start a business. We've been able to make this into a functioning business. Hopefully, we're blazing a trail that other student companies can follow."*

## PEER-TO-PEER COLLABORATION AND VOLUNTEERS

Economic developers know that businesses themselves are often the most effective source of assistance to other businesses – their peers. But the trick is to organize this kind of collaboration so that it achieves maximum benefit with the least possible expenditure of time from the businesses. The **High-Impact Program, a creation of Greater Louisville, Inc. (GLI)**, includes such peer-to-peer consulting arrangements. GLI serves a 26-county region in Kentucky and Indiana. It initiated the High-Impact Program in 2003, after Louisville Mayor Jerry Abramson had conducted a series of focus groups with area businesses and discovered their dissatisfaction with the lack of attention to the needs of existing, growing businesses.

The High-Impact Program identifies and provides special services to companies that are locally owned and which have a disproportionately higher impact on job growth and development of the metropolitan economy because they are either Gazelles (fast-growth companies at least four years old), Renaissance Companies (companies at least 15 years old, with 10 percent annual growth and undergoing change or revitalization), or Enablers (organizations like incubators, with a vital product or service that enables fast growth in other companies).

The High-Impact Program's many services include the CEO Roundtables, which are peer-to-peer consulting groups whose members meet frequently to share ideas and serve as an advisory board for each other on how to deal with the challenges of growth. They generate their own agendas but rely upon GLI staff to organize and staff the meetings, and to find information and commission studies from local universities and others on topics of interest to the businesses. According to staff, the success of such efforts is evidenced by the fact that business leaders attend in person, rather than sending representatives, and they keep coming to the meetings.

A similar GLI initiative is **Enterprise Corp.**, whose mission is to increase the number and quality of fast-growth companies headquartered in the Louisville region. Enterprise Corp. works with early-stage, fast-growth companies (younger than four years) that then become prospects for the High-Impact Program when they are four years old.



Former Louisville Metro Mayor Jerry Abramson (right) presenting the High Impact award to Vidya Ravichandran, president of GlowTouch Technologies Inc., also an Inc. 500 company.

Some of Enterprise Corp's most innovative services include peer-to-peer group arrangements. One is the Business Review Board, which is comprised of CEOs, entrepreneurs, Fortune-500 executives, and SBDC consultants. Once each month, prospective entrepreneurs can pitch their plans to the Business Review Board, much as they would to a bank or investor, and receive immediate feedback. The services also include monthly Performance Roundtables, which bring together 10-12 non-competing new business owners (without vendors) who constitute a sounding board for each entrepreneur as s/he formulates and pursues business goals and who provide advice if things do not go as planned.

**Greater Austin Chamber of Commerce** is an excellent example of how motivated volunteers can help achieve an economic development organization's mission. The Greater Austin Chamber relies on volunteers to help run the organization and administer many of

its community-based programs. The chamber raises almost all of its funds from private contributions, so using volunteers helps it to administer programs that it would not otherwise be able to afford, and it also helps the organization maintain community awareness of the chamber's activities, which, in turn, helps to support fundraising activities.

The first level of volunteers helps to guide the chamber of commerce by serving on the Economic Development Board of Directors, which consists of about 25 members who meet quarterly. The next layer of about 65 volunteers represents lead investor companies. They meet monthly to discuss pressing economic development issues and ways to address them. There are also special committees formed for each targeted attraction industry group, with five to 15 people on each committee. Volunteers assist with marketing missions as well.

## REGIONAL BRANDING

Regional branding is not necessarily a collaborative endeavor. However, since good branding has both an internal and an external face, it can play a vital role in creating a community-wide climate that supports collaborative endeavors and economic development generally.

**Kansas City Area Development Council (KCADC)** provides a noteworthy example of good branding. KCADC is a private, not-for-profit organization that leads economic development for the vast, 18-county Kansas City region, which has about 2.4 million residents. Because of the region's size and because there is a natural rivalry between Kansas and Missouri, the two states in which the MSA is located, internal division can easily trump regional thinking and collaborative development.

In order to encourage Kansas City residents to view the area as a single region, KCADC began the ThinkKC and the OneKC branding campaigns in 2004. These campaigns serve as both an internal and external advertisement for the region, and they emphasize the fact that businesses in the region can create advantages for themselves if they act regionally. Many businesses signed an "interdependence contract," and now more than 250 companies and communities use the brand in

their own marketing efforts. Although no formal studies of the economic impacts of the ThinkKC branding campaign have been conducted, staff report that it has now evolved into a true regional brand, aiding both fundraising and business attraction efforts by binding a politically fragmented area into a single economic region.

## CONCLUSION

What can we learn from these cases? The big news is not that there are regional economic development organizations. Most metro areas and many non-metro areas have in place economic development organizations that, at least nominally, serve the entire region. But in many



High Impact Portfolio awards are presented each year to the newly selected companies exhibiting fast growth.



cases, such regional economic development organizations still may be limited to serving as business recruiters for the individual jurisdictions that comprise the metro area, rather than really developing the region's economy in a collaborative way, or, in some cases, their service area may not even include all jurisdictions in the local economy. In the cases profiled here, however, collaboration among jurisdictions, businesses, and sectors (public, private, and non-profit) has become a way of doing business.

Yet, collaboration itself is not the goal in these cases. Rather, collaboration has come about because organizations have needed it to achieve their goals, and they have been smart enough to figure out how to do it well. As one organization director interviewed for this study put it: "People only collaborate when it is in their interests to do so." How do they do it? The following seem to be common features.

**Regional Development Planning:** "Planning is for sissies, or at least some people see it that way," said an economic development expert recently when asked why more regions don't put more time and resources into participatory planning for economic development. In the past, this criticism may have been apt. "Planning" was limited to land-use regulation and other things that seemed to needlessly constrain business, whereas economic development has always been devoted to the serious work of facilitating business development.

But two changes have rendered that view increasingly obsolete. First, communities and planners now value economic development more than they may have done in the past (though they may not yet completely understand it). Second, contemporary economic development is more complex and requires the organization of more local assets, controlled by a wider variety of local actors, than the traditional development model comprehended. Organizing and focusing assets requires good planning and collaboration among the entities that control those assets.

The cases profiled here provide some evidence for that. What is common to all of them is a deliberative process – frequent processes, in fact – involving the region's stakeholders. This may seem time consuming, but there is no other way to establish and maintain a deep and widely shared consensus on the need to support economic development and the specific initiatives that various organizations are pursuing. The organizations profiled here put time and resources into both the technical-analytical side of planning and the stakeholder participation side; they carefully link technical analysis with stakeholder participation and strategy implementation; and they frequently update their strategies through more research and more discussions. These time consuming processes, our informants told us, produce good strategies, as well as supportive political climates for economic development and the initiatives it can produce.

**Regional Thinking:** The planning and development occurring in these communities take a regional perspective, comprehending the entire local economy and its assets, not just some of the political jurisdictions in it.

But regional thinking does not necessarily require restructuring local government to make a single, regional governing body. Most of the communities profiled here are comprised of multiple jurisdictions, each of which needs to collect real estate and sales tax revenues in order to function. But by thinking regionally, they have found ways to collaborate across jurisdictional lines and they are engaging in increasingly ambitious initiatives.

**Regional Leadership:** In each of the communities described here, key projects that launched region-wide collaboration grew from sparks ignited by a handful of leaders. Such leaders can come from various parts of the business and development community – CEOs of major corporations or locally owned businesses, university presidents, politicians, chamber of commerce presidents, and others.

Successful economic development practitioners continually seek to identify such leadership, to facilitate it, and to recognize it publicly when it emerges. In the absence of strong leadership from the business or development community, economic development practitioners themselves may have to exercise more leadership, at least finding ways to educate decision makers and the broader public about the value of regional collaboration and economic development generally. They can also remind decision makers that the more collaborative initiatives occur, the more opportunity they will have to teach their constituents what economic development means and, thereby, build stronger support for it.

Despite the apparent advantages of collaboration, some local officials may be reluctant to embrace it fully, or to devote much time or effort to exploring the possibilities. True collaboration cannot be forced.

**True Collaboration Is Voluntary:** Despite the apparent advantages of collaboration, some local officials may be reluctant to embrace it fully, or to devote much time or effort to exploring the possibilities. True collaboration cannot be forced. The important lesson of the cases profiled here is that, in most regions, at least some political jurisdictions and private sector actors will be interested in finding ways to collaborate. These opportunities should be seized, continually publicized, and rewarded in whatever ways are possible. As they succeed, others will see the advantages of collaboration and join in.

The sun appears to be setting on the Lone Ranger model of economic development. Now and into the future, it seems, communities will owe their economic development successes not to the work of a single individual, a single function, or to single political jurisdictions competing with others in the same metro area but to their ability to collaborate effectively and use their creativity to devise new and unique development initiatives.



### Methodological Note

The article is based upon the results of an extensive study completed for the Greater Richmond Partnership. As part of that study, we asked several nationally-known economic development consultants to name the local (regional) economic development groups that have most effectively organized business recruitment, business retention & expansion, new business formation & development, and workforce development & talent attraction, including cluster-based development. We studied the secondary and web-based literature about these efforts

and then conducted confidential interviews with key staff in each organization. (See Accordinio, John, Fabrizio Fasulo and Grace Festa: *A Regional Reset: Building upon GRP's Strengths to Enhance Economic Development in the Richmond Region*, May 7, 2010.)

### Acknowledgment

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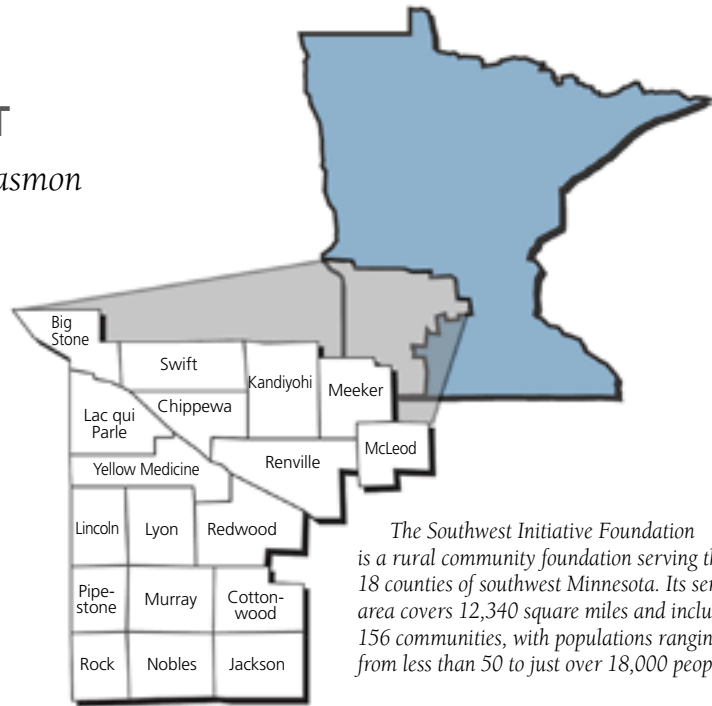
## AN ENTREPRENEURIAL SPIRIT

By Jackie Turner-Lovsness and Karen Grasmon

For 25 years, the Southwest Initiative Foundation (SWIF) has been impacting the economic and social framework of southwest Minnesota. Even during economic downturns, an entrepreneurial spirit has remained a strong characteristic of the region's people. With the help of SWIF's business development programs, entrepreneurs and communities have seen that spirit transform into positive results.

As a regional community foundation, SWIF's mission is to be a catalyst, facilitating opportunities for economic and social growth by developing and challenging leaders to build on the region's assets. Current areas of focus include economic advancement, leadership and community development, building regional capacity, and philanthropy. SWIF dedicates resources – including staff time, expertise, and grant and loan dollars – around several initiatives and programs that fit these focus areas. Current efforts include the Renewable Energy Development Initiative, Early Childhood Initiative, Entrepreneurship Initiative, Microenterprise Loan Program, Revolving Loan Fund Program, Youth Energy Summit Program, and Community and Designated Fund Program.

SWIF has a governing board of 12 volunteers representing various areas of expertise. It employs 24 full-time staff to deliver its programs and support organizational operations and has more than \$59 million in total assets. A portion of its unrestricted endowment's earnings is used to fund its work, in addition to generous contributions by



other foundations, organizations, businesses, and individuals. Its service area includes 18 counties covering 12,340 square miles in rural southwest Minnesota. That's a lot of ground to cover, and with communities varying in size from less than 50 people to just over 18,000, economic and social development needs span as great an area. The common thread of this region is a rich agricultural history, which is the foundation of SWIF's organizational history as well.

### A HISTORY OF RESPONSIVE ECONOMIC DEVELOPMENT

SWIF is one of six Minnesota Initiative Funds founded by The McKnight Foundation. The McKnight Foundation was established in Minneapolis, MN, in 1953 by William L. McKnight and his wife, Maude L. McKnight. One of the early leaders of 3M, William L. McKnight rose from assistant bookkeeper to president and CEO in a ca-

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## SOUTHWEST INITIATIVE FOUNDATION HELPS KEEP BUSINESSES GROWING IN SOUTHWEST MINNESOTA

The Southwest Initiative Foundation (SWIF), a rural community foundation serving 18 counties in southwest Minnesota, has launched a number of successful efforts to support business development and entrepreneurship throughout its region. The organization's recently-merged Microenterprise Loan Program and Entrepreneurship Initiative uniquely combine education, financing, and technical assistance, often helping make dreams of business ownership become realities for people of diverse circumstances and backgrounds. SWIF received an Excellence in Economic Development Award from the IEDC in 2010 for its Entrepreneurship Initiative. The award honors organizations and individuals for their efforts in creating positive change in urban, suburban, and rural communities.

reer that spanned 59 years, from 1907 to 1966. The McKnight Foundation, however, is an independent private philanthropic organization; it is not affiliated with the 3M Company.

The McKnight Foundation seeks to improve the quality of life for present and future generations through grantmaking, coalition-building, and encouragement of strategic policy reform. It makes grants in support of children and youth, region and communities, the environment, the arts, neuroscience research, and select international efforts. For more than 50 years, its primary geographic focus has been the state of Minnesota. A truly unique effort was creating these six regional funds in response to the farm crisis of the 1980s.

SWIF and the other five Minnesota Initiative Funds started as a way to reach deeper into rural Minnesota and address the issues crumbling communities. In many instances 25 years ago, families were losing everything as both business and morale continued downward. Each of Minnesota's six funds had unique challenges facing their areas. Once-vibrant Main Streets were becoming deserted. Successful manufacturers were closing their doors. International mining companies were shutting down. Bustling farm operations were being abandoned.

While the challenges were varied in each region of Minnesota, a common solution was created in the form of revolving loan funds at each Minnesota Initiative Fund. By providing gap financing to businesses of any size, SWIF and the other Minnesota Initiative Funds could help keep businesses running and even help new businesses start up. These kept needed jobs available throughout the state and kept people in communities, helping to spur a rural revitalization.

There was a recognized need to serve starting or expanding small businesses in the region that perhaps did not have access to more traditional financing. Microloan projects include, but aren't limited to, manufacturing, service, retail, and child care. As of February 2011, five staff members work specifically within this program area.

Today, the six funds continue to impact their rural regions through economic development, grantmaking, and other programs. The McKnight Foundation remains SWIF's largest funder as work continues to build and strengthen southwest Minnesota. Additional partnerships have led to changes in design and delivery of various programs. While most SWIF initiatives can be linked to economic impact in the region, the Entrepreneurship Initiative and Microenterprise Loan Program show significant impact in fostering an entrepreneurial spirit and serve as the focus of this article.

## TAKING THE NEXT STEPS TO GROW BUSINESSES

With local economies getting back on track in the 1990s, SWIF looked to other opportunities available to grow businesses in southwest Minnesota. It launched its Microenterprise Loan Program in 2001 with funding from the Small Business Administration (SBA). There was a recognized need to serve starting or expanding small businesses in the region that perhaps did not have access to more traditional financing. Microloan projects include, but aren't limited to, manufacturing, service, retail, and child care. As of February 2011, five staff members work specifically within this program area.



*With assistance from the Southwest Initiative Foundation, Becky and Dan Kuglin were able to purchase Blossom Town Floral, a business that has operated in Redwood Falls, MN for more than 70 years. Dedication, creativity, and some technical assistance have this business poised for success in the coming years as well.*

The Microenterprise Loan Program relies heavily on referrals from chambers of commerce, economic development professionals, other lenders, and existing loan clients throughout the SWIF region. An entrepreneur interested in more information contacts SWIF and meets with a program staff member.

An inquiry meeting is usually conversational and varies greatly, depending upon the entrepreneur's education about the business process and stage of development.

During the inquiry meeting, staff discuss the business idea, estimated project costs, funds that are needed – real estate, equipment, inventory, or working capital – and equity available. Staff also ask about background in management, ownership, or other experience that would be valuable to a potential venture; whether the entrepreneur has taken any entrepreneurial education or training; and if a business plan has been developed. A form is also completed with this basic information during the inquiry meeting.

Based on the staff's initial assessment of needs, the entrepreneur may begin steps toward applying for a mi-





*In rural areas, Microenterprise Loan Program clients like Tracy Computer and Office Supply often help fill Main Street store fronts, impacting entire communities. Owners Caleb and Joshua Schmidt quickly became leaders in their community as they worked to better their business and the local economy.*

croloan or he or she may be referred to another resource for more preparation. SWIF will assist with finalizing business plans, organizing financials, and preparing projections. A primary tool for this process is the *Guide to Starting a Business in Minnesota*, an annual publication produced by the Minnesota Dept. of Economic Development. But if entrepreneurs have done too little or no preparation of a business plan, they will be referred to the Small Business Development Center (SBDC) serving southwest Minnesota for free assistance. SBDC counselors will work with the entrepreneurs, who will then return to SWIF when they are better prepared and ready to begin the microloan application process.

Credit score, income, and collateral are considered during the application process. Staff must also verify entrepreneurs' residential status and consider feasibility of financial projections. Maximum loan amount through this program is \$35,000, with other lending financing not to exceed \$105,000. Loan term is six years or less with an 8.5 percent interest base rate and may be used for start-up costs, equipment, inventory, furniture and fixtures, and working capital. Loans are collateralized. Funds may not be used for real estate purchases, but a mortgage can be given as collateral.

Staff present loan applications to a review committee composed of SWIF's president/CEO, sr. program officer for economic advancement, microloan staff, two board members, and one external business leader representing the region at large for an approval vote. Upon approval, one microloan staff – usually the staff already working with the client for the application process and assigned based on area of expertise – immediately begins technical assistance to help the client move their project forward.

Clients receive customized support through ongoing technical assistance and training as needed for the length of the loan. Staff and business consultants provide one-to-one business planning, accounting, marketing, and other training opportunities that will help entrepreneurs

succeed in their venture, taking a more proactive approach to impacting a business's success.

This proactive approach carried forward as SWIF looked again at new business development and assistance needs in its region. With the growth of the Microenterprise Loan Program, the foundation recognized the various needs of entrepreneurs in many stages of business development. SWIF saw that there were many beneficial services for entrepreneurs through nonprofit organizations, economic development authorities (EDAs), educational institutions, and others. However, with no streamlined process to find and access the appropriate resources, entrepreneurs often had to fend for and teach themselves what they needed to know when considering business ventures.

To address this apparent need, SWIF focused on its potential role in coordinating entrepreneurial resources in southwest Minnesota. Goals to improve the region's entrepreneurial support network were included in the five-year strategic plan, which was implemented in 2007. As the first step toward this goal, SWIF launched its Entrepreneurship Initiative in 2006, dedicating staff who were currently serving the Microenterprise Loan Program to researching existing resources and options for streamlining assistance programs and education for the region's entrepreneurs.

Clients receive customized support through ongoing technical assistance and training as needed for the length of the loan. Staff and business consultants provide one-to-one business planning, accounting, marketing, and other training opportunities that will help entrepreneurs succeed in their venture, taking a more proactive approach to impacting a business's success.

To begin the process, SWIF hosted what it called the first Entrepreneurship Network Academy. SWIF invited resource providers, educators, lenders, EDAs, business students, and entrepreneurs to the event to learn, brainstorm, and network. During the Academy, through facilitated large and small group discussions, the more than 70 participants explored strategies focused on developing entrepreneurs and entrepreneurial ventures that could build a stronger southwest Minnesota and create a strong regional network to support entrepreneurship. Key findings from this Academy confirmed the belief that while strong resources existed in the region, entrepreneurs needed more streamlined access to them. These findings also confirmed the need to dedicate staff time and resources to entrepreneurial education and resources, as well as microlending, to support small business ventures in the region.





*Southwest Minnesota entrepreneurs attend educational seminars that address economic and trending needs, like this “Surviving the Recession” seminar series. Entrepreneurs gained new business ideas for dealing with a new economic reality. Many of these participants have continued to attend other seminars and classes.*

### HELPING ENTREPRENEURS GET A SOLID START

Since the Academy, the Entrepreneurship Initiative continued focusing its strategies around key deliverables including entrepreneurial education, technical assistance, access to capital through gap and non-traditional financing, and networking. The purpose has always been to facilitate and support regional resources to assist and invest in entrepreneurs and entrepreneurial ventures.

The foundation’s entrepreneurial education classes became a key component to the Entrepreneurship Initiative. The Business Consultation Session and Starting a Business Class, which as of winter 2011 were offered monthly in 12 southwest Minnesota communities, provide an opportunity to help prepare entrepreneurs and connect them with the appropriate planning resources before reaching the financing stage. Business Consultation Sessions are non-structured. Entrepreneurs are welcome to attend and ask questions about their business ideas. Sessions are usually just one hour and often most successful when multiple entrepreneurs attend and begin discussing each other’s ideas, options, and questions. These sessions are considered the first step of entrepreneurial education, where staff can give entrepreneurs basic tools to start their business planning and point them to the best resources for their area, industry, or situation.

Starting a Business Class is considered the second step in SWIF’s entrepreneurial education approach. This structured, two-hour class covers a realistic approach to understanding what is truly needed when owning a business, building a business plan, creating marketing plans, and understanding financials and operations. Again, staff will connect entrepreneurs to the next appropriate resources, which for more intense planning and assistance would be the SBDC, and for financing options, SWIF’s loan staff.



SWIF launches these sessions and classes in communities throughout the region, with staff from its Entrepreneurship Initiative teaching them for the first few months. This establishes the classes and builds awareness in the targeted area. During that time, the local EDA staff are trained to take over the classes and become the instructors and contact persons. SWIF provides the curriculum, marketing, and any resources needed on an ongoing basis. This system gives the community ownership of the classes while benefiting from the expertise and resources of the Entrepreneurship Initiative and SWIF staff.

The goal of these deliverables is to meet entrepreneurs where they are in terms of geography and state of mind. All of the technical assistance, education, consultation, and coaching is non-threatening and without judgment. This provides entrepreneurs with the tools that can move them forward, allowing them to be successful. It also helps instill confidence in entrepreneurs that there are trusted resources and people available to help them succeed in their business ventures. A key component of the education is recognizing the importance of assisting entrepreneurs early in the process. Education also helps connect entrepreneurs to other resources, as SWIF often collaborates with local partners including EDAs, chambers of commerce, Minnesota Extension Service, and others to provide these educational opportunities.

Staff have found that by connecting with entrepreneurs early in the process, planning and preparation are strengthened. Staff can ask questions entrepreneurs may not have thought of, offer additional ideas based on similar business experiences, and help modify business plans to find a feasible model to move forward. Staff have found that the more time they spend up-front with entrepreneurs, the less likely they will be to need help after starting their business. Entrepreneurs who seek education early on are more adept at change, flexible within their business, and have a keen eye to see and react to changes in the market.

Staff have found that by connecting with entrepreneurs early in the process, planning and preparation are strengthened. Staff can ask questions entrepreneurs may not have thought of, offer additional ideas based on similar business experiences, and help modify business plans to find a feasible model to move forward.

*Regular, customized, one-on-one technical assistance early in the business development process helps connect microloan clients with the tools, information, and networks they need to move their businesses forward. From helping read financials to simply being a trusted face walking through the business door, staff meet entrepreneurs where they are in terms of business needs and state of mind.*



*Tammy Makram received financing assistance from the Microenterprise Loan Program to open a coffee shop in downtown Luverne, MN. Microloan clients like Makram benefit from one-on-one technical assistance for the duration of the loan. They also attend entrepreneurial education events where they learn valuable information and expand their local networks.*

In many cases, entrepreneurs going through early education realize that they are not ready to launch their businesses. They are more apt to rework their plans; ask for assistance from friends, family, and others; and in some cases walk away from their plans altogether. Rather than looking at this reality as a negative outcome, it is an opportunity to equip entrepreneurs with information that will help them make good personal decisions, while supporting businesses that have a strong likelihood of success.

### ADDRESSING ECONOMIC AND TRENDING NEEDS

In addition to early-stage education, SWIF also offers educational opportunities on topics including succession planning and workshops on social networking, blogging, marketing a website, e-commerce, roadside advertising, and mapping a business. Other topics include beginner, intermediate, and advanced QuickBooks training and Ask the Accountant and Ask the Lawyer seminars. Topics are selected based on trending needs and requests by clients and partners.

These opportunities are usually offered in multiple communities throughout the southwest Minnesota region and open to all business owners or employees. Registration fees are minimal for participants and sometimes waived for loan clients, with SWIF absorbing the costs. Local EDAs, lenders, and other resource providers often attend as well, in yet another effort to better serve entrepreneurs.

### RECOGNIZING THE IMPORTANCE OF NETWORKING

Feeling supported and having a peer network for sharing new ideas, successes, and challenges has consistently been identified by SWIF staff, partners, and entrepreneurs as a great need. Despite many changes in how businesses operate due to changing technology, economies, and other factors, the need to connect with people – and resources – has not changed, which is why networking is a large component to the Entrepreneurship Initiative.

### SMALL BUSINESS OWNER TAKES ON-GOING ADVANTAGE OF ENTREPRENEURIAL EDUCATION

Tammy Makram, owner of The Coffey Haus in Luverne, attended SWIF's Surviving the Recession seminar in 2009 for new ideas to keep and attract her customers. Her downtown business has been a gathering spot for good coffee, good food, and good company since 2005, but like many business owners Makram was feeling the impact of a stressed economy. People were not eating out as much, which had a direct impact on her business. Staff teamed with a business consultant from a local college to offer these seminars to loan clients like Makram, entrepreneurs, bankers, and economic developers in six different locations.

The seminars addressed a trending need and included an overview of how the economy got to where it was at that point and discussion of what was next for businesses. They also introduced action steps that owners could immediately put into place in their businesses, with the first step addressing attitude. The seminars also highlighted marketing and networking. By

sharing success stories and ideas, participants were able to connect with people who were dealing with similar challenges and could provide needed encouragement.

Greg Raymo, executive vice president of First State Bank Southwest in Worthington, encouraged his bank's loan officers to invite and accompany their clients to the seminar when it was hosted in their community. He noted the timeliness of the topic, since many business owners took a hard hit during the fourth quarter of 2008. Since the seminar, Raymo and the group have continued to meet to provide a platform for local support.

Makram has since attended other SWIF educational opportunities, most recently a 2010 social media seminar. She has found great success by utilizing technology and new networks to promote her business, and the seminar provided a platform to ask questions, learn new ideas for using the tools, and make connections with other business owners in her area.

As a direct result of brainstorming at the Entrepreneurship Network Academy, the foundation created a regional, structured network that provides the appropriate path to engage resources and entrepreneurs for support and education. This network is the Center of Rural Entrepreneurship (CORE) website.

As a direct result of brainstorming at the Entrepreneurship Network Academy, the foundation created a regional, structured network that provides the appropriate path to engage resources and entrepreneurs for support and education. This network is the Center of Rural Entrepreneurship (CORE) website. In addition to referrals to resources through loan inquiries and educational opportunities, SWIF staff recognized a need to create a one-stop-shop that entrepreneurship resource providers and entrepreneurs could use. SWIF invited six participants from the Academy, representing various regional resource providers and entrepreneurs themselves, to help design the new CORE website, [www.swmncore.com](http://www.swmncore.com).

Staff gathered resource information, developed content, and coordinated the design process to launch the site, which receives more than 6,000 visits per month. Staff continue to maintain the website content. Entrepreneurs

neurs and resource providers can search for and connect to local, state, and federal information and tools that are useful for their business development. CORE also serves as a clearinghouse for education event schedules.

Educating entrepreneurs about the importance of networking is also a priority. SWIF created the Step Up Your Business program as a sub-branded identity of the Entrepreneurship Initiative, serving as a platform for connecting entrepreneurs and resources through education and online tools. During three seminars hosted by the Step Up Your Business program in 2010, groups of area business owners, economic development professionals, and community leaders explored networking of the past, present, and future. Step Up Your Business seminar presenters challenged participants to understand their networks and participate in them.

In terms of technology, it is no secret that new tools, marketing tactics, and cultural shifts have changed far more than traditional working networks. Social networking – through online tools like Facebook, Twitter, and LinkedIn – means entrepreneurs can connect with customers, vendors, and colleagues with the click of a mouse instead of a handshake. When asked what was working in their marketing at the present time, the resounding answer from seminar participants was word of mouth and referrals. Presenters compared social media to “word of mouth on steroids,” explaining that businesses

can connect not only to their contacts, but their contacts’ contacts, and so on, exponentially expanding their reach.

In hopes of inspiring entrepreneurs to select the tools that are right for their business and not be afraid to try using social media for their business, Step Up Your Business is building its online presence via Facebook and Twitter to offer continued networking and to share ideas for using the tools. This also serves as another way for staff to stay connected and available to assist entrepreneurs, extending accessibility and building stronger relationships with existing and potential clients.

## SPECIALIZED PROGRAMS DESIGNED FOR UNIQUE ENTREPRENEURS

In addition to education opportunities and Step Up Your Business, other specific programs have been developed within the Entrepreneurship Initiative to serve segments of southwest Minnesota’s entrepreneurs with unique business development needs. The Diverse Business Program is a resource for businesses and entrepre-

*With assistance from the Encore Entrepreneurship and Microenterprise Loan Programs, Greg Jodzio of Hutchinson, MN came out of retirement to combine his passion for food with years of advertising experience to start his traveling hot dog business, Red’s Hot. In 2010, he joined the Southwest Initiative Foundation staff and now helps other adults age 55 and better explore self-employment opportunities.*



## THE NEW FACE OF AN OLDER ENTREPRENEUR

### Encore Entrepreneurship Program Offers Unique Employment Options

After retiring from a career in sales, mostly within the industrial cleaning supply business, Greg Jodzio of Hutchinson thought he had left the world of work behind him. Then, the economy tumbled and forced him to reassess his future. His decision was to go back to work – for himself.

Using his wit, personality, and entrepreneurial spirit – as well as assistance from SWIF’s Encore Entrepreneurship and Microenterprise Loan Programs – Jodzio and his wife Betty, an elementary school teacher, opened Red’s Hot, a traveling hot dog stand. After opening in 2009, Jodzio immediately began using social media for his

main marketing, both to amuse his patrons and inform them of his location.

Red’s Hot was a perfect fit for the foundation’s new Encore Entrepreneurship initiative, designed specifically for entrepreneurs age 55 and better. The program offers technical training, a network of support, startup and sustaining loans, as well as education about meaningful work for older adults. Encore Entrepreneurship helps provide new opportunities for individuals who are nearing retirement or who have recently retired and are looking for supplemental income. These individuals may also be looking for a way to stay active and

connected to their communities by using their many years of experience, knowledge, and passion.

Like many rural areas of the U.S., the mature adult population is increasing in southwest Minnesota, while their financial assets have often been decreasing. Economic opportunities have been limited and these residents face upcoming retirement with the need for a sustained income. SWIF leaders believe the economic health of its region’s communities will be influenced by the economic vitality of those 55 and better. If older adults are struggling financially, their communities will also struggle, and their abil-

ity to obtain additional income is especially important for the future of small communities.

Jodzio is now working with staff to provide technical assistance to other Encore Entrepreneurs. Pairing new clients with a business consultant who has successfully been through the experience himself has brought a level of confidence and credibility to the program. Through loan financing, technical assistance, and overall awareness of changing workforce needs, Encore Entrepreneurship provides new opportunities to a very capable generation that has a great deal yet to offer.





*Staff and consultants offer customized technical assistance to all microloan clients, which is especially beneficial for entrepreneurs who may require help understanding the U.S. business system. A trusted relationship and strong understanding of cultural differences that affect the business development process are extremely important when working with diverse entrepreneurs.*

neurs from populations with limited English proficiency and knowledge of U.S. business systems. Southwest Minnesota's growing population of Hispanic, Somali, and Hmong residents provides continued opportunities for the region to diversify businesses but often requires diverse and/or native language business assistance to provide training and access capital.

The Diverse Business Program follows the Microenterprise Loan Program model of using education, financing, and technical assistance to support businesses. The main difference, however, is that these resources are offered by consultants who speak the clients' native languages and have a strong understanding of cultural differences that may be factors in the business development process. Consultations, classes, and other seminars are offered in Spanish in multiple communities, and resources and translators can be provided for other languages as well. SWIF and its diverse business consultants become trusted partners and connect culturally diverse businesses that can network and build on each others' success.

Southwest Minnesota also has a growing number of older adults, with projections that people age 65 and up will make up 30 percent of the region's population within the next 30 years. This reality, combined with changing workforce needs in communities with decreasing populations and the start of the recession, highlighted a new need to serve entrepreneurs age 55 or better. Many older adults were finding themselves unemployed or having to come out of retirement, and in many cases, self-employment provides an appealing option. Similar to the Diverse Business Program, Encore Entrepreneurship was launched in 2009, offering tools and resources specific to that age group.

Engaging youth by building stronger programs helps connect the region's youngest entrepreneurs. SWIF convened the first Youth Entrepreneurship Academy in southwest Minnesota where educators and youth leaders spent a day taking inventory of youth entrepreneurship programs. Participants shared resources, ideas, and tools to vision and build capacity in youth entrepreneurship. Immediate results included the expansion of Junior Achievement into two more communities and the regional Students in Free Enterprise chapter offering training to high school students to teach youth entrepreneurship classes to sixth grade students in their respective schools. These efforts continue to encourage the region's next generation of entrepreneurs.

## LESSONS LEARNED LEAD TO PROGRAM INTEGRATION

Continued growth in the Microenterprise Loan Program and Entrepreneurship Initiative, as well as an increased demand for education, technical assistance, and financing services due to changing economic situations, led to discussions about merging these program areas within the past two years. Crossover often already occurred between the two programs: loan clients benefited from education opportunities and SWIF connections, and entrepreneurs attending classes and seminars often came to SWIF for gap financing and technical assistance. By merging the two areas, staff could combine resources, increase capacity, improve processes, and leverage available funding. The result of creating one cohesive team is the ability to provide the tools necessary for entrepre-

The Diverse Business Program follows the Microenterprise Loan Program model of using education, financing, and technical assistance to support businesses. The main difference, however, is that these resources are offered by consultants who speak the clients' native languages and have a strong understanding of cultural differences that may be factors in the business development process.



*Business consultant Roberto Trevino teaches a business marketing class in Spanish in Willmar, MN as part of the Diverse Business Program. This program utilizes the Microenterprise Loan Program model – providing education, financing, and technical assistance – to support entrepreneurs using their most fluent language.*



neurs of all levels and skills to be successful in their business endeavors.

The revised entrepreneurship team structure maintains flexibility, increases capacity, and has the foundation poised for continued growth. Since merging the Entrepreneurship Initiative and Microenterprise Loan Program in 2010, staff have provided more than 5,000 hours of technical assistance to nearly 400 existing and potential clients. About 50 percent were women and 16 percent minority or immigrant entrepreneurs.

In the past year alone, SWIF closed 27 microloans averaging \$10,200. A number of these loans were to low-income or below poverty level families, providing a needed source of income and encouragement through their businesses' success. A number of loans also went to entrepreneurs who had experienced layoffs and unemployment due to the economic recession but were ready to put their skills, knowledge, and determination to work for their own businesses.

## TRANSFERABLE MODELS INCREASE IMPACT

SWIF's model of an entrepreneurial education series is easily replicable for other organizations as well. An organization that serves multiple counties, or that has a large geographic area, could potentially transfer this entire program to fit its independent footprint.

As SWIF's entrepreneurship assistance continues, it recognizes the importance of transferring programs to local leadership for sustainability. Similar to its steady commitment to business development throughout its organizational history, the foundation's mission, "to be a catalyst, facilitating opportunities for economic and social growth by developing and challenging leaders to build on the region's assets," has not changed drastically since its inception in 1986. SWIF will react – as should entrepreneurs – to address current, changing needs. But more importantly, like a successful, visionary business person, SWIF should be constantly looking to the future, pushing for and establishing new and better ways to capitalize on the region's unfailing entrepreneurial spirit. 🌐



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# planning for historic

## PRESERVATION & NEW JOB CREATION

By David Heiar

On January 15, 2009, International Business Machines Corp. (IBM), a global force in the technological world, announced it planned to locate a technology service delivery center in the historic Roshek Building in downtown Dubuque, Iowa, bringing 1,300 jobs with an average salary and benefits package of \$45,000 per year to the area. The center would provide IT support services to corporations and government agencies that have contracted with IBM. The Roshek Building redevelopment was a mammoth project on a swift time line – a project so ambitious that it would ultimately bring fundamental change to Dubuque with an economic impact beyond what anyone could imagine. But the IBM project didn't just happen. Rather, it was the culmination of years of planning and great effort, strategic investment in the city's historic urban core, a community-wide vision, partnerships across the public and private sectors, and old-fashioned commitment and determination.

### HISTORY

Dubuque has a population of 58,000 and is located along the Mississippi River in the central part of Iowa. Back in the 1980s, Dubuque was a city experiencing difficult times. In January 1982, its unemployment rate was 23 percent due to major workforce reductions at John Deere and the Dubuque Packing Company. The city lost 7.8 percent of its population between 1980 and 1990, had



1930's Roshek Department Store at Christmas. The nine-story building was the largest department store west of the Mississippi.

no four-lane highway connections, had one antiquated analog phone switch, and the city's property tax rate had reached \$14.58 per thousand while the average value of a home fell nine percent. However, in 1990, community leaders from the private and public sectors came together in what was to be the first of four visioning efforts over the next 20 years that helped change Dubuque.

Local leaders focused on grassroots efforts to address downtown redevelopment and industrial expansion. In 1984, they created the Greater Dubuque Development Corporation (GDDC), a non-profit organization established to help lead the way to investment in industrial and technology parks. This ultimately provided for the expansion and recruitment of over 25 companies adding

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### THE DUBUQUE/IBM PROJECT

In fall 2008, Dubuque, Iowa faced the impending reality of dealing with the largest "white elephant" the community had ever known. The owner of the former Roshek Brothers Department Store building was making final preparations to abandon the nine-story, 250,000-sq.-ft. building and move their software operations to newer digs on the south side of the community – a real blow to downtown. Simultaneously, IBM approached Dubuque, proposing to bring 1,300 new jobs to town if a suitable building and other conditions were available. Dubuque Initiatives purchased the historic Roshek Building, enlisted support from innumerable partners, and set the stage for success. The Roshek Building redevelopment project won IEDC's 2010 Public-Private Partnership Award.

more than 1,700 jobs. The parks continue to grow and add businesses.

In the 1990s, Dubuque began a new visioning process called Vision 2000. Over 5,000 area citizens participated in the community planning process in 1991 and 1992. The product, a shared vision statement for the tri-state area (Iowa, Illinois, Wisconsin), served as a guide to community decision making and long-range planning. The City of Dubuque Comprehensive Plan built on Vision 2000 with policies, goals, and objectives for physical, economic, and social aspects of the community.

In 2000, the malaise which struck many similar cities in the second half of the 20th century also managed to affect the community, but forward-thinking community leaders found ways to turn around the city. The most obvious success story was transforming the old industrial riverfront into a vibrant and exciting area for tourism and conventions. Beginning in the late 1990's, the *America's River* project transformed 90 acres of brownfield property at the Port of Dubuque into a destination that captures the Mississippi River's historical, environmental, educational, and recreational assets. The project's goals were to reclaim riverfront property for mixed-use development and create a place where residents and guests could reconnect with the river. Specifically, the development features the Grand River Center, Grand Harbor Hotel and Indoor Waterpark, the National Mississippi River Museum, the Diamond Jo Casino, and the River Walkway. This \$188 million first phase transformed and renewed the community and has inspired a \$200 million second phase as well as development in the downtown and Historic Millwork District.

In early 2005, community leaders again asked "What's next?" As Mayor Roy Buol stated upon his election in 2005, "The next five years will define the next 50 for Dubuque." But what did the next five years hold? Sensing the need to engage more young, diverse professionals in civic life, it was time for a new vision – one in which the greater Dubuque community could embrace and take ownership. The result was Envision 2010, a community visioning process to identify and create 10 projects by



*Lobby area with historic display case from the original Roshek Department Store.*

2010 that would engage citizens and visitors alike. For most who participated in this process, it meant helping to create a place that has diverse cultural and economic vitality accessible to all.

In total, this process generated over 2,000 ideas submitted by somewhere between 10,000 and 15,000 people. One of the ideas that was born from this process was the Historic Millwork District, a historic district redevelopment modeled after the city's successful downtown redevelopment strategy, which would serve in part as a workforce recruitment strategy. During the 1920's, Dubuque was the home of the largest millworking operation in the United States. Most of these operations closed in the 1960's and 1970's. The Historic Millwork District has over one million square feet of historic warehouse space ideal for urban mixed-use development. The district is perfectly suited to attract entrepreneurs, designers, residents, institutions, and businesses.

The Roshek redevelopment is the largest and most formidable sustainable project ever to take place in Dubuque. From its inception, the redevelopment was fast paced and challenging, with only five months separating the start of the project and IBM's initial occupation. IBM set this timeline to meet the needs of its customer base.



*Exterior of the Roshek Building when it was first constructed in the 1930's.*



*Exterior of the Roshek Building today.*



## RECRUITING

The development of the district is one of many reasons IBM chose Dubuque in 2009. Like other businesses that have relocated to or expanded in Dubuque recently, such as Hormel Foods and Sedgwick CMS, they did not happen upon this thriving river community by accident. Business development in Dubuque is a result of over 25 years of strategic planning, and the partnership between the community's leaders and the IBM project required a cohesive effort from players across the board. The initial contact regarding the project came through GDDC, which shepherded the project throughout the process. The successful execution of this project, however, required significant input and commitment from local, state, and federal leaders.

Thirty-three organizations were involved in accomplishing this project with the city of Dubuque, but the work of several organizations in particular made this a reality. The process began by responding to a blind lead from a site selector and took about six months. GDDC and the city were the lead organizations responsible for recruiting IBM to Dubuque. GDDC was instrumental in submitting the initial proposal, coordinating the site selection visits, and keeping open lines of communication with the other partners critical to the project's success. Seven local and regional educational institutions played a pivotal role in showing the breadth and depth of the region's talent pool for IBM. The city was responsible for committing and securing the necessary financing and incentives from the city and the state of Iowa to encourage IBM to select Dubuque. The Iowa Workforce Development Office also shared its expertise in helping to recruit the workforce needed to fill 1,300 IT jobs.

The state's Department of Economic Development and Iowa Governor Chet Culver put together an attractive incentive package, clearly demonstrating that they wanted IBM in their corporate population. The financial incentives package included job training funds, grants, and tax credits. Department staff traveled to Dubuque for each meeting with IBM representatives, and Governor Culver attended the dinner during one of the delegation's trips to Dubuque so he could personally deliver the state's warm welcome. The result: a positive understanding of the state's commitment to this project.

Another key organization in this endeavor was Dubuque Initiatives (DI), a local not-for-profit economic development organization that purchased the Roshek

## INCENTIVES TO IBM

Jobs Training	\$ 8,500,000
State of Iowa	\$ 13,988,600
City (includes TIF)	\$ 5,594,447
Miscellaneous	\$ 52,500
<b>Total</b>	<b>\$ 28,135,547</b>

Building and was responsible for its complete \$43 million sustainable redevelopment. The conventional and bridge financing for the project was so significant that all 10 local financial institutions formed a consortium to provide the necessary funds to start and complete the project. DI, along with Gronen Restoration, Inc. as the project manager, utilized State and Federal Historic Tax Credits, as well as a \$30,250,000 allocation of New Markets Tax Credits from three community development entities (National Community Foundation, US Bank, and Iowa Community Development).

When GDDC realized that IBM was considering a location in Dubuque, the organization immediately researched the company's corporate culture.

A complex layering of funds was necessary. Major hurdles had to be cleared, including a change in state law to allow timely and sufficient State Historic Tax Credits. Through the New Markets Tax Credit funding, the Community Foundation of Greater Dubuque, a tax-exempt public charity, established a Sustainability Fund which will be used to promote sustainable improvements within the downtown area. Partnerships among economic development organizations, financial institutions, government organizations, non-profits, and educational institutions made this monumental project possible.

When GDDC realized that IBM was considering a location in Dubuque, the organization immediately researched the company's corporate culture. Two initiatives immediately came to attention: IBM's commitment to green, sustainable practices and its corporate philosophy of "aggressive innovation." Considering the fact that Dubuque's leadership was committed to sustainability and its experience with "aggressive innovation" to create change meant that the city was well-equipped to sustain IBM's corporate culture and that both initiatives would have strong impacts on the project's success. Furthermore, the delivery of a product in the redevelopment of the Roshek Building, a historic former department store built during the Great Depression in the heart of downtown, would speak directly to the company's vision for a sustainable project both for its employees and its facility.

Since May 2006, the city has identified being a sustainable city as one of its top priorities. Dubuque's model goes beyond the traditional approach of tackling envi-

## FUNDING FOR HISTORIC ROSHEK BUILDING

Federal Historic Tax Credits	\$ 9,797,991
State Historic Tax Credits	\$ 10,651,054
New Market Tax Credits	\$ 5,294,384
Conventional Financing	\$ 17,256,571
<b>Total</b>	<b>\$ 43,000,000</b>



ronmental integrity, challenging the community to also balance this with economic prosperity and social/cultural vibrancy. Balancing these three priorities produces a model that creates a viable, livable, and equitable community, whether that “community” is a business park or downtown urban core, a residential neighborhood, a park or natural ecosystem, or the entire city of Dubuque.

At the heart of the model is the idea that we must look at our built environment as part of the solution and that sustainability and historic preservation are not two, mutually exclusive approaches but rather that historic preservation is sustainability. The most sustainable building is one that is already built and our commitment to preserving a sense of place is exhibited in the policies created by the city’s leaders. Today, Dubuque boasts some of the oldest historic, urban districts in the state of Iowa that have been adapted to meet the needs of a 21st century employer.

Dubuque’s sustainability model is synergistic with IBM, which includes the impact on people, planet, and profit in its project evaluations. IBM embraced Dubuque’s sustainable community initiative and selected the historic Roshek Building as the site of its first IBM service center to be located in the United States this decade. In doing so, the company passed up many other opportunities, including a new, move-in ready building along the East coast, an indicator that the private and public sectors together see the value in preserving historic beginnings as we look towards a new, technology-based future.

## ROSHEK BUILDING

In order to look toward the future with IBM, Dubuque needed to face the past. The former Roshek Brothers Department Store Building would be the largest white elephant the community had ever known. In 2008, the owner of the building was making final preparations to abandon the nine-story, 250,000-sq.-ft. structure and move its 350-person medical software operations to a newer facility on the suburban south side of the community, a major impact to the downtown. With various small businesses scattered throughout former physicians’ offices and department store sales floors, the owner had determined that moving made more financial sense than a complete building overhaul.

The Roshek Building was originally built to house the Roshek Brothers Department Store, which was the largest retailer west of the Mississippi at the time. Many local residents still remember lingering in front of the elaborate holiday window displays or having an ice cream in the Packet Room restaurant (located on the lower level). Constructed in two halves between 1929 and 1931, the building served as the premier shopping destination in Dubuque for decades. Elevators with white-gloved attendants moved customers among six floors of retail.

Special “Roshek trains” brought shoppers from surrounding communities at holiday time, while moving figures of Santa and his reindeer grabbed children’s attention. Roshek’s was particularly known for its award-winning window displays, some gaining international

## Greater Dubuque Development Corporation

The Greater Dubuque Development Corporation (GDDC) is a non-profit organization established in 1984 to help shape the city’s future, focusing on community and economic development. GDDC has a 32-member Board of Directors, which includes representatives from local businesses as well as education and community leaders. The organization is funded with private and public dollars.

GDDC’s primary goals are business retention and expansion, workforce development: retention and recruitment, and new business recruitment. With local employers as the source of over 85 percent of the area’s job growth, the GDDC created its InfoAction program to provide ongoing, systematic communication with these businesses. As part of this program, it conducts over 250 on-site visits a year with CEOs/top managers to gain insights on opportunities and challenges faced by these companies and to provide solutions and services.

## Dubuque Initiatives

Dubuque Initiatives (DI) is a sustainable non-profit organization working as a community partner to undertake challenging projects involving job creation and community revitalization that improve the quality of life for the citizens of Dubuque. The organization was formed in the late 70’s and received EDA funding to acquire industrial land. Since that time, DI has used the proceeds from these land sales to reinvest in other community projects.

DI contracts with the city of Dubuque for staff time. The city’s economic development staff provide administration assistance and the finance department handles the bookkeeping for DI. The nine-member governing board includes the mayor, city manager, two council members, executive director of GDDC, and four other community members at-large.

renown. During “urban renewal” in the early 1970s, the department store moved to a location which was then on the outskirts of town, and many of the historic architectural features of the building’s interior and exterior were covered or removed.

“Aggressive innovation” would become more important to the project than initially realized. In identifying the work that was needed to make the Roshek Building a suitable location for the project, while knowing that IBM did not want to own a building, DI stepped up to the plate. As a non-profit group dedicated to advancing the Dubuque economy and businesses, the organization was willing to take on projects that the private sector might reject. DI agreed to purchase the building. Backed by a loan pool from local financial institutions, the organization set the ball in motion by agreeing to: buy the building and hire a developer who had managed successful historic restoration projects; and renovate the building in a sustainable fashion to meet the needs of IBM, achieving its “green” standards through an Energy Star level of efficiency while retaining the historic character of this anchor on the downtown skyline.

The project involved acquiring the largest commercial building in the downtown from McKesson Corporation (which was relocating its operations to another location in the community), securing the \$43 million financing required to complete the renovation of the Roshek Building, redeveloping the historic building to its origi-



1st floor lobby in the 1970's.



1st floor lobby of the 2010 renovated Roshek Building with retail businesses.

nal grandeur and eminence, committing to making the project sustainable through LEED Gold certification, and restoring the building as a retail cornerstone in the downtown. The Roshek redevelopment is the largest and most formidable sustainable project ever to take place in Dubuque. From its inception, the redevelopment was fast paced and challenging, with only five months separating the start of the project and IBM's initial occupation. IBM set this timeline to meet the needs of its customer base.

Interestingly, during the renovation, the deconstruction manager found a January 25, 1972 edition of the *Telegraph Herald* (Dubuque's local newspaper) behind some drywall with an article, reprinted from *TIME* magazine, entitled "Recycled Centers." It cites the wisdom of reusing existing building stock, as opposed to razing, to make way for new construction, calling demolition "a tremendous expenditure of money, time and public inconvenience." In the spirit of sustainability, over 73 percent of the waste generated from the Roshek project was diverted from landfills through recycling and salvaging. This goal was achieved by the following methods:

- Recycled Materials: scrap metal, wood, concrete, ceramic plumbing fixtures, ceiling tiles, cardboard, light bulbs and ballasts, and carpet.
- Reused On-Site: lumber, electrical conduit, furniture, doors, railings, trim, molding, windows, and hardwood flooring.
- Salvaged for Reuse: cabinets, carpet, fluorescent light fixtures, lumber, shelving, furniture, plumbing fixtures, ceiling tile, doors, glass panels, drinking fountains, wallpaper, blinds, stone, fiberglass insulation, and cubicles.
- Historic architectural elements have been salvaged (and repaired where necessary) and reused throughout the building.
- Over 100 doors were donated to the Cedar Valley Habitat for Humanity Restore. The Restore serves the Cedar Rapids area, which suffered more than \$2.4 billion in flood damage in 2008.
- Over 50 doors were donated to Trappist Caskets, a means of financial support for the New Melleray Abbey, to be made into workbenches.
- Several tons of building materials were diverted thanks to a relationship built with an Amish community in Wisconsin.

It is difficult to convey the magnitude and urgency of the *challenges* created by the project's accelerated pace, while needing to maintain "business as usual" for remaining (and newly arriving) tenants. The following concurrent, juxtaposed project requirements were solved with a combination of steadfast community support and efficient project management:

- Relocating multiple tenants vs. meeting construction deadlines. *Solution:* offering other historic downtown locations, facilitating sometimes daily tenant meetings, and constantly adjusting contractors' work schedules.
- Adhering to the secretary of Interior's rehabilitation standards for crucial historic tax credits vs. meeting the customer call center's design standards. *Solution:* weekly design team coordination.
- Managing the project's large quantity of construction materials vs. lack of staging area due to the dense downtown development site. *Solution:* small, frequent material deliveries and city permission to close adjacent street.
- Ensuring no disruption of service for lower-level tenant's operation, which meant monopolizing the freight elevator vs. moving voluminous materials in and out of the building. *Solution:* installing a temporary exterior construction-designated elevator.
- Replacing existing mechanical/electrical/plumbing and fire sprinkler systems vs. the fire marshal permitting shut down of specific system components for a two-week maximum. *Solution:* daily coordination.
- Providing 24-hour access for 600+ tenants vs. renovating public lobby to its former grandeur. *Solution:* constructing a temporary corridor for safe, clean access to elevators.

- Maintaining electrical service to all floor levels vs. replacing building's electrical "backbone." *Solution:* installing a temporary transformer in the alley.

The goal was to always make challenges become opportunities:

- Working around tenants' freight elevator schedules forced the deconstruction team to work more efficiently.
- Envisioning the plain, white temporary corridor prompted project members to organize a call for public art, resulting in 10 permanent art pieces for the building.

The *successes* were significant:

- Peeling off wood laminate to uncover beautiful, ornate millwork, cast-iron railings, and other devices felt more like a triumphant treasure hunt than a construction project.
- Architectural features were restored or replicated to striking effect: historic entrances (including cast-iron canopies and lanterns), storefront windows, stairwells, plaster and wood cornice moldings and column capitals, and badly damaged wood and terrazzo floors.
- Landfill diversion rates hit unprecedented levels by donating materials to disaster recovery efforts and non-profits or selling to other local projects.

- Energy-efficient mechanical systems, reflective roofing, low-flow fixtures, daylighting techniques, and other eco-friendly features have created a "green" historic building on its way to LEED Gold.

Area residents feel an ownership in the rehabilitation as the design team collects their artifacts and fond childhood memories and incorporates them into the project. Great attention to historic preservation occurred throughout the project. In October 2010, the Roshek redevelopment project received the Timmy Award from the National Housing and Rehabilitation Association. This award is named after preservation advocate J. Timothy Anderson, who pioneered the adaptive reuse of historic buildings. This national award was given for "Best Historic Rehab Utilizing New Market Tax Credits."

## WORKFORCE AND EDUCATION

The "aggressive innovation" did not end with redevelopment of the Roshek Building, which was only one piece in a very large puzzle. How did we successfully communicate to IBM that Dubuque would be a great fit for the organization? We stressed the availability of a quality workforce and educational opportunities.

Workforce is a key issue in any project. Proving we had the human capital to provide a quality workforce of 1,300 to IBM was of utmost importance in this project. With Iowa Workforce Development's dedicated assistance, the city was able to showcase nearly 24,000 per-

## IBM TIMELINE

07/01/08	Greater Dubuque Development Corporation (GDDC) receives a request for proposal (blind lead) from site selector
10/03/08	Phone Conference with IBM, GDDC, and Iowa Department of Economic Development
10/14/08	First IBM site visit to Dubuque - two days
10/21/08	Second IBM site visit - two days with new team
11/06/08	Meeting with bank representatives to discuss New Market Tax Credit (NMTC) funding
12/04/08	Third and final two-day IBM site visit to Dubuque, prior to making final selection choice among six competing cities
12/15/08	Phone call from IBM with a verbal commitment to come to Dubuque, pending a formal announcement
01/15/09	Formal announcement by IBM Special Council meeting to set public hearing on \$25 million loan guarantee
01/16/09	Dubuque Initiatives (DI) closes on purchase of Roshek Building
01/30/09	Special DI meeting to award deconstruction contract and discuss tenant relocation plans Approve contract for integrated project manager
02/02/09	Start of construction project
02/19/09	Iowa Department of Economic Development approves financial assistance package for IBM and DI
03/07/09	IBM begins interview process
06/22/09	IBM's initial occupancy of floors 8 & 9
07/01/09	First 350 IBM employees begin work in Dubuque
09/01/09	Next 350 IBM employees begin work in Dubuque
07/01/11	Final 600 IBM employees, for a total of 1,300 employees, begin work in Dubuque, occupying five stories of the nine-story Roshek Building





Lobby area of the Roshek Building showing Café Manna Java.

sons currently employed in IT fields in a 90-mile radius of Dubuque. Labor market information was provided, including wage and benefit information. Through the resources of [www.accessdubuquejobs.com](http://www.accessdubuquejobs.com) (an affiliate program initiated by GDDC in 1997 to enhance local workforce development) and [www.iowajobs.org](http://www.iowajobs.org), the IBM human resources staff had over 600 resumes on their first fact-finding visit to Dubuque.

Education is extremely important to the IBM corporate philosophy. Other communities being considered for this project housed major universities; Iowa's closest state university is 90 miles from Dubuque. How could this small, Midwest river town, like so many others across the country, demonstrate that although it was not home to a large state university, it had ample, quality educational opportunities? Who better to demonstrate and discuss the capabilities of the area's higher-education institutes than those who know them best – their presidents and chancellors.

On three unprecedented, separate occasions, the presidents and chancellors from the area (Loras College, Clarke University, Northeast Iowa Community College, University of Dubuque, Southwest Technical College, University of Wisconsin-Platteville, and Kirkwood Community College) came together to host dinners for the visiting teams from IBM, where they could showcase their institutions and commitment to the IT fields. In fact, each visiting IBM representative had access to one or more of the presidents/chancellors on multiple occasions so they could communicate one-on-one. The result was the formation of relationships that are already leading toward partnerships among the schools and IBM and expanded opportunities for growth in the near future.

## PARTNERSHIPS

Public-private partnerships were the only way this monumental project could be accomplished under the leadership of the GDDC. A partnership with 33 different organizations was forged to make this job-creation project a remarkable success during a national recession.

This strong coordinated leadership was one of the key reasons IBM finally chose Dubuque as its newest home.

When Joe Dzaluk, vice president of global infrastructure and resource management for IBM Global Technology Services, announced that IBM had selected Dubuque, he mentioned defining factors of the decision, including the following:

- Strong relationships among businesses, government, and others;
- The city's many rankings, awards, and accolades, showing that the rest of the world has acknowledged our hard work and successes;
- Professional attitudes and partnership of involved parties, representing all sectors of the community; and
- The impressive Midwestern work ethic and can-do attitude and skills of our workforce and leaders.

These are the very same factors that have helped Dubuque create change time and time again while staying true to its roots. They are the factors that have renewed the community and have made believers of its citizens.

## PROJECT IMPACTS

The recruitment of IBM has dramatically affected the city and its citizens. One cannot overemphasize how the positive economic influence, environmental guardianship, and cultural significance of redeveloping the Roshek Building have energized the Dubuque community.

The project has meant retaining over 100 jobs with existing tenants and adding 1,300 high-tech jobs by July 1, 2011, which in today's economic environment is enormous. It's the difference between Dubuque being a typical small city in this recession suffering from high unemployment and Dubuque being ranked number one by *Forbes Magazine* for projected job growth among mid-sized cities in 2010. These new IBM jobs boast a total payroll of \$60 million per year, which will be spent within the local economy and create additional jobs. In a partnership among DI, the Community Foundation of Greater Dubuque, and IBM, over \$600,000 was committed to a Sustainability Fund to advance sustainability initiatives within the community.



Mezzanine area overlooking 1st floor lobby of the Roshek Building.

This job expansion and subsequent housing needs have drastically improved Dubuque's ability to promote the important economic and environmental issue of utilizing entire buildings. More than 20 upper-story residential projects have commenced downtown since this project's inception. DI, Gronen Restoration, IBM, and the city have raised the bar for quality, sustainable rehabilitation projects and have called national attention to Dubuque's sustainability efforts from news agencies, industry leaders, and even the White House.

This project also significantly added to the diversity of employment opportunities in Dubuque and served as a major step in the community's ongoing transition from a manufacturing-based community to a more diversified, regional employment center.

The Roshek Building redevelopment is breaking new ground when it comes to economic development, historic preservation, sustainability, and technology. These initiatives often conflict with each other, but the city views them as being compatible.

The lessons learned will make similar projects easier to accomplish in other communities. Dubuque has already begun to share its experiences through this process. For the past three years, the city has hosted the Growing Sustainable Communities conference, where keynote speakers and concurrent sessions present projects and lessons learned about Dubuque's quest towards sustainability. Local companies, community organizations, and IBM have addressed the challenges with implementing

sustainability and discussed how Dubuque is working to solve these issues. Dubuque is committed to teaching other communities what it has learned through its work in blending economic development, historic preservation, sustainability, and technology.

Due to the project's success, IBM selected Dubuque to be its first "Smart City" model, demonstrating that cities can make better decisions about energy across all sectors (water, electricity, transportation, natural gas, etc.). This model can be replicated in other communities, once Dubuque and IBM have optimized the tools.

Projects such as IBM's new technology service delivery center do not happen overnight. Though the search and negotiations took place over a period of several months, the groundwork for making a community the right choice requires inspirational leadership with a unified vision, engaged and committed participants, and an open and inviting community – all of which is developed over a period of years.

Since 2005 when Mayor Buol said that the next five years will define the next 50 years for our community, Dubuque has received some significant recognition, like the designation as an All-America City by the National Civic League, one of the 100 Best Communities for Young People by the America's Promise Alliance, and the Most Livable Small City in America by the U.S. Conference of Mayors. However, one of the highest forms of recognition came when a corporation such as IBM decided to invest its hard-earned capital in our community. 🌐

# HIRING?

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INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

# u.s. sourcelink

By Maria Meyers

Economic developers across the country are rushing to spur economic growth with a renewed focus on start-up and growth companies. An effective method to support this growth is to connect existing business development resources into highly visible, easily accessible, and entrepreneur-friendly networks. A number of these networks are emerging nationwide and are linked through U.S.SourceLink, a program of the University of Missouri – Kansas City (UMKC).

U.S.SourceLink began in the Kansas City region as KCSOURCELink, which today connects more than 150 entrepreneurship support organizations to each other and the entrepreneurs they serve. Since 2003, the program has been adopted by many cities, states, and regions across the United States. These collaborative networks in places like Alaska, Kansas, Oklahoma, and Mississippi have found a variety of ways to leverage their resources to create innovative and vibrant business development programs.

## THE BIRTH OF U.S.SOURCELINK: KCSOURCELink

The perception in Kansas City in the late 1990s was that there were many organizations providing entrepreneurial support services but aspiring and existing business owners just weren't finding the right one. Although Kansas City was fertile ground for entrepreneurs, many of the 165,000+ small businesses in the 18-county Kansas and Missouri bi-state region were finding it difficult to navigate the region's 150 service providers.

KCSOURCELink sprouted in this environment thanks to work done to improve the scholarship and instruction of entrepreneurship on the UMKC campus. An urban university, UMKC has a long history of linking the academic and business



SourceLink Tulsa launches at the Tulsa Metro Chamber in February 2010.

communities in ways that serve the small business owner and provide experiential learning for UMKC students.

In 2000, UMKC entrepreneurship outreach programs were moved to a small building on the outskirts of the UMKC campus, and other business development organizations were invited to join them. By 2003, about 20 support organizations were located together, creating a one-stop-shop for entrepreneurs. As the building became populated, discussions among UMKC, the U.S. Small Business Administration, and the Ewing Marion Kauffman Foundation began to focus around expanding this network throughout the community.

Given Kansas City's far-flung geography, leaders believed that any one location could never serve the entire market, so the network would need to be more than a single building. The idea evolved that a network, rather than one physical location,

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**Maria Meyers** is network builder for U.S.SourceLink. (meyersm@ussourcelink.com)

## MAKING THE U.S. ENTREPRENEURIAL ECOSYSTEM VISIBLE

*What started as a way to get entrepreneurs to the right resource at the right time in Kansas City has expanded to help rural and urban business owners find the help they need from Alaska to Florida. Communities across America are adopting the U.S.SourceLink model to create collaborative networks of entrepreneurship support organizations. These networks provide visibility to the local entrepreneurial ecosystem, and the resulting partnerships are changing local economies.*



would be the best way to link partners from all parts of the metro area. The challenge for entrepreneurs was that they often didn't know where to start and got shuffled from place to place in search of the right service provider. In this model, wherever an entrepreneur started in the network would be the right place, because he or she would be referred to the right resource for his or her needs and stage of business.

With an initial \$487,000 investment from the Ewing Marion Kauffman Foundation and support from the SBA to identify and recruit resource partners, KCSOURCELINK was established as a program of UMKC in June 2003 and quickly moved from being a one-stop-shop to being a metro-wide, bi-state link for entrepreneurs.

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Today, KCSOURCELINK operates as a program of the UMKC Innovation Center, which acts as an umbrella for the university's many business outreach programs. KCSOURCELINK joins, among others, incubators, small business development centers, SCORE chapters, microloan providers, angel networks, chambers of commerce, and economic development corporations under a common mission: Help small businesses grow and prosper in the Kansas City region by providing business owners with easy access to vital services.

Aspiring and existing business owners are referred to the appropriate resource by calling a hotline number, visiting the website ([www.kcsourcelink.com](http://www.kcsourcelink.com)), or by approaching any of the network's resource partner organizations.

In addition to guiding business owners to the people and resources they need, KCSOURCELINK strengthens its network of nonprofit and government service providers, helping them to:

- Raise community awareness to bring more entrepreneurs into the network and increase entrepreneurial activity,
- Identify gaps in services,
- Initiate innovative programs and strategic alliances,
- Create a continuously improving process for providing quality services,
- Find new ways to increase funding for resource provider programs, and
- Measure economic impact.

The network's strength comes from its ability and willingness to shepherd entrepreneurs to the right resource. When entrepreneurs enter the network through

the hotline referral system, for example, KCSOURCELINK's "network navigators" direct them to the best support organization and then follow up to assess the appropriateness of referrals, quality of service, need for additional resources, and economic impact. If entrepreneurs enter through a resource partner, those organizations collaborate to provide better services to clients by partnering on service delivery, coordinating educational programs, and referring clients to each other.

With more than 100 partners involved, a simple directory listing was not enough to guide an entrepreneur directly to the program or service needed, nor would it give hotline support personnel an easy path to the right referral. KCSOURCELINK needed a simple tool that could

return quick results for both hotline and online access. Using resources at hand, KCSOURCELINK partnered with several UMKC School of Computer Sci-



*SourceLink Tulsa offers a small business center as a resource.*

ence and Engineering students to create a simple point and click search engine called The Resource Navigator.®

More than a mere directory of resources, The Resource Navigator® organizes specific resource partner programs and services into an entrepreneur-friendly, interactive, online database. Entrepreneurs and service providers alike can go online, answer a few questions about business needs, and be referred to the specific resources they need. The Resource Navigator® became an ideal tool for mapping entrepreneurial resources in a given region, making them visible and identifying gaps in services.

In its early years, KCSOURCELINK partner organizations found funders wanting economic impact information about companies served in return for their support. Many of the partners had no system at all for tracking client activity or were utilizing spreadsheets or limited database programs. Fifteen partner organizations came together to brainstorm a good management solution. The partners looked broadly at their needs and identified event management, training management, and client surveys as top priorities in addition to measuring business growth.

Out of this process came Biz-Trakker,<sup>®</sup> a versatile client management system that allows for easy referrals among organizations, manages events, and measures business growth and economic impact through an embedded survey system. KCSOURCELINK also uses it to aggregate information across organizations to determine entrepreneurial activity in the region.

### EARLY EXPANSION

The original grant from the Kauffman Foundation included a charge to incubate a model in Kansas City that could be used in other areas of the country. As the network grew, KCSOURCELINK documented each step in the process and developed software tools and support manuals, all with the underlying purpose to create a model that other regions could easily replicate. By early 2005, the network was already expanding.



*Steve Radley from NetWork Kansas makes a point during a small group discussion at the annual U.S.SourceLink Conference.*

The first expansion of the SourceLink model was to fill a particular niche: serving urban entrepreneurs through the Urban Entrepreneur Partnership, a program of the National Urban League to encourage minority entrepreneurship and business development. The system was replicated in the urban cores of Atlanta, Georgia; Cleveland and Cincinnati, Ohio; and Jacksonville, Florida. Smaller implementations of the SourceLink model, these systems are still in place today as the respective Entrepreneur Empowerment Centers which help urban entrepreneurs grow.

These early expansions of KCSOURCELINK helped refine the process for creating collaborative networks of service providers and became the basis for U.S.SourceLink, which now operates in a variety of regions. Like KCSOURCELINK, U.S.SourceLink is an outreach program of the UMKC Innovation Center. The mission is to match aspiring and existing entrepreneurs to the resources they need to grow by uniting existing programs into collaborative networks, providing a highly reliable, visible, and vibrant source of business start-up and growth information.

### BRINGING A NETWORK TO LIFE

U.S.SourceLink is all about partnerships, and they start from the very beginning. Typically, one or more organizations join forces to bring the SourceLink network to life. These founding partners set the vision and provide oversight of the network, often providing financial, administrative, and start-up support. The founding partners create an executive committee, comprising representatives from the founding partners, resource partners, and entrepreneurs, and then select the champion to lead the effort. Founding partners can typically be foundations, regional economic development agencies, or state and local governments. Resource partners include government agencies, educational institutions, small business development centers, angel groups, and other non-profit entrepreneurial support organizations.

Picking the network leader can be both challenging and rewarding. It takes a unique individual to reach out to potential network partners and create an environment of trust and excitement. Experience in collaboration, working with volunteers, managing staff, and fundraising are all valuable attributes – but the critical elements are passion and drive. The right leader will make the difference between a vibrant network and one that exists only on paper, between thriving collaborations and a few stilted meetings, and between success and failure. The leader needs to be a persuasive collaborator who is skilled in bringing together diverse groups, creating new partnerships, and bringing projects to completion.

With a leader and management structure in place, the next step is to create an asset map of the potential partner organizations. Many of these partners can be found by simply tapping into the initial connections. Founding partners help identify potential resource partners. Conversations with those prospects yield additional potential resource partners, creating a broad database to explore.

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As resource partners are recruited, they agree to let the network promote their services to business owners in a variety of ways but specifically through The Resource Navigator<sup>®</sup>'s internet-driven search tool and through a call center. Resource partners agree to provide basic information that can be searched by business owners looking for assistance. As information is entered into The Resource Navigator<sup>®</sup> system, an asset map of related service providers is created. When this information is compared with other networks across the community, gaps in services can be easily identified.

## NetWork Kansas grew out of a series of seven statewide prosperity summits involving more than 1,500 community and business leaders in 2003.

A website is then developed to bring together information about the partners in one easy-to-find place. The site includes a central list of programs, events, and classes provided by the partners, a resource library with detailed information on frequently asked questions by entrepreneurs, information for high-tech and life-sciences industry entrepreneurs, and The Resource Navigator.®

SourceLink networks emerge from these general guidelines, but each region is unique and each implementation finds its own path to success as illustrated by the following examples.

### NETWORK KANSAS: An Early Adopter

NetWork Kansas grew out of a series of seven statewide prosperity summits involving more than 1,500 community and business leaders in 2003. These meetings set the stage for the adoption of the Kansas Economic Growth Act of 2004, that laid out the plan for Kansas economic revitalization and established entrepreneurship and small business growth as a statewide economic development strategy.

NetWork Kansas was established as a result of this act and now operates as an independent 501(c)3 with an 11-member board appointed by the secretary of commerce. NetWork Kansas is charged with increasing the availability of capital, promoting new business development, and creating jobs for Kansas. Funding comes from an annual appropriation through the Department of Commerce and a percentage of the tax credits that are sold to finance loans to Kansas small businesses.

NetWork Kansas adopted the SourceLink model in 2005 and its five founding partners each took a role in establishing the network:

- The Kansas Department of Commerce was charged with program oversight.
- The lead office of the Kansas Small Business Development Center was contracted to establish operations.
- Wichita State University provided office space.
- Fort Hays State University and Butler Community College contributed in-kind support.

These founding partners searched for and found Steve Radley to serve as the network leader. Radley's background included experience in growing a company's revenues from \$6 million to \$175 million during the nine years he worked for a Kansas entrepreneur. He then went on to co-own and successfully exit from two other companies. A board of directors representing a mix of bankers, service professionals, and entrepreneurs completes the management structure.

Radley quickly saw that the network could do more than just connect entrepreneurs to business services. It would be an important conduit through which entrepreneurs, resource partners, educators, and government agencies could interact. As a result, the imperative became clear: Build a network of resources to serve as the foundation for all services from NetWork Kansas.

The first step was to talk to the stakeholders. NetWork Kansas worked with the eight regional Kansas Small Business Development Centers to hold 13 town hall meetings in 2005. The dual goal was to meet with potential resource partners to understand their needs and concerns, as well as recruit them for the network.

The NetWork Kansas website and hotline were launched in March of 2006 and the network quickly grew from nine partners at inception to more than 450 today. NetWork Kansas currently employs from four to six entrepreneurship students from Wichita State University on a part-time basis to field calls and emails and connect entrepreneurs and small business owners with comprehensive resources offered by NetWork Kansas partners.

When a client contacts NetWork Kansas – via telephone, email, or online chat – counselors determine physical business location, business stage, and if the client is already working with other resources. The counselors then use The Resource Navigator® to research the statewide network and determine which resource(s) can best assist the entrepreneur and make the connection to the partner.

NetWork Kansas' services don't stop with a single phone call. The center leverages the strength of the resource partner network to offer programs to assist economic development. These programs include:

- StartUp Kansas provides risk capital for entrepreneurs and small businesses in rural and distressed communities in the state. Entrepreneurs are required to access the funds through NetWork Kansas resource partners. Partners assist with due diligence prior to funding and support the company post-funding to ensure success. To date, StartUp Kansas has invested more than \$2 million in 86 businesses, which employ 421 full-time and 425 part-time workers.



*Kansas entrepreneur Joyce Parker from Sweet 120 receives a check from El Dorado Mainstreet, one of NetWork Kansas' resource partners.*



- Kansas E-Community partnerships allow a town, a cluster of towns, or an entire county to raise seed money for local entrepreneurs using Kansas Entrepreneurship Tax Credit allocations. Communities must demonstrate their active partnership in NetWork Kansas to participate. To date, 20 E-Communities have \$2.69 million in funds available and have made almost \$900,000 in loans or grants to 32 businesses.

In addition, eight resource partners in Kansas have recently embarked on an economic gardening pilot program, assisting second-stage growth companies in rural communities with gaining access to competitive intelligence information.



*Fred Goertzen, maintenance supervisor and engineer, explains the manufacturing process at Countertop Trends, a StartUp Kansas client in Gridley, Kansas.*

### **SOURCELINK TULSA: A Chamber-led Network**

SourceLink Tulsa found its roots in two strategic planning efforts for the city of Tulsa and its surrounding communities. Led by the Tulsa Metro Chamber, Tulsa's Future was a privately funded economic development planning effort to develop strategies to support business growth, strengthen educational opportunities, and improve downtowns and communities in the Tulsa metro region. About the same time, the city of Tulsa embarked on PlaniTulsa, a two-and-one-half-year project that involved 1,500 people in developing a city-wide, 30-year development plan.

Entrepreneurship and small business development were key parts of both plans, as 82 percent of all businesses in the Tulsa MSA have fewer than 10 employees. Representing some 29,000 small businesses, these companies support 55,000 primary jobs with an estimated payroll of \$1.4 billion annually, making a significant economic impact on the region.

The PlaniTulsa development plan pointed out that the city "has a one-stop center for permitting, zoning, and licenses. This concept should be expanded to

include other services necessary for prospective entrepreneurs, like business assistance, low interest loans, grants, access to mentors, etc."<sup>1</sup> To create this one-stop shop, funding from Tulsa's Future program helped to implement the SourceLink model.

SourceLink Tulsa launched in February 2010 and is led by Kinnee Tilly, vice president of business retention, expansion and small business for the Tulsa Chamber, which was recently named 2010 Chamber of the Year by the American Chamber of Commerce Executives. A volunteer SourceLink Advisory Committee guides the program, which receives wide visibility through chamber marketing activities.

Tilly partnered with Margaret White, an associate professor in the Department of Management at Oklahoma State University, to identify resource partners and used The Resource Navigator<sup>®</sup> to map the local entrepreneurial ecosystem. In addition to centralizing resource information on the website and The Resource Navigator<sup>®</sup>, the chamber operates a walk-in SourceLink Business Center with access to Dunn and Bradstreet listings, demographic, and other market research information.

### **MYBIZAM IN MISSISSIPPI AND ALABAMA: Leveraging the Community College Network**

Regions find their champions in a variety of organizations. While SourceLink Tulsa was chamber-led and the original KCSOURCELINK was developed as a university program, the MyBiz Alabama-Mississippi network (MyBizAM) grew out of a workforce development program. It found its champion in a nonprofit and created a strong partnership with the community college system to bring its network to life.

MyBizAM adopted the SourceLink model in 2006 after receiving a Workforce Innovation in Regional Economic Development (WIRED) grant from the U.S. Department of Labor. Like KCSOURCELINK, the project originally crossed a state line, encompassing 37 counties on either side of the Alabama-Mississippi border.

Championed by the Montgomery Institute, a regional nonprofit that focuses on citizen leadership, the network was built through a partnership with eight community colleges: four in West Alabama and four in East Mississippi. The project later spread to all of Mississippi and much of Alabama through the network of community colleges.

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MyBizAM is a network of agencies, nonprofits, and resource providers committed to improving opportunities for citizens in Alabama and Mississippi to start, own, and expand businesses. It consists of four main components:

- MyBiz.am website that includes entrepreneur toolkits and other information;
- The Resource Navigator® online search tool;
- Start It! Cards that display community points-of-contact for utilities, licensing, permitting, tax information, and local regulations; and
- MyBizAM Resource Partner Network.

Critical to implementing the work of the MyBizAM network are 15 Mississippi and four Alabama community colleges. These colleges add depth and richness to the support network, expanding access and connecting more entrepreneurs to small business development support like Small Business Development Centers, minority enterprise and entrepreneur programs, college training programs, community development corporations, and funding opportunities.

Program partners include, but are not limited to, the Mississippi Development Authority, Mississippi Technology Alliance, Mississippi Department of Employment Security, the State Board of Community and Junior Colleges, Alabama Department of Economic Development, and the Alabama Office of Workforce Development. The program serves communities across Mississippi and western counties of Alabama.

### ENERGIZING THE NETWORK THROUGH CONTINUED COLLABORATION

Regularly scheduled resource partner meetings keep the network fresh, allowing the partners to share and collaborate. Resource partners get to know each other and the services that they offer, meet new partners, and find out about new developments within the community.

Collaborations often develop from partner meetings or are started and facilitated by lead organizations. Joint program development and fund raising often result. Partners identify gaps in services and how to fill them, collaborate on training initiatives and events, and work together to reach underserved audiences or bring new programs to the region.

Regional collaborations leverage the resource partner capabilities into new programs that support entrepreneurs. An example of this is AKSourceLink, which has used the network to offer training programs and entrepreneurial support in very remote areas of Alaska.

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### AKSOURCELINK: Using Partnerships to Cover a Vast Territory

Alaska is a vast state. In size, it could swallow Texas, twice. For its enormous size, it is home to only 670,000 people, three-fourths of whom are concentrated in the south central area or close to the adjoining road system. The rest of the population is scattered across remote wilderness, with many communities accessible only by water or air.

Alaska has two designations for rural areas: “rural” and “remote rural.” Close to 70 percent of the state is remote rural where a subsistence lifestyle, sharing, and non-cash trading are important pieces of the economy. A subsistence lifestyle dominates in many villages, where



*Landing at airstrip at Goodnews Bay, AK, population 237, prior to a workshop.*



*Unloading training and other supplies at Goodnews Bay, AK.*



*Aniak workshop venue, Kuskokwim Native Association Computer Lab.*

hunting moose, bear, caribou, and waterfowl; fishing; and gathering berries are essential life-sustaining activities. Summer days can last 21 hours and winter temperatures can drop to 50 below. The roads stop at

the end of town and access is only by boat, plane, or sled, giving Alaska its moniker, “The Last Frontier.”

When the University of Alaska Anchorage Institute for Social and Economic Research and the University of Alaska Center for Economic Development conducted their 2007 study, *Viable Business Enterprises for Rural Alaska*,<sup>2</sup> small business owners statewide expressed frustration about the difficulty of finding relevant information and training on business and financial management, marketing, and available sources of funding. Often, business owners said they did not even know what kinds of assistance they needed, much less where to find such assistance.

Professionals working in the economic development field had been aware of this issue for some time from conversations with clients, conference and workshop attendees, and business plan competition applicants. They also identified other issues related to service providers:

- Outdated websites due to lack of staff support,
- Limited service visibility due to limited marketing dollars, and
- Difficulty in knowing about and collaborating with other resources.

In addition, service providers across the state regularly received calls for assistance outside their scope and were sometimes unsure of the most appropriate place to direct inquiries.

With this knowledge and the daunting goal of providing services to the *entire* state, partnering was the only way to go. A unique coalition of rural and urban and Alaska Native and non-Native organizations from every region of the state came together under the Alaska Entrepreneurial Consortium, sharing the goal of strengthening support to entrepreneurs and small business owners by providing easy access to available resources.

With the University of Alaska Center for Economic Development as the lead agency, the group approached the Denali Commission, an independent federal agency designed to provide critical utilities, infrastructure, and economic support throughout Alaska, for funds to establish AKSourceLink. Additional funding came from U.S. Department of Agriculture Rural Development and the University of Alaska Anchorage. AKSourceLink is led by an executive committee of economic development professionals from across the state, including the state director of economic development. Founding partners range from state and local economic development groups to nonprofits that support Native Alaskans.

Armed with a background in nonprofits and social entrepreneurship, Linda Ketchum leads the AKSourceLink network and is a true trailblazer. Daily life as AKSourceLink network leader can mean conversing with

a U.S. senator in Anchorage one day, then climbing into a small two-seat plane to reach businesses in remote areas the next.

Since its launch in 2009, the program's resource partners have conducted more than 30 small business development workshops in urban and rural communities of all sizes and populations. AKSourceLink is growing steadily, with 110 resource partners and 60 more on deck. The work of Ketchum and her partners has recently been recognized by the University Economic Development Association Excellence in Partnership Award.



*Workshop participants at AKSourceLink rollout in Aniak, AK hosted by Interior Rivers Resource Conservation & Development.*

## THE IMPORTANCE OF RESOURCE PARTNERS

As the stories demonstrate, there is no network without resource partners. Traditionally, the SourceLink model defines resource partners as nonprofit, government, or educational organizations that provide education, training, networking, technical assistance, financial, or physical services to those wishing to start and grow companies. They provide the services that are offered directly to business owners. Therefore, it is critical to recruit and retain a broad range of providers to the network.

Not all resource partners are exactly alike. Some spend 100 percent of their program budgets delivering direct counseling and business development services to businesses. Others, like chambers of commerce, focus on networking and policy and may refer business owners to other network providers for education, training, and other services. The network provides its biggest benefit by linking this broad array of organizations.

The myriad of business services can be daunting to navigate, not just for entrepreneurs but for economic development organizations as well. Over the past seven years, U.S.SourceLink has organized and categorized entrepreneur support organizations across the country. In addition, thousands of aspiring and existing entrepreneurs have called, emailed, or visited the website and The Resource Navigator® looking for help. One lesson learned: support organizations cluster, just like the businesses they serve.



*Resource partners gather at quarterly meeting.*



It is important to recognize these clusters because an entrepreneur needs to be directed to an organization that best matches his/her business type or the interaction with the support organization will be unsatisfactory. The chart shows typical support organizations by each of the following business clusters.

- **Innovation-Led Enterprises:** These endeavors are often associated with building life sciences or technology firms, which typically require significant funding and specialized facilities, generally giving away equity to secure the financial resources they need to grow. These businesses may cluster around research institutes and universities, as technology is transferred from research labs into the marketplace.
- **Second Stage Growth:** These firms have between 10 to 99 employees and/or \$750,000 to \$50 million in revenue, with owners who are focused on grow-

ing and expanding their businesses.<sup>3</sup> Second stage companies are looking for professional management teams, have the collateral for debt financing, and need market intelligence data and exporting support. According to the Edward Lowe Foundation (see [www.youreconomy.org](http://www.youreconomy.org)), these firms are currently creating most new jobs.

- **Lifestyle Companies:** A lifestyle company is a business that will grow to a certain plateau and then remain there, as the owner does not desire to invest the resources required to take it to the next level. These are the vast majority of companies in the United States, mostly operating as sole proprietorships and employers with less than five employees.
- **Microenterprises:** Defined as companies that require less than \$35,000 in capitalization to start, these firms are a common type of lifestyle enterprise. In

#### TYPICAL SUPPORT ORGANIZATIONS BY BUSINESS TYPE\*

##### Innovation Led

- Research Centers
  - University
  - National Laboratory
  - Corporate Research and Development
  - Other Research Institutes
- Angel Groups and Networks
- Venture Capitalists
- SBIR/STTR Assistance Programs
- Intellectual Property Attorneys
- High-tech and Biotech Incubators
- State Government Programs, e.g. incentives for early stage seed capital
- University Technology Transfer Offices
- Serial Entrepreneurs
- Some Small Business Development Centers (SBA)
- Mentorship Programs

##### Second Stage

- Professional Service Providers
  - Banks
  - Accountants
  - Attorneys
  - Insurance Agents
  - Management Consultants
- Economic Development Corporations
- Chambers of Commerce
- Revolving Loan Fund Programs
- Procurement Technical Assistance Centers (DOD)
- Manufacturing Extension Programs (DOC)
- Small Business Development Centers (SBA)
- Trade Adjustment Assistance Centers (DOC)
- Export Programs
- Market Research Organizations
- SBA Lenders

##### Lifestyle

- Small Business Development Centers (SBA)
- Non-technology Incubators
- Online Library and Training
- Micro-lenders
- Economic Development Corporations
- Chambers of Commerce
- SCORE
- Women's Business Centers
- Community Colleges
- Procurement Technical Assistance Center

##### Microenterprise

- Small Business Development Centers (SBA)
- Online Library and Training
- Workforce Development Offices
- Some Social Services Agencies
- Micro-lenders
- SCORE
- Women's Business Centers

\* Many organizations work across business types. This chart indicates most likely fit.

today's economic environment, dislocated workers and retirees are starting these companies to replace income lost through downsizing or the recession.

There are support organizations that help those in poverty build wealth through microenterprise programs. Referrals may come from social services agencies, and this group may need additional technical assistance due to lack of basic math skills, etc.

Regions across the country have different business needs and resources. Identifying the resources available, making them visible to the community, and leveraging them into collaborative groups can change local economies.

## CONNECTING ENTREPRENEURIAL ECOSYSTEMS

Today, U.S.SourceLink networks exist in more than 20 regions in the country. These networks regularly exchange best practices in economic development and share in marketing efforts and the cost of developing and maintaining the technology needed to run the network.

Regions across the country have different business needs and resources. Identifying the resources available, making them visible to the community, and leveraging them into collaborative groups can change local economies. 🌐

### ENDNOTES

- 1 PlaniTulsa, City of Tulsa Planning Department. (2009). *Our Vision for Tulsa*. Retrieved from: <http://www.planitulsa.org/files/tulsa-vision-draft-091509-screen.pdf>.
- 2 University of Alaska Anchorage, Institute of Social and Economic Research. (2008). *Viable Business Enterprises for Rural Alaska*. Retrieved from: <http://ced.uaa.alaska.edu/vibes/report.htm>.
- 3 The Edward W. Lowe Foundation is recognized for its support for second-stage businesses. More information can be found at [www.edwardlowe.org](http://www.edwardlowe.org) and [www.youreconomy.org](http://www.youreconomy.org).



## THE ECONOMIC DEVELOPMENT RESEARCH PARTNERS (EDRP) PROGRAM

### DESIGNATED FOR INNOVATIVE LEADERS IN THE ECONOMIC DEVELOPMENT COMMUNITY

#### THE ECONOMIC DEVELOPMENT RESEARCH PARTNERS (EDRP) PROGRAM

Economic Development Research Partners Program membership opens doors to concepts and schemes that assist economic development professionals in operating at a higher level.

**AIMS OF THE EDRP** Through the EDRP Program, IEDC is taking its mission to a new level, assisting practitioners to successfully compete in the global economy and increase prosperity for communities at an accelerated pace, empowering ED professionals to better define their vision and voice.

**METHODS AND BENEFITS OF THE EDRP PROGRAM** The Partners meet 4 times a year, sometimes with experts in the field, to coordinate activities and focus agendas on pertinent and practical issues. This innovative program provides an incredible opportunity to strengthen the communities in which we operate and the profession as a whole.

**FOR FURTHER INFORMATION** on membership details, please contact:  
Mary Helen Cobb, Director of Membership and Development at  
202-942-9460 or [mcobb@iedconline.org](mailto:mcobb@iedconline.org)



# **2011 CONFERENCE SPONSORS & EXHIBITORS**

IEDC would like to *thank the sponsors* of the **2011 Leadership Summit** for demonstrating their commitment to the important work of economic developers. It is through their generous support that IEDC has brought leaders of the profession together for this forum of professional development, peer networking, and discussions of the most imperative issues facing economic developers today. We proudly recognize the following sponsors as partners in helping economic developers to build strong, more vibrant communities.

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# NEWS FROM IEDC

## ARE YOU PREPARED TO HELP YOUR ECONOMY RECOVER FROM A DISASTER?

### RestoreYourEconomy.org Is Just the Tool You Need

Depending on what happens to your local economy after a disaster strikes, your community may focus its praise or frustration on your economic development organization. Funded in part by a U.S. Economic Development Administration grant, IEDC has launched a new web portal, [RestoreYourEconomy.org](http://RestoreYourEconomy.org) to provide economic development professionals with practical guidance and post-disaster recovery tools and information to promote investment, retain local employment, and restore lost jobs in the event of a disaster.

Visit the site to join one of the Facebook and LinkedIn groups, download a free resource, or learn about strategies deployed by other disaster-impacted communities.



## IEDC LAUNCHES "UNLOCKING ENTREPRENEURSHIP: A HANDBOOK FOR ECONOMIC DEVELOPERS"

Developed under the guidance of its Economic Development Research Partners (EDRP) Program, IEDC launched a handbook on entrepreneurship that introduces economic developers to the growing and increasingly urgent need to support entrepreneurship in all its guises as a necessary component of an economic development strategy. In addition to exploring questions like what is entrepreneurship, who are entrepreneurs, and what are the essential components of an entrepreneurial ecosystem, the handbook provides strategies and ready-to-use tools for economic developers to foster entrepreneurship in their communities.

A wide variety of case studies featuring entrepreneurial businesses as well as organizations that support them provide additional insights into the workings of the world of entrepreneurship.

## REAL ESTATE DEVELOPMENT AND REUSE TRAINING COURSE

IEDC will be holding a Real Estate Development and Reuse training course in Baltimore, MD, May 5-6. This course provides an overview of the real estate development and reuse process, with an emphasis on the role of the economic developer. Typically, the economic developer works to balance the dynamic between the profit

orientation of the private developer and the public objective to be met by the real estate project.

Learn about the various financing tools that are available at the local, regional, and state level, including tax increment financing, bond financing, land assembly, and brownfield redevelopment. Visit our website and register today. ([www.iedconline.org](http://www.iedconline.org))

## IEDC'S SPRING CONFERENCE

### June 5-7 in Indianapolis

IEDC's Spring Conference will focus on "Understanding Tomorrow's Industries Today: The Landscape of the Future," June 5-7 in Indianapolis. The landscape and competitiveness of industries are changing dramatically – strengthening some sectors, while weakening others. Traditional industries have transformed, consolidated, gone offshore, or disappeared entirely – taking jobs and investment with them.



As an economic developer, you need to prepare for retaining your workforce, retooling your incentives, reorienting your marketing, revitalizing existing industries, replanting your "economic garden," and recruiting the industries of the future. We need to understand tomorrow's industries today. At the 2011 Spring Conference, learn how to identify emerging opportunities; attract, expand, and grow new industries; and diversify your community's economy.

## INDUSTRIAL DEVELOPMENT COMMISSION OF MEXICALI, MEXICO EARNS AEDO ACCREDITATION

IEDC proudly announces the accreditation of the Industrial Development Commission of Mexicali, Mexico, the AEDO program's first international organization. The organization works to promote Mexicali as a trade and investment destination, attracting and retaining companies which contribute to the sustainable industrial and social development of the community.

Over the past three years under the commission's leadership, Mexicali became the first city in Baja California to publish an economic development law for the city, providing incentives to new and existing businesses. Additionally, 17 new companies arrived in Mexicali, investing \$250 million and creating 1,700 new jobs.



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

# CALENDAR OF EVENTS

## RECERTIFICATION FOR CERTIFIED ECONOMIC DEVELOPERS

**Fulfill a recertification requirement without tapping into your budget!**

*Earn two credits towards your next recertification by having an article published in the Economic Development Journal, IEDC's quarterly publication.*

This is one of a number of ways that you can pursue recertification credits. Submissions are accepted throughout the year. The Journal Editorial Board reviews all articles and determines which articles are accepted for publication.

For more information contact Jenny Murphy, editor, at [murp@erols.com](mailto:murp@erols.com) **(703-715-0147)**.



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts.

IEDC also provides training courses and web seminars throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

**For more information** about these upcoming conferences, web seminars, and professional development training courses, please visit our website at [www.iedconline.org](http://www.iedconline.org).

## CONFERENCES

### 2011 Federal Forum

March 20-22  
Alexandria, VA

### 2011 Spring Conference

June 5-7  
Indianapolis, IN

### 2011 Annual Conference

September 18-21  
Charlotte, NC

## TRAINING COURSES

### Entrepreneurial and Small Business Development Strategies

April 7-8, 2011  
Phoenix, AZ

### Business Retention & Expansion

April 21-22, 2011  
Atlanta, GA

### Real Estate Development & Reuse

May 5-6, 2011  
Baltimore, MD

### Technology-Led Economic Development

June 2-3, 2011  
Indianapolis, IN

### Economic Development Credit Analysis

July 20-22, 2011  
Tampa, FL

### Workforce Development

August 11-12, 2011  
Atlanta, GA

### Neighborhood Development Strategies

August 25-26, 2011  
Oklahoma City, OK

### Economic Development Marketing & Attraction

September 15-16, 2011  
Charlotte, NC

### Business Retention & Expansion

October 6-7, 2011  
Phoenix, AZ

### Business Retention & Expansion

November 3-4, 2011  
Sacramento, CA

### Economic Development Finance Programs

November 16-18, 2011  
Baltimore, MD

### Economic Development Credit Analysis

December 7-9, 2011  
Atlanta, GA

## CERTIFIED ECONOMIC DEVELOPER EXAMS

### June 4-5, 2011

Indianapolis, IN  
(Appl. Deadline: April 4, 2011)

### September 17-18, 2011

Charlotte, NC  
(Appl. Deadline: July 19, 2011)

## WEB SEMINARS

### Unlocking Your Entrepreneurship Toolkit

April 1, 2011

### Diversify Your Economy with Targeted-Industry Incubators

April 28, 2011

# workforce development

## THAT SUPPORTS ECONOMIC DEVELOPMENT

By Ray Uhalde

### INTRODUCTION

Most economists agree that the United States is on a bumpy road to economic recovery after experiencing the worst economic downturn this country has endured since the Great Depression. Recovery in the job market has been slow, with over 15 million Americans still unemployed, and over 40 percent of the unemployed having been without work for at least six months.<sup>1</sup> Because the pool of active job seekers and discouraged or involuntarily part-time workers is so vast and because our labor force is growing, it would take job growth of over 300,000 per month to bring unemployment down to pre-recession levels by 2014.

As a result, our nation's public workforce development system faces unprecedented challenges as it tries to help its dual customers: millions of workers who remain jobless and businesses that are the engines of job creation and economic growth. An important element of the system's response going forward should be to forge more genuine and effective partnerships with economic development groups in order to sustain and support widespread economic growth and advance shared prosperity for America's workers.

Since enactment of the Workforce Investment Act, the public workforce system, with the encouragement of the U.S. Department of Labor, has striven to become market-driven and aligned with economic development. New and innovative ap-



A student reviews a handout during a welding class at the Wisconsin Regional Training Partnership.

proaches to reemployment and training have been developed and demonstrated with positive results. Moreover, strong cooperative relationships between workforce and economic development entities are making a difference in a number of regions. This article describes some examples of regional collaboration between workforce and economic development, and proven training models for adults that are regionally focused and sector-based. The article questions whether these approaches remain effective in today's economy. Or, do we need additional or modified tools and strategies to help workers, businesses, and communities?

The stakes could not be higher for U.S. workers, employers, regional economies, and the country as a whole. When Federal Reserve Chairman Ben Bernanke explained why he expects modest job growth for some time, he provided three overarching reasons. First, some firms initially respond to

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### BUILDING SKILLS FOR JOB GROWTH

*Workforce development professionals face daunting challenges as they provide employment and training services supporting their dual customers: millions of workers who remain jobless and businesses that can generate jobs and economic growth. To sustain and support widespread economic growth and advance shared prosperity, it is critical that workforce development organizations forge more genuine and effective partnerships with economic development groups. Since enactment of the Workforce Investment Act, the public workforce system has striven to become market-driven and aligned with economic development. This article features examples of regional collaboration between workforce and economic development and proven training models that are regionally focused and sector-based. Such regional collaborations are essential for developing and deploying a skilled workforce that buttresses economic growth and opportunity.*



the uncertain pace of economic growth by hiring temporary help and part-time workers rather than new full-time workers. Second, small businesses could be short of the credit they need to expand. And third, firms are reaping productivity gains with slimmed down workforces, expanding output without significant new hiring.<sup>2</sup>

Consequently, the foremost challenge confronting workforce development professionals during this economic recovery is the expected slow pace of job creation. Faced with slow or stagnant job growth in many parts of the country, it is more imperative than ever that the public workforce system act in concert with economic development organizations to support job growth, identify job vacancies as soon as they emerge, and offer market responsive solutions to their dual customers – job seekers and employers.

For workforce investment boards and community colleges in particular, the reality of a slow growth economy elevates the necessity of linking and aligning their plans and strategies with broader economic and community development strategies for regional growth. Working in isolation from one another, the workforce development and education communities too often *assume* the jobs will be there; and economic and community developers too often *assume* a properly skilled workforce is already available.

In fact, a comprehensive regional strategy must operate on both fronts, with complementary policies and programs calibrated to impact a region's ability to attract, retain, and grow the businesses and skilled labor it needs to compete and prosper. While the workforce development community must obviously excel at its core mission of providing education, training, and employment services, it needs to do so as an intentional, integral part of this larger agenda, with strategies that support and enable the community and economic development goals for regional job growth.



Graduates of District 1199C Training & Upgrading Fund's Practical Nursing Program.

A related challenge, particularly for workforce and economic development professionals, is to recognize the changing employer requirements for labor that even the best labor market information is unlikely to capture contemporaneously.<sup>3</sup> Clearly, those firms that have survived and even prospered during this great recession – especially small and mid-sized employers – have emerged leaner and smarter, with trimmed overhead, transformed production and service delivery processes, altered work organizations, revised staffing patterns, and new skill requirements. Going forward, they will demand “economi-

To foster economic growth, economic development efforts must place greater emphasis on identifying the region's competitive assets and strategically investing public and private resources in ways that fully exploit those assets, especially the skills and talents of the local labor force.

cally valuable skills”<sup>4</sup> that will support their success in the future. The productivity improvements adopted by employers during the recession will probably become permanent fixtures in the post-recession labor market.<sup>5</sup>

Therefore, workforce and economic development professionals have to learn what those changing requirements are and what they will be down the road. This is the central rationale for a market-driven, dual-customer approach to workforce development. Employers are our “ear to the ground,” transmitting the demands of the global economy. Consequently, meeting business needs through active employer engagement should be integral to any effective reemployment strategy, because getting good jobs for workers depends on successful businesses.

## REGIONAL PARTNERSHIPS

Although national and state policies can pave the way for innovation and job growth, it is at the regional level where businesses, investors, research institutions, economic development organizations, education and training providers, and government can best collaborate to help firms develop products and processes, identify and access markets, and facilitate technology and information transfer. These entities can also help firms gain access to specialized materials, equipment, suppliers, and services; and hire, train, and retain workers with the necessary skills.

However, far too many regions rely mainly on traditional economic development approaches that emphasize recruiting firms and talent from other areas rather than growing their own – even though that zero-sum game is yielding diminishing returns for individual regions and the nation as a whole. To foster economic growth, economic development efforts must place greater emphasis on identifying the region's competitive assets and strategically investing public and private resources in ways that fully exploit those assets, especially the skills and talents of the local labor force.<sup>6</sup>



*Gail Griffin attends class in Philadelphia to earn an Electronic Health Record Certificate through a program administered by the District 1199C Training & Upgrading Fund.*

In recent years, we have seen a significant increase in the number of public workforce investment boards that work in concert with economic development organizations in their regions, developing policies and programs that are broader in scope than traditional workforce approaches. Ideally, these strategies would knit together workforce and economic development efforts with other community investments in public infrastructure and transportation, housing and redevelopment, schooling and health services, and alternative energy development and conservation. Such coordinated investments would be calculated to affect the ability of a region to attract, retain, and grow the businesses and the skilled labor it needs to compete and prosper. Pennsylvania provides a

leading example of a statewide regional workforce development strategy that also explicitly supports economic development objectives.

### ***Pennsylvania's Regional Industry Partnerships***

Pennsylvania has used state-appropriated funds to launch a particular form of sector training strategies statewide by establishing Industry Partnerships. Industry Partnerships are employer/worker consortia that bring together companies with similar products, markets, and human resource needs. Based on statewide and/or multi-county regional analyses, Industry Partnerships are organized by sectors that have a competitive advantage, and they use public and private resources to address the needs of the workers and the firms that employ them.

Importantly, Industry Partnerships also make effective investments in human capital development that lead to greater productivity, improved human resources practices, innovation, and economic growth. These investments are contributing to the survival and growth of the state's leading industries, including health care, transportation, manufacturing, mining, and lumber, among others. Public workforce development systems use the industry intelligence produced by the Industry Partnerships to help their education and training partners better understand industry needs.

The Industry Partnerships have achieved a great deal in the five years since the initiative's launch:<sup>7</sup>

- 6,300 firms involved in nearly 80 Industry Partnerships statewide,
- 70,000 workers trained,
- Average wage increases of 6.62 percent within first year after training workers,

### **JOB OPPORTUNITY INVESTMENT NETWORK**

One initiative closely connected to Pennsylvania's Industry Partnership program is the Job Opportunity Investment Network – JOIN – covering the Greater Philadelphia region, including Philadelphia, Montgomery, Chester, Bucks, and Delaware counties. JOIN built its initiative on a statewide effort to improve access to Industry Partnership programs for low-income, low-skilled adults. JOIN invests in industry-led partnerships that address the hiring needs of employers, while moving lower-skilled workers into jobs that have the potential to pay family-sustaining wages. JOIN is a funding collaborative of seven funders, including one public agency, four foundations, and two nonprofit organizations. The United Way of Southeastern Pennsylvania is the collaborative's fiscal lead. Its founding partners and the National Fund for Workforce Solutions support JOIN.

JOIN's Green Jobs Readiness Partnership is a new project that seeks to connect marginalized workers to employers in the emerging clean energy sector by creating a system to identify, recruit, and prepare workers for advancement in green industries.

The effort is led by the Philadelphia Workforce Investment Board, which has overall responsibility for convening all participating organizations, managing project outcomes, and overseeing project finances and reporting. Primary partners include the Sustainable Business Network, the Federation of Neighborhood Centers (FNC), and three of FNC's member organizations (United Communities Southeast Philadelphia, Diversified Community Services, and Lutheran Settlement House). The Sustainable Business Network engages employers, conducts research on green

industry subsectors, and works to develop career pathways for the program. The FNC, an umbrella organization of community-based neighborhood centers in Philadelphia, recruits participants from its members and helps manage data collection and implementation.



*Philadelphia Mayor Michael Nutter congratulates four ex-offenders who have graduated from a job-training program supported by JOIN.*

- 88 percent satisfaction rate among participating firms, and
- More than \$9 million in private funds and \$30 million in in-kind contributions provided by private-sector firms to support worker training.

The sidebars feature two of these partnerships: (1) the Job Opportunity Investment Network<sup>8</sup> in Philadelphia supports the clean energy sector by improving employability and access for low-skilled workers and (2) LancasterProspers<sup>9</sup> leads a coordinated countywide economic development agenda.

### ***The Piedmont Triad Partnership***

Another regional partnership with a record of success was initiated as a response to an economic downturn but was given a subsequent boost by a federal funding initiative. The Piedmont Triad region spans 12 counties in central North Carolina and includes Greensboro, High Point, and Winston-Salem, consisting of more than 1.5 million residents with a labor force of about 820,000 workers. In the wake of severe job losses in the tobacco, textile, and furniture industries, the Piedmont Triad Partnership was created in 1991 to focus the collective resources of the region on recruiting new jobs and investment to the region.

Today, the Piedmont Triad Partnership is a model for comprehensive regional economic development. In addition to marketing and recruitment, the partnership facilitates interaction among individuals and institutions across the region to support economic and workforce development initiatives and to build the capacity to sustain long-term regional growth and prosperity.

In response to a 2003 legislative mandate from the North Carolina General Assembly, the partnership conducted a regional economic analysis. From the findings, it created a plan for workforce and economic development, completed in 2005, which included 120 action steps and identified seven target industries. With this plan, the region won a three-year \$15 million U.S. Department of Labor Workforce Innovation in Regional



*Industrial food sanitation pre-employment class learns the basics of machine sanitation, as part of the LancasterProspers' Center for Manufacturing Excellence.*

### **LANCASTER COUNTY WORKFORCE INVESTMENT BOARD AND LANCASTERPROSPERS**

LancasterProspers is a regional partnership sponsored by the Economic Development Company of Lancaster County, PA and EDC Finance Corporation, a non-profit that facilitates access to federal, state, and local incentive financing for businesses. Formed in 2004, LancasterProspers leads an economic development strategy designed to coordinate the efforts of the multiple participants in the regional economic development arena – from schools, to boroughs, to lending groups – behind a set of common, countywide economic development goals.

One of seven key components to the LancasterProspers economic development strategy is the development and support of Centers of Excellence in the region. Managed and staffed by the Lancaster County Workforce Investment Board (WIB), Centers of Excellence have been created and are self-sustaining in several key industry sectors, including:

- Production Agriculture;
- Packaging Operations;
- Long-Term Care Practice;

- Renewable Energy; and
- Manufacturing.

As defined by the Lancaster County WIB, Centers of Excellence perform five essential functions:

- Local research and development;
- Technology transfer activities;
- Entrepreneurial development activities;
- Incumbent worker training; and
- Maintenance of a pipeline from school, to work, to essential careers.

Each of the centers has a host organization, which is sometimes an educational institution, and each has a steering committee comprised entirely of private sector members. The centers are normally attached to universities, hospitals or government entities, such as NASA or the National Institutes of Health.

Economic Development (WIRED) grant in early 2006 to foster linkages between education and workforce development. Many in the region credit WIRED with having pushed workforce and economic development leaders in the right direction.

The WIRED plan focused on several goals designed to increase the region's economic viability, including:

- Leadership Communication and Regional Integration, to build visionary leadership capacity and the broad community engagement necessary to transform the region's economy and sustain transformation beyond the three-year WIRED project;
- Economic Growth and Competitiveness, to accelerate the region's capacity to create high-skill, high-wage jobs through market-driven services in targeted industry clusters and to strengthen the entrepreneurial and innovation culture across the region; and
- Education and Workforce Investment, to leverage all of the region's educational and training resources to transform and create a best-in-class workforce training delivery system.

In addition, the partnership launched the Piedmont Triad Leadership Institute to build the capacity of re-



In today's economy, it is imperative that the public workforce system offers market-responsive training solutions to its customers, both job seekers and employers. Meeting the labor market's need for workers who are more highly skilled and better trained requires upgrading the skills of adults in the workforce and those seeking new employment.

gional leadership. It is anticipated that the institute will be sustained beyond the life of the WIRED grant. At the same time, the North Carolina Commission on Workforce Development offered grants for regional planning and to encourage local workforce investment boards to join with one another and with economic and workforce partners to collaborate on regional strategic planning. The six boards of the Piedmont Triad Region are tasked with determining how to build a regional structure, how to make decisions on a regional basis, and "how to be 'one voice' when you need to."

As a result of their WIRED grant, Piedmont Triad officials report they initiated more than 100 projects, awarded over \$3.5 million for better training, and leveraged another \$6.8 million in local funds to sustain those programs. A dozen new technologies have been produced; more than 50 products have been generated; and high schools, community colleges, and universities are using several new curricula for industry-oriented training.<sup>10</sup>

The Connect Long Island Partnership<sup>11</sup> in New York state is another example, in the sidebar, of a regional strategy that was influenced by the Department of Labor's WIRED initiative, even though its activities were ultimately not selected for federal funding.

## DUAL-CUSTOMER TRAINING

In today's economy, it is imperative that the public workforce system offers market-responsive training solutions to its customers, both job seekers and employers. Meeting the labor market's need for workers who are more highly skilled and better trained requires upgrading



*A crew at a Housing Remodel and Retrofit Project, part of the Construction 201 program of LancasterProsper's Center of Excellence in Renewable Energy.*

the skills of adults in the workforce and those seeking new employment. Workforce development professionals must therefore be knowledgeable about the changing skill requirements of employers and the skill needs (and gaps) of their region's workforce. This is the central rationale for a market-driven, dual-customer approach to workforce development.

With so many workers experiencing long-term unemployment, further education or training to build skills makes financial sense for many jobless workers and for the taxpaying public as long as that training leads to employment in good jobs at the end. There are several market-sensitive, dual-customer training strategies – approaches where employers, and often labor unions, are integral to the training process while also meeting the needs of under-skilled adults – that better ensure good employment outcomes. These include sector-based training programs, on-the-job training, apprenticeship training, and labor-management training partnerships – train-

## THE CONNECT LONG ISLAND PARTNERSHIP

The Connect Long Island Partnership began as an initiative of state and local workforce leaders in collaboration with the Long Island Forum for Technology, Inc., Long Island's major manufacturing industry association. The partnership's executive committee includes representatives of three local workforce investment boards (Hempstead and city of Long Beach, the Oyster Bay Consortium, and Suffolk County), along with the New York State Department of Labor, Long Island – Regional Adult Education Network and New York State Empire State Development.

The partnership took shape as members came together to apply for the U.S. Department of Labor's Workforce Innovation in Regional Economic Development (WIRED) grant. Although not selected for WIRED funding, the partnership received a grant of \$1.6 million under the state Department of Labor's Regional Economic Transformation Strategies through a Sector or Cluster-Based Approach, with which the region's three local

workforce investment areas conduct strategic planning and sector-based training. In 2007, the partnership received a U.S. Department of Labor Regional Innovation Grant to enhance the region's economic transformation strategy by creating a Regional Strategic Implementation Plan to train dislocated workers in the partnership's ongoing sector-based programs.

The partnership initially engaged the advanced manufacturing and information technology sectors, which offered the greatest opportunities for economic transformation across the broadest array of industry clusters. The partnership has expanded into biotech; defense, aerospace, and homeland security; energy; food; health care; medical devices; pharmaceuticals; arts and computer graphics; test and measurement; and software.

To date, the program has trained over 1,400 dislocated and incumbent workers. The Regional Strategic Transformation Plan is the blueprint for sustaining the Connect Long Island Partnership.

ing strategies designed to create a win-win for employers who need a skilled workforce and jobs for workers that pay family-supporting wages. This article features sector-based training because a growing number of regions are adopting this approach as a way to more closely align workforce development with industry employment needs.

### **Sector-Based Training**

Sector-based training is usually carried out in collaboration with employers in industries important to the regional economy. This training refers to a broad number of strategies designed to benefit both workers and employers by targeting a specific industry and then working with employers in that industry to address their specific workforce needs. For workers, sector-based training programs provide industry-specific training to help them gain entry into and advance in high-demand occupations. For employers, sector-based training programs provide a training curriculum specific to industry needs, thereby improving employers' ability to compete in the market.

In its 2007 study,<sup>12</sup> the Aspen Institute defined a sector-based employment development strategy as "a systems approach to workforce development – typically on behalf of low-income individuals – that:

- Targets a specific industry or cluster of occupations, developing a deep understanding of the interrelationships between business competitiveness and the workforce needs of the targeted industry;
- Intervenes through a credible organization, or set of organizations, crafting workforce solutions tailored to the industry and its region;
- Supports workers in improving their range of employment-related skills, improving their ability to compete for work opportunities of higher quality;
- Meets the needs of employers, improving their ability to compete within the marketplace; and
- Creates lasting change in the labor market system to the benefit of both workers and employers."

Sector-based training is usually carried out in collaboration with employers in industries important to the regional economy. This training refers to a broad number of strategies designed to benefit both workers and employers by targeting a specific industry and then working with employers in that industry to address their specific workforce needs.

A wide range of institutions, including workforce investment boards, community colleges, labor-management training partnerships, business associations, community-based organizations, and other entities have adopted sector-based strategies. A number of sites are using sector strategies to respond to the emergence of green jobs, and several cities have established sector-based One-Stop Career Centers. In addition, at least 32 states now engage in some form of sector work, and a survey identified at least 227 workforce development organizations that were carrying out some form of sector-based programs targeting about 20 industries.<sup>13</sup> Philadelphia's District 1199C Training Fund,<sup>14</sup> profiled in the sidebar, provides an excellent example of a longstanding labor-management training partnership in the health care industry that benefits both incumbent and entry-level workers.

### **Sector-Based Training Outcomes**

Sector-based training programs work. They are effective for low-skilled workers and their employers, according to a recent study. With the support of the Mott Foun-

#### **THE DISTRICT 1199C TRAINING & UPGRADING FUND**

The District 1199C Training & Upgrading Fund is a labor-management partnership dedicated to providing access to careers in the health care and human services sectors through education and life skills training and building the capacity of the Delaware Valley's health care industry through the development of a highly skilled workforce. District 1199C, an affiliate of the National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO, negotiated the fund to help its members and the community upgrade out of dead-end jobs and keep pace with increasing technological demands in the health care field. Fifty-five employers contribute 1.5 percent of gross payroll to the fund annually.

The Training Fund has played a critical role in offering academic, career exposure, and workforce development opportunities to youth and adults in the Philadelphia region for 35 years. In FY 2009, it served 17,856 individuals, providing training in the following health care fields: nursing, allied health, behavioral health, and computer technology. In addition to occupational training, the fund provides GED/adult diploma classes; health care contextualized English, mathematics, and ESL classes; blended preparatory and technical bridge curricula that enable students to accelerate learning and transition into postsecondary; and a variety of technical training programs resulting in industry-recognized credentials

that articulate with college credits and degree programs. Half of the students are union members, and half are community residents – dislocated and unemployed workers as well as immigrants.

In addition to its members and others in the community, the fund is the educational arm of 54 employer partners. In this capacity, it offers multi-employer sector initiatives, including: customized career advancement training for entry-level workers, licensure and certification review classes, and skills-based classes that support the delivery of quality care. Temple University Health Systems has co-chaired the fund's board of directors for 20 years.

This unique collaboration among District 1199C and health care providers in the Delaware Valley has improved patient care, helped thousands of employees move up career ladders, boosted employer recruitment and retention efforts, and attracted new and more diverse workers to the health care field. In addition, the fund provides a wide range of Youth Pipeline Services in support of preparing the future workforce in the city of Philadelphia and the Delaware Valley region.

The fund collaborates with the region's public workforce investment system, especially the Philadelphia WIB, as well as numerous other community partners in carrying out its work.

dation, Public/Private Ventures (P/PV) set out to answer the question: “Can well-implemented, sector-focused training programs make a difference in the earnings of low-income disadvantaged workers and job seekers?”

P/PV examined three sector-based training programs: medical billing and accounting training offered by Jewish Vocational Services in Boston, Massachusetts; information technology training provided by the social enterprise Per Scholas in the Bronx, New York; and training in the construction, manufacturing, and health care sectors through the Wisconsin Regional Training Partnership in Milwaukee, Wisconsin – an association of employers and unions.

The study recruited eligible participants from all three organizations and randomly assigned each person to participate in either the sector-based program or a control group. Trainees were followed up between 24 and 30 months after their enrollment to assess the effects of program participation.

Key study findings include:<sup>15</sup>

- Sector-based program participants earned significantly more than individuals in the control group over a two-year period, with program participants earning over 18 percent more (about \$4,500) than those in the control group and 29 percent more (about \$4,000) in the second year.
- Sector-based program participants were significantly more likely to be employed when compared to the control group and more likely to be steadily employed, with 52 percent of program participants working for the entire second year compared to 41 percent of the control group.
- Sector-based program participants were significantly more likely to be employed in a job that paid higher wages (above \$13 per hour) and that offered benefits like health insurance, paid vacation, and tuition reimbursement.
- At the Wisconsin Regional Training Partnership site, participants were significantly more likely to earn



*Instructor Leander Williams teaches cement finishing to students during a road building skills training course for the Wisconsin Regional Training Partnership.*

industry recognized credentials in construction and health care than were individuals in the control group, and employers responded by paying significantly higher wages.

- Fifty-five percent of the Per Scholas computer technician trainees received the A+ industry certification compared with nine percent of their control group counterparts, and employers responded with higher wages and benefits.

This study demonstrates that sector-focused training programs delivered by organizations with a good understanding of and connection to industry needs can be very effective in raising employment and earnings for low-skilled, often low-income adults. But these programs served small numbers of trainees. We need to grow such programs and take these proven practices to scale, but how? Regional funding collaboratives, described below, offer one possible way forward.

Clearly, more work needs to be done to better align the workforce and economic development worlds, bringing these efforts to scale and making best practice a widespread common practice.

## CONCLUSION

Future U.S. economic prosperity depends importantly upon the education and skill level of our current and future workforce. We recognize that the workforce development system in the United States – including our public workforce investment and postsecondary education systems – must offer market responsive solutions to job seekers and employers. We also know that authentic regional collaboration between workforce and economic development professionals, accompanied by sector-based training for key industries, can yield high-value employment for workers. What we are unsure of is how these approaches can be improved for today's economy, and can such collaboration significantly spur job creation and growth?

Clearly, more work needs to be done to better align the workforce and economic development worlds, bringing these efforts to scale and making best practice a widespread common practice. We should recognize, for example, that economic development focuses on cluster strategies while workforce development often targets more narrowly defined industry sectors. Moreover, many collaborative initiatives are small in scope and starved for funds.

The National Fund for Workforce Solutions is an encouraging counter-story in this regard. Ten national foundations have invested \$24 million in 22 regional collaboratives, leveraging another \$100 million in commitments from nearly 300 community investors. The venture's express purpose is to bring to national scale a new way to prepare workers through an intensive involvement with employers and a keen focus on cultivating employee skills and career advancement.<sup>16</sup>



Expanding broadly shared opportunity and growing regional economies are inextricably linked objectives of workforce and economic development efforts. A growing economy is necessary for expanding and sustaining economic opportunity but insufficient by itself without appropriate and intentional policies. And rising income

inequality and poverty are not supportive of future sustained economic growth.<sup>17</sup> Intensive regional collaboration between the workforce system and economic development organizations can help address both of these highly valued objectives. ④

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# scorecard

By Ralph J. Basile, Brian Dowling, and Tory Salomon

A myriad of economic development financing tools are available to local and state government officials and practitioners. This article addresses the effectiveness of five of these financing tools used to stimulate economic development ventures nationwide: tax abatements, brownfields funding, CDBG funding, Tax Increment Financing (TIF), and New Markets Tax Credits (NMTC). For each financing tool, we:

- Describe the tool or program,
- Identify how extensively the tool is used,
- List pros and cons associated with using the tool, and
- Provide a “scorecard” grade and the reasons why.

A caution: this article is not intended to offer an extensive dissertation about each financing tool. Rather, our observations intend to capture our experiences as economic development consultants, plus some limited additional research. Naturally, others through their own more extensive research or varied experiences may arrive at a different “grade” on their scorecard. At a minimum, we hope our results spur dialogue within the economic development community about which tools work best and under which circumstances.

Why did we focus on these five tools? We examined these particular tools based on our assumption that using some tools offers significant advantages over others in terms of flexibility and positive impacts. We wanted to examine a mix of financing tools, some of which are used more frequently than others by economic development practitioners. Other financing mechanisms not examined in this article, such as land writedowns, utility rate concessions, housing tax credits, loan guarantees, and



*The use of New Markets Tax Credits in the reuse of the Arcade Hotel in Bridgeport, CT helped shape the community's redevelopment.*

outright incentive grants, were deemed narrower in focus and applicability and, hence, were not addressed in this article.

Our rationale for assigning the grade chosen included such considerations as:

- How broadly and flexibly can the tool be applied,
- How effective has the tool been in causing economic development,
- How important is the tool considered by private entities seeking its application to their projects,
- How successful have practitioners been in directing these funds specifically to economic development endeavors, and
- How equitable is it to use the tool, given the challenging fiscal conditions faced today by those who govern.

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## FINANCING ECONOMIC DEVELOPMENT

*This article examines five economic development financing tools from a practitioner's standpoint. We detail the pros and cons associated with using each tool and assign a simple grade (from A to C+) for each to capture our experiences with applying these tools to further economic development objectives at the local government level. The five tools are tax abatements, brownfields funding, CDBG funding, Tax Increment Financing (TIF), and New Markets Tax Credits (NMTC).*

## TAX ABATEMENTS

### *Program Description:*

Tax abatements can be defined as either the forgiving of taxes by government or their deferral to a later pre-determined date. The amount of abatement is typically determined as a percentage of tax payable or as a dollar amount of the tax attributable to the particular parcel receiving the abatement. The length of abatements can vary, though most state laws set a limit of 10 or 12 years as the maximum time taxes can be forgiven or deferred.

The theories behind tax abatement programs are that businesses are incentivized to locate in jurisdictions with local property tax rates that are lower than the average national rate, or property tax reduction is the level of subsidy needed to make private project financing viable. A jurisdiction that has a lower tax rate than others should see a rise in business and economic activity and a rise in land prices. Depending on the local labor force's mobility, an increase in employment, a rise in wages, or a combination of both would also result. In theory, these economic benefits to a jurisdiction could outweigh the costs of offering tax abatements to businesses.

Jurisdictions offer tax abatements for these reasons:

- Businesses generate a "consumer surplus" to citizens in the jurisdiction where they are located. They offer benefits greater than what the jurisdiction pays in the form of locally provided business services and/or possible local environmental degradation.
- The increased capital investment, educated workforce, and increased productivity brought by some firms to a locality generate a greater exchange of ideas and/or a bigger pool of labor to draw from for existing local firms.
- Most local incentives are intended to be temporary. By locating in a jurisdiction, a business commits immobile and taxable capital to a place for longer than the period of the incentive. The incentive thus becomes an up-front payment for a stream of guaranteed future tax payments.
- It is in the best interest of the jurisdiction trying to capture the greatest business property tax revenue to charge different tax prices to different types of firms. A jurisdiction could charge a higher tax price to firms that really want to be there, while revenue maximization requires a lower tax price (through abatement) to firms that have other location options.

### *How Extensively Used:*

Tax abatements have become a common, almost standard tool for jurisdictions to attract businesses to their area. There has been a noticeable increase in property tax abatements allowed within the United States, from 30 percent of the states allowing them in 1964 to 70 percent in 2004. As of 2007, all but seven states offered some form of tax abatement program.



*The Pier Village and Beachfront North projects built in Long Branch, NJ utilized tax abatements to spur oceanfront redevelopment.*



Driven by the profit motive of lower property taxes, businesses searching for a new location or existing firms that convey a reasonable threat of mobility will lobby politicians representing high

property tax jurisdictions for tax relief as a condition for entry or remaining. Local representatives of these high business tax jurisdictions in a state then ask their state's lawmakers for the ability to offer property tax abatements.

Once the previously higher tax jurisdiction offers abatement, another jurisdiction in the state faces the same pressure to also offer abatement. This series of events is the likely reason for the observed increase of tax abatement programs across the county.

### *Pros:*

- Both surveys of business leaders and some empirical evidence show that taxes affect business location decisions.
- Abatements finance local job creation and thus are potentially cost effective.
- Abatements foster competitiveness and dissuade governments from imposing too high a business property tax burden.
- Abatements offer local officials the ability to be "action oriented" in their approach to economic development and allow local politicians to send out a positive signal on the locality's "pro-business climate."
- Stand-alone property tax abatement programs allow a local jurisdiction to neutralize a state and local tax system over which they otherwise have little influence.

### *Cons:*

- Property taxes are a relatively small portion of overall costs faced by businesses making location decisions.
- Some empirical studies have shown abatements to be cost ineffective.
- The selective use of abatements raises questions of equity, as jurisdictions often favor corporations over smaller or local businesses.



- Abatements pull public dollars away from infrastructure, health, and education improvements.
- The proliferation of jurisdictions offering tax abatements turns the decision of where a business will locate into a “game” not of where a business will best operate but of where the business can receive the most “free handouts.”
- The ability to offer abatements creates a zero-sum game where on the micro scale cities, in their competition with one another, drive deals so far down that the only real beneficiaries are the companies. Additionally, for state governments, one locality’s gain likely comes at the expense of another locality-within-the-state’s loss.

#### Score and Why:

B-

Tax abatements are a well established tool for area economic development. Though their effectiveness is not always as strong as anticipated, they show that a jurisdiction is pro-business and at least actively trying to attract businesses. The success of offering tax abatements depends on the level of government from which abatements are offered, how abatements are structured, and the expected response from other jurisdictions vying for the same economic development activity. However, as long as one jurisdiction offers them, others will follow suit in an attempt to remain competitive.



*The Dayton TechTown project is situated on the Miami River in downtown Dayton on the former GM truck plant site. State, federal, and private (GM) cleanup funding was acquired and used to remediate the site for technology office uses.*

Brownfields subsidies typically are designed to influence where and how development occurs on a specific property. Financial assistance from public agencies is offered in the form of direct and indirect financing incentives. Direct financing tools include loans or grants, and indirect financing assistance includes tax abatements or credits, loan guarantees, and loss reserves.

## BROWNFIELDS FUNDING

#### Program Description:

Brownfield sites are defined in the 2002 federal brownfields law as “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.” Financing brownfields cleanup continues to be a barrier to their reuse. The three most commonly cited impediments to brownfields redevelopment are the lack of cleanup funds, concerns over environmental liabilities, and the need for environmental assessments. In a 2003 U.S. Conference of Mayors study, more than 40 percent of respondents indicated that market conditions were also one of the five most important impediments that cities encounter in redeveloping brownfields.

All states offer some form of brownfields cleanup financing assistance to compensate for the costly and complicated task of redeveloping a brownfields site. Brownfields subsidies typically are designed to influence where and how development occurs on a specific property. Financial assistance from public agencies is offered in the form of direct and indirect financing incentives. Direct financing tools include loans or grants, and indirect financing assistance includes tax abatements or credits, loan guarantees, and loss reserves.

The primary goals of brownfields redevelopment incentives are to:

- Offer incentives to property owners to help level the economic playing field between brownfields and greenfields,
- Bring a greater level of certainty to the cleanup and redevelopment process,
- Establish finality for cleanups, with liability relief and no further action mechanisms, and
- Ensure that the long-term management of contaminated land protects human health and the environment.

#### How Extensively Used:

Federal, state, and local programs continue to be at the forefront of brownfields cleanup and redevelopment, as both the public and private markets recognize the opportunities of response programs in ensuring protective and sustainable cleanups. Numerous groups representing a wide range of interests – developers, engineers, lo-



*Redevelopment of brownfields sites in the Mid-Town Corridor of Cleveland, OH will help bring jobs back to communities.*

cal appointed and elected officials, lenders, regulators, and the environmental community – continue to support brownfields redevelopment, and interest in brownfields continues to grow. The increasing number of properties entering into state programs further exemplifies states' growing role in brownfields cleanup. Several states recently passed legislative changes to establish new programs, while other states adopted new regulations to enhance their programs and encourage cleanups.

#### **Pros:**

- Federal and state promotion of brownfields has yielded numerous success stories of underutilized contaminated properties that now house a variety of economic activities.
- Brownfields redevelopment can increase a city's tax base, neighborhood revitalization, and job creation.
- Financial support reduces development costs, increasing the expected rate of return on a private investment to counter the uncertain liabilities that often occur in redeveloping contaminated properties.
- Brownfields redevelopment improves environmental quality through cleanup of contamination while reducing the demand for undeveloped land. According to a 2001 George Washington University report, every acre of reclaimed brownfields saves 4.5 acres of greenspace such as park and recreation areas.

#### **Cons:**

- Little has been documented about how economically distressed populations (those who often have the fewest tools to make brownfields redevelopment work) capture the benefits of brownfields regeneration within their communities.
- Some federal, state, and local brownfields programs de-emphasize the "brown" and focus on the economic development priorities.
- The remediation strategy of choice at many brownfields sites – to leave contamination in place but limit the public's exposure to it through capping, fences, and institutional controls – could unfairly or unwisely transfer risk to future generations.
- It is not completely clear which kind of public sector assistance for brownfields redevelopment is most beneficial to the private sector.

#### **Score and Why:**

**B+**

The uncertain liabilities in redeveloping brownfield sites and the significant costs (compared to clean parcels) associated with investigating, remediating, and redeveloping such sites make public assistance in brownfields welcome and sometimes essential.

## **CDBG FUNDING**

#### **Program Description:**

The federal Community Development Block Grant (CDBG) program distributes funds to local jurisdictions and states based on a standard formula, but as long as the funds principally benefit low- and moderate-income people, local players are given almost all program decision-making responsibilities. CDBG was developed with the idea that local governments and community development nonprofits are better situated to determine community development needs than a more centralized oversight body. The program's broad objective of creating "viable communities through decent housing, suitable living environments and expanded economic opportunities for low- and moderate-income people" has meant that funding touches many lives through a number of avenues: employment training and literacy programs,



*Commercial revitalization projects, including Greenville Commons in Greenville, SC, use CDBG grants as a funding opportunity.*

youth and senior services, upgrades to public infrastructure like water and sewer systems, commercial corridor enhancements, homebuyer assistance, and home safety and energy efficiency improvements.

#### **How Extensively Used:**

Created in 1974, the CDBG program, one of the longest continuously running programs at the U.S. Department of Housing and Urban Development (HUD), is one of the federal government's largest community development and neighborhood revitalization programs. Despite the debate regarding the best use and distribution of funds, bipartisan support for CDBG in Congress and strong support at the local government level are encouraging signs that the program will continue to direct investment into low- and moderate-income communities.

#### **Pros:**

- A survey by the Urban Institute of 17 CDBG recipient cities found that all surveyed cities saw that their CDBG investments were linked to improvements in neighborhood quality (based on median loan amounts and number of businesses).
- The broad range of uses allowed under the program means that local allocation strategies can be crafted in ways that are responsive to local conditions.

- The use of CDBG funds for many programs, even on a small scale, is a more politically appealing approach than funding fewer programs on a larger scale.

#### **Cons:**

- The flexibility of the CDBG program can make it susceptible to mismanagement.
- The current allocation formula, which includes the program's core variables (such as poverty, age of housing stock, overcrowding, and population), has not been updated since 1978.
- The program is generally targeted to low- and moderate-income communities often in a "scatter-shot" approach. More careful programmatic targeting could generate more effective leveraging of resources but may conflict with benefiting low- and moderate-income areas.
- The variability of program uses creates difficulty in establishing uniform performance standards and in assessing program impacts.
- Documenting eligibility can be time consuming.

#### **Score and Why:**

**C+**

CDBG funding, when used in combination with other community development programs such as HUD's HOME program and Low Income Housing Tax Credits, can be successful in incentivizing development in low- and moderate-income communities. More leveraging of program funds to benefit targeted groups may yield a higher score. The lower grade reflects the fact that the funding is used for a broad range of community development programs which are not always related to economic or real estate development.

## **TAX INCREMENT FINANCING (TIF)**

#### **Program Description:**

Tax Increment Financing (TIF) is a tool that uses expected future tax revenue to pay for a variety of development costs related to a real estate project. The basic TIF process begins with the demarcation of a geographic area that is designated as a TIF district. This area can vary in size from a large district encompassing many acres and parcels to a single parcel. Next, there is the determination of the existing tax value assessment of the land and improvements within the TIF district; this is the base level. Finally, the future or incremental tax value assessment that will result from the planned real estate development project is forecast. The increased assessed value above the base level will generate incremental, or new, tax revenue.

Under the TIF mechanism, all or a portion of the new tax revenue provides a cash flow to support debt. That debt is used to finance a portion of the development costs associated with the real estate project that is driving the increase in assessed value. The types of costs that can be paid for with TIF vary by state but are generally focused on infrastructure, public space, demolition costs, land costs, parking, and environmental remediation.

#### **Reasons TIF Is Used:**

- Allows policy makers to encourage investment in urban/brownfield locations.
- Provides public financing assistance for projects with challenges that present significant obstacles to development. These challenges can include the existence of blight (e.g., dilapidation, obsolescence, and deterioration), environmental issues, or reuse of a specialized asset (e.g., military base). The theory is that without a way to reduce costs posed by the challenges, the projects would not attract private investment and, therefore, would not move forward.
- Ensures that the infrastructure costs related to new development are borne by the drivers of those costs rather than the existing area residents and businesses.



*The use of tax increment financing was instrumental in developing the Park Place project in Annapolis, MD.*

#### **How Extensively Used:**

Legislation enabling TIF goes back as far as 1940 (Tennessee) and now exists in every state except Arizona. Midwestern states and California are among the most active users of the TIF mechanism. Some key variations among states include the types of eligible tax revenues (property, sales, PILOTs, other), the duration (years) of the TIF district, and types of costs that can be financed with TIF.

#### **Pros:**

- Targeted mechanism providing solution to projects with significant development challenges.
- Potential to achieve public support as it allows for public investment without impacting existing tax rates.
- Widely used, understood, and accepted by public finance and real estate development communities.
- Can have a successful TIF district without issuing bonds.
- Can be used to fund public improvements when traditional financing is not available.



### Cons:

- May require negotiations and agreements with other taxing authorities (school districts, county, etc.).
- Susceptible to misuse when applied to projects where need is not adequately proven (e.g., liberal interpretation of blight definition).
- Due to the administration/issuance costs related to the formation of a TIF district and issuance of TIF bonds, TIF financing is more effective for large projects.
- Depending on the structure of a TIF bond, it could impact a municipality's credit rating and ability to issue additional debt.

### Score and Why:

#### A

As evidenced by its widespread and longstanding use as an economic development tool, TIF is an effective and flexible mechanism. The structure enables policy makers to direct investment into areas that have a need, while leveraging private investment for large projects that are likely to have a significant positive impact on the surrounding areas. Furthermore, because the public investment is financed through future tax revenue, TIF is seen as an equitable tool that does not impact the existing tax base.

## NEW MARKETS TAX CREDITS (NMTC) PROGRAM

### Program Description:

The New Markets Tax Credits (NMTC) program is a community development lending tool designed to stimulate the flow of investment to underserved communities by creating new jobs and accelerating economic revitalization. The program can supply needed capital for real estate and other economic development projects by providing federal tax credits to investors when a qualifying investment is made. (Unlike a tax deduction, a federal tax credit allows \$1 reduction in federal tax liability for every \$1 in secured tax credits.) The simple process flow chart depicts how the NMTC program works.

**Community Development Financial Institutions Fund (CDFI Fund):** Part of the U.S. Treasury Department, the CDFI Fund is responsible for certifying CDEs (see below) and allocating tax credits through a competitive application process. In 2009, the fund awarded \$4 billion in tax credits to 100 CDEs. The total available allocation is set annually by the federal government.

**Community Development Entities (CDEs):** NMTC provides a credit against federal income taxes for investors that make Qualified Equity Investments into Community Development Entities (CDEs). The CDFI Fund certifies CDEs on an ongoing basis and annually awards NMTC allocations to select CDEs through a competitive application process. To qualify as a CDE, the entities must meet the following criteria:

- a) Have a primary mission of serving or providing investment capital for low-income communities or low-income persons (at least 60 percent of activities are focused on low-income communities or people);

- b) Maintain accountability to residents of low-income communities through their representation on any governing board or advisory board to the entity; and
- c) Be private and for-profit, though their parent entities can be public or non-profit.

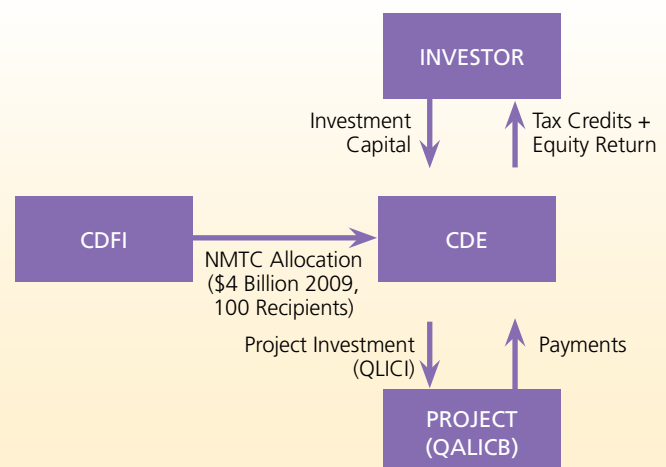
Once awarded a NMTC allocation, the CDEs are generally responsible for identifying and screening projects, underwriting and deal structuring, project monitoring and asset management, and investor reporting.

**Investors:** Tax payers who make a qualified equity investment and in return receive a 39 percent cumulative tax reduction, along with project equity and associated financial returns. The credits are designed to be used over seven years, allowing for a 5 percent tax reduction in the first three years and a 6 percent reduction in each of the remaining four years. The credits are used as incentives to help attract private sector investors who, in exchange, provide the CDEs with capital that is used to finance projects designed to revitalize low-income communities.



*The developer of the UMB BioPark received a New Markets Tax Credit allocation for use in this project, because the site chosen in West Baltimore is in a low income and impoverished neighborhood. The 39 percent tax credit over seven years went to offset the infrastructure and other development costs.*

### NEW MARKETS TAX CREDITS PROGRAM – SIMPLE PROCESS FLOW CHART



**Project Investment:** Investments are termed Qualified Low-Income Community Investments (QLICI). Project types can include, among other things, investments in businesses and real estate projects in low-income communities. To be eligible, a project must be located in census tracts where the median family income does not exceed 80 percent of AMI (area median income).

The CDE invests in one or more QLICI, which usually translates into a debt or equity investment in a Qualified Active Low-Income Community Business (QALICB).

Development activities include loans, equity or capital investments; purchase of certain loans made by other CDEs; and financial counseling and related services to businesses. NMTC funds cannot be used in projects which are already subsidized by other federal tax subsidies, with certain exceptions.

Real estate projects considered under this program include:

- Multi-tenant office buildings;
- Grocery and/or credit-tenant-anchored shopping centers;
- Owner-occupied properties;
- Retail distribution centers;
- Business/office parks;
- Single-site manufacturing facilities;
- Mixed-use developments (retail/office); and
- Charter schools, community centers, childcare centers, and other community facilities.

**Housing and Mixed-use:** NMTC may not be used to develop affordable housing. In certain circumstances, NMTC may be used to finance mixed-use projects, where less than 80 percent of the gross rental income comes from dwelling units. In cases such as this, the Low Income Housing Investment Tax Credits and NMTC may not be used to subsidize the same square foot. In the case of mixed-use developments, the subsidization may be split between uses, allowing NMTC financing for parts of the project.

**Ineligible Activities:**

- Residential rental properties – buildings which derive 80 percent or more of their gross rental income from dwelling units; and
- Liquor stores, golf courses, and tanning salons.

**Reasons Used:**

- Provide financing solution to fill “funding gap” that can prevent investment in low-income communities.
- Provide mechanism to leverage federal investment with other sources of private and public capital.

**How Extensively Used:**

- NMTC program was established by Congress in 2000. Through the first seven rounds of the program, \$26 billion in tax credits have been allocated to 495 CDEs.
- Types of CDEs include banks, community development organizations, government entities, and real estate companies.

Investments are termed Qualified Low-Income Community Investments (QLICI). Project types can include, among other things, investments in businesses and real estate projects in low-income communities. To be eligible, a project must be located in census tracts where the median family income does not exceed 80 percent of AMI (area median income).

- NMTC can be used for a wide range of real estate projects (retail, office space, educational and community facilities, child care centers, and community health centers) and business financing.
- NMTC has been used to finance rural and urban projects throughout the United States.

**Pros:**

- Federal tax credits provide significant financial incentive to investors.
- Flexible – allows creative deal structuring involving investors, lenders, and project owners.

**Cons:**

- Limited availability, requires project sponsor to either partner with or become a certified CDE.
- Only available for projects located in areas that qualify as low-income census tracts.
- Tax allocations are awarded on a competitive basis (in 2009, the CDFI Fund received 249 applications and selected 100 for allocation awards, a 40 percent selection rate).
- Due to fixed compliance and monitoring costs, NMTC is more effective for large projects.

**Score and Why:**

**B-**


The NMTC program can bring an additional source of capital to a project that would otherwise not be feasible. The structure of the program also allows for flexibility and creative mixes of various types of financing. However, given the certification requirements, eligibility criteria, monitoring and compliance costs, and competitive award format, NMTC may not be available for many redevelopment projects.

## CONCLUSION

We concluded that some tools (such as tax increment financing and brownfields funding) offer significant advantages over others in terms of flexibility and positive impacts, not only in terms of the desired project but also on surrounding areas. Use of other tools (such as CDBG funding and tax abatements) is viewed as more challenging due to competing local interests which count on these funds for other community development programs or the negative perception tied to offering some businesses

We concluded that some tools (such as tax increment financing and brownfields funding) offer significant advantages over others in terms of flexibility and positive impacts, not only in terms of the desired project but also on surrounding areas.

“a deal” over others. Finally, while potentially valuable tools, some programs (such as CDBG and NMTC) present obstacles regarding certification, eligibility, compliance costs, and others that may hinder interest in their use.

In closing, our “scorecard” for financing economic development is shown below. 

Financing Tool	Brief Description	Grade
Tax abatements	Reduction or deferment of tax obligations	B-
Brownfields funding	Direct (e.g. grant) and indirect (e.g. loan guarantees) financing assistance for project costs related to environmental remediation	B+
CDBG funding	Federal grant program administered by local governments for community development activities to benefit low- and moderate-income people	C+
Tax Increment Financing (TIF)	Financing tool that leverages future projected tax revenue to pay for upfront development costs (e.g. infrastructure)	A
New Markets Tax Credits (NMTC)	Federal program that awards federal tax credits to designated development entities for projects located in underserved communities	B-



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– Terry Murphy, Ec.D., CED  
Muncie-Delaware County Indiana  
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## Scorecard

By Ralph J. Basile, Brian Dowling, and Tory Salomon

### FINANCING ECONOMIC DEVELOPMENT

This article examines five economic development financing tools from a practitioner's standpoint. We detail the pros and cons associated with using each tool and assign a simple grade (from A to C+) for each to capture our experiences with applying these tools to further economic development objectives at the local government level. The five tools are tax abatements, brownfields funding, CDBG funding, Tax Increment Financing (TIF), and New Markets Tax Credits (NMTC).

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