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Economic Development Journal

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The Coming Era of Sustainability
Directives for Competitive Communities

Building Capacity, Strengthening Talent for Florida's Global Trade & Logistics Industry
Collaboration among Business, Workforce, Economic Development, and Education Partners Bolsters Opportunities for Industry, Companies, and Workers to Advance

Attracting Foreign Direct Investment through "Soft-Landings" Initiatives
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Mindsets that Build Bridges across Cultures and Champion Latino Small Businesses
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More Transparent, Location-Efficient, and Risk-Averse

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LETTER FROM THE CHAIR

dear colleague

I have been privileged to serve the IEDC membership over the past year as chairman of the Board of Directors. This has been a dynamic year for IEDC as the organization continues its evolving mission of providing leadership and excellence in economic development for our communities, members, and partners. I had three priorities as chair in 2013: strengthen our international partnerships around the globe, develop effective strategies for attracting and facilitating foreign direct investment, and provide IEDC members with cutting edge economic development strategies and best practices.

In regards to the first priority, IEDC board and staff have worked hard throughout the past year to nurture our relationships with strategic international partners that share a common focus. We have participated in numerous international events and activities, strengthening links with such organizations as the World Association of Investment Promotion Agencies (WAIPA), European Association of Development Agencies (EURADA), International Network for Small and Medium Enterprises, Economic Development Australia, Economic Developers Alberta, and the Economic Developers Council of Ontario (EDCO). IEDC has also entered into partnership agreements with EDCO and the British Columbia Economic Development Association to deliver the certified economic developers curriculum to Canadian practitioners.

In addition to our international partnerships, IEDC continues to build a closer working relationship with SelectUSA, an initiative of the U.S. Department of Commerce charged with promoting the U.S. as a foreign investment destination, my second priority for the year. To this end, IEDC signed an MOU with SelectUSA that brought the two organizations closer together. SelectUSA has played an active role in all our conferences this year, participated in IEDC webinars, and conducted staff training on how their work impacts economic development. IEDC was also a key supporter of SelectUSA's first ever Investment Summit. In addition, key administration officials focused particularly on the importance of FDI at the 2nd Annual White House Forum on Economic Development, and IEDC presented a webinar on how to "Unlock Strategies to Attract Investment from Asia."

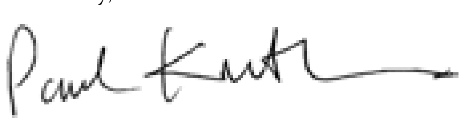
Relative to my third priority for the year, IEDC has continued to provide cutting-edge best practices and strategies to economic developers, cementing our reputation as the go-to resource for the latest information and trends. Relative to this effort, the Economic Development Research Partners program released reports on such topics as "Raising the Bar Together: Successful Strategies for Workforce and Economic Development Collaboration" and "The Economic Development Impact of Immigration." Other recent IEDC reports include "Federal Disaster Recovery Funding: Minimizing Roadblocks to Maximize Resources" and "Creating the Clean Energy Economy." Our conferences, professional development courses, newsletter, journal, clearinghouse services, and many other offerings all provide the tools and knowledge necessary to establish your community as a leading competitor in the global economy.

On a personal note, my organization – Ann Arbor SPARK – recently went through the Accredited Economic Development Organization (AEDO) evaluation process, and we earned the AEDO designation. This program is one of the ways that IEDC is able to disseminate best practices and identify the most effective economic development efforts across our profession and SPARK was proud to host the 2013 IEDC Spring Conference here in Ann Arbor, Michigan.

I could not have achieved all these goals alone. The entire Board, Jeff Finkle, and all the staff have been outstanding in supporting me throughout the year. I especially want to thank the Governance Committee for its commitment and support: Jay Moon, CEcD, FM; William C. Sproull, FM; JoAnn Crary, CEcD; Barry Matherly, CEcD; Janet Miller, CEcD, FM; and Craig Richard, CEcD.

It has been a great pleasure to serve the organization this past year. I look forward to seeing many of you at future IEDC events.

Sincerely,



Paul Krutko, FM
IEDC Chair

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INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

the coming era
OF SUSTAINABILITY

By Don Schjeldahl

a new era is sometimes on us before we know it and when that happens, we scramble to catch-up. Once current we see our situation as the new normal. This phenomenon is nothing new for many. Rapid fire changes in technology that characterize modern life are often accompanied by behavior modification. Smart phones – need I say more? Unlike fleeting technological advances, sustainability is a slower moving long-wave cycle that is none-the-less on the cusp of demanding behavioral changes from businesses and communities globally.

Sustainability is destined to be the new normal for successful business organizations and for economic developers as well. This article is fair warning to economic development practitioners that change is afoot and time remaining to differentiate your community on sustainability is growing short.

In a 30-year career as a site selection consultant, I've walked side-by-side with the economic development profession, participating in the steady evolution of best practices that define competitive communities. The incremental advances that characterized this recent history are about to be superseded by a new broader view of community with sustainability at the center.

In this article, sustainability is first examined in its historic context and then by its modern use, including how business and community viewpoints have evolved. The article then explores how corporate and community perspectives on sustainability are converging to create new standards for defining competitive communities.

DEFINING SUSTAINABILITY

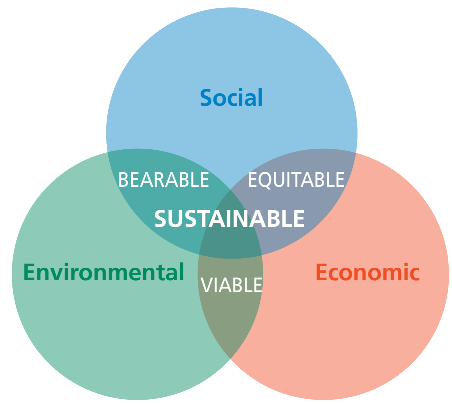
Growing public awareness that economic activities were having harmful outcomes in the natural environment culminated nearly five decades ago in giving birth to an era of environmental activism. The new era saw developed countries for the first time seriously debating if it was possible to reduce the environmental impacts of their growth. Epic changes in behavior resulted, including those dictated by the Clean Air Act of 1970, Clean Water Act of 1972, and other monumental achievements. At the same time, push-back from developing countries emerged. These countries were concerned with the notion of constraining activities to protect the environment as this could hinder their achievement of higher levels of economic growth. Rising from the debate was the realization that a new way of thinking was needed that would encompass environmental challenges intertwined with economic and social conditions.

After years of discussion, the United Nations Brundtland Commission in 1987 addressed the issue head-on by defining *sustainable development* as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[1]

Initially greeted as a domain of the environmental movement, sustainability has gradually been adopted as the next generation of best practices for business and government. Government and corporate organizations alike have increasingly aimed for long-term viability by adopting sustainability's triple bottom line – the three-legged stool of *society - environment - economy* (Figure 1).

Simply put, sustainable organizations optimize resource needs; reduce environmental, energy, and

FIGURE 1: SUSTAINABILITY'S TRIPLE BOTTOM LINE



Don Schjeldahl is founder of the Don Schjeldahl Group, a consulting practice that assists corporate clients in developing location strategy and site selection for manufacturing, distribution, and office facilities. Prior to this, he served for 27 years as a site consultant for The Austin Company, Cleveland, OH.

He has performed or directed nearly 300 location strategy assignments, working throughout North America, Mexico, and Europe. (don@donschjeldahl-group.com)

DIRECTIVES FOR COMPETITIVE COMMUNITIES

Sustainability is on the cusp of becoming the new normal for successful business organizations and for economic developers. Economic developers can expect to see site selectors requiring that sustainability be part of the community value proposition with increasing frequency. To be competitive in the era of sustainability, economic developers will need to pursue highly collaborative, multi-disciplined, and multi-jurisdictional approaches to community readiness. This article outlines how corporate and community perspectives on sustainability are converging to create new measures for defining competitive communities.

social impacts; and manage resources while not compromising their economic viability. The guiding principles of sustainability have emerged as an effective approach for organizations of all types to operate in an uncertain world.

It's important to restate that a turn toward balanced and holistic organizational behavior is not singly driven by a desire to do "good" for society and the environment. Rather, organizations are motivated by the necessity to adjust behavior in order to survive in the face of competition. Business consulting giant KPMG says of sustainability, "…the concept of sustainability goes far beyond corporate social responsibility. It has become the strategic lens through which they (corporations) view their businesses."[2]

Tom Friedman's seminal book, *The World Is Flat*,[3] outlines the competitive realities of the modern global economy and a large part of the push behind corporations adopting a sustainable philosophy. Friedman explains that we have largely achieved a level commercial playing field globally where all competitors have an equal opportunity.

Veteran site selection professionals can cite evidence of steady movement over time to economic globalization. The obvious examples are large multi-national corporations where decision makers continually weigh "off-shore" and "right-shore" strategies. The sun never sets on more corporations than one would imagine.

But more telling of the global-age are the multitude of businesses large and small of all jurisdictions who are influenced by events around the corner and around the globe. It would be difficult today to find a town or city in North America that didn't have a local business that wasn't tied in some fashion to international markets. Friedman and others argue that where historical and geographical divisions once protected local business interests, companies now must be globally aware and nimble to remain competitive.

SUSTAINABILITY AS A BEST PRACTICE FOR BUSINESS

Sustainability is the latest in a series of long-wave socio-economic cycles that have steered societies in the industrial age. These cycles arise from "the bunching of innovations that launch revolutionary change that reshapes the economic landscape."[4] It is easy to see how long-wave cycles around energy (water power to steam, steam to electricity), transportation (animal to automobile), and information (analog to digital) dramatically altered how and where we live.

With incremental change, the things that drive location decisions change incrementally. With dramatic change, the drivers of location change dramatically. Sustainability is that dramatic game changer.

A group of corporate managers and government officials tours Danny's Dumpsters, a regional food waste composting facility in Asheville, NC. The pilot project takes food waste from schools and other institutional settings and produces high quality mulch through a control decomposition process. Sustainable companies eye the program as a way of generating revenue from what has been a cost item.

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In the most recent long-wave cycle now largely ended, location strategy focused on minimizing cost. In the new era, risk management will prevail. The former is clearly evident in the location selection assignments completed by The Austin Company between 1950 and 1984.[5] Essentially a documentation of the "rust-belt's" emergence are the over 500 client location studies performed by Austin that guided the relocation of manufacturing plants from the northeast U.S., where operating costs were high, to the south and southeast where costs were much lower.

Deregulation beginning in the 1970s including energy, communications and transportation sectors, combined with productivity gains to effectively level the economic playing field across much of the U.S. for many industries. Regions once known for dramatically lower operating costs largely vanished. Simultaneously, global commerce flourished, injecting into the mix new strategies including off-shore alternatives. Not surprising then, of the approximately 300 domestic location studies Austin performed from 1984 to 2011, non-cost factors took equal footing, if not overtaking cost, in most location selection projects.,

The reason for this shift is obvious. There is hardly a corporation operating today that does not deal on a day-to-day basis with changing and ever more complex arrangements of product and production technologies, competitor actions, regulation, supply chain efficiency and reliability, customer actions, strategic partnerships, labor and facility flexibility and, oh yes, cost. Successful companies are those adept at managing change across the spectrum. These companies realize greater utilization of resources over a longer period of time and are more likely to defer the impulse to downsize or relocate production facilities. Longevity is a central tenet of sustainability.

Sustainable communities recognize environmental and economic benefits of a zero waste society. Communities that embrace recycling often are home to Material Recovery Facilities (MRF). In this photo from an Asheville, NC "clean MRF" operated by American Recycling, a skid-steer readies recycled paper for baling before transport to a nearby paper mill.

CORPORATE SUSTAINABILITY

Within the context of economic development, traditional views of sustainability have occupied two domains: corporate and community. The coming era of sustainability is built on the convergence of the two domains.

From the corporate perspective, there are two sides to sustainability: externally and internally focused. The external "giving back to the community" has long been associated with a corporate sustainability mission. The Business Civic Leadership Center (BCLC), an affiliate of the U.S. Chamber of Commerce, addresses corporate community giving in *Report on Corporate Citizens Building Sustainable Communities*.[6] The report features businesses that are committed to corporate citizenship, including programs focused on community revitalization, environment protection, support for education, and other worthwhile causes.

While external engagement remains an important aspect of responsible corporate behavior, it is only indirectly related to the theme of this article. The new era of sustainability has corporate investment guided by internally focused strategies of the kind outlined in the survey *Corporate Sustainability – A Progress Report* by KPMG. "The corporate world is already taking great strides towards shaping the global approach to sustainability."[7] The report indicates that two thirds of surveyed companies have a sustainability strategy.

Ernst & Young, like KPMG and other business consulting competitors, has structured services to guide clients along the sustainability path involving larger questions of corporate goals and objectives. Among E&Y's services are programs to support energy efficiency capital expenditures for buildings and manufacturing equipment, support for producing energy-efficient and advanced energy and clean-tech products, and support for reducing greenhouse gas emissions.[8]

But of greater interest to the economic development profession is the manner in which corporate sustainability manifests itself in location decisions. KPMG reports that "What propels [sustainable] organizations – and a host of others like them – past their competitors is the recognition that sustainability goals must be tied to operational strategy and measured in the same way as other investments." Connecting sustainability with "operational strategy" is a key concept because it recognizes a corporate sustainability has to play out day-to-day in the facilities they operate.

Corporations define sustainability for themselves in the absence of standards, and it may be years before widely accepted metrics emerge. However, there are established programs for helping companies large and small to become sustainable certified. One such program is Green Plus, a third-party business improvement certification program for "improving the bottom line by focusing on sustainability's three-leg stool – Performance, Planet, and People."[9] The Green Plus website offers a list of variables used to measure corporate sustainability. The list is much too long for this venue but is well worth reviewing as it hits many aspects of business operations that would benefit from economic developer engagement.

SUSTAINABLE COMMUNITIES

Society's long tradition for seeking ways to improve urban design and performance adopted sustainability over the last few decades, opening new areas for debate. The debate has quickly moved from government centric planning to the integration of community with corporate investment strategy. Illustrating this progression are the selected examples below.

"Economic Development and Smart Growth," IEDC's 2006 publication, set a sustainable cities tone with a focus on case studies that connect smart growth with jobs, wealth, and quality of life.[10] The publication highlights successful redevelopment projects built on sustainable neighborhood concepts including integration of transportation, work, culture, entertainment, and housing.

Communities that are home to a healthy downtown district get immediate points from sustainable companies. This is particularly true for communities that brought Main Street back after years of decline. Success requires exceptional vision and execution, attributes that create a good environment for forward thinking companies. Building on the success of a Main Street turnaround, Hendersonville, NC has gone forward to address other community needs.

A core component of corporate sustainability is to build flexibility and adaptability into location choices. Economic development practitioners need to understand that community alignment with a corporate sustainability platform requires a new approach to community preparedness. Successful economic development requires expansion of duties that are multi-disciplined and multi-jurisdictional. Communities and companies are both learning what this new dimension to economic development means.

Advancing a formal platform for sustainable concepts is the Partnership for Sustainable Communities program developed by the U.S. Department of Housing and Urban Development (HUD), U.S. Department of Transportation (DOT), and the U.S. Environmental Protection Agency (EPA). The consortium joined together in 2009 to "improve access to affordable housing, increase transportation options, and lower transportation costs while protecting the environment."[11]

Among the program objectives is to coordinate federal housing, transportation, water, and other infrastructure investments to make neighborhoods more prosperous, allow people to live closer to jobs, save people time and money, and reduce pollution. The program does this by advancing what are termed "Livability Principles" that include transportation choices, affordable housing, and economic competitiveness. The legacy of Partnership for Sustainable Communities lives on through hundreds of grants and regional sustainability initiatives in nearly 90 urban areas.

CONVERGENCE OF COMMUNITY AND CORPORATE SUSTAINABILITY

Earlier in this article the idea was advanced that fast paced change drives continual readjustment of the criteria that guide corporate investment decisions. As corporate investment strategies change so change location decisions. A core component of corporate sustainability is to build flexibility and adaptability into location choices. Economic development practitioners need to understand that community alignment with a corporate sustainability platform requires a new approach to community preparedness. Successful economic development requires expansion of duties that are multi-disciplined and multi-jurisdictional. Communities and companies are both learning what this new dimension to economic development means.

Back in 1995 I was part of a team from The Austin Company that called on a food company in Salem, Oregon (a hearth of the sustainability movement). We were there to discuss the company's plans to establish an eastern U.S. production facility. Despite the client's stated "green" objectives and obvious clues from their facility, our sales team failed miserably to recognize these and orient our services appropriately. Needless to say we did not get the project. I vowed then to understand what it takes to serve green companies. This quickly led me to recognize that it's not just about green, it's about understanding sustainable business practices and aligning these with communities that can best support them.

Early efforts at evaluating communities through a lens of corporate sustainability were marginally effective at best. There was little agreement on what to measure and how to report it. But as the number of corporate engagements on sustainability has grown, methodologies and metrics have become more refined.

In a recent location selection project for a large beverage company, a client with a particularly strong focus on sustainability, more than 40 communities in seven states were evaluated and assigned a sustainability index based on 28 variables. Variables covered industrial waste stream recycling, smart grid adoption, community health and fitness programs, buy local culture, arts and music scene, green building codes, and more.[12]

Not certain of just how to define some factors, the site selection team chose surrogates for detecting broader community engagement. For example, in asking candidate communities to address categories like those listed in Figure 2, the project RFP asked generalized questions like, "Do you have an industrial recycling program in your community and if so please provide information." We asked all responses to be sent electronically.

FIGURE 2: SELECTED MEASURES OF COMMUNITY SUSTAINABILITY FROM A RECENT MANUFACTURING PLANT LOCATION STUDY

Variable	Metric	Points
Recycling	Residential AND industrial recycling	2
	Residential OR industrial recycling	1
	No landfill diversion	0
Renewable Energy	Local programs promote renewable energy	2
	Renewable energy systems present locally	1
	No programs, no local installations	0
Green Friendly Building Code	Sustainable building codes in place	2
	Sustainable building codes in development	1
	No programs or green codes	0
Public Transit	Public transportation offered 7 days per week	2
	Public transportation offered 5 days per week	1
	Public transportation not offered	0

The site selection team was overwhelmed by a deluge of materials, several thousand pages and most of it well off target. One community reported having an industrial waste stream recycling program. On investigation, we determined industrial recycling consisted of local citizens being asked to bring cardboard to the local landfill the last Saturday of the month.

In many cases, we determined our measures to be overly simplistic and in hindsight not the best judge of a community's value proposition on each category. None-

A touring site selection team looks on as civil engineer Chris Soros outlines the features of an industrial site in Blount County, TN. Blount Partnership, the county's economic development organization, led a multi-year effort that readied the site for development. The certified site made the client's shortlist.

the-less, field investigation of high scoring communities confirmed the inklings provided by the scoring regime; the more a community had to say about sustainability, the more attractive it looked to sustainability oriented companies.

The economic development profession is beginning to recognize the need to orient communities to the coming era of sustainability. Tennessee Valley Authority's (TVA) Sustainable Communities Program launched in 2012 is an effort to link sustainability certification to economic development.[13] The program assists communities in identifying and cataloging sustainable assets and increasing local commitments to sustainability. The focus is to increase the community's competitiveness for companies considering new facilities or expansion of existing operations. The program balances the "triple bottom line to ensure a healthy environment, a thriving community, and economic prosperity."

An early TVA success story is Roane County, Tennessee. Leslie Henderson, president and CEO of The Roane Alliance, reports that, "Roane County has already made a significant commitment to sustainability. This new program provides us with the opportunity to document, further develop and be recognized for our sustainable initiatives, which will help differentiate us in the tough competition for new investment and job creation."[14] According to Ms. Henderson, the county has in recent years launched a variety of green initiatives, including recycling and energy efficiency programs.

While the TVA program is a great advancement in laying out a roadmap for communities on sustainability, there is work yet to be done before communities and business are appropriately aligned. The U.S. Green Building Council's (USGBC) LEED certification program provides metrics that advance convergence of business and community sustainability.[15] LEED NC (new construction) and LEED CS (core and shell, i.e. existing building) have scoring criteria that nicely encapsulate aspects of community organization and physical assets that feed the needs of sustainable business organizations.

The article "Buildings for the Next Billion" in the 2008 IEDC Journal stated as much.[16] The article extolls the virtue of LEED for addressing urban ills like congestion, neighborhood decline, and environmental degradation. The authors also state from the corporate perspective LEED buildings bring a multitude of benefits including reduced operating costs and healthier and more productive employees.

Marriott Corporation has an aggressive program for building LEED hotels and reports that more environmentally-sensitive buildings can expect to reduce total energy and water consumption by 20 percent to 30 percent. This in turn reduces net operating expenses for the life of the building, increasing the net operating income for the hotel. This new class of building is having a positive impact on employees, guests, and their communities.[17]

LEED brings prestige and affirmation of achievement to Marriott and hundreds of companies who have been awarded certification. Many companies go through the sometimes arduous LEED process with that in mind. Many more companies implicitly follow LEED principles without actually seeking certification as LEED addresses many aspects of business practices that companies seek for competitive advantage.

In LEED NC v3 2009, the latest version of the program which was started in 1998, there are six scoring categories encompassing 65 variables, 110 possible points, and four certification levels (Figure 3).

FIGURE 3: LEED NC v3 2009 SCORING CATEGORIES AND CERTIFICATION LEVELS

Category	LEED NC 2009 Possible Points
Sites	26
Water Efficiency	10
Energy and Atmosphere	35
Materials and Resources	14
Indoor Environmental Quality	15
Innovation and Design	6
Regional Priority	4
Total	110

LEED Certification Levels

40–49 points: LEED Certificate

50–59 points: Silver Certificate

60–79 points: Gold Certificate

80–110 points: Platinum Certificate

Approximately 30 of the 65 variables are connected to owner design decisions that are largely unlinked to community. The remaining 35 are either directly or indirectly supported by organizational and physical assets of the community. The variables presented in Figure 4 are selected from the 35 variables that if supported through a sustainable community strategy would benefit corporations embracing the LEED program and sustainability. Communities ready to support these and other aspects of LEED are immediately more attractive to sustainable companies.

FIGURE 4: LEED NC (NEW CONSTRUCTION) CERTIFICATION: SELECTED CATEGORIES THAT BENEFIT FROM A SUSTAINABLE ECONOMIC DEVELOPMENT STRATEGY

Category*		Intent of Credit	Community Support for Attaining Credit
Sustainable Sites (SS)			
P2	Environmental Site Assessment	Ensure site is assessed for environmental contamination and if contaminated the site has been remediated	Complete environmental studies on properties (sites and buildings) within the community's property inventory
C1	Site Selection	Avoid development of inappropriate sites and reduce environmental impacts	Direct development away from prime farmland, flood prone areas, wetlands, wildlife habitat, water bodies, parkland
C2	Development Density and Community Connectivity	Channel development to urban areas with existing infrastructure, protect greenfields and natural resources	Identify and designate for development properties in areas of high population density and close to services
C3	Brownfield Development	Rehabilitate damaged and contaminated property to reduce pressure on undeveloped land	Identify, remediate and promote for development brownfield properties (sites and buildings)
C4.1	Alternative Transportation-Public Transportation Access	Reduce pollution and land development impacts from automobile use	Promote properties <1/2 mile (walking distance) of a train station or <1/4 mile of bus stop for two or more bus lines
C10	Joint Use of Facilities**	Make schools an integrated part of the community by enabling buildings, playing fields to be used for non-school events	Promote multi purpose use of public facilities as demonstration of efficient use of resources and promotion of sustainable community engagement
Water Efficiency (WE)			
C1	Water Efficient Landscaping	Limit or eliminate the use of potable water or natural surface or subsurface water for irrigation	Identify & promote best practices: plant species, irrigation efficiency, captured rainwater & recycled wastewater
C3	Water Use Reduction	Increase water efficiency within buildings to reduce the burden on municipal systems	Identify and promote best practices in water use reduction including water conserving fixtures, recycled gray water, and water efficient appliances
Energy and Atmosphere (EA)			
C2	On-Site Renewable Energy	Develop on-site renewable energy to reduce environmental and economic impacts associated with fossil fuel energy use	Promote local installation of photovoltaic, wind, solar thermal, bio-fuel, geothermal, low impact hydro systems
C6	Green Power	Encourage development and use of grid-source, renewable energy technologies on a net zero pollution basis	Support local and regional development of renewable energy production and brokerage and set an example by utilizing these resources
Materials and Resources (MR)			
P1	Storage and Collection of Recyclable Materials	Facilitate the reduction of waste generated by building occupants that is disposed of in landfills	Develop and implement a comprehensive plan for recycling of residential and commercial waste
C2	Construction Waste Management	Divert construction and demolition debris from landfills and incineration and redirect recoverable resources back to manufacturing and appropriate sites	Support development of markets for recycled construction materials and engage local construction industry to support LEED projects
C5	Regional Materials	Increase demand for building materials extracted and manufactured within the region thereby supporting indigenous resources and reducing transportation	Identify and promote regional (within 500 miles) manufacturers and suppliers of building materials
Regional Priority Credits			
C1	Regional Priority	Achievement of credits that address geographically specific environmental priorities	Identify regional priorities specific to your area, support achievement of these credits on LEED projects

* 'P' categories are prerequisites and earn no points

** SS Credit 10 applies to Schools New Construction and Renovation and not general New Construction projects. However, communities that actively promote widespread utlization of public facilities are regarded as on a sustainability path indirectly providing benefits to business organizations.

Discussion of LEED in this context is cursory. LEED commands careful study to fully understand requirements and to see opportunities to score in multiple categories with a single asset. On this latter point, under the Sustainable Sites category C1 - Site Selection, C2 - Development Density and Community Connectivity, and C4.1 - Alternative Transportation, all are inter-related. By simply selecting a property for development, a company could earn immediate points on each variable. As economic developers select, prepare, and promote property for development, the process should run through the LEED filter.

Similarly under Materials and Resources if the community has tackled the recycling challenge, they will be prepared to support the prerequisite P1 - Storage and Collection of Recyclable Materials (i.e. after operations begin, on-going collection and recycling of waste is expected). With this capability in place then, C2 - Construction Waste Management is more likely to be achievable.

Larger industrial cities are generally rife with recycling opportunities and meeting requirements for both MR-P1 and MR-C2 are more easily met. Meeting LEED recycling requirements becomes more difficult in smaller cities as the volume of materials may not be sufficient to support local markets and the nearest market may be too distant to be economically viable. Economic developers need to engage on the wide spectrum of waste stream materials, particularly for industry targets, and make certain viable alternatives exist.

CREATING A COMPETITIVE SUSTAINABLE COMMUNITY

Economic developers can expect to see site selectors asking that sustainability be part of the community value proposition with increasing frequency. The good news for many economic developers is a portfolio of supporting programs are already in place or at least understood by the profession. Existing community assets including a targeted industry strategy based on an honest appraisal of community assets, a portfolio of certified sites, ongoing support for workforce training including programs geared to targeted industries, an effective business retention program, and modern well maintained infrastructure are among the attributes sustainable companies expect.

In this 2011 photo, workers put finishing touches on the South Dakota State University Davis Dairy Plant located on the Brookings, SD campus. The state-of-the-art facility delivers industry leading teaching and research programs that ensure ongoing strength of the region's dairy industry. Sustainability takes serious collaboration, in this instance the support of dairy producers, processors, allied industry, alumni and friends to bring the facility to fruition.

More difficult are the tasks less well understood and that often go well outside the profession's traditional collaborators. Economic developers need to understand that community alignment with sustainability principles demands changes in the profession. Creating a competitive sustainable community requires a highly collaborative, multi-disciplined, and multi-jurisdictional approach to management.

Public and private groups who cooperate and share responsibilities of preparing the community to compete in this new era of sustainable investment are integral to success. Land use planning, environmental protection, parks and recreation, public transportation, recycling, arts and entertainment, building codes and zoning, and education and training are just some of the often contentious issues that require high levels of cooperation and compromise in order to tackle. Anything less than a well-organized approach to sustainability is likely to eat up resources and fall short of the desired results.

More difficult are the tasks less well understood and that often go well outside the profession's traditional collaborators. Economic developers need to understand that community alignment with sustainability principles demands changes in the profession. Creating a competitive sustainable community requires a highly collaborative, multi-disciplined, and multi-jurisdictional approach to management.

ENDNOTES

1 "Report of the World Commission on Environment and Development: Our Common Future," United Nations - Report of the World Commission on Environment and Development, August 4, 1987.

2 "Corporate sustainability: A progress report," KPMG, 2011.

3 *The World Is Flat: A Brief History of the Twenty-First Century*, Thomas L. Friedman, April 2006.

4 Long-wave socio-economic cycles have been debated by economists for nearly a century. The ample treatment of the subject is nicely summarized by Wikipedia's "Kondratiev wave."

5 At the time of The Austin Company's corporate office relocation in 2000 old files were purged, including nearly 1,000 location study reports. I took that opportunity to review and catalog the reports.

6 "Report on Corporate Citizens Building Sustainable Communities," Business Civic Leadership Center (BCLC) at U.S. Chamber of Commerce, 2010.

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8 "Opportunities to lower costs and generate revenue in the low-carbon economy," Ernst & Young, March 2012.

9 Green Plus is part of the Institute for Sustainable Development housed at the Durham Regional Chamber of Commerce in Durham, North Carolina. Green Plus has backing from Duke University, University of North Carolina Chapel Hill, North Carolina State University, and others.

10 "Economic Development and Smart Growth: 8 Case Studies on the Connections Between Smart Growth Development and Jobs, Wealth, and Quality of Life in Communities," Editors: Alex Iams and Pearl Kaplan, August 2006, International Economic Development Council.

11 Partnership for Sustainable Communities, a collaboration of U.S. Department of Housing and Urban Development (HUD), U.S. Department of Transportation (DOT), and the U.S. Environmental Protection Agency (EPA), 2009.

12 Below is a more complete list of categories used to evaluate location alternatives for the beverage location study:

- Community Culture: Architecture and Preservation, Music Scene, Outdoor Culture, Buy Local Culture, Distance to University / College
- Urban Center Characteristics: Distance to Commercial Air Service, Flights to Delta and United Hubs, Local City Size, Distance to MSA Urban Center
- Labor (30 mile radius): Local Union Presence, Local Union Activity, Union Threat – Area Competitors, Historic Unemployment Rate, Training Resources
- Competitors: Proximity to Minor Competitors, Proximity to Major Competitors
- State Financial Status: State Budget Deficit as % of Budget
- Tourist Attractiveness: Scenic Value, Tourist Attractions
- Industrial Culture Local: Manufacturing Culture, Local Food Processing Culture
- Quality of Life Index: Crime

13 Valley Sustainable Communities Program was developed by Tennessee Valley Authority. The program assists communities in identifying and cataloging their sustainable assets and increasing their sustainability commitments.

14 "Roane County Takes Green to a New Level," press-release by Leslie Henderson, The Roane Alliance, August 22, 2013.

15 For overview of program see U.S. Green Building Council LEED website. There are also a large number of online LEED education services providers. Time spent reviewing programs is useful in understanding LEED.

16 "Buildings for the Next Billion," Dennis Creech and Nancy Musselwhite, The IEDC Economic Development Journal, volume 7, no. 2, Spring 2008.

17 "Marriott LEEDs the Way to Green Hotels," newsletter of the U.S. Chamber of Commerce Foundation – Business Civic Leadership Center, August 8, 2013.

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STRENGTHENING TALENT FOR FLORIDA'S GLOBAL TRADE & LOGISTICS INDUSTRY

By Andra Cornelius, CEcD; Debbie McMullian; and Alyssa Brown

Florida global trade and logistics companies face a multitude of current opportunities and challenges. The industry as a whole is cited by experts as trending toward several new "norms" – the emergence of dynamic routes as opposed to the mostly static ones used today, a networked economy that will require companies to integrate their processes and systems with both vertical and horizontal supply chain partners, and the beginning of company preferences for accessing talent in global locations in lieu of sending home talent into the field. Florida companies face these industry trends as well as others unique to the state, including unprecedented state support for increasing capacity, improving infrastructure, and growing exports.

In and of itself a dynamic industry, global trade and logistics – which encompasses all industries with a role in managing the flow of goods or products from a point of origin to a point of consumption – requires employers to place constant emphasis on training. Its evolution will require increased updating and customization of training curricula offered to Florida companies just to meet the industry's need to capitalize on Latin American and Caribbean trade and establish Florida as a stronger, more agile and efficient global trade hub. Florida's greatest trade-based opportunities to achieve this vision, identified by the business community as well as government leaders, lie in continuing to increase state exports (See Fig. 1) and discretionary cargo handling by boosting capacity within its port, freight and air cargo sectors.

FIGURE 1. FLORIDA'S IMPORT AND EXPORT PERCENTAGES (BY VALUE) 2003-2012

Year	Imports	Exports
2003	55.7%	44.3%
2004	53.8%	46.2%
2005	53.1%	46.9%
2006	51.8%	48.2%
2007	47.9%	52.1%
2008	43.2%	56.8%
2009	41.0%	59.0%
2010	41.4%	58.6%
2011	41.8%	58.2%
2012	44.0%	56.0%

Data Source: Florida Ports Council, based on U.S. Census Bureau – total 2012 international trade value basis is $161.5 billion

"State leaders, collaborating with partners in economic development, education, and workforce training, took the recession as a sort of 'teaching moment,' said Workforce Florida Senior Vice President of Global Talent Innovation Andra Cornelius, CEcD. "Global trade and logistics plays a prominent role in the resulting strategy for a new, more diverse Florida economy." Workforce Florida is the state's strategy and policy board of business, economic development, education, government, and workforce leaders.

Andra Cornelius, CEcD, is senior vice president of Global Talent Innovation at Workforce Florida Inc. (acornelius@workforce-florida.com)

Debbie McMullian directs the Quick Response Training grant program at Workforce Florida. (dmcmulliam@workforce-florida.com)

Alyssa Brown is Workforce Florida's Communications coordinator. (abrown@workforce-florida.com)

COLLABORATION AMONG BUSINESS, WORKFORCE, ECONOMIC DEVELOPMENT, AND EDUCATION PARTNERS BOLSTERS OPPORTUNITIES FOR INDUSTRY, COMPANIES, AND WORKERS TO ADVANCE

Florida has long been a significant trade gateway between the United States, Latin America, and the Caribbean. In support of state efforts among economic development, transportation, land use, education and related stakeholders to make Florida a global trade hub, Workforce Florida – the state's business-led workforce strategy and policy board – launched a major Global Trade Initiative to strengthen the state's global trade and logistics workforce. With $2 million in funding via the Quick Response Training program – which provides matching funds for customized training to eligible companies – the initiative helped to train over 1,800 new and existing employees at more than 100 companies and provided industry-relevant training to students at 13 trade and logistics-focused high school academies.

Students and teachers at Columbia High School's Global Logistics Academy Warehouse.

THE NEED FOR A QUALIFIED, SPECIALIZED WORKFORCE

With greater global trade and logistics capacity comes the need for a qualified, specialized workforce; in Florida that means a strong focus on training for airborne and waterborne trade operations (See Fig. 2). Developing this workforce to meet current and future industry needs was at the crux of the Global Trade Initiative launched in 2011 by Workforce Florida Inc. and a host of economic development, business, and education partners. A $2-million move to strengthen and advance Florida's international trade and exports, the initiative got underway at an opportune time, just as a wide-ranging state response to the global trade and logistics industry's call for a comprehensive trade initiative was mounting.

Workforce Florida's three-pronged initiative included funding through its Quick Response Training (QRT) program – which provides matching grant funds for customized training for Florida companies seeking to increase or maintain competitiveness – for approximately 1,000 new and existing port workers, up to 600 air cargo workers, and 15 academies in Florida high schools to train future global trade and logistics workers.

"No other state in the country has focused on the talent needs of the trade and logistics sector in as comprehensive and strategic manner," said Workforce Florida President/ CEO Chris Hart IV. "Workforce Florida has been an ongoing partner in this collaborative effort and continues to make global trade and logistics a linchpin of the state's overarching talent strategy."

Workforce Florida's employer-driven grant provided a means for global trade and logistics companies to train new and existing talent and also provided educational inroads for the industry. Before training could begin, a critical question needed to be answered: What did this specialized industry consider to be the most pressing training needs? The wide scope of the question created a challenge in engaging employers. Industry leader Reynolds, Smith and Hill (RS&H), a leading global facilities, infrastructure, and aviation consulting firm, had helped to launch the initiative and stepped in to facilitate an answer. RS&H Executive Vice President Ronald Ratliff narrowed the scope of the query to speak to each company's specific needs, much like training would be delivered. It worked.

"We literally got companies to tell us, 'we need training in perishable goods' or, 'we need you to teach our staff about batteries,'" said Ratliff.

RS&H used the intelligence to provide insight on customizing trade and logistics courses developed by the University of North Florida (UNF). Courses were wide enough in scope to speak to the entire industry, but needed to be flexible enough to address training needs dictated by individual companies' products and processes as well as the constant technological advances that affected them.

"The common denominator was that employees needed to understand constantly changing products to safely and efficiently transport them," said UNF Dean of Continuing Education Robert Wood, Ph.D. Light bulbs, according to Wood, are a good example because they have evolved more in recent years than in all the years since their invention. Wood explained that one participating company needed to be able to provide constant training about shipping and storing light bulbs because of changes prompted by technological advances.

DEVELOPING COMPANY-SPECIFIC TRAINING

Seaonus, an international logistics company, has a Jacksonville stevedoring and warehousing operation that depends on Port Qualified Crane Operators, Certified Forklift Operators as well as managers, supervisors, and others. A subsidiary of Diversified Port Holdings (DPH) – also the parent corporation for shipping company Portus with operations in several southeast U.S. locations – Seaonus had begun working with UNF in 2009 to develop company-specific training.

FIGURE 2. FLORIDA'S INTERNATIONAL TRADE (BY VALUE) 2003 TO 2012

Data Source: U.S. Census Bureau

A BRIEF HISTORY OF GLOBAL TRADE IN FLORIDA

As the nation's only peninsular state, Florida enjoys a rich trade history that dates back to the 19th century, when its waterways, railways, and roads began moving goods throughout the state and beyond. Agriculture and mining products dominated Florida's early trade industry, with exports going to markets in Latin America and across the globe. Between 1960 and 2010, the value of global trade to and from Florida ballooned from less than $5 billion to $126 billion.

The complex trade and logistics industry in Florida today has grown from simple roots. As far back as 6,000 years ago, the native people of Florida traveled waterways and coasts by canoe, facilitating trade among the tribes – as evidenced by some 300 prehistoric canoes found across Florida, according to the National Park Service.

Later, Spain and Britain battled for control of Florida. Under British control, colonial plantations and other industries sprouted and flourished in Florida, exporting their products to other British colonies and trading with Spanish Louisiana and Mexico. This economic boom and maritime trade continued when Britain ceded Florida to Spain, with exports going to neighboring Gulf Coast and Eastern seaboard areas, the Northeast, and even Europe. After Spain ceded Florida to the United States and Florida became a U.S. territory in 1821, coastal trade expanded and ports in Jacksonville, Pensacola, and Tampa became more important to the economy.

After the Civil War, as agriculture, cattle ranching, lumber, manufacturing and industries like phosphate mining expanded, the state saw a number of trade-related transportation improvements. Railroads expanded across Florida, connecting the ports and the interior. Late 19th century federal and local improvements to channels and harbors, coupled with technological advances in navigation and shipbuilding during the 20th century, helped elevate Florida's ports to global prominence in trade and commerce and the cruise industry and marine recreation. But Florida's economy through the early 2000s remained largely dependent on tourism, agriculture, and industries fueled by population growth – construction, real estate, retail trade, and services in particular.

Florida's Strategic Plan – driven by its economic strategy – recognizes the unique natural infrastructure assets and is continuing to promote global trade and logistics in combination with advanced manufacturing. (See more at www.freightmovesflorida.com.)

Receiving matching QRT grant funds helped the company diversify training offerings and provide custom solutions to needs for management and other high-level instruction. The company's training strategy also included accessing critical courses in stevedoring and rigging – both key for docking, lifting, and transporting freight – for hourly employees through WorkSource, the local workforce board providing employment and training services in Jacksonville and surrounding areas.

"Quick Response Training helped us train 60-70, mostly higher-level employees at an average wage of $60,000," said Seaonus' Human Resources Director Kathleen Wentworth. "Our need for constant training preceded receiving the grant, but the funds helped us provide greater and more substantial training."

Mike O'Leary, CEO of The Grimes Companies – a supply chain management firm providing logistics, trucking, warehousing, and packaging services – credits QRT with empowering the company to differentiate its processes and services from other companies.

"QRT funds allowed us to establish specifications and structured training programs, giving us the opportunity to train our staff on what we do and understand it from an industry perspective," said O'Leary. "Without company-specific training, we would be just like other companies."

O'Leary also credits QRT training with boosting morale and loyalty among employees while also giving them transferable skills, piquing their interest in continuing and/or higher education, and helping some redefine their job as a career. "Employees recognize we are committed to investing in them," O'Leary said. "That was valuable during the recession when people were losing jobs; many employees expressed their appreciation for that."

Seaonus' Wentworth and O'Leary of The Grimes Companies expect their industry's need for continuous training to increase. Many factors indicate it will. The multibillion-dollar expansion of the Panama Canal, slated for 2015 completion, is a major impetus among several, including dredging projects at ports Canaveral, Everglades, and Miami, for new training and skills needs today and on the horizon.

The plan is in its beginning stages for steps post-Panama Canal; the Florida Ports Council soon will commission a study to analyze current and future ports policy and investments as well as next steps after the widening of the Panama Canal is completed. The Council, along with leaders from the Florida Departments of Transportation and Economic Opportunity, also have showed unified support for federal legislation which would authorize continued investment in Florida's freight infrastructure and seaports.

Through Workforce Florida's Global Trade Initiative, employees at the Grimes Companies in Jacksonville received training to gain skills such as forklift operation.

AIR CARGO TRAINING

In South Florida, funding provided via Workforce Florida's Global Trade Initiative focused on training for workers in air cargo, the most regulated trade and logistics modality. Special safety and security considerations added nuances to creating and delivering effective training in the sector.

"Air cargo requires very specific training," said Mary Tearle, then the executive director for the Center for Business & Industry at Broward College. Broward College partnered with the International Air Transport Association (IATA), the 240-member trade association for the world's airlines, to facilitate the training. "The skills needed to safely and securely transport air cargo and comply with regulations are tied and critical to economic development and jobs in Florida."

Air cargo training is a high-stakes sector for the state and the South Florida region. This training also requires significant management of risk by individual air cargo companies, of which Tearle estimates 80 percent are small businesses. In addition, the South Florida region is where more than 90 percent of the state's air cargo trade in value is accounted for. Rocio Vegas, who coordinates training for Cargo Network Services, which serves air cargo providers, knows from experience how the sector's employees learn to do their jobs.

"Many people in air cargo learn day-to-day," said Vegas. "But understanding process improves performance; training helps them understand the basics of why they are doing what they are doing."

BY THE NUMBERS: GLOBAL TRADE AND LOGISTICS IN FLORIDA

According to *Made for Trade*, the Florida Chamber Foundation's 2013 Trade and Logistics Study:

- Florida is home to **one in five** of the nation's exporters.
- More than **95 percent** of exporters are small to medium sized businesses that together produce **two thirds** of Florida's total export value.
- Export-oriented companies typically grow **15 percent faster, pay 15 percent higher wages, and are 12 percent more profitable** than firms operating solely in the U.S. market.
- Florida companies now export more than **$66 billion to more than 500 trading partners** around the world.
- Florida's seaports and airports move nearly **$162 billion** of merchandise trade to and from global markets.
- Florida's 512,000 jobs in transportation, trade and logistics pay workers **30 percent higher wages** than the state average.
- Florida's trade, transportation and logistics industry **added more than 23,000 global trade and logistics jobs** and **more than 9,000 new jobs in advanced manufacturing**. The value of goods exported by Florida companies **grew by $11 billion to a record $66 billion**.
- Florida has about **60,000 exporting businesses**, about one in five nationally.
- Florida is the **leading U.S. state** for trade with Latin America and the Caribbean.

New Super Post-Panamax Gantry Cranes will enable PortMiami to service larger ships with increased speed and efficiency.

According to Terry Light, manager of IATA's Miami Regional Training Center, this understanding by individual employees is critical to companies' avoidance of risk. Currently, all staff handling air cargo are required to have Transportation Security Administration (TSA) certification for security reasons. But the certification does not cover risk avoidance, a critical weakness.

"We focus a lot on helping stakeholders avoid fines and mitigate risk through training that is not a part of the TSA certification," said Light. "This is important because it can help businesses avoid fines that can be very damaging, especially to a small business."

QRT resources were used to support training to supplement TSA training as well as courses offering higher-level training for managers and leaders. Each of the more than 300 training courses IATA offers is customizable by company. "Leadership and management training is important because in air cargo, people are often promoted without the skills to lead and motivate other people," Light said. "Cargo companies often don't have the resources for this."

The state's efforts to bolster trade and logistics will have far-reaching effects on training needs in air cargo resulting from new jobs and responsibilities requiring greater and more comprehensive training. "The Panama Canal expansion is going to mean more regulations and rules because the volume and diversity of air cargo coming through Miami will increase," said Vegas.

That increase in volume equals more perishable goods, live animals, and pharmaceuticals – all of which require specialized care and training – flowing in and out of Miami. This increase will spur economic activity and give the region and the state more and greater negotiating opportunities. But with this privilege comes responsibility. "People have to be trained for all of these changes," said Vegas. "We are proactively preparing our training to meet these needs."

The 2011 Global Trade Initiative provided more than 1,800 industry workers at more than 100 seaport and air cargo companies with training using QRT resources.

ACRONYMS

Career and Professional Education Academies (CAPE)
Global Logistics Associate (GLA)
Incumbent Worker Training Grants (IWT)
International Air Transport Association (IATA)
North East Florida Education Consortium (NEFEC)
Quick Response Training Grants (QRT)
Reynolds, Smith and Hill (RS&H)
Rural Area of Critical Economic Concern (RACEC)
Transportation Security Administration (TSA)
University of North Florida (UNF)

UNF's Wood reported that every company in the seaport component was able to tailor the program to its individual needs and showed a significant increase in exports after the training. More than 1,240 trainees at 50 companies received training via UNF for seaport-related occupations, while more than 600 employees at 57 air cargo companies were trained in South Florida. Another 700 applications for air cargo-related training were received after funds were exhausted.

"The demand for more training is there," said IATA's Light. "The aviation community wants it."

In May 2013, Workforce Florida announced the QRT Challenge Grant, another $2 million trade and logistics-focused initiative available to industry employers to support job creation and growth. A key goal of the grant is to help global trade and logistics companies enhance competitiveness by improving the skills of existing and new employees hired over the next year. QRT received doubled annual funding this year ($12 million, up from $6 million) as part of the state's commitment to talent development in key sectors such as trade and logistics.

Tearle has concerns about small air cargo companies not being able to meet the hiring requirements for the new grant. But she points to another Workforce Florida grant program – Incumbent Worker Training (IWT) – as a powerful training tool for small air cargo businesses. IWT, like QRT, provides matching funds to companies to help provide training to existing employees. But IWT requires only one full-time employee for a business to qualify. IWT was funded at $3 million this year.

"I have seen IWT help small businesses become bigger business," said Tearle. "And then QRT helped those bigger businesses further expand. More IWT money would help small air cargo companies grow along with the entire industry."

EDUCATION INITIATIVES ESTABLISHING A PIPELINE OF FUTURE WORKERS

Florida is building on its reputation for workforce, education and talent pipeline innovation by increasing the knowledge and skills of future international trade and logistics workers. The pipeline development aspect of the Global Trade Initiative – which capitalizes on the success of Career and Professional Education (CAPE) Academies, a separate statewide program designed to promote early career engagement – underscores the Florida workforce system's long-term, statewide economic and workforce development strategy of building talent and training to meet current and future industry needs.

As part of an overall state focus on early career exploration and engagement, global trade and logistics-focused training in Florida middle and high schools is reaping results – and establishing the strong pipeline of future talent necessary to further cement the state's position as a global trade hub.

The job opportunities for trade and logistics are stronger than ever. When the Florida Chamber of Commerce unveiled its first *Florida Trade and Logistics Study* in 2010, the industry employed about 466,000 workers. By 2018, that figure is expected to grow by 18 percent, or approximately 84,000 workers. Credit port expansions, airport modernizations, and transportation infrastructure advances, along with projected domestic and international trade growth through the year 2060, for this lush global trade and logistics career landscape.

Career and Professional Education Academies

Critical to filling those jobs is building the talent and skills today within the workers of tomorrow. CAPE Academies are fitting the bill. These small career-focused learning communities were first established in 2007 in Florida high schools to offer college prep or career themes.

The Academies are unique in the strong partnerships they encourage among employers, school districts, and other community stakeholders. CAPE Academies also have demonstrated a capacity for volume, with steadily and significantly increasing enrollment year after year. When Workforce Florida launched a three-pronged initiative in 2011 to support the state's ports and international trade sectors, it included $600,000 to create up to 15 CAPE Academies in high schools throughout the state focused on international trade and logistics and advanced manufacturing for international trade opportunities.

"My hope for the program was that it would empower school districts to put kids into the workforce, and that has happened," said Anna Rossano-Arnold, executive director of the North East Florida Education Consortium (NEFEC), a regional organization that provides cooperative services to member school districts, most of them rural. NEFEC served as a point of contact and resource

As part of an overall state focus on early career exploration and engagement, global trade and logistics-focused training in Florida middle and high schools is reaping results – and establishing the strong pipeline of future talent necessary to further cement the state's position as a global trade hub.

development for participating CAPE schools and had the unique vantage point of being able to know which schools' performance was outstanding.

"The value in a comprehensive initiative like this is in the partnership," said Rossano-Arnold. "From academy to academy, partnerships are the reason it works where it works."

Global Logistics Academy

The success of Columbia High School's Global Logistics Academy illustrates the importance of partnerships. With the leadership and support of local industry employers, economic developers, and the school district, career opportunities are strong for Academy students in Columbia County, FL, who through the program gain access to the nationally recognized Global Logistics Associate (GLA) credential. The credential acknowledges the completion of rigorous coursework in logistics and supply chain for entry-level positions.

"This Academy was formed in response to global logistics companies in our area getting together with economic development and telling our principal, Terry Huddleston, 'We need you to help us develop the talent for our industry,' " said Rebecca Golden, lead teacher for the Columbia High School Global Logistics Academy. Huddleston – now superintendent of Columbia County Schools – responded by establishing the Global Logistics Academy and tasking Golden with running it. The stage was set for opportunity for employers and students.

In addition to seed funding, the Global Trade Initiative helped the program subsidize the course curricula as well as the cost of the industry-recognized GLA certification. Entry-level workers with this certification can earn up to $14 per hour.

Significant industry developments in the region – and associated jobs – have raised the stakes for Columbia

Left to right: Plum Creek Land Asset Manager Greg Galpin; North Central Florida Regional Planning Council Executive Director Scott Koons, AICP; Columbia County Economic Development Association Manager Debbie Motes; Columbia High School Global Trade Academy Lead Teacher Rebecca Golden; Workforce Florida VP of Global Talent Innovation Andra Cornelius, CEcD; and Workforce Florida QRT Director Debbie McMullian during a visit to the Columbia High School Global Trade and Logistics Academy.

Columbia High School and local industry leaders are successfully taking a multi-faceted approach to garnering student interest in global logistics careers. Over four years, enrollment has more than doubled, from 56 students in year one to 130 in year four – a significant number in contrast to the school's total student body, which averages more than 1,750 per year. Global logistics employers are regularly invited to the Academy to talk to students and help them identify niche careers within the industry.

High to grow and sustain its Global Logistics Academy. Earlier this year, with an eye toward job creation, the state designated 500 acres of land owned by Plum Creek – the largest and most geographically diverse private landowner in the nation – as a Rural Area of Critical Economic Concern (RACEC) Catalyst Site. The Catalyst Site anchors the North Florida INTERMODAL PARK, an encompassing, 2,622-acre tract envisioned to be an inland port for train and truck freight coming from the Port of Jacksonville. Plum Creek is in the second phase of a two-phase process to have the North Florida INTERMODAL PARK certified as a Mega-Industrial Park.

"Mega-Industrial Park certification significantly shortens the amount of time for a prospect to make a location decision because it verifies all of the due diligence for the site," said Plum Creek Real Estate Manager Allison Megrath, AICP. "Certification will provide us with a proactive marketing tool to entice prospects to choose the North Florida INTERMODAL PARK over other potential locations."

Designated by Columbia County commissioners as a Mixed-Use District – a first in Columbia County – the tract is approved for up to 8 million square feet of commercial land use, 100,000 square feet of commercial land use, and 300 dwelling units. This major project provides unprecedented opportunities in Columbia County and 13 surrounding rural communities for high-paying jobs, strategic partnerships, and workforce education. Columbia High already has forged inroads with Plum Creek, which has contributed $10,000 per year for the next three years to sustain the Academy. Through another program, every Columbia High student earning the GLA certification will generate a $1 contribution to the school's program.

Columbia High School and local industry leaders are successfully taking a multi-faceted approach to garnering student interest in global logistics careers. Over four years, enrollment has more than doubled, from 56 students in year one to 130 in year four – a significant number in contrast to the school's total student body, which averages more than 1,750 per year. Global logistics employers are regularly invited to the Academy to talk to students and help them identify niche careers within the industry.

School leaders work to ensure potential Academy students understand, as early as middle school, that today's global trade and logistics industry is clean, fully automated, and has many upwardly mobile career paths for students who ultimately wish to excel in management and executive leadership. Middle school students have responded with interest when they learn about the industry's salary potential, which averages nearly $55,000 annually.

Golden also works to steer students toward the Supply Chain Technology program at Florida Gateway College in nearby Lake City; program courses are offered to high school students at no cost. After completing this program, students can opt to continue education through technical center, community college or university programs to train for careers ranging from machine operator to logistician to air traffic controller.


Containers for transport at the Jacksonville Port Authority.

Involving Middle Schools

Recent successes in Information Technology career engagement at the middle school level offer possible solutions for helping school districts expand global logistics career opportunities to younger students through middle school feeder programs. Building on the success of the original 2007 Act that established CAPE academies, the 2011 Florida Legislature passed a new law requiring all district school boards – in collaboration with regional workforce boards, economic development agencies, and state-approved post-secondary institutions – to include plans for at least one middle school CAPE Academy in their three-year strategic plans.

Workforce Florida responded with funding to support the initiative, which, in lieu of traditional grant funding, provides participating schools with technical assistance to guide them in quickly establishing programs and engaging local employers. During its inaugural year – 2012-2013 – students and teachers earned more than 1,400 Microsoft® and Adobe® certifications. Golden thinks the idea of a middle school Global Logistics CAPE Academy has merit. "It would be great," Golden said, "if we had more substantive middle school exposure to help get them thinking seriously before they begin high school."

CONCLUSION

As Gov. Scott and economic development leaders continue to bring new trade business to Florida, those jobs are expected to grow. Filling them is the next challenge, and one that Workforce Florida Inc. – the state's workforce strategy and policy board of leaders in business, economic development, education, and government – is tackling head-on with training and education initiatives that build a strong and steady pipeline of talent for generations to come.

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attracting foreign direct

INVESTMENT THROUGH "SOFT-LANDINGS" INITIATIVES

By Perry B. Newman

Economic developers around the world are keen to attract foreign direct investment ("FDI")[1] to their locations for a number of reasons: research suggests that jobs created or supported by FDI tend to pay more and last longer than comparable jobs created by purely domestic investment. In addition, when the global resources of a larger investor are brought to bear, workers often benefit by enhanced training and learning opportunities, and the potential for shared intellectual property across company lines increases.[2]

Thus, when a foreign company, particularly a larger firm, acquires an operating firm or announces plans to establish a significant operating presence in a community, it is often regarded as something of an economic development triumph.[3] Unless they occur in the context of a liquidation or other distressed sale situation, such acquisitions or investments frequently signal the foreign firm's strong interest in increasing or enhancing the economic output of the firm that it acquires or in which it invests, to the continuing benefit of the community and its residents.

FDI in the United States is an important economic driver. In 2010, FDI into the United States totaled $194 billion and exceeded $1.7 trillion over the preceding ten years.[4] Foreign investment into majority-owned affiliates of foreign companies in the United States accounted for 5,435,400 employees, of whom 2,013,500 were employed in manufacturing.[5] Foreign owned firms generated $3 trillion in sales, $240 billion in exports and spent $42 billion on research and development, in 2010 alone.[6]

An international community, seeded by early-stage companies and entrepreneurs, begets a wider international mindset, which eventually creates a more substantial and attractive foundation upon which larger business attraction, employment, and investment platforms and initiatives can be constructed. People and businesses begin to think and act more "globally," which in turn creates an openness to new ideas and opportunities.

Given these economic impacts, it is easy to see why FDI attraction is a focus of economic development efforts and initiatives in every corner of the country.

Historically, many discussions of FDI, and especially the pros and cons of FDI in macroeconomic terms, have tended to focus on the impact of acquisitions by multinational firms of smaller local firms. It is in this context that the phrase "economic imperialism" was initially coined, as larger firms, typically from developed countries, swallowed up smaller, locally owned or controlled firms and exercised what some considered dominion over the firm, employees, the local economy and, to some, the host country as a whole.[7]

Of course, these days globalization has in many respects "flattened" the economic hierarchy of nations and the international investment environment generally.[8] Just as barriers to trade have fallen and new export markets have opened, barriers to investment have also fallen or been reduced dramatically, with the result that FDI to and from many nations, and not merely from the developed world to developing economies, has grown substantially.[9]

Perry B. Newman is founder and president of Atlantica Group LLC, based in Portland, Maine (perrynewman@yahoo.com). The author wishes to acknowledge valuable research support provided by Jim Damicis, senior vice president of Camoin Associates of Saratoga Springs, N.Y.

GLOBAL PERSPECTIVES AND BEST PRACTICES

In the quest to attract foreign direct investment to their communities, economic developers are reaching out not only to larger, established global companies, but to early-stage companies seeking a toehold in a foreign market. Through targeted and tailored service offerings, communities can offer these smaller investors a "soft landing" in the market. There are challenges associated with these efforts, however, ranging from identifying and qualifying investors to measuring the results of attraction efforts. The most successful soft-landing programs are those that leverage partnerships with other economic development organizations, those that sustain the effort, and those that take a longer and more holistic view of economic impact on a community.

As the global investment environment has thus become more "democratized," economic developers most frequently set their sights, from a business attraction standpoint, not only on larger firms from developed countries but from emerging, high growth economies as well. In most cases, however, the focus of FDI attraction efforts continues to be on larger firms for several reasons.

First, larger firms are most likely to be in a position to make a significant investment in a community, and thus either save or create a significant number of jobs. Second, the cost of pursuing FDI leads is usually higher than the cost of pursuing domestic investors, since travel to distant locations, preparation and translation of marketing and collateral materials, and other logistical challenges must be considered.

In other words, the trophy must be worth the price of the chase. The payoff in terms of jobs and investment in the community must justify the expense. Thus, the pursuit of the "big fish" continues to characterize many FDI attraction efforts.

All this said, there is a movement afoot among economic developers in locations around the world to focus not only on such targets but to spend more time developing programs, facilities, and assets of potential interest to early-stage companies based abroad. Economic developers even court individual entrepreneurs who may not be in the position of employing significant numbers of persons for several years, but are deemed to be high-potential targets in terms of their long-term potential, a technology synergy or other key criteria identified by the host community.

Given the difficulty and expense associated with attracting larger foreign investors, however, the effort and expense of pursuing early-stage companies, let alone start-ups and individual entrepreneurs, seems counterintuitive.

Wouldn't such an approach be almost unmanageably "granular," requiring a level of data collection, development and research triage beyond the capacity of most organizations? How would one go about identifying and qualifying such prospects? What can a community offer to such a prospect that would make it attractive for such an investor to establish a presence abroad? And, assuming the prospect decides to invest or relocate, what is the likelihood of their creating meaningful economic impact in a host community?

Bluntly put, why would economic developers spend time and treasure pursuing early-stage companies, even individual entrepreneurs? What's the payoff? Can it ever be worth the effort?

In fact, for many economic developers, the pursuit of foreign entrepreneurs, start-ups, and early stage firms is worthwhile not so much because these investors create an immediate or substantial economic impact, but rather because they help to *internationalize* a community, create a talent base, and generally help to foster the conditions under which additional economic impacts may be cultivated in the future. The benefits of attracting foreign investment at a very early stage can be both tangible and obvious, but quite often the benefits are subtler and require a more holistic context in order to be fully appreciated. Indeed, articulating the positive economic impacts of early-stage investment is one of the more important efforts and strategies that a successful soft-landing incubator should pursue.

HOW IT'S DONE

One would expect that the effort to attract even early-stage foreign investors requires carefully honed messages and distinct assets and resources, in much the way that more traditional FDI efforts require their own tools and strategies. Indeed, marketing materials and messages crafted for the purpose focus specifically on the particular needs of entrepreneurs with few resources or capacities at their disposal.

For the potential early-stage foreign investor, the desire to locate a sales office or conduct research and development in the United States may be a competitive imperative. In other words, for the company to grow and approach its potential, it may need to be close to talent, natural resources, university research partners, and the like that may exist uniquely in this country.

But the prospect of establishing even a modest presence in another country, particularly one as large and complex as the United States, is daunting. Deciding where to locate, how much to pay for premises, how to navigate bureaucracy, how to commercialize research and development, how to organize from a legal standpoint … all of these are critical considerations, yet the answers are likely to be complex and the process of deciding potentially costly.

The economic developer's goal is to provide such investors with a "soft landing" in the community. Thus, available assets, tools, and resources must be marshaled and mobilized with an eye towards offering a particular kind of investor what it will need, as a stranger in a strange land, to acclimatize, function, and ultimately thrive in an unfamiliar environment.

As it happens, the needs of the foreign investor and the challenges faced by the economic developer align nearly perfectly in the service offerings and efficiencies inherent in a business incubator.

The National Business Incubation Association (NBIA), the nation's leading organization dedicated to advancing entrepreneurship through the process of business incubation, defines that process as follows: "[B]usiness incubation is a business support process that accelerates the

The benefits of attracting foreign investment at a very early stage can be both tangible and obvious, but quite often the benefits are subtler and require a more holistic context in order to be fully appreciated. Indeed, articulating the positive economic impacts of early-stage investment is one of the more important efforts and strategies that a successful soft-landing incubator should pursue.

NATIONAL BUSINESS INCUBATION ASSOCIATION (NBIA) SOFT-LANDING ELIGIBILITY CRITERIA

- Hold an active NBIA membership (at least one individual in each applicant incubator must be an NBIA member)
- Can demonstrate program success in serving foreign/nondomestic businesses for at least 18 months prior to the Soft Landings application due date
- Have on-site incubator management
- Provide a full range of business services addressing the needs of foreign firms
- Have a policy for graduating companies

Successful applicants will demonstrate a positive track record in the following areas:

- Serving as a first landing site for foreign/nondomestic clients (as opposed to a second or third expansion site)
- Incubating nondomestic clients in the incubator's domestic market (inbound activity)
- Instituting business incubation best practices
- Tracking metrics of success with all incubation clients (not just foreign/nondomestic firms)

successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services." [10]

These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies."[11]

With 1,900 members in 50 countries, the NBIA has for some time understood the synergies between incubation generally and the needs of foreign, early-stage companies as they enter foreign markets. Thus, as a means to ensure that incubators understand (and tailor their offerings to) the needs of foreign firms they may wish to attract, and so that foreign firms can be assured of appropriate standards and essential service offerings made available by these incubators, the NBIA developed a formal soft-landing certification for which incubators may apply.[12]

Randy Morris,[13] director of Member Services at NBIA and the individual responsible for administering the soft-landing program, notes that the designation has been in existence since 2005 and that the program has grown gradually. There are currently 24 soft-landing sites globally, of which roughly half are located in the United States. The process of obtaining the soft-landing designation is designed to ensure that qualifying incubators not only offer the appropriate targeted services, but that they have experience working with foreign firms. Thus, only about 50 percent of applicants for soft-landing designation receive the NBIA's approval on the first application.

An incubator that has been designated as a "Soft Landing International Incubator" may market itself as such to potential investors, and thus seek to differentiate itself from other incubators or communities that may be competing to attract early-stage firms, as well. Of course, any incubator can seek to attract foreign investors and in so doing offer the services common to soft-landing environments, such as translation services, market research, counseling on import/export regulations, legal services, and the like.

The certification, like all *bona fide* standards and certifications, provides market positioning and branding opportunities to the "vendor," i.e., incubator, and comfort to the "consumer," i.e., investor, that it is obtaining a baseline of services and resources upon which it can rely in growing its business internationally.

WHY IT'S DONE

The benefits are clear to a foreign investor in locating within a soft-landing environment. An incubator provides resources and opportunities on an extremely cost-effective basis. While the details of an offer may vary from incubator to incubator, depending upon size, location, industry sectors served, and specialized equipment required, it is almost universally the case that the investor is able to establish some kind of presence in the market on highly favorable economic terms, certainly compared with what would be incurred in going it alone.

The benefits to the incubator, however, and to the communities in which they are located, may be less obvious. While traditional FDI attraction efforts are most often focused on prospects that are likely to create economic impact through job creation, soft-landing initiatives and the targets of soft-landing attraction efforts are not likely to create jobs or major economic impacts in the short, or even medium-term.

So why bother?

Geraldine Quétin[14] is a business incubation expert in Nice (France) who has developed and managed incubators in France and worked to attract American entrepreneurs to France as part of the French government's impressive YEi program.[15] Quétin observes that the benefits to the incubator and to the community at large are often longer-term and are to be measured not merely by jobs created, but by the value-add a community experiences by virtue of becoming more internationalized in terms of its resident talent and its exposure to outside economic opportunities.

An international community, seeded by early-stage companies and entrepreneurs, begets a wider international mindset, which eventually creates a more substantial and attractive foundation upon which larger business attraction, employment, and investment platforms and initiatives can be constructed. People and businesses begin to think and act more "globally," which in turn creates an openness to new ideas and opportunities.

UNIVERSITY OF CENTRAL FLORIDA SOFT-LANDING PROGRAM BENEFITS

- Satellite office space with flexible short term lease at nine sites in four counties in Central FL
- Connections with the Central Florida business community
- Access to a network of training and meeting rooms
- Access to a PR Bureau for Press Release creation and distribution
- Domestic market research through UCF Venture Lab
- Access to experts concerning import/export laws and regulations
- Cultural training
- Connections to UCF faculty and students

SOFT-LANDING ELIGIBILITY REQUIREMENTS

- Be a for-profit business in a high-growth field
- Have all the valid paperwork needed to conduct business in the USA
- Have the ability to pay monthly rental fee for the intended term of occupancy
- Have potential for positive economic impact on the community through a technology, product or service deemed to have a high potential impact in the marketplace; and having potential for creation of new high paying jobs.

If more concrete metrics are required, Quétin notes that the following indicators may reflect the economic impact of a soft-landing program:

- Is the start-up or early-stage company still "alive" after five years?
- Is it generating revenues?
- Are other companies generating revenues by virtue of the company's or investor's presence?
- Has the company successfully raised money?
- Have other companies in the start-up's "eco-system" raised money?
- Are there other quantifiable "ripple effects" resulting from the investor's presence, i.e., are additional companies locating in the region, are university graduates in relevant disciplines coming to the region, are new university programs being developed, and are university-industry partnerships arising.

Finally, Quétin notes that soft-landing programs and the investors/participants in them become, in the best case scenarios, part of a global network of incubators and support systems that nurture innovation and early-stage company growth. These networks provide further tools to companies with growth potential, enable communities to link to each other and share resources and best practices, and generally facilitate the development of a community's international "brand" and receptivity to foreign investment.[16]

A recent study of university business incubators globally by the University Business Incubator Index also highlighted these criteria and indicators concluding, following a review of 150 university-affiliated incubators, that successful incubators create value for the eco-system in which they live and operate, create value for clients, and produce strong post-incubation performance.[17]

Tom Strodtbeck,[18] director of International Programs for the NBIA, agrees that networks can be an important component of an incubator's success and in particular the development of best practices, but stresses that the benefits to communities in which soft-landing programs exist are not necessarily as indirect as one might surmise. The partnerships that develop between incubators and the wider economic development communities in which they operate often lead to concrete economic impacts, including the referral of high-growth prospects, local resources being brought to bear for the benefit of growth companies, and jobs being created when individuals and companies with new ideas are brought to the attention of existing, larger firms in the area.

Soft-landing programs, Strodtbeck points out, are most effective and produce best results for their tenant companies and the communities in which they operate when they play to their strengths and capitalize on niche industry sectors, resources, capabilities, and connections. Merely locating an incubator in a facility that is currently underutilized seldom advances the ball; building upon a community's talent, leveraging natural resources and natural resource industry expertise, however, to create an incubator focused on that industry, can prove attractive to foreign start-ups in the same industry seeking access to the local market.

In the final analysis, attracting a promising early-stage company to locate in a soft-landing incubator is unlikely to mean dozens of jobs in the near-term. But attracting the right company, or the right mix of companies, can create or build upon a nucleus that can be leveraged for the benefit of the wider community as word spreads, benefits are shared, and global expertise and profile become more tangible and marketable.

As part of a larger entrepreneurial eco-system, a soft-landing incubator can enable a community, other incubators, even an entire industry to punch above its weight, delivering economic impact and enhancing a regional brand that facilitates larger FDI attraction efforts.

FROM THE FRONTLINES …

Soft-landing incubators, whether they have obtained the formal NBIA designation or simply provide services tailored to the needs of early-stage foreign companies, face a number of challenges familiar to economic development professionals at every level of the industry.

How does one measure the economic impact of an initiative? If impacts are small, subtle, or not immediate, how does one justify the continued effort and dedication of resources?

Gordon Hogan, director of the University of Central Florida's multi-location incubator system,[19] notes that the costs of implementing a soft-landing program and providing the services important to soft-landing tenants are quite low, particularly when compared to the costs of more traditional FDI marketing efforts. In fact, many of the resources a foreign company will need are the same that domestic or local tenants desire, i.e., inexpensive office space, common areas, internet access, etc. Specialized services, such as translation services or legal advice, are typically provided by offsite experts on a reduced cost basis.

Offering soft-landing services need not be a costly endeavor and seldom adds to the ordinary day-to-day costs of an incubator's operating expenses.

Traditional FDI attraction efforts can be quite expensive, by contrast, and may include travel and marketing/trade show expenditures, the costs of site location consultants, collateral materials, hospitality expenditures, and more. In addition, states and communities typically offer incentives to attractive larger foreign investors, thus adding to the cost (in terms of forgone tax revenues) of each job created or sustained via the investment.

The bottom line is that the costs of soft-landing initiatives are low and should not be considered an impediment to the development of a soft-landing program or site.

PARTNERSHIPS ARE KEY

Because soft-landing sites often have limited budgets and because the world of start-ups and early-stage investors is so widely dispersed, it is essential that soft-landing incubators operate in partnership with and as components of a larger economic development eco-system. A state or metro economic development corporation can disseminate an incubator's literature and be on the lookout for potential soft-landing candidates during trade missions and as inquiries regarding the region at large are received.

In order for the wider economic development community to market the soft-landing incubator's resources most effectively, the incubator must reach out and proactively inform partners and other economic development providers and professionals of the importance of the incubator, the ways in which they can work together, and the value that the incubator can bring to the wider community.

Hogan, the UCF incubator director, notes that one of its most intriguing and potentially most successful soft-landing tenants came to the incubator as the result of a contact made by an economic development official from a neighboring community and not via a direct effort of the incubator. Here, as in so many circumstances, much more can be gained by working together and exchanging information than by operating in silos.

TAKE-AWAYS

Soft-landing initiatives can be a useful and productive tool in a community's economic development basket of investment attraction offerings. While the economic impact, particularly in terms of job creation, of soft-landing investment is likely to be modest in the short term, the benefit to the wider community in which investors are located can be significant and bear fruit in terms of overall talent development; industry sector diversification; and cross-pollination between firms, academic institutions, and larger businesses.

Economic development professionals know that incubators as a whole punch well above their weight in economic impact, i.e., the cost per job created is low, revenues and economic spillovers are impressive, and the deployment community assets to create economic development eco-systems facilitates stability and sustainable economic development potential.

A 2011 economic impact analysis[20] of five state-supported incubators in New Mexico, for example, found that 98 firms graduated from the incubators over the preceding five years, and an estimated 78 percent of those companies were still operating. Moreover, the existing tenants and incubator graduates, which total 178 firms, supported 1,601 direct jobs and another 1,056 indirect or induced jobs, for a total impact of 2,657 jobs.

In a 2010 article,[21] The National Business Incubation Association estimated there were 41,000 startups using 1,200 incubators across the country and participants' survival rate after five years was 87 percent, compared with 44 percent for companies that didn't use incubators.

Finally, a 2013 study[22] of three incubators operated by the Polytechnic Institute of New York University concluded, "The rapid growth of New York City's innovation economy has been fueled by three Polytechnic Institute of New York University (NYU-Poly)-operated incubators that generated $251 million in economic activity since 2009, created more than 900 jobs and contributed $31.4 million in local, state and federal tax revenue." The study also found that out of the 102 start-ups: 35 have graduated to larger spaces in New York, five have been acquired by larger entities for more than $50 million, and salaries paid by graduating companies average $72,000.

It is also worth repeating more familiar statistics that underscore the importance of small businesses generally. Small companies, i.e., those with ten employees or less, accounted for 90 percent of all business establishments in the United States, 30 percent of all U.S. jobs, and 25 percent of all U.S. sales.[23]

The bottom line: For a community that wishes to build a foundation, or build upon an existing base, of international talent, intellectual property, cultural diversity, global expertise, economic stability, and sustainable growth, a well-crafted soft-landing initiative integrated into an effective incubator system can yield impressive and highly cost effective results.

These results will most likely come to fruition when economic development organizations partner, exchange information, cross-sell, integrate offerings when feasible, and clearly articulate the assets and resources available in the soft-landing environment.

ENDNOTES

1 According to the Organization for Economic Cooperation and Development (OECD), "FDI is defined as cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used." See, www,OECD-Library.org.

2 See, *Does FDI Bring Good Jobs to Host Countries?*, B. Javorcik, University of Oxford, Background Paper for the World Development Report, 2013.

3 There are, of course, exceptions. Communities and workers may react negatively when the investor is based in a country with a less than sterling reputation for corporate citizenship, for example, or if there are points of friction between the respective governments of acquiring and acquired companies. By and large, however, a significant investment made by a reputable foreign company is considered good economic news for a community.

4 *Foreign Direct Investment in the United States Executive Summary;* By David Payne and Fenwick Yu, Office of the Chief Economist; U.S. Department of Commerce Economics and Statistics Administration; ESA Issue Brief #02-11; June 2011; http://www.esa.doc.gov/sites/default/files/reports/documents/fdiesaissuebriefno2061411final.pdf.

5 *Foreign Direct Investment in the United States, Bureau of Economic Analysis,* http://bea.gov/international/di1fdiop.htm.

6 *Foreign Direct Investment in the United States Executive Summary;* By David Payne and Fenwick Yu, Office of the Chief Economist; U.S. Department of Commerce Economics and Statistics Administration; ESA Issue Brief #02-11; June 2011; http://www.esa.doc.gov/sites/default/files/reports/documents/fdiesaissuebriefno2061411final.pdf.

7 See, Mousa, Foreign Direct Investment: Theory, Evidence and Practice, (2002) Palgrave Publishers, Great Britain.

8 See, Friedman, Thomas L., The World Is Flat, Farrar, Straus and Giroux, New York, NY (2005).

9 See, http://www.cfr.org/foreign-direct-investment/foreign-investment-us-national-security/p31477?cid=soc-twitter-in-backgrounder-foreign_investment_and_us_nati-092913, at fig. 1.

10 www.nbia.org.

11 Id.

12 Frequently cited service offerings and criteria for certification are listed in part here. http://www.nbia.org/member_services/soft_landings/details.php.

13 http://www.linkedin.com/in/randymorris1.

14 http://www.linkedin.com/in/gquetin/fr.

15 http://www.yeifrance.com/.

16 An outstanding and highly evolved network, backed by government investment on an international basis, is the European Business Network, a project of the European Union. See, http://ebn.eu/Default/aspx.

17 For a discussion of the Report, see, http://medictynews.com/2013/06/what-makes-a-great-startup-incubator-a-few-ideas-job-revenue-creation-smart-mentors/.

18 http://www.linkedin.com/pub/tom-strodtbeck/2/873/683.

19 http://www.incubator.ucf.edu/.

20 The Economic Impact During 2011 of New Mexico's Business Incubators, March 26, 2012, Prepared for New Mexico Economic Development Department by Impact Data Source, LLC.

21 *Betting on Incubators to Create Jobs*, Bloomberg Business Week, Lauren Hatch, August 12, 2010.

22 *NYU-Poly Incubators and Their Economic Impact*, Polytechnic Institute of New York University, July 2013, http://www.poly.edu/business/incubators/impact.

23 http://youreconomy.org.

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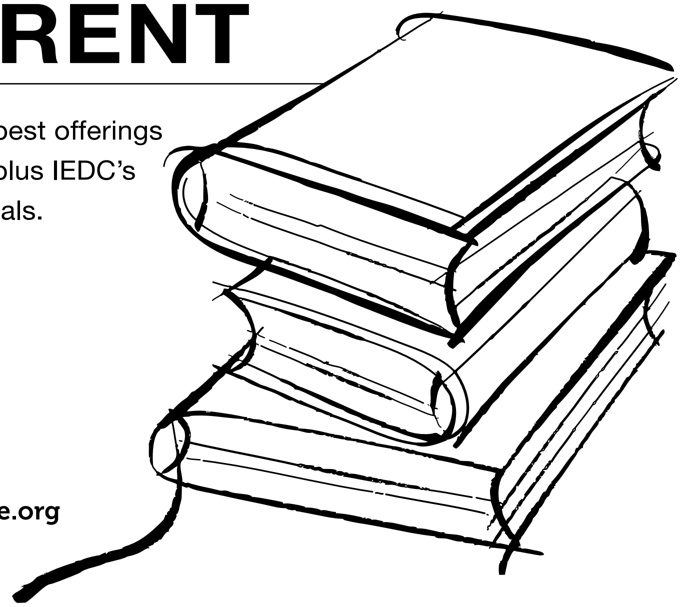

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NEW SUSTAINABILITY RESEARCH FUNDED BY FOUNDATION GRANTS

IEDC is proud to publish two new sustainability research projects. "Creating the Clean Energy Economy" is funded by the Rockefeller Brothers Fund and examines three nascent clean-tech markets: electric vehicles, net-zero energy homes, and offshore wind energy. The report discusses these sectors' economic development benefits, hurdles to market development, and economic development strategies.

"Understanding Renewable Energy Businesses" is funded by the Energy Foundation, The Solar Foundation, and the Wind Energy Foundation. IEDC interviewed solar, wind, and biopower firms to understand the opportunities and challenges facing these industries. This report mirrors the 2012 "Powering Up" report, in which IEDC interviewed economic development leaders on renewable energy growth in their states.

UPCOMING LAUNCH OF NEW ECONOMIC DEVELOPMENT ORGANIZATIONAL METRICS

IEDC will launch the findings from its Performance Measurement project at the 2014 Leadership Summit in Irvine, California, on February 2-4. Part of the Economic Development Research Partners (EDRP) program, this project seeks to understand and develop a set of improved metrics that help EDOs better measure their performance and impact on the community.

The organization will present a set of "metric menus" that help EDOs select metrics to track based on program area(s) and available resources. IEDC will also discuss current trends in measuring performance based on the Performance Measurement survey, in which over 500 EDOs shared their current tracking habits.

EDRP RELEASES LATEST REPORT ON WORKFORCE DEVELOPMENT STRATEGIES

The Economic Development Research Partners (EDRP) program released their latest report, "Raising the Bar Together: Successful Strategies for Workforce and Economic Development Collaboration," in November. With the understanding that a community's workforce is fundamental to its economic growth, the paper outlines best practices for economic and workforce development organizations working in collaboration.

The report features five case studies that demonstrate the important role that EDOs play in driving collaborative efforts. It also includes essential lessons and recommendations for communities that want to do a better job of workforce development. The report is available via download to IEDC members free of charge and for sale in print to nonmembers at $35.

AEDO PROGRAM ADDS 37TH MEMBER

IEDC announces the accreditation of the Arvada Economic Development Association (AEDA). Located in Arvada, Colorado, AEDA is a 501c6 nonprofit organization that was established in 1991 to serve as "the Arvada community's business-to-government liaison and a strategic resource for business information and support." The organization is led by Executive Director Hazel Hartbarger, who oversees four additional employees. This organization represents the high quality and dedication to excellence that the Accredited Economic Development Organization (AEDO) program demands.

Earning accreditation is a great way for economic development entities to increase their visibility in the community and gain independent feedback on their organizational operations. For more information about becoming a program member, now totaling 37, visit the AEDO webpage or contact Program Manager Tye Libby at tlibby@iedconline.org.

LAUNCHING 2014 DISASTER RECOVERY WEBINAR SERIES

On January 28, IEDC kicks off the 2014 Disaster Preparation & Economic Recovery Webinar Series with "Lessons from the Field: Small Business Recovery Strategies after a Disaster" featuring Charles D'Agostino and Maureen Collins Williams. This webinar will discuss the critical factors, resources, and timing issues for assisting small businesses following a major crisis.

This 12-part webinar series provides practical information on key topics ranging from crisis communication to preparation efforts to creating successful partnerships for long-term recovery.

The series is funded by a grant from the U.S. Economic Development Administration (EDA). To register for the series, visit RestoreYourEconomy.org.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

CALENDAR OF EVENTS

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.

CONFERENCES

2014 Leadership Summit
February 2-4
Irvine, CA

2014 Federal Forum
March 23-25
Alexandria, VA

2014 Spring Conference
June 1-3
Minneapolis-Saint Paul, MN

2014 Annual Conference
October 19-22
Fort Worth, TX

2014 TRAINING COURSES

Neighborhood Development Strategies
January 16-17
New York, NY Metro Area

Entrepreneurial and Small Business Development Strategies
January 30-31
Irvine, CA

Economic Development Marketing and Attraction
February 13-14
Atlanta, GA

Real Estate Development and Reuse
February 20-21
Baltimore, MD

Economic Development Credit Analysis
March 5-7
Madison, WI

Workforce Development Strategies
March 20-21
Washington, DC Metro Area

Business Retention and Expansion
April 24-25
Atlanta, GA

Entrepreneurial and Small Business Development Strategies
May 8-9
Madison, WI

Real Estate Development and Reuse
May 15-16
Anchorage, AK

Managing Economic Development Organizations
May 29-30
Minneapolis-Saint Paul, MN

Economic Development Marketing and Attraction
June 5-6
Baltimore, MD

Neighborhood Development Strategies
June 19-20
Madison, WI

Economic Development Strategic Planning
July 17-18
Atlanta, GA

Business Retention and Expansion
August 21-22
Indianapolis, IN

Economic Development Strategic Planning
September 18-19
Baltimore, MD

Real Estate Development and Reuse
October 9-10
Atlanta, GA

Economic Development Credit Analysis
October 15-17
Fort Worth, TX

Real Estate Development and Reuse
November 6-7
Lansing, MI

Business Retention and Expansion
November 13-14
Chapel Hill, NC

Technology-Led Economic Development
December 4-5
Phoenix, AZ

2014 CERTIFIED ECONOMIC DEVELOPER EXAMS

February 1-2
Irvine, CA

March 22-23
Washington, DC Metro Area
(Appl. Deadline: January 21)

May 31-June 1
Minneapolis-Saint Paul, MN
(Appl. Deadline: March 31)

October 18-19
Fort Worth, TX
(Appl. Deadline: August 18)

December 6-7
Phoenix, AZ
(Appl. Deadline: October 6)

2014 WEB SEMINARS

January 22
How Economic Gardening Can Accelerate Growth for Companies

Disaster Preparation & Economic Recovery: Free, 12-Part Webinar Series

January 28: Lessons from the Field: Small Business Recovery Strategies after a Disaster

February: Preparing for the Unexpected: Is Your Organization Ready?

March: Establishing a 501c3 for Economic Development & Recovery

April: Long-Term Recovery: Addressing Business Failures in Years 2-5

May: Asset Mapping & Data Collection before a Crisis

June: Using the National Emergency Grant (NEG) for Economic Recovery

July: Addressing Blight in Disaster-Impacted Neighborhoods

August: Fundraising Strategies for Economic Transformation

September: Navigating Federal Resources for Long-Term Recovery in Rural Communities

October: Creating Successful Partnerships with the Private Sector

November: How to Write a Winning Grant Application

December: Open for Business: Crisis Communication

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 **(703-715-0147)**.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

mindsets that build bridges

ACROSS CULTURES AND CHAMPION LATINO SMALL BUSINESSES

By Dr. Diana Morelli-Klima

INTRODUCTION

While many services exist to support small businesses in the state of Washington, only a small portion target those with less than $250K in annual revenue. Even fewer services are available to accommodate the special considerations in assisting Latino entrepreneurs who often hesitate to seek help from a business advisor, fearing that they will be looked down upon or overwhelmed by the information. They may be embarrassed over not being able to speak English well or not having a high educational background or not understanding the American way of doing business.

This hesitancy in seeking help can result in business failure. A program aimed at this group's special needs can help overcome this hesitancy, along with other barriers to success. Recognizing the growing need for such services, the Economic Development Association of Skagit County (EDASC), in Washington, created the Latino Business Retention and Expansion Program (LBRE).

Hispanic-run small businesses across Washington range from a single individual offering a table of handmade wares at a county fair to well-managed, product-focused enterprises with many employees. Distinct from mainstream businesses, Hispanic business owners typically experience the following when attempting to establish or grow a business:

- Limited (or no) access to capital for launching a new business or expanding an existing business;

Cross-cultural leaders working together. From left to right: Dr. José García-Pabón, Washington State University Extension Professor; Cristobal Guillen, President/CEO, Washington State Hispanic Chambers of Commerce; Washington Governor Jay Inslee; Dr. Diana Morelli-Klima, Director, LBRE Program.

- Inadequate (or a complete lack of) business information in their preferred language regarding rules, regulations, and government policies relating to entrepreneurship and small businesses;
- Lack of venues for communication and/or lack of confidence to search for and request assistance;
- Insufficient role-model mentors and guides for strategic planning;
- Inexperience in organizational planning, sales, and marketing; and
- Non-existent management and leadership training at the level Hispanic owners need to apply to their businesses.

According to a 2011 paper by U.S. Census Bureau Demographers Jennifer Ortman and Hyon B.

Dr. Diana Morelli-Klima is director of the Latino Business Retention and Expansion Program of the Economic Development Association of Skagit County, Washington. (diana@skagit.org)

(All photos by Kenneth Klima.)

CAPITALIZING ON THE ECONOMIC POTENTIAL OF LATINO ENTREPRENEURS

Latino communities are now viewed as business and employment generators. The Economic Development Association of Skagit County (WA) established the Latino Business Retention and Expansion Program (LBRE) in 2004 to provide one-on-one business counseling and broad-based support for Latino entrepreneurs and business owners for start-ups and business expansion. In helping these entrepreneurs overcome the many barriers they face, including limited collateral, lack of credit history, language barriers, and a lack of understanding of government and business processes, LBRE has developed innovative approaches to serving this rapidly growing community. This article discusses the unique challenges Latino entrepreneurs face, describes strategies to overcome these challenges, and provides a personal perspective on mindsets that can build bridges across cultures. LBRE is now serving as a model for a statewide initiative.

LBRE's goal is to increase opportunities for Latino entrepreneurs and business owners so they can create and expand their businesses.

Shin, "the number of Spanish speakers is projected to rise nationally through 2020 to between 39 million and 43 million." Washington is ranked 13th in the U.S. in the size of its Hispanic consumer market, with Hispanic buying power projected to reach $1,402 trillion by 2014. From 1990-2008, Hispanic buying power in Washington is said to have grown 494.5 percent.

Between 2002 and 2007, the number of Hispanic-owned businesses in Washington grew 73.6 percent, with 12.2 percent having revenues over $1 million. In 2011, the U.S. Census stated that there were 17,810 certified Latino owned firms, out of 531,023 total firms in the state. (U. S. Census Bureau Quick facts) Skagit County is 17 percent Latino, while Mount Vernon, the city where LBRE is located, is 33 percent Latino – a substantial population.

Created and sustained by EDASC, LBRE began in 2004 and is now the only program of its kind to have found long-term success in the state of Washington. For the first year, the program was run on a part-time basis (full-time beginning in 2005) and was funded by Skagit Valley College, the U.S. Department of Commerce, Bank of America, and Small Business Development Centers. LBRE now receives funding from the Small Business Development Centers, the Local Initiatives Fund of RSF Social Finance, the NW Area Foundation, and EDASC.

With a 12-member Latino Advisory Board, LBRE is housed in the offices of EDASC, which provides a support staff for the program's director. LBRE's goal is to increase opportunities for Latino entrepreneurs and business owners so they can create and expand their businesses. Since its inception, LBRE has assisted these business owners in securing over $2.5 million in loans, with an additional $335,000 for two separate businesses in 2013 – a beauty salon and a contract services company for a nationally known chicken processing firm.

Other loans have funded a varied group of businesses and services, including an automotive shop, a new/used car dealer, an insurance company, a bi-lingual newspaper, and a Mexican grocery store. This group also includes three restaurants, a Peruvian import business, two construction companies, a painting company, a bi-lingual childcare facility, a taco truck, a health-care facility, and a butcher shop.

BENCHMARKS FOR SUCCESS, RELEVANT QUANTITATIVE AND QUALITATIVE STANDARDS

As with most successful people-oriented endeavors, it is essential to develop criteria that allow "success" to be measured. LBRE's benchmarks routinely exceed the usual metrics of loans made, contacts and client numbers.

Another important definition of success for the program is "the realization of a worthy intention." However, sometimes the "worthy intentions" of entrepreneurs can conflict with the very support program that was designed to serve their best interests in the early stages of their entrepreneurial life.

If businesses are to survive and thrive, owners need to increase assets and profits so they can support their families and contribute to their community in a significant way. To accomplish this, a business education and cultural competency in the host country are essential. However, the American approach to helping the Latino entrepreneur is often more threatening than engaging. As a result, new Latino entrepreneurs can quickly become discouraged and cease participating in gaining the very business knowledge they need.

Many beginning Latino entrepreneurs are unfamiliar with the language of business success – so unfamiliar as to consider the "necessities" of a successful business as unnecessary complications that are unrelated to achieving their immediate goals and, ultimately, their worthy intentions.

What many Latino entrepreneurs think of as "unrelated complications" include a vocabulary that is commonplace to most business advisors: the need for business plans and cash-flow projections, plus on-going dependence on and reference to the most common reasons for business failure, which include such concepts as poor management, insufficient capital, poor record keeping and of course, IRS troubles.

To many aspiring Latino entrepreneurs, these basic concepts are "out of context," threatening, and anticipating problems before they become unfixable is unimaginable. For a person who does not know how to turn on a computer, much less type, write, or speak English, how is computer training a possibility? Using the standard approach with many Latino entrepreneurs, new American advisors trying to help them are likely to fail, often reaching the point of a diminishing flow of Latino clients.

A new Latino enterprise in Ferndale.

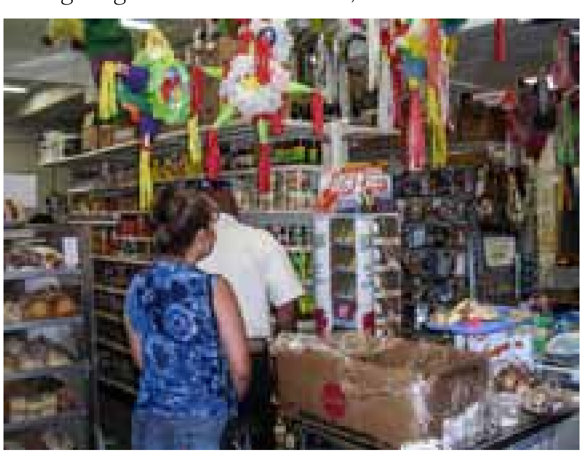
LBRE's approach stresses that it is essential to listen initially to new Latino entrepreneurs while acknowledging that barely literate business aspirants can and do run successful businesses. Clients express and are motivated by a strong desire to be their own boss and to create a stable future for their children. In other words, for the most part, "new" Latino entrepreneurs who are deciding to open a business do not appear to correlate their future success in business with business basics, but rather with achieving a life-long dream: the dream of building a better life for their family and a future for their children. To achieve this, it is commonplace for clients to work seven days a week, 10 to 12 hours a day, without complaint; but the suggestion of a computer course will cause them to drop out of the program.

Rather than describing the necessity for a business plan or any other business basics, LBRE has found it's more appropriate for a business advisor to begin interacting with a Latino client by helping to solve their immediate crisis situation, which is usually the reason for contacting the program. These situations can range from a pending foreclosure on a home or business, the realization that bankruptcy is imminent, and a letter of demand from the IRS to a threat from Labor & Industries (a state agency) or the sudden recognition that one cannot pay insurance fees because they have doubled during the last six months. LBRE's best referral sources are word of mouth that reflects a client's satisfaction; positive leadership and visibility within the Latino community; and professional recommendations from bankers, attorneys, and insurance agents.

MEETING CLIENTS WHERE THEY ARE

The most frequent challenges facing Latino businesses are eased if one is able to establish rapport and address their immediate needs in a practical way. Although a combined lack of knowledge and business experience are often the root causes for their dilemma, it is more productive to focus on their current crisis rather than innumerate the daunting list of intimidating educational requirements they should achieve. But after a crisis, especially if a positive outcome is achieved, clients are motivated to learn because they don't want to land in the same difficulty again. These challenges often serve as catalysts for positive changes that include a willing acceptance of the need for additional education. Clients seek help for many reasons, including:

- Lack of a written leasing contract, landlord verbal commitments not met, and imminent foreclosure;
- Being informed they are out of compliance with city/state/federal business regulations, and a fine is being attached to the infraction;
- Insurance and bonding problems;
- Budgeting and cash flow issues;



Everyday's a "Fiesta" in a "Tienda Mexicana."

Since LBRE offers individualized, confidential business consultation in Spanish, as well as group training, it is imperative that, in both instances, hands-on, personalized, culturally appropriate assistance be provided.

- Lack of understanding and following correct accounting procedures;
- Problems in opening business bank accounts;
- Lack of savings to support the business, especially when taxes are due;
- Issues involving hiring and training employees;
- Not following Labor & Industries or Department of Revenue regulations;
- Paying huge insurance premiums, especially in the construction field;
- Lack of a bidding system for construction jobs;
- Lack of literacy and language understanding;
- Lack of medical insurance; and
- Lack of computer literacy leading to a lack of Internet presence.

To reiterate: LBRE has found it is essential to meet clients where they are, instead of where good business practices would suggest they should be. ESL classes, computer training, financial literacy programs, or any other kind of immersion into our American education system are not addressed unless the client specifically requests such information.

THE NEED FOR EXTENSIVE TECHNICAL ASSISTANCE IN LOAN PACKAGING

It is impractical to simply supply handouts and send clients home to do their homework. Under this model, they cannot succeed as demonstrated by the fact that they almost never return with the work completed. Since LBRE offers individualized, confidential business consultation in Spanish, as well as group training, it is imperative that, in both instances, hands-on, personalized, culturally appropriate assistance be provided.

This individualized approach is essential in helping clients procure business loans. About half of LBRE's clients have less than five years of education from their native country. They speak some English but cannot write well, let alone write in English. At the same time, they have acquired a great deal of expertise in their chosen profession – as a chef, a mechanic, a master furniture builder, a plumber or a carpenter. Their work ethic is formidable; they pay taxes, save money, and prosper. With these qualities operational, they decide the time has come to open or expand a business. In order to expand, they need capital – a bank loan. The process of actually applying for a loan requires many skills that are unfamiliar to them. Clients often have a lack of computer skills as well as little or no understanding of a business plan,

Creating trust with clients.

a résumé, cash flow projections, budgeting, Labor & Industries requirements, licensing, etc.

Clients have to figure how to navigate and survive face-to-face banking inquisitions from well-intentioned American bankers – which truly is a very big deal. As a result, it is essential that business advisors to Latinos carry the responsibility for their clients. The individualized American concept of "selling yourself" does not compute in the collectivistic consciousness of Latinos. Although what they have to offer is every bit as saleable as what others are able to offer, they consider it bragging to assertively highlight their talent, skills, and expertise.

ESTABLISHING A TRUSTING RELATIONSHIP WITH CLIENTS

Latinos value the trusting relationship more than most Americans can imagine. As with most human interactions, a show of empathy, attentive listening, and the ability to speak the same language are very high on the list of trust builders. For the most part, it is unacceptable to get down to business in the first meeting, or even to understand the reason for the visit. If enough trust has been established, clients will eventually explain what really brought them in, including serious debacles like bankruptcy, imminent loss of the lease for their established business, or a pending IRS audit. Following are some tips to successfully establish this trusting relationship with new Latino clients:

- Speak Spanish in a way that mirrors the client's vocabulary and level of understanding. Seldom will a Latino admit that he or she does not understand, but if an advisor uses technical business terms or tends to refer to "cash flow projections," there will be little real communication.
- Sometimes clients might not be able to read or write so at LBRE, entrepreneurs are not routinely asked to "sign in." Usually, literate clients request the form and quickly write out the necessary information themselves.
- Humor can easily be misinterpreted, due to linguistic and cultural differences, and it does not break the ice for most Latinos, even as a way to begin a meeting. It often takes quite a bit of courage for a Latino to seek advice in the first place. Most often he or she believes the problems are either unsolvable, or not worth taking seriously. A serious, attentive interaction produces a much better outcome.
- The impossible is possible. It is essential *not* to make snap judgments about the feasibility of a client's requests. Yes, a loan is possible with mediocre credit, little collateral, after bankruptcy, and without citizenship – especially if the advisor assumes responsibility for creating the loan package wherein the banker is given an opportunity to "know" the client and respect his or her abilities. Without this very labor-intensive kind of help (which includes gathering testimonials and making multiple visits to the client's business, as well as gathering information in a way that does not stress the client), most clients will become discouraged and not try to get the loan they need. When the creation of a loan package is described as a complicated process, complete with procedures that Latino clients do not understand, they are overwhelmed and give up their quest.

TECHNIQUES FOR HELPING CLIENTS PROVIDE THE RIGHT INFORMATION

In gathering information to write a loan package, the key is to begin with things the applicants understand and can successfully deliver. A business advisor can get the needed information in a way that is much less daunting to a Latino loan seeker. For example:

- Banks require three years of income tax returns; copy the originals and return them to clients. Do not begin the loan process without this data.
- Ask approximately how much money they'll need to borrow and exactly how they'll use every penny. If it's for equipment, for instance, applicants should determine approximately how much each item costs. For example, a recent client provided a detailed equipment list for 25 construction tools with exact costs for each, down to the penny – demonstrating his extensive technical awareness for the loan reviewer.
- If necessary, help complete a bilingual business plan questionnaire. This is a reference work from which to write the actual loan application, including a business plan.
- Obtain two pages of a life history (ultimately the résumé the advisor will compose), one each for both

The impossible is possible. It is essential *not* to make snap judgments about the feasibility of a client's requests. Yes, a loan is possible with mediocre credit, little collateral, after bankruptcy, and without citizenship – especially if the advisor assumes responsibility for creating the loan package wherein the banker is given an opportunity to "know" the client and respect his or her abilities.

LBRE is now being used as a model for a statewide program called Assistance for the Financial Health of Latino Businesses (ASFINLA is its Spanish acronym).

husband and wife. Include names, ages of children, years of schooling and training of any type, skills, community activities, volunteering, and previous jobs. List each child's talents and activities, which serve to humanize the loan client in the eyes of the loan reviewer. Following is a brief excerpt from an actual client description that highlights her exceptional dedication to the community – a client with a low credit score and little collateral. But the loan was granted and her business is thriving.

Ana immigrated to the United States and has lived in Skagit County since 1990. As described in a Skagit Valley Herald News article from December of 2010 – …"A single mother of two, Ana struggled to make ends meet until community volunteers came to her aid. …She now lives in a Habitat for Humanity House in La Conner and owns her own hair salon." For the last two and a half years, Ana felt she was able to give back to the community – so donated 1,000 haircuts to the Skagit Valley Herald's Christmas Fund for children.

- Ask clients to gather testimonials from happy customers. Clients do so readily and receive authentic accolades.
- Clearly communicate that the appearance, spelling, and grammar, etc. are not important for the business plan questionnaire or the two-page history and that it's not important to totally complete these items. A business advisor can take down the information orally for those who cannot write.
- Clients generally accomplish these step-by-step requests easily. Don't create time pressure or other intimidating rules and regulations.

TIPS TO HELP BRIDGE OTHER CULTURAL GAPS

Many clients come for help with either a loan or to start a new business, and say they have no idea how to get started. Help them by simply listening. Discover who they are, what they think they want, and their expectations. Once they are ready to get down to business specifics, cover some of the following topics:

- Feasibility, experience, and potential costs;
- Business licenses, relevant government agencies, and non-compliance fines;
- Renting, leasing, contracts, and costs;
- Bi-lingual accountants and costs;
- Insurance and attorneys and costs;
- Cash, keeping receipts (Help clients avoid the "kitchen sink" syndrome, in which they save all their receipts for the year and give the box to their accountant to sort out);
- The need to keep business bank accounts separate from personal accounts; and
- A warning never to hire an undocumented relative to work in their business, even if they are undocumented themselves. In Washington, the fine is $10,000.

During the research phase of the client-advisor interaction, some very touching life-stories emerge – ones that later can be used in the loan package. Since the five key elements a borrower should have to obtain credit include character (integrity) as well as capacity (sufficient cash flow to service the obligation), it is essential to help a client portray himself or herself appropriately.

THE REWARD OF HELPING A CLIENT BECOME SUCCESSFUL

Taquería El Milagro- The Miracle Truck

Gonzalo wasn't exaggerating when he named his Mexican restaurant-on-wheels Taquería El Milagro – "the miracle truck." He was born in a small town in Mexico called Vicente Guerrero in the State of Michoacán. His earliest memory occurred at the age of four: the memory of his own cries as he called for his mother and watched her back as she disappeared down a long dusty road. She never returned.

Proud owner of Taquería El Milagro, Gonzalo Huitrón.

At the age of seven, he began working in the fields in Mexico, before finally making it to the U.S. and settling in Mount Vernon, WA.

In March 2007, he sought a loan from LBRE without collateral or established credit. But he did not give up. About six months later, he announced that he had saved every penny he could to buy a food truck and had established credit. After saving $8,000 to buy his food truck, it was given to him as a gift – a miracle. He also calls it a miracle that he was able to heal and continue his business after a propane tank exploded, burning his face and scarring his hands. He also called it a miracle to receive two micro loans through LBRE, totaling $9,500.

Now the proud owner of a successful taco truck business, he is already thinking of expanding. To top it off, Gonzalo was voted the "Best Bite" for his beef tacos at the Bite of Skagit in 2010.

A MODEL FOR A STATEWIDE PROGRAM

LBRE is now being used as a model for a statewide program called Assistance for the Financial Health of Latino Businesses (ASFINLA is its Spanish acronym). Funding this expansion model are EDASC, Washington State University Extension, Washington State Association of

Hispanic Chambers of Commerce, and Washington State Small Business Development Centers.

The most immediate challenges facing LBRE's expansion lie in the need to gradually transform the agrarian worker into a knowledge worker, so, for example, that the former becomes computer literate and can market his or her own value-added farm products. The curriculum for the ASFINLA program addresses this need on a level that at first glance appears to be too basic. At the same time, the statewide training schedule addresses the actual needs of new Latino entrepreneurs, in three areas:

- Keeping a calendar, scheduling activities, keeping appointments, meeting deadlines, arriving on time;
- Composing a resume, i.e., recording the story of a client's life, valuing their real attributes, and building self-esteem; and
- Budgeting, record keeping, planning ahead, formalizing contracts, gaining technical experience, and competency.

CONCLUSION

To meet the needs of all our talented Latino entrepreneurs, we, the business advisors, must transform our models and methods of providing assistance and adapt to the culture and psychology of the clients we serve. If we are to help, we must assume the responsibility for understanding our client's values, dreams, and frame of reference, respecting the limitations these guiding principles for their lives may impose on our work.

Successful start-up by Lorenzo Velasco has grown to three Lorenzo's Mexican Restaurants, named Latino Business of the Year in 2006 by LBRE, the Washington Latino Business Association, and the Washington State Hispanic Chambers of Commerce.

Some clients may never clearly understand a loan process or a balance sheet or the idea of positioning their business in the marketplace nor many other business concepts, but they can still realize their dream. They can provide incredible products and services, create loyalty with their customers, contribute to their communities, and provide a wonderful life and a lasting legacy to their families. By understanding and assisting these entrepreneurs in the ways they can receive help, what at first seems to be an impossibility can become a surprising and rewarding reality.

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the future of economic
DEVELOPMENT SUBSIDIES

By Greg LeRoy

States, counties, and cities spend an estimated $70 billion per year on company-specific economic development subsidies (a.k.a. "incentives," as computed by Prof. Kenneth Thomas). But they can ill afford to keep wasting much of that money, as has been documented by a large body of performance audits, investigative journalism, academic findings, and non-profit research.

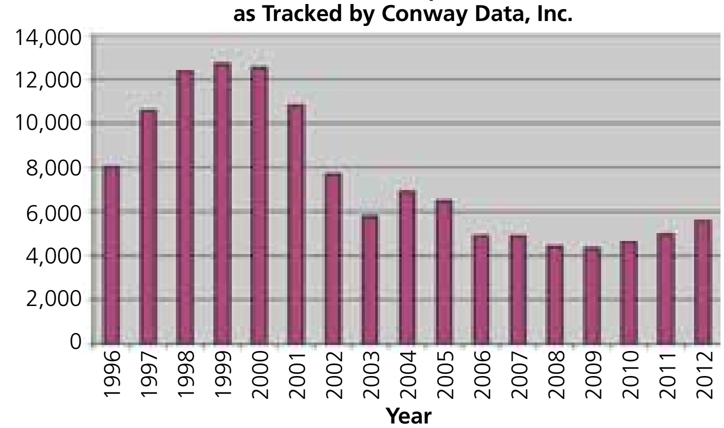
New tools and new thinking are enabling public officials to chart a smarter course. Subsidies are becoming more transparent, at both state and local levels of government. Subsidies are changing to align better with transportation and land use planning, making them more "location-efficient." Subsidies are also becoming more risk-averse: there is a growing consensus that spending money in ways that put a few eggs in many baskets – instead of the opposite – is, in times of heightened economic volatility, the most prudent and cost-effective strategy.

New strategies are also critical because there are fewer deals for which states and cities can compete. In a polarizing trend, a tiny share of deals is growing much more costly, hogging precious resources that would be better spent benefiting many small and targeted employers.

New strategies are also critical because there are fewer deals for which states and cities can compete. In a polarizing trend, a tiny share of deals is growing much more costly, hogging precious resources that would be better spent benefiting many small and targeted employers.

FIGURE 1

New U.S. Facilities and Expansions 1996 - 2011 as Tracked by Conway Data, Inc.



(Conway Data, Inc. is a global provider of business data and services, including Site Selection magazine, for which these annual tallies are created.)

Greg LeRoy directs Good Jobs First, a non-profit, non-partisan group promoting accountability in economic development and smart growth for working families. He began working on incentives in the late 1970s.(goodjobs@goodjobsfirst.org)

DEAL FLOW TODAY: STILL DEPRESSED

The overall number of economic development deals for which states and cities can compete is well below its peak, which pre-dated *the 2001 recession*. As Figure 1 details: even in the non-recessionary years of 2003-2006, the number of major new projects averaged barely half the rate of 1998-2000. From that already low base, the number of projects dipped in 2008-2009 and then recovered only modestly in 2010 through 2012. By 2012, the number of deals had still not recovered to *half* the levels seen between 1998 and 2000.

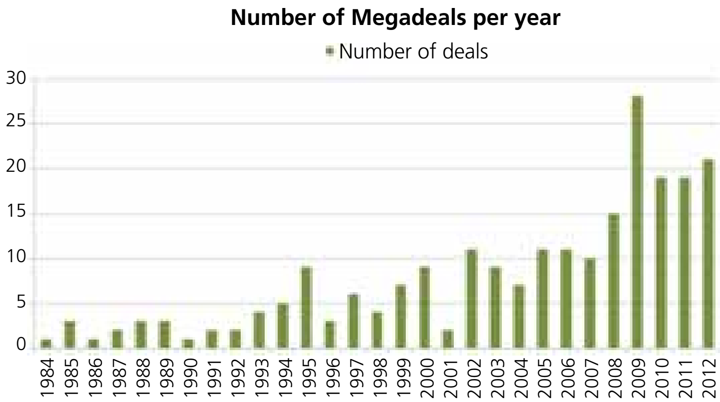
In other words, cities and states have been competing for a shrunken number of economic development projects for many years, and it could be many more years before deal flow recovers to levels seen in the 1990s.

Consistent with this picture, as the U.S. economy continues to recover slowly from the Great Recession of 2007-2009, many states are suffer-

MORE TRANSPARENT, LOCATION-EFFICIENT, AND RISK-AVERSE

Public officials are under relentless pressure to create and retain jobs because the number of deals for which states and cities can compete has been depressed since well before the Great Recession. But with high demand and short supply, a small number of very costly "megadeals" are receiving enormous but risky subsidies. This article argues for three alternative strategies to make more effective use of incentives. Transparency enables diverse stakeholders to participate more meaningfully in debates over spending priorities. Location efficiency better aligns jobs with transit investments and promotes economic opportunity. And investing in small companies and strategic clusters reduces taxpayer risks and strengthens public institutions that benefit many employers.

FIGURE 2



Source: Good Jobs First, *Megadeals*, May 2013.

ing persistently high unemployment rates. This prompts public officials to be more aggressive than usual in promoting job creation, creating pressure to spend more on attraction deals, and making officials more sensitive to relocation threats.

A simple supply and demand analysis suggests more anxious politicians chasing a shrunken number of deals, thereby driving more costly "megadeals."

MEGADEALS MIRROR RISING INEQUALITY

In a trend that resembles growing income polarization in the United States, the number and cost of the very largest economic development "megadeals" (those incentive deals valued at $75 million or more) have risen substantially since the 1980s. As the accompanying chart details, the trend accelerated in every decade, and starting in 2008, the average number of megadeals per year doubled (compared to the previous decade) to about 20 per year (see Figure 2).

In dollar terms, the up-trend is also sharp. The total annual cost of megadeals remained well below $1 billion until 1991. Since 2002, the total has been over $2 billion every year, with a high of $8.3 billion in 2007. Since 2009, their costs have averaged about $5 billion annually. This pace continued in the first half of 2013 (see Figure 3) and in November 2013, the Washington legislature voted an $8.7 billion tax-break package for Boeing and its suppliers (if it plays out, it would be the biggest megadeal in U.S. history).

But as a share of all deals, these 20 megadeals a year out of more than 5,000 deals overall represent less than 0.4 percent of recipients – akin to the CEO-income strata of personal income. This high-end concentration of subsidy awards suggests that those large corporations with the ability to invest have become more aggressive and sophisticated in exploiting the depressed deal flow to extract ever-larger subsidies. Like the growing income inequality that is undermining middle-class institutions, this megadeals trend is unwise and unsustainable.

TRANSPARENCY: THE CORNERSTONE REFORM

No matter what one's concerns are about economic development spending, everyone needs disclosure: company-specific, deal-specific reporting online of the amount and source of funds, the project site street address, the commitments agreed to by the recipient, and the actual benefits – or shortfalls – over time such as job creation, wages and/or capital investment.

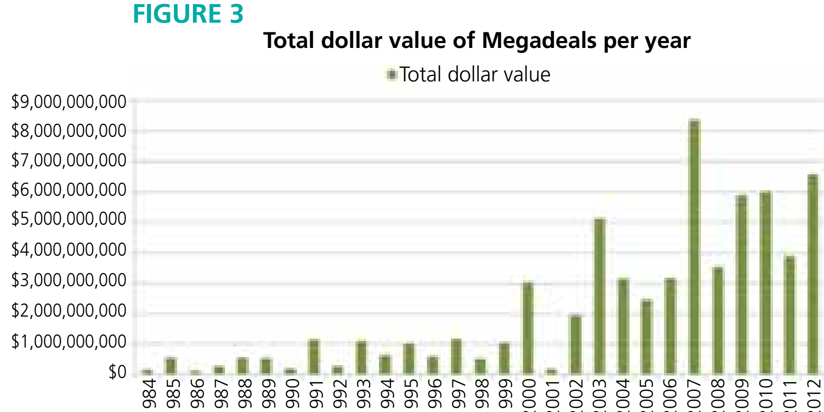
Public information on where the money is going, how much, and what it is producing is the most fundamental cornerstone reform. That is true if you are a local businessperson concerned about megadeals and fairness to small firms, a budget watchdog keen on government efficiency, a transit or planning nerd advocating for smarter land use, a public official who fears his or her district is getting shortchanged, or a journalist looking at the relationship between subsidy awards and political campaign contributions.

On this front, there is a great deal of good news. Six years ago, only 23 states had any form of online subsidy disclosure. That is, only 23 states disclosed online for at least one program any company-specific data. Today, 45 states and the District of Columbia disclose online; only Alaska, Arkansas, Delaware, Kansas, and Idaho do not. The top-rated state transparency websites in the most recent ratings were in Illinois, Wisconsin, and North Carolina.

At the local government level, the overall rate of disclosure is lower: among big-city and big-county programs, only one third are disclosed online. But there are some outstanding performers, such as: Austin, Texas (Economic Development Grants/Chapter 380 Incentives); Chicago (Tax Increment Financing districts); Memphis/Shelby County (Payments in Lieu of Taxes); and New York City (Industrial Incentive program).

Just because state or local data are not online does not mean that they are unavailable. Most development agencies have spreadsheets with data on at least the deals as they were originally awarded, even if outcome data are

FIGURE 3



Source: Good Jobs First, *Megadeals*, May 2013.

less often tracked. As well, some states consider income tax-based credits as confidential (though many others do not). Good Jobs First's Subsidy Tracker, which captures all such data that are published online, also solicits data using Freedom of Information Act requests and other procedures. To date, it has about 250,000 entries from 470 programs in all 50 states and DC. Public officials are among its biggest users, according to a self-reporting user survey.

There is no evidence from any quarter that sunshine on development spending harms the "business climate" of a state or locality. Indeed, history suggests that preventing or reducing sunshine on economic development spending enables abuse, or at least the hiding of job-creation shortfalls, which in turn can weaken programs, or even generate calls for defunding. Recent examples of this problem are evident in three states – Indiana, Wisconsin, and Ohio – where the privatization of development agencies has resulted in less transparency, and where performance audits or investigative journalists have found big hidden problems, including discrepancies between official claims of job creation and actual results.

With rising public expectations about government transparency, as evidenced by the non-partisan "Google government" movement, economic development spending is hardly immune. Public officials may also welcome competing businesses looking up each other's incentives as both an oversight and fairness safeguard.

LOCATION EFFICIENCY: ALIGNING SUBSIDIES WITH LAND USE PLANNING

Smart growth lost some of its luster as an issue during the Great Recession; governors and mayors said in so many words: we don't care where the jobs go as long as we get some. But its long-term wisdom endures: aligning the location of jobs with land-use objectives such as transportation choices makes more efficient use of infrastructure investments, strengthens the tax base, reduces air pollution, and reduces poverty by creating economic opportunity for workers who do not own cars.

Unfortunately, all but a few economic development subsidy programs – including those that are enabled under state law and administered locally – are geographically agnostic. A small subset has targeting criteria that may have the de facto effect of placing jobs in location-efficient places, but there is precious little history of states intentionally aligning development incentives with land use planning. In fact, there is more history of two kinds of programs – enterprise zones and tax increment financing (TIF) districts – being deregulated in ways that reduce their benefit to inner cities and inner-ring suburbs. Two of the most troubling examples are New York's Empire Zones program (with its non-contiguous gerrymandering) and Virginia's TIF program (where a district may be started wherever it "will create commerce and prosperity").

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Indeed, research indicates that economic development subsidies are not just geographically agnostic but actually pro-sprawl and anti-urban. Six studies by Good Jobs First mapping 5,000 company-specific subsidy deals in 12 metro areas in five states (Illinois, Michigan, Minnesota, New York, and Ohio) have repeatedly found the deals' geographic distributions to be pro-sprawl. That is, the deals shortchange central cities and inner-ring suburbs, areas hardest hit by plant closings, communities with the most impoverished tax base, workplaces accessible via public transit, and communities of color.

Two states, Ohio and Minnesota, have disclosure data that track intra-state relocations, enabling the analysis of about 250 companies that merely relocated within a given metro area. In the Twin Cities, Cleveland, and Cincinnati metro areas, these relocations were decidedly pro-sprawl.

Four states have attempted modest steps toward better aligning economic development subsidies with public transportation and smart land-use planning. None of them stands out yet as an exemplary model, but three states' innovations bear noting.

Illinois' Business Location Efficiency Incentive Act gives a 10 percent higher corporate income tax credit under a common state incentive (the Economic Development in a Growing Economy, or EDGE program) for deals in which the job site is accessible by public transportation and/or proximate to affordable workforce housing.

The Act generously defines transit access as regular service within a mile of the worksite plus pedestrian access to the transit stop. Housing affordability is pegged to 35 percent of the median salary of the workforce (excluding the highest-paid 10 percent of the employees), located within three miles of the job site. Projects that do not initially qualify can qualify later with a site remediation plan using measures such as an employer-assisted housing plan, shuttle services, pre-tax transit cards, and carpooling assistance.

Despite having been enacted in 2006, the location efficiency bonus has been utilized remarkably few times. This reflects the Illinois Department of Commerce and Economic Opportunity's apparent disinterest in promoting its use. A DCEO report issued in December 2010 listed just 13 total location-efficient recipients. Even though seven of these 13 awards were issued in the Chicago metropolitan area, the Chicago Metropolitan Agency for Planning was unaware that a single use had occurred.

The **California Infrastructure and Economic Development Bank** applies land use and other efficiency and equity-targeting standards to its Infrastructure State Revolving Fund Program. Its 200-point application scoring system gives preference to projects that:

- Serve environmental and housing goals by being located in or adjacent to already developed areas, protecting the environment in any of several ways, and being located in a jurisdiction with an approved General Plan Housing Element (up to 40 points);
- Are "located in or adjacent to and directly affecting, areas with high unemployment rates, low median family income, declining or slow growth in labor force employment, and high poverty rates"(up to 55 points);
- Improve the quality of life by contributing to benefits such as public safety, healthcare, education, day care, greater use of public transit, or downtown revitalization(up to 30 points);
- Are most cost-effective in job creation or retention (ranging from 30 points for less than $35,000 per job to 0 points for more than $65,000 per job); and
- Have "established relationship with local employment and training entities… to link local job seekers with employment opportunities" (up to 10 points).

Other criteria that can generate points include: the local poverty rate; whether the deal involves "Economic Base Employers" (that generate income coming from outside the area); the ratio of private dollars being leveraged per dollar of public investment; and project readiness.

Maryland's Smart Growth Act is part of a package of laws aimed at revitalizing older communities and making more efficient use of state funds for infrastructure and economic development. The Act restricts state spending for infrastructure and services to existing communities and other areas targeted for growth known as Priority Funding Areas (PFAs are essentially places that already have infrastructure or are designated to receive it). The law does not prohibit development outside PFAs; that decision remains the prerogative of local governments. Rather, under the Smart Growth law, certain state funds for economic development are prohibited for projects outside the PFAs. The intent is to encourage development inside PFAs by making such projects eligible for subsidies.

There are no formal evaluations of the land-use impact of the Illinois, California or Maryland acts, although one study suggested a positive impact on certain white-collar job classifications in Maryland.

The other state experiment that must be cited here was **New Jersey's Urban Hub Tax Credit Program**, which was discontinued in September 2013 as part of a broad overhaul of that state's major incentive programs. Tragically, the Urban Hub Tax Credit Program was so loosely constructed, and it was deregulated so quickly and so thoroughly, that it became a poster child for government waste. While it was never actually intended to function as a new-job creation incentive, its singular focus on providing incentives to businesses making large investments accessible by transit is noteworthy. Unfortunately, a lack of safeguards in the original legislation, excessive awarding practices, and significant legislative weakening of Hub eligibility rules badly perverted the program.

The admittedly modest location-efficiency results in these four states are not an argument against the concept. Rather they reflect the longstanding "siloization" of state programs in different cabinet agencies, so that economic development subsidies can sometimes play out at odds with planning objectives.

Enacted with bipartisan support, the Hub credit was originally intended to bring capital investment into depressed urban areas around transit terminal stations, limited to Camden, East Orange, Elizabeth, Hoboken, Jersey City, Newark, New Brunswick, Paterson, and Trenton. Projects had to build within a half-mile of a transit hub and employ at least 250 people.

The subsidy was exceptionally generous: under the commercial section of the program, corporate income credits could be issued worth up to 100 percent of qualified capital investments. The credits were also transferable; that is, recipient companies could sell them to other companies. But starting in 2009, the Hub program was repeatedly amended: geographic eligibility was expanded to locations served by freight rail (not passenger rail); the capital investment threshold was lowered; and a 20 percent low- and moderate-income housing set-aside was eliminated.

The program also became very controversial for nine-figure packages given to companies moving within the state: $250.8 million to Prudential Financial, Inc. for moving just a few blocks within Newark and $102 million to Panasonic North America to leave Secaucus for other New Jersey locations.

The admittedly modest location-efficiency results in these four states are not an argument against the concept. Rather they reflect the longstanding "siloization" of state programs in different cabinet agencies, so that economic development subsidies can sometimes play out at odds with planning objectives. With some governors convening coordinated sub-groups of cabinet secretaries to better coordinate state resources, some progress may be occurring outside of statutory frameworks. The other long-term trend here is the growing share of transit funding that comes from state and local sources: as they take greater ownership of public transportation, states and cities will hopefully leverage their economic development resources to maximize the utilization of their transit investments.

FEWER EGGS IN MORE BASKETS: REDUCING RISK

A recurring criticism of job subsidies is that they are dominated by large companies that have the greatest resources to employ site location consultants, lawyers, and accountants and which also have the most capital to move and therefore have the greatest ability to play places against each other to demand the largest packages. When large, high-profile deals fail (e.g., Dell in North Carolina, 38 Studios in Rhode Island, or A123 in Michigan), this criticism becomes louder.

The policy solution is to avoid putting "eggs" valued at eight or nine figures in a handful of "baskets." Two other economic trends are also causing policymakers to reduce their levels of risk in individual deals. First is economic volatility or churn: the rate of corporate mergers, acquisitions, and technology-driven births and deaths has greatly accelerated and shows no sign of abating. Giving a long-term loan or property tax abatement to a company that may not be there in five years is risky. Second is the long-observed finding that small businesses create most new jobs; there are data and definition debates here, but start-ups and small-business expansions absolutely matter.

The policy takeaways are clear: taxpayer investments are safest and most cost-effective when they benefit clusters of strategically chosen businesses, especially small businesses with growth potential. That means intentionally targeting sectors in which a state or region has a comparative advantage (or a reasonable chance of achieving an advantage). It means prioritizing forms of technical assistance that benefit multiple employers, and that in turn, often means a focus not on company-specific deals but rather on improving public institutions that provide aid such as technology adoption, export assistance, or associate degree-level training.

Despite this strong empirical case for a reallocation of resources, unpublished research led by small-business advocate and author Michael Shuman found that the share of deals and dollars going from state subsidy programs to locally owned businesses in 15 states is very small, sometimes in single-digit percentages.

CONCLUSION: ECONOMIC DEVELOPMENT AMIDST AUSTERITY

Guiding all of these considerations is budget austerity. Federal spending on non-entitlement programs, including economic development, is certainly going to shrink for the foreseeable future. Many states have yet to regain their pre-Great Recession revenue levels, and state lawmakers are chastened by the painful decisions they had to make across many program lines. Local governments suffered state aid cutbacks and the loss of property tax revenues driven by the mortgage foreclosure crisis and declining property values.

That all means that economic developers will need to do more with less; that every expenditure needs to generate as much impact as possible; that synergy with planning, transit and infrastructure matters more than ever; and that public scrutiny will grow. Transparency, location efficiency, and risk aversion will be the developer's best friends.

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rebuilding the local

FOOD SYSTEM

By Larry Fisher

Larry Fisher is the director of Finance at the Appalachian Center for Economic Networks.(larryf@acenetworks.org)

Economic development within a local food economy is a lot like growing your first asparagus. Once you plant the first seed, it will take three or four years to see the first harvest but, once established, it can be sustained for at least 20 years, if not longer. Over the past 20 years, the Appalachian Center for Economic Networks (ACEnet) has been involved with rebuilding the local food economy in and around Athens, Ohio, with some measure of success.

ACEnet, a non-profit community-based economic development organization, was incorporated in 1985 by a small group of community members committed to building a healthy regional economy in southeastern Ohio through the growth of locally owned businesses, especially those operated by lower income residents. The organization uses a variety of strategies to work towards its mission of building the capacity of Appalachian communities to network, work together, and innovate to create a dynamic, sustainable regional economy with opportunities for all. Staff carries out this mission by partnering with other practitioners in the area to assist low-income residents in starting businesses and obtaining quality jobs. This mission was furthered in 1991 when ACEnet established a small business incubator that offered below-market-rate office space and shared services.

The Athens Farmers Market.

ACEnet is best known for training and technical assistance to microenterprises aggregated in the food, agriculture, art, retail, technology and manufacturing sectors. Its comprehensive programs for markets, capital, and business incubation enable entrepreneurs to collaborate on regional brands and joint marketing campaigns, access new capital products, and utilize shared facilities and technology infrastructure. The organization operates five business incubator facilities in Athens and Nelsonville, Ohio, and microenterprises constitute the majority of the tenants. ACEnet has approximately 111 tenants in the Food Ventures Center, the shared-use kitchen incubator, and another 22 in the mixed-use facilities operating in art, wellness, retail, and manufacturing sectors.

Along with the tenants of the Food Ventures Center, the Food Ventures program works with an additional 100+ food businesses on an annual basis and assists at least 35 new food startups each year. The annual economic impact on the local food economy nears $8 million, and the jobs impact continues to be in the hundreds of new and retained jobs each year. The program has also graduated numerous businesses into the local and regional economy, including restaurants, small-scale food processing facilities, bakeries, retail outlets, and support services.

With the 20-year history, ACEnet knows that rebuilding the local and regional food economy can be a big part of growing the overall economy,

A LOCAL AND REGIONAL ECONOMIC DEVELOPMENT STRATEGY

The Appalachian Center for Economic Networks (ACEnet) has, since 1985, been involved with rebuilding the local and regional economy in and around Athens, Ohio. One of the strongest sectors has been working with local food businesses through the Food Ventures program and the shared-use kitchen incubator. The program engages startup businesses, as well as seasoned entrepreneurs, from the local community and throughout Ohio and neighboring states. After more than 20 years in the sector, the shared-use kitchen generates over $8 million each year in local food products. ACEnet has identified several key components for ensuring success in food related business incubation. These factors include providing effective training and technical assistance, planning and developing business incubation infrastructure, assisting clients in accessing capital, and building capacity.

Failure to Launch is more than just a 2006 romantic comedy; it is a reality in some local food projects. There are numerous reasons that this can happen within a community: lack of adequate funding, lack of a food culture, or lack of sufficient planning. In one rural Pennsylvania project, the planning pointed toward recreating an urban catering kitchen model that could support up to 20 catering businesses. But there was one main problem, there was not an overwhelming need for 20 caterers in a rural setting, and the largest urban center was just over an hour away. The project was further complicated by the fact that the closest business neighbor to the planned facility was the largest catering business in the region.

With the facility ready to launch and starting to plan the grand opening event, it became apparent that they had not taken any steps towards getting the first local or state license to handle catering or local food production. With the project's failed launch, ACEnet was hired as a consultant to address the issues of facility usage and focus, facility operations, and an operational timeline for licensing. After several months of refocused planning and implementation, along with a broader approach to potential clients, the shared-use kitchen was ready to open the doors for the first round of clients. Today, the project is in its sixth year of operation and is continuing to support the local food economy of this rural community and the region around it.

and the work becomes an engine that creates sustainable development projects and provides opportunities for entrepreneurs.

While there are many strategies necessary to rebuild the local food economy, ACEnet has identified four that should be at the core of this work: Training and Technical Assistance, Business Incubation and Infrastructure Development, Access to Capital Services, and Capacity Building.

TRAINING AND TECHNICAL ASSISTANCE

Training and technical assistance becomes very important when working with new startups and expanding businesses within the food economy. Each entrepreneur can offer a unique challenge in this support area. For this reason, ACEnet has hired and trained staff to deal with the specifics of the food industry and created a network to provide general business support services to their business clients. By having a strong supporting network, including Small Business Development Centers, private individuals, and professional service providers, ACEnet has been able to expand the training and technical assistance offerings without adding additional staff and increasing expenses.

ACEnet uses a variety of techniques for providing training and technical assistance, including one-on-one and group sessions that center around five assistance areas: business development, marketing and distribution, product development and production, access to capital, and workforce development. Efforts to disseminate more startup information have included providing a series of six very successful training workshops for food entrepreneurs. This series includes sections on Product Development, Marketing and Distribution, and Food Processing Regulations.

Since food processing is highly regulated, ACEnet staff has gained considerable expertise in food science matters such as product formulation, labeling regulations, and food safety Hazardous Analysis and Critical Control Point plans. This food science is essential in order for food businesses to move into regional and national markets. Should an entrepreneur's need for food science and technical assistance exceed ACEnet's capacity, staff has developed a referral relationship with two university food science departments, Cornell University and The Ohio State University, and outside laboratories for independent food testing.

ACEnet has found that Short Targeted Trainings (STT), seminars ranging from one to three hours, provide the best model for communicating on specific business topics and some targeting specific industry issues as needed. These STT are offered as a direct result of issues raised by the business clients, and over the past five years, they have constituted a majority of the trainings. Most of the trainings center on marketing aspects for small food businesses, including access to markets and market readiness, along with training on finance and access to capital.

BUSINESS INCUBATION AND INFRASTRUCTURE DEVELOPMENT

ACEnet manages approximately 120,000 sq ft of business incubation properties that range from offices of 100 sq ft, to warehouse spaces in excess of 30,000 sq ft. It is within this business incubator program that the Food Ventures Shared Use Kitchen operates. In the beginning of the Food Ventures program, it was established that the area lacked the necessary infrastructure to provide the equipment that entrepreneurs needed to start their food businesses.

The next step was to raise the required capital to purchase an additional building and then renovate and equip this space for food production. The project found

Multiple clients using ACEnet's main kitchen.

support from a local banking partner, several local businesses, the U. S. Department of Agriculture (USDA), and the Economic Development Administration (EDA). Support also came from several partners in state and local government, including the state Department of Agriculture and county resources from block grants.

Based on experience and through working with projects across the U. S., ACEnet has identified several keys to working with infrastructure issues: projects should be incorporated into a larger existing project, projects do not fit into a "one-size fits all" mentality, and projects need a strategic model for positive cash flow.

After working with more than 20 shared-use kitchen facilities, a trend has developed that shows successful shared-use kitchen incubators are housed within larger projects, such as Small Business Development Centers, universities, community colleges, and community development organizations. These types of organizations can provide cost-sharing facilities management and administrative staffing services that lower startup and ongoing operational expenses. There are a few stand alone facilities, but most of these operate with some unique mission or program which provides additional streams of revenue.

Another pitfall in establishing a new kitchen project is trying to replicate another project that may not fit within the specific local food economy. Models are different in urban and rural areas, in areas with a strong agricultural history, and in areas with a strong local food culture. This means that all new projects require a serious time investment to identify potential businesses and products through surveying techniques and personal interviews with existing food businesses and rising food entrepreneurs.

Finally, these models all take time to reach a break even budget, and time is something that seems to press in on all projects in economic development. All projects need to develop a realistic financial plan that includes a minimum three to five-year forecast and a further look out to additional years to find the break even operational picture. Because of the demand of funding partners and the pressures for immediate success, many facilities create forecasts that point to a premature break even point scheduled to occur within the first three to four years. This has not been the norm in the industry for shared-use kitchen incubators and supporting infrastructure, and serious consideration needs to be given to this being a part of a longer-term economic development strategy for rebuilding the local food system.

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The Village Bakery – graduate of ACEnet's Food Incubator.

ACCESS TO CAPITAL SERVICES

Every business startup or expansion needs to have some access to capital, and those in the local food economy are no different. There are needs for equipment, working capital, product development, and target marketing, to name just a few. There are also needs based upon a current economic environment and the credit issues faced by some entrepreneurs. Add on top of this the fact that many food businesses have a very short shelf-life and the final recipe is one of financial distress.

The health and sustainability of locally owned and operated restaurants that support our rural economy are of special interest to the work at ACEnet. The Restaurant Broker's study, which separates out chain restaurants from independent local restaurants, concluded that up to 90 percent of independent establishments close during the first year, and the remaining restaurants will have an average five-year life span. Other studies verify these findings, as they also point to the large number of restaurants that close within their first five years of business. This type of business history within a food economy makes access to capital extremely challenging.

ACEnet has taken on this challenge with their food entrepreneurs by providing financial planning training, working with local traditional and non-traditional lending partners, and by creating a separate loan fund to assist with small working capital loans, equipment loans, or shared-lending to decrease the risks of lending partners. The development of non-traditional lending partners has been a very successful part of ACEnet's access to capital strategy and has included work with angel investors, crowd funding, small targeted grant programs, and microenterprise lenders.

Local food producers at the year-round Athens Farmers Market.

The organization has also found that the various government revolving loan funds can be strong partners in working with other lenders or in providing capital for equipment needs. These funds include local foundation funds and block grant funds that are managed by county or city governments.

Other resources for capital in many regions can include USDA programs, the various SBA lenders who have programs with loan guarantees, and the Community Development Financial Institutions (CDFI) housed under the U.S. Treasury Department. An example of this type of lending can be found in RSF Social Finance, an organization that has focused on developing innovative social finance vehicles that help serve unmet needs for investors, donors, and social enterprises.

CAPACITY BUILDING

In order for there to be a successful effort to rebuild any local food economy, a community or region must increase the capacity of its market and its entrepreneurs. ACEnet has primarily focused on three interventions: product innovation, access to markets initiatives, and collaborative branding. In one visit to a larger grocery store, it does not take long to see that the local food economy is full of competitive food products that try to appeal to the consumer while struggling for shelf space and facing the constant pressure to lower prices.

For a local food economy to thrive, there has to be an organized effort to develop new products that can meet the food needs of the local consumer. This can be done by focusing on foods that may be unique to the regional culture, by incorporating local ingredients, and by developing products that do not require all the additives that are typically found in most mass-produced food products.

Product innovation also involves fresh, new packaging ideas, and creative new flavor combinations, such as those found in a line of wine-based products at Vino de Milo, an artisan wine-based specialty foods company that began at the ACEnet food incubator in 2003. Vino de Milo began with three pasta sauces that ACEnet marketed locally and regionally in Ohio. Now, 10 years later, they have a creative list of over 30 products which sell throughout the U. S., and they have featured their products in six different countries.

The Vino de Milo experience highlights the need for access to markets as a means of growing the local food economy. The first step is to grow the local and regional markets that will make accommodations for local food products. ACEnet developed a strong partnership with the local Kroger grocery store and several of the locally owned grocery and convenience stores in the community. This provided a great launching pad for those entrepreneurs who wanted to grow their businesses. But each market, whether rural or urban, has a limited capacity for upward growth. Once this limit is reached, it then becomes necessary to move beyond local or regional borders into a multi-state, national or even international marketplace.

Vino de Milo's salad dressings were recognized in 2012 as the healthiest in America by Nutrition Action magazine. The dressings are manufactured by Milo's at ACEnet, and are carried on store shelves across the country, as well as in several other countries around the world. Milo's was recognized in 2010 with an Ohio Governor's Award for Exporting.

ACEnet has long been engaged in creating partnerships with other rural and urban markets to expand the reach of the local food economy. This has been done through building key relationships with specific retailers that encourage local, fresh, and healthy foods and with distribution networks that focus on consumers who are looking for these same types of foods.

Another step that became important was accessing the specialty food shows held throughout the United States, where small food entrepreneurs could meet larger grocery markets and national and international distributors who would promote their products to international markets. ACEnet began this process by purchasing booth space at several shows over a two-year period and inviting the larger clients to attend these events and showcase their products. Today, several clients attend these shows

ACEnet has been innovative in creating a variety of marketing programs to help increase the visibility of local food products, retailers, and restaurants in the region. Building upon the success of the *Food We Love*™ marketing program, ACEnet launched the Athens *30 Mile Meal*™ brand in 2010, in partnership with the Athens County Convention and Visitors Bureau, and now has over 150 food and farm branding partners. With the program's success, ACEnet was encouraged to license this product to share with other communities in the region and around the country, and they are currently working in two additional Ohio communities and one in West Virginia.

At the 2013 Ohio Economic Development Association (OEDA) Annual Summit, OEDA presented ACEnet as a finalist for the Excellence in Economic Development Marketing award for their role in launching and promoting the Athens *30 Mile Meal*™ brand. This award recognizes successful marketing campaigns by individuals and organizations in Ohio in the areas of economic and workforce development.

Food We Love™ display at the local Kroger store.

on their own or partner with various state agencies who want to showcase Ohio products to the nation and to the world.

As the amount of local food products began to expand in the local and regional markets, it became necessary to think about how to brand the products together in some fashion that would move consumers and markets to try other locally made food products. After extensive research and planning, ACEnet launched the *Food We Love*™ branding campaign in 2001, with seven local food businesses. The branding program featured images of the entrepreneurs with their products and started with a joint advertising program with local stores; eventually, ACEnet began creating display stands and later gained access to sections on the shelves within local stores. After 12 years of joint branding, more than 47 businesses participate with the scope of *Food We Love*™, representing more than 250 products.

The branding campaign's success and the increased consumer access to local foods have led ACEnet to a recent innovation in branding the local food economy, a new branding program called the *30 Mile Meal*™. This campaign provides a shared identity for our many farmers, specialty food producers, retail markets, food events, and independently-owned eateries and bars which feature locally sourced menus.

The *30 Mile Meal*™ brand created collaboration between ACEnet, the Athens County Convention and Visitors Bureau, and more than 150 local food partners. This 30 Mile initiative pushes the envelope on the growing 100 Mile Meal movement creating our own "super-local" effort to assist visitors and residents in finding local foods and places where a consumer can savor the flavors and food experiences of the region.

TWENTY YEARS LATER

After 20 years of working to rebuild a local food system, success can easily be seen and tasted. Over the life of ACEnet's Food Ventures program, they have experienced many "graduations" of clients and have some clients who are still using the incubator after 15 years of production.

Today, the local and regional food economy supports six bakeries, more than 35 locally and family owned restaurants (many feature local foods and participate in the *30 Mile Meal*™), a beautiful winery, a distiller, a brewery, a mill, and a dairy that produces local milk and yogurts. There are also new entrepreneurial startups that include retail outlets for local and Ohio products, and several graphic artists, and other components of the supply chain.

There has also been great progress in the growth of local and regional food processors and in the number of innovative, local products available to consumers. Local food products from more than 80 processors can be found throughout the local communities, the state, and even the nation.

CHALLENGES

While ACEnet admits that there are many challenges to the economic development efforts involved in rebuilding a local and regional food economy, there are a few that each new project must consider. First, this economic development strategy is about creating a long-term systemic change in the economy. It involves changing the purchasing habits of consumers to generate demand, rebuilding the capacity of the system through new infrastructure and branding to increase supply, and filling in the gaps within the supply chain to support the growing market.

Second, any program or shared-use kitchen facility needs to be supported within some existing project, such as a university or community development program, that can help support the development during the first six to ten years of operations. Shared services and a business support network are critical to keeping costs at a level that can be supported with some operational grant support.

Finally, an economic development project focused on rebuilding the local food economy must engage in extensive planning so as to identify the gaps in the supply

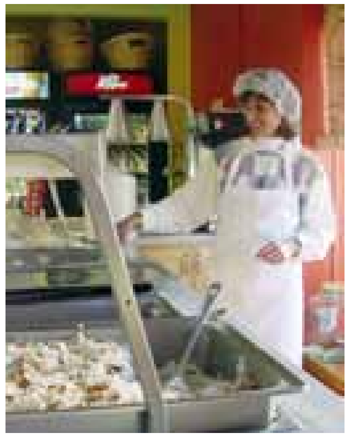
During the current economic downturn, many local restaurants have struggled to remain in business and in our local region, and ACEnet is often there to help. Kiser's BBQ Shack, a family owned and operated restaurant committed to authentic low and slow pit-smoked barbeque, was looking for a way to strengthen their bottom line and to look into expansion. Their first step was to partner with other local food producers and join the *Food We Love*™ brand and the *30 Mile Meal*™ program. Kiser's also turned to the Food Ventures Center to develop and produce a line of bottled barbecue sauces and spice rubs that could enhance sales and increase marketing exposure through local stores.

Have these steps helped them through the downturn? Kiser's BBQ now has two locations, they have added five additional employees, and the owner's parents have relocated from Chicago to Athens to help with the growing food processing business. Kiser's also has four flavors of sauce and three spice rubs out in the community that help build their brand and expand their customer base.

chain, identify potential retail and distribution partners, and identify the food entrepreneurs that are waiting for the right infrastructure to help them grow, or start their new businesses.

LESSONS LEARNED

In reflecting back on the evolving process of rebuilding the local food economy, ACEnet has learned some very valuable lessons that they always share with new or potential participants who come to visit their location.



Food Ventures Center graduate Chams Lebanese Cuisine. Chams Ekelman now operates her own restaurant, employing six people.

Don't start too small – ACEnet started as a "community kitchen" and would work with anyone who wanted to rent the space, even if they did not want to create a product for market. The facility also lacked warehouse and cold storage units that really limited the ability to grow companies to serve a larger retail market. A project should be sized to support the mission and the long-term vision of the local food economy. New projects generally get one round of funding support for infrastructure, so get all that you can and be careful not to choose a facility that will limit the growth and potential of your clients.

Don't fall into the social enterprise trap – Many new projects look to fill the gaps of a supply chain with some form of social enterprise. Social enterprises are nonprofit businesses that create jobs as a way of addressing social or environmental problems. ACEnet used this strategy when there was little retail space for local products. To address the supply chain gap, they created their own storefront called the Marketplace. The space was a great spot to introduce new products to the local food economy and build some demand, but it came at a great cost of program dollars and it could not be sustained. If there is a real gap in the supply chain, there needs to be an effort to locate and encourage an entrepreneur to begin a new for-profit enterprise. The project may be able to help support the new business with assets, access to capital, or business coaching.

Create a system of shared ownership with clients – At ACEnet there is a one-time fee to begin the process of working with their Food Ventures program. Once into the program, the income from clients is mostly generated through hourly rentals and storage fees. The clients have no real investment in the shared-use facility, the equipment, or the branding programs. As ACEnet staff members work as consultants with new projects, they are pushing the concept of creating co-operatives or shared-ownership opportunities where clients will have a stake in the purchasing of equipment, insurance, and other shared services. By having local entrepreneurs investing in the programs and operations of a shared-use kitchen incubator, there will be a larger group of stakeholders whose aim is to not only have a successful business but also a successful economic development project for their community and region.