

## Vegas 2.0

By Jonas Peterson, CEcD

### REBOOTING NEVADA'S ECONOMIC ENGINE

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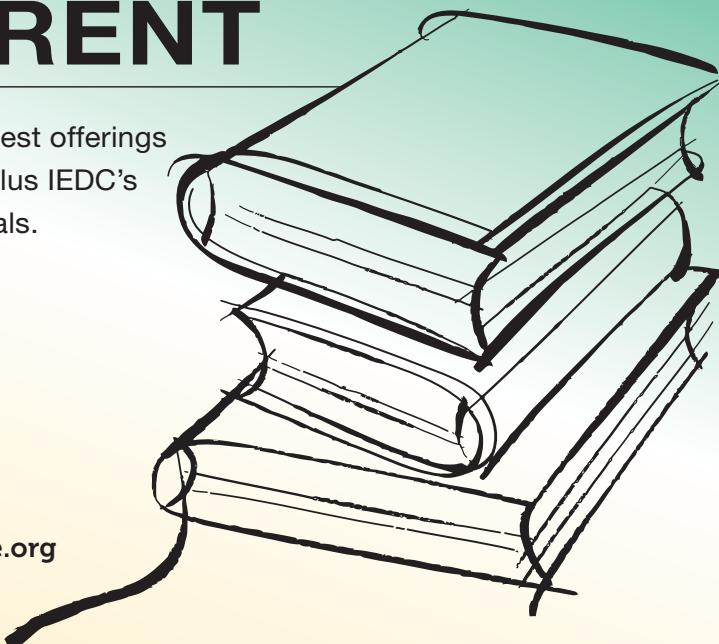


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## INTRODUCTION

In Las Vegas, the boom and bust cycle is alive and well. Few communities fell as fast or as hard during the great recession. Fewer still have been able to successfully restructure their economic development efforts, rise out of the downturn, and quickly chart a new path toward growth and diversification. The following article highlights the unique, innovative, and distinctly Las Vegas effort underway to reboot Southern Nevada's economy.

## BOOM

In 2007, the Las Vegas metro area was the fastest growing region of the United States. Gaming revenue had grown over 14 percent the previous year to an all-time high of \$6.7 billion.<sup>i</sup> Nearly 40 million visitors per year were emptying their wallets in and around the Strip.<sup>ii</sup> Together, these two powerhouse industries built remarkable wealth and spilled over benefits to almost all other industries. Success was so rampant that few paid attention to economic development.

## BUST

By 2010, Southern Nevada's seemingly endless boom had come to an abrupt end. One out of every six jobs vanished. Rapid population growth had sharply reversed to a -3.4 percent population decline in 2011.<sup>iii</sup> The region's economic output shrank by approximately 10 percent in real terms from 2007 to 2010.<sup>iv</sup> Home prices dropped by as much as 50 percent and the metro area suffered a foreclosure rate of one filing for every 60 households, approximately seven times the national average.<sup>v</sup> And, Las Vegas also led the nation in unemployment at 14.9 percent.<sup>vi</sup> Simply put, Southern Nevada was in the depths of economic despair.

(See figures 1-3)

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FIGURE 1

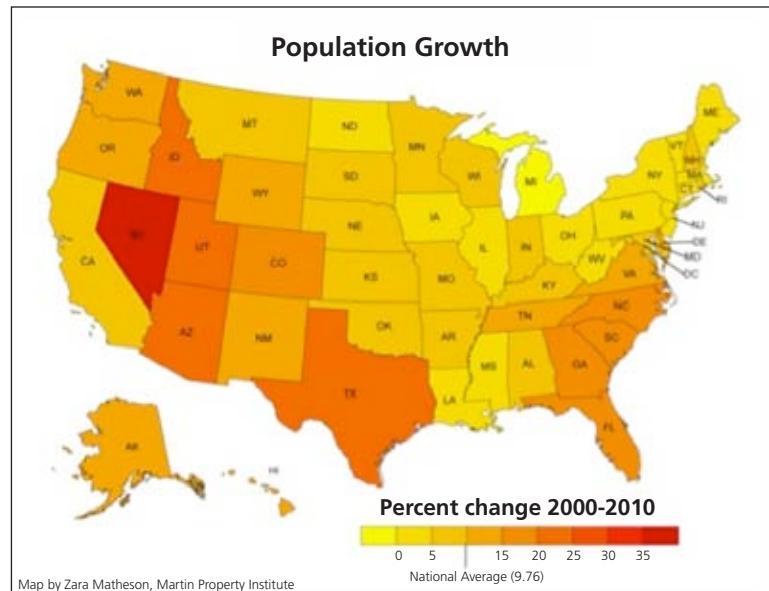
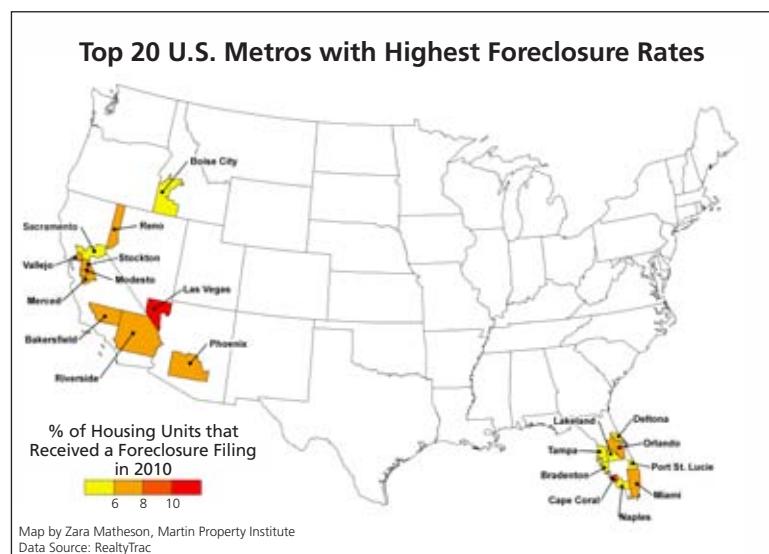
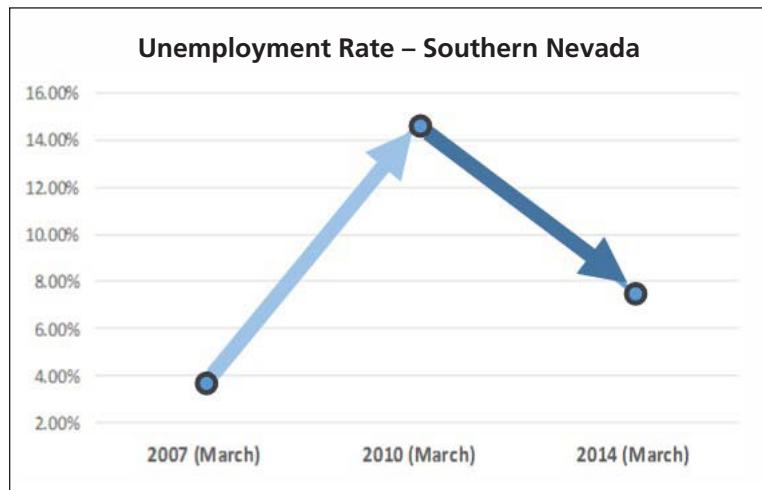


FIGURE 2



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**FIGURE 3**



### REBOOT

The great recession brought devastation but also illuminated the need for a new approach to economic development. On January 7, 2011, the University of Nevada Las Vegas (UNLV) hosted Nevada 2.0: A broad-ranging conference designed to explore opportunities to diversify Nevada's economy by examining similar efforts in nearby states. The event brought together more than 400 key players for a comparative analysis of Nevada's business opportunities. Presentations by guest speakers from Salt Lake City, Denver, Phoenix, and Dallas were featured as well as interactive panel discussions with Nevada business and political leaders to start identifying next steps.<sup>vii</sup>

Nevada 2.0 outlined the strategic investments, improved capacities, and policy changes needed to develop and sustain a significantly more diversified state economy. Out of the Nevada 2.0 conference two things were clear: 1) the region was hungry for a return to prosperity, and 2) leadership at all levels was galvanized. Like never before there was an appetite and a mandate for regional cooperation and a robust, structured, innovative, and effective economic development strategy.

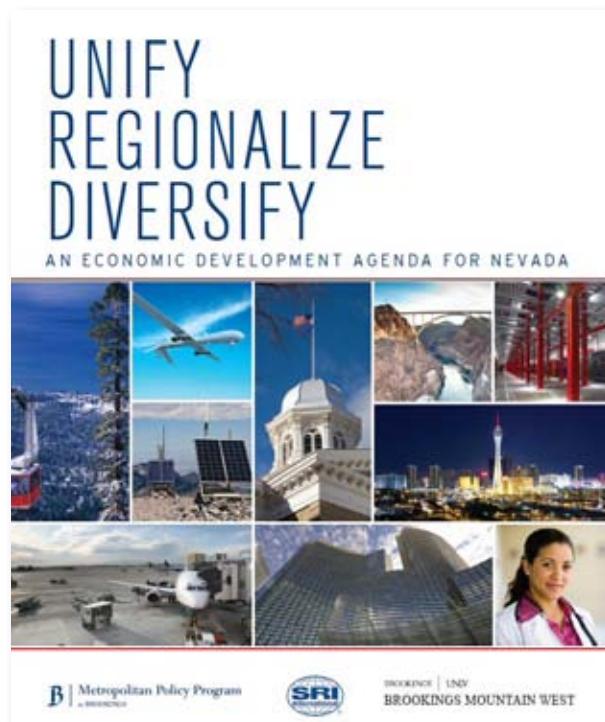
### BUILDING A STATEWIDE STRATEGY: BROOKINGS SRI REPORT

In order to capitalize on the momentum generated at Nevada 2.0, public and private leaders began an intensive strategic planning process. At the state level, The Brookings Institute and SRI International, two research and policy organizations, were engaged to redefine the state's strategy, identify industry clusters, and outline policy options for the state and its regions to build a more unified, regionally vibrant, and diversified Nevada.

The Brookings-SRI study confirmed that Nevada's fundamental strength for economic development has been and will continue to be its extremely business friendly operating environment, including low taxes, relatively low costs, limited regulation, and ease of business start-up/permitting. Key challenges included: limited economic planning and cooperation; an immature innovation and technology commercialization enterprise; and substantial workforce skills shortfalls.

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Prior to 2011, the study noted that regional economic development efforts were largely ad hoc efforts lacking an overarching strategy, strong leadership, and accountability. Furthermore, efforts were constrained to leveraging Nevada's low tax and business-friendly environment for business attraction purposes rather than bolstering efforts to grow the state's human capital, innovation economy, new industry creation, and expansion of home-grown industries.



Unify, Regionalize, Diversify – An Economic Development Agenda for Nevada



Comprehensive Economic Development Strategy of  
LVGEA & Southern Nevada

With regard to innovation and technology commercialization, the study reported a dearth of research facilities, doctorate degree-holders, venture capital investments, and lower-than-average federal research and development spending. Given the state's longtime reliance on gaming, tourism, and construction, the study also noted that the state had neglected to invest in education to equip Nevada's workforce with the skills necessary to compete in a 21st century global economy.

Following this review of Nevada's deficiencies, the Brookings study called for Nevada to upgrade its diffuse economic development system so that the state at once leads more vigorously, empowers its regions more fully, and also sets a state-wide platform for new growth. With this in mind, the Brookings study implored the state to unify, regionalize, and diversify as follows:

- **Unify:** Install an operating system for 21st century economic development
- **Regionalize:** Support smart sector strategies in the regions
- **Diversify:** Set a platform for higher-value growth through innovation and global engagement

## LEGISLATING A NEW ECONOMIC DEVELOPMENT SYSTEM

While the Brookings-SRI study was being completed, political leadership quickly advanced the policy changes needed to restructure and strengthen Nevada's economic development system. Governor Brian Sandoval successfully led the charge, with broad, bipartisan support, to approve groundbreaking legislation known as Assembly Bill 449.

AB 449 funded a new Governor's Office of Economic Development (GOED) and 10 Regional Development Authorities for each region of the state. It also authorized significant investment in new tools and resources such as a Catalyst Fund, a deal-closing fund designed to help businesses relocate or expand to Nevada, and a Knowledge Fund, which provides grants for research, innovation and commercialization in Nevada. The bill provided \$15 million to support these new economic development initiatives and became the legislative cornerstone of what

has proven to be a dramatically new, and more productive structure for economic development throughout Nevada.

The ability to build upon the inherent strengths of state, regional, and local EDOs is critical to the success of any new economic development structure. Some states have led with a top-heavy approach that stifles local priorities and business involvement. Others have strengthened local EDOs but not capitalized on the economies of scale and political clout gained through regional and statewide efforts.

Through AB 449, Nevada provided an innovative and balanced structure and funding mechanism that enabled regional EDOs to leverage state resources, manage interactions with local partners, and to scale their overall activity in different markets. Simply put, Nevada implemented a balanced approach to economic development that few others have been able to achieve.

## BUILDING A NEXT-GEN EDO: LAS VEGAS GLOBAL ECONOMIC ALLIANCE

Approximately 70 percent of Nevada's population and economic activity resides in Southern Nevada, within the Las Vegas MSA. So, in order for Nevada to be successful, Southern Nevada needed to quickly build a regional economic development organization that could partner with the newly formed Governor's Office of Economic Development while leading the southern charge for business attraction, retention, expansion and community development.

In March of 2012, a broad consortium of Southern Nevada business leaders including area chambers of commerce, municipal and county economic departments, education institutions, and leadership from the previous Nevada Development Authority submitted an application to the state Governor's Office of Economic Development to form a new Regional Development Authority. In May, the application was officially approved and the Las Vegas Global Economic Alliance (LVGEA) was born as a 501(c)6 membership organization with a board of directors and funding drawn from both the public and private sectors.

Unlike its predecessor, LVGEA had a broad mission: To grow the economy in Southern Nevada through connectivity; community development; and aggressive business recruitment, retention, and outreach. The community recognized the link between community and economic development. With that in mind they demanded a more robust economic development effort that also supported and enriched the community.

## ORGANIZING A REGIONAL STRATEGY – COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

In the fall of 2012, the Las Vegas Global Economic Alliance (LVGEA), the Governor's Office of Economic Development (GOED), and more than 300 community stakeholders from all over the region began the work of building a regional strategy to complement and localize the statewide framework already established by the Brookings-SRI study. This regional strategy became known as Southern Nevada's Comprehensive Economic Development Strategy (CEDS).

The CEDS document includes hundreds of catalyst projects, regional demographic information, economic analyses, and information on the strategies and tactics that the LVGEA and its regional partners would use to develop new industries and diversify the economy in Southern Nevada. CEDS identified six target industries with the highest growth potential for Southern Nevada:

- Business & IT Ecosystems
- Clean Technology
- Gaming, Tourism & Conventions
- Global Finance & Banking
- Health Care & Life Sciences
- Aerospace, Defense & Unmanned Aerial Vehicles

In writing this document, the community came together like never before to support economic development. Ultimately, the U.S. Economic Development Administration accepted the CEDS in September of 2013, which served as an important prerequisite for groups like the LVGEA to be eligible to receive Economic Development Administration grants in the future.

### TRANSLATING PLANS INTO ACTION

With the state and regional strategy now in place, only one more planning document was needed – A tactical action plan to transition from strategy to implementation.

During its first full year of operations, LVGEA had created marketing, branding, and fundraising plans. Additionally, informal goals and performance metrics had been discussed but not formally organized, tied to Board priorities, or agreed upon.

With the above issues in mind, LVGEA created an internal strategic plan organized around four strategic imperatives:

#### 1. Achieve and Maintain Operational Excellence

- a. Attract, develop and retain an extraordinary team of people; responsibly steward funds; operate effectively and efficiently; develop and expand enterprise capability

#### 2. Lead, Facilitate & Steward Regional Economic Development

- a. Identify and attract next generation and emerging-market firms; retain and expand existing businesses in the Las Vegas region; engage community and business leaders in the economic development process; coordinate and collaborate with regional and statewide partners; promote the development of other new employment centers in the region

#### 3. Elevate Southern Nevada's Position as a Global Business Destination

- a. Raise the profile of Southern Nevada as a global business location; implement a branding strategy that will promote Las Vegas as a great location for business; develop an integrated multi-channel marketing campaign; advance a legislative agenda to promote a truly positive business climate; improve contact relationship management

KEY PERFORMANCE METRICS FY 2014	
Strategy	Metric
I - Achieve and Maintain Operational Excellence	Total Capital Campaign Funds Committed (Over 3 Years)
	Employee Engagement Survey (1 - 7 Scale)
	Revenue (Cash + In-kind)
	Meetings/Events
	Meeting/Event Attendance (Cumulative)
	Annual Audited Financial Statements
	Number of Major Investors (\$25 K+)
II - Lead, Facilitate & Steward Regional Economic Development	Total Businesses Attracted or Expanded
	Total Businesses Attracted
	> Businesses Attracted (Direct)
	> Businesses Attracted (Indirect)
	Total Jobs Attracted
	> Jobs Attracted (Direct)
	> Jobs Attracted (Indirect)
	Businesses Expanded
	> Jobs Expanded
	Retention / Expansion Outreach (Survey + In-Person)
	Client Inquiries
	Capital Investment
	New Headquarters
	International Relocations
	Economic Dev't Events + Meetings (Led + Supported)
	Convention + Tradeshow Participation
	1-year Fiscal Impact
	1-year Economic Impact (Direct + Indirect)
III - Elevate Southern Nevada's Position as a Global Business Location	Social Media Engagement Index
	Value of Traditional Advertisements (paid + in-kind)
	Global Initiative Events + Meetings (Led + Supported)
	Outreach Events (led + supported)
	Press Hits in Southern Nevada
	Press Hits outside Southern Nevada
	Contacts in CRM database
IV - Become an Engine of Community Dev't	Research and/or Community Policy Reports Generated
	Outreach Events + Key Mtngs (Led + Supported)
	Strategic Initiative Events + Key Mtngs (Led + Supported)
	Investment in Grow – LV, an LVGEA-led 501(c)3 non-profit

#### 4. Become an Engine for Community Development

- a. Advocate for a prepared and educated workforce; enhance quality of life; establish LVGEA as highly-credible, knowledge-based, and collaborative; work with regional partners to leverage capital planning to uplift neighborhoods; expand beyond initial CEDS mandates to maximize LVGEA's contribution to the region; evaluate, prioritize, and coordinate interagency infrastructure improvements to support economic development; explore the relationship between target sectors and tourism economy

The plan contained the most robust set of economic development performance metrics ever utilized in Southern Nevada. LVGEA's strategic plan added action steps to the state and regional strategy while assigning leadership roles and project delivery schedules.

SWITCH is a powerhouse tech company that you may not have heard of. They operate the most reliable colocation, connectivity and cloud technology system in the world, providing the safest data storage, lightning-fast internet speed and the globe's most affordable connectivity to passionate start-ups and Fortune 1000 enterprises.



SWITCH SuperNAP facility, the only carrier-neutral colocation data center on planet earth that is certified Tier IV Gold by the Uptime Institute.



SWITCH Innovation Center, a public-private conference, coworking and collaboration space in Las Vegas.

#### ENGAGING THE PRIVATE SECTOR

During the boom years in Las Vegas there was a very limited appetite for investment in economic development from the private sector. Business was good, really good, and business leaders found it difficult to invest in more economic development while they were struggling to keep up with customers already knocking at the door.

Limited private sector investment led to a very limited scope of economic development work. As a result LVGEA's predecessor, the Nevada Development Authority, was charged with leading a regional business recruitment effort with a relatively small budget of \$2.7 million/year and eight full-time staff.

When the recession hit, everything changed, including the private sector's penchant for economic development. The public sector, by necessity, led the charge and built the framework. However, it was the private sector that demanded improved systems, cooperation, and increased results. Along the way, private leaders backed their direction by leading the charge on key issues, transforming communities and investing at levels never before seen in Southern Nevada.

#### Tech Titans Step Up

In Las Vegas, the burgeoning tech industry began to emerge as a leader in community, political, and economic development engagement. Two local tech CEOs stepped up in a big way during the great recession to help reboot Las Vegas: Rob Roy from SWITCH and Tony Hsieh from Zappos.

The founder of SWITCH, Rob Roy, is not only a pioneer in the tech industry but a leader of Nevada's economic development efforts. He built the SWITCH Innovation Center, a cutting-edge business incubator, sits on the Board for the Governor's Office of Economic Development, and has provided

the single largest financial investment in LVGEA's history. If that weren't enough, he has positioned SWITCH as an economic development partner for the state, helping recruit businesses, building a local tech industry, and rebooting Las Vegas.

The Downtown Project is a community revitalization effort led by Tony Hsieh, CEO of Zappos, an online shoe and clothing store. The Project's mission is to transform Downtown Las Vegas into the most community-focused large city in the world. Through the Downtown Project, Hsieh has allocated \$350 million to aid in the revitalization of Downtown Las Vegas. That investment includes \$200 million in real estate, \$50 million in small busi-



The Container Park, a Downtown Project retail initiative that opened in 2013 and added a family-friendly shopping environment that boosted redevelopment efforts in downtown Las Vegas.

nesses, \$50 million in education, and \$50 million in tech startups.

Together, these two tech titans have put Las Vegas on the map for technology. Their efforts are assisting start-ups, attracting new firms, refocusing educational systems, and reshaping how economic development is accomplished in Southern Nevada.

### ENGAGE Campaign

To harness the increased level of support that was voiced by other private sector leaders, LVGEA kicked off a capital campaign, known as ENGAGE Southern Nevada in October of 2013. ENGAGE was designed to provide LVGEA with the increased resources needed to deliver on the broad mission established by the Brookings-SRI report, CEDS, and LVGEA strategic plan.

The stakes for ENGAGE were high. In order to build the necessary organizational capacity, LVGEA needed to generate unprecedented levels of private investment. Business leaders had articulated a clear vision of LVGEA becoming a robust community and economic development organization. Through ENGAGE, those private sector leaders had the chance to determine whether or not that vision became a reality.

The goal of ENGAGE was to raise \$7.5 million (\$2.5 million/year for three years) from private sector sources. This amount was more than double the historical level of private contributions to economic development in Southern Nevada. On a per-capita basis, ENGAGE set the investment bar for private investment higher than many competing metro areas which enjoyed drawing from significantly more mature corporate institutions.

By February of 2014, after just five months of campaigning, the goals of ENGAGE were not only met but exceeded. During this short period of time, LVGEA had transformed an under-resourced and consequentially under-performing EDO into a regional leader in the southwestern United States.

The culmination of the ENGAGE campaign marked the end of an intense focus on organization building. LVGEA's staff level had increased from 9 to 20. The organization had moved from a confining office of 3,956 sq. ft to over 12,939 sq. ft, located in the SWITCH Innevation Center. And, the organization's annual operating budget more than doubled from \$2.7 million in 2011 to \$5.4 million in 2014. Simply put, LVGEA had the resources necessary to deliver on the new mission; now it was time to deliver results.

### DELIVERING RESULTS

During its first full year of operations, LVGEA achieved significant results. The organization rallied hundreds of public, private, and educational leaders around the innovative, shared economic development strategies necessary to reboot Southern Nevada's economy.

To deliver on the new strategies, LVGEA amplified its existing economic development work with new community development, research, and marketing roles. Additional staff and financial resources enabled the orga-

nization to more than double in size and extend global reach. And, LVGEA, along with the region's economic development partner organizations, provided start-up, expansion, and relocation assistance to 62 businesses, which will provide more than \$450 million in new capital investment.

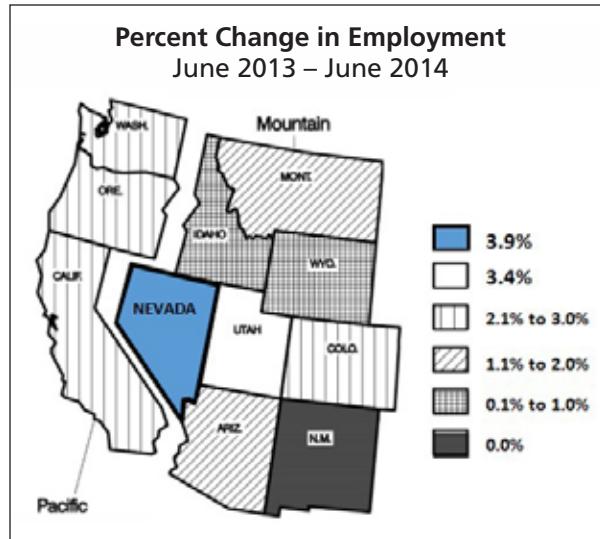
Most importantly, the work of LVGEA and countless partner organizations is paying off for Southern Nevada. By early 2014, the unemployment rate fell to 7.6 percent. Home values skyrocketed 27 percent from the previous year.<sup>viii</sup> Population growth returned to a healthy 2.3 percent and a job growth rate of 3.4 percent (June) led the nation. And, perhaps most importantly, dramatic job growth in target industries is occurring throughout the region and state.(See figures 4 and 5)

In the aerospace industry, government and private sector leaders organized under the Nevada Institute for Autonomous Systems applied for one of four UAV test site designations being offered by the Federal Aviation Administration. By early 2013, Nevada learned that their application was successful. Southern Nevada military institutions such as Nellis Air Force Base are now positioned to become worldwide leaders in the \$89 billion UAV industry.<sup>ix</sup> Over 15,000 UAV related jobs for southern Nevadans are now expected over the next ten years.

FIGURE 4



FIGURE 5





The Global Business District, a planned international business destination composed of major renovations to the Las Vegas Convention Center, further leverages a World Trade Center designation and will be a central hub of transportation connectivity.

In the technology industry, Vegas is gathering worldwide attention as a go-to destination for entrepreneurs and start-ups. The Downtown Project consistently receives national media attention for their ambitious efforts to revitalize downtown and establish a culture that attracts new technology firms. SWITCH has recently invested millions of dollars in additional infrastructure and new facilities to continue their dominance in the data storage industry. New business incubation facilities, training programs and funding sources, such as NV Angels and Silver State Opportunities Fund, are now in place to support technology projects.

Tourism and entertainment is thriving once again. A record number of visitors (39.7 million) made the trip to Las Vegas in 2013.<sup>x</sup> And new, Vegas-sized construction projects have been announced such as the \$2.5 billion Global Business District, \$4 billion Resorts World, and \$350 million AEG/MGM Arena.<sup>xi</sup>

In addition to luring jobs and capital investment, Nevada's improved business environment has led the state to the top of many prominent business rankings. In 2014, the American Tax Foundation recognized Nevada as the leading state in the country for both corporate and

individual income taxes.<sup>xii</sup> That recognition was quickly followed by Chief Executive magazine ranking Nevada as the best western state for business.<sup>xiii</sup>

Altogether, the indicators for Southern Nevada look dramatically different than just a few short years ago. Bust has once again returned to boom but in a very different way. This time around public and private leaders united together to reboot, restructure, and fundamentally improve the region's economy. 

## ENDNOTES

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- <sup>vii</sup> University of Nevada Las Vegas. Nevada 2.0. <http://nv20.unlv.edu/about.html>
- <sup>viii</sup> Diversify Nevada Data Portal for Clark County. <http://www.diversifynevada.com/data-library>
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