

Creating a Private Sector EDO

By Brenda Workman, CEcD

CHESTERFIELD COUNTY (SC) ECONOMIC DEVELOPMENT ALLIANCE

The economy was on the decline in Chesterfield County, a rural county in the northwest corner of South Carolina, bordering on the Charlotte MSA. Between 2000 and 2010, Chesterfield County's economic indicators of population growth, employment, per capita income, persons below poverty level, and retail sales lagged significantly behind its peer counties – counties that are similar in location, size, and profile. The loss of over 2,000 jobs during the period was of particular concern. Chesterfield County took major steps, including creating a private sector economic development organization to turn the economy around.

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creating a private sector edo

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BACKGROUND

Chesterfield County is a rural county in the northwest corner of South Carolina, bordering on the Charlotte MSA with 2.1 million people living within a 60-mile radius of the county's center. Chesterfield County markets itself as part of the Charlotte Partnership. It has a land area of 806 square miles and a population of 46,557 (US Census Bureau, 2011). Manufacturing makes up more than 33 percent of the workforce and the manufacturing average wage is 13 percent lower than the national average manufacturing wage. A superior technical college system provides advanced manufacturing training.

Between 2000 and 2010, Chesterfield County's economic indicators of population growth, employment, per capita income, persons below poverty level, and retail sales lagged significantly behind its peer counties – counties that are similar in location,

size, and profile (Charts 1 and 2). During the last decade, the county experienced the following:

- The loss of 2,083 jobs,
- Per capita income was roughly 75 percent of the state's per capita income,
- Retail sales per capita at \$6,947 were significantly less than peer counties and the state (2007),
- Persons below poverty level at 23.6 percent were greater than all peer counties and the state (2009), and
- Population growth had slowed, and at 9.3 percent did not meet growth expectations (2000-2010).

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WHAT TO DO?

If Chesterfield County (SC) was to look differently at the end of the next 10 years than it did at the end of the last decade, what must be done? To help answer this question, the Chesterfield County Economic Development Board engaged Sanford Holshouser Business Development Group to up-

CHART 1

Chesterfield County and Peer County Economic Indicators

Economic Indicator	Rutherford NC County	Sumter County	Lancaster County	Darlington County	Chesterfield County	Union NC County	Kershaw County	SC
Population, percent change, 2000 to 2010	7.80%	2.70%	24.90%	1.90%	9.30%	62.80%	17.20%	15.30%
Pri. nonfarm employment, 2000-2009	-24.30%	22.60%	-22.20%	-21.60%	-14.30%	19.00%	-8.00%	-3.70%
Per capita income in past 12 months (2009 dollars) 2005-2009	\$19,030	\$19,025	\$18,929	\$19,794	\$17,582	\$27,649	\$22,011	\$23,196
Persons below poverty level 2009	21.80%	19.00%	19.80%	22.50%	23.60%	10.90%	14.90%	17.10%
Retail sales per capita, 2007	\$10,144	\$9,801	\$7,998	\$7,902	\$6,947	\$9,214	\$9,883	\$12,273

Source: <http://quickfacts.census.gov/qfd/states/45/45025.html>

CHESTERFIELD COUNTY (SC) ECONOMIC DEVELOPMENT ALLIANCE

The economy was on the decline in Chesterfield County, a rural county in the northwest corner of South Carolina, bordering on the Charlotte MSA. Between 2000 and 2010, Chesterfield County's economic indicators of population growth, employment, per capita income, persons below poverty level, and retail sales lagged significantly behind its peer counties – counties that are similar in location, size, and profile. The loss of over 2,000 jobs during the period was of particular concern. Chesterfield County took major steps, including creating a private sector economic development organization to turn the economy around.

CHART 2

Between January 2001 and March 2011, Chesterfield County lost 2,083 jobs:
Chesterfield County Employment January 2001 – March 2011

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	Gain/Loss
2001	15458	15440	15524	15603	15572	15530	14694	15182	14846	14863	14878	14848	15203	
2002	14718	14910	14939	15006	15162	15107	14734	14799	14779	14651	14731	14680	14851	-352
2003	14885	14899	14812	14493	14458	14506	14269	14130	14128	14125	14188	14126	14418	-433
2004	13721	13631	13824	13882	13958	13960	13990	13926	13838	13823	13646	13655	13821	-597
2005	13675	13611	13654	13518	13607	13575	13548	13624	13561	13561	13628	13655	13601	-220
2006	13847	13914	13900	14128	14077	14107	14019	14066	14074	14016	14026	14118	14024	423
2007	14271	14251	14328	14290	14445	14484	14418	14400	14393	14374	14261	14274	14349	325
2008	14176	14298	14336	14326	14430	14437	14276	14074	14015	14090	13966	13791	14185	-164
2009	13108	13087	13071	12971	12961	13039	12921	12833	12976	12756	12821	12872	12951	-1234
2010	12781	12796	12995	13030	13173	13170	13001	12928	12885	12947	12943	13096	12979	28
2011	12755	12948	13120											141
Net Gain/Loss														-2083

Source: SC Department of Employment & Workforce

date the county's economic development strategic plan in 2011. Sanford Holshouser conducted a SWOT analysis of the Chesterfield County Economic Development Office and performed a peer community review of six localities that are either similar to Chesterfield County in economics and demographics or are regular competitors for new and expanding business. Findings of the review were factored into the recommendations on funding, staffing, and program activities for the Economic Development Office.

Chesterfield County had the same public sector organization in place over the last 25 years since 1987. There are nine County Council members with competing districts, strongly advocating that every economic development project be located in their district. There has been no private sector involvement in economic development.

Sanford Holshouser recommended that Chesterfield County's Economic Development Office be transitioned to a 501(c)(3) nonprofit. This would enable the integration of the private sector into its economic development efforts and raise private funds to supplement the county's support for the program. Advantages and disadvantages of the old and new structures were evaluated.

Disadvantages of a County Office EDO

- The EDO program is more susceptible to political shifts from election to election.
- Conflicts in establishing EDO program priorities and decisions when the ultimate "boss" is a County Council with nine competing geographical districts all voting for their individual interests vs. ROI or what will increase the tax base.

- Except for taxes, no business or individual contributes additional money to the county EDO. Consequently, programs are supported financially only by way of government funding.
- Operating an EDO from a county government office increases the likelihood of a premature leak of information about a recruitment project due to open meetings and public records laws.
- If an EDO organization undertakes an effort to acquire and develop a business park or spec building, this project can be carried out more prudently, efficiently, and cost effectively by an entity that is not a local government.

Advantages of a Nonprofit Entity

- A nonprofit entity, particularly a 501(c)(3) nonprofit corporation, is far more effective at raising private funds and foundation grants.
- If structured and managed correctly, the nonprofit entity would absorb any unforeseen liabilities and buffer the county and other entities from liability.

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- There is greater confidentiality for handling sensitive economic development information.
- A nonprofit helps insulate economic development activities from politics and political leaders from negative repercussions of economic development activities.
- Some site selection consultants and corporate staff have a preference for dealing with a private sector entity as opposed to a governmental entity.
- Certain expenditures (e.g. entertaining clients, high profile travel, etc.) are more palatable to the public if paid from a private sector source of funds as opposed to government funds.
- Of paramount importance to most counties is the ability to supplement public money, which supports economic development, with private funds.

IS A PRIVATE SECTOR EDO POSSIBLE IN CHESTERFIELD COUNTY?

Chesterfield County needed to determine first if there was support for a private sector economic development alliance, if private sector funds could be raised in Chesterfield County, and if so, how much? To get answers, Chesterfield County engaged Convergent Nonprofit Solutions of Atlanta, GA, to conduct a fundraising assessment (feasibility study). Convergent conducted 63 county-wide interviews, representing the public sector and private sector, for-profit and not-for-profit groups, and business and industry leaders. Interviews focused on two areas:

- Opinions regarding a draft strategic plan and specific outcomes focusing on workforce, infrastructure, and new business development, along with job and capital investment goals; and
- Willingness to FUND the strategic plan recommendations.

RESULTS

Convergent reported that the 2011 Economic Development Strategic Plan tested very well with respondents. They showed support for a proposed program of work focusing on infrastructure, new business recruitment, and workforce development and supported the five-year goals of 750 new jobs and \$35 million in capital investment.

Comments regarding funding support for the plan were enlightening. Community leaders said that they knew the economic times are tough and this created a sense of urgency. Business, industry, and municipalities were ready to partner with the county to fund economic development. They looked at the private sector economic

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development “alliance” from a return on investment perspective, not a donation. Convergent felt a funding goal of \$700k to \$800k in five-year commitments (\$140k to \$160k per year) was realistic.

Interviewees had definite opinions on the structure of the private sector organization. They were not willing to write checks to any public entity. Interviewees wanted a seat at the table and preferred to fund a 501(c)(3), similar to other EDOs they were familiar with, located throughout North and South Carolina.

FUTURE IN POLITICAL HANDS

Money to support hiring Convergent to conduct a fund raising campaign had to come out of public funds. Rick Kiernan of Convergent and Brenda Workman, economic development executive director, presented the case to County Council. The presentation included these compelling points:

- Need for private sector leadership and investment,
- Competing council districts,
- Major downturn of local economy – sense of urgency,
- Strategic Plan recommendation, and
- Feasibility Study validation that private sector support was solid.

After the presentation, County Council voted to go into Executive Session for discussion, asking Workman and Kiernan to leave the room. After what seemed like an eternity, the County Council voted unanimously to fund the campaign. County Council member Crawford Moore bought into the need for private sector participation in economic development early on and was instrumental in convincing the County Council to partner with this group to turn the county’s economy around. Moore is a retired business and military executive.

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CHART 3

Economic Impact of 750 New Jobs in Chesterfield County

Program is targeting an additional	750	primary jobs which will create an additional
	380	secondary jobs
The primary jobs are expected to pay	\$14.38 / hr.	
This economic activity is expected to generate	\$29,564,184	in annual total earnings
And	\$16,341,987	in annual area consumer expenditures
and could result in	\$2,554,601	in annual deposits for area banks

CHESTERFIELD COUNTY ECONOMIC DEVELOPMENT ALLIANCE CAMPAIGN

Chesterfield County immediately hired Convergent. Legal work was commissioned for the 501(c)(3). Campaign champions enlisted from local business leadership, who were widely known and respected, were brought on board to help raise the funding for the new Economic Development Alliance.

Convergent learned from its interviews with local business leaders that in order to get buy in and investment, the campaign community sales message must answer the question, "What's in it for me?" In response to this question, the Alliance pledged to:

- Help local businesses
 - Grow jobs
- Enhance environment in which to do business
 - Enables us to recruit and retain the most qualified employees
 - Protects our companies' physical assets
- Make our community more attractive to prospective employers & employees

Based on the Strategic Plan and campaign feasibility study, the campaign business case was developed, including an emphasis on infrastructure development, workforce, and new business recruitment. Alliance performance metrics included the creation of 750 new jobs and \$35 million in capital investment. Chart 3 shows the economic impact of these goals.

WORK PROGRAM

Based on the Economic Development Strategic Plan and input from potential Alliance investors, the Economic Development Alliance work program priorities were established as follows:

- Recruit New Industry
 - Product
 - Marketing
 - Lead Development

- Workforce
 - Workforce Pipeline
 - K-12
 - Northeastern Technical College
 - Existing Industry
 - Outside County
- Infrastructure
 - Water
 - Sewer
 - Telecommunications
 - Transportation

RESULT: SUCCESS

Through the newly formed Chesterfield County Economic Development Alliance, Chesterfield County economic development has new money – new leadership! The Alliance is a 501(c)(3) organization with over \$1 million or \$200,000 per year pledged for the five-year work program by 64 members.

The 13-member Alliance Board of Directors is composed of those members who contributed at least \$10,000 per year for five years; three small business representatives from different areas of the county; a representative



Alliance members are assisting in marketing the new 52,000 sf speculative building in Chesterfield County to their buyer/supplier network.

from the County Economic Development Board; the local technical college president; and a member representing the eight towns in the county that contributed a per capita investment to the Alliance. The first Alliance Board meeting was held in January 2013.

The Alliance budget is being leveraged with an equal annual amount of county funding to support the economic development program. The Alliance is taking on important issues, like supporting a one-cent infrastructure sales tax only if it goes to build needed industrial wastewater infrastructure and working with the local technical college to connect businesses with the workforce they need.

LESSONS LEARNED

1. Timing is everything – your community must be ready.
2. Do your homework. Experts are needed to conduct a strategic plan, feasibility study, and run a campaign.
3. Identify local leadership champions with the passion, time, credibility, and investment to start the campaign and bring others along.
4. It takes time, a lot of work, and a lot of money – The Chesterfield County Economic Development Alliance took 2½ years and cost a total of \$186,000 to establish.

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WORTH IT

It is challenging to alter a public economic development organization structure that has been in existence for 25 years to include a private sector component. Agreement from public officials to enable the private sector share in the county's economic development direction is key as is the willingness of the private sector to step up. Thanks to the Economic Development Alliance, Chesterfield County's economic development budget has doubled and the private sector insight is increasing the competitiveness of our county. 🌐



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