

Cultivating a Green Thumb for Economic Growth

A Closer Look at the Impact of Economic Gardening

Manufacturing a Future that Works

A Small Community's Big Solution to Align Manufacturing Needs with Education in Lincoln County, NC

New Incentives and Opportunities for Hospitals to Engage in Local Economic Development

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Six Questions and Six Keys to Better Fundraising

Leveraging Passion, Courage, and Leadership to Elevate Performance and Raise More Money

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JoAnn Crary, CEcD
IEDC Chair

LETTER FROM THE CHAIR

dear colleague

It is an honor and a privilege to be IEDC's newly-elected Chair. I am excited to contribute to this extraordinary organization, and I look forward to holding up its standards of excellence.

I am fortunate to have a team of dedicated and talented professionals on the IEDC Governance Committee. These individuals are: *Barry Matherly, CEcD, FM*, Vice Chair of the Board and Senior Vice President, Business Development, at the Greater Richmond Partnership in Richmond, Virginia; *Michael Langley*, Secretary/Treasurer and President & CEO of Greater MSP in Saint Paul, Minnesota; *Kenny McDonald, CEcD*, Chair of the Planning and Business Development Committee and CEO of Columbus 2020 in Columbus, Ohio; *Craig Richard, CEcD*, Chair of the External Member Relations Committee and President & CEO of Invest Atlanta in Atlanta, Georgia; and *Tracye McDaniel*, Chair of the Performance Oversight and Monitoring Committee and will be assuming her new role soon as President & CEO of the Texas Economic Development Corp. I would also like to extend a warm welcome to our board's newest members. I am confident they will be an outstanding addition to our team.

As Chair, I have three priorities for IEDC. First, I want to develop a theme around workforce development and ensuring economic opportunity. We must address barriers for those seeking meaningful employment opportunities. IEDC will continue to explore best practices and innovative solutions that align the needs of local industries with the services provided by economic development organizations, businesses, and educational institutions.

Second, I hope to maintain this organization's strategic emphasis on leadership development. I will continue to ensure that IEDC offers conferences, courses, and other events specifically tailored to young professionals, and that we engage these emerging leaders as speakers and moderators at our events. I also will advocate for young professionals, and all economic development professionals, to take the next step in their careers by becoming certified economic developers, also known as CEcD.

My third priority is economic development research. It is our goal that IEDC continues to engage in original economic development research, to keep abreast of research being performed by other organizations, and to always incorporate the most promising ideas and practices into our programming. All trends and events, from the international to the local level, affect economic development practitioners and influence how we do our jobs. IEDC will remain on the forefront of providing the tools, training, connections, and research that we need as professionals, and this will allow us to continue to make a difference in each of our communities.

I look forward to a great year with our outstanding President & CEO Jeff Finkle, CEcD, and his team at IEDC to provide leadership and excellence in economic development for our communities, members, and partners.

Sincerely,

A handwritten signature in black ink that reads "JoAnn Crary".

JoAnn Crary, CEcD
IEDC Chair

The IEDC Economic Development Journal

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cultivating a green thumb

FOR ECONOMIC GROWTH

By *T.J. Becker*

There's a new branch of economic development that's taking root across the country: Economic Gardening®.

In contrast to relocation or startup initiatives, Economic Gardening revolves around second-stage companies already operating in a community. It helps these existing businesses grow larger by assisting them with strategic issues and providing access to sophisticated research tools.

Economic Gardening traces its roots back to 1987 in Littleton, Colorado, when missile manufacturer Martin Marietta (now Lockheed Martin) cut its workforce in half, which resulted in 7,500 lost jobs and 1 million square feet of vacant real estate. In response, the city council charged Chris Gibbons, Littleton's director of business and industry affairs, to work with local companies to create new jobs. Over the next two decades the city did no recruiting. Nor did it offer incentives or tax rebates. Instead, Gibbons implemented his concept of Economic Gardening, and Littleton more than doubled jobs (a time when its population only increased by 23 percent) and tripled sales tax revenue.

To help other communities implement his approach, Gibbons founded the National Center for Economic Gardening (NCEG) and partnered with the Edward Lowe Foundation to host the center. Today, NCEG has helped establish more than 40 Economic Gardening programs across the country.

At the heart of Economic Gardening is strategic information – information that helps business owners address existing challenges and identify new opportunities.



Illustration by Stephen Ravenscraft

HALLMARKS OF ECONOMIC GARDENING

At the heart of Economic Gardening is strategic information – information that helps business owners address existing challenges and identify new opportunities.

The NCEG delivers this information through its National Strategic Research Team (NSRT), a cadre of experts in various disciplines who provide analysis on five key areas: core strategy, market dynamics, qualified sales leads, innovation, and temperament. Within this framework, the NSRT leverages high-end commercial databases, geographic information systems, search engine optimization, and Web marketing (see “*The EG Toolkit*” sidebar).

Audience is another hallmark of Economic Gardening. The NCEG targets second-stage companies – those that have advanced beyond startup and have the aptitude and appetite for continued growth. They typically have 10 to 99 employees and generate about \$1 million to \$50 million in annual revenue, depending on their industry.

T.J. Becker is marketing communications manager at the Edward Lowe Foundation. (tjbecker@lowe.org)

A CLOSER LOOK AT THE IMPACT OF ECONOMIC GARDENING

By recognizing that second-stage companies are the engine behind job creation and revenue generation, Economic Gardening® provides a unique and powerful way to grow economies. It targets companies that already operate in communities and helps these growth-oriented businesses succeed by delivering high-level strategic research services. Because Economic Gardening keeps investment local and addresses the front-end of job creation, it is a long-term solution rather than a short-term fix to economic growth – boosting not only job creation and tax revenue, but also strengthening business owners' ties to their community.

Why second stage? For one thing, these companies are significant job creators. Between 1995 and 2013, second-stagers represented about 13 percent of U.S. establishments, but they generated about 35 percent of all jobs and 35.4 percent of all sales, according to YourEconomy.org.

Second-stage companies are also important because they often offer higher-paying jobs and have external markets that import new dollars into their communities. Gibbons points out: "Second-stagers are the keystone in their local economies because they're not merely circulating money but actually bringing wealth into town."

Economic Gardening is also characterized by its speed. In most cases, CEOs and their management teams spend 8 to 12 hours interfacing with the researchers, who spend about 36 hours working on the company's issues. The research team works virtually with participants through phone calls and an online software system, so time-pressed entrepreneurs don't even need to leave their desks.

"Economic Gardening supports growing companies in a way that fits their unique needs," says Penny Lewandowski, vice president of strategic growth and entrepreneurship at the Edward Lowe Foundation. "By identifying the company's top strategic issues and setting the pace for the engagement, the CEO is in the driver's seat from the beginning. When we say we move at the pace of the CEO, it's not just a catchy phrase for us, it's the real deal."

What it isn't: Economic Gardening specialists don't engage in primary research (e.g., surveys, telephone calls, focus groups), financial analysis or operational assistance. Unlike consultants, they don't dictate or implement a prescription for CEOs. Instead, the NSRT functions like a just-in-time research staff and provides business owners with information to help make decisions about critical issues. Second-stagers know more about their companies than anyone else. Economic Gardening simply helps them see the big picture so they can make necessary adjustments to perform better and grow larger.



Chris Gibbons, founder of Economic Gardening, leads a training retreat for program administrators, which is hosted at the Edward Lowe Foundation's headquarters in Cassopolis, Michigan.

More good news, Economic Gardening programs have demonstrated a much lower cost per job created than incentive-based strategies. For example, in Rochester, New York, 20 companies participated in a regional pilot program and created 117 new jobs, which translated into a cost of \$1,700 per job.

SLOWER BUT STICKIER GROWTH

Economic Gardening does require patience, Gibbons points out. "It's not a silver bullet and doesn't fix things overnight."

Yet even though Economic Gardening may not deliver hundreds of jobs in one fell swoop, its impact over time is impressive. For example:

- **Florida** – GrowFL, the country's first statewide Economic Gardening network, launched in late 2009. Between the 2012 and 2013 fiscal years, participating companies have created an estimated 3,745 net new direct, indirect, and induced jobs. They have also increased state and local tax revenues by nearly \$20 million (above and beyond the cost of the program), and return on investment translates into \$7.58 for every \$1 of funding.
- **Kansas** – Over a two-year period (2010-2012), the 28 companies in the Kansas Economic Gardening program increased net employment by 162 full-time positions (an average annual growth rate of 13.4 percent) and 41 part-time positions (an average annual growth rate of 24.4 percent). In addition, these companies increased annual revenues by more than \$30.3 million (an average annual growth rate of 16.1 percent). In contrast, other second-stage companies in Kansas reported a 2.6 percent average annual increase in jobs and a 2.1 percent increase in revenue for the same period.
- **Louisiana** – During the first year of Louisiana's statewide program (2011-2012), which is hosted by Louisiana Economic Development (LED), 92 percent of participating companies that responded to an annual survey added at least one new job within one year of their engagement and 88 percent of respondents expected to add new jobs over the next year. Results were very similar during the second year: 81 percent of responding companies had hired at least one new employee within one year of their Economic Gardening engagement and 77 percent of respondents expected to add more jobs over the next 12 months.
- **Michigan** – In 2012 Michigan launched its statewide pilot program. Of the 51 participants, 32 companies responded to a survey and reported they had created 121 full-time jobs and 16 part-time jobs one year after their Economic Gardening engagement. In 2013 a

second class of participants included 90 companies; 60 of these responded to a survey, reporting they expected to create 289 full-time jobs and 25 part-time jobs in 2014.

More good news, Economic Gardening programs have demonstrated a much lower cost per job created than incentive-based strategies. For example, in Rochester, New York, 20 companies participated in a regional pilot program and created 117 new jobs, which translated into a cost of \$1,700 per job.

“That’s a fantastic return by any economic development measure,” says Mark S. Peterson, president and CEO of Greater Rochester Enterprise (GRE), which administers a nine-county Economic Gardening network in the Greater Rochester, New York, region. “In fact, it’s probably a better ROI than almost any economic development incentive package in the country.”

Perhaps even more important, Economic Gardening keeps the investment local, making it a long-term solution rather than a short-term fix.

“These growth businesses are on the radar screen of other states for potential recruitment,” says Tammie Nemecek, director of GrowFL. “Economic Gardening reduces that possibility because it increases how entrepreneurs feel about their community – they’re far more engaged. They see the community not just as a place to have a business but a place where they can grow and thrive because the community supports them.”

Economic Gardening enables many economic development and entrepreneur support organizations to reach out to second-stage entrepreneurs for the first time. Chalk it up to the Goldilocks Syndrome. Second-stage companies are too big for most small business assistance programs, but too small for many expansion and retention initiatives.

One of the reasons why Economic Gardening is so effective, she adds, is because it addresses the front end of job creation: building demand for a company’s products and services. “A lot of economic development programs try to help with regulatory challenges or fix something that’s wrong,” Nemecek says. “Yet helping companies grow their revenue is what drives the need to build new buildings and seek regulatory help.”

A TOOL TO REACH SECOND-STAGERS

Economic Gardening enables many economic development and entrepreneur support organizations to reach out to second-stage entrepreneurs for the first time. Chalk it up to the Goldilocks Syndrome. Second-stage companies are too big for most small business assistance programs, but too small for many expansion and retention initiatives.

THE EG TOOLKIT

Economic Gardening gives companies access to sophisticated corporate-level tools they can’t afford or may not know about. Here’s a quick look inside the toolbox of NCEG’s National Strategic Research Team (NSRT):

- **Commercial databases** – This includes subscription-only data sets that are mined to find new markets, competitor intelligence, new products and industry trends, along with industry and government regulations. In addition, the NSRT does “deep Web” searches by tapping information sources that are buried in the Internet beyond the first few pages of search-engine results.
- **Geographic information systems (GIS)** – GIS specialists use computerized data mapping to spot densities of current customers and competitors, identify potential new clients and geographic markets, and produce qualified sales leads.
- **Search engine optimization and Web marketing** – The NSRT analyzes participants’ websites, looking for any problem areas that might be deterring traffic. Then the researchers identify key words and content to raise visibility in search-engine rankings. They also track social interactions on other websites to see who’s talking about the company’s products and services and determine key influencers in the market. In addition, the team has developed listening posts to scan news and blog sites and provide high-quality information on topics that CEOs select (think Google alerts on steroids).

The toolset is constantly evolving, points out Chris Gibbons, noting that much of the NSRT’s work revolves around intelligence research. “That’s where we’ll be adding tools in the future,” he says. “We want to find out what’s going on in Web networks and social media and then seeing where the information is leading. For example, is someone getting ready to buy?”

The NSRT weaves information together in a way that alerts CEOs to growth strategies they had never considered, says Alan Christensen, an NSRT team leader and regional SBDC director based in Ephraim, Utah. For example, a market research specialist may uncover demographic trends, which a GIS research specialist uses to create a map of potential customer hotspots beyond the company’s current market area. Then, a social media specialist may provide insight to help the company leverage social media to target those specific hotspots.

“Up to now, these companies may have relied on word-of-mouth marketing and local sales,” Christensen points out. “Suddenly, after an Economic Gardening engagement, CEOs realize there’s a whole world of valuable information that can help them expand their market. It changes their thinking and can eventually influence the entire business community.”

INTEGRATING RESEARCH WITH PEER LEARNING

In Minnesota, the Hennepin-Carver-Anoka-Ramsey-Scott (HCARS) Economic Gardening Program has blended peer learning with strategic research. When second-stage entrepreneurs are accepted into the program, they attend monthly roundtables and quarterly CEO forums while working with the NSRT.

"The goal of combining these educational experiences is to accelerate the value that entrepreneurs receive and make every interaction with them more meaningful," says Steve Quello, managing partner of CEO Nexus, who helped launch HCARS Economic Gardening program.

Among participants has been Stephen Daas, chief operating officer of Global Tax Network (GTN) in Maple Grove, Minnesota.

"We've been expanding a lot in recent years, primarily from referrals, and we wanted to be more strategic about our growth than just taking orders," says Daas, noting that his company, which specializes in tax services for individuals working outside their home country, aims to hit \$40 million in revenue by 2020.

With that in mind, the NSRT compiled a list of 300 focused leads for GTN's six branch offices to follow up on. The researchers also evaluated the company's website and suggested changes to improve search-engine rankings, investigated sales-tracking software that could be integrated with GTN's customer relationship management system, and identified software to improve its recruiting process.

Daas says that working with the Economic Gardening network's research team was like having sudden access to additional staff members. "There was a lot of collaborative, back-and-forth dialogue," he explains. "I believe we achieved better results that way – and obtained the information we really needed. With a consultant's report, you wonder if it will be truly worth it – and if they really heard you in just one meeting."

Involvement in the roundtables and forums was also valuable, says Daas. In addition to sharing business challenges, round-table members discussed their experiences with the research team and quarterly forums. Daas explains that hearing how other roundtable members planned to use research findings or information from the forums gave him insights as to how he could leverage information for GTN. "The three were synergistic," he says.

When Daas entered the Economic Gardening program in late 2011, his company had 32 employees and was generating \$5.8 million in annual revenue. By fall 2014 GTN's staff had expanded to 60 employees, and the company was on target to generate \$10 million in 2014 revenue.

Incorporating the research and peer learning costs more, but Patrick Connolly, program administrator for HCARS, believes participants reap more benefits. During the program's first year, participants reported a 26 percent increase in full-time-equivalent (FTE) jobs and a 19 percent increase in revenue. During the second year, revenue increase was about the same (17 percent) but there was a 36 percent increase in FTE jobs.

One challenge of HCARS' approach is bringing on participants in blocks of 15, enough to form a strong roundtable. "Giving ourselves plenty of time to recruit was an important learning curve," says Connolly. "Don't assume that your traditional referral networks will deliver enough companies. You'll also have to tap into bankers, lawyers, accountants and other service providers."

Similar to HCARS, GrowFL also offers CEO forums and roundtables in addition to the research component, but companies aren't required to participate in all three activities simultaneously. "Still we encourage it because data has shown better results when CEOs are in a roundtable while working with the research team," says Tammie Nemecek, director of GrowFL.

Other networks are also falling in step, including Rochester, New York, which is offering roundtables not only to current Economic Gardening participants but also to graduates. "A lot of this is about getting companies off the mark," says Mark Peterson, president and CEO of Greater Rochester Enterprise. Hearing peers discuss their experiences can prompt entrepreneurs to take action faster, he points out. "If you can get companies to pull the trigger on something six months earlier and advance their objectives, that's a big plus."

Before launching its Economic Gardening program in 2010, NetWork Kansas had not provided any targeted services for growth-oriented companies, says Steve Radley, CEO of the state organization, which serves entrepreneurs trying to launch or grow a business. "Economic Gardening was the first tangible product we could provide to second-stage entrepreneurs," he says.

NetWork Kansas kicked off its Economic Gardening pilot program in rural communities, which was an important litmus test, says Corey Mohn, who served as director of statewide programs at NetWork Kansas until this past August. "For one thing, it proved that growth-oriented companies can be found in rural areas, which

people questioned at first," he explains. "Granted, they may be fewer in number, but they do exist."

Economic Gardening is particularly important in rural areas because it provides a solid strategy for economic development directors and chambers of commerce, agree Mohn and Radley. "In rural places, recruitment is quite difficult – the costs are too high," Mohn says. "You've got to work with what you already have."

In Minnesota, Economic Gardening not only has been a way to reach second-stagers but also a mechanism for five counties to work together on economic growth. Initially, Hennepin and Carver counties started an Economic Gardening program in June 2011, followed



One of GrowFL's CEO roundtables in action, led by Steve Quello.

by Anoka County, which launched a separate network a year later. Then in early 2013 the two networks merged and Ramsey and Scott counties joined as well, resulting in the Hennepin-Carver-Anoka-Ramsey-Scott (HCARS) Economic Gardening Program.

This partnership is unusual since government agencies rarely work across jurisdictional boundaries when it comes to economic development initiatives, points out Patrick Connoy, a Hennepin County official who administers the HCARS program. "What's more, our counties may have different political perspectives and economic situations, but in our metro area people might live in one county and work in another. We decided it didn't matter which county the companies come from, the important thing was working together to improve conditions for second-stage companies."

Denise Beigbeder, a program manager with Ramsey County, says Economic Gardening has sparked greater loyalty from participating business owners from the get-go. "Some of the comments we've heard are 'I've been paying taxes for years, and now the county is giving back to me' and 'The county really cares if I'm successful.'"

Although the latter has always been true, "it's never been as visible as it is now," Beigbeder says. "Economic Gardening is a very tangible way to support economic development in your region, and what makes the program so different is how it addresses specific challenges that second-stagers are facing."

BEYOND JOB CREATION

Although job creation and revenue growth are important goals of Economic Gardening, there are other benefits:

- **Increasing external markets.** The Michigan Economic Development Corp. (MEDC) launched Michigan's statewide network in 2012 and has graduated more than 200 companies. "We're seeing significant job creation and increased revenue numbers," says Susan Holben, program administrator. "Yet perhaps more important, Michigan companies are discovering

they can successfully diversify their businesses and explore new markets both nationally and internationally." In fact, companies that responded to a recent survey reported a 45 percent increase in their out-of-state business diversification since their Economic Gardening engagements.

- **More bang for the buck.** Economic Gardening helps scale efforts of entrepreneur support organizations (ESOs), says Paul Bateson, an NSRT team leader and director of technology commercialization at the University of Missouri Extension's Business Development Program. For example, spending 10 hours with a startup company might lead to the creation of a new job and a \$50,000 loan, says Bateson. Yet the same amount of time spent providing a second-stage company with strategic information could add another \$1 million to their sales and result in five new jobs within a few months.
- **Strengthening staff skills.** Prior to working with CEOs, Economic Gardening administrators, team leaders, and research specialists are required to go through extensive training at the NCEG. Alan Christensen, an NSRT team leader and regional SBDC director in Ephraim, Utah, says he's never experienced better professional development. "The training has been beneficial beyond Economic Gardening engagements," he points out. "I apply many of the principles, such as core strategy and temperament, when working with other clients."

- **Gaining greater relevancy.** Second-stage entrepreneurs are a skeptical audience and tune out many economic development entities because their programs typically aren't relevant for them, observes Steve Quello, managing partner of CEO Nexus in Orlando. Yet their perspective changes dramatically after an Economic Gardening engagement, he says: "Second-stagers are now talking or working with support organizations in ways they weren't before."

Indeed, Dorian Spears, program administrator for the Memphis-Shelby County Economic Gardening program, says that Economic Gardening participants are more inclined to follow up on recommendations she or col-

ACRONYMS

ESO: entrepreneur support organization

GRE: Greater Rochester Enterprise

HCARS: Hennepin-Carver-Anoka-Ramsey-Scott Economic Gardening Program

LED: Louisiana Economic Development

MEDC: Michigan Economic Development Corporation

NCEG: National Center for Economic Gardening

NSRT: National Strategic Research Team

SBDC: small business development center

leagues may make regarding networking and additional growth opportunities. "The program has built trust and created momentum for our business community," she says.

In addition, because second-stagers become more receptive to ESOs, organizations are able to glean information to fine-tune existing programs or create new ones. "Economic Gardening is a great way to do customer discovery," observes Spears. "We hear the frustrations of CEOs and have gotten a lot more insight into what businesses need."

KEEPING THE BALL ROLLING

Economic Gardening programs are funded in different ways. Some host organizations leverage federal, state, and local government dollars. Others have won grants from the government and nonprofits or enlist help from the private sector.

Missouri's statewide Economic Gardening program, which is operated through its Small Business & Technology Development Centers, has defrayed some of its costs by asking participants to chip in. After initial calls are held with a participating CEO, the research team outlines the scope of work to be done; the team leader then runs the document by the CEO and asks for a donation of \$5,000. "We believe it's good for participants to have some skin in the game," says Bateson, an NSRT team leader. "They don't always give \$5,000, but we haven't had anyone who hasn't donated something."

Relationships with other organizations can also help with program sustainability and diffuse risk, agree program administrators. Even if partner organizations aren't pitching in on the actual funding, they become stakeholders because Economic Gardening brings value to their clients – and they'll stand up and lobby on your behalf.

In addition to funding, education can also be a challenge – for both partner organizations and participants. For one thing, Economic Gardening is not a traditional approach to economic development. Nor is it easily put into a sound bite. It takes a longer conversation for people to understand. "You almost need to see the end result," points out Radley, NetWork Kansas CEO. "Yet once you get CEOs in front of the research team, they get excited."

Relationships with other organizations can also help with program sustainability and diffuse risk, agree program administrators. Even if partner organizations aren't pitching in on the actual funding, they become stakeholders because Economic Gardening brings value to their clients – and they'll stand up and lobby on your behalf.

CEO TESTIMONIALS

"I was impressed how quickly the team leader was able to grasp what we did and what our challenges might be. Economic Gardening is a fantastic vehicle for helping companies who are in growth mode. It's one of the best models I've seen to stimulate job creation."

– *Ryan Blundell, founder of Master Technology Group in Minneapolis*



Ryan Blundell, founder of Master Technology Group, a Minneapolis-based company that designs and installs electrical and low-voltage infrastructure for commercial clients' data, security and high-end audiovisual systems.

"I went into the Economic Gardening program with a lot of skepticism. My thinking was: If this is free, how good could it be? Yet it was a great experience. The research team answered a lot of questions that we had in the back of our heads – and validated a number of things we were doing right."

– *Mel Limon, executive director of sales at Flame Engineering in LaCrosse, Kansas*

"The Economic Gardening engagement helped us think more strategically – who we are and where we want to go. The research team helped us tell our story differently on our website and gave us tools that made us more attractive to people who might have considered us a mom-and-pop company."

– *Erick Stewart, president of Stewart Industries in Battle Creek, Michigan*

"I didn't know what to expect. Yet once the process started, it was clear the researchers weren't trying to reinvent our workflow or company. They were there to work on strategic solutions that we could implement ourselves. I also appreciated the fact that they didn't come in with preconceived notions but instead spent considerable time talking to us about what we needed."

– *John Anthony, president of Andex Industries in Escanaba, Michigan*

"I'm more invigorated about growing the business than I used to be. I had gotten complacent, and as a business owner, complacency is not a good place to be in. Participating in the Economic Gardening program has given me the confidence to get out of my comfort zone and go for it. If we stay on task, we can double our business in five years."

– *Anne Hed, co-founder of Hed Cycling in Shoreview, Minnesota*



Anne Hed, co-founder of Hed Cycling in Shoreview, Minnesota, which designs and manufactures high-end cycling equipment.

"There are things you know you should be doing to grow, but there simply aren't enough hours in the day to get to them. In addition to receiving resources to research strategic issues, Economic Gardening creates structure and deadlines, which is very helpful. It's like a shot of adrenaline for a business."

– *Mike Fox, CEO of Ingenuity IEQ in Midland, Michigan*



Mike Fox, founder and CEO of Ingenuity IEQ, a Midland, Michigan-based provider of indoor environmental quality solutions and services.

"The research team doesn't try to address everything. Instead, they identify what's keeping you from getting to the next level and work on that."

– *John Swiatek, CEO of Coliant Corp. in Warren, Michigan*

When explaining the program, it's important to communicate up front that members of the research team are not consultants trying to peddle their services. "Business owners are often suspicious when the government offers them something," says MEDC's Holben. "But there's no catch, no surprises. Putting it simply, Economic Gardening provides CEOs with powerful research information to make informed business decisions."

Another misperception, Holben points out, is that CEOs may think Economic Gardening is only available to manufacturing companies. "Not true. We serve all business sectors," she says.

Once Economic Gardening programs have some success stories, getting a steady stream of applications becomes much easier, agree network administrators. In fact, graduates become their greatest ambassadors.

In addition to helping recruit new participants, graduates also help with funding, says GRE's Peterson, noting that his organization launched its regional Economic Gardening pilot program in mid-2012 with a \$200,000 state grant. A year later, GRE lost this discretionary funding, but was able to reinstate the program in 2014 after receiving grants from a local foundation and bank.

The bank officials had attended a presentation and panel discussion led by Lewandowski, and talked with some second-stage entrepreneurs who had participated in the program. "They became really excited about what was going on with these growing companies, who were their future customers, and wanted to help support them," Peterson explains.

THE IMPORTANCE OF AFTERCARE

After an Economic Gardening engagement, it's important to stay in touch with CEOs. They may need help with implementing research findings – or even prioritizing what to tackle first.

"At the end of engagements, the CEOs are impressed, but often need help in digesting and implementing deliverables," says Bateson. "We try to connect them with local resources so CEOs can take action, but not use their own time to do it."

For example, suppose the CEO receives a list of 400 or 500 customer prospects. "It may look good, but they need some further vetting," he explains. "The university might be able to find an MBA student to look at each record and then go into a company's website to look for key info and create a matrix to tighten that prospect list."

After an Economic Gardening engagement, it's important to stay in touch with CEOs. They may need help with implementing research findings – or even prioritizing what to tackle first.

Even though second-stage companies are usually committed corporate citizens to begin with, Economic Gardening strengthens those ties and increases their sense of responsibility to the community. As they grow larger and more profitable, second-stagers have greater bandwidth to give back through financial donations, in-kind services, and participation on boards and commissions.

In early 2014 the LED began to provide funding support for a consultant through Louisiana's SBDC network to work strictly with Economic Gardening participants. Although some of his time is spent helping companies get ready for the program, the majority of work is post-engagement to help companies implement some of the research findings.

NetWork Kansas allocates a certain number of CEO slots to strategic partners who are already working with growth-oriented businesses. "We let them drive the traffic and identify who should go through the program," says Radley. "This way, the follow-on technical assistance is in place from the start."

Staying in touch with Economic Gardening participants also helps with measuring results. "Over time CEOs begin to implement the information, but the impact doesn't happen immediately," points out NSRT team leader Christensen. "The challenge is that you're done working with them as an Economic Gardening contact. If you're not working with them in some other capacity, it becomes difficult to gather impact after a year has passed."

In Michigan the MEDC operated its Economic Gardening as a standalone program at first, but rolled it into its Business Connect initiative in October 2013. "It's been a great move because it gives the program more exposure – and allows us to stay in touch by introducing companies to other available services including many pro bono or at reduced cost," says Holben. "Among these services are buyer-supplier summits where second-stagers qualify for one-on-one meetings with buyers from major corporations statewide."

The MEDC also offers second rounds of Economic Gardening engagements, and about 30 percent of graduates apply. "When they come back, they're much more focused," Holben says. "They know the capabilities of the research team and use them at their maximum potential."

THE RIPPLE EFFECT

Initially the impact of Economic Gardening is seen at the company level. But over time, it impacts the entire community in a variety of ways beyond job creation and increased revenues.

"When states and communities support initiatives like Economic Gardening, there's a real stickiness," says Lewandowski. "Companies have long memories when it comes to programs that have a deep effect on their growth. And those memories translate into feeling a genuine ownership for their community."

Even though second-stage companies are usually committed corporate citizens to begin with, Economic Gardening strengthens those ties and increases their sense of responsibility to the community. As they grow larger and more profitable, second-stagers have greater bandwidth to give back through financial donations, in-kind services, and participation on boards and commissions.

The program also strengthens ties among ESOs. In the process of referring companies into an Economic Gardening program and delivering aftercare, organizations learn more about each other's services. They develop new synergies and are better able to help entrepreneurs connect with other community resources, such as workforce development, access to capital and operations assistance.

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"Economic Gardening is not a complex program to administer due to our partnership with the Edward Lowe Foundation and National Center for Economic Gardening, yet it has unbelievable depth, substance and outcomes," says Holben. "It grows entrepreneurs, it grows communities, and it's growing our economy. Why wouldn't you do this? It's a no brainer." ☺

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manufacturing

A FUTURE THAT WORKS

By Kara Brown

INTRODUCTION

the "Closing the Gap: 2012 Skills Survey of North Carolina Employers" report concluded that "national trends indicate communities throughout the US are facing current or imminent shortages of skilled workers to meet the demands of the local employers. Compounding this issue is the aging of the workforce. An adequate supply of trained individuals is vital to the economic development mix in each of our geographic planning regions. A number of skills issues have been noted in this limited survey. These issues are sufficient to create concern for employers, workforce training resources and workforce planning agencies, including the local political entities that have responsibilities for planning and quality of life in the community. This study shows the greatest need is within the manufacturing sector...Aside from incentives that employers are using to keep their current skilled workforce, efforts are needed to equip the emerging workforce with the skills to fill the gaps identified in this survey and be prepared to replace the Baby Boomers that will soon retire."

As the agency tasked with fostering an economic environment that promotes an enhanced standard of living in Lincoln County, NC, the Lincoln Economic Development Association (LEDA) noted that the concerns of the local industrial community were congruent with the report findings. LEDA is



Kathy Livesie, Mechanical/Mechatronics/Nuclear instructor with Gaston Community College, manipulates a robot while talking with Lincoln County students during the Manufacturing a Future that Works career expo. Held annually, the expo is an opportunity to expose students to local industries and career options and to create awareness of products manufactured in Lincoln County.

fortunate to have under the umbrella of its Existing Business Program, the Industrial Manager's Association (IMA) whose membership consists of top level management of 35 manufacturers in the county.

Functioning as a networking group, IMA develops alliances among existing industries, the education system, and officials by providing information and tools to support the needs of manufacturing throughout Lincoln County. Organized as a 501(c) (6), IMA has a strong voice representing the largest tax payers within the county on issues facing the community and manufacturers.

Even before the 2012 North Carolina skills survey report, economic developers and industries were focused on the lack of human capital development in a community of less than 80,000 people with over 20 percent of the population employed

Kara Brown is the existing business manager of the Lincoln Economic Development Association. (kara@lincolnedda.org)

A SMALL COMMUNITY'S BIG SOLUTION TO ALIGN MANUFACTURING NEEDS WITH EDUCATION IN LINCOLN COUNTY, NC

The Existing Business Program of the Lincoln Economic Development Association in Lincoln County, NC, responded to industry concerns over the imminent shortage of skilled workers and a retiring workforce by pulling together all stakeholders to find a local solution. The result won IEDC's Gold Award in Human Capital. The Manufacturing a Future that Works program is a high school curriculum developed by local industry to meet their specific workforce needs by improving the skills of the future workforce and developing and increasing a pool of knowledgeable workers that specifically brings youth into the workforce pipeline. This is a textbook example of aligning education and industry to improve the existing workforce.

With the popularity of Science, Technology, Engineering, and Math (STEM) programs being developed in other areas of the country, the local group envisioned that a model program could potentially address local needs and began working to develop a STEM initiative for county students.

within the manufacturing sector. Known for being responsive to industry needs through its Existing Business Program, LEDA dedicated the program manager to work with industry to address these very concerns. This article details the events which culminated in a successful alignment effort between industry and education leaders, spearheaded by economic development, to address the existing skills gap and future workforce needs which were sure to adversely affect the manufacturing conditions in Lincoln County.

ENVISIONING A MODEL PROGRAM

Since 2008, LEDA's existing business manager and IMA's Education Committee had been working with the local education system and then school superintendent on human capital initiatives. With the popularity of Science, Technology, Engineering, and Math (STEM) programs being developed in other areas of the country, the local group envisioned that a model program could potentially address local needs and began working to develop a STEM initiative for county students.

Working collaboratively, LEDA, IMA, and Lincoln County Schools studied and visited existing STEM programs in other states to learn if any could be duplicated locally. Although those considered were great examples of success, none were found to be a fit for the community of industries located in Lincoln County. Additional roadblocks to success included the costs associated with purchasing an existing model program and the departure of the school superintendent who was instrumental in the STEM initiative. Momentum came to a halt for making headway to address workforce needs in the county.

Fast forward to 2011, with the recession beginning to fade and without any progress having been made in over two years, conditions within the county had not changed. LEDA's Existing Business Program began to again hear the industrial community's concerns echo the same message as years before that "something" has to be done to secure the future of the local manufacturers.

Lincoln County, located northwest of Charlotte, NC, has a total population just fewer than 80,000 people. It is strategically located between Interstates 40 and 85 and 30 minutes from the Charlotte Douglas International Airport.

Lincoln Economic Development Association (LEDA) is a private, 501(c)(3) non-profit corporation charged with facilitating industrial and office development in Lincolnton and Lincoln County, NC. With a staff of five, LEDA's mission is to foster an economic environment that promotes an enhancement of the standard of living by creating more and better jobs for the citizens of Lincolnton and Lincoln County and an increased and diversified tax base to provide needed community services.

The organization's goals include retention and expansion of existing business, attraction of diversified base industries, improvement of the overall business climate within Lincolnton and Lincoln County, and the growth of stage two entrepreneurial companies.

This message was clearly delivered by Jack Timken, formerly with The Timken Company and then president of the company's charitable foundation, The Timken Foundation of Canton, OH. On a routine visit to follow up on grant projects, the foundation president asked what actions were being taken in workforce development by economic development leaders and education and industry management. His response suggested the efforts were insufficient to address the skills gap and the subject should be revisited.

Those words resonated loudly and once again IMA and LEDA began working to address the skills gap in Lincoln County. Realizing a required paradigm shift must occur on the local, state, and national level to ultimately address the skills gap challenges and create a total population of workers, LEDA and industry leaders focused on their local area of influence. With the goal to align industry and education to successfully create a pipeline of workers, it would require demonstrating to students, parents, educators, and the community that manufacturing is not dead, jobs aren't conducted in dark and dirty environments, there are high level positions available, and a great opportunity for advancement exists even for an entry level person in manufacturing.

STRATEGY FOR CHANGE

The need for workers from all sectors seemed to be the overwhelming concern of all employers, not just manufacturing. Good employees were needed immediately and not just in two or three years when the silver tsunami hit, but the pervasive questions were what do you do immediately and how do you go about cultivating workers.

After months of discussion between industry and economic development, a strategy began to emerge among industry leaders for influencing systematic change. IMA's Executive Board, with LEDA's support and resources, established a framework of short-, mid- and long-term strategies as a starting point to encourage initiatives to address workforce concerns and the skills gap in the county.

A short-term strategy for locating entry level operators encouraged industries to use their human resources departments to implement Career Readiness Certificate requirements, addressing their internal needs for locating entry level operators.

As a mid-term, 18-36-month strategy to train and develop technical talent, IMA would collaborate with Gaston College, the local community college, to guide its immediate and future plans for improving advanced manufacturing programs. Industry and college partnerships for new hire basic skills training and joint curriculum development that meets local industry needs were also proposed.

As a final long-term strategy (three years) for filling the pipeline, identifying early career pathway education and development opportunities to be offered through Lincoln County schools would be defined for earlier intervention. Through Junior Achievement program exploration, robotics programs, and technical education programs in the middle schools, reaching students early in their career exploration was identified as a deliberate effort to influence students before entering high school and promote local industry needs. IMA's Executive Board would act as an Education Committee because this strategy would take time to develop.

EDUCATING THE EDUCATORS

Armed with data supporting manufacturing's importance in Lincoln County, industry and economic development leaders began efforts to convince the local school system to become a partner in addressing the workforce issues facing the county.

First, economic developers needed to communicate the reality of the local story to educators. How much of the local economy depends on the manufacturing industry? The Lincoln County manufacturing sector not only provides much of the employment opportunity to the county population, but it is the highest wage earning sector in the community.

To those who believe that manufacturing isn't relevant any longer, the local statistics contradict this. Since 2009, over \$130 million has been spent in Lincoln County on existing business expansions and over 350 jobs created. Additionally, over \$114 million was invested through new industry and over 1,000 jobs created. With this much activity occurring in the manufacturing sector, Lincoln County is recognized throughout North Carolina as a hot spot for advanced manufacturing growth, and the workforce is essential to continued success.

Second, education leaders needed to see firsthand what modern manufacturing looks like in today's world of innovation and technology. Economic development leaders planned daylong trips to manufacturing facilities throughout the county, filled with tours, conversations with all levels of management, and opportunities for information sessions.

And lastly, everyone needed to understand what exactly is the "workforce gap or skills gap." How could there possibly be jobs going unfilled when there are people without jobs? There had to be conversation, lots of



Illinois-based AptarGroup, Inc.'s Lincoln, NC facility serves as host industry for the student focused Manufacturing a Future that Works career expo. Christina Little with Aptar Lincolnton takes a show of hands to learn how many students have an Aptar product at home. The company is a leading global supplier of a broad range of innovative dispensing solutions for a variety of markets so the students easily identified with the locally produced products.

conversation among education system leaders, economic development, and industry. Small meetings featured discussions with key administrators from the education system. Larger panel opportunities for principals K-12 and industry management focused on the message of local workforce needs and strategies for alignment.

The message was always the same. If change was to occur for the good in Lincoln County to give every student the best opportunity for success and to provide industry with the workforce needed to prosper, this change would have to be accomplished together with each party participating in the solution.

As LEDA and IMA's strategy began to materialize, the greatest concern was whether or not industry could influence any area of the public schools. With a new superintendent and with so much of public instruction at the mercy of state directed programs, it was unknown how much or even if any effective change could be accomplished. However, it was fortunate for LEDA and IMA to find a willing partner in the new school superintendent. After many discussions, meetings, statistics, and industry visits, a commitment was once again in place to make industry's needs a priority and in the process, service a population of students that might possibly need the most assistance for being successful in their future.

RESPONSE FROM EDUCATORS

With limited amounts of discretionary time allowed to teachers in the classroom, the superintendent offered the best opportunity to quickly implement tactics and begin efforts to achieve industry alignment through the Career and Technical Educational (CTE) program. The partnership with the school system began as a pilot program in September 2012 in one 8th grade middle school CTE classroom. The program included industry participation in the classroom and opportunities for manufacturing tours during the school year. It soon expanded to all four of the district's middle schools. As a small scale effort, it was a valid first attempt, but in no way would it be large enough to impact the overall human capital deficit.

As educators, the local school district administrators and staff understood that not all students are bound for college and a four-year degree. The responsibility that educators shouldered wasn't to only prepare those students bound for college to be "college ready," but they needed to emphasize "career ready" as well. Those students who could take many paths after graduation needed to learn about their options, and the schools had to provide the students with the resources necessary to develop them into productive members of the workforce and society.

Lincoln County Schools chose to take a systematic approach to address the skills shortages and address "career ready" opportunities. Understanding how the development of a student happens and when the best opportunities for exposure occur, the district understood it was imperative to reach out to students early in their education and provide experiences and training, resulting in an interest and knowledge specific to the advanced manufacturing sector. The approach is to introduce opportunities early to help students make a good career choice the first time.

All parties agreed that students should be "career ready" and equipped with the basic skills needed by county employers or "college ready" and continue working toward a two-year post-secondary degree in manufacturing or four-year post-secondary education.

MANUFACTURING A FUTURE THAT WORKS

The school district resolved to offer an Advanced Manufacturing class through the CTE program to students in Lincoln County Schools and presented its resolution to IMA and LEDA with overwhelming approval. This was the first real step in addressing a long term solution to a long term problem. The only NC State Department of Public Education course supporting manufacturing was offered in Metals Manufacturing. Without a standard course of study in Advanced Manufacturing, industry leaders had the unique opportunity to create a program specific to Lincoln County – Manufacturing a Future that Works.

To begin developing the local program, it was important to understand the overall manufacturing climate within Lincoln County. LEDA conducted a survey of manufacturers within the county, asking such questions as: what percent of your workforce is eligible for retirement, what competencies do you wish were taught in high school, what skills are your workforce lacking, etc. Survey findings indicated foundation skills in manufacturing were overwhelmingly identified as needing to be taught in the high schools at 82 percent. For occupational or educational skills lacking in the workforce, machining and mechanical engineering split the vote at 43.5 percent each. (See figures 1 and 2)

Lincoln County is home to many European companies, especially German and Austrian. For the last 25 years, it has been home to the successful Apprenticeship 2000 program, modeled after a traditional German apprenticeship program and operated by a consortium

FIGURE 1

Select which area of competencies you wish were taught at the high school level

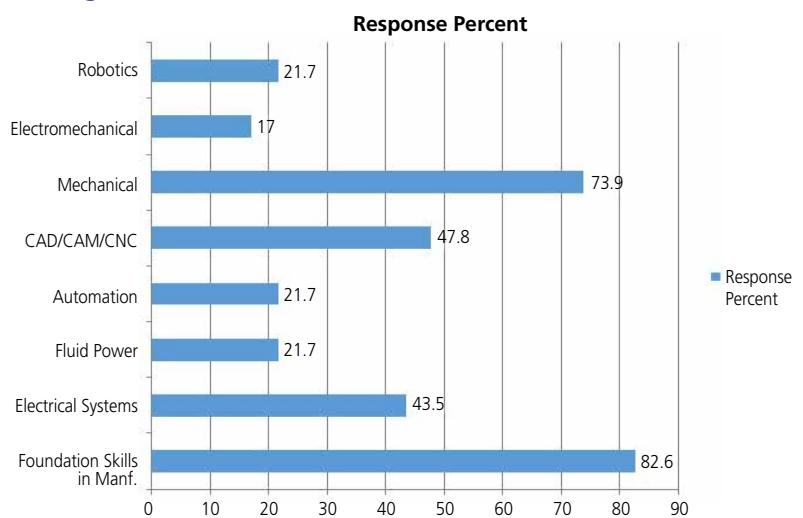
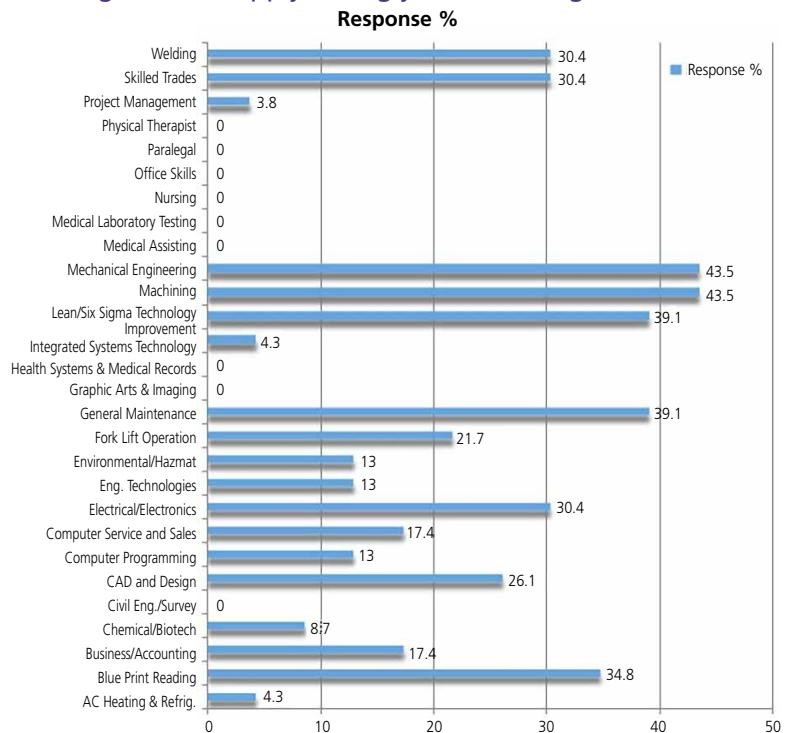


FIGURE 2

Please indicate which occupation or education skills your workforce has a need for or which skills you have identified as being in short supply during your recruiting efforts



Without a standard course of study in Advanced Manufacturing, industry leaders had the unique opportunity to create a program specific to Lincoln County – Manufacturing a Future that Works.

With the Manufacturing a Future that Works curriculum designed collaboratively with the school district and industries and the first phases financed through the reallocated bond money, Lincoln County Schools had remaining funds to add further initiatives in the school system.

of seven companies. Another consortium apprenticeship program began organizing in 2013, Apprenticeship Catawba.

With both programs working to recruit students in line with the apprentice disciplines in mechanics and engineering, as well as the industry survey pointing to the same areas of need, it was easy to identify what subjects needed to be taught at the centrally located Lincoln County School of Technology. A high school, functioning as a county wide vocational school, the School of Technology programs prepare students with the skills, both academically and vocationally, for entry into the labor market or for two-year or four-year college.

IMA determined to best address industry requirements, preparing students through the high school curriculum as Automated Operators/Mechatronic Systems Assistant would be the desired outcome. A student's completion of the curriculum at the high school level would help meet the need for entry level operator positions with local and regional employers as well as lay the foundation for continued education at the college level.

Knowing the state didn't have a curriculum available, the CTE director searched neighboring school districts to determine if others had implemented a similar local course. Only one school system had developed a Local Option Course, which meant it had developed a blueprint and purchased curriculum through a private vendor. However, this community had a large representation of industries with machining operations and designed the blueprint accordingly: safety, hand tools, quality management, and programming Computer Numerical Control (CNC) milling machines.

Lincoln County Schools had approved a bond issue several years earlier for \$675,000 to be used toward developing a program in culinary arts and hospitality. Without a large demand of workers for this industry, the program had not been implemented. With the bond money still available, Lincoln County Schools and the CTE program recommended to the School Board to use these funds to support the alignment initiative between industry and the education system. With the board and county commissioner's approval, the alignment initiative received a budget of \$675,000 and the parameters of the curriculum were defined.

Using the machining program as a guide, IMA representatives worked with a private vendor to design the Advanced Manufacturing curriculum as a four semester

program. Item by item, manufacturing managers discussed what should be offered and in what order. For Levels I and II, the course curriculum would include:

- Math for technicians,
- Safety,
- Hand tools,
- Electrical systems,
- Blueprint reading,
- Power tools,
- Introduction to advanced manufacturing,
- Employability skills, and
- Mechanism technology.

In Levels III and IV:

- Lean manufacturing,
- Measurement and quality control,
- Math for technicians II,
- Pneumatics,
- Hydraulics,
- Sensor technology,
- Robotics,
- Material handling, and
- Computer integrated manufacturing I & II.

As the program grows, Levels V and VI will involve training in mechatronics, specifically in Programming Local Controllers (PLCs), mechatronics systems, electro pneumatics, and electro hydraulics.

With the Manufacturing a Future that Works curriculum designed collaboratively with the school district and industries and the first phases financed through the reallocated bond money, Lincoln County Schools had remaining funds to add further initiatives in the school system. Building upon earlier intervention and enhanced STEM initiatives, the district chose to build upon the current elementary STEM foundation by adding Engineering Is Elementary and CyberKids Robotics at all elementary and middle school levels. The addition of classes in the elementary and middle schools will be used to feed the high school program and further develop a pipeline of students.

Building upon earlier intervention and enhanced STEM initiatives, the district chose to build upon the current elementary STEM foundation by adding Engineering Is Elementary and CyberKids Robotics at all elementary and middle school levels. The addition of classes in the elementary and middle schools will be used to feed the high school program and further develop a pipeline of students.

TAKEAWAYS

In light of continuous improvement, the collaboration has several takeaways.

1. Begin the process well in advance of the time of implementation in the schools.
2. Have an advisory team consisting of manufacturing representatives to interact with the team of educators and provide input as a plan is developed.
3. Industries must agree on the common need, in this case, Mechatronics Operator positions. Without this common goal, it would have been impossible to develop a targeted advanced manufacturing curriculum at the high school level.
4. This program is developed to be successful because it is a pool of industries working together. No one industry alone can guarantee enough jobs to sustain the program, but together the risk is spread.
5. As training labs are developed, realize not all are equal. The team of industry representatives needs to be included in the decision making process and make in depth comparisons to get the best fit for what local industry is using and make sure the community college is prepared to transition the students once they graduate from high school.
6. Classes offered through the schools are weighted as honors classes to encourage students to enroll in the advanced manufacturing classes.
7. For the success of such a program, have a strong point person to keep everyone coordinated and moving forward. Without good communication among all stakeholders, program implementation would fail.
8. With the curriculum in place, the program must be sold by creating enthusiasm among the students to enroll in the courses. Under the branding of Manufacturing a Future that Works, a marketing effort was developed to promote the curriculum through industry tours to students and educators.

An annual manufacturing career fair within a warehouse at one of the advanced manufacturing facilities hosts high school Career and Technical Education students to highlight future possibilities within industries. Web sites, creative videos, and visuals are being developed to emphasize the curriculum and the jobs of the future in manufacturing.

SECURING RESOURCES

For Lincoln County Schools, LEDA, and IMA, an introduction class to manufacturing was a success. With the initial goal of offering a class at each high school beginning in fall 2014, and after registration, the program numbers were very impressive: a total of 161 students registered for the first manufacturing classes. This provided a strong indicator of interest among students and raised the bar for success.

In order to expand the program, additional funding was necessary. North Carolina is fortunate to have the Golden Leaf Foundation, a nonprofit organization established in 1999 to help transform the state's economy, specifically in rural counties. Through the application process, Lincoln County Schools was invited to submit a grant request for the Manufacturing a Future that Works program.

The Golden Leaf Foundation saw a program that aligned with their objectives of skill and labor force development. Through the grant program, the school district received enough additional funds, \$200,000, to pay for the necessary equipment to expand the basic program from each of the four high schools to the Lincoln County School of Technology where the advanced programs in Career and Technical Education are administered.

TAKING IT TO THE NEXT LEVEL

The program's success has recently reached new heights. Lincoln County is also fortunate to have The Timken Company of Canton, OH, as one of its largest manufacturing employers and also a pillar of support in the community. Over the years, Timken's foundation has

generously supported various projects within the county. As a stakeholder in the development of human capital, the program was presented to Timken and its foundation for additional funding for future expansion. With a request of \$400,000, this would bring the overall funds allocated to Manufacturing a Future that Works to \$1.2 million. Lincoln County would be well on its way to having a complete curriculum in Advanced Manufacturing and Mechatronics paid for and implemented.

Recalling it was Jack Timken's own words that prompted a second look at STEM initiatives and workforce investment efforts, Lincoln County Schools applied for a grant from the Timken Foundation. The application explained in detail the curriculum and how it had been designed by the local manufacturing management, down to the smallest details. IMA leadership had been involved even to the point of selecting machinery and determining the number of students who should work in teams at each station.

The application explained in detail the curriculum and how it had been designed by the local manufacturing management, down to the smallest details. IMA leadership

had been involved even to the point of selecting machinery and determining the number of students who should work in teams at each station.

A \$400,000 grant to the program, developed to address Timken's concerns, would support completing the curriculum with six levels of instruction introduced in two phases to the students and would certainly go far in human capital investment and workforce development. The Timken Foundation must have agreed as it awarded a \$650,000 grant to the program in September 2014.

INDUSTRY OPPORTUNITY

With funding in place to fully implement the Manufacturing a Future that Works curriculum, the opportunity now exists to create even more opportunity for existing industries. Because the School of Technology is approved to offer college courses, this facility can now be utilized after traditional school hours for continuing education purposes. The local community college is considering ways the machinery can be used for special training opportunities for industry, abbreviated classes, boot-camp training opportunities, and many other possibilities to serve the workforce.

FINAL THOUGHTS

The implementation of Manufacturing a Future that Works is a testament to the power of collaboration between industry and a local school system. A long term commitment by all stakeholders is imperative to the ini-

Industries have to be willing to be advisers/mentors and to participate in educational opportunities for students, parents, and educators. The school system must offer programs that respond to future needs of the workforce and that provide opportunities to prepare our students to be college or career ready. As economic developers, we have a responsibility to promote the needs of our industries and align our resources.

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new incentives and

OPPORTUNITIES FOR HOSPITALS TO ENGAGE IN LOCAL ECONOMIC DEVELOPMENT

By Kimberly Zeuli

INTRODUCTION

many hospitals have deep roots in their communities. Hospitals may close, but they rarely move to another location, which makes them important local economic anchors. They drive growth primarily through employment and purchasing. In 2012, hospitals employed nearly 5.6 million people and spent more than \$757 billion on goods and services from other businesses.¹ Hospitals are particularly important to inner cities: they create more inner city jobs than any other sector.² Hospitals are the largest employer in 77 of the largest 100 inner cities.³

In addition, some nonprofit hospitals are intentionally expanding their role locally, especially in inner cities, by supporting various economic development initiatives (see Zuckerman 2013). This article discusses the motivations behind this trend and presents three case studies from Minnesota, Maryland, and Ohio that offer models for other hospitals reconsidering their roles in their communities.

INCENTIVES FOR INTENTIONAL ECONOMIC DEVELOPMENT

Twenty percent of the nation's 1,250 large, nonprofit hospitals are located in an inner city.⁴ A number of these hospitals already engage in robust economic development initiatives in their communities. Their commitment is motivated by their mission to public health and, in an increasingly competitive industry, their self-interest in improving local conditions to help attract and retain employees and increase patient satisfaction. Over the



Image courtesy of Mayo Clinic

Hospitals such as Mayo Clinic have strong roots in their communities and are vital to economic growth. Pictured is Mayo Clinic's Gonda Building, located across the street from the site of the original Mayo Clinic building in downtown Rochester, Minnesota. The statues in the foreground depict William Worrall Mayo and Mother Alfred Moes, founders of Saint Marys Hospital from which Mayo Clinic began.

last 15 years, the healthcare field has also moved towards upstream investments that address the social determinants of health such as affordable housing and poverty reduction.

Anchors that act as intentional drivers of social and economic growth in their communities are creating shared value. The concept of shared value recognizes that organizations and their communities are inextricably bound together and organizations do well by doing good. As Porter and Kramer write in their seminal article explaining shared value for companies, "A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation

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RESHAPING THE ROLE THAT HOSPITALS PLAY IN THEIR COMMUNITIES

The significance of hospitals to their communities should not be limited to their role as a healthcare provider and large employer, especially in distressed inner cities. A few hospitals are leading the field and reshaping the role hospitals play in community and economic development. This article discusses the motivations behind this trend and highlights four hospitals from across the nation that serve as interesting role models. Hospitals that act as intentional drivers of social and economic growth recognize that their competitiveness and sustainability is determined in part by the economic health of their communities.

opportunities for its citizens.⁵ Anchor organizations that adopt a shared value perspective will put into place operations and policies that simultaneously increase the organization's competitiveness and improve economic and social conditions.

The Initiative for a Competitive Inner City (ICIC) has been at the forefront of developing the theoretical underpinning of a shared value framework that explores the mutually beneficial roles anchor institutions such as hospitals can play in their communities to expand economic opportunities while also delivering value to the institution. Founded in 1994 by Harvard Business School Professor Michael Porter, ICIC is a national, nonprofit research and strategy organization and a leading authority on U.S. inner city economies. The Anchor Institution Strategic Framework developed by Porter and ICIC defines seven roles an anchor can play in local community development: provider of products or services; cluster anchor; purchaser; employer; workforce developer; real estate developer; and community developer (figure 1).

The Internal Revenue Service (IRS) creates an additional incentive for nonprofit hospitals to support economic development by requiring them to provide (and report) community benefits to remain tax exempt. The average hospital spends 7.5 percent of its budget on community benefits, which may include subsidized direct care, community health improvements and contributions (e.g., supporting childhood immunization efforts and donations to community groups), and health professionals' education and research.⁶ At present, most hospi-

The Patient Protection and Affordable Care Act (ACA), passed in 2010, creates new incentives, and strengthens others, for nonprofit hospitals to expand their community benefits and proactively create healthy communities by catalyzing community and economic development.

tals meet their community benefits requirements chiefly through the provision of subsidized direct care.⁷

The Patient Protection and Affordable Care Act (ACA), passed in 2010, creates new incentives, and strengthens others, for nonprofit hospitals to expand their community benefits and proactively create healthy communities by catalyzing community and economic development. There are two provisions of the ACA, in particular, that encourage these hospitals to revisit their approaches to preventative healthcare. The first is a greater emphasis on community benefits; the second is its treatment of reimbursements for hospital-based care.⁸ As more people begin to receive healthcare through ACA, the number of people receiving charity care should decrease, allowing hospitals to shift those funds to other community benefits.⁹

The ACA clarified and standardized the community benefit reporting required by the IRS. It requires hospitals to report community-building activities in eight categories: physical improvements and housing; economic development; community support; environmental improvements; leadership development and training for community members; coalition building; community health improvement advocacy; and workforce development.¹⁰ The ACA also requires hospitals to conduct a Community Health Needs Assessment (CHNA) at least every three years to create more informed community benefit plans and to develop an implementation strategy to meet the needs identified in the assessment. To determine a community's health needs, the ACA mandates that hospitals consult with multiple stakeholders, including members of "medically underserved, low-income, and minority populations in the community served by the hospital."¹¹

Hospitals are required to report how they will address each community need surfaced in the CHNA in their implementation strategy or justify why they are not addressing a particular need. The CHNA also should include the resources to be deployed by the hospital and how success will be measured. According to Gary Cohen, president of the community health advocacy group Health Care Without Harm, "for the first time hospitals are being challenged to look beyond the four walls of their facilities and understand what is happening in the communities they serve."¹²

In addition, the ACA makes significant changes to the reimbursement policies of Medicare and Medicaid. Increasingly, hospitals will be paid for keeping people

FIGURE 1: ICIC'S ANCHOR INSTITUTION STRATEGIC FRAMEWORK



healthy, not just for immediate interventions. “We are moving to a health system and payment system that will place far greater emphasis on improving and maintaining people’s health,” says Edward Gerardo, director of community commitment and social investments at Bon Secours Health System. “It’s not just the immediate interventions of hospitals, but the intermediate ones, that will make those direct interventions more likely to succeed.”¹³

HOSPITALS LEADING THE WAY

Mayo Clinic: Rochester, MN

Rochester is synonymous with the Mayo Clinic, which has been a landmark institution in this small Midwestern city since it was opened in 1889 by the Sisters of St. Francis and Dr. William Worrall Mayo and sons.¹⁴ The Mayo Clinic is acutely aware of their community connections, especially because of their long history in Rochester. In thinking about their community outreach, Mayo believes “being a good corporate citizen is not just the right thing to do; it also benefits our patients, our employees and the wider community.”¹⁵ Mayo invests millions each year in hundreds of local community organizations working on health and wellness, education, youth enrichment, housing, workforce development, and human services.¹⁶ A few examples of additional community building efforts are highlighted below.

In the 1990s, as Mayo and other businesses grew, Rochester’s housing became increasingly unaffordable for many of the Clinic’s employees. As a result, in 1999 the Rochester Area Foundation reached out to Mayo to help start and partner on First Homes, a community land trust, with the goal of building 875 units in five years. Rochester Area Foundation invested \$1 million and Mayo invested \$7 million to help start the trust.¹⁷ In total, it cost \$19 million to build the homes, which were built by a number of local builders: \$9 million came from private sources, \$5.4 million came from local government, and \$4.6 million came from state government.

By 2007, First Homes reached its goal of building 875 units. The average purchasing price of the homes is \$100,000. Mayo employees have purchased 38 per-



DMC rendering

cent of the homes built.¹⁸ Mayo chose not to restrict its funds to build homes that could only be bought by their employees because they believed Rochester’s affordable housing shortage was a problem that needed a solution for the entire community. Mayo employees also participate on the boards of both First Homes and the Rochester Area Foundation.¹⁹

In January 2013, Mayo Clinic announced a 20-year, \$5 billion economic development initiative and expansion effort known as Destination Medical Center (DMC).²⁰ DMC is a public-private partnership between Mayo Clinic, the city of Rochester, Olmsted County, and the state of Minnesota. The funding for DMC is comprised of over \$5.5 billion in private investment by Mayo and other private donors and parties, and a proposed \$585 million from state and local jurisdictions.²¹ DMC’s goal is to secure Rochester as a global medical destination so that as Mayo Clinic expands and grows, Rochester can continue to sustain that growth.

The DMC proposal focuses on expanding Mayo’s facilities and services, creating new private amenities to meet visitor expectations, creating better housing options for Clinic employees and Rochester residents, and improving the public infrastructure to support the expected hundreds of thousands of new visitors to Rochester each year.²² The Mayo Clinic currently has the largest reach nationally and internationally of any medical system in the country, and with the development of the DMC they seek to secure the Mayo Clinic as a premier global medical destination, building upon the nearly 1.2 million patients from more than 135 countries served in 2012.

Mayo also fosters innovation and entrepreneurship in Rochester through Mayo Clinic Ventures, established in the mid-1980s. It is a business unit within the Mayo Foundation for Medical Education and Research, which is Mayo Clinic’s nonprofit arm. Mayo Clinic Ventures has three strategic priorities: technology transfer, local economic development, and investment funds.²³ Mayo Clinic

Credit – First Homes



First Homes home exterior

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Ventures manages two seed funds, is part of the evaluation process for an enterprise seed fund, and is on the investment committee for Mayo's venture capital fund, called the Venture and Growth Fund. The Venture and Growth Fund is the largest fund; Mayo Clinic Treasury Services provides up to \$100 million annually for this fund.

Mayo Clinic Ventures invests in 4-6 deals per year through the Venture and Growth Fund. They usually invest from \$250,000 to \$2 million in venture investments and around \$2 to \$20 million in growth investments.²⁴ The other three funds support ideas and entrepreneurs in the seed stage to develop Mayo research ideas into new technologies. All of Mayo Clinic Ventures' investments are focused on businesses that provide strategic value to Mayo and have a high probability of success. In total, Mayo Clinic Ventures has equity stakes in 93 companies, of which 35 started in Minnesota.²⁵ This enhances the supply base of new businesses that support patient treatment at Mayo.

In partnership with the Rochester Area Economic Development, Inc. (RAEDI) and the city of Rochester, Mayo Clinic Ventures also founded the Mayo Clinic Business Accelerator in early 2013. Rochester City Council authorized \$100,000 in sales tax funding for RAEDI, and Mayo Clinic contributed \$100,000. The office space was already owned by the City of Rochester.²⁶ The accelerator currently provides space to 12 companies and four venture capital firms, as well as The City of Rochester, RAEDI, Mayo Clinic Ventures, and Mayo Clinic Treasury Services, which are all strategic corporate partners. The latter three also serve as business advisors.²⁷

While there are no formal criteria for acceptance into the accelerator, the companies in the accelerator are early-stage and most are pre-revenue. Many of the accelerator's companies are in healthcare-related industries such as medical device development and healthcare IT.²⁸ While Mayo Clinic Ventures doesn't have any funds directly invested in the accelerator, they will invest in accelerator companies. For example, one of the accelerator's companies, Ambient Clinical Analytics, which creates Electronic Medical Records data analytics software, received start-up capital from one of Mayo Clinic Ventures' seed-stage funds, and is now one of the companies they invest in through the Venture and Growth Fund.²⁹

Bon Secours Health System: Baltimore, MD

There are eight nonprofit hospitals operating in Baltimore's inner city.³⁰ One of them, Bon Secours Hospital,

is located in the distressed West Baltimore neighborhood in the urban core of Baltimore. Established by Catholic nuns in 1919 as a charitable institution,³¹ the hospital has helped provide essential healthcare to local residents. But more recently, the hospital has also proactively engaged in programs with the intent of raising the standard of living in its community. They did this in part because they want to address the social determinants of health and in part out of "enlightened" self-interest.

Bon Secours Hospital faced employee recruitment and retention challenges in Baltimore due to the distressed condition of the neighborhoods surrounding the hospital, which had been declining throughout the 1970s and 1980s. In addition, poor quality housing was a health concern for local residents. In response, in 1995 the hospital, through its housing development arm, decided to purchase 31 vacant row homes and a vacant school building near the hospital. Bon Secours then launched Operation ReachOut, a community coalition, to identify community concerns in West Baltimore, advise Bon Secours on how to manage the purchased housing, and create a family support center in the neighborhood in the school building.

By 1997, Operation ReachOut evolved into Operation ReachOut Southwest, a nonprofit CDC comprised of community businesses, churches, residents, partner organizations, and neighborhood associations. Bon Sec-



Bon Secours row homes

Credit: Bon Secours COMMUNITY WORKS

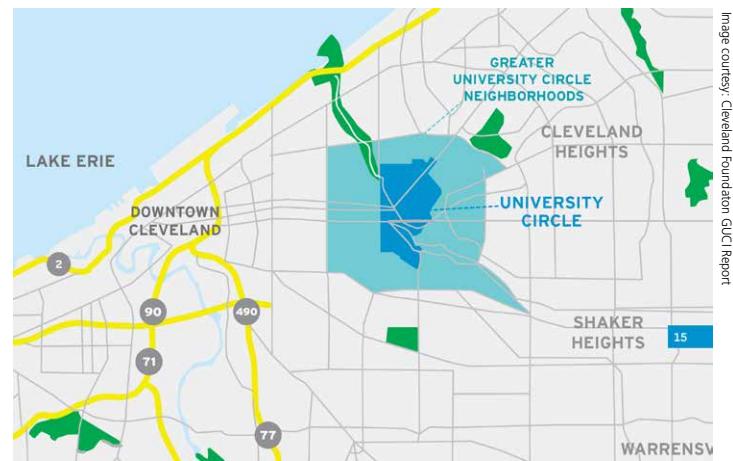
ours partnered with this group to create a 20-year revitalization plan for Southwest Baltimore in 1997, with the following areas of focus: economic development, health, education, public safety, physical planning, and youth and seniors.³² Many of Bon Secours' community efforts and programs, run through its non-profit subsidiary, Bon Secours Community Works, are done in partnership with Operation ReachOut Southwest.³³

As of September 2013, Bon Secours Community Works had converted over 640 vacant lots into green spaces, removed 700 tons of waste from the neighborhoods, and provided over 60 home improvement grants totaling over \$775,000 to homeowners for residential improvement projects. Bon Secours believes that the improvements in the neighborhood have, in part, lowered the barriers to staff recruitment and retention as well as increased the demand for elective procedures.³⁴ As of March 2014, Bon Secours owned 648 housing units: 530 for disabled seniors, and 119 for families. The family housing, located in 59 row homes, is located close to the hospital and includes the 31 initially purchased.³⁵ In the future, Bon Secours is looking to roughly double their number of units.³⁶ Before Bon Secours started fixing up abandoned properties in the target area, 67 of the area's 101 units were vacant.³⁷

Bon Secours also invests in local businesses by shifting procurement locally to support the growth of West Baltimore and Baltimore City businesses. In 2011, six percent of Bon Secours' total procurement, or \$2.4 million, went to 87 suppliers located in the hospital's West Baltimore neighborhood. For the city of Baltimore as a whole, including the West Baltimore neighborhood, Bon Secours spends \$14.9 million, or 37 percent of its total spending, with 337 local suppliers.³⁸

In 2012, Bon Secours spent 12 percent of its total operating expenses (\$14 million) on community benefits. By comparison, most hospitals in Maryland devoted between two percent and six percent of operating expenses to community benefits.³⁹ These initiatives are integrated into a larger comprehensive program, launched in 2008 called the Bon Secours Building Healthy Communities Initiative, which seeks to respond to the social determinants of health including poor housing and environmental factors. The Initiative includes six other communities around other hospitals in their system: Downtown St. Petersburg, FL; Argillite, KY; Northwest Bronx and Upper Manhattan, New York City, NY; Sterling, Greenville, SC; East Ocean View, Norfolk, VA; and Church Hill and East District, Richmond, VA.⁴⁰

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Greater University Circle Initiative Target Area.

Cleveland Clinic and University Hospitals Case Medical Center: Cleveland, OH

Cleveland Clinic and University Hospitals Case Medical Center, the two largest employers in Cleveland, are located in University Circle, a district adjacent to Cleveland's distressed downtown. While University Circle boasts 17 major institutions, including a remarkable concentration of arts and cultural institutions, it is surrounded by seven residential neighborhoods characterized by blight, high poverty, and high unemployment.

In 2005, the Cleveland Foundation brought together several University Circle anchor organizations, including the Clinic and University Hospitals, to support a collaborative redevelopment initiative in the neighborhoods surrounding University Circle. Although each hospital carries out their own individual community-building programs similar to Mayo and Bon Secours (see Zuckerman 2013), the focus of this case study is on their involvement in the Greater University Circle Initiative (GUCI), which offers an alternative model of hospital engagement.⁴¹ The insights that follow are drawn primarily from the Cleveland Foundation's 2013 report – *Cleveland's Greater University Circle Initiative: A Partnership between Philanthropy, Anchor Institutions and the Public Sector*.

GUCI was created to leverage the economic strength of the area's large institutions to promote dialogue about the future of the surrounding neighborhoods and to catalyze and fund projects that transform both the built environment and the lives of residents. GUCI is focused on four strategic outcomes: institutional partnerships, physical development (transportation and real estate development), economic inclusion (buy, hire, and live local), and community engagement (empowering local residents to guide revitalization).

In less than a decade, GUCI has achieved many successful outcomes. It has stimulated hundreds of millions of dollars of new investment in the neighborhoods of Greater University Circle, established a new workforce training institute, completed a mixed-use development, and expanded public transportation to more effectively



Evergreen Laundry

connect anchor institutions to surrounding neighborhoods. In addition, it established the unique Evergreen Cooperative Corporation. Evergreen establishes new ventures, structured as worker-owned cooperatives, in industries where anchors are trying to purchase locally but lack suitable suppliers.

The cooperatives aim to provide living-wage jobs and wealth creation opportunities for neighborhood residents. The employee owners must invest \$3,000 in the cooperative through a minimal payroll deduction.⁴² In return, they govern the organization, receive a fair wage, and share in annual profits. Each cooperative also returns 10 percent of its earnings to the development fund to provide financing for new co-ops.

Evergreen's first co-op was Evergreen Commercial Laundry, which has the capacity to clean 10-12 million pounds of linens a year, and employs about 45 people. Its second venture was Evergreen Energy Solutions. That business started out installing solar panels and has expanded into home weatherization, rehabilitation, and LED lighting projects. The newest Evergreen company is Green City Growers Cooperative,⁴³ which opened in February 2013. It operates a 3.25 acre hydroponic greenhouse and employs 28 people. Both hospitals have pledged themselves as customers to the cooperatives as they launch.

In support of its institutional partnership strategy, GUCI established a collaborative leadership structure. GUCI convenes representatives of 11 University Circle institutions as part of its Leadership Group. Cleveland Foundation serves as the lead partner of GUCI and the Leadership Group provides the primary oversight over GUCI. The Group meets quarterly to set project priorities and report on progress toward goals, with dedicated Cleveland Foundation staff providing administrative support. GUCI is funded by grants and donations from participating institutions. University Hospital, for example, contributed \$250,000 in seed money to GUCI when it was launched and millions more to various programs since then. Today, GUCI has over 50 funders and partners.

WHAT ROLE FOR ECONOMIC DEVELOPMENT PROFESSIONALS?

While there are more hospitals engaged in intentional economic development than the four profiled here, very few have such comprehensive and strategic strategies. Most hospitals limit their activities to those included in their pre-ACA community benefit activities (including charitable care), employee volunteer efforts, and charitable donations. In addition, there are still hundreds of hospitals that are not yet proactively working to improve the social and economic conditions of their communities. Economic development professionals can help shape the economic and community development role hospitals play in their communities through three sets of actions: motivation, guidance, and implementation support.

Motivation

Economic development professionals can help spur a hospital to action in their community, or expand their efforts, by developing a shared-value business case that resonates with hospital leadership. This sentiment is echoed in the recent report on the Greater University Circle Initiative: "More than ever before, leaders in Cleveland understand that the health of University Circle is integrally tied to the vitality of its adjacent neighborhoods – and this, more than any other factor, underlies the Initiative's success."⁴⁴

The business case should include the benefits to the community as well as the benefits to the hospital. New research by ICIC identifies four streams of benefits to anchors from community building activities: (1) the process for approving and completing real estate development projects is streamlined when it is shaped by community input and aligns with economic development plans; (2) increased demand for non-elective procedures and high patient satisfaction ratings; (3) improved and expanded local supplier networks can increase operational efficiency and innovation; and (4) employee attraction and retention, which helps hospitals remain competitive by capturing and retaining "top talent".

The Anchor Institution Strategic Framework discussed here can be a useful tool to both frame the seven roles a hospital can play to comprehensively address social and economic conditions in their community and help large organizations identify efforts already underway across the organization. The community benefits department

ACRONYM CHART

Acronym Full Spelling

ACA	Patient Protection and Affordable Care Act
CHNA	Community Health Needs Assessment
DMC	Destination Medical Center
GUCI	Greater University Circle Initiative
ICIC	Initiative for a Competitive Inner City
IRS	Internal Revenue Service
RAEDI	Rochester Area Economic Development, Inc.

may not always know what the real estate development department is planning, for example. ICIC used this tool effectively with Cleveland Clinic to help them assess their existing initiatives and perform a gap analysis based on community needs. Including “best-practice” examples and outcomes from world-class hospitals, such as Mayo and Cleveland Clinic, will provide additional compelling evidence.

Mayo and Cleveland Clinic credit their community building initiatives with improving their patient and employee satisfaction and therefore their overall competitiveness. Mayo Clinic is consistently ranked as one of the nation’s best hospitals for patient satisfaction and its commitment to employees has helped the Clinic secure *Fortune Magazine’s 100 Best Companies to Work For* 11 years running.⁴⁵ Cleveland Clinic found that in addition to the community improvements that benefit the hospital, their participating in GUCI allowed them to get feedback year-round that helped shape their operations.⁴⁶

The challenge in many communities will be identifying the right contact person at the hospital, especially when they are part of larger healthcare systems. Ideally, one would be able to meet with the hospital CEO, but if this is infeasible, a good place to start is with someone in the community benefit or community outreach/engagement departments. Supplier diversity staff are also helpful contacts and often participate in local economic development networks.

Foundations and health advocacy organizations, such as Community Catalyst, The Hilltop Institute and Health Care Without Harm, can be effective partners given their extensive knowledge of hospitals and the ACA requirements. The Cleveland Community Foundation is a great example of the leadership foundations can play in motivating anchor initiatives because of their convening power.

Guidance

Economic development professionals can guide a hospital’s economic development initiatives through community advisory boards and CHNAs. They will be able to provide hospitals with insights into community needs, future plans, local organizational capacity, and existing community initiatives to avoid duplication. They should also be able to offer examples of what types of initiatives are possible from other hospitals. Two useful resources for finding additional hospital case studies are ICIC’s online library of best practices (www.icic.org) and various reports by Democracy Collaborative (<http://democracy-collaborative.org>).

Bon Secours credits their success in part to the community advisory board and steering committee they established to inform their initiatives and guide development in the neighborhood. They include neighborhood residents, local nonprofits, city-wide planning and housing associations, and pro-bono legal and architectural service providers. When Bon Secours began its community development initiatives, they quickly learned that they would not be successful if they continued to make unilateral decisions. They made a commitment to more inclusive planning efforts with the community.⁴⁷

Initial GUCI planning involved not only the anchor institution leaders, but also staff from government agencies, community development corporations, and neighborhood community groups. The input from these various groups helped refine GUCI work plans by determining where GUCI could fill gaps in local capacity.⁴⁸ Mapping the unified development plans created a turning point for the Initiative. As stated in the Cleveland Foundation report, “Institutions that had long confined their thinking to development within individual property boundaries now saw a path to working together toward larger and more connected goals.”⁴⁹ GUCI still incorporates input from these various groups through its Leadership Group and community engagement efforts.

In Rochester, the DMC created an economic development agency with a board consisting of members of the medical community, city, and county, including RAEDI, to help guide its community development plan.⁵⁰ In addition, community input is gathered through a series of open meetings to ensure that the input is representative of the entire Rochester community.⁵¹

As noted here, the ACA requires hospitals to conduct a CHNA at least every three years to create more informed community benefit plans that include input from multiple stakeholders. Economic development professionals could be important informants in their local hospital’s CHNA and implementation partners. Hospitals, and the healthcare advocacy groups mentioned earlier, can provide information on hospital community benefit plans, activities, and benchmarks.

Implementation Support

Economic development professionals should help inform the new community benefit implementation plans required by ACA. They can lend their expertise on how to most effectively implement new programs, the root causes behind some of the social determinants of health (poverty, crime, poor housing, etc.), and ensure that the

plans are aligned with community economic development priorities. This type of alignment, which is embodied in GUCI, maximizes the impact of economic development initiatives. As just one example, to support GUCI, the Cleveland Planning Commission designated Greater University Circle as an official planning area in 2007.

The Mayo Clinic's efforts are also aligned with Rochester's economic development plans and the Clinic partners with the RAEDI on several initiatives. RAEDI is spearheading the development of a five-year growth strategy, the Rochester Area Journey to Growth Plan, that is focused on growing sectors other than health but still capitalize on the DMC. According to Gary Smith, RAEDI's president, "40 percent of Rochester's economy is dependent on Mayo, and we want to make sure that as Mayo grows that percentage doesn't grow as well."⁵²

Economic development professionals may have the greatest impact when new hospitals are being built. The new Martin Luther King, Jr. Medical Campus in Los Angeles is an illustrative example. The county supervisor Mark Ridley-Thomas recognized the importance of the hospital to the distressed Watts community where a former hospital was built after the Watts race riots but ultimately failed. The county wanted to leverage their more than \$400 million dollar investment in the hospital to create economic opportunities for local residents. To do so required integrating community input and multiple local planning efforts into a single vision.

By 2010 a master plan for the area and a technical assistance report had been completed, but there was no implementation plan. ICIC partnered with the hospital working group to develop a roadmap for implementation. ICIC applied its anchor institution strategic framework to analyze opportunities for the hospital to invest in its community. Key stakeholders were convened to develop a shared understanding of priority projects and priorities for workforce development, local hospital purchasing to support small business growth, and real estate development. The hospital is under construction and they are moving forward on the implementation plan.

CONCLUSION

The movement of the healthcare field towards addressing the social determinants of health creates new opportunities for economic development professionals to partner with local hospitals to expand their intentional community and economic development initiatives. The ACA provides additional incentives for this type of partnership, making this an opportune time to start new conversations with hospitals about the role they can play in improving their communities, especially when they are located in distressed inner cities.

The Mayo Clinic, Bon Secours, Cleveland Clinic, and University Hospitals have paved the path by taking new approaches to the creation of community benefits, spurring economic growth and helping to create healthy communities with a variety of initiatives. Their comprehensive initiatives include making workforce development more effective, growing local businesses by shifting procurement, improving housing options and reducing blight, and expanding public transportation. In the case of new hospitals, such as MLK in Los Angeles, it meant imagining a new type of hospital that not only provides essential health care but also creates shared economic opportunity.

By making valuable and long-lasting contributions to the social, economic, and physical health of their neighborhoods, they're helping to ensure their own economic futures, as well as the health of their communities. This type of shared value can be used to help motivate other hospitals to expand their community building efforts. As the four hospitals profiled in this article show, by embracing shared value strategies and engaging in community projects that address many of the social determinants of health, hospitals can improve the health of their patients, reduce readmissions, attract top talent, and strengthen their overall competitiveness in the market. ☐

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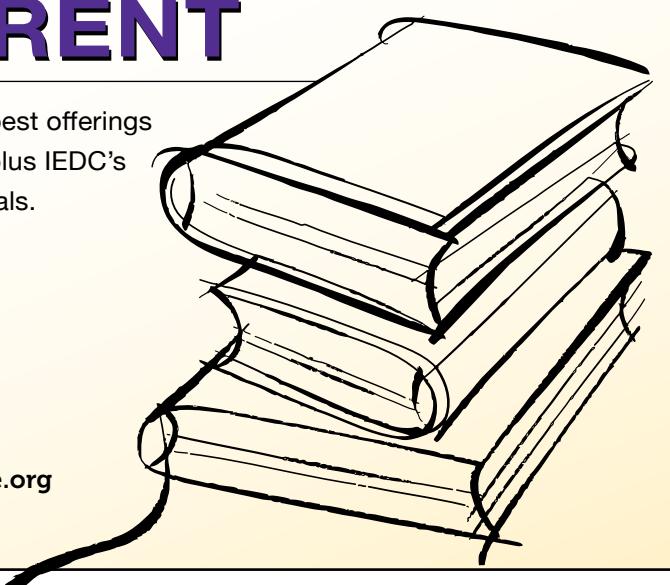


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ENDNOTES

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NEWS FROM IEDC

EDRP RELEASES NEW REPORT ON SHIFTING WORKFORCE DEVELOPMENT INTO HIGH GEAR

A skilled workforce is one of the most important factors impacting a community's competitiveness. The recently released report from IEDC's in-house think tank, the Economic Development Research Partners (EDRP), *Shifting Workforce Development into High Gear: How Economic Developers Lead Workforce System Alignment* explores new policies in workforce development and how economic developers can take a lead role in creating talent pipelines.



The report provides an overview of the players in workforce development, a survey of economic developers' approach to the issue, five case studies of organizations making an impact, and recommendations for how to best influence workforce development on a regional, state, and local scale.

The report is available from www.iedconline.org and is free for members to download. Non-members can purchase it for \$60 from IEDC's bookstore.

DEFINING THE RESHORING DISCUSSION

There is a lot of buzz around reshoring in the media. Yet without clear definition, it can be challenging to determine how economic developers can leverage reshoring opportunities.

In early 2015, IEDC plans to release a publication that defines the reshoring discussion for economic developers. This easy-to-read publication will provide practitioners with a clear understanding of what is reshoring, why companies are returning jobs, and what efforts can influence the decision making process.

The report, descriptions of federal resources, and links to recent articles and studies can be found on the Reshoring American Jobs webpage found on IEDC's homepage. This work is funded by a grant from the U.S. Economic Development Administration.

DISASTER PREPAREDNESS IN COASTAL NORTH CAROLINA AND SOUTH CAROLINA

On a sunny day, the thought of planning for disasters is far from your mind. Yet, it is the perfect time to meet with local businesses to ensure they are prepared when the skies go dark.

IEDC and the National Association of Development Organizations are collaborating with the coastal border region of North Carolina and South Carolina on

disaster preparedness strategies. As disasters know no borders, this project explores opportunities for cross state border collaboration for disaster support and preparing local businesses.

The findings will be presented at customized business continuity workshops. For more information on how to prepare your community for disaster, visit www.restoreyoureconomy.org.

AEDO PROGRAM CONTINUES TO GROW

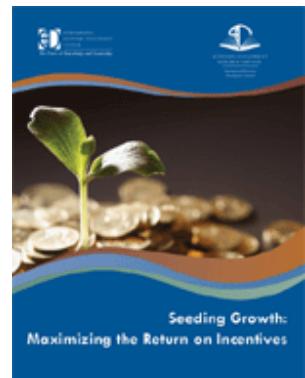
With three accreditation applications and nine reaccreditation applications under consideration, the Accredited Economic Development Organization (AEDO) program continues to grow. When the committee meets for the first time in 2015, it will vote on many of these applications. With such a high level of activity, IEDC is optimistic that 2015 will be the program's best year yet.



Earning AEDO accreditation is an effective way for economic development entities to increase their visibility in the community and gain independent feedback on their organizational operations. For more information, contact Program Manager Tye Libby at tlibby@iedconline.org.

SEEDING GROWTH: MAXIMIZING THE RETURN ON INCENTIVES

Incentives are a commonly used economic development tool, yet many economic developers are unsure of how best to use them. A new EDRP paper brings clarity to the issue. Starting with the principle that incentives are community investments, *Seeding Growth: Maximizing the Return on Incentives* discusses key variables and computation methods needed to measure return on incentives (ROI).



The report offers guidelines for designing, managing, and evaluating incentive investments. Among the report's recommendations: enunciate a clear purpose, attach binding criteria to investments, and reward performance rather than speculation. These guidelines represent a "menu" of policy alternatives that practitioners can use to increase ROI.

Free for members to download from www.iedconline.org and non-members can purchase it for \$25 from IEDC's bookstore.

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August 13-14
Atlanta, GA

Business Retention & Expansion

August 20-21
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Neighborhood Development Strategies

September 24-25
Baltimore, MD

Workforce Development Strategies

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saving a base, RESHAPING A CITY

By Curtis R. Cobert, Jr. and Michelle B. Chapleau

Virginia Beach is a city that is widely known as a vacation destination with 38 miles of beachfront from the Atlantic Ocean to the Chesapeake Bay. However, for many residents, there is one part of this city that holds more meaning than its position on the Atlantic. That's the Navy.

Sights and sounds of Navy jets are an image that Virginia Beach residents and visitors are accustomed to daily. If you get up early enough, you can catch Navy men and women exercising and training on the beach. Here, you rarely hear anyone complain about the jet noise since most citizens prefer to call it the sound of freedom.

The Navy has become a huge part of the city's DNA since establishing a base here in the 1940's. The Master Jet Base, Naval Air Station (NAS) Oceana, generates 16,000 jobs with a total payroll of more than \$1.18 billion and produces more than \$400 million in goods and services each year. It

The Navy has become a huge part of the city's DNA since establishing a base here in the 1940's. The Master Jet Base, Naval Air Station (NAS) Oceana, generates 16,000 jobs with a total payroll of more than \$1.18 billion and produces more than \$400 million in goods and services each year. It is one of the most important contributors to economic stability in Virginia Beach and the Hampton Roads region.

is one of the most important contributors to economic stability in Virginia Beach and the Hampton Roads region. The military presence is so influential that Virginia Beach was listed among the best places to ride out the recession in 2010 according to the Brookings Institution.

In addition to Oceana, the Hampton Roads region is home to 10 military installations that service the Navy, Army, Air Force, and Coast Guard. The total employment of these bases exceeds 138,000, roughly ten percent of the region's population. (See Chart 1.)

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CHART 1. MILITARY EMPLOYMENT IN THE HAMPTON ROADS REGION

Military Installations in Hampton Roads

	Active Duty Personnel	Civilian Personnel	Total
Naval Station Norfolk	46,000	21,000	67,000
Joint Expeditionary Base Little Creek - Fort Story	14,638	4,841	19,479
Joint Base Langley-Eustis (Air Force)	8,628	2,847	11,475
Naval Air Station Oceana	8,500	2,400	10,900
Norfolk Naval Shipyard	588	9,160	9,748
Joint Base Langley-Eustis (Army)	6,349	1,142	7,491
Naval Air Station Oceana, Dam Neck Annex	3,000	1,600	4,600
Naval Weapon Station Yorktown-Cheatham Annex	1,510	1,377	2,887
Coast Guard Base - Portsmouth	1,450	250	1,700
Training Center Yorktown	555	2,763	3,318
Total Employment	138,598		

A STORY ABOUT BUILDING A PARTNERSHIP BETWEEN THE NAVY AND THE CITY OF VIRGINIA BEACH

The city of Virginia Beach developed a solution to the encroachment problems that plagued Naval Air Station (NAS) Oceana. These problems jeopardized the city's economic stability when NAS Oceana was included on the Base Realignment and Closure (BRAC) Commission's list for closure and relocation. What the city came up with was a model that has been so successful it has been replicated in other communities that face similar issues. The Oceana Land Use Conformity Program was created to deal with the amount of non-conforming uses around the base. It demonstrates how both localities and military branches can work together for a common goal. Due in large part to the success of the program, the business relocation portion, YesOceana, received IEDC's 2014 Excellence in Economic Development Gold Award for Real Estate Redevelopment & Reuse.

CHART 2. DIRECT ECONOMIC IMPACTS OF BRAC REALIGNMENT OF NAS OCEANA

	Total	City of Virginia Beach	Hampton Roads Region (Outside of Virginia Beach)
Drawdown			
Employment Lost	8,509	6,637	1,872
Active Duty	7,979	6,224	1,755
Civilian	530	413	117
Personal Income Lost (millions)	\$580.8	\$453.0	\$127.8
Procurement Lost (millions)	\$404.0*	\$0.6	\$0.8
Mothball			
Employment Lost	11,719	9,141	2,578
Active Duty	9,670	7,543	2,127
Civilian	2,049	1,598	451
Personal Income Lost (millions)	\$770.3	\$600.8	\$169.5
Procurement Lost (millions)	\$451.9*	\$25.2	\$43.6

*The bulk of expenditures at the base are for services not produced or provided locally (e.g., jet fuel and aircraft parts).

A TOUGH OPTION: DRAWDOWN OR MOTHBALL

The city's economic stability was jeopardized in July 2005 when NAS Oceana was included on the Base Realignment and Closure (BRAC) Commission's list for closure and relocation. The reason was due to the 46,663 acres or 72.9 square miles of land (an area larger than the city of Richmond, VA – the state capital) that had been filled with incompatible use property located around the base. An incompatible use is any land use that directly conflicts with the Navy's air-right easement over the land. One example of this would be if an explosives manufacturer located on an easement restricted piece of property. Because of this issue, BRAC wanted to move Oceana and its workforce to Cecil Airfield in Jacksonville, Florida.

Losing the base would be a huge setback not only to Virginia Beach but the entire Hampton Roads region and its economy. There were just two options on the table when looking at the base's closure/relocation – drawdown or mothball. Drawdown was the more viable option since it left the base operational and just relocated the jets. This option would have resulted in more than 8,500 jobs leaving the city. Another 6,500 indirect jobs (3,900 in Virginia Beach alone) would be lost throughout the region from companies that support the base in some capacity. This would have totaled 12,400 jobs lost in Virginia Beach and more than 15,000 jobs lost throughout the region. (See Chart 2)

Losing the base would be a huge setback not only to Virginia Beach but the entire Hampton Roads region and its economy.

The city's economic stability was jeopardized in July 2005 when NAS Oceana was included on the Base Realignment and Closure (BRAC) Commission's list for closure and relocation. The reason was due to the 46,663 acres or 72.9 square miles of land (an area larger than the city of Richmond, VA – the state capital) that had been filled with incompatible use property located around the base.

There were other negative impacts of a drawdown. It was estimated that more than 6,600 homes and rental units would have been added to the market with the mass exodus of military personnel. This loss in population would cause a reduction of \$11.5 to \$12.7 million in state and federal public school funding. This reduction is related to the 3,200 students in the Virginia Beach public school system who have a parent working on the base.

The other option, mothball, would have resulted in the complete relocation of NAS Oceana, leaving just 500 employees to maintain the facilities. The mothball option would have cost the city 17,500 jobs (7 percent of the work force) and 21,500 jobs in the Hampton Roads region. This would have been the most devastating option, which could have crippled the area's economy for years.

TO SAVE THE CITY, WE JOINED THE NAVY

BRAC wanted the city and the Commonwealth of Virginia to condemn and purchase any incompatible property around NAS Oceana and spend \$15 million per year to do so. This option would appease the Navy but would

have also destroyed neighborhoods and businesses within the city. There was another problem with this option. The city could spend \$15 million per year to acquire the property around the base, but there were no measures in place to stop future owners from trying to build new incompatible uses in the area.

Adding to the growing number of issues for the city's staff, landowners from around the base gathered before the City Council with t-shirts and banners proclaiming that their neighborhoods were in place first. They pleaded to the City Council not to take their land.

In December, five months after BRAC issued its list, the city had a game plan. It had decided to try to meet BRAC's requirements but did not want to disrupt the way of life for the city's citizens. Many different city departments became involved in this plan including Economic Development, Public Works, Planning, Finance, Communications, and City Attorney's Office.

The city had adopted a new comprehensive zoning law that prohibited all new incompatible development in areas around the base. These areas are known as Accident Potential Zone (APZ) -1, APZ-2, and Clear Zones, which are the areas around the base that fall into the jet's take-off and landing flight path. Immediately, this aggressive

This creative solution appeased the Navy and preserved many neighborhoods and businesses. The official name was the Oceana Land Use Conformity (OLUC) Program, with three major parts that have been equally important in the program's success: land use planning, acquisition, and roll back.



A squadron of Navy F-18 fighter jets flying over the coast of Virginia Beach. This is a common sight to see for tourists and residents.

ordinance prevented the development of 1,326 businesses and residential units that were in the pipeline. This new ordinance also had a significant impact on existing property owners. Owners of vacant residential property could no longer build on that land. In return, the city would compensate the owner for the land at a value that matched its development potential.

The plan focuses on three components – zoning changes, property acquisition, and a conformity program, which reduces incompatible development while promoting conforming uses in APZ-1. In a unique arrangement, the city and the Commonwealth of Virginia contribute a combined total of \$15 million per year to ensure the plan has the necessary funding to accomplish its mission. This creative solution appeased the Navy and preserved many neighborhoods and businesses. The offi-

FIGURE 1: OCEANA LAND USE CONFORMITY PROGRAM

ACQUISITION PLAN

- APZ-1/Clear Zone Use and Acquisition Plan
- ITA Property Acquisition Plan
- RAA Property Acquisition Plan
- Disposition of Acquired Properties



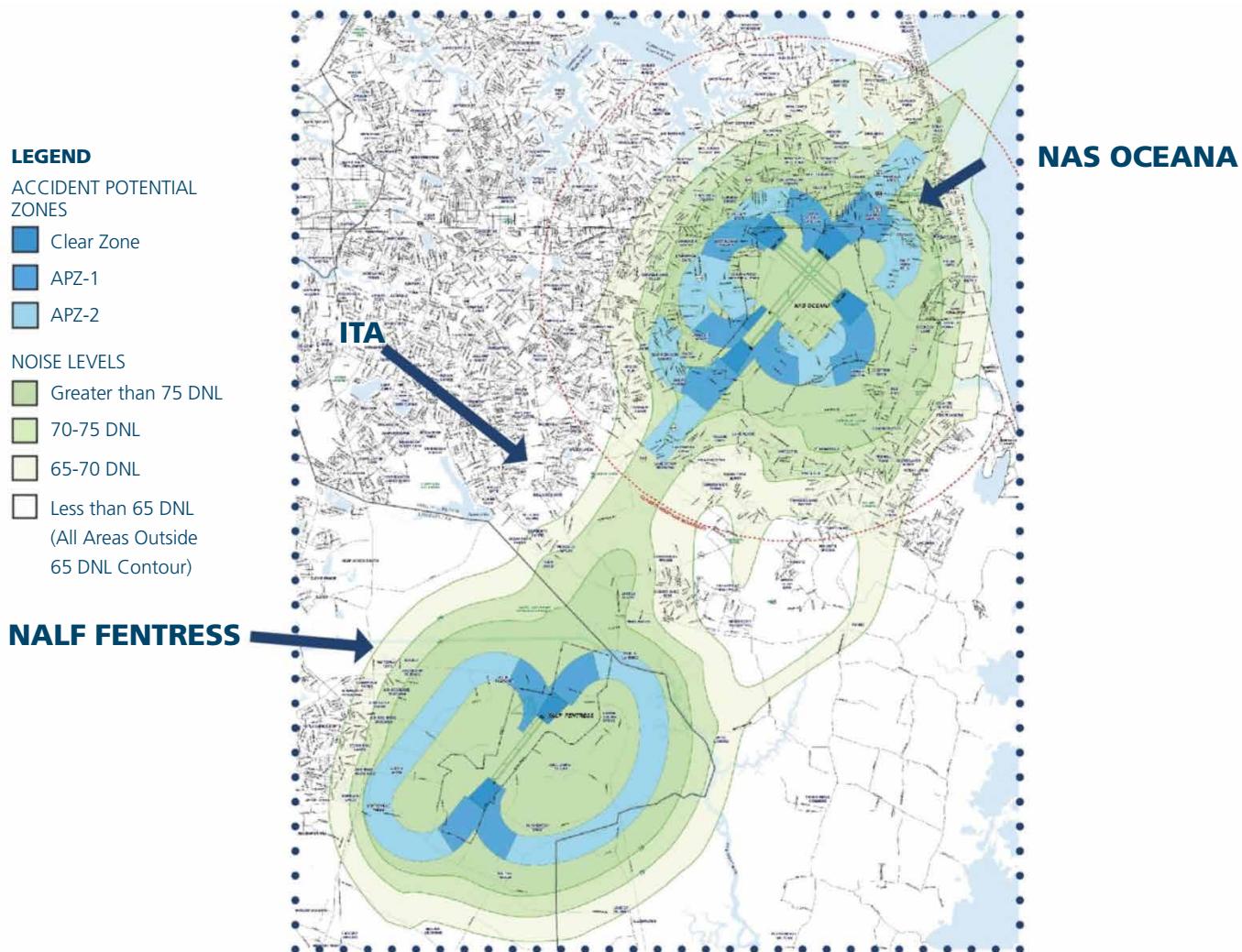
LAND USE PLAN

- APZ-1/Clear Zone Ordinance
- The AICUZ Overlay Ordinance
- The Resort Area Ordinances
- Creation of and regulation of the ITA and RAA
- MOU: City/Navy Review of Land Use Applications
- Legal Defense of the Land Use Ordinances

ROLL BACK PLAN

- Amending the City's Comprehensive Plan and Adding an APZ-1/Clear Zone Master Plan and an ITA Master Plan
- The OLUC: A Committee to Guide and Oversee the Roll Back Process
- The Relocation Incentives
- Staffing the Program: The Business Development Manager

FIGURE 2: MAP OF ACCIDENT POTENTIAL ZONES AND NOISE CONTOURS



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BREAKING DOWN THE PROGRAM

Step 1: Land Use Planning

The adoption of a new land use plan was the first step. The city originally adopted the Air Installation Compatible Use Zones (AICUZ) zoning ordinance in December 2005. The ordinance placed limitations on incompatible development and addressed the issue of residential uses. The city accomplished this by adopting the Navy's AICUZ Program and using it as an overlay for areas around Oceana. The AICUZ Program is the guide that the Navy uses to determine what kind of uses would be acceptable in areas around their bases across the country.

This new AICUZ Overlay Ordinance addressed four key areas:

- Discretionary development applications for incompatible uses (rezoning and conditional use permits),
- Residential development in the Interfacility Traffic Area (ITA) (the area between NAS Oceana and Navy

Air Landing Field (NALF) Fentress in Chesapeake, Virginia),

- Residential redevelopment within the AICUZ footprint, and
- Sound attenuation (a requirement for new houses to offset the sound of the jets).

The ordinance imposed limitations on discretionary development applications for property in the Noise Zones of 70 decibels or higher. The ordinance became even more restrictive in January 2008 when a new version was passed that included land inside the 65-70 decibel Noise Zones. As a result, 46,663 acres of property within the AICUZ footprint became subject to the Overlay Ordinance. (See Figure 2)

Residential redevelopment was also a major issue. Between 2005 and 2008, rezoning applications to replace existing residences with new homes were subject to the same standards as applications to develop vacant land. This was the case even if the number of units was to be reduced. City Council understood this problem and, in the 2008 update, it exempted applications for residential redevelopment from the ordinance if the application did not increase the number of units.



Examples of buildings constructed under the enhanced design criteria in one of the APZ-1 districts. Due to these design criteria, the program has also become a catalyst for redevelopment in these parts of the city. The design criteria cover such items as building materials, external finishes, landscaping, and signage.

The last component of the Overlay Ordinance addressed sound attenuation in the AICUZ areas. Since 1994, the city had required sound attenuation in all residential structures within the Noise Zones. In 2005, this requirement was expanded to commercial structures and other building types as well.

Step 2: The Acquisition Plan

Part of the BRAC compromise was a provision that the Commonwealth of Virginia and the city of Virginia Beach had to appropriate \$7.5 million apiece annually to fund the Acquisition Plan. The purpose was to aid those property owners who were affected by the plan's land use component that left their property with no viable use. The secondary focus of the plan was to acquire property in the ITA to reduce the number of incompatible uses. Both components of the Acquisition Plan were completely voluntary and only affected willing sellers.

The city established a Disposition Committee for residential property acquisitions, which reviewed every acquisition that was made to determine if the dwelling should be demolished or preserved. Each disposition determination required analysis into:

- The cost to noise attenuate and bring up to code existing single family homes,
- Whether the house can be rolled back (i.e. demolished) without unduly harming the neighborhood,
- Whether the property can be put to a current or future public use,
- The potential to assemble the property with adjacent lots to further reduce density,
- Whether the dwelling itself has historic value, and
- The cost to maintain a vacant site until it can be converted to a conforming use.

The properties are usually held for assemblage or converted to a conforming use. Demolished/vacant lots are marketed to adjacent land owners without creating additional development rights and reducing overall density.

Step 3: The Roll Back Plan

In adopting the initial ordinance in 2005, the City Council of Virginia Beach also wanted to develop some innovative means of "rolling back" the incompatible uses and replacing them with compatible ones. This portion of the program had a couple of different pieces that had to be accomplished.

First, the city had to amend its comprehensive plan to incorporate some guiding principles for the development in APZ-1. The first principle was to encourage the replacement of nonconforming uses in APZ-1 with con-

ACRONYM/TERM	DEFINITION
AICUZ	Air Installation Compatible Use Zone
APZ	Accident Potential Zone. There are two zones, APZ-1 and APZ-2; APZ-1 being the areas closest to the base.
BRAC	Base Realignment and Closure Commission
Compatible Use	A use of land that falls in line with the Navy's easement of the property
DNL	Day-Night Average Sound Level
Encroachment	Incompatible uses within the footprint of the Navy's easements
Incompatible Use	A use of land that does not fall within the guidelines of the Navy's easement
ITA	Interfacility Traffic Area; The land between Oceana Naval Base and Fentress Landing Facility
NALF Fentress	Naval Air Landing Field Fentress (Located in Chesapeake, Virginia)
NAS Oceana	Naval Air Station Oceana (Located in Virginia Beach, Virginia)
Noise Contours	Areas around the Base that are impacted by the sound of the jets
OLUCC	Oceana Land Use Conformity Committee

forming uses. This was accomplished through the use of incentives to encourage compatible growth in these areas. Second, this program would only involve willing property owners in the areas, meaning that no one would have their land condemned against their will. And finally, unsuitable/nonconforming uses would not be allowed to diminish the quality of life for residents in the area. This meant that the city had to keep the existing neighborhoods in mind when it was buying property, being careful not to destroy the integrity of the neighborhoods with these purchases and redevelopment opportunities. The underlying objective for all of this was to enhance the safety and welfare for those that work and live in and around the APZ-1 district.

Next, the Oceana Land Use Conformity Committee determined that a Master Land Use Plan was a necessary pre-requisite for the effective implementation of the Roll Back portion of the plan. In response, the city's Planning Department devised an amendment to the city's comprehensive plan that provided land use policy guidance, community design criteria, and other useful information pertinent to the future use of property in the APZ-1/Clear Zones.

After the land use plan was finished, attention turned to the issue of recruiting conforming businesses to these APZ-1 districts around the base. It was determined that the best way to handle this was by providing financial/zoning incentives in these areas.

The first of these incentives was a zoning incentive. This allowed compatible uses the ability to locate within APZ-1 without having to get a conditional use permit. This allowed a project to receive city approvals in a significantly shorter time frame, and it saved the businesses money they might have used trying to go through the approval process.

Another incentive was a Business Professional Occupational License (BPOL) tax reimbursement. For a period of 15 years, a business could receive a 90 percent rebate on the BPOL tax. Also there was a property tax exemption for 15 years. This provided tax abatement for the



In an effort to stay connected to the community, Oceana puts on its annual Airshow. The community gets the opportunity to go onto the base and interact with the military personnel.

DISTINCTIONS

- Virginia Municipal League's President's Award for Entrepreneurial Government 2009
- Naval Air Station Oceana selected as the Active Base Community of the Year 2010
- 4th place in the International Right of Way Association's Project of the Year 2012
- City of Virginia Beach Mayor William D. Sessoms, Jr. named Elected Official of the Year in 2012 by the Association of Defense Communities
- International Economic Development Council 2014 Excellence in Economic Development Gold Award recipient for the YesOceana Program – Real Estate Redevelopment & Reuse

rehabilitation, renovation or replacement of commercial or industrial improvements, resulting in the conversion of a non-conforming use to a conforming use in APZ-1.

The largest of these incentives was the Economic Development Investment Program (EDIP) grant. The EDIP grant comes from the city's Development Authority (City Council appointed board) and can be used to help recruit businesses and to grow certain areas of the city. City Council expanded the definition of Strategic Growth Areas (areas of the city that the EDIP was focused on) to include property/land that was located in the APZ-1. This allowed these properties to be eligible for the city's EDIP grants.

The key part of these incentives is the city's enhanced design criteria. In order to qualify for such treatment, the proposed use must conform to design criteria that ensure an organized and aesthetically pleasing appearance in the residential neighborhoods or other commercial areas.

RECOGNIZING SUCCESS

In 2008, the city's Department of Economic Development hired a business development manager to manage the APZ-1 incentive program on a daily basis. This portion of the program has been actively marketed as YesOceana.

Since YesOceana's beginning, 1,640 incompatible residential units have been removed. The city has rezoned 46,663 acres to stop encroachment, relocated 584 dwellings, and relocated 53 non-conforming commercial uses out of the APZ-1. Additionally, the city has committed \$2.4 million to promote compatible uses. Included in that total is \$1.8 million in EDIP grants to 26 businesses, which have leveraged \$20 million in new private investment in the city.

Also through this process, the program has become a catalyst for redevelopment of several major corridors in Virginia Beach. This has been aided by the fact that new builders must adhere to the enhanced design criteria in order to receive incentives.

The program has become so successful that the cities of Hampton and Chesapeake, VA, are establishing programs modeled after YesOceana and OLUC to help curb the issues they are facing around air installations in their areas, Langley Air Force Base and Fentress Landing Field, respectively. Virginia Beach is now splitting its funds from the state with the city of Chesapeake to help support its program.

The program has become so successful that the cities of Hampton and Chesapeake, VA, are establishing programs modeled after YesOceana and OLUC to help curb the issues they are facing around air installations in their areas, Langley Air Force Base and Fentress Landing Field, respectively. Virginia Beach is now splitting its funds from the state with the city of Chesapeake to help support its program.

Virginia Beach was confronted with a problem that could have damaged the city for decades. Instead of doing just enough and suffering incredible losses, the city decided to take matters into its own hands and with the help of many departments (City Attorney's office, Planning Department, Economic Development Department, Real Estate Office) and a strong alliance with the US Navy, a program was created that has changed the region for many years to come.

The commitment demonstrated by the Commonwealth of Virginia and the city of Virginia Beach and their partnership with the Navy continues to be successful in reducing and reversing incompatible development around NAS Oceana. This program serves as a model for other localities grappling with the problem of encroachment around military bases and for communities facing future BRAC Commission closure/relocation rounds. ☺

“The partnership between the City and State has been a true collaboration. Virginia Beach is fortunate that our State leaders recognize the significance and lasting effects of this program and are committed to protecting NAS Oceana.”

— William D. Sessoms, Jr. Mayor

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six questions and

SIX KEYS TO BETTER FUNDRAISING

By Susan P. Blansett, CEcD, CM

INTRODUCTION

according to Merriam-Webster, the first known use of the term “fund-raising” was in 1940 – unfortunately, the circumstances of that first use are not provided with the definition. But since modern economic development is largely a post-World War II phenomenon, it is doubtful the word was coined by a CEcD. More likely it was some agent of social change, intent on improving the lot of the poor, the oppressed, and the religiously or culturally unenlightened.

Most economic development professionals would agree that our profession has undergone significant and positive change since the ‘40s – even since the Great Recession of 2008. Yet as I discuss the issue with my ED and fundraising colleagues, we are forced to admit that there is a multitude of economic and community development organizations that still suffer through ineffective annual fund drives, high rates of investor/member churn, and smaller budgets than they have to. This is troubling for any number of reasons, but there is only one reason for it that really matters: *It short-changes their ability to have impact.* And an economic development organization that isn’t firing on all cylinders is not helping its community drive change or create greater opportunity for the next generation.

This is not a universal predicament, to be sure. There are leading chambers of commerce and EDOs that are exemplary at attracting money, leaders, and influence. Whether they employ the services of a consulting firm or do it on their own, they are to be congratulated. The fact remains, too many organizations struggle with fundraising on a regular basis,

Good fundraising and good investor relations will make your organization more resilient, more secure, better able to lead, and more effective at creating the kind of *impact* you want to have in your community/region. It’s really that simple – and while “simple” is not the same as “easy,” *it is within the capacity of almost any EDO to improve its bottom line by even modest alterations to the way it looks at, plans for, and executes its fundraising and investor relations.*

lacking the resources or the experience to turn it into a strength.

From a professional development standpoint, as we prepare each new generation of ED practitioners with technical competence, it seems fair to ask: *Are we also preparing them to be effective leaders? Are we teaching them how to secure and maintain organizational support?* If not, we may be dooming them and their organizations to mediocrity.

Good fundraising and good investor relations will make your organization more resilient, more secure, better able to lead, and more effective at creating the kind of *impact* you want to have in your community/region. It’s really that simple – and while “simple” is not the same as “easy,” *it is within the capacity of almost any EDO to improve its bottom line by even modest alterations to the way it looks at, plans for, and executes its fundraising and investor relations.*

This article challenges some common perceptions about fundraising, or at least introduces a perspective that some may not have considered

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LEVERAGING PASSION, COURAGE, AND LEADERSHIP TO ELEVATE PERFORMANCE AND RAISE MORE MONEY

Economic development organizations may be among the most impactful nonprofits working to improve community competitiveness and regional sustainability. Yet they often share the same frustration as other social-change organizations when it comes to securing financial support. The good news is that fundraising is not as onerous as most people believe it to be. Given sufficient attention and a good understanding of a few key concepts, almost any ED organization can learn to improve its bottom line and generate more resources for operations. As EDOs get better at fundraising and leadership engagement, their capacity to positively impact their cities/regions grows, which ultimately leads to greater economic opportunity.

SIX CRITICAL QUESTIONS FOR BUILDING A STRONGER BASE OF SUPPORT:

1. How many new investors have you called on recently, and what message did you share?
2. What is your investor retention or “churn” rate?
3. What is your long-term vision for the organization/community, and how do you measure success?
4. What is the compelling, *true* story you can tell about your organization’s community impact, past/present/future?
5. Do you have the right leaders engaged in the right ways?
6. How much money do you want to raise and what will you accomplish with it?

before. By *thinking, talking, and acting differently*, your investors can appreciate economic development on an entirely new level. With that in mind, allow me to pose six questions for you to think about relative to your own organization or one you work with, and six specific, key concepts that can enhance your (and their) fundraising success.

SIX QUESTIONS

I have often heard an ED director or CEO express a desire for more money in their organizational budget, without having seriously considered exactly what it is they propose to do with “more.” This speaks to the vision (or lack thereof) and to the core of every EDO’s reason for being.

Here are just a few key questions that should be posed in the earliest stage of determining whether a fundraising campaign is a reasonable step to take. If your organization is not in the habit of exploring such questions, perhaps these will help you to clarify your role, your reach or at least your ambitions.

1. How many new investors have you called on in the past month, and what is your message to them?
2. What is your investor retention rate, or rate of “churn” (the amount of new investment you must attract to replace what has been lost)?
3. What is the long-term vision you hold for your organization and the community you serve? How do you measure success?
4. What is the compelling, *true* story you can tell about how your organization has impacted your community and your intention to generate impact in the future?

Having a lively, candid conversation with your staff around these six questions is not only enlightening and fun; it will promote greater unity, understanding and consistency across the organization and better communications with your various constituencies.

5. Do you have the right leaders on your bus and in the right seats? (with grateful acknowledgement to Jim Collins, author of *Good to Great*).
6. How much money do you want to raise, and what can you/will you accomplish with it that you can’t accomplish within your current budget?

The first two questions are intended to focus attention on your internal investor development activities and the results they are producing. A candid discussion may well help to uncover ideas for enhancing those results. Questions 3 and 4 will help you clarify what many organizations take for granted – that people know what you do and why, and what is at the very root of your efforts. It’s all about articulating unequivocally the future you’re working toward and progress you’re already making.

Question 5 will help you look at investors as more than financial supporters. By examining their individual talents, influence, and motivations, you’ll be able to use them more effectively, which raises the value they receive from their relationship with your organization. And Question 6, I hope, needs no explanation.

Having a lively, candid conversation with your staff around these six questions is not only enlightening and fun; it will promote greater unity, understanding and consistency across the organization and better communications with your various constituencies. In addition to the six questions for building a stronger support base, the following six keys can further enhance your fundraising and performance.

Fundraising is really about many things – passion, vision, leadership, engagement, impact, legacy, and the desire for change among them. In fact, if *money* is truly the end goal of your fundraising campaign, then get ready to be disappointed.

SIX KEYS

Exceptional fundraising is never about the money

This is the first of many great truths I learned about fundraising (some of which will be shared later in this article) back when I was an ED practitioner: *Fundraising is never about the money*.

When fundraising is treated primarily as an exercise in chasing money, it is doomed to failure at worst or mediocrity at best. And judging from the stories I’ve heard, there are still some pros out there for whom it’s still all about the money.

Fundraising is really about many things – passion, vision, leadership, engagement, impact, legacy, and the desire for change among them. In fact, if *money* is truly the end goal of your fundraising campaign, then get ready to be disappointed. Fundraising is finding the visionary high ground you share with other business and civic leaders who are concerned about their legacy and their community’s future. And yes, it’s about leadership – in many forms.

At any given time in your community, there will be multiple fundraising campaigns underway; it is unavoidable. But when you demonstrate *impact*, you need not fear competition.

Impact models can help you demonstrate the positive impact of ED on many sectors in your community, philanthropy included.

If you have a compelling vision, a solid strategy, the right message, engaged leaders, passion and a little bit of courage, the money will follow – it becomes almost secondary, in fact. To quote Robert Eggers, author of *Begging for Change*, “In today’s competitive fund-raising climate, too many nonprofits are chasing the money, not their mission. They’re begging for money when they need to realize what they need to be doing is begging for change.”

Impact drives income

At times, it seems a vicious cycle: Distrust of institutions is rampant and transparency is a prerequisite in this age of information overload. You need money to generate impact, yet investors want proof of impact as justification to write a check. The late management guru Peter Drucker, who in his later years trained his prophetic eagle-eye on nonprofits, said that every nonprofit should put itself on trial for life every five years to determine its impact. (A fundraising campaign effectively does that, by the way.) Drucker also concluded, after studying thousands of nonprofits, that there really are only two things that differentiate them from one another: how they market themselves, and how innovative they are.

At any given time in your community, there will be multiple fundraising campaigns underway; it is unavoidable. But when you demonstrate *impact*, you need not fear competition. Impact models can help you demonstrate the positive impact of ED on many sectors in your community, philanthropy included. In fact, it is not uncommon to see philanthropies (United Way and community foundations, for example) become substantial investors in economic development programs. More jobs mean income growth, which ultimately means more money in the coffers of philanthropic causes – a correlation that can be substantiated with a good economic impact model.

The best EDOs embrace BHAGS (Big, Hairy, Audacious Goals) but they are astute at defining success in measurable terms that are meaningful to their funding base and key constituents. They readily take the long

view, with a simple, smart, but far-reaching vision around which people will rally – even if it takes 10-20 years to achieve it. Then they carve out the interim steps, the critical milestones they must reach near-term and mid-term to show steady progress toward achieving the vision. The IEDC Research Partners’ report, “Making It Count: Metrics for High Performing EDOs,” asserts that only two-thirds of EDOs regularly use performance metrics, and the majority of those are only counting jobs, capital investment, income and tax base – which often is not sufficient for today’s investor base.

One way your EDO can show progress as measured against your own performance (over time) and against other communities you view as peers or competitors is to develop your own composite index based on measures most relevant to you and your constituencies. A competent economist at your local university can help you do this cost-effectively and with a high level of credibility.

Beyond treasure: engaging leaders’ time and talent

Much has been written about donor loyalty and maintenance of the nonprofit support base. According to Wikipedia, “Recent research by Adrian Sargeant and the Association of Fundraising Professionals’ Fundraising Effectiveness Project suggests the (nonprofit) sector has a long way to go in improving the quality of donor relations. The sector generally loses 50–60 percent of its newly acquired donors between their first and second donations and one in three, year on year thereafter. The economics of regular or sustained giving are rather different,

but even then organizations routinely lose 30 percent of their donors from one year to the next.”

In my own experience, these numbers vary widely from one organization to the next, and some EDOs that place a high priority on BR&E programs somehow fail to see the value in paying that kind of attention to their own investor base. Conversely, I see those organizations that effectively engage their investor/leaders in the accomplishment of their mission enjoying retention rates upwards of 92 percent. (This is admittedly an area where

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the severe pressure on all nonprofits to reduce overhead can sometimes be counterproductive. It takes staff to implement programs. It also takes a strong CEO to maintain staff at optimum levels and confidently defend doing so.)

Attracting investors to economic development is not unlike attracting talented workers or new customers: once you've made the sale, you have to keep them. That takes effort and resources – to know them, to listen to them, to understand why they signed on in the first place, to monitor their participation, and to *employ their time and talent in ways that advance the organization's mission and give them personal gratification.*

I am still surprised each time I hear from an EDO investor that “the only time I hear from them is when they want my check.” This kind of neglect not only results in monetary loss, but lost opportunity as well – *for impact and leadership.* Investors deserve the same attention that job-generating prospects get; treated well, they may even lead prospects or other new investors to you. Neglected and taken for granted, they'll be a liability.

Jim Collins said this about nonprofits engaging leaders well: “They start by getting the right people on the bus, the wrong people off the bus, and the right people in the right seats.” Especially among your high-end investors, the extra time you take to cultivate them and turn them into champions and partners will pay huge dividends. It's important to convene, inform, anticipate their needs, and trust them – without trying to control them.

Treated as trusted partners who share responsibility for community betterment, leaders convened in this manner can achieve miraculous things. Look at Denver's FasTracks mass transit project that is conquering commuter gridlock; look at the Quad Cities of Illinois/Iowa catapulting their economic strength rankings from so-so to the top quartile in the U.S. in only five years; look at Northeast Indiana's unification of 10 parochial, uncooperative counties into a unified effort that is changing their competitive landscape.

Behind each of these transformative wins you will find strategic deployment of countless civic, business, and nonprofit leaders, all convened in a deliberate way by their regional economic development entities in the pur-

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Cast your net wide in the search for leaders to add to your investor group. Look in unusual places, and actively cultivate diversity and emerging young leaders to your cause. They can be the spark that rejuvenates longtime supporters who may be fatigued, and they may see opportunity where others see only barriers. Finding high-end investors has less to do with the size and profits of a company than with what is in the heart and mind of its leader(s).

suit of specific goals. Leaders convened under the cause of economic development can evaluate/suggest strategic initiatives, drive transformational change, focus attention on critical civic issues, attract resources and support, exert influence, bring needed voices to the table, and mentor the next generation of leaders while doing it.

Cast your net wide in the search for leaders to add to your investor group. Look in unusual places, and actively cultivate diversity and emerging young leaders to your cause. They can be the spark that rejuvenates longtime supporters who may be fatigued, and they may see opportunity where others see only barriers. Finding high-end investors has less to do with the size and profits of a company than with what is in the heart and mind of its leader(s).

Tell a compelling story – then tell it again, and again

A brilliant scholar and conflict resolution expert in Calgary, Dr. Nancy Love is the founder of the PULSE Institute, which stands for People Using Language Skills Effectively. Her mission in life is simple: *To make the world better, one conversation at a time.* Among the many things I've learned from her, two principles have deeply impacted my work:

The Descriptive Principle, which says “Words Create Worlds.” *Reality is subjective, it is what we perceive it to be. Reality is socially created, through language and conversations.*

The Anticipatory Principle, which says “Image Inspires Action.” *Humans inevitably move in the direction of their imagined future. The more positive the image, the more positive the present-day action will be.*

What is your elevator speech? Your story? The cause you are working toward? What is it you do, and why and how? This is where many communities and organizations lose the game, by being unclear, convoluted or inconsistent in what they communicate to their various audiences and constituencies. Substance matters when crafting your message, and so do style and delivery. If words create worlds and image inspires action, then thoughtful attention to crafting the message is critical to every aspect of ED – from making a positive first impres-

The story you tell keeps people focused on why it's important and meaningful to them as individuals, as well as to the larger community. When your story is compelling and is told often, watch how people start to own it and repeat it. When *investors* start to repeat it, they become *champions* and begin drawing others to your cause.

sion, to attracting investors, to enjoying credibility with media outlets, to influencing others, to simply ensuring that you are speaking in a way that *others can hear you*.

When it comes to fundraising, your message must be compelling, simple, and bold. Clearly state what you stand for, the vision you hold for the future, why you do what you do, and how you plan to change the world – or at least your corner of it.

The Six-C Test is an effective tool for creating or evaluating your message: Is it Clear, Concise, Compelling, Consistent, Congruent and made with Conviction? Remember, as an ED professional, YOU are the carrier of the message, reminding people at every opportunity what it is you're all striving towards.

The story you tell keeps people focused on why it's important and meaningful to them as individuals, as well as to the larger community. When your story is compelling and is told often, watch how people start to own it and repeat it. When *investors* start to repeat it, they become *champions* and begin drawing others to your cause. That's when you begin to see public sentiment shift. Recognize the power of your words, and how you use them, and train everyone on your team to share the message well.

Fundraising for economic development is not so different from philanthropic fundraising, though the vast majority of ED professionals tend to approach it very differently from their charitable counterparts.

Don't just make an ask, make THE ask

Fundraising for economic development is not so different from philanthropic fundraising, though the vast majority of ED professionals tend to approach it very differently from their charitable counterparts. There are two main aspects of "the ask."

First, you're out to make a sale. Whatever the cause, it's important to do your research, to know your audience. What does the company do, how do they make their money? Who are their competitors? What is their market share? Who is the decision-maker and what can

you learn about that person or persons? Are they headquartered in your community, and/or how large is their presence and investment? How many do they employ?

What concerns are they likely to have with the local business environment? Are they civically active and if so, what does that look like? Who do you know that knows them? What can you learn about their giving history?

Know your audience. Only then can you make THE ask – the one that is likely to have the most appeal, the one that is likely to get a "yes." Ask too little, and it may take years to get an investor to upgrade to an appropriate level. Ask too much and you may not get another chance for a long time.

The second aspect is this: Most ED professionals in a fundraising situation will pin their pitch on logic, facts, and figures almost every time. Those things are essential, as stated before: Impact drives income. So as you "think differently," consider what gets a prospective new investor excited about what you do? What gets her/him to say "Yes! Count me in!"? That answer comes straight from the heart and is then rationalized by the mind. Because, for as complex as economic development is – aren't we really in the people business?

Think about it: Why do we do what we do, really? Sure, we say it's about jobs, tax base, talent, competitiveness – granted. But ultimately, doesn't it come down to our children and our grandchildren? Doesn't it come down to building a place where they can come back if they want to and live well? Doesn't it come down to leaving a legacy for the future?

THAT'S the stuff that stirs the blood – that speaks to the heart, that gets people excited about change, that gets people to put aside their differences and work together toward a higher purpose. Few people get excited about numbers on a page or about development plans. They get excited about the IMAGINED FUTURE that those numbers and plans represent (remember the Anticipatory Principle?). So engage them FIRST with the heart, THEN with the head. A business owner in Springfield, Illinois, once said, in making his commitment to the local chamber's economic development program, "My passion and my wallet come out of the same pocket."

Leaning in – the courageous CEO

While we're on the topic of passion, let me ask you to think about the last time you made a solicitation call. Put yourself in the place of the person on the receiving end

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Ask too little, and it may take years to get an investor to upgrade to an appropriate level.
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of the ask, and think about how they perceived YOUR commitment. Did they see you as passionate about the cause you were representing? – As someone who rises each morning eager to get to work and advance the community's competitiveness? Or did they see a professional but emotionless case laid out solely on facts and figures?

We often do ourselves a disservice by trying to separate emotion from business. Harvard business guru Michael Porter said emphatically, “Great strategies are a CAUSE.” In this age of institutional mistrust and skepticism, people are hungry for passionate, ethical, servant leadership. It takes courage to put yourself out there, to let others see how committed you are to doing the right thing and doing it well. It takes courage to admit you don’t have all the answers, to ask another’s help to find or drive change. But, as Kay Sprinkel Grace said in *Beyond Fundraising: New Strategies for Nonprofit Innovation and Investment*, “Commitment is sustained passion.”

Take the risk. When I see a client, a Chamber or ED leader who can look a company exec in the eye and say, “I’m dedicating myself to making this happen, and I’m not giving up. And I need you there with me to drive it.” – Or when I see a prospective investor move from “I’m

Lead. Share your vision and your commitment, then let people see how their time, talent, and treasure can really make a difference. Others will step up to join you, to support you, and to link arms with you as a partner. Then you are on your way to greater performance, to greater impact. The money will follow.

not interested” to “I’m with you,” because a colleague shows genuine understanding of that person’s sensibilities and demonstrates her/his own commitment – that’s when the magic happens!

Lead. Share your vision and your commitment, then let people see how their time, talent, and treasure can really make a difference. Others will step up to join you, to support you, and to link arms with you as a partner. Then you are on your way to greater performance, to greater impact. The money will follow. ☰

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DEVELOPMENT AS A CLUSTER STRATEGY

By Natalie Betts

more than a year ago, this publication declared sustainability to be the “new normal” for business organizations and economic developers alike.¹ The shift toward triple-bottom-line decision-making in the business community and the increasing focus on sustainability concerns among the public and non-profit sectors have clearly changed the context in which economic developers work today.

However, when much of the discussion around sustainability focuses on questions of land use, transportation options, pollution prevention, or resource conservation, it can be challenging to see where the economic development professional fits in. Economic developers are often envisioned as taking a supporting or responsive role: they can help the environmental community discuss the jobs impact of a new solar program, laud the efforts of local B-corporations² and other socially conscious businesses, or tout the region’s sustainably managed natural resources as they market to site selectors.

While all these efforts are critical roles for sustainable economic development, this article will discuss a more active sustainable economic development strategy which plays to the profession’s core strengths – deploying cluster development

strategies for industries that support a sustainable community. This concept is hardly new. Federally-funded cluster initiatives in New York, San Diego, and Maine have centered around renewable energy³ and we focus on it here to demonstrate that sustainable economic development is fully within the wheelhouse of the traditional economic development professional. Although useful for communicating with a sustainable industry prospect or local business, an in-depth knowledge of sustainability principles is not a prerequisite for enacting a productive sustainable economic development strategy that takes a cluster development approach. Instead, this approach can be executed using the traditional economic development professional’s existing playbook.

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Scrap metal recycling supports more than 450,000 jobs in the U.S. according to the Institute of Scrap Metal Recycling Industries.

AUSTIN, TEXAS, CASE STUDY

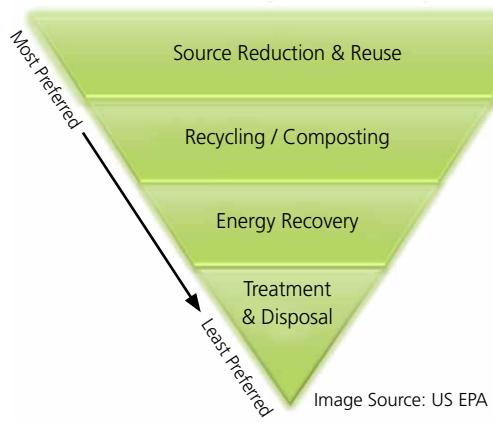
Austin, Texas, has focused on the economic development opportunities in the recycling and reuse industry. In 2011, the City of Austin adopted a master plan outlining how the city would reach its zero-waste goal of keeping 90 percent of discarded materials out of the landfill by 2040.^{4,5}

The master plan adoption was the culmination of years of work on the question of reducing waste, beginning with the City of Austin’s signature to the United Nations Urban Environmental Accords in 2005. Austin’s zero-waste approach regards discarded materials as resources to be recovered and put to their highest and best

AUSTIN’S RECYCLING ECONOMIC DEVELOPMENT PROGRAM

Economic developers are increasingly called upon to incorporate sustainability into their work, but how should the profession interpret and implement this charge? Using Austin, Texas’ Recycling Economic Development Program as a guide, this article outlines a proactive sustainable economic development strategy which plays to the profession’s core strengths – deploying cluster development strategies for green industries.

FIGURE 1 Waste Management Hierarchy



use, according to the Environmental Protection Agency's waste hierarchy (see Fig. 1).

One of four keystones of the plan was economic development through increased collection and processing of recovered materials (see Fig. 2). At the time of the plan's publication, there was already significant existing evidence of the economic development potential of zero-waste efforts. In 1997, the Institute for Local Self-Reliance had found that for every 10,000 tons of solid waste, one job will be created if it goes to the landfill, compared with 25 jobs if sent to a recycling-based manufacturer or up to 295 jobs if sent to a reuse operation.⁶ Earlier in 2011, a Tellus Institute report found that recycling 75 percent of the nation's waste could create nearly 1.5 million jobs by 2030.⁷

Recognizing both that an increased supply of recycled materials was an asset for supporting a recycling manufacturing industry and that strong local end markets for recycled commodities would strengthen the overall recycling system, Austin dedicated a full-time staff person and resources to create a Recycling Economic Development Program. The program is led by the Recycling Economic Development Liaison, a position that reports jointly to both the Economic Development Department and to the Austin Resource Recovery (the City department responsible for trash and recycling collection and for making progress toward Austin's zero-waste goal). Major components of the program were identified during the creation of the Austin Resource Recovery master plan in 2010 and 2011, and were further developed after the hiring of the Liaison in 2013. Although early in its implementation, the Recycling Economic Development

Program provides a useful template for other communities looking to develop a cluster strategy for sustainable economic development.

Using examples from this program, this article will make it clear that sustainable economic development can be implemented using tools and techniques familiar to economic development organizations (EDOs). Furthermore, although initially motivated by environmental goals, examples from the Recycling Economic Development Program demonstrate that sustainable economic development programs can aid economic developers in meeting their own central goals: jobs, investment, and a resilient economy.

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CLUSTER IDENTIFICATION

The first step to utilizing a cluster approach for sustainable economic development is to identify the green industries⁸ that will flourish in a given community. If a community regularly undergoes a process to identify target markets, a particular emphasis should be placed in the next scheduled analysis on identifying sustainable industries that match the community's assets. Depending on the city's talent base, location, infrastructure, climate, or other market factors, the community could focus on renewable energy, efficiency technologies, organic agriculture, eco-tourism, advanced transportation, or another green industry sector or sub-sector. An EDO could also choose to direct attention to a sustainable movement within an existing cluster, such as developing a cluster strategy around green building materials if the region already has a strong base of traditional building materials firms.

Alternatively, if a community is taking major policy action in an area of sustainability that has the potential to seed a new cluster, the economic development community could leverage that policy action to incorporate that cluster into its work. Austin's focus on a recycling cluster is an example of the latter option. The Austin City Council's zero-waste policy efforts will soon require all properties to offer recycling, require all food enterprises offer diversion of organic material, place recycling requirements on construction and demolition projects, and enact rules for recycling at special events. In addition, the city works under a "Pay-As-You-Throw" model where households pay more for throwing away more trash instead of using the recycling bin or composting at home.

These actions, alongside other policy and programmatic support for recycling, laid the groundwork for expanding the local recycling industry. In this approach, an EDO can look to state and local policy efforts for requirements that could spur growth within a sector, such as renewable energy tax credits or procurement policies that favor sustainable or locally-made products.

FIGURE 2: AUSTIN'S ZERO-WASTE MASTER PLAN KEYSTONES

1. Materials management focus where discarded wastes are collected as resources
2. Enhanced recycling service for all properties
3. Expansion of organics diversion through food waste collection and composting
4. Economic development through increased collection and processing of recovered materials



From left to right: 1) Phil Gosh of Organics by Gosh pitches his idea to expand his local composting operation, 2) Attendees, investors, and companies mingle during the Recycling Innovations Expo, 3) Blythe Christopher de Orive of reuse non-profit Re-Sourcery exhibits at the Recycling Innovations Expo.

UNDERSTANDING GAPS IN THE SUPPLY CHAIN

Next, an analysis of the existing supply chain for that cluster will illuminate gaps where economic developers can focus their attention. Closing supply chain gaps is a particularly important next step for sustainable cluster development. Doing so meets a series of sustainability aims: it keeps more dollars circulating in the local economy, lowers the carbon footprint of that industry by reducing the transportation required to bring the product to market, and reduces costs, thereby improving the prospects for the other sustainable businesses in that supply chain network.

In the case of Austin's recycling sector, a key supply chain gap that the Recycling Economic Development Program has identified is a recycled glass processing facility. The Austin market produces an above-average volume of recycled glass, and is home to several beverage manufacturers who are end-users of glass bottles.⁹ However, the Central Texas region has to ship its recycled glass outside the region for processing and remanufacturing into new bottles. Localizing the processing and remanufacturing steps could have huge environmental and cost benefits, especially given the weight of glass. Another example from Austin can be found in the food sector. In an analysis of that sector, TXP, Inc. discovered a supply chain gap, no slaughterhouse in the Austin area served smaller-scale producers.¹⁰

Once identified, supply chain gaps can be closed in a variety of ways. In some cases, economic developers can simply play the role of information provider. By doing the research legwork and raising awareness about the need for a particular service or product in the area, the business community may come in to fill the gap independently. In other cases, a more proactive strategy will be required, and those strategies are addressed below.

SMALL BUSINESS AND ENTREPRENEURIAL DEVELOPMENT

Sustainable economic development can take place when existing small business and entrepreneurship resources are tailored to the needs of a specific green industry. For example, a region focusing on eco-tourism might partner with the local Small Business Administration to include information about how to reach visitors, especially values-based consumers, in their business

marketing classes. Communities like Austin where the technology entrepreneur ecosystem is robust and well-developed can leverage this substantial resource for the benefit of sustainable clusters. In May 2014, the City of Austin partnered with the Texas Entrepreneur Network to provide a Recycling Innovations Investment Forum, which allowed 10 companies and non-profits to pitch their recycling or reuse business expansion and start-up ideas to more than 20 investors. At least three companies that pitched are likely to receive funding to grow their business in Austin as a result of the investor connections made at the event.

Another small business support strategy in Austin is the promotion of locally-owned businesses to encourage residents to choose homegrown enterprises over national chains when shopping. The website LocallyAustin.org provides a directory of these businesses so that consumers can find locally-owned options. To support the Recycling Economic Development Program goals, a "Shop Zero Waste" category was added to promote those businesses that sell recycled or reused goods, or repair or rent items to keep waste out of landfills.

SOCIAL ENTREPRENEURSHIP STRATEGIES

You'll note that in the example above of the funding forum, non-profits pitched investment ideas alongside for-profit firms. While economic developers may typically look to non-profits for services that support their work such as workforce development or cultural arts development, the non-profit sector has significant potential as the target audience for sustainable economic

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A centerpiece of Austin's Recycling Economic Development Program is the attraction of re-manufacturing businesses, firms that utilize value-added processing and manufacturing of would-be waste to create new products.

development strategies. Economic developers can work with non-profit organizations to introduce social entrepreneurship concepts and business-oriented solutions that create jobs and revenue to support the non-profits' missions.

St. Vincent de Paul Society of Lane County in Eugene, Oregon, is a prime example of social entrepreneurship that furthers sustainable economic development in action. The non-profit organization makes gift products from recycled window glass, fire starters from recycled candle wax, pet beds from recycled mattresses, wiping rags from old T-shirts, and more. This model produces what the organization calls a "quadruple bottom line:" generating revenue, reusing and recycling, providing jobs and job training, and providing quality goods and services.¹¹

The more traditional social business element of St. Vincent de Paul, the retail thrift store, is by now such a commonplace non-profit model that it is easily overlooked. However, it is a tried-and-true example of sustainable economic development – generating revenue by conserving resources while creating local jobs that can be expanded upon. The Austin Public Library used the same basic concept when it created Recycled Reads, a used bookstore that has diverted 47 tons from the landfill since May 2011 while raising funds for the library (itself a predecessor to today's sharing economy businesses). Because sustainable economic development is both mission-driven and profit-driven, non-profit partnerships to create social business enterprises and leverage a community's passion for sustainable causes offer an excellent opportunity to further both goals simultaneously.

In addition to non-profits that are explicitly mission-driven, for-profit entrepreneurs and small business own-



Entrance sign at the future home of the Austin [re]Manufacturing Hub

ers are also frequently motivated by a desire to create a positive social impact. Sustainable economic development can also work in reverse of the approach described above: rather than bringing a business model to a mission-driven organization, the community's sustainability goals can be brought to local businesses. For example, an economic development organization could host a localized version of the XPRIZE competitions. The event would encourage business-oriented solutions to sustainability challenges. With seed funding for implementing the best ideas as the prize, this strategy can attract entrepreneurs from other sectors to the cluster and encourage the creation of new enterprises.

REAL ESTATE DEVELOPMENT

A centerpiece of Austin's Recycling Economic Development Program is the attraction of re-manufacturing businesses, firms that utilize value-added processing and manufacturing of would-be waste to create new products. To that end, the program is redeveloping over 100 acres of City-owned land once destined to become landfill cells into an eco-industrial park called the Austin [re] Manufacturing Hub. Working with local partners such as chambers of commerce, the City is proactively marketing the Hub and the community at large to the recycling and reuse industry.

The Hub will create up to 1,250 living wage jobs, most of which will be available to individuals without advanced degrees or who face other employment barriers. These jobs will fill an important void in Austin's economy, which despite its many lauded successes, suffers from severe income inequality, ranking No. 10 out of all large U.S. metropolitan areas in a recent study.¹²

The Austin [re]Manufacturing Hub will be tailored to meet the specific needs of the recycling manufacturing businesses and will be marketed directly to that industry. Although the exact business make-up of this eco-industrial park has not been determined, there is significant potential for resource synergies between businesses locating in the property. One business could purchase from its neighboring business, and recycling haulers could bring multiple material types to the same property for delivery to multiple businesses in the Hub. For green



Recovered plastic resins can be re-manufactured into fiber for carpet and textiles, landscape and garden products, or polymer lumber.



Austin Materials Marketplace information sessions and program working meetings help to build the trust and long-term relationships that make business-to-business reuse connections flourish.

industries, which are often predicated on principles of efficiency and conservation, these synergies can be especially compelling.

BUSINESS RETENTION AND EXPANSION

Like most communities beginning focused work on a new cluster, Austin already has a base of recycling and recycling-related businesses calling the city home. The expansion of recycling access mandated by policy will aid these businesses, whose input was sought during the policymaking process.

An initiative to encourage business-to-business reuse, the *Austin Materials Marketplace*, is an online facilitated database that allows unwanted materials to find their highest and best end use, sometimes through a direct reuse opportunity or by stopping at a recycler for processing. This initiative offers existing businesses a chance to identify new buyers and suppliers in their backyard. Existing recycling and reuse businesses are also target customers for the *Recycling Innovations Investment Forum*, the *Shop Zero Waste* directory, and the *Austin [re]Manufacturing Hub*. The Recycling Economic Development Program also offers one-on-one customized assistance to these businesses.

One important role economic developers can play is to encourage the sustainability community to keep business-oriented solutions at the forefront when trying to meet socially-conscious end goals. While grants, charitable donations, and government funding all fulfill important functions in supporting new ideas and social missions, the most sustainable solution to any problem is one with a successful business model and a product or service that provides value to its users.

CONCLUSION

As the scarcity of our natural resources and the fragility of our environment becomes increasingly evident and present in the minds of business and community leaders, economic development must respond by incorporating sustainability into the profession. Communities that respond quickly to this shift will be better prepared for a global economy that defaults to a triple bottom line approach. However, economic developers do not need to become geologists or transportation planners to embrace sustainability. Economic developers know how to identify and support their region's or community's cluster industries, a skill set that is crucial to the sustainability movement.

One important role economic developers can play is to encourage the sustainability community to keep business-oriented solutions at the forefront when trying to meet socially-conscious end goals. While grants, charitable donations, and government funding all fulfill important functions in supporting new ideas and social missions, the most sustainable solution to any problem is one with a successful business model and a product or service that provides value to its users. Such a solution is far more resilient to changing political tides, shifting budget priorities, or economic downturn drying up charitable donation sources. Another key role is in reaching out to the environmental community to raise awareness about existing economic development resources and adjusting or customizing those resources as needed to meet the needs of sustainable businesses and green industry.

Real estate development, small business support, business retention and expansion, and entrepreneurial development are eminently familiar to economic development organizations. Sustainable economic development does not require brand new techniques but can be achieved by focusing our well-honed tools on the clusters of business enterprises that will enable our transition to a cleaner, greener, more resilient economic age. Forward-thinking economic development organizations that embrace sustainability can put their communities ahead of this curve. They can become magnets for the best and most innovative sustainable industry leaders.

By tailoring a strategic approach to a cluster within the sustainability umbrella, economic developers can generate jobs and investment and support the next wave of innovative firms that will pay economic, ecological, and equitable dividends for a community today and in the next generation. ☺

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ENDNOTES

¹ Schjedahl, Don. "The Coming Era of Sustainability: Directives for Competitive Communities." *The IEDC Economic Development Journal* Volume 12, Issue 4. Fall 2013.

² A B Corporation, or Benefit Corporation, is a type of for-profit entity certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. See: www.bcorporation.net.

³ U.S. Small Business Administration. "SBA Supports 56 Federally Funded Cluster Initiatives." See: https://www.sba.gov/about-sba/sba_initiatives/clusters_initiative.

⁴ The Zero Waste International Alliance recognizes working toward or achieving 90 percent landfill diversion as the benchmark for recognition for Zero Waste Communities and Zero Waste Businesses. See: <http://zvia.org/>.

⁵ The Austin Resource Recovery Master Plan can be viewed online at <http://www.austintexas.gov/department/master-plan>.

⁶ Institute for Local Self-Reliance. "Recycling Means Business." Available at: <http://ilsr.org/recycling-means-business/>.

⁷ Tellus Institute with Sound Resource Management. "More Jobs, Less Pollution: Growing the Recycling Economy in the U.S." February 2011. Available at: www.tellus.org/publications/files/More_Jobs_Less_Pollution.pdf.

⁸ "Green industry" will be used throughout this article to refer to any industry whose core business function contributes to a more sustainable and regenerative economy where, to paraphrase the UN Brundtland Commission, the needs of the current generation are met without compromising the needs of future generations. The term is not intended to have exclusively environmental connotations but to embrace all three "Es" of sustainability: economy, ecology, and equity.

⁹ Approximately 27 percent of Austin's residential single stream recycling by volume is glass, which is significantly higher than average according to local recycling facilities.

¹⁰ TXP, Inc. "The Economic Impact of Austin's Food Sector." Spring 2013. Available from: http://www.austintexas.gov/sites/default/files/files/Redevelopment/Economic_Development/TXP_Austin_Food_Sector_Report_03282013_FINALv1.pdf.

¹¹ St. Vincent de Paul Society of Lane County. "Recycling and Manufacturing." Available at: <http://www.svdp.us/what-we-do/recycling-and-manufacturing/>.

¹² Grattan, Robert. "Austin among most income-segregated metros in nation." *Austin Business Journal*. Mar 19, 2014. Available at: <http://www.bizjournals.com/austin/blog/at-the-watercooler/2014/03/austin-among-most-income-segregated-metros.html?page=all>.



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