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Economic Development Journal

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INTERNATIONAL
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COUNCIL

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The International Economic Development Council (IEDC) is the premier international association dedicated to leadership and excellence in economic development. IEDC can equip you with the tools and resources that are helping to shape economic development throughout the country and around the world. Our services include:

- *ED Now*, a twice-monthly newsletter
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- Improved access to resources and information
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Chair: Craig J. Richard, CEcD, FM
President & CEO: Jeffrey A. Finkle, CEcD
Editor: Jenny Murphy

Craig J. Richard, CEcD, FM
IEDC Chair

dear colleague

It has been an honor to represent the International Economic Development Council as Chair of the Board of Directors in 2018. We can all be proud of what the organization has accomplished this year.

Among the highlights was a fabulous Annual Conference in Atlanta with a record-setting attendance – some 1,600 attendees in total. This was a great testimony to the efforts of the Host Committee and to IEDC's hard-working staff. Inclusive Growth was the theme of this year's conference, explored through sessions that included protecting existing residents from gentrification, supporting minority-owned business, cultivating workforce opportunities for seniors, and supporting rural entrepreneurs.

We delivered several other excellent conferences this year as well: the Leadership Summit in Las Vegas in January, the FED Forum in D.C. in March, and the Economic Future Forum in Buffalo in June.

The success of these four conferences would not have been possible without the generosity of the Chairman's Club sponsors: Development Counsellors International (DCI), Research on Investment (ROI), Chmura Economics & Analytics, EMSI, StateBook, and the International Council of Shopping Centers (ICSC). A huge thank you to them for their support.

IEDC continues to assist communities dealing with extreme weather events. We have sent expert volunteers from IEDC's membership to Texas, Florida, Puerto Rico, the Virgin Islands, and North Dakota. Much of the funding for this assistance has come from the Economic Development Administration (EDA). We are very grateful to the IEDC members who have been central to this volunteering effort and to Southwest Airlines for their support of our disaster volunteers.

It has been another good year on the international front. Our International Advisory Committee, chaired with distinction by Paul Zito, Vice President of International Development at RGP Northwest Ohio, produced several excellent events at the Annual Conference. In October, I had the pleasure of speaking about inclusive growth at the Economic Development New Zealand Conference and on the future of the profession at Economic Development Australia's National Conference.

The Australian presentation drew heavily on the excellent *Future Ready* report, produced by our in-house think tank, the Economic Development Research Partners (EDRP). EDRP enjoyed another successful retreat in Michigan in July, where it developed an exciting research program for the year ahead.

IEDC has worked hard this year to champion the profession and communicate the value of the work that we do in our communities. We produced an excellent brochure, *What is Economic Development?*, that succinctly defines our work and offers examples of the results we produce around the country.

Finally, I want to say a big personal thank you to our members, our Board of Directors, the Advisory Committees, our President and CEO, Jeff Finkle, and his excellent team for a great year. I look forward to continuing to serve IEDC and working with our new Chair, Tracye McDaniel, as Immediate Past Chair in 2019.

Sincerely,

Craig J. Richard, CEcD, FM
IEDC Chair

The IEDC
Economic Development Journal

PAGE 5

PAGE 25

PAGE 37

TABLE OF CONTENTS

INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

the changing energy LANDSCAPE

By David Maahs, CEcD

In economic development, energy has long been and will continue to be one of the largest factors in a community's ability to attract and retain businesses. It is critical that businesses have access to affordable energy, which is why so many economic development organizations are focused on the energy landscape and its future.

Earlier this year, Economic Development Research Partners (EDRP), the think tank component of the International Economic Development Council, put together a study called "The Changing Energy Landscape." This report looks at the trends and future of energy in America. It recognizes communities that are doing innovative things to react to changes and gives advice for economic development professionals. The report was compiled by leaders in the economic development field from across the country.

The report explores four types of energy: coal, nuclear energy, oil/natural gas and renewable energy. In many ways, this is a story of the past – coal and nuclear energy – transitioning to the future of oil, natural gas and renewable energy. The trends and data tell a story, but there is no one-size-fits-all answer. It is up to economic development professionals to work closely with other government and community leaders to make the best decisions for their cities and regions.

This article explores each type of energy and lays out the landscape as well as case studies from around the nation. It also provides economic development best practices for each type of energy. The article is adapted from the EDRP report.

In economic development, energy has long been and will continue to be one of the largest factors in a community's ability to attract and retain businesses. It is critical that businesses have access to affordable energy, which is why so many economic development organizations are focused on the energy landscape and its future.

COAL

The Landscape

Coal has employed generations of families and has defined communities from both an economic and cultural standpoint. Its decline has brought turbulence to many communities, and has necessitated economic diversification efforts. Coal's decline can be traced in large part to the emergence of competing resources such as natural gas and renewable energy, as well as global changes in demand and regulatory policies and concerns over climate change. Between 2000 and 2008, coal accounted for about 50 percent of U.S. electricity generation. By 2016, that proportion was just 30 percent.

Coal's decline has brought major hardship to communities that rely on it as the basis of an industry. For example, the closure of coal plants has unfortunately resulted in thousands of layoffs in Wyoming as coal mine owners have declared bankruptcy. Likewise, West Virginia, the nation's second-largest coal producer and Kentucky, the third-largest producer, have faced challenges due to a declining coal industry.

Many communities that rely on coal have been dependent on coal as a single industry and are therefore highly vulnerable to price changes, market shifts, and competing technologies. Coal's decline is felt throughout the supply chain, small businesses suffer from less spending, and there are less tax revenues for state and local governments. Fortunately, public and private sector leaders are working to revitalize many communities.

David Maahs, CEcD, is the Executive Vice President of Economic Development at the Greater Des Moines Partnership and the 2018 Economic Development Research Partners Chairman. (dmaahs@DSMpartnership.com)

EDRP is the think tank component of the International Economic Development Council. This article is adapted from "The Changing Energy Landscape and Its Impact on Economic Development in America," an EDRP report published by IEDC.

THE TRENDS AND FUTURE OF ENERGY IN AMERICA

The energy landscape in the United States is changing. Coal and nuclear energy are transitioning to oil and renewable energy of the future. How communities and economic development professionals adapt to these changes will determine their future success.

A coal mine in West Virginia
Source: Michigan Radio / Creative Commons License CC BY-NC 2.0

Case Studies

Appalachian Sky

Appalachian Sky is an industrial network in a tri-state region of Ohio, Kentucky, and West Virginia, launched by American Electric Power in 2017. The program aims to develop the region into a leading aerospace hub. The region is home to more than 150 aerospace industries and service providers. Partners from across industries include the Ashland Alliance, Morehead Space Science Center, the Huntington Area Development Council, and economic development organizations, with cooperation from regional airports. The program has attracted new businesses including a $1.3 billion aluminum rolling plant being built by Braidy Industries.

SoloWorks, New Mexico

SoloWorks aims to bridge the gap between New Mexico's remote workers and national employers by identifying residents to participate in full-time remote work. The program is led by four organizations – CELab, DigitalWorks, CirclesUSA, and FatPipe ABQ – and partners with more than 70 national employers to place workers. It received funding from the New Mexico Economic Development Department.

Economic Development Best Practices

- Engage in economic development strategic planning and comprehensive economic development strategies. These efforts help communities identify regional strengths and weaknesses and create new strategies.
- Focus on workforce development and worker retraining.
- Work on neighborhood and community revitalization to make towns more attractive for businesses and existing and new workers.
- Promote entrepreneurship and small business development.
- Focus on business retention and expansion efforts and market to attract new businesses and industries.

NUCLEAR ENERGY

The Landscape

Nuclear power also faces an uncertain future amid a changing landscape. Plant construction faltered in the late 1980's due to environmental concerns, nuclear accidents, and increased regulation. Nuclear plant infrastructure is aging, with the average plant being 40 years old. Since 2012, five plants were permanently shut down with nine additional plants scheduled to be closed over the next eight years. Plants are often located in rural areas, creating a source of high-paying jobs for surrounding regions, magnifying the impact of closures.

There is good news. New reactor designs known as "small module reactors (SMRs)" are smaller and capable of being stacked for flexible and efficient operation. These are safer and reduce the impact of accidents. However, the economics of SMRs remain unproven.

The rise of low-cost natural gas and flat energy demand have driven the price of electricity down in some regions, taking away the economic case for operating nuclear plants. Operation and maintenance expenses are much higher than fossil fuel plants. Local opposition due to safety concerns has also increased the cost of recertifying nuclear reactors, and state government opposition has caused premature closure of plants. The Fukushima disaster in 2011 led to increased regulation by the Nuclear Regulatory Commission. All of these factors undermine the business case for nuclear generation.

Case Studies

Vermont Yankee, Vernon, Vermont

Vermont Yankee is a defueled boiling-water reactor located in the town of Vernon in Southeastern Vermont. It was shut down after 42 years of operation in 2014. It is estimated the plant contributed $500 million to the local economy annually and created more than 1,200 jobs. Vernon's budget was severely impacted by the closures to the tune of tax receipts of $400,000 expected in 2020 as opposed to $1.1 million when the plant was operat-

Vermont Yankee. The cylindrical structures in the foreground are the cooling towers, the boxy structure in the middle is the reactor building.
Source: Wikimedia Commons / Nuclear Regulatory Commission.

ing. Communities surrounding the plant had prepared for years of the eventuality of closure, and a couple strategic plans helped the town look toward the future. Local economic development groups and governments in the multiple states surrounding the plant have banded together to identify new strategies to develop the region, including creating a small business loan fund and developing green service sectors.

Pilgrim Nuclear Power Station, Plymouth, Massachusetts

The Pilgrim Nuclear Power Station was commissioned in 1972 and was announced by operator Entergy that it would close in 2019. Pilgrim employs 2.5 percent of Plymouth's workforce representing 5.3 percent of employee income. The Old Colony Planning Council, the Plymouth planning department, and Plymouth Regional Economic Development Foundation underwent a review process to look at challenges and local strengths in responding to the coming closure. Additionally, Massachusetts passed legislation establishing a 21-member Nuclear Decommissioning Citizens Panel. Plymouth and surrounding counties believe they are in a better position because they have a diverse economy and have been planning for the closure for many years.

Economic Development Best Practices

- When a plant announces a shutdown, communities can plan accordingly to create a trust fund for economic development to help mitigate the loss of jobs. Plan ahead by evaluating the vulnerability of plants to shut down.
- Understand the different modes of decommissioning which can impact the length of time and number of employees involved.
- Anticipate the loss of tax revenue when losing high-paying jobs.
- Identify economic diversification opportunities as early as possible.
- Partner with other communities, regional economic development organizations, and state and county governments to pool resources, share data, and disseminate information.

OIL AND NATURAL GAS

The Landscape

The U.S. is both a major producer and consumer of oil and natural gas. With increased domestic production, America has become a more significant exporter of oil, now exporting up to 10 million barrels per day, feeding hope that one day America will achieve energy independence.

Oil significantly impacts four regions: Bakken (Montana, North Dakota), Eagle Ford (Texas), Permian (New Mexico, Texas), and Niobrara-Codell (Colorado, Wyoming). It is a challenge for leaders at the local, regional, and state levels to work together to determine how to collect revenues and plan for market volatility, but if done right businesses and residents benefit.

Innovation in extraction technologies such as hydraulic fracturing and horizontal drilling have helped communities enhance access to oil and natural gas reserves. Shale production added 169,000 jobs between 2010 and 2012, and employment in extraction industries grew 10 times faster than overall U.S. employment. The abundance of shale has provided the U.S. with a buffer against disruptions such as natural disasters. A glut in oil production caused a significant price drop in 2016, but the challenges of staying competitive pushed technical and productivity advancements. None the less, analysts predict an uneven future for oil prices.

Natural gas is becoming increasingly competitive, increasing its share of U.S. energy generation from 23 percent to 33 percent. Its rise can be traced largely to fracking, which has increased output from the wells by 1,472 percent since 2000.

Research shows that each additional million dollars of new oil and gas production caused an $80,000 increase in salaries income and 0.85 new jobs within a given county.

The U.S. is both a major producer and consumer of oil and natural gas. With increased domestic production, America has become a more significant exporter of oil, now exporting up to 10 million barrels per day, feeding hope that one day America will achieve energy independence.

Case Studies

Texas

Texas contained 451 oil rigs as of 2017 and produced more than one-third of U.S. crude oil. One study estimates the economic impact in the 21-county Eagle Ford shale area to be $87 billion in 2012, showing a $26 billion increase from 2008. Even during the most recent global price collapse, Texas' revenues were still strong, and production quickly recovered. However, turbulent revenues after the 2014 downturn affected oil communities and caused struggles with keeping up with infrastructure demand. The economy is greatly affected by the price of oil, causing communities to make tough decisions about how to react in poor times and how to spend money in good times.

North Dakota

The Bakken shale region in North Dakota grew from 2 percent to 15 percent of state gross domestic product from 2005 to 2015. However, a lack of adequate infrastructure made it difficult to keep up with a growing population, as did a lack of housing and workforce. The state government passed legislation to help with funding for communities to keep up with industrial development, reallocating $1.1 billion for local and state infrastructure needs after gaining significant state revenues between 2004 and 2014.

Economic Development Best Practices

- Use revenues to finance long-term investments that strengthen the community post-drilling.
- Avoid long-run financial commitments such as infrastructure, but rather focus on pay-as-you-go models.
- Focus on diversifying the economy so as not to focus too much on oil revenue.
- Use short-term financial boosts to help with long-term diversification.

RENEWABLE ENERGY

The Landscape

How economic developers manage the transition from fossil fuels to renewable energy will determine whether communities thrive or not in the future. Renewable energy accounts for 10 percent of U.S. energy consumption and represents more than half of capacity additions. Half of the world's electricity could come from renewable sources by 2040. Wind power is expected to contribute to $85 billion in economic activity between 2017 and 2020. The solar photovoltaic cell installation industry is expected to triple in size by 2020 compared to 2016.

Source: U.S. Department of Energy

The rise of renewable energy is having an impact on job creation directly in manufacturing and also throughout supply chains. Solar industry employment grew by 25 percent in 2016, and wind power employment grew by 32 percent. Wind turbine technicians and solar cell installers are among America's fastest-growing jobs.

Source: U.S. Department of Energy

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The growth in renewable energy has been driven in large part by technological advances, increased supply, and government incentives. The price of solar modules fell between 65 and 70 percent in recent years, and wind turbine costs fell by 30 percent. In 2017, 13 percent of Fortune 100 companies had renewable power purchase agreements and 63 percent had sustainability targets, showing that major corporations are putting an emphasis on renewable energy. There is also widespread public support for renewable energy, though that support decreases when prices increase, something policymakers will have to watch.

Case Studies

Iowa

Iowa is a leader in renewable energy, deriving more than 30 percent of its power from wind sources. The wind sector employs about 6,500 people. Iowa's leadership in renewable energy has given the state an advantage in data center investment as tech giants Apple, Facebook, Microsoft, and Google have chosen to build data centers in the state. The low power cost helps the state provide a supportive environment for companies with high energy needs. MidAmerican Energy is investing $3.6 billion towards its goal to provide 100 percent renewable energy to customers. Iowa was ready to capitalize on renewable energy needs because leaders had identified it as an opportunity by the early 1980s. Early adoption has benefited the state and has given it a head start on others that are looking to do more to adopt wind energy.

Prioritize accessible financial mechanisms to allow communities to fully unlock their region's renewable energy potential.

Fort Collins, Colorado

Fort Collins, driven by an environmental focus as a community, adopted a city-driven 2014 Climate Action Plan with a goal of reducing greenhouse emissions 100 percent by 2050. This goal is in line with the overall progressive values of Fort Collins residents, helping the city attract talent. Companies are investing in the city and using sustainability as a marketing tool. This includes major companies like Anheuser-Busch and technology firms such as Numerica. A program called ClimateWise plays a role in the city's success. The program provides free advisory services and assessments to businesses on how to reduce their environmental impact. The state of Colorado aims to create 62,000 green jobs and 2,000 clean-tech businesses, and wind energy is projected to become the state's primary energy source by 2021. Fort Collins is well-positioned to be a leader in this trend.

Economic Development Best Practices

- Consult communities that will house projects during the initial stages of planning. Communities that are not consulted may put up more opposition.
- Prioritize accessible financial mechanisms to allow communities to fully unlock their region's renewable energy potential.
- Ensure improved economic inclusiveness among all groups including disadvantaged minority groups, and find workers within the community to train.
- Understand that after the initial manufacturing boom, jobs are likely to be susceptible to automation. The most stable job creation is in middle management, engineering and other technical roles, meaning that long-term investments in education and training will be necessary.

CONCLUSION

As energy trends play out in the future, the communities that best prepare for the changes will be better off. Economic developers can play a major leadership role in their communities to ensure that all the right partners are on board to react to changing trends in the energy landscape.

advancing economic

EQUITY AND INCLUSION

By Daniel Bonilla and Kate Svitavsky

As the body of research on small businesses and their impact in local economies grows, so too does municipal interest in attracting new and supporting existing entrepreneurs and business owners in their own backyards. The City of Minneapolis is investing in its small business owners through the Business Technical Assistance Program (B-TAP), which funds and organizes one-on-one consulting, group trainings, and networking opportunities for entrepreneurs. Since 2014, B-TAP has served over 1,300 business owners from diverse backgrounds, as over 80 percent of clients are people of color, women, or low-income individuals.

While B-TAP is not the first technical assistance program in the United States, its focus on serving specific business niches and its outcome-oriented structure make for an innovative model for other municipalities looking to support small businesses and meet racial equity goals. B-TAP is designed to help small businesses at various points during their development, focusing on business feasibility, retention and expansion. For instance, the owner of Moroccan Flavors is a recent immigrant who has grown a successful restaurant business in one of the city's largest marketplaces, receiving assistance through B-TAP as his business started and grew.

Moroccan Flavors owners, a B-TAP assisted business.

MOROCCAN FLAVORS

At the Midtown Global Market in South Minneapolis, newspapers line the windows of the market's largest restaurant space as two men on a scissor lift inspect a wall. Hassan Ziadi is expanding his restaurant into the space from a smaller counter service stall deeper in the market, transforming from Moroccan Flavors to the new name Ziadi's Mediterranean Cuisine. A fresh coat of cerulean paint brightens the restaurant's entrance, paying homage to Chefchaouen, a Moroccan city comprised of iconic blue and white buildings emerging from a mountainous landscape.

"I moved to Minneapolis because it is a good place to raise a family," says Ziadi as he recounts his path to business ownership. Ziadi worked as a

Daniel Bonilla is the B-TAP Program Manager, City of Minneapolis Community Planning and Economic Development. (daniel.bonilla@minneapolismn.gov)

Kate Svitavsky is a B-TAP intern.

HOW THE CITY OF MINNEAPOLIS IS INVESTING IN SMALL BUSINESS OWNERS TO REDUCE DISPARITIES AND GROW THE LOCAL ECONOMY

The City of Minneapolis created the Business Technical Assistance Program (B-TAP) in 2012 to facilitate economic development through the creation, stabilization, and expansion of small businesses. B-TAP reaches small businesses through two paths, direct one-on-one consulting and group training programs for specific topics or business types. Since 2014, B-TAP has served over 1,300 business owners from diverse backgrounds, as over 80 percent of clients are people of color, women or low-income individuals. B-TAP can be a model for communities looking to provide small business support, close socio-economic gaps, and grow a more diverse pool of entrepreneurs. B-TAP received IEDC's 2018 Gold Award for Economic Equity & Inclusion.

B-TAP offers several programs in two general categories: 1) direct one-on-one consulting (B-TAP Core) and 2) group trainings for a variety of business niches. The B-TAP Core program contracts with 19 existing community-based nonprofit organizations to provide feasibility consultations, assistance with loan packaging, training in general business management, marketing and branding, and more. Contracting with community-based nonprofit organizations is a way to expand the program's capacity, reach, and cultural competency. B-TAP providers represent the diversity of the city, speaking ten languages, serving specific geographic areas, and focusing on distinct racial/ethnic groups.

Sonora Grill and Mama D's, two of the over 1300 businesses assisted by B-TAP.

world-class chef in countries all over the world, including several European countries, Morocco, and Qatar. He began working at a restaurant in Minneapolis' Dinkytown neighborhood in 2013 and found out about business services through a friend. Ziadi accessed technical assistance from the Neighborhood Development Center (NDC), a B-TAP provider that is a nonprofit Community Development Financial Institution (CDFI) and offers small business training and lending and manages the Midtown Global Market. Ziadi says he has received help with all aspects of his business, including business planning, accessing capital, marketing, interior design, and more.

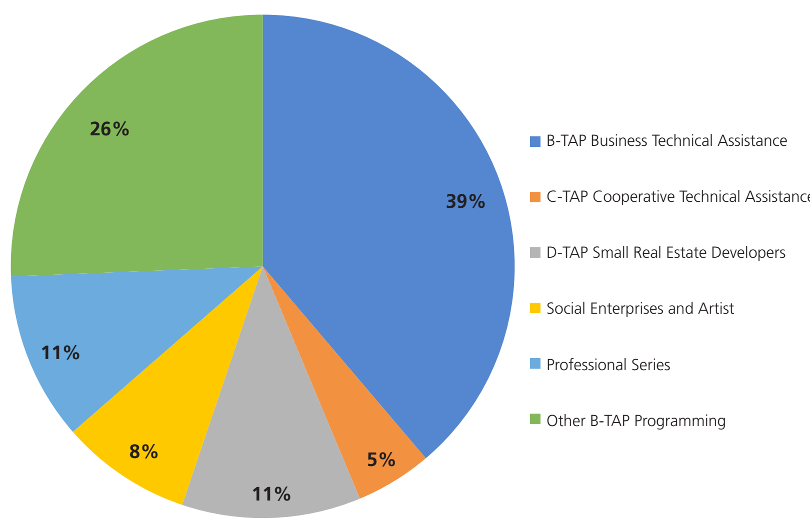
Over 1,300 other small business owners and entrepreneurs in Minneapolis have accessed one-on-one coaching and group trainings since B-TAP's inception in 2012. B-TAP supports small business development by funding neighborhood organizations and local experts to provide technical assistance that meets business owner needs, including help with marketing, loan packaging, financial projections, and more. A model for other cities that are looking to improve their small business sector, B-TAP assists entrepreneurs and small business owners in assessing the feasibility of a business, opening their doors, maintaining operations, and expanding their locations.

CURRENT OFFERINGS

B-TAP offers several programs in two general categories: 1) direct one-on-one consulting (B-TAP Core) and 2) group trainings for a variety of business niches. The B-TAP Core program contracts with 19 existing community-based nonprofit organizations to provide feasibility consultations, assistance with loan packaging, training in general business management, marketing and branding, and more. Contracting with community-based nonprofit organizations is a way to expand the program's capacity, reach, and cultural competency. B-TAP providers represent the diversity of the city, speaking ten languages, serving specific geographic areas, and focusing on distinct racial/ethnic groups. Also, the yearly competitive selection process of providers allows the program to identify emerging economic trends and select service providers that specialize in specific populations. For example, this year's list of providers includes an organization that serves military veterans and one that serves social impact ventures, in addition to culturally and geographically-based providers and large CDFIs.

After the program's launch in 2012, staff quickly realized that different business niches needed specialized training in addition to the one-on-one offerings of B-TAP Core. B-TAP's training arm consists of several programs that work with groups of distinct business types and topics. In contrast to B-TAP Core, which is mostly facilitated by nonprofits, the training arm of B-TAP sources local experts who work as independent consultants or are part of a company.

BUSINESS SERVED BY PROGRAM (actual)



The chart above shows the distribution of clients per program. One of B-TAP's strengths is its niche based approach to reach different audiences. 39% of clients are served through one-on-one consulting.

The Cooperative Technical Assistance Program, or C-TAP, offers an 8-session group training program to grow cooperative businesses in Minneapolis, as well as one-on-one consulting. Similarly, the Small Developers Technical Assistance Program (D-TAP) seeks to expand the pool of real estate developers in the city by training emerging developers in acquisition, site selection, financials, entitlements, and more.

While C-TAP and D-TAP focus on specific types of businesses, the B-TAP Professional Series coordinates a series of group trainings on specific topics. The program solicited topic ideas through an open request for proposals from local experts to pitch an idea for a business training. The training topics of 2018 include:

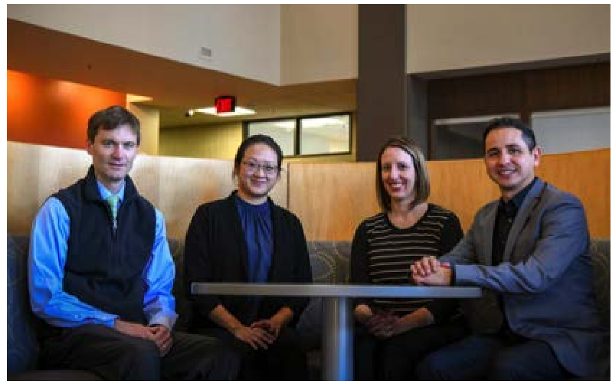
- Business skills for artists
- Legal workshops about financials, staffing, and leasing
- Social enterprise training for nonprofits
- Intensive marketing and branding
- Responding to local minimum wage increases

Finally, the newest program, the Energy Technical Assistance Program (E-TAP), helps business owners implement energy cost-savings practices in their everyday operations. E-TAP funds energy service providers to help businesses coordinate energy assessments, write action plans, apply for energy rebates, and upgrade appliances.

B-TAP is funded through a mix of federal Community Development Block Grant (CDBG) dollars and local funds from the City of Minneapolis. About half of B-TAP Core is funded by CDBG, and the other half, as well as C-TAP, D-TAP, the Professional Series, and E-TAP, are financed through local dollars.

HOW THE PROGRAM WORKS

Business owners and entrepreneurs find out about B-TAP from the program's marketing materials, community-based nonprofit organizations, B-TAP providers, and word-of-mouth. Because many businesses the program serves are owned by immigrants and non-native English speakers, B-TAP benefits from the ability of its providers to utilize existing relationships and promote trainings and services. To access services, clients contact the B-TAP office for a referral or review a list of service providers to decide which provider best meets their needs and contact the organization directly. To make the list more navigable for business owners, it details provider language capacity, services offered, and population focus.



B-TAP Team: (left to right) Miles Mercer (Business Dev Manager), Lisa Passus (Contract Administrator), Emily Peterson (Training Coordinator), Daniel Bonilla (B-TAP Manager)

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B-TAP'S BEGINNINGS

Prior to B-TAP, the City of Minneapolis offered technical assistance to entrepreneurs through an existing geography-based program and more ad hoc contracts with certain community development organizations. By developing B-TAP the city was able to offer technical assistance city-wide, with clearer goals, and on a measurable, outcome-based basis

B-TAP also began as a response to racial, gender, and income disparities in business ownership throughout

RACIAL AND ETHNIC BUSINESS OWNERSHIP GAP IN MINNEAPOLIS, 2012

Owner background	Number of businesses	Percentage of businesses	Percentage of population	**Business ownership gap
Latino	1,333	3.0%	10.5%	-7.5%
Black	6,009	13.6%	18.6%	-5.0%
Asian	1,633	3.7%	5.6%	-1.9%
American Indian	629	1.4%	2.0%	-0.6%
White	34,502	78.2%	63.8%	+14.4%
Total	44,106	100.0%	100.0%	

The table above shows the estimated business ownership gap, which is the difference between the percentage of the population and the percentage of businesses owned by each racial and ethnic group. Source: The US Census' 2012 Survey of Business Owners and Self-Employed Persons.
*** Business ownership gap was estimated by B-TAP staff.*

Minneapolis. The US Census' 2012 Survey of Business Owners and Self-Employed Persons documents Minneapolis' ownership disparities. While people of color made up 36.2 percent of the population, they represent just 21.8 percent of owners. Similarly, while women make up just over half of Minneapolis' population, only 37.5 percent of businesses are owned by women.

In addition to ownership inequities, the Survey of Business Owners also finds that business owners of color have far smaller annual gross receipts and number of employees than their white counterparts. To achieve parity, minority-owned businesses would have to:

- Increase in number by 15,313, from 37,695 to 53,008 (40 percent)
- Expand their gross annual receipts by $25.4 million, from $5.9 million to $31.3 million (430 percent)
- Hire an additional 87,665 employees, from 45,811 to 133,476 (191 percent)

Because small business disparities are not just about the number of businesses but also their size and capacity, B-TAP is working to improve business performance in addition to increasing the level of business ownership for non-traditional business owners. In addition to technical assistance and training, B-TAP co-sponsors several networking events and works with other city departments to get small business owners, particularly those of color, connected to procurement opportunities. B-TAP has organized networking events, connected small businesses to the city's Target Market Program for procurement, and used technical assistance dollars to help businesses apply for Disadvantaged Business Enterprise (DBE) certifications.

> "Whether it's helping upstart businesses pull financial statements together, file a tax return, or secure financing – B-TAP allows more people to access the wealth of institutional business knowledge we have in the city."
>
> *Minneapolis Mayor Jacob Frey*

SMALL BUSINESS, BIG IMPACT

Supporting small business brings big impacts to local economies, and the City of Minneapolis is setting an example for what local investment in small business could look like.

"Local governments should not be known for putting up roadblocks to opening a business; we should be providing roadmaps for success," stated Minneapolis Mayor Jacob Frey in his 2019 budget address. "Flipping this paradigm on its head won't be easy, but new investments in our Business Technical Assistance Program (B-TAP) will help us get there."

Small and locally-owned business are important for communities not only for their placemaking abilities, but also because they provide tangible social and economic returns. Independently-owned businesses, almost all of which are classified as small businesses, contribute more money to the local economy through participating in local supply chains and paying wages to locally-based employees.[1] For example, The Maine Center for Economic Policy found that an additional $58 is contributed to the local economy for every $100 spent at a local business, while only $33 is contributed for every $100 spent at a chain store.[2] Similarly, a report from the Federal Reserve Bank of Atlanta assessed county-level data throughout the United States to find that local entrepreneurship helps increase per capita income, grow employment, and reduce poverty rates when compared to larger businesses.[3]

FUTURE PLANS

B-TAP has expanded significantly since its beginnings, from serving just over 100 businesses in one program to over 1,300 businesses across five programs. B-TAP's current focuses include supporting the newly-created Energy Technical Assistance Program, putting together solicitations for the 2019 round of the Professional Series, and improving B-TAP Core, C-TAP, and D-TAP. Program staff are also considering the possibility of recurring programming for artists and local food manufacturing.

C-TAP, one of the B-TAP subprograms to support the development of cooperatives

2018-2021 PROGRAM GOALS

- Close socio-economic equity gaps by providing relevant technical assistance to Minneapolis small businesses, prioritizing minority, women, and low-income entrepreneurs.
- Increase our service capacity to serve over 1,300 small-to-medium size businesses by 2021.
- Increase the participation of small, minority, and women-owned businesses in city procurement contracting opportunities.
- Continue diversifying B-TAP's core competencies to respond to market needs by creating or improving at least three specialized programs.
- Increase B-TAP's outreach efforts and evaluate the program's impact, gaining knowledge in market trends.

Coco Co-working Space, B-TAP faces of Minneapolis Business campaign.

Surly Brewery, B-TAP of Minneapolis Business campaign.

One challenge B-TAP faces is a desire to increase the number of businesses served while working with limited resources. Program staff are developing communications plans and refining marketing strategies to help businesses learn about services, and at the same time making sure B-TAP has the capacity to handle increased interest in both one-on-one technical assistance and specialized trainings. The pull between increasing quantity of businesses while sustaining program quality speaks to the importance of keeping robust and accurate records of businesses served and helps staff understand which geographic areas and populations are accessing services.

Finally, B-TAP is providing statistics and analysis about specific business niches in the City of Minneapolis, including a review of cooperative businesses throughout the city, Latino-owned businesses, and African American/Black-owned businesses. As more businesses hear about and utilize B-TAP training and technical assistance, program staff are evaluating which programs offer the best outcomes and most efficient return on investment.

LESSONS LEARNED

Other communities looking to grow small businesses and close racial disparities can adapt the Business Technical Assistance Program to fit their needs. City of Minneapolis staff suggest thinking about the following items when designing a similar program.

Technical assistance provided by a visible, trusted, neighborhood-based source funded by the city may make some business owners feel more comfortable than working directly with the city. This is particularly relevant for working with immigrant populations or people of color.

Consider partnering with existing community development organizations to provide services. Technical assistance provided by a visible, trusted, neighborhood-based source funded by the city may make some business owners feel more comfortable than working directly with the city. This is particularly relevant for working with immigrant populations or people of color.

Implement an outcomes-based model in which providers deliver specific services, rather than providing a grant to community organizations for more general business support activities. For Minneapolis' B-TAP Core program, contracts are awarded to support specific types of technical assistance and the achievement of certain outcomes (e.g. the opening of a new business).

Harness the expertise in your community by asking for ideas for training proposals rather than, or in addition to, requiring specific topics. By allowing subject matter experts to design and pitch a training program based on market demands gives a city input that it may not be aware of. Additionally, these contracts can be small – the Professional Series contracts were no more than $7,500.

Be proactive about connecting with organizations that serve people of color, women, and low-income individuals. Rather than expecting that one or two large providers will be sufficient for entrepreneurs in your community, be deliberate about which populations your potential providers will likely serve and whether or not that fits your goals.

Set up a contracting and reporting infrastructure to collect robust information about clients. The use of CDBG dollars will require some level of reporting, but it will also be helpful to collect information about the nature of the businesses, the technical assistance services provided, and contact information for follow up, program evaluation, and opportunity notification purposes.

B-TAP is helping close equity gaps and build wealth in communities that have been left out of some economic development efforts, promoting long-term success for small business owners. By focusing on developing non-traditional entrepreneurs and connecting them to community organizations and resources, cities can grow a more diverse pool of small business owners.

Feature local businesses in your marketing materials. Having recognizable, local businesses improves program credibility and builds trust between the city, providers, and potential clients. For example, B-TAP materials feature photos of entrepreneurs who have participated in the program.

THE MAIN MESSAGE

B-TAP is helping close equity gaps and build wealth in communities that have been left out of some economic development efforts, promoting long-term success for small business owners. By focusing on developing non-traditional entrepreneurs and connecting them to community organizations and resources, cities can grow a more diverse pool of small business owners. The City of Minneapolis' Business Technical Assistance Program proves a powerful model for municipalities looking to support small businesses, and works because it builds on existing skills, interests, and community assets.

For more information about the Business Technical Assistance Program and its several subprograms, visit http://www.minneapolismn.gov/business/B-TAP.

ENDNOTES

1 https://community-wealth.org/content/san-francisco-retail-diversity-study-report-prepared-san-francisco-locally-owned-merchants

2 https://www.mecep.org/wp-content/uploads/2011/12/ME-CEP_Report_-_Buying_Local-12-5-2011.pdf

3 https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2013/01-do-local-business-ownership-size-matter-for-local-economic-well-being-2013-08-19.pdf

from mall to mixed use

By Larisa Ortiz and Heather Arnold

OVERVIEW

Warnings of a pending retail apocalypse are flashing red, with traditional shopping malls drawing a lion's share of the worry. Credit Suisse projects that up to 25 percent of malls will close by 2022. Left undeveloped, these hulking structures will become blighted properties that undermine property values and the tax base in their local communities. The impact doesn't stop there: Retail real estate accounts for roughly one in six jobs nationally, and about one-fifth of U.S. gross domestic product, according to the International Council of Shopping Centers (ICSC), the nation's leading shopping center trade association. These properties collectively contribute $195 billion in combined sales and property taxes. Cities can ill-afford to sit back and watch them struggle.

While the demise of retail has certainly been exaggerated, the problems facing shopping malls are very real. Look no further than the mall's original purpose – collecting tenant types (apparel, electronics, home décor, bookstores) that turned out to be the ones hit hardest by changes in technology and spending habits as the ecommerce economy grew. There was a time when entire wardrobes were purchased at one or two stores. The Millennial and Z generations, by contrast, do not care about labels or brands, and do not shop that way. In addition to competing against their own online presence, more brick-and-mortar stores are now splitting the same amount of consumer spending. For many companies, it hasn't been or won't be enough to stay afloat.

These challenges have been a long time in the making. The U.S. is overbuilt with retail square footage – more than 13 billion square feet of it. At 23 square feet per person, the U.S. has the most retail space per capita in the world; Canada, for the purpose of neighborly comparison, has 16 square feet per person. And shopping habits continue to shift. Ecommerce purchases are accelerating rapidly. Over the past year, traditional mall tenants such as Williams-Sonoma have sold more online than in stores. Then there's the inevitable lifecycle decline of many malls, particularly Class B and Class C malls constructed in the last 20 to 40 years, which will likely constitute an outsized portion of

The Cross County Shopping Center in Yonkers, NY now includes a Hyatt Place hotel and an extension center for Westchester Community College.
Source: Larisa Ortiz

Larisa Ortiz is Principal of Larisa Ortiz Associates, a retail planning firm that specializes in urban environments, and serves on the New York City Planning Commission. As a former IEDC staffer, she co-authored the IEDC publication "Real Estate Reuse and Development" and is the author of "Improving Tenant Mix: A Guide for Commercial District Practitioners" published by the International Council of Shopping Centers (ICSC). (lortiz@larisaortizassociates.com)

Heather Arnold is a Principal of Streetsense and its Director of Research and Analysis. In addition to her project work on mall-to-mixed-use redevelopments in Florida, Michigan, Maryland, and Wisconsin, she created and authored the Vibrant Streets Toolkit to help small neighborhoods revitalize their commercial districts. (harnold@streetsense.com)

THE ROLE OF THE PUBLIC SECTOR

Retail real estate is in a period of significant disruption, leaving many owners of legacy retail real estate assets struggling to find solutions that address the cash flow challenges brought on them by the loss or downsizing of many of their traditional tenants. Many owners are now looking to alternative uses that push the envelope and embrace a mix in tenancy that requires considerable planning and in some cases, financial or institutional support from public sector partners. This article will explore the ways in which the private and public sectors will increasingly come to rely on one another to address a host of complicated design, regulatory, and monetary hurdles that will differentiate successful projects from those that fail.

Mall owners are pursuing strategies to evolve along with the retail environment. The good news is that the fundamentals of many of these mall properties remain strong. Most are located in mature markets, with minimal direct competition, at locations with proximity to a strong customer base, and access to robust regional transportation networks, including state and local highways.

mall closures. Communities that have come to depend on property taxes paid by these centers will see reduced assessments *and* reduced sales taxes.

MALLS TO MIXED USE?

Mall owners are pursuing strategies to evolve along with the retail environment. The good news is that the fundamentals of many of these mall properties remain strong. Most are located in mature markets, with minimal direct competition, at locations with proximity to a strong customer base, and access to robust regional transportation networks, including state and local highways.

We analyzed almost 400 malls that have closed since 1980. <u>None</u> have been resurrected in their former incarnation. Nearly a third have been renovated and comprehensively re-tenanted with a wide variety of outcomes. About 18 percent were demolished and replaced with new retail stores, most often big box power centers. (We're looking at you, New Jersey, with nine of these sites). And 11 percent have been integrated with other uses to boost occupancy levels, therefore becoming "mixed-use." These non-retail tenants commonly include offices, data centers, schools or universities, libraries, hospitals, and quite a few churches.

Mall owners are increasingly exploring non-traditional retail uses to drive new revenue streams and respond to changing customer preferences. Non-retail and non-restaurant space in malls increased 3.9 percentage points (from 19.2 percent to 23.1 percent) between 2012 and 2018 (CoStar). Space dedicated to food and beverage (F&B) also grew, nearly doubling from 5 percent a decade ago. According to a 2017 joint report by JLL and ICSC on the integration of F&B within retail real estate, by 2025 that sector will account for 20 percent of total space and up to 25 percent of space in destination properties.

In some places, shopping malls are being demolished to facilitate new mixed-use development. Colorado has seen three major demolition-to-mixed-use projects. In 2004, the former site of the Villa Italia Shopping Center in Lakewood became Belmar, with stores, restaurants, apartments, offices, and a hotel around a newly created street grid. The Streets at SouthGlenn, with 202 apartments, 140,000 square feet of office, and over 900,000 square feet of retail, replaced the Southglenn Mall on a site that was cleared in 2006. Downtown Westminster has broken ground on a hotel, movie theater, apartment buildings, and park system, all around a JCPenney that is one of the last remaining pieces of Westminster Mall.

PUBLIC SECTOR INTEREST

What can economic development organizations and their public sector partners do to ensure these mall-to-mixed-use concepts are well planned and contribute to a community's overall economic well-being?

Some of the challenges that developers face are the result of decades-old zoning and regulatory policies that prevent mixed-use development. Many malls were developed under Euclidean Zoning policies that encouraged the separation of what are deemed incongruous uses. So sites where residential development could flourish and catalyze other opportunities couldn't do so because of regulatory constraints that prohibited non-commercial uses – essentially retail, office, and sometimes light industrial/warehouse. (Amazon and Walmart have targeted several mall redevelopment sites for distribution centers across the country.)

Traditional parking requirements, specifying a minimum number of parking spaces that must be provided per use, further deepen the challenges of mixed-use development. Space demands that ignore opportunities for shared parking or alternative transportation options can result in unnecessary and costly parking decks or underground garages that limit development opportunities. In some communities, parking requirements as high as 10 spaces per 1,000 square feet of retail remain on the books; even four to six spaces per 1,000 square feet is considered high. Mixed-use environments can get away with as few as one to two spaces per 1,000 square feet of retail (or even less in high density communities) for some compatible mixes.

For all these reasons, rezoning and/or master planning old mall sites are critical for mall-to-mixed-use redevelopment efforts. Regulations must be updated to allow for residential development and other uses; parking requirements must be revisited in light of the new ways people get around. (Uber drivers don't need to park.) Also required is more flexibility in what constitutes the use group known as retail. This may mean allowing for small-scale light manufacturing: Micro-breweries, for in-

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stance, fall into the category of manufacturing but are welcome additions to many retail projects. In many cases, these substantive zoning changes require public approval, which in turn requires a working public-private partnership between the developer and the governing entity.

New mixed-use projects on old mall sites also require significant investments in infrastructure. Acres and acres of impervious surface need to be razed, new streets and utilities laid, public spaces constructed. The planning process must consider connections to existing street networks to be accessible to prospective customers arriving on foot, on bicycles, and – yes – even on electric scooters.

Many lenders have little experience in financing mall-to-mixed-use construction and historically have stayed away from these projects because of their inherent complexity and prospects for rising costs. Retail developers unaccustomed to the challenges of mixing uses cringe at the thought of having to pay extra to accommodate things like columns or elevator shafts for the uses above their spaces. Will those investments bring a higher rate of return or help attract stores and restaurants? For their part, architects trying to accommodate multiple uses must grapple with different building code requirements for different uses, as well as the need for taller ceiling heights and optimal column spacing. These are some of the reasons why banks can be reluctant to lend to mixed-use projects.

Economic development agencies and their public-sector partners have to strike a careful balance. The cost of a thoughtful and contextual redevelopment for a large mixed-use project may exceed return-on-investment for developers, requiring some form of public-sector support in order to turn it into reality. Doing nothing is simply not an option for communities whose tax base once relied on these commercial properties.

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As a result, more and more communities are coming to the conclusion that they must step up and support the catalytic redevelopment of mall sites to ensure they remain productive contributors to the tax rolls. In 2007, the Virginia city of Hampton formed a special taxing district, known as a Community Development Authority (CDA), to finance $92 million in infrastructure improvements to facilitate the conversion of Coliseum Mall into Peninsula Town Center, an urban-type office, residential, retail, and structured parking development. More recently, the project was awarded a $17 million "grant" (funds will be repaid through recordation of several forms of taxes) from the state's Tourism Development Financing Program to the Peninsula Town Center developers. Administered through the Virginia Tourism Corporation, this investment will be directed to the completion of the project's latest addition, a 120-room Element hotel. Financing tools like those deployed by Hampton will become more common as mall redevelopment continues.

PUBLIC SECTOR REDEVELOPMENT TOOLS

For public-sector partners, each phase of the redevelopment process brings both opportunities and risk:

Pre-Development Due Diligence

For each failed mall site that was redeveloped into a successful contributor to community life and the tax base, there are three others that resulted in broken promises, loan defaults, wasted resources, misappropriated funds, and the end of careers. Municipalities have the best shot at the successful redevelopment of former malls – particularly if they have come to acquire or control the site before a developer is selected – by understanding project feasibility and market conditions. There is no real shortcut for taking a hard look at market conditions before an investment of this kind. It's surprising how infrequently this occurs.

Developers are not always the most reliable source of information. Just because someone wants to undertake a massive project does not mean they should. Public agencies should find an experienced third-party source to conduct a thorough market study of each real estate asset type currently allowed on the parcel. If residential uses are not permitted, it might make sense to analyze why not – and whether the potential upside might justify jumping over a few hurdles (which, depending on local politics, might be nearly insurmountable). This also involves soliciting public input before developers invest significantly in a site. Too often a project can come to a roaring halt because of unexpected community opposition.

Failed malls can have unexpected sources of hometown support from emotional connections that are far more difficult to address than logical ones. So many people wistfully recall holiday and back-to-school shopping trips to Marshall Field's, Parisian, Kresge's, Hudson's, Mervyns, and Gimbels. Vacant shopping centers, especially their anchors, can carry a sense of loss that is often accompanied by community accusation (rightly or wrongly) that they were permitted to languish for redevelopment purposes. Developers will find it helpful to have an estimate of the level of resistance they might be facing during the pre-development phase, not later.

Public Financing Support

Public financing support is not uncommon among large mixed-use development projects. It can constitute 20-30 percent or more of a project's overall financing package and frequently comes in the form of special purpose districts, which are a tool to raise revenue to support capital improvements and/or operating costs for a project.

Of these, Tax Increment Financing (TIF) districts are a common form of special district that earmark assessments collected from new development to finance improvements. Assessments are based on the increase of taxes over the existing base tax. This recaptured tax flow is used to repay a bond that is issued at the start of the development process. One such example of a TIF is the Mall Area Redevelopment TIF District in Dallas. The district was designated in 2014 and is made up of two non-contiguous areas – one in northern Dallas and one in southern Dallas, on the locations of two conventional indoor legacy malls, the Valley View Center and the Southwest Center Mall, respectively. While the verdict is out on the success of these initiatives (the Dallas City Council approved in June an additional $22 million city investment towards one of the two malls), plans for the sites over a 30-year period include the addition of approximately 9,000 residential units, 800,000 square feet of new retail/restaurant and entertainment space, 4 million square feet of office space, and 1,000 new hotel rooms. The TIF budget in 2014 dollars is estimated at $182.5 million, which will fund demolition and remediation, public infrastructure and open space improvements, and land acquisition. In Dallas to date, 18 TIF districts have been created to support development of under-performing real-estate assets.

Economic development agencies exploring this option should investigate state enabling legislation to determine the viability of TIF as a financing tool. In New York, for example, TIF legislation was enacted in 1984 and used only twice at the state level in the following 28 years on two relatively small projects. While the law has been revised to address a number of structural deficiencies that limited its utilization, it remains a relatively untested product. As a result, there is limited experience among developers and public-sector partners who are only now exploring this sophisticated financing tool. An economic development entity with limited experience utilizing TIFs will, along with reviewing the enabling legislation, want to speak with knowledgeable real estate attorneys to determine why TIF application has been limited. There may be a good reason.

Regulatory/Zoning

Changing the rules of the game will mean addressing the zoning restrictions that prevent the mix of uses so vital to these projects. Local government can anticipate regulatory/zoning issues early on by conducting a review to understand the impediments to redevelopment that are baked into the zoning code and address them before a developer comes on the scene. There are pros and cons to taking care of these administrative tasks before identifying a developer. Doing it without developer input might hamstring the developer into doing things that don't make market sense. But a pre-approved regulatory framework – one that allows for a certain degree of flexibility to respond to on-the-ground market conditions – can be critical in ensuring some degree of predictability with respect to the outcome of discretionary zoning changes subject to the public approval process.

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Opportunity Zones

One as-yet-untested financing tool is the federal Opportunity Zone program, part of the 2017 package of changes to the tax code. In such zones, new investments may be eligible for preferential tax treatment. Opportunity zones are focused on areas of high poverty (greater than 20 percent, plus median household income less than 80 percent of the surrounding area, per 2011-2015 ACS data). About 56 percent of census tracts, or more than 41,000, are eligible, though state and local leaders will have a say in which census tracts can try to make use of the program. While final rules from the IRS are expected at the end of 2018, eligible entities, including banks, developers, Community Development Financial Institutions (CDFI), economic development agencies, high net worth individuals, mutual funds, and venture capitalists are beginning to explore the creation of so-called Qualified Opportunity Funds to invest in eligible properties. The verdict is very much still out on this particular financing mechanism, but economic development agencies should consider it a potential new tool in the toolbox to support mall redevelopment projects.

MISTAKES TO AVOID

Restricting uses that make the mall-to-mixed-use conversion viable. It is worth repeating: Residential zoning may be the keystone that allows all other elements to stand. In a strong housing market, the value of apartments, townhomes, and condominiums is often a necessary piece of a financing equation. The other parts simply don't "pencil." A blended return among all uses can be high enough to allow the project to proceed.

Requiring uses that make the mall-to-mixed-use conversion fail. Mandating retail on the ground floor of every building. Maintaining aggressive parking ratios.

Local governments must research a developer's financials and access to capital. Review their pro-formas and confirm that their assumptions for rents and sales are valid. Understand their relationships with lenders, brokers, and other developers. Finally, it is not fatalistic to maintain a Plan B throughout the process – it's just good business practice.

Each of these can unnecessarily trigger a whole variety of issues that have tanked many mixed-use projects. Building too much retail space where it doesn't belong creates ground-level vacancies which can directly impact upper-level vacancies and the walkability of the sidewalk environment. Ranging anywhere from $10,000 to $50,000 dollars a space, unneeded parking can quickly change the color of the bottom line from black to red.

Getting distracted by design. Somehow, starting with the Romans (or perhaps the Greeks, depending on whom you ask), civilization has created and perpetuated a system of blocks supplemented by uses and organized around parks, large and small, that integrate nature into urbanity. From a planning perspective, retailers hate creative flourishes like oddly shaped buildings, curvy streets, and wide medians down the center of a main street. Residential uses will need a mix of options that include quiet streets as well as units above nightlife. Retail and office space will prefer locations with visibility along high-traffic roadways. Far too much time is spent on the design details of buildings and not enough on the site planning.

Lack of experienced partners. From our survey of failed mall projects, more than a handful of municipalities have invested significant funds or sold properties for nominal amounts to private individuals or developers without the background and knowledge to execute complicated projects. Local governments must research a developer's financials and access to capital. Review their pro-formas and confirm that their assumptions for rents and sales are valid. Understand their relationships with lenders, brokers, and other developers. Finally, it is not fatalistic to maintain a Plan B throughout the process – it's just good business practice.

Lack of community engagement. Aside from concerns that the community might object to redevelopment, the residents, employees, property owners, and business owners have project know-how that no one else can provide – what will allow a new mixed-use project to become seamlessly integrated into the surrounding neighborhoods? Infusing the "specialness" of a community, through local retailers, landscape treatments, street connections, and similar integrations must include the neighborhood's input and perspective.

CONCLUSION

As the retail industry confronts a period of significant disruption to its prevailing business model, the challenges facing owners of existing retail real estate assets will only grow more acute. Turning these properties into productive assets will require significant innovation, flexibility, and resources on all sides. The most successful projects will involve significant due-diligence and partnership building that enables both creative and smart experimentation, and results in a winning solution for all stakeholders.

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IEDC would like to thank the sponsors and exhibitors of the 2018 Annual Conference for demonstrating their commitment to the important work of economic developers. It is through their generous support that IEDC has brought leaders of the profession together for this forum of professional development, peer networking, and discussions of the most imperative issues facing economic developers today. We proudly recognize the following sponsors and exhibitors as partners in helping economic developers to build strong, more vibrant communities.

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NEWS FROM IEDC

JUMPSTARTING ECONOMIES IN TIMES OF CRISIS

IEDC has developed a program, funded by the U.S. EDA, of disaster preparedness and post-disaster economic recovery directed at different economic recovery stakeholders. The program connects volunteers with different community and economic stakeholders to assist in long-term economic recovery. This provides affected communities with supplemental ED expertise to jumpstart economies in times of crisis.

From hands-on help to off-site research, there are a number of ways that volunteers can get involved. Current areas of need include: Houston, TX (Harvey); Florida (Irma and Michael); The Carolinas (Florence); Puerto Rico/ Virgin Islands (Maria) and The Northern Mariana Islands.

If you are interested in volunteering, please fill out our information survey at: https://docs.google.com/forms/d/e/1FAIpQLScQBFJKwiNCUVi-Fz2xmTgjHpI72QYnMzwbXVPGleYXRHvvcQ/viewform?usp=sf_link.

IS YOUR EDO FUTURE READY?

What do the next ten years hold for economic development? IEDC's in-house think-tank, the Economic Development Research Partners (EDRP), addressed this question in research it undertook this year.

The *Future Ready* report offers a great conceptual framework to help economic developers think about the future of their work and explains buzzword terms that economic developers have to contend with including: Blockchain, A.I., Industry 4.0, the Platform Economy, and Fintech.

Members can download the report free from the IEDC website. A free Executive Summary is available at https://www.iedconline.org/clientuploads/Downloads/edrp/IEDC _EDRP_Future_Ready_Summary.pdf.

SAVE THE DATE FOR IEDC'S 2019 FED FORUM

April 14-16, 2019
Washington Court Hotel
Washington, D.C.

IEDC's annual federal policy and legislative conference, FED Forum features top policy leaders from the U.S. Congress and the administration, as well as think tanks and associations. Attendees have the unique opportunity to learn from and interact directly with legislative experts and program managers from agencies managing economic development initiatives. The Forum focuses on the federal government's role in local job creation and on making federal resources work for you and your community.

PUTTING THE I IN IEDC

IEDC has been very active on the international front. At the Annual Conference in Atlanta, a Memorandum of Understanding was signed with Economic Development New Zealand. Already this MoU has seen joint membership of each others' organizations and assistance for EDNZ with its new professional development program.

Craig Richard, CEcD, FM, outgoing Board chair, spoke in October at the Australian and New Zealand Annual ED conferences and Tracye McDaniel, incoming chair, addressed the Economic Developers Association of Canada's annual conference. The International Advisory Committee is working to translate IEDC marketing material into several languages. Find out more at https://www.iedconline.org/web-pages/inside-iedc-s-global-activities.

NEWLY ACCREDITED ORGANIZATIONS IN ALBERTA AND ARIZONA

Alberta South West Regional Economic Development in Pincher Creek, Alberta has become the first accredited organization in Alberta. There are three accredited organizations in Canada. The Town of Queen Creek Economic Development Department became the fourth organization accredited in the Greater Phoenix, Arizona region. Congratulations to both organizations!

The following organizations recently achieved reaccreditation for three years:

- Tijuana Economic Development Corporation, Tijuana, Mexico
- North Louisiana Economic Partnership, Shreveport, LA
- City of Hamilton, Economic Development Division, Hamilton, Ontario, Canada

For more details visit www.iedconline.org/AEDO.

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

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

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

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

For more information about these upcoming conferences, webinars, and professional development training courses, please visit our website at www.iedconline.org.

CONFERENCES

2019 Leadership Summit
January 27-29
Ft. Lauderdale, FL

2019 Federal Forum
April 14-16
Washington, D.C.

2019 Economic Future Forum
June 9-11
Salt Lake City, UT

2019 Annual Conference
October 13-16
Indianapolis, IN

2020 Leadership Summit
February 9-11
Tampa, FL

2019 TRAINING COURSES

Entrepreneurial & Small Business Development Strategies
January 24-25
Fort Lauderdale, FL

Real Estate Development & Reuse
January 30-31
Fort Lauderdale, FL

Business Retention & Expansion
February 26-27
Baltimore, MD

Workforce Development Strategies
February 28-March 1
Baltimore, MD

Technology-Led Economic Development
March 6-7
Vancouver, BC

Economic Development Strategic Planning
March 7-8
Phoenix, AZ

Introduction to Economic Development
March 13-15
Toronto, ON

Real Estate Development & Reuse
April 4-5
Lansing, MI

Economic Development Credit Analysis
April 10-12
Washington, D.C.

Technology-Led Economic Development
May 1,8,15, and 22 (online)

Economic Development Marketing & Attraction
May 7-8
Minneapolis, MN

Economic Development Strategic Planning
May 9-10
Minneapolis, MN

Managing Economic Development Organizations
June 6-7
Salt Lake City, UT

Economic Development Credit Analysis
June 12-14
Salt Lake City, UT

Foreign Direct Investment & Exporting
July 9, 16, 23, and 30 (online)

Business Retention & Expansion
July 18-19
Atlanta, GA

Economic Development Finance Programs
August 14-16
Denver, CO

Neighborhood Development Strategies
September 19-20
Baltimore, MD

Economic Development Credit Analysis
October 9-11
Indianapolis, IN

Real Estate Development & Reuse
October 10-11
Indianapolis, IN

Managing Economic Development Organizations
October 31-November 1
Edmonton, AB

Economic Development Marketing & Attraction
November 7-8
Toronto, ON

Business Retention & Expansion
November 14-15
Omaha, NE

Workforce Development Strategies
November 21-22
Chapel Hill, NC

2019 CERTIFIED ECONOMIC DEVELOPER EXAMS

January 26-27
Ft. Lauderdale, FL

April 13-14
Washington, D.C.
(App. deadline: Feb. 12)

June 8-9
Salt Lake City, UT
(App. deadline: April 9)

October 12-13
Indianapolis, IN
(App. deadline: August 13)

2019 WEBINARS

Data-Driven Success in the New Year
January 17

Be Your Own Best Advocate
February 21

Get in the (Opportunity) Zone
March 21

The Cannabis Economy
April 18

Put Your Best Foot Forward: Marketing Tourism
May 16

Feeding the Masses, and Your Economy
June 20

Big Ideas, Small Town: Rural Placemaking
July 18

International Opportunities in Economic Development
August 15

All In: Developing Inclusive Workforce Strategies
September 19

2019 Fall Series; Digital Marketing
October & November
(Dates TBD)

Year in Review: Interpreting Your Results
December 20

innovation in bethlehem

By Asher Schiavone

throughout its history, the City of Bethlehem, PA, has proven itself a leader in the field of innovation and entrepreneurship. As early as the 1760s, Bethlehem was a community that housed industries of tanning leather, brewing beer, weaving blankets, making soap, and grinding wheat. But the early Moravians may be best remembered for an innovation that satisfied their most basic need – access to water. In 1762, the Moravians (a religious group, members of the Moravian Church originating in Europe, that settled in Bethlehem on a 500-acre tract purchased a year earlier) built the first municipal water pumping system in America. The system pumped spring water 94 vertical feet to a water tower that allowed water to flow directly to homes in the community – innovation at its finest.

In building our nation, the city's Sun Inn Tavern served as one of the staging grounds used by our Founding Fathers and Bethlehem Steel manufactured the steel that built much of our nation's most recognizable infrastructure and that played a crucial role during the World Wars in the early 1900s. We didn't invent steel, but innovative leadership made Bethlehem Steel a national powerhouse. The variations of the I-beam made steel beams stronger and able to support and build the nation's largest structures – innovation at its strongest.

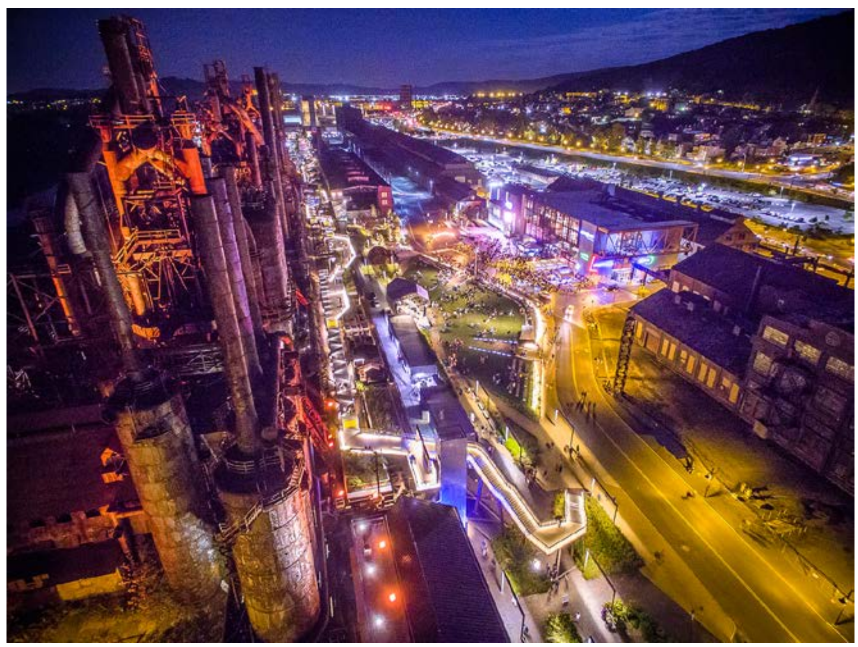
The City of Bethlehem, like most startups, has had to pivot to survive.

For as long as most can remember, the city revolved around Bethlehem Steel. After 120 years of producing steel in Bethlehem, however, the blast furnaces shut down in 1995 and Bethlehem Steel filed for bankruptcy in 2001. At one point the second largest steel company in the United States, it employed a peak workforce of 31,523 at its Bethlehem plant during World War II and was the leading employer and tax contributor in the city.

Asher Schiavone is the Economic Development Coordinator for the City of Bethlehem and Director of the Southside Bethlehem Keystone Innovation Zone. (ASchiavone@bethlehem-pa.gov)

BANKRUPTCY…WHAT NOW?

The closing of Bethlehem Steel left thousands unemployed and the largest privately-owned brownfield in the country. The question then became…what now? Communications between Bethlehem Steel and the city during the waning years were critical to planning the future of the site. Two things were obvious – 1) the SteelStacks and area immediately surrounding it would make an attractive arts & entertainment venue and 2) Bethlehem needed to diversify its economy.



SteelStacks, once the home plant of Bethlehem Steel, the site has been reborn through music and art. (Courtesy of WRT)

ANYTHING BUT RUN OF THE MILL

The Southside Bethlehem Keystone Innovation Zone (KIZ) received the Gold Award from the International Economic Development Council for Partnerships with Educational Institutions for 2018. Since 2004, the KIZ has awarded over $8 million in over 100 startup companies. Typical investments are made at the company's earliest stages, often when they are pre-revenue and not attractive enough to typical investors. Efforts to date have yielded multiple businesses that generate significant revenue and contribute new jobs to Bethlehem's economy. The KIZ works closely with Lehigh University and Northampton Community College to foster and attract these innovative startup companies that drive economic development in the city and the region.

Powerful economic development incentives play an important role in attracting large amounts of private and public investment that continue to be infused into the 1,800-acre brownfield site. The return of this investment has been reclaimed brownfield, over 9,000 jobs created, and the creation of a more diversified and resilient economy. While an incredible amount of development has occurred on this site, there are still parcels available for development, some of which are currently in the works.

It is the mission of the KIZ to foster innovation and create entrepreneurial opportunities by aligning the combined resources of educational institutions, the public sector, and the private sector. Furthermore, the program seeks to combat "brain drain" and help communities to retain the talent and technologies being generated on college campuses.

A NEW INITIATIVE – THE KEYSTONE INNOVATION ZONE (KIZ)

While redevelopment of the Bethlehem Steel site continues to be a focus and priority, it is small businesses that are the backbone of the economy. In 2004, the Commonwealth of Pennsylvania announced a new initiative called the Keystone Innovation Zone (KIZ). This program is administered locally by the City of Bethlehem and the Bethlehem Economic Development Corporation, a private non-profit economic development corporation.

Southside Bethlehem KIZ Logo

It is the mission of the KIZ to foster innovation and create entrepreneurial opportunities by aligning the combined resources of educational institutions, the public sector, and the private sector. Furthermore, the program seeks to combat "brain drain" and help communities to retain the talent and technologies being generated on college campuses.

The KIZ program fills an important niche in the entrepreneurial ecosystem that often goes unmet and unnoticed. Companies that are less than eight years old, located in the KIZ, operate within one of the targeted industry clusters, and developing innovative and proprietary technology are eligible for the program. Startups at this stage often are pre-revenue and too early for investors. Once qualified for the program, companies can apply for the following resources:

- **Technology Transfer Grants ($15,000)**
  - The KIZ awards Technology Transfer Grants up to $15,000 to assist eligible companies in the commercialization of innovative technologies that possess promise for technology transfer into the marketplace.
- **Student Internship Grants ($2,500-$3,750)**
  - The KIZ awards Student Internship Grants up to $2,500 for undergraduate-level students and up to $3,750 for graduate-level students.
- **NCC Fab Lab Access ($1,000)**
  - The KIZ may allocate up to $1,000 in expenses accrued at the Northampton Community College Fab Lab in order to assist eligible applicants in the commercialization of innovative technologies that possess promise for technology transfer into the marketplace.
- **Lehigh TE Capstone Grants ($2,500)**
  - The KIZ awards Lehigh Technical Entrepreneurship (TE) Capstone Program Grants up to $5,000 to assist eligible companies interested in sponsoring a TE Capstone team for an entire year.
- **KIZ Tax Credit Program ($100,000)**
  - The KIZ, through the Pennsylvania Dept. of Community & Economic Development, awards annual KIZ Tax Credits up to $100,000 to assist eligible companies.
  - The KIZ Tax Credit Program is based on increased revenue, are sellable, and can be used in conjunction with Federal R&D and Pennsylvania R&D Tax Credit Programs.

The funding for these programs (with the exception of the KIZ Tax Credits) is privately funded by the program's Primary Partners.

Bethlehem was awarded the first KIZ in 2004 due in large part to its history, ripe economic climate, and relationship with Lehigh University and Northampton Community College (NCC). Over the years, a total of 28 KIZs have been designated and have helped to create almost 10,000 jobs across the state. The Southside Bethlehem

Grand opening of the Follett Family Center for Innovation and Entrepreneurship & Fab Lab at Northampton Community College. (provided by NCC)

KIZ OVERVIEW

	Technology Transfer Grants	Student Internship Grants	Student Interns Placed	Lehigh TE Grants	NCC Fab Lab	Total Grants	Tax Credits	Total Investment
Program Total	**$1,243,767**	**$385,943**	**165**	**$10,000**	**$685**	**$1,640,395**	**$6,132,533**	**$7,772,928**
Year 1 (2005)	$126,892	$23,610	10	$0		$150,502	$0	$150,502
Year 2 (2006)	$117,556	$31,645	13	$0		$149,201	$0	$149,201
Year 3 (2007)	$119,477	$22,491	8	$0		$141,968	$497,568	$639,536
Year 4 (2008)	$98,744	$26,820	10	$0		$125,564	$558,111	$683,675
Year 5 (2009)	$88,170	$52,392	22	$0		$140,562	$664,660	$805,222
Year 6 (2010)	$73,019	$28,983	14	$0		$102,002	$459,931	$561,933
Year 7 (2011)	$62,897	$40,493	21	$0		$103,390	$557,645	$661,035
Year 8 (2012)	$107,489	$34,381	16	$0		$141,870	$683,660	$825,530
Year 9 (2013)	$48,243	$31,831	13	$0		$80,074	$750,065	$830,139
Year 10 (2014)	$97,099	$27,916	11	$0		$125,015	$578,427	$703,442
Year 11 (2015)	$76,682	$31,182	12	$0		$107,864	$403,016	$510,880
Year 12 (2016)	$92,500	$7,450	3	$2,500		$102,450	$537,292	$639,742
Year 13 (2017)	$60,000	$13,000	8	$2,500		$75,500	$442,158	$517,658
Year 14 (2018)	*$75,000*	*$13,750*	*4*	*$5,000*	*$685*	*$93,750*	*$0*	*$93,750*

The figure for "Tax Credits" and "Total Investment" for 2018 does not account for the KIZ Tax Credits that will be awarded by the Pennsylvania Department of Community and Economic Development in December, 2018. All italicized figures are likely to increase based on anticipated investments.

KIZ has invested over $8 million in 100 startup companies that has resulted in over 450 jobs created, 258 patents filed, and over $70 million in additional funding leveraged. A detailed breakdown can be found in the KIZ Overview chart. History has proven time and time again that the strength of our community and our ability to innovate resides in our partnerships. Here in Bethlehem, we are fortunate to have community partners that are focused on supporting entrepreneurs who are motivated to realize the American Dream. From entrepreneurial development, to business planning, prototyping, financial assistance, available space, mentorship, and much…much more, the city is as well-positioned as any to foster the growth and success of startup companies.

OUTREACH EFFORTS FOR THE KIZ

Outreach efforts for the KIZ are primarily focused on students in the Lehigh Valley, especially those attending Lehigh University or Northampton Community College. There are examples throughout history of students with brilliant and innovative ideas who drop out or graduate and then pursue their dream. It is incredibly important to get the message to these students that funding is available here in Bethlehem that can help to launch the company.

Lehigh University has the Baker Institute for Entrepreneurship, Creativity and Innovation that aims to foster the entrepreneurial mindset that leads to creating value in the world. It provides the Lehigh community with access to the skills, resources, and connections needed to enable both for-profit and non-profit entrepreneurial ventures to launch and prosper. Similarly, Northampton Community College recently launched its new Center for Innovation and Entrepreneurship. This space is focused on entrepreneurial programming and includes the Fab Lab, which provides community access to state-of-the-art technologies. These range from a full metal and woodshop, spray booth, 3D printers, laser cutters, a sound lab, guitar-making and repair studio, cold casting, and more.

In a sense, these students create the recipe for a startup and the KIZ provides them with the ingredients needed in order to make it happen. We want to give the students an opportunity to succeed not in New York, not in Boston, but here in Bethlehem where a start-up culture and "knowledge neighborhood" is establishing itself.

BECOMING MORE SUSTAINABLE

The most challenging moment for the KIZ came when state funding dried up for the grant programs that were being offered for KIZ companies. Due to this, most KIZs

Lehigh University Students. (provided by Lehigh Valley Economic Development Corporation)

KIZ'S PRIMARY PARTNERS

- Pennsylvania Department of Community & Economic Development
- City of Bethlehem
- Bethlehem Economic Development Corporation
- Lehigh University
- Northampton Community College
- Northampton County
- BB&T Bank
- St. Luke's University Health Network
- PNC Bank
- Merchants Bank
- Lehigh Valley Health Network
- Lehigh Valley Economic Development Corporation
- Ben Franklin Technology Partners
- PPL Corporation
- EcoTech Marine, Inc.

(with the exception of the Southside Bethlehem KIZ) primarily exist to allow startups to apply for the KIZ Tax Credits. The Southside Bethlehem KIZ has 15 "Primary Partners," which include Lehigh University, NCC, and local community stakeholders that annually fund the KIZ. These Primary Partners form the KIZ Board that allows the KIZ to manage a budget exclusively set aside for investment in KIZ companies. Bethlehem is fortunate to have forward-thinking community stakeholders that continue to invest because they have seen the impact of the program.

Recently, our KIZ fundamentally altered the way the \$15,000 Technology Transfer Grant program will be managed. For the first time, companies awarded grants would be required to repay if certain benchmarks are met, mainly increased revenue. Through a 1x return, an additional \$30,000-\$40,000 is expected to be generated annually. With this change, the KIZ has become more sustainable and current companies will essentially be "paying it forward" by investing in future startups. This change has been favorably received by those companies that have successfully graduated from the program, those companies interested in applying in the future, and from the community as a whole.

An often overlooked aspect of attracting and retaining entrepreneurs is the livability and "cool factor" of the community in which they work, live, and play. The city offers a vibrant community, a pool of talented employees, low-cost of living, and close proximity to customers and suppliers.

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ATTRACTING AND RETAINING ENTREPRENEURS

Innovation and entrepreneurship are foundational traits of our city and will continue to lead us in this new economy. It is through programs like the KIZ that we are able to retain and attract bright minds, technology, and products in our city. We recently received an Honorable Mention for the 2017 City Livability Award for Small Cities in support of the Southside Bethlehem KIZ during the U.S. Conference of Mayors' 85th Annual Meeting. This national award, received by cities such as Los Angeles, Las Vegas, and Phoenix, in addition to the IEDC Partnerships with Educational Institutions award, further validates our efforts and confirms our own innovative approach to supporting startup companies. By supporting these new ventures, we are helping to facilitate the job creators of tomorrow through this homegrown economic development effort.

An often overlooked aspect of attracting and retaining entrepreneurs is the livability and "cool factor" of the community in which they work, live, and play. The city offers a vibrant community, a pool of talented employees, low-cost of living, and close proximity to customers and suppliers. With multiple downtown settings, Bethlehem has something to offer all residents and visitors in the form of gaming, dining, shopping, history, athletics, and cultural events. With these attributes, Bethlehem provides entrepreneurs with the resources and the lifestyle that they seek and is considered as a haven for young, bright, tech-savvy entrepreneurs.

Bethlehem provides entrepreneurs not only with essential resources to develop new technologies, but provides an affordable quality of life that rivals anywhere else in the country. Looking forward we are hopeful that some of the companies that are established in our KIZ will become the new leaders of their industries in the future. With new infrastructure currently being developed, existing buildings being rehabbed and repurposed, new and exciting retail establishments, streetscape improvements, and regular festivals and events, the City of Bethlehem is primed for success.

ADVISORY PARTNERS

- Rising Tide Community Loan Fund
- Lehigh Small Business Development Center

Following is an overview of how participants in our ecosystem work together. It highlights a typical process for a startup story and three case examples.

A Startup Story

An entrepreneur has the perfect idea for a widget. He is enrolled at Lehigh University where the widget is refined under the guidance of the Baker Institute and prototyped using equipment at the Wilbur Powerhouse. During a networking event held at Lehigh, the KIZ learns about the widget and informs the student of opportunities available through the KIZ program. The student then graduates from Lehigh and decides to register his company, officially becoming a startup.

As a true startup, the company is low on cash and cannot seek much in terms of an investment or traditional loan. The entrepreneur remembers that financial resources are available through the KIZ and applies for a $15,000 Technology Transfer Grant that will enable him to purchase equipment to manufacture the widgets. However, because he doesn't have the required business plan or financial projections, he is directed to Lehigh's Small Business Development Center (SBDC) (an advisory partner) where assistance is free of charge.

To further understand how to actually run a business, he attends Start Your Own Business classes offered by Community Action Development Corporation of Bethlehem or the Lehigh SBDC's seminars to learn about managing inventory, tax issues, marketing, and more. At the same time, he knows the widget needs to be refined since the Wilbur Powerhouse is no longer accessible after graduating from Lehigh. He is able to utilize Northampton Community College's Fab Lab where he can modify the widget design and experiment with various prototypes.

With a widget ready for commercialization and business plan developed, a proposal for the $15,000 Technology Transfer Grant is submitted to the KIZ Board for consideration. After a successful pitch the entrepreneur receives the grant and proceeds to build an initial inventory of widgets using the purchased machinery and equipment. This eventually leads to revenue which is reinvested back into the business. Based on the sales numbers and demand for its widget, the company reaches out to the Rising Tide Community Loan Fund (an advisory partner) to inquire about the Bethlehem Small Business Loan Fund as well as the Lehigh Northampton County Revolving Loan Fund, Ben Franklin Technology Partners, and Lehigh Valley Angel Investors in order to access capital with the goal of growing their company. The growing success of the business forces it to expand rapidly, eventually to the point where it can find larger space within Bethlehem.

Bonn Place Brewing Company

Sam and Gina Masotto, the owners and operators of Bonn Place Brewing Company, were probably better known for their role in the comedy show Tony N' Tina's Wedding. They enjoyed performing at venues all across the country and their schedule eventually brought them to Yuengling Café at SteelStacks. "When Gina and I first came to Bethlehem to do Tony N' Tina's Wedding, in whatever year that was, we were like, where the heck has this been our whole lives," Sam said. "A great city, in the middle of everything, with tons of activity."

While Sam and Gina were succeeding on the stage, another passion was brewing. Literally…that passion WAS brewing. Their dream to start a brewery ultimately led them to move to Bethlehem, where they leased a small commercial space on the Southside. After extensive renovations, Bonn opened its doors on August 1, 2016. This made it the first brewery to be located on the Southside in over 60 years since the closing of the South Bethlehem Brewing Co. in 1954.

The interior of their 49-seat brewery features a welcoming combination of exposed brick, wood, and tile. There are nods to the local industrial economy and Bethlehem Steel in many of the furnishings and décor, and the entire project used only materials sourced in the United States. Bonn prides itself on having a wide variety of styles on tap that are sure to offer something for everyone. Sam also likes to experiment and tinker with innovative new recipes that will have you constantly checking their website for what they will have on tap next. Since opening, Bonn has already established a tremendous reputation within the community in large part due to their character, personality, work-ethic, and of course… a great product.

Bonn Place Brewing is eligible for the KIZ program and has been applying for and receiving KIZ Tax Credits. These have allowed them to modernize their equipment, hire new employees, provide raises to their current employees, and to purchase a new location that will expand their operations and manufacturing capability.

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Briana Gardell, CEO of Goblies, in Michaels Stores Day of Goblies Launch. (from Goblies Facebook Page)

Historically, companies eligible and supported through the KIZ have consisted primarily of technology or life science companies. Supporting Bonn Place Brewing through this program represents a commitment to manufacturing and innovative processes that align with the goals of the program.

Goblies

Mezzimatic LLC and its flagship product Goblies® Throwable Paintballs, which is a hybrid between a water balloon and paintball, along with its new Play Paint® that is designed to be used in water guns, are currently selling in Michaels Stores and Walmarts across the country and online! The company was founded by Briana Gardell, who developed the concept during her enrollment in Lehigh University's Technical Entrepreneurship program and graduated from Lehigh with her master's degree in 2015. "Twenty-six prototypes later, I finally got something working," said Gardell, CEO of Mezzimatic LLC. "Making it into a commercial product, that's another story that took many, many more prototypes. But I did finally get it to function." She would end up refining her prototype, launching a successful Kickstarter campaign, and continued making Goblies in her apartment kitchen.

Gardell knew that to seriously pursue this as a business she would need space and seed funding to launch the business. She knew about the City of Bethlehem's Department of Community and Economic Development from interactions at various Lehigh events and reached out to it to discuss needs for space and capital. Gardell eventually located at SoBeCoWorks at 1349 Lynn Ave., the same location previously used by EcoTech Marine, which is another successful startup that spun out of Lehigh University. She was able to take advantage of the Southside Bethlehem Keystone Innovation Zone by receiving two Technology Transfer Grants totaling $30,000 and will be able to take advantage of up to $100,000 in KIZ Tax Credits annually. "Before I started the business, I don't think I fully grasped the importance of being in an entrepreneurial ecosystem like Bethlehem," said Gardell. "Now I wouldn't want to build my business anywhere else. I feel like I know who to call for any project, from Arduino development to financing, through the local networking events and I find that to be extremely valuable as I continue to grow."

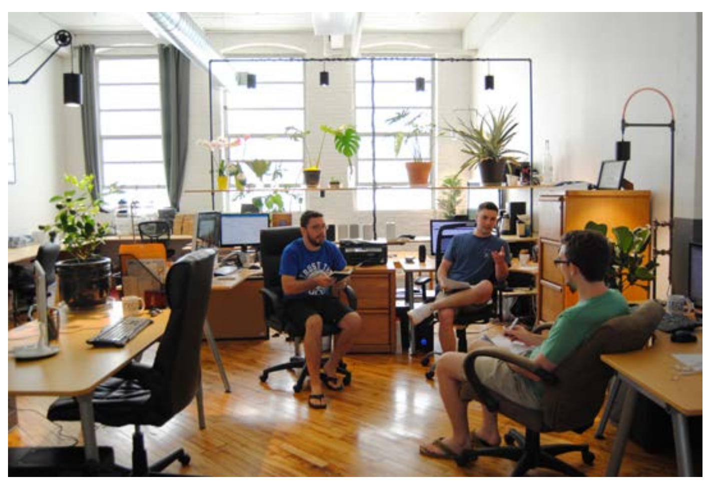
"There is no doubt that Goblies is one of the biggest economic development stories of the year," stated Bethlehem's Mayor Bob Donchez. "As a former educator, it's encouraging to see what essentially started out as a class project evolve into a real world application. I'm excited for Briana and looking forward to the future success of Goblies."

"Briana Gardell's success speaks to the power of collaboration between Lehigh University, the KIZ, and the City of Bethlehem" said Adrienne Washington, Assistant Vice-President, Community & Regional Affairs at Lehigh University and KIZ Board member. "Lehigh University is committed to support innovation and entrepreneurship in South Bethlehem and the Lehigh Valley."

There are many other organizations that Gardell was able to work with to bring Goblies to fruition, but most of the success can be attributed to her personality, work ethic, and determination. With Goblies in Michaels and now Walmart, there is no doubt that the future is bright (and colorful) for Goblies. "I feel like I'm on a new playground," said Gardell. "I am enjoying tackling the new challenges and opportunities that this stage of the business presents."

Soltech Solutions

Soltech Solutions LLC was founded to develop and provide the highest standards of energy efficient products. The company's founders, who received degrees from Temple University and Penn State University, decided to establish their headquarters in Bethlehem after



Soltech Solutions LLC Team Meeting in Pi: Partnership for Innovation. (provided by Soltech Solutions) going through an exhaustive search. Part of the reason that Bethlehem was considered was that a CNNMoney article ranked the city as one of the Top 100 places to "Live and Launch." Paul Hodges, CEO of Soltech Solutions, stated "Between the beautiful office spaces and the friendly businesses within the Pi building, we couldn't ask for a better work environment. Since locating to Southside Bethlehem, we've also felt a significant spike in business activity and can't help but think we have the KIZ to thank. It's been a wonderful experience so far and we're looking forward to continue growing here."

Soltech Solutions main product is the Aspect, which is a revolutionary LED pendant light that grows plants using the photosynthetic spectrum while displaying them with museum quality light. "With our unique light and design," Hodges said, "homeowners looking to add life into their houses can grow everything from beans and eggplants to pineapple, coffee, and avocados."

The Aspect comes in a 20 and 40 watt version. The company secured a $15,000 Technology Transfer Grant through the Southside Bethlehem KIZ Board. This funding enabled the company to build up product inventory. Soltech Solutions is currently selling its product direct through its website and online marketplaces like Amazon. The Aspect is sold in over 30 states, plus Puerto Rico as well as globally. Soltech Solutions has received bulk purchases from the Portland Nursery, Rooftopia, Sprout Home Brooklyn, and other plant-based businesses and experts in the industry. The company was also featured by both the Philadelphia Business Journal and the Pennsylvania Department of Community and Economic Development during Pennsylvania Manufacturing Week.

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driving state initiatives

THROUGH PARTNERSHIPS ROOTED IN COLLECTIVE IMPACT

By Erin E. Risley-Baird, Ph.D.

INTRODUCTION

Oklahoma Works, the state's talent pipeline development initiative led by Governor Mary Fallin, began with the identification of a clear problem: the skills gap.[1] In 2016, 46 percent of Oklahomans were estimated to have the attainment of a high school diploma or less. In 2025, only 24 percent of new jobs will be available to those with a high school diploma or less. Projections demonstrate that the most growth in newly created jobs to the economy and total jobs available will be in those occupations that require some sort of postsecondary education: an industry-recognized credential, certificate, or a two- or four-year college degree. At the start of this work in 2014, we had 10 years to upskill our workforce and close the gap; now, we only have seven.

In 2015, numerous state agencies that play a role in workforce development were convened to develop goals and strategies designed to solve the skills gap problem. In addition to leading agencies on workforce development, such as the State Department of Education, the State Regents for Higher Education, and the Department of Career and Technology Education, partners also included those agencies not traditionally viewed as workforce development partners: Department of Corrections, Department of Mental Health and Substance Abuse, and the Department of Rehabilitation Services, among others. Together, representatives developed a strategic plan on how to close the skills gap in 10 years.

With the goal of increasing degrees or credentials, Oklahoma Works strategic planning began in 2015 with our state agency partners, business leaders, and others to align our efforts to strengthen the talent pipeline and reduce duplication and fill gaps in the system. The common vision was a well-coordinated and effective education to workforce

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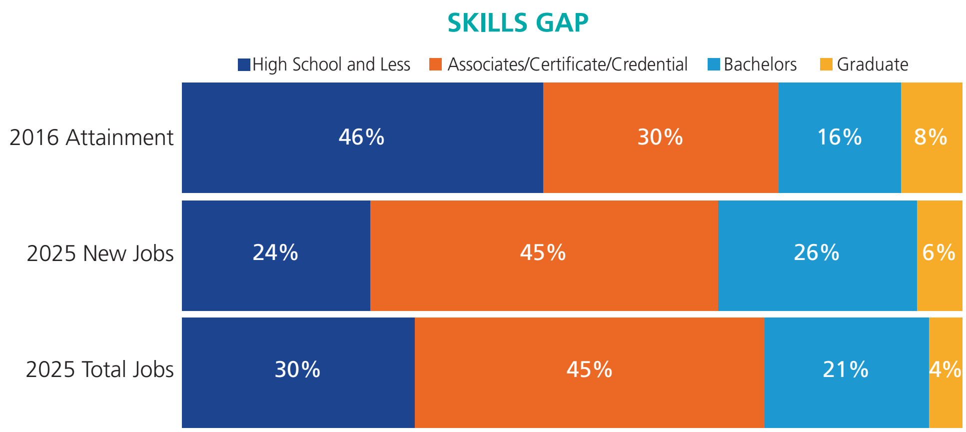

Figure 1. Oklahoma's Skills Gap showing 2016 educational attainment, new job entry-level projected requirements by 2025, and total jobs entry level projected requirements by 2025.

A PARTNER'S PERSPECTIVE ON LESSONS LEARNED FROM OKLAHOMA'S STATEWIDE INITIATIVE FOR TALENT PIPELINE DEVELOPMENT

Oklahoma Works is the state's talent pipeline development initiative designed to tackle the skills gap between what credentials and skills are available in the workforce today and what will be demanded by the economy in 2025. Multiple state agencies and private partners align on three key strategies: increasing postsecondary educational attainment, expanding and diversifying work-based learning, and utilizing data to drive alignment. Using the collective impact model for change, the state agency partners have collaboratively aligned on common messaging, metrics, and data to prioritize resources and capacity, and make a collective difference in the lives of Oklahomans and to the state's economy.

The report demonstrates that Oklahoma also experiences disparities in attainment between urban and rural populations, with rural areas achieving lower attainment levels, and disparities among African American, Hispanics, and Native American populations achieving lower attainment than their Caucasian counterparts.

pipeline that connects the various partners, systems, and initiatives towards the common goal of preparing Oklahomans for the world of work and ensures Oklahoma's businesses can hire the talent they need to grow and succeed. In short, our common goal was wealth generation for all Oklahomans so that they may achieve the American Dream.

From this work, three key strategies emerged to align efforts and were developed:

- increasing the educational attainment of all Oklahomans,
- expanding and diversifying work-based learning opportunities, and,
- using data to drive alignment with the state's 100 Critical Occupations.

INCREASING EDUCATIONAL ATTAINMENT

As Oklahoma's skills gap chart indicates, 22 percent of Oklahomans must not only obtain a high school diploma, but also must achieve postsecondary attainment to be competitive in our state's future job market, and to ensure our state is positioned for continued success. It is well-established that education is critical to social and economic development. Less education is correlated with higher unemployment rates[2], lower wages[3], and negative health outcomes[4] such as increased mortality rates, obesity rates, and heart disease, and higher poverty, among other negative impacts.

Statewide, Oklahoma's postsecondary enrollment is declining, and, many of the state's adults have some college, yet no degree.[5] As a result, many Oklahomans have debt associated with postsecondary enrollment, yet do not have the wage boost affiliated with successful attainment increase, further impacting economic success. A 2017 study was commissioned to understand why Oklahomans do not complete high school, college, and career and technical training.[6] The report demonstrates that Oklahoma also experiences disparities in attainment between urban and rural populations, with rural areas achieving lower attainment levels, and disparities among African American, Hispanics, and Native American populations achieving lower attainment than their Caucasian counterparts.

Yet, despite the positive impacts of educational attainment, Oklahoma lags the nation and demonstrates significant disparities among populations. Of the key findings in the 2017 attainment study, three became central drivers to the attainment work of the state:

- Oklahomans with the lowest attainment (no high school diploma or equivalency) reported the lowest value perception of increased education;
- Oklahomans reported a lack of expectations from family and the community to attend and complete postsecondary education and training; and,
- Many Oklahomans quit because the education and training was not relevant to their work or home life, as opposed to the common belief that these individuals were not able to compete academically.

By Executive Order, Governor Fallin issued the state goal for attainment, called Launch Oklahoma[7], indicating 70 percent of Oklahomans ages 18-64 must have a postsecondary degree or credential past high school by the year 2025. To meet the goal and the future workforce demand, Oklahoma must produce or recruit an additional 110,300 degrees and credentials each year through 2025. As a state, we must address the barriers of community expectations, increasing value or the perception of value, and the relevance of education and training, if there is any hope of increasing attainment at the rate that can compete with industry demand.

EXPANDING AND DIVERSIFYING WORK-BASED LEARNING

A strategy to address Oklahomans' struggle with identifying the relevance of education and training with their work or home life is work-based learning. Work-based learning is a continuum of activities that occur, in part or in whole, in the workplace. Such activities provide the learner with hands-on, real-world work experience designed to provide significance to the education and training experience. Activities can range from short-term exposure opportunities, such as job shadowing, to longer-term opportunities such as internships, expanding to Registered Apprenticeships, in which the end result is a fully-skilled, full-time employee.

Work-based learning is a win-win for both participants and employers. Participants receive hands-on exploration and experience that not only help focus their career journey, but also makes them more desirable can-

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didates on the job market. Businesses receive the benefit of reaching back earlier in the talent pipeline to expose their future workforce to industry and business needs, and competitively recruit the top-talent the state has to offer.

The Oklahoma Legislature agreed when they passed Senate Bill 1171, signed into law by Governor Fallin[8], which established a state-funded work-based learning program to pursue the expansion and diversification of work-based learning opportunities. By targeting state resources to achieve state-wide expansion, Oklahoma expects to reach its goal of increasing the number of quality work-based learning programs in the state to 20,000 by the year 2020.[9]

Oklahoma will be employing a multi-pronged strategy initially to create an infrastructure to connect its citizens to internships and apprenticeships beyond the traditional word-of-mouth model. Additionally, the program incentivizes employers to increase their offerings of internships and apprenticeships, as well as to increase the diversity of their participants to assist the state with its equity goals. Moreover, this business-funding-business strategy utilizes business registration fees to establish industry-led competencies to ensure the quality of the program and those who complete internships and apprenticeships with program-registered businesses. With less than two months' implementation, Oklahoma has already doubled the number of 2018 Registered Apprenticeship sponsors from the number of those who registered in 2017.

To facilitate statewide change at scale, all partners must not only share the vision and the goals, they must also utilize a shared metric for which to be held accountable. Quality data provide a compelling way to unify a collective on a central problem statement. Oklahoma's 100 Critical Occupations list[10] has become the unifying tool to drive alignment and the priorities of our state and its agencies.

USING DATA TO DRIVE ALIGNMENT

Despite solid goals to increase attainment and utilize work-based learning as a catalyst to postsecondary completion, state agency partners still struggled with the coming together on priorities influenced by labor market information (LMI). Similar to other states, Oklahoma's state agencies employ an array of economic tools and economists who have the expertise to interpret industry and workforce trends. Each agency and expert creates recommendations on the forward trajectory of each agency and the populations for whom they serve.

When each agency's data indicate a slightly adjusted direction, it presents difficulties with which to agree on priorities under a collective goal. Individuals who are experienced with data can attest to the terminology of "validity" and "reliability" of a statistical test. Though each agency's economic data are considered valid, they each use different tools with slightly different methodologies regarding in-demand and high-wage occupations and industry growth trends. When the data are compared across state agencies, it begins to present a reliability problem in the messaging to the public as all are defined slightly differently, and each produce a slightly different picture of what workforce demands look like within the state. Such inconsistencies make common messaging and collective impact incredibly challenging.

To facilitate statewide change at scale, all partners must not only share the vision and the goals, they must also utilize a shared metric for which to be held accountable. Quality data provide a compelling way to unify a collective on a central problem statement. Oklahoma's 100 Critical Occupations list[10] has become the unifying tool to drive alignment and the priorities of our state and its agencies.

To identify statewide priorities, the Oklahoma Department of Commerce identified driver and complementary economic systems, those industry clusters that contribute most to the economic wealth of the state, in order to prioritize limited state resources, and drive the business recruitment efforts for the state. From these economic systems, we identified a methodology to determine critical occupations for these industries. The methodology is based on a variety of factors to meet the state's goals, and includes projected job growth, turnover due to aging populations or burnout, higher than average wages, and prioritizing postsecondary educational attainment, among other factors.

It is challenging as a state and an agency to communicate to industry groups or businesses why a particular occupation they view as critical to their business somehow does not appear within the "top" 100. Despite the best message-design or public relations campaigns, some companies continue to question the validity of a list that does not represent their needs. Or, individuals in career paths not on the list appear disheartened when a career they value, appears to not be valued by the state. Though the list and methodology have their limitations, the data contained therein provide a way in which we as a state can orient our work differently to achieve greater impact. With each agency's singular efforts becoming a collective effort, we increase our chances as a state to drive change at scale.

For example, our education institutions have done remarkable work in alignment to our state's labor market priorities. The State Regents for Higher Education have begun utilizing the list as criteria for the creation and retirement of new education programs in the state. To be approved, applicants must justify how the program aligns with the state's priorities, with few exceptions. The Department of Career and Technology Education uses the list to validate alignment and articulate the vital need for CareerTech programs to meet labor market demands. Meanwhile, the State Department of Education, which governs common education in the state, is utilizing the list to develop their "career endorsements" for students, as well as a statewide web-based platform for career exploration for all common education students.

Although the list is limited to 100 occupations critical to the state's driver economies, it can also be expanded by identifying similar skills, knowledge, and abilities across occupations to develop the pathways to critical occupations. Skills-based processes such as these assist job seekers with understanding how stacking skills may open new opportunities, and assist businesses in gaining a better understanding of which skills are available in their applicant pool. Stacking skills, and the credentials and degrees which certify sets of skills, help build up an individual's qualifications and assist them with moving along a career pathway.

The Critical Occupations list in its entirety represents only 24 percent of all jobs in 2025. In reality, we need the additional 76 percent filled to keep our economy churning. The adoption of the list by our partners to drive policy and outreach provides the opportunity to move from isolated impact to collective impact. It also demonstrates that complex, government systems can be flexible and responsive to business demand.

COLLECTIVE IMPACT AND THE SHIFTING OF COMPLEX SYSTEMS

Essential tenets of the Collective Impact Framework[11], the theory of change guiding the development of Oklahoma Works, include a common agenda, shared measurement systems, mutually reinforcing activities, continuous communication, and backbone support organizations. These guiding principles were our focus as we established the framework for the initiative and will continue to be the focus as we consider how the work accomplished over the past few years will be sustained. However, as the backbone organization to the initiative, three critical components of Collective Impact also serve as lessons learned, and as a result, necessary reminders. In a 2018 address to local Oklahoma leaders, Richard Laine, president, DFI Consulting and former director of education for the National Governors Association, identified continuous challenges in Collective Impact that must be addressed to continue the work, including coordinated and continuous communication, overcoming singular perspectives and building trust, and joint metrics for determining baselines and measuring success.

Frequency and quality of communication is key to the success of complex-system work. Our common vision and common goals must speak to all members of the talent pipeline: educational systems, economic development, the workforce system, and targeted industry growth sectors. Leaders can easily conflate messaging with communication. Messaging is often one-sided, and although the goal of the sender can be to clarify or send a directive to a particular audience, it rarely requires participation on behalf of the received. Communication on the other hand, is all about shared understanding. Utilizing a common problem statement – the skills gap – and a common mission – ensuring all Oklahomans can achieve the American Dream – invites shared understanding and commitment toward developing activities with the purpose of a common goal. Disruptions and misalignment occur when messaging is leveraged over communication.

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Additionally, singular perspectives must be overcome in order to build and maintain trust. Stakeholders are accustomed to focusing on the day-to-day challenges of their organizations' work and sometimes are not familiar with or have the capacity to solve system-wide issues. The bureaucratic world of state government often uses the term "siloing," indicating the frequent disconnect between organizations that taxpayers envision work together to address systemic problems faced by their citizens.

As the initiative's backbone, our organization struggled early on with messaging versus communication, and overcoming "siloed" perspectives. A misplaced message intending to ensure a task is accomplished but instead is pitched as a directive can easily create discontent within a partner agency. Similarly, a hastily created scheduling invitation that displaces a key member of the core team can harm transparency by planting a seed of distrust, which can easily derail a few weeks-worth of action items. Guaranteeing communication as a participatory and habitual process is essential for operations and for ensuring partners can continue to overcome their singular perspectives for the collective needs of the group.

Finally, shared understanding of joint metrics in order to determine baselines and measure success is essential to the success and sustainability of the work. Under Oklahoma Works, our partners identified individual agency metrics that would guide their work, as well as joint metrics across state agencies. Then, we aligned metrics with our local partners to ensure a common mission and a common method for holding ourselves accountable. Oklahoma's 100 Critical Occupations list encouraged alignment on career exposure, education institution program development, competency-mapping, and outreach. Next steps are to analyze how our aligned efforts have closed the skills and attainment gap, revise, and continue with the good work.

CONCLUSION

As our governor ends her second – and last – term this calendar year, our partners are thoroughly reviewing what was accomplished over the past four years but also carefully evaluating our successes and failures to make recommendations to the new administration on how the talent pipeline work will continue to build on the strong foundation.

We understand that complex systems take time to change, and it takes even longer for the data to reflect those changes. Yet, there are little victories happening all over Oklahoma – and the rest of the nation – with regard to strengthening talent development. In Oklahoma, we have seen great progress with focus on our educational attainment and work-based learning related to the State's Critical Occupations. Although we have experienced some hiccups along the way, our guiding principles also continue to endure. We know that our collective efforts play an active role in community and workforce development and together, we can make a difference in the lives of Oklahomans.

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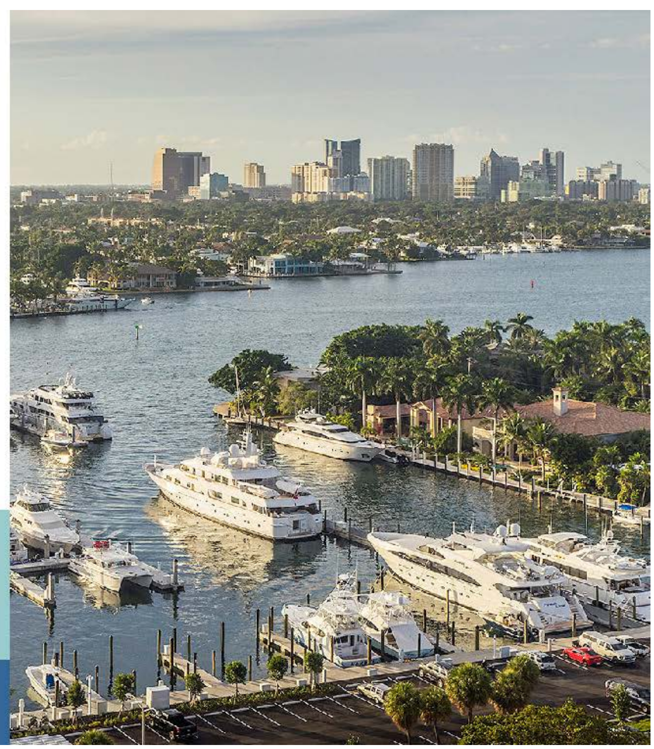

the impacts of arts events

VENUES ON SMALLER DOWNTOWNS

By N. David Milder

INTRODUCTION

This article aims to help increase the understanding among downtown leaders and stakeholders (hereafter referred to as downtowners) and their EDOs in communities with populations under 25,000 about the potential impacts that arts events venues can have on their districts. Another objective is to identify the types of research techniques and data that should be used in assessing those impacts. These venues include performing arts centers (PACs), theaters, concert halls, museums, etc. They are, almost always, managed by a non-profit organization and their funding depends on admission revenues, public and private sector grants, and private donations. Such operations usually have relatively significant capital investments, operating budgets and staffs – and frequent financial deficits[1]. They differ significantly from the art galleries, crafts shops, and workshops of individual artists and crafts people that often gain traction in smaller downtown arts districts that are typically smaller in size and for-profit operations.

DOWNTOWN ARTS IMPACT STUDIES ALSO SHOULD BE STRUCTURED TO MEET THE NEEDS OF DOWNTOWN LEADERS AND STAKEHOLDERS

If downtown arts venues cannot have positive benefits for their districts, then they might as well be located elsewhere in their counties or regions. Accordingly, the concerns of downtowners should be addressed in any studies of these arts venues' economic impacts.

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Based on 20+ downtown assignments in which possible arts projects and programs were important elements, my strong impression is that *downtowners everywhere are primarily interested in how an existing or potential arts venture might affect:*

- *DOWNTOWN BUSINESSES. What would their audiences spend in their districts and how would that affect downtown businesses? Would it attract strong new businesses or strengthen existing merchants?*
- *DOWNTOWN PROPERTIES. Very importantly, how would a new downtown arts venue affect the rents, occupancy rates, appraised values, and real estate taxes of nearby downtown properties? Would it spark nearby building improvements and new construction?*
- *HOW THE DOWNTOWN WORKS. Would a new arts venue raise the level of pedestrian traffic and increase the number of downtown out-of-town visitors and persistent local users? Or would it improve their attitudes toward and perceptions of the downtown, while also having positive effects on the downtown's appearance, walkability, traffic congestion, and parking needs?*

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THE GO-TO METHOD CANNOT PROPERLY ASSESS THEM

The arts as an engine for downtown and Main Street revitalization have earned much traction in smaller communities across the nation. Expectations of very significant positive economic impacts are often sparking this interest. Unfortunately, most arts impact studies use input-output models that are structurally incapable of meeting the information needs of downtown leaders and stakeholders. Moreover, these studies often overlook other important causal factors. A close look at 23 smaller communities shows that the expenditures of arts organizations and their audiences may not be as impactful as arts project advocates often suggest. However, many causal routes through which many strong positive impacts might emerge are analytically usually overlooked.

Downtowners' information needs are a lot finer grained than what the input-output models can produce. The models cannot say anything about how arts related expenditures influenced: business expansion, the opening of new businesses, higher rents and property values, improved property conditions, etc.

Of course, the best way to find out what your downtowners want to know about the impacts of an arts event venue is simply to ask them. In any case, those needs should heavily influence what an economic impact study of a downtown arts entity should cover. The least productive way to then provide that desired information is to bring in economic impact analysts who use input-output models.

Limitations of Input-Output Models for Downtowners. These models are favored by economic impact analysts. At the regional, county or multi-zip code level, these models can estimate how many arts organization and arts audience expenditure dollars will be captured by various types of business operations, the jobs they would generate, and what their ripple impacts will be. However, they have the following strong deficiencies for downtowners:

- They cannot be applied to geographies as small as the vast majority of our downtowns. They just don't work at that level.
- Downtowners' information needs are a lot finer grained than what the input-output models can produce. The models cannot say anything about how arts related expenditures influenced: business expansion, the opening of new businesses, higher rents and property values, improved property conditions, etc.

Arts Advocacy Efforts May Have Different Information Needs. Impact studies of downtown arts venues and organizations usually are undertaken for advocacy reasons. Understandably, they therefore target the information needs of the government officials, foundations, and large corporations that would provide needed donations and/or permissions and approvals. Input-output models are often well suited for meeting these information needs.

IMPACTS INVOLVE SENDERS, RECEIVERS, AND RE-SENDERS: IT'S VERY IMPORTANT TO KNOW THEIR CHARACTERISTICS

Impacts involve relationships between two basic types of entities: the "sender" that causes the impact and the "receiver" that is being influenced by it. The sender has outputs which *turn into impacts when they are absorbed by a receiver.* For example, a new theater's audience generates more customers and higher revenues for nearby restaurants. The receivers can then become "re-senders," passing along part of that impact to still other receivers: e.g., the restaurants increase orders to their wholesale food suppliers. The input-output models are attractive because they recognize and quantify these types of relationships.

Problems are generated when analysts focus too much on the impact senders and their acts of sending and fail to analyze the presence and ability of the impact receivers to catch and absorb what is being thrown to them. The characteristics of the receivers are important determinants of any potential impact. For example, if a small downtown does not have any restaurants, then there is no entity present that can catch the new arts venue audience's dining dollars. If there are some restaurants, but they are of low quality, have a bad reputation, few seats, or are open only for breakfast and lunch, etc., then they probably will not capture many of the audience's dining dollars.

Ignorance about potential impact receivers' characteristics is particularly dangerous when analysts are trying to identify the potential positive impacts of a new arts project or program. Estimating what the new arts endeavor will throw off is hard enough, but *an equally important question is how much of it the receivers are likely to capture.*

Sometimes, what a sender is emitting is so strong that it can induce the attraction, creation or expansion of a receiver. For example, a new small-town theater is a big hit and attracts a large audience that generates enough potential diners that someone opens a new restaurant. That may sound simple but may not happen all that easily.

A typical full-service restaurant nationally will need sales of between $150 PSF and $250 PSF to break even[2]. A restaurant with 1,500 SF would need annual sales of between $275,000 to $375,000 to survive; one with 2,500 SF would need between $375,000 to $625,000.

Among a sample of 23 communities with populations below 25,000 (more about those towns below), the median amount of expenditures for meals and drinks generated by their arts events' audiences was $994,542. The 1,500 SF eatery would need to capture between 15 percent and 25 percent of the audience expenditures for meals and drinks; the 2,500 SF restaurant between 38 percent and 63 percent.

Other consumer expenditure factors might also come into play in determining whether a new restaurant will open, e.g., the incomes, spending habits, and preferences of the local trade area's residents and non-resident members of the downtown's daytime population. Furthermore, my research suggests that in communities with populations under 3,000, it is somewhat easier for a restaurant to enter a market because it only needs a relatively small market share to survive financially[3]. How-

Impacts involve relationships between two basic types of entities: the "sender" that causes the impact and the "receiver" that is being influenced by it.

Country Gate Theater, Belvidere, NJ. *A source of community pride, but with limited seating and few performances, its potential impact on the revenues of downtown businesses is very limited.*

Bryant Park, NYC. *It is an important venue for arts events. The park has helped restore magnetism to nearby large office buildings. Together they helped attract new office buildings, hotels, and retailers.*

ever, the quality of the food and service at such a restaurant may not be comparatively high. Such factors further underscore the point that just knowing how much the audience will spend is a very necessary but insufficient step for determining the impacts of a potential arts events venue on the downtown in which it is located. Analyzing the impact receivers and the environment in which they are located is also essential.

Additionally, sometimes what the impact sender is emitting is too weak to have much effect on a receiver. For example, the Country Gate Playhouse Theater in Belvidere, NJ – population around 2,600 – has seating for 200 and had 15 performances scheduled for its 2017 season[4]. If they were completely sold out, the total audience would be 3,000 people. If every audience member spent $10.20 in a local eatery (the average for arts audiences in 23 towns with populations under 25,000), the total potential direct impact on local restaurants would be about $30,600[5]. That's not a lot and then its capture is potentially split among the local eateries – and those more distant.

Economic impacts seldom have one unique cause. It is essential that arts impact analyses recognize this fact so that the influence of arts venues and organizations can be placed in proper perspective.

Theaters and PACS in communities with populations in the 15,000 to 35,000 range that I surveyed online had seasons with 80 to 90 performances. Some theaters are only open during the summer months, while others, to the contrary, have heavily reduced schedules. Many museums in smaller towns are only open one to three days a week; others only have those sorts of schedules in the warmer months and are otherwise closed. When these arts venues are dark, they generate no customer traffic or spending for other downtown businesses.

IMPACTS SELDOM OCCUR IN ISOLATION: THERE ARE USUALLY MULTIPLE SENDERS (CAUSES)

Economic impacts seldom have one unique cause. It is essential that arts impact analyses recognize this fact so that the influence of arts venues and organizations can be placed in proper perspective. Though the focus of this article is on smaller communities, the demonstration of the multi-causal nature of the possible arts impacts is most easily and powerfully presented by using two venues in Manhattan, Bryant Park and the Lincoln Center for the Performing Arts (LCPA). Though in a very large city, they provide some key lessons about how economic impacts work that are applicable to communities of all sizes.

The renovated Bryant Park in Midtown Manhattan is an important venue for many performing arts events such as outdoor movies, plays, dance, and music concerts. It has had very impressive positive impacts on its surrounding neighborhood. In no small measure, this is because it has been able to "mobilize the neighborhood," i.e., it strengthens and mobilizes other existing nearby forces. Arts venues and organizations will have stronger impacts to the degree that they, too, mobilize the neighborhood.

As illustrated in Diagram 1, Bryant Park first had positive impacts on two existing buildings: the Grace Building and the American Radiator Building that later turned into the Bryant Park Hotel. Then these three entities all had positive impacts on the construction of One Bryant Park and years later the four entities all helped stimulate the construction of 7 Bryant Park. Notably, both the Grace and American Radiator buildings had inherent

Diagram 1. A Heuristic Representation of Some Possible Paths Through Which Bryant Park Mobilizes the Neighborhood's Positive Impact on a New Nearby Building

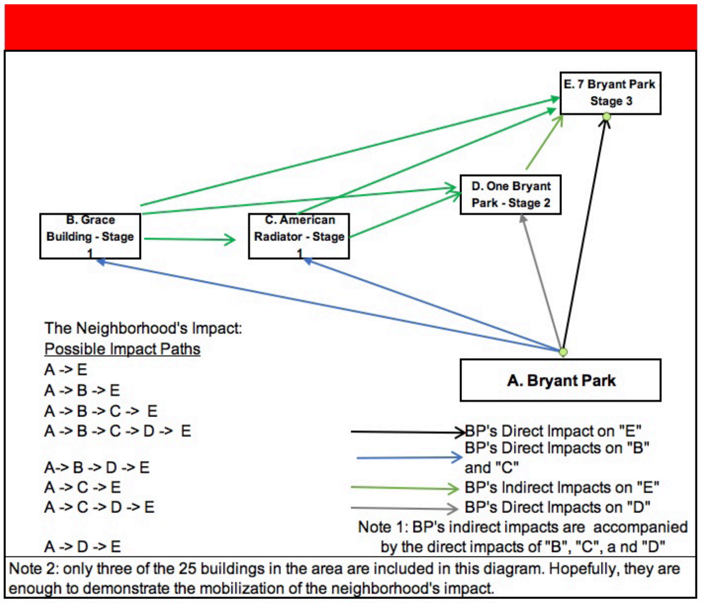
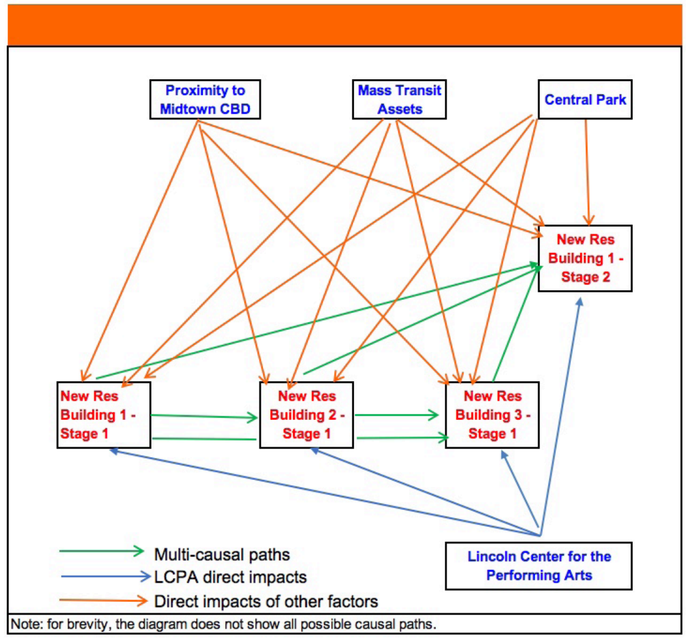


Diagram 2. A Heuristic Multi-Causal Representation of the Possible Paths of LCPA's Impacts on a Nearby Residential Building



strengths and magnetism, so they could benefit significantly from the area's improved image and higher visitor traffic induced by Bryant Park's renovation.

The new construction of One and 7 Bryant Park was facilitated by the renovated park and the more desirable Grace and American Radiator buildings through both direct and indirect causal paths. Due to the *quality of the office building stock, Bryant Park's renovation was able to "mobilize the neighborhood"* and ***help*** *induce new construction.* As time passes and the neighborhood further improves, Bryant Park's impacts will become increasingly indirect, while other important entities appear that are also exerting positive impacts of their own as well as passing along indirectly some of Bryant Park's influence.

This is important: if the nearby buildings had been in worse condition, the park's renovation would have had far less impact on their rents, occupancy rates, and capital value. Similarly, in smaller communities, the impacts of arts venues will be greater if there are nearby entities that are capable of digesting and benefiting from the arts venue's positive influences.

Because so many impact studies are done to advocate support for a particular arts organization or a specific arts project, their focus is all too often on the present or future benefits produced by them. However, in the real world, arts organizations and projects are likely to have favorable impacts on a downtown only if a number of other forces are involved that also have important impacts. In many instances, their impacts will be greater than those of the arts entity. This is as true for smaller towns as it is for big cities.

The impacts of the Lincoln Center for the Performing Arts (LCPA) on the Lincoln Square neighborhood are instructive – again, even for communities much smaller in size.

Published impact studies have rightly claimed that Lincoln Center influenced a great influx of housing units that then attracted considerable retail development. (A causal path that arts impact studies in smaller communities should also look at.) However, the studies failed to note the nearby presence of Central Park, the Hudson River, several busy subway stations, and the Midtown Manhattan CBD. Each, individually, may have had a stronger impact on residential development than the LCPA – especially the renovated and revitalized Central Park. Combined, these four factors probably had far greater impact than the LCPA on neighborhood housing development. Here, again, arts impact studies in smaller communities should be structured so as to be able to recognize such situations. (See Diagram 2.)

However, and strategically important, the physical development of the LCPA probably *sparked the initiation* of the neighborhood's housing resurgence. Many decayed structures were demolished and replaced with buildings that attracted a lot of more affluent and well-educated people into the neighborhood. That may have been its most important role in the neighborhood's impressive resurgence. Arts venue development in smaller communities can have similar effects, if on a smaller scale.

LCPA's direct impact through its audience's spending on retail probably has been relatively modest. Residential growth and spending probably had the strongest direct impact on Lincoln Square's retail. LCPA undoubtedly also had some strong indirect impacts on retail via its direct impacts on housing. In smaller towns, too, the strongest impacts on retail may follow an indirect causal path via increasing the attractiveness of the downtown as a residential location.

Why is this important? *If you are trying to determine what the impacts of your proposed arts endeavor will be, it*

Finding comparables to use in estimating the impacts of new projects is not easy. There is often a lot of variation in the aforementioned types of information among arts organizations, even those in communities of roughly similar size. Additionally, such estimates are often the foundation for other estimates, so one substantial initial error can undermine the entire quantitative analysis.

is important to identify the other factors, both positive and negative, that might be in play. They can make a critical difference in determining whether a potential impact is likely to happen or not, its magnitude, and if it is likely to be beneficial or harmful. Also, if you are thinking of making arts events venues the engine of your downtown revitalization, maybe you need to consider some other engines as well!

DETERMINING THE IMPACTS OF AN EXISTING ARTS PROJECT OR PROGRAM IS MUCH EASIER AND MORE ACCURATE THAN DETERMINING THE IMPACTS OF ONE BEING PROPOSED

There is an important and simple explanation for this: *the existing projects and programs will have a lot of essential data on admissions/ ticket sales, overall revenues and expenses, building and land costs, etc. Estimates must be made for proposed projects and programs and though they may be produced through diligent work, they still will have significant built-in potential for substantial errors.* Finding comparables to use in estimating the impacts of new projects is not easy. There is often a lot of variation in the aforementioned types of information among arts organizations, even those in communities of roughly similar size. Additionally, such estimates are often the foundation for other estimates, so one substantial initial error can undermine the entire quantitative analysis.

It is best to treat such estimates for new arts endeavors as having ballpark accuracy and reliability, and stating this frequently in reports, press releases, etc. Impact analysts should exercise great prudence in stating their findings and overtly acknowledge the potential for errors. When dealing with the future, analytical modesty and caution are always in order. PR puff is an enemy.

ACCURATE INFORMATION ABOUT DOWNTOWN ARTS AUDIENCES' EXPENDITURES IS ESSENTIAL FOR A USEFUL AND ACCURATE IMPACT ANALYSIS

Americans for the Arts (AftA) has published an enormous amount of valuable information about arts organizations in 250 study areas around the nation[6]. These data are mostly related to impacts of the expenditures of these organizations and their audiences. While they may not address many of the primary information needs of downtowners, they are representative of the type of data that is most often gathered about arts venue impacts. They do not address such issues as impacts on the perceptions of the downtown as an attractive place to live and to play or the stimulation of nearby redevelopment and increased property values, etc.

For this article, data was extracted from AftA's database for 23 study areas that are in towns with populations under 25,000. AftA groups together town, city and county study areas with populations under 50,000. However, the 25,000-population threshold more truly focuses on the smaller communities this article is primarily aimed at. Table 1 shows their organizational expenditures in their 2015 budgets as well as their audiences' expenditures. Total organization expenditures and total audience expenditures are two key data inputs in AftA's impact analyses for each of these communities. They represent the very important direct impacts.

If you go to http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5/use/arts-economic-prosperity-5-calculator, you can get a ballpark estimate of the indirect impacts of the annual audience spending of a district arts event organization on jobs, household incomes, and local and state tax revenues. You can get this estimate by providing three pieces of information: town size, the arts organization's total annual expenses, and its total audience size. The analysis can be expanded to cover all the arts events organizations in your district simply by aggregating the required input data. Donors and project approvers are likely to find these indirect impacts interesting, while downtowners will likely find them to be far less salient.

Table 1. Total Expenditures Made by Nonprofit Arts and Cultural Organizations and Their Audiences in 23 Study Regions With Populations Under 25,000 in 2015

Expenditure Components	Average	Median	Percent Total Expenditures
A) Operating Expenditures	$4,801,449	$2,612,457	38%
B) Capital Expenditures	$819,890	$67,707	6%
C) Total Org Expenditures (A+B)	$5,518,769	$2,639,540	44%
D) Total Audience Expenditures	$7,072,855	$2,246,065	56%
TOTAL EXPENDITURES (C+D)	$12,691,624	$5,079,985	100%

SOURCE: Arts and Economic Prosperity 5, Americans for the Arts, 2017. www.americansforthearts.org/economicimpact

Arts Organization Spending. Table 1 shows that total organizational expenditures in a study area average about $5.6 million or 44 percent of the combined total, though the median is about $2.6 million, or 52 percent of the combined total. That suggests the organizational expenditures are more important among the smaller organizations. Such expenditures are substantial and obviously an important channel through which the economic impacts of these arts organizations flow. However, an essential question is how many of those expenditures are likely to go to downtown businesses? The basic geographic unit of analysis AftA uses, counties, does not facilitate generating an answer.

Table 2. Paramount Theater, Rutland, VT: 2014 Annual Expenditures

2014 $s	2014 Percent	Expenditure Line Items
$838,744	56.7%	Performance expenses
$294,246	19.9%	Salaries, wages, taxes benefits
$106,540	7.2%	Occupancy
$107,832	7.3%	Depreciation, etc.
$9,247	0.6%	Interest
$849	0.1%	Legal
$1,200	0.1%	Accounting
$8,574	0.6%	Advertising & promotions
$4,487	0.3%	Info tech
$5,068	0.3%	Office expenses
$16,769	1.1%	Insurance
$2,156	0.1%	Travel
$84,374	5.7%	All other
$1,480,086	100.0%	TOTAL

Source: IRS Form 990 for Rutland's Paramount Center for 2014

One approach to answering this question is to assess the likelihood of the arts organizations' expenditure items having related vendors located in their downtowns that can capture them. Table 2 shows how the Paramount Theater in Rutland, VT, spent its money in 2014. Of the $1,480,086 in expenditures, about 57 percent was for performance expenses (mostly for out-of-town talent) and 19.9 percent for salaries (most of which probably was not spent in the downtown). Of the remaining 24 percent, the associated line items potentially can be captured by downtown firms. However, the Paramount's CPA, for example, is not located in the downtown and many of its business and professional services vendors probably are not located there.

A review of the expenditures of several art museums around the nation showed a similar story regarding the likelihood of nearby firms capturing their organizational expenditures. *Unfortunately, downtowns, especially the smaller ones, are highly unlikely to capture any large proportions of their downtown arts organizations' expenditures because they have thin business mixes.* Moreover, even in large cities, many of the vendors serving arts venues are not located in their neighborhoods. For example, much of the scenery and costumes for Broadway shows in NYC are created or stored in NJ, Brooklyn, and other parts of Manhattan.

It should be relatively easy and inexpensive for an arts organization to identify its vendors who are located in its downtown and to total its payments to those vendors in a way that preserves anonymity. If they cannot do that, then a lot of other questions should immediately be asked of its managers.

Arts Audience Spending. The AftA data in Table 1 shows that, on average, the audience expenditures of the 23 smaller town arts organizations were larger (about $7 million) than those of the organizations themselves (about $5.6 million). *That is the channel through which most downtown arts event venues potentially can directly impact downtown businesses.*

The best research tool for getting information about specific audience expenditures is a survey based on a relatively large number of interviews. Having at least 600 completed interviews usually enables a sufficiently detailed analysis: e.g., most interesting crosstab tables won't have a lot of empty cells. However, such surveys are notoriously hard to do because respondents' memories of non-repetitive expenditures, such as how much they paid for dinner last night, or smaller incidental items, are likely to quickly fade. The surveys also can be expensive to conduct or have sampling issues.

The best approach is to do intercept surveys at arts events and ask about expenditures that happened within the last day. AftA has developed a good questionnaire to use that is available on its website. However, downtown organizations might want to amend it somewhat to reveal expenditures made in their districts. With a bit of good training, staff or volunteers can administer the questionnaire at local arts events.

Some of our nation's most prestigious arts organizations have had impact studies done that were based on surveys carried out neither by them nor the research firms they hired, but by still other organizations with unrelated research objectives in mind. Other arts impact analyses were based on surveys that were too small, poorly worded or amateurishly administered. Every other piece of analysis based on those poorly done audience expenditure surveys was worthless. *Getting a good survey done of your downtown arts organization's audience spending is a sine qua non step for getting a fairly accurate and useful analysis of your existing arts program or project.* Properly planned and executed, these surveys can be quite affordable.

Here Is a Real Problem for Downtown Arts Advocates of New Projects or Programs: There is no existing actual audience for a proposed arts endeavor, only a potential one of uncertain size, so key numbers about its operations and feasibility must be estimated in a too often unreliable fashion. However, more reliable estimates might be possible, if there are other arts events in the district or community with audiences that could be surveyed.

The Paramount Theater, Rutland, VT. *A source of great community pride and a significant downtown asset. However, few downtown businesses are probably capturing its expenditures.*

If there are no local audiences to survey, then estimates might be somewhat improved by being based on what has been found in comparable communities. The problem is that finding a truly comparable community, or a group of them, is not an easy task.

AUDIENCE SPENDING PATTERNS IN SAMPLE OF SMALLER TOWNS WITH POPULATIONS UNDER 25,000

Table 3. Some Characteristics of the Data on Audience Total Spending for Meals and Lodging in the 23 Towns With Populations Under 25,000

	Meals		Number of Study	Lodging	
Audience	Low	High	Areas Below Average	Low	High
Resident	$18,448	$11,136,271	14 of 23	$0	$1,052,439
Non-Resident	$7,163	$772,806	19 of 23	$5,873	$7,719,085

The 23 towns I selected from the AftA data set to look at this question all are comparable in that they have populations under 25,000. However, if you look closely at the survey-based estimates of the audience's total expenditures for meals and drinks and overnight lodgings in each study area, you find that the ranges between lows and highs are quite large. Also, looking at averages may not be the most prudent thing to do. For example, in 19 of the 23 study areas, expenditures of non-resident audience members were below the overall average for all 23; for resident spending, 14 of the 23 were below average. In a normal distribution, 11 or 12 would be below the average. The medians appear to give a better indication of where most of these study area audiences are. (See Table 3.)

Table 4. Categorized Audience Expenditures by Attendees to Nonprofit Arts and Cultural Events in 23 City/ Town Study Regions With Populations Under 25,000 During 2015

RESIDENTS					
Expenditure Items	Item Totals	Average	% of Total	Median	Medians as %
Refreshments/snacks	$13,067,086	$568,134	16.8%	$194,488	17.4%
Meals/drinks	$32,170,235	$1,398,706	41.4%	$593,054	53.2%
Gifts/ Souvenirs	$18,710,631	$813,506	24.1%	$165,415	14.8%
Clothing-- accessories	$6,214,599	$270,200	8.0%	$71,779	6.4%
Local Ground Transportation	$3,864,040	$168,002	5.0%	$60,593	5.4%
Childcare	$1,065,996	$46,348	1.4%	$12,681	1.1%
Overnight Lodging	$2,313,017	$100,566	3.0%	$11,739	1.1%
Other	$335,602	$14,591	0.4%	$5,222	0.5%
Resident Audience Expenditures	$77,741,210	$3,380,053	100.0%	$1,114,971	100.0%
NON- RESIDENTS					
Expenditure Items	Item Totals	Average	% of Total	Median	Medians as %
Refreshments/snacks	$9,702,462	$421,846	11.4%	$81,027	7.85%
Meals/drinks	$25,716,753	$1,118,120	30.3%	$401,488	38.89%
Gifts Souvenirs	$14,597,048	$634,654	17.2%	$146,406	14.18%
Clothing-- accessories	$5,210,324	$226,536	6.1%	$17,290	1.67%
Local Ground Transportation	$6,682,758	$290,555	7.9%	$121,814	11.80%
Childcare	$660,401	$28,713	0.8%	$8,028	0.78%
Overnight Lodging	$21,355,785	$928,512	25.1%	$253,506	24.55%
Other	$1,008,930	$43,867	1.2%	$2,918	0.28%
Non-Resident Audience Expenditures	$84,934,455	$3,692,802	100.0%	$1,032,477	100.00%

SOURCE: Arts and Economic Prosperity 5, Americans for the Arts, 2017. www.americansforthearts.org/economicImpact.

Table 4 shows the total, average and median annual expenditures for each audience spending category in these 23 towns. The table has two parts. The top part displays the results for audience members who are local residents; the bottom covers audience members who are not.

The results for the average smaller study area seem impressive: about $3.69 million from non-residents and roughly $3.38 million by residents. Expenditures for meals and drinks are $1.11 million and $1.39 million respectively. However, a more conservative approach is probably more prudent, since so many of the 23 study areas have below average audience spending and most other arts venues in similar communities are likely to be as well.

Table 5. Average and Median Per Person Audience Spending by Resident and Non-Resident Attendees to Nonprofit Arts and Cultural Events in 23 City/ Town Study Regions With Populations Under 25,000 During 2016 .

Expenditures for...	Means: Resident	Means: Non Resident	Medians: Resident	Medians: Non Resident
Hospitality	$12.57	$29.57	$10.70	$20.03
	62.0%	68.9%	61.7%	63.5%
Refreshments/snacks	$3.35	$4.42	$2.55	$2.78
Meals/drinks	$8.84	$13.52	$7.95	$11.12
Overnight Lodging	$0.38	$11.63	$0.20	$6.13
Retail Prone	$5.97	$8.36	$5.15	$7.24
	29.5%	19.5%	29.7%	23.0%
Gifts/Souvenirs	$4.54	$6.69	$4.12	$6.07
Clothing--accessories	$1.43	$1.67	$1.03	$1.17
Other Expenditures	$1.73	$5.01	$1.50	$4.27
	8.5%	11.7%	8.6%	13.5%
Local Ground Transp	$1.23	$4.00	$1.12	$3.75
Childcare	$0.35	$0.49	$0.29	$0.32
Other	$0.15	$0.52	$0.09	$0.20
Total Expenditures	$20.27	$42.94	$17.35	$31.54

SOURCE: Computed by NDM from data published in Arts and Economic Prosperity 5, Americans for the Arts, 2017. www.americansforthearts.org/economicImpact

Looking instead at the estimates of total spending based on medians shows significantly lower spending levels: the average median of total spending by non-residents is around $1.03 million and about $1.1 million by residents. Spending for meals and drinks is respectively estimated at $401,488 and $593,054.

The per person spending of audience members is analytically important since it enables an assessment of the significance of the audience expenditure levels. (See Table 5.) As might be expected, the table mirrors the patterns displayed in the aggregate category totals. Estimates of the total per person expenditures are very interesting. Expenditures for non-residents based on the means are $42.94 and $31.54 based on the medians. For residents, the estimates are $20.27 and $17.35 respectively. The per person spending for meals and drinks by non-residents averaged $13.52, with a median of $11.12, with residents averaging $8.84, and having a median of $7.95. To put some perspective on that spending level:

- In 2015, the average meal in the 22 largest family restaurant chains was around $28 per person. Red Lobster, for example, was at $20.50, Outback at $20.00 and Red Robin at $12.17[7].
- Bryant House, near the Playhouse in Weston, VT, in 2016 had seven entrees on its menu that ranged in price from $15 to $19[8].

- Roots, around the corner from the Paramount Theater in downtown Rutland, VT, in 2016 had several entrees all priced between $19 and $23[9].

This suggests that per person arts audience spending in these smaller communities is not relatively high. That means that to get any really significant level of aggregate audience expenditures, the arts venues must attract a significant number of admissions.

This is demonstrated in Table 6. For each expenditure item, it simply takes the total expenditures based on averages and total expenditures based on medians at the study area level and divides them by the daily average and the median at the per person spending level. This is done for resident and non-resident audiences combined. The resulting estimates are the number of audience spending days needed to generate the total expenditures at the study area level for each expenditure item.

Table 6. Needed Audience Spending Days to Achieve Study Area Category Expenditure Totals in 23 Towns With Populations Under 25,000

Expenditure Items	A) Per Person Arts Daily Exp $s*		B) Study Area Arts Exp $s**		C) Needed Spending Days	
	Mean	Median	Mean	Median	Mean	Median
Refreshments/snack	$3.55	$2.87	$944,326	$290,546	266,007	101,236
Meals/drinks	$10.20	$9.04	$2,308,105	$912,516	226,227	100,942
Gifts/Souvenirs	$5.06	$5.10	$1,281,819	$366,455	253,520	71,854
Clothing--accessories	$1.55	$1.09	$404,464	$122,014	261,164	111,939
Local Ground Trans	$2.00	$1.60	$444,731	$164,524	222,559	102,828
Childcare	$0.39	$0.33	$71,003	$19,522	181,856	59,158
Overnight Lodging	$3.69	$2.10	$1,016,836	$253,506	275,273	120,717
Other	$0.28	$0.26	$58,107	$21,844	204,352	84,015

Data sources: * AftA 2015 surveys; ** AftA 2016 surveys. B/A=C

Planners of new arts venues in smaller communities should keep these statistics in mind when assessing their potential economic impacts, as should downtowners when advocates for new arts projects come a-calling. Higher levels of arts audience spending days are more likely to be achieved if the downtown has more than one arts event venue. An arts/entertainment niche or district would be even better.

THE BIGGEST AUDIENCE EXPENDITURES GO TO FIRMS IN HOSPITALITY NICHES

Whether one looks at the average or median study area category totals or at the per person expenditure item estimates based either on mean or medians, the strategic implications for downtown revitalization leaders and their EDOs are clear:

- *The biggest POTENTIAL impacts of art event venues are through their audiences' POTENTIAL spending in hospitality type establishments – places that provide accommodations, food and drink. For example, per person expenditure items associated with a hospitality niche – refreshments and snacks, meals and drinks and overnight lodging accounted for an estimated 61.2 percent of total resident audience's spending based on study area averages and 71.7 percent with estimates based on medians; 66.8 percent and 71.3 percent respectively of the non-resident's expenditures.*
- *Meals and drinks are the biggest single expense items* (41.4 percent mean-based and 53.2 percent median based) for resident audience members and 30.3 percent and 38.9 percent respectively for the non-residents. So, *restaurants have the most opportunity to benefit from arts audience spending.* Overnight lodging is the second biggest expense item for non-residents. (These observations are from Table 4).
- *Audience spending for clothing is relatively meager. Downtown leaders should not expect such spending to help sustain their existing apparel shops or to stimulate their expansion or to attract new apparel shops.*
- *Arts audience spending for "gifts" may be significant. Unfortunately, their impact paths are not easy to research. Such expenditures may HELP attract art galleries, crafts shops, bookstores or gift shops that offer an array of such products. However, such spending pales in comparison to that for food, drink, and lodging.*

THE BOTTOM LINES FOR DOWNTOWNERS AND THEIR EDOS

- Impact studies on downtown arts event venues also should be designed to meet the information needs of other downtown stakeholders and their EDOs.
- The input-output models favored by economic impact analysts cannot produce information relevant to downtowner information needs about downtown arts venues.
- Impacts involve senders, receivers, and re-senders. It's very important to know their characteristics. The characteristics of receivers are especially important when looking at proposed projects because the receivers can have substantial influence on potential impacts.
- Impacts seldom occur in isolation: there are usually multiple senders (causes) and there are important interactions among these senders. Too many arts venue impact studies ignore this fact since they are so advocacy oriented.
- Determining the impacts of an existing arts project or program is much easier and more accurate than determining the impacts of one being proposed. The existing arts project can assemble a lot of hard data about its operations and audience that a proposed project will lack and need to rely instead on unreliable estimates.
- Potentially, these arts venues have two important economic causal channels for impacting other entities in their districts: the expenditures of the organizations that run these venues and the expenditures of the audiences that attend their events.
- Because the business mix in smaller downtowns usually is relatively thin, downtown businesses are unlikely to capture much of the arts organization's operating or capital improvement expenditures.
- The impacts of the arts events venues' audiences' expenditures on their downtowns are likely to be much more significant.

- To get a good grasp on the direct impacts of the arts organization's expenditures, simply look at its payments to vendors located in the downtown grouped by their NAICS codes.
- The best way to get reliable data about audience spending is to do a professionally designed intercept survey of arts events attendees that has a well-written questionnaire, is systematically distributed, and has many respondents. AftA's surveys are a good model to emulate.
- Per person arts audience spending in these smaller communities is not relatively high. That means that to get any really significant aggregate audience expenditures, the arts venues must attract a significant number of admissions. This is more likely to occur when more than one venue is present.
- AftA's survey data show that the biggest audience expenditures go to firms in hospitality niches – e.g., restaurants, snack bars, motels, B&Bs, etc.
- Expenditures for clothing are negligible, but those for gifts /souvenirs can be significant. That strongly suggests that the impacts of these arts events venues on the types of retail local residents are most likely to use and want – groceries, pharmacies, clothing shops, furniture stores, etc. -- will be relatively negligible. This situation can be the source of local political conflicts.
- However, these smaller town arts venues may have significant impact paths on the downtown that are outside of the realms of the expenditures of their organizations and audiences.
- For example, a cluster of such venues in an arts district may make both the downtown and its whole community much more attractive places to live, work, or visit. This greater residential magnetism will, in turn, mean more customers for retailers. Indeed, as what happened around the Lincoln Center for the Performing Arts in NYC demonstrated, it is through this causal path that the Center (along with other causal factors) had its strongest impact on nearby retailing. Unfortunately, these causal paths, are usually not looked at in arts venue impact studies, and on the few occasions when they are, the research is usually at a rather perfunctory level. These other causal paths are regularly related to the types of impact information that downtowners would really like to have.

ENDNOTES

[1] See the series of articles "Let's Get Real About the Arts as an Important Downtown Revitalization Tool" especially Part 1 http://www.ndavidmilder.com/2017/06/lets-get-real-about-the-arts-as-an-important-downtown-revitalization-tool-redux-part-1; http://www.ndavidmilder.com/2017/07/lets-get-real-about-the-impacts-of-the-arts-on-smaller-downtowns-the-arts-as-an-important-downtown-revitalization-tool-redux-part-2 ; http://www.ndavidmilder.com/2017/08/lets-get-real-about-the-potential-audiences-for-events-at-arts-venues-in-smaller-downtowns

[2] Baker Tilley. "Restaurant Benchmarks: Key performance indicators" http://www.bakertilly.com/uploads/restaurant-benchmarking.pdf

[3] SEH and DANTH, Inc. "Village of Sherwood: Downtown Market Analysis & Strategy. Final Report." 2012. http://www.ndavidmilder.com/wp-content/uploads/2012/05/Market-Strategy-FINAL.pdf

[4] Data on seating capacity and number of performances calculated from information on the theater's website http://www.countrygateplayers.org/

[5] Data extracted from Americans for the Arts. "Arts & Economic Prosperity 5." 2017. https://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5 This data set is analyzed in greater detail below.

[6] Ibid

[7] Ashley Lutz. "Here's how much it costs to eat at 22 chain restaurants". March 2015. Business Insider. http://www.businessinsider.com/how-much-it-costs-to-eat-at-resaurants-2015-3

[8] Menu accessed on the Bryant House website https://www.vermontcountrystore.com/file/general/restaurants-bryant-house-dinner-menu.pdf

[9] Menu accessed on the Roots website http://rootsrutland.com/menus/dinner/